

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Nine Months Ended March 31, 2007

Summary

On September 26, 2006, the Board of Trustees approved a revised Spending Plan for Fiscal Year 2007 of \$856.0 million. The original Spending Plan was updated with final State fringe benefit rates and the Research Fund budget, Investment Income, and Operating Fund Gifts, Grants and Contracts were revised to reflect activity more consistent with Fiscal Year 2006 closeout. This updated budget includes \$855.0 million of revenue to cover \$856.0 million in expenses, yielding a \$1.0 million net loss. This net loss is comprised of a \$1.0 million gain representing the reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union and a budgeted \$2.0 million loss in Auxiliary Enterprises due to increased energy costs.

Financial results for the first nine months of Fiscal Year 2007 reflect a number of different factors when compared to budget. Overall, revenue was ahead of budget. Actual revenue totaled \$714.7 million or 83.6% of the budget. At the close of March, the University expenditures and transfers totaled \$629.3 million or 73.5% of the budget. Energy expenditures continue to be significantly under budget while student aid expenditures are projected to be over budget. For the fiscal year-end, a net gain of \$1.0 million is projected which represents the reserve repayment. Anticipated energy savings will eliminate the budgeted loss in Auxiliary Enterprises and also offset the projected overage in student financial aid.

The net gain for the Operating Fund shown in this nine month report is not indicative of expected annual results, as more Operating Fund revenue is typically received in the first and second quarters of the fiscal year while expenditures are more evenly distributed throughout the year.

Actual results at March 31, 2007 include certain accounting accruals and adjustments. Prior to Fiscal Year 2006, these accruals and adjustments were only recorded at the end of the fiscal year. Although they have always been a component in our projections, the affect of these accruals and adjustments can distort comparisons with pre Fiscal Year 2006 results at March 31st.

A more detailed review of the first nine months of Fiscal Year 2007 operations is presented below.

Revenues – Operating Fund

Total **Operating Fund** revenue collections for the first nine months of Fiscal Year 2007 were \$665.4 million which represented 84.8% of the annual budget. A major source of revenue, **State Support**, consisted of a \$170.7 million appropriation and a fringe benefit allotment of \$64.9 million. State Support represented 35.4% of total Operating Fund receipts for the first nine months. The end-of-year forecast is a positive variance of \$3.2 million, which is due, in part, to support specifically earmarked under the State Early Retirement Incentive Program (ERIP) to cover the second of three payments to retired employees for their accrued sick and

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vacation time. There is also additional funding for a settled collective bargaining agreement that was not included in the State appropriation.

Tuition collections were the second largest source of revenue, totaling \$177.6 million, which represented 26.7% of total Operating Fund receipts. Tuition receipts were 98.9% of the annual amount budgeted (\$179.6 million) which is consistent with recent experience. Tuition revenue collections reflect a 5.9% rate increase coupled with a 1.8% increase in the number of undergraduate degree-seeking students who account for approximately 86.9% of budgeted tuition revenues. Tuition income is projected to end this fiscal year 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 and Late Payment Fees. The first nine months Fee collections were \$65.4 million or 91.6% of the amount budgeted. Fee revenue is ahead of budget at this point in time and is expected to be \$1.1 million over budget for the year.

Auxiliary Enterprise Revenue for the first three quarters of Fiscal Year 2007 was \$118.9 million which represented 89.8% of the annual budgeted amount and was slightly under budget, although it is expected to be on budget by year end. Auxiliary revenue consisted primarily of Room and Board Fees (\$96 million) and Athletic Department receipts (\$20 million).

The remaining revenue categories are (1) Grants and Contracts (non-research), (2) Investment Income, (3) Sales and Services of Educational Activities, and (4) Other Sources (primarily parking, transit fee, and rental income).

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 three quarters of Fiscal Year 2007, Gifts, Grants and Contracts revenue of \$40.2 million, which included \$7.1 million from the UConn Foundation, was 64% of the annual budget. This category is expected to come in on budget.

Investment Income has exceeded the budget for the first three quarters of Fiscal Year 2007 with revenues of \$8.4 million. Interest rates continue to climb with the rate for March 2007 at 5.38% compared to 4.64% in March 2006. The projected investment income for the year is \$9.6 million or \$0.5 million ahead of budget. Actual results will depend on interest rates and the University's cash balance.

Sales and Services of Educational Activities and Other Sources revenue totaled \$19.2 million for the first nine months, slightly more than the budgeted amount. These categories are projected to be on budget at the end of the year.

Revenues – Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first three quarters, Research Fund revenues were \$49.3 million and represented 70.4% of the amount budgeted. In Fiscal Year 2006, Research Fund revenues

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reported in the first three quarters totaled \$51.8 million and represented 63.7% of the amount budgeted. As noted above, the Research Fund budget was revised in September to reflect activity consistent with Fiscal Year 2006 actual results.

Expenditures/Transfers

Total Operating Fund expenditures and transfers for the first nine months of Fiscal Year 2007 were \$578.6 million or 73.6% of the annual budgeted amount, which is consistent with the historical spending pattern. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	72.4%
Fringe Benefits	76.4%
Other Expenses	66.9%
Equipment	82.8%
Student Aid	102.3%
Transfers	49.7%

Personal Services/Fringe Benefits are less than budget for the first three quarters. The Fiscal Year 2007 Operating Fund budget for personal services and fringe benefits was \$485.8 million. This category is projected to be under budget for the fiscal year. As a result of internal reallocations, the University was able to identify resources to fund a net increase of 13 full-time faculty (based on the IPEDS federal reporting standard). The hiring of the additional full-time faculty is part of the on-going effort to meet the course coverage demands of increased undergraduate enrollment. Even with the additional faculty, the student-to-faculty ratio has remained essentially constant. The University was appropriated funding for the Center for Entrepreneurship (\$2.0 million) and the Eminent Faculty (\$2.0 million) programs. Both of these programs will require a significant investment in personnel. However, the uncertainty regarding the funds being permanently added to the University's appropriation has resulted in slower than projected hiring. Any unspent funds will carry forward to Fiscal Year 2008 and be designated for these programs.

Other Expenses (including energy costs) are expected to be under budget. Energy expenditures are projected to be under budget primarily due to lower natural gas prices and because we are realizing efficiencies with the Cogeneration plant. Also, after the Spending Plan was presented to the Board of Trustees the University finalized negotiations with Connecticut Natural Gas which locked in rates lower than the rates used to build the energy budget. However, these savings will be partially offset by the electric rate increase (8%-19% for commercial users) effective in January 2007 for those parts of the University not connected to the Cogeneration plant.

As of March 31, 2007, **Equipment** expenditures of \$8.1 million were 82.8% of the amount budgeted and represented 1.4% of the operating expenditures. Expenditures for the first three quarters were ahead of budget primarily due to unliquidated Fiscal Year 2006 encumbrances. As a result, equipment expenditures are anticipated to exceed the budget by approximately \$1.0 million for the year.

Student Aid funds are predominantly spent in the first and third quarter of the fiscal year. As stated at the Board of Trustees meeting on November 14, 2006, it was anticipated that

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additional funds would need to be allocated for need-based financial aid. At present, the student financial aid projection for this fiscal year is \$76.3 million or \$4.3 million over budget. The overage will be covered with additional funds from state and federal sources (\$1.7 million) and the projected energy savings.

The **Transfers** line reflects transfers to Plant Funds for various building improvements, including code-related corrective action in keeping with the budget approved by the Board of Trustees in June. Transfers also include bond and installment loan payments as well as payments for the capital lease for the cogeneration plant.

Finally, **Research Fund** expenditures and transfers totaled \$50.7 million and represented 72.3% of the budgeted amount. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

Enrollment

Total University enrollment for fall 2006 (excluding the Health Center) is up 1.4% from fall 2005. First semester freshmen enrollment is up 3.2% from fall 2005; however, total undergraduate enrollment (degree and non-degree) is up only 1.3%. The current year budget was based on a projected 1.9% increase in total University enrollment and a projected 2.6% increase in undergraduate enrollment.

Cash Balance

The March 31, 2007 current funds cash balance was \$137.6 million, \$14.7 million less than March 2006 which was \$152.3 million. The current funds cash balance reflected the collection of 83.6% of budgeted revenue while total expenditures and transfers were 73.5% of budget. The cash balance is expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the March 31, 2007 cash balance represented 16.1% of the annual expenditure budget as compared to 18.9% one-year ago. Based on historical trends, the year-end cash balance will be below last year's year-end cash balance of \$96.4 million.

Fund Balance

The University is currently projected to have a net gain of \$1.0 million which represents the reserve repayment for the fiscal year ended June 30, 2007, which results in a Current Funds Unrestricted Fund Balance of \$47.2 million (Operating Fund-\$29.6 million; Research Fund-\$17.6 million). As noted above, it is not anticipated that the University will completely expend the appropriated funding for the Center for Entrepreneurship and Eminent Faculty programs. Any unspent funds will be carried forward to Fiscal Year 2008 and be designated for these programs. This may result in a temporary increase in the University's current funds unrestricted fund balance at year end. The fund balance represents 6.2% of the current year's unrestricted expenditure budget. Also, in accordance with standard 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 2007 budget assumes a consistent level of departmental fund balances at June 30, 2007. 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 (a)
For the Nine Months Ending 3/31/2007

	Operating Budget					Nine Months Actual w/accruals,etc - 3/31/07							
	GRAND TOTAL	RESEARCH FUND	OPERATING FUND			GRAND TOTAL	RESEARCH FUND	% of Budget	OPERATING FUND			% of Budget	% of Actl
			E&G	Aux Ent	Subtotal				E&G	Aux Ent	Subtotal		
REVENUE													
State Appropriations	\$221,787,561		\$221,787,561		\$221,787,561	\$170,384,126			\$170,384,126		170,384,126	76.8%	25.6%
State Allotment Fringe Benefits	83,499,631		83,499,631		83,499,631	64,753,862			64,753,862		64,753,862	77.5%	9.7%
Subtotal FY07 State Support	305,287,192		305,287,192		305,287,192	235,137,988			235,137,988		235,137,988	77.0%	35.3%
FY06 Carryforward-PS	350,000		350,000		350,000	350,000			350,000		350,000	100.0%	0.1%
FY06 Carryforward-FB	134,855		134,855		134,855	134,855			134,855		134,855	100.0%	0.0%
Total State Support	305,772,047		305,772,047		305,772,047	235,622,843			235,622,843		235,622,843	77.1%	35.4%
Tuition	179,568,419	0	175,415,983	4,152,436	179,568,419	177,641,482	0		173,489,046	4,152,436	177,641,482	98.9%	26.7%
Fees	71,426,839	0	50,531,898	20,894,941	71,426,839	65,421,621	0		44,283,274	21,138,347	65,421,621	91.6%	9.8%
Grants & Contracts	112,394,036	69,041,707	42,876,329	476,000	43,352,329	82,272,420	49,114,051	71.2%	32,809,064	349,305	33,158,369	92.8%	5.0%
Foundation	19,932,679	350,000	6,830,826	12,751,853	19,582,679	7,109,504	57,770	16.5%	4,749,925	2,301,809	7,051,734	79.0%	1.1%
Investment Income	9,141,000	0	9,141,000	0	9,141,000	8,424,654	0		8,325,981	98,673	8,424,654	92.2%	1.3%
Sales and Services of Ed Activities	14,135,000	525,000	13,610,000	0	13,610,000	10,670,405	83,375	15.9%	10,587,030	0	10,587,030	77.8%	1.6%
Aux Enterprise Revenue	132,352,992	0	0	132,352,992	132,352,992	118,912,779	0		0	118,912,779	118,912,779	89.8%	17.9%
Other Sources	10,266,902	125,000	10,141,902	0	10,141,902	8,640,100	72,342	57.9%	8,531,893	35,865	8,567,758	84.5%	1.3%
TOTAL REVENUE	854,989,914	70,041,707	614,319,985	170,628,222	784,948,207	\$714,715,808	\$49,327,538	70.4%	\$518,399,056	\$146,989,214	\$665,388,270	84.8%	100.0%
DISBURSEMENTS/TRANS:													
Personal Services	403,662,854	36,062,712	321,327,906	46,272,236	367,600,142	291,527,516	25,265,899	70.1%	232,484,155	33,777,462	266,261,617	72.4%	46.0%
Fringe Benefits	126,537,320	8,294,424	101,559,709	16,683,187	118,242,896	96,088,934	5,765,457	69.5%	78,300,561	12,022,916	90,323,477	76.4%	15.6%
Other Expenses	205,141,214	20,143,657	109,871,045	75,126,512	184,997,557	140,879,704	17,143,316	85.1%	69,598,913	54,137,475	123,736,388	66.9%	21.4%
Equipment	14,309,394	4,540,914	6,335,302	3,433,178	9,768,480	9,829,903	1,737,437	38.3%	6,198,897	1,893,569	8,092,466	82.8%	1.4%
Fixed Charges/Student Aid (b)	72,979,516	1,000,000	63,179,516	8,800,000	71,979,516	74,259,736	617,712	61.8%	65,318,594	8,323,430	73,642,024	102.3%	12.7%
Total Expenditures	822,630,298	70,041,707	602,273,478	150,315,113	752,588,591	612,585,793	50,529,821		451,901,120	110,154,852	562,055,972	74.7%	97.1%
Mandatory	24,351,057	0	11,037,499	13,313,558	24,351,057	13,070,145	37,010		6,124,651	6,908,484	13,033,135	53.5%	2.3%
Non Mandatory	9,015,254	0	-	9,015,254	9,015,254	3,649,461	87,862		(3,179,939)	6,741,539	3,561,600	39.5%	0.6%
Total Expense/Transfer	855,996,609	70,041,707	613,310,977	172,643,925	785,954,902	629,305,399	50,654,692	72.3%	454,845,832	123,804,875	578,650,707	73.6%	100.0%
NET GAIN(LOSS)	(\$1,006,695)	\$0	\$1,009,008	(\$2,015,703)	(\$1,006,695)	\$85,410,408	(\$1,327,155)		\$63,553,224	\$23,184,339	\$86,737,563		
NET INC(DEC) CASH BALANCE						\$41,144,967							
CASH BALANCE 6/30/06						\$96,429,640							
CASH BALANCE 03/31/2007						\$137,574,607							

(a) Budgeted and actual revenues and expenditures represent accrual basis, excepting compensated absences which will be accrued at fiscal year end, rather than cash expenditures.

(b) An additional \$1.9 million of Student Labor Financial Aid is included in the Personal Services Line.

UNAUDITED

UNIVERSITY OF CONNECTICUT
Projection of Changes in Net Assets - All Funds
For the Year Ended June 30, 2007

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
Revenues and Expenditures, 6/30/2007					
Revenue	\$ 784,948,206	\$ 70,041,707	\$ 854,989,913	\$ 189,990,032	\$ 1,044,979,945
Expenditures and Transfers	785,954,901	70,041,707	855,996,608	176,324,845	1,032,321,453
Net Increase (Decrease)	\$ (1,006,695)	\$ -	\$ (1,006,695)	\$ 13,665,188	\$ 12,658,493
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Net Assets, 6/30/06 (Unaudited)					
Restricted and invested in capital assets, net of related debt	\$ 11,299,630	\$ (26,553)	\$ 11,273,077	\$ 1,278,040,479	\$ 1,289,313,556
Unrestricted	28,582,235	17,646,739	46,228,973	48,109,094	94,338,067
Total, 6/30/06	\$ 39,881,865	\$ 17,620,186	\$ 57,502,050	\$ 1,326,149,573	\$ 1,383,651,623
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Compensated Absences Liability, 6/30/06	\$ 23,262,901				
Change at 6/30/07					
Restricted and invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 9,198,678	\$ 9,198,678
Unrestricted	(1,006,695)	-	(1,006,695)	4,466,509	3,459,814
Subtotal, 6/30/07	\$ (1,006,695)	\$ -	\$ (1,006,695)	\$ 13,665,188	\$ 12,658,493
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Net Assets, 6/30/07					
Restricted and invested in capital assets, net of related debt	\$ 11,299,630	\$ (26,553)	\$ 11,273,077	\$ 1,287,239,157	\$ 1,298,512,234
Unrestricted	27,575,540	17,646,739	45,222,278	52,575,603	97,797,881
Total, 6/30/07	\$ 38,875,170	\$ 17,620,186	\$ 56,495,355	\$ 1,339,814,760	\$ 1,396,310,116
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Compensated Absences Liability, 6/30/07	\$ 21,962,900				