

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2009

Summary

On November 5, 2009, the Board of Trustees approved a Spending Plan for Fiscal Year 2010 of \$991.3 million plus a \$3 million transfer to the State General Fund. This budget included \$992.3 million of revenue to cover \$994.3 million in expenses and transfers, yielding a \$2.0 million loss. The loss is a net result of the \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union, and a \$3.0 million transfer from University operating reserves to the State General Fund.

Financial results for the first six months of Fiscal Year 2010 reflected a number of different factors when compared to budget. Actual revenue totaled \$494.8 million or 49.9% of the budget. At the close of December, the University expenditures and transfers totaled \$474.7 million or 47.7% of the budget.

The net gain for the Operating Fund shown in this six month report is not indicative of expected annual results. Typically for the first six months, a greater percentage of the Operating Fund revenue budget is received compared to the expenditure pattern. The later than normal approval (November 5, 2009) of the Spending Plan by the Board of Trustees has resulted in the Other Expense and Equipment expense categories being under budget for the six month period. Also contributing to the net gain is the timing of the refill process for Retirement Incentive Plan (RIP) vacancies.

A more detailed review of the first six months of Fiscal Year 2010 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2010 were \$450.1 million which represented 49.7% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 51.2% of the annual budget. A major source of revenue, **State Support**, consisted of a \$115.6 million appropriation and a fringe benefit allotment of \$45.3 million. The State Support amount is consistent with the University's Biweekly Schedule of State Appropriation Transfers. State Support represented 35.8% of total Operating Fund receipts for the first six months.

Tuition collections were the second largest source of revenue, totaling \$115.0 million, which represented 25.6% of total Operating Fund receipts. Tuition receipts were 51.0% of the annual amount budgeted (\$225.5 million). Tuition revenue collections reflect a 6.0% rate increase coupled with a 0.7% increase in the number of undergraduate degree-seeking students who account for approximately 87.1% of budgeted tuition revenues. Tuition revenue is forecasted to be on budget.

Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off campus MBA, EMBA, etc.). Also included in this category is the General University Fee, which primarily supports four Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees

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and Late Payment Fees. The first six months Fee collections were slightly under budget at \$43.3 million or 49.4% of the amount budgeted.

Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2010 was \$83.3 million which represented 51.6% of the annual budgeted amount and was greater than projected for the period due to timing of Athletics receipts. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 6.0% and 7.0% respectively (\$63.0 million) and Athletic Department receipts (\$18.3 million).

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For the first six months of Fiscal Year 2010, Gifts, Grants and Contracts revenue of \$35.1 million, which included \$5.3 million from the UConn Foundation, was 44.9% of the annual budget and is slightly lower than expected at this point in the year.

Investment Income for the first two quarters of Fiscal Year 2010 was \$0.8 million. Interest rates continue to fall with the rate for December 2009 at 0.33% compared to 1.69% in December 2008. Investment income for the year is projected to be close to budget. Actual results will depend on interest rates and the University's cash balance through the second half of the fiscal year.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$11.7 million and were below budget. This is primarily due to the closing of self-supporting programs on campus.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first six months, Research Fund revenues were \$44.7 million and represented 52.1% of the amount budgeted. In Fiscal Year 2009, Research Fund revenues reported in the first six months totaled \$38.7 million and represented 52.5% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first six months of Fiscal Year 2010 were \$403.7 million or 47.4% of the annual budgeted amount. The spending pattern of the first two quarters of Fiscal Year 2009 reflected expenditures of 50.9% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

| | |
|-------------------|-------|
| Personal Services | 48.0% |
| Fringe Benefits | 49.2% |
| Other Expenses | 44.6% |
| Equipment | 41.1% |
| Student Aid | 49.1% |

Personal Services/Fringe Benefits represented 48.3% of the annual budgeted amount of \$535.6 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 38 less than the prior year and reflects the impact of the RIP offered by the state at the end of Fiscal Year 2009. Due to other vacancies created by the RIP and the amount of time it takes to refill positions, especially faculty, we anticipate this category to end the year under budget.

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Other Expenses (including energy costs) were \$86.0 million for the first six months and represented 44.6% of the amount budgeted. Energy expenditures are projected to be on budget for the year, but the first two quarters figures are less than expected due to timing of when payments were made. Other Expenses (excluding energy costs) were less than budget due to the delayed approval of the annual spending plan which delayed approval of various expenditures included in this category.

Equipment expenditures of \$8.7 million were 41.1% of the amount budgeted. This category was less than expected for the first two quarters due to the same timing issues that affected Other Expenses and it is anticipated that annual equipment expenditures will be under budget for the year.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first six months, Student Aid expenditures were \$50.3 million and represented 49.1% of the amount budgeted. This category is slightly ahead of the projection due to increased availability of restricted funds. This expenditure category is expected to be over budget due to the additional restricted funds and additional University support for Juniors and Seniors provided by the President.

Expenditures - Operating Fund Transfers

Transfers for the first two quarters were over budget at \$27.1 million or 48.3% of the amount budgeted and reflected transfers for bond and installment loan payments, payments for the capital lease for the cogeneration plant, and funding for construction and information technology projects. Transfers do not always follow a predictable pattern, especially in the first six months, so quarterly results or comparisons are not necessarily indicative of annual results.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$43.9 million and represented 51.1% of the budgeted amount. In Fiscal Year 2009, Research Fund expenditures and transfers reported in the first six months totaled \$42.6 million and represented 57.9% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

Enrollment

Total University enrollment for fall 2009 (excluding the Health Center) is up 0.4% from fall 2008 and undergraduate enrollment (degree and non-degree) is up 0.6%. The budget is based on these enrollment levels.

Fund Balance

The University's budget, which was approved on November 5, 2009 by the Board of Trustees, is projected to have a net loss of \$2.0 million for the fiscal year ended June 30, 2010, which results in a Current Funds Unrestricted Fund Balance of \$67.0 million (Operating Fund-\$46.8 million; Research Fund-\$20.2 million). The fund balance represents 7.8% of the current year's unrestricted expenditure budget. Also, in accordance with current University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditure in the current and future fiscal years. The Fiscal Year 2010 budget assumes a consistent level of departmental fund balances at June 30, 2010. Any variance from this assumption will affect the projected fund balance level at year-end.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses
For the Months Ending
12/31/2009

| | Operating Budget | | | | | Actual | | | | | |
|-------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|--|
| | Total | Research Fund | Operating Fund | | | Total | Research Fund | Operating Fund | | | |
| | | | E&G | Aux Ent | Subtotal | | | E&G | Aux Ent | Subtotal | |
| Revenues | | | | | | | | | | | |
| State Appropriations (1) | \$ 233,011,263 | \$ - | \$233,011,263 | \$ - | \$ 233,011,263 | \$ 115,649,708 | \$ - | \$115,649,708 | \$ - | \$ 115,649,708 | |
| State Allotment Fringe Benefits | 92,272,460 | - | 92,272,460 | - | 92,272,460 | 45,267,098 | - | 45,267,098 | - | 45,267,098 | |
| Total State Support | 325,283,723 | - | 325,283,723 | - | 325,283,723 | 160,916,806 | - | 160,916,806 | - | 160,916,806 | |
| Tuition | 225,474,935 | - | 219,035,615 | 6,439,320 | 225,474,935 | 115,009,124 | - | 108,827,702 | 6,181,422 | 115,009,124 | |
| Fees | 87,486,665 | - | 59,223,327 | 28,263,338 | 87,486,665 | 43,240,620 | - | 14,977,282 | 28,263,338 | 43,240,620 | |
| Grants & Contracts | 145,626,886 | 85,584,000 | 59,364,231 | 678,655 | 60,042,886 | 74,427,327 | 44,615,954 | 29,277,096 | 534,277 | 29,811,373 | |
| Foundation | 18,150,837 | 10,000 | 9,644,337 | 8,496,500 | 18,140,837 | 5,321,934 | 17,729 | 4,065,585 | 1,238,620 | 5,304,205 | |
| Investment Income | 1,145,249 | - | 1,095,249 | 50,000 | 1,145,249 | 749,058 | - | 711,281 | 37,777 | 749,058 | |
| Sales and Services of Ed Activities | 17,119,450 | 84,000 | 17,035,450 | - | 17,035,450 | 6,015,955 | 12,714 | 6,003,241 | - | 6,003,241 | |
| Auxiliary Enterprise | 161,462,091 | - | - | 161,462,091 | 161,462,091 | 83,318,019 | - | - | 83,318,019 | 83,318,019 | |
| All Other Sources | 10,534,081 | 126,000 | 10,408,081 | - | 10,408,081 | 5,777,833 | 44,265 | 5,728,948 | 4,620 | 5,733,568 | |
| Total Revenues | \$ 992,283,917 | \$ 85,804,000 | \$ 701,090,013 | \$ 205,389,904 | \$ 906,479,917 | \$ 494,776,676 | \$ 44,690,662 | \$ 330,507,941 | \$ 119,578,073 | \$ 450,086,014 | |
| Expenses | | | | | | | | | | | |
| Personal Services | \$ 438,182,567 | \$ 41,155,000 | \$ 343,762,420 | \$ 53,265,147 | \$ 397,027,567 | \$ 211,734,775 | \$ 21,275,555 | \$ 164,850,479 | \$ 25,608,741 | \$ 190,459,220 | |
| Fringe Benefits | 148,174,172 | 9,547,000 | 118,554,742 | 20,072,430 | 138,627,172 | 73,408,971 | 5,234,914 | 58,728,429 | 9,445,628 | 68,174,057 | |
| Other Expenses | 218,368,663 | 25,514,000 | 110,380,635 | 82,474,028 | 192,854,663 | 99,373,829 | 13,408,466 | 47,329,779 | 38,635,584 | 85,965,363 | |
| Equipment | 26,223,840 | 4,938,000 | 19,658,965 | 1,626,875 | 21,285,840 | 9,741,159 | 1,002,380 | 8,225,805 | 512,974 | 8,738,779 | |
| Fixed Charges/Student Aid | 103,748,242 | 1,150,000 | 92,211,737 | 10,386,505 | 102,598,242 | 50,808,194 | 480,652 | 44,925,965 | 5,401,577 | 50,327,542 | |
| Total Expenses | \$ 934,697,484 | \$ 82,304,000 | \$ 684,568,499 | \$ 167,824,985 | \$ 852,393,484 | \$ 445,066,928 | \$ 41,401,967 | \$ 324,060,457 | \$ 79,604,504 | \$ 403,664,961 | |
| Transfers | | | | | | | | | | | |
| Debt Service | 20,724,427 | \$ - | \$ 7,947,508 | \$ 12,776,919 | \$ 20,724,427 | \$ 12,333,603 | \$ - | \$ 5,548,061 | \$ 6,785,542 | \$ 12,333,603 | |
| Non Mandatory | 35,832,006 | \$ 3,500,000 | \$ 7,544,006 | \$ 24,788,000 | \$ 32,332,006 | \$ 14,285,807 | \$ 2,477,553 | \$ 2,974,850 | \$ 8,833,405 | \$ 11,808,255 | |
| Reserves to State General Fund | 3,000,000 | \$ - | \$ 3,000,000 | \$ - | \$ 3,000,000 | \$ 3,000,000 | \$ - | \$ 3,000,000 | \$ - | \$ 3,000,000 | |
| Total Expense/Transfer | \$ 994,253,917 | \$ 85,804,000 | \$ 703,060,013 | \$ 205,389,904 | \$ 908,449,917 | \$ 474,686,339 | \$ 43,879,520 | \$ 335,583,368 | \$ 95,223,451 | \$ 430,806,819 | |
| Net Gain (Loss) | \$ (1,970,000) | \$ - | \$ (1,970,000) | \$ - | \$ (1,970,000) | \$ 20,090,337 | \$ 811,143 | \$ (5,075,427) | \$ 24,354,622 | \$ 19,279,194 | |

(1) State Appropriation - HB 6802 \$235,292,115
Reduction - 9/22/09 (2,280,852)
Adjusted Appropriation \$233,011,263

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FY 2010 Estimated Annual Changes in Unrestricted Net Assets (Unaudited)

| | Operating Fund | Research Fund | Subtotal | Other Funds | Total |
|--|----------------------|----------------------|----------------------|-------------------------|-------------------------|
| Net Assets, 6/30/09 (Unaudited) | | | | | |
| Restricted | \$ 14,408,199 | \$ 738,406 | \$ 15,146,605 | \$ 1,253,299,157 | \$ 1,268,445,762 |
| Unrestricted | 48,763,142 | 20,207,455 | 68,970,597 | 78,178,014 | 147,148,611 |
| Total Net Assets | \$ 63,171,341 | \$ 20,945,861 | \$ 84,117,202 | \$ 1,331,477,171 | \$ 1,415,594,373 |

Unrestricted Revenues & Expenditures/Debt Service FY 2010

| | Operating Fund | Research Fund | Subtotal | Other Funds | | Total |
|--------------------------------|-----------------------|------------------|-----------------------|--|----------------------------------|----------------------|
| | | | | Internally Designated for Retirement of Indebtedness | Unexpended Plant Funds | |
| Revenues | \$843,941,771 | \$19,117,000 | \$863,058,771 | \$ 16,000 | \$ - | \$863,074,771 |
| Transfers In | - | - | - | 20,724,427 ^A | 35,832,006 ^A | 56,556,433 |
| Subtotal | \$843,941,771 | \$19,117,000 | \$863,058,771 | \$ 20,740,427 | \$ 35,832,006 | \$919,631,204 |
| Expenditures/Debt Service | \$786,855,338 | \$18,617,000 | \$805,472,338 | 20,740,427 | \$ 21,267,913 | \$847,480,678 |
| Transfers Out | 56,056,433 | 500,000 | 56,556,433 | - | - | 56,556,433 |
| Transfer to State General Fund | 3,000,000 | - | 3,000,000 | - | - | 3,000,000 |
| Subtotal | \$845,911,771 | \$19,117,000 | \$865,028,771 | \$ 20,740,427 | \$ 21,267,913 | \$907,037,111 |
| Net Increase (Decrease) | \$ (1,970,000) | \$ - | \$ (1,970,000) | \$ - | \$ 14,564,093^B | \$ 12,594,093 |

Estimated Unrestricted Net Assets

| | | | | | | |
|--|----------------------|----------------------|-------------------------------|----------------------|-------------------------|-----------------------|
| Non-spendable | \$ 5,726,381 | \$ - | \$ 5,726,381 | \$ - | \$ - | \$ 5,726,381 |
| Committed | - | - | - | - | 18,484,344 | \$ 18,484,344 |
| Assigned | 43,036,761 | 20,207,455 | 63,244,216 | 36,205,157 | 23,488,513 | 122,937,886 |
| Unrestricted Net Assets 6/30/09 (Unaudited) | 48,763,142 | 20,207,455 | 68,970,597^C | 36,205,157 | 41,972,857 | 147,148,611 |
| Projected Operating Change-Assigned | (1,970,000) | - | (1,970,000) | - | - | (1,970,000) |
| Projected Non-Operating Change-Committed | - | - | - | - | 14,564,093 ^B | 14,564,093 |
| Estimated Unrestricted Assets 6/30/10 | \$ 46,793,142 | \$ 20,207,455 | \$ 67,000,597 | \$ 36,205,157 | \$ 56,536,950 | \$ 159,742,704 |

^A Represents transfers from operating and research funds for debt service and capital projects.

^B Primarily represents funding for auxiliary projects. The University has a policy that a departmentally funded construction project does not begin unless the funding has been identified and transferred to plant funds. For Residential Life projects the window of opportunity to actually complete many repairs and renovations is limited as many projects cannot be done while students are occupying the buildings. Board action is anticipated before year-end.

^C Board of Trustees reserve policy is 90 days of current fund expenditures. The current balance represents approximately 31 days.

Note regarding Assigned Unrestricted Net Assets:

~Under provisions of the UCONN 2000 indentures, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition.

~The Research Fund is primarily generated by grant overhead (IDC) and the funds are designated to the Research Foundation, schools/colleges/departments and individual principal investigator.

~The University has traditionally been very conservative with regard to savings for debt obligations, maintaining funds at a level of approximately 1.75 times our annual debt payments.

~Departmental generated funds come from self-supporting fee based (not tuition) instructional programs.

~Unexpended plant funds includes cash resources for capital projects approved by the B&G Committee or the Board of Trustees for Auxiliary Enterprise operations as well as funds set aside to address on-going code related corrective action.