

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2009

Results of Annual Operations

The enclosed report comparing the Operating and Research Funds actual results to budget for the twelve month period ended June 30, 2009 reflects unaudited figures and is subject to additional year-end accounting and audit adjustments.

On September 23, 2008, the Board of Trustees approved a Revised Spending Plan for Fiscal Year 2009 of \$938.3 million. This budget included \$939.3 million of revenue to cover \$938.3 million in expenses, yielding a \$1.0 million net gain. The net gain is the \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union.

The University ended the year with an unrestricted Operating Budget gain of \$4.3 million (Operating Fund \$2.3 million and Research Fund \$2.0 million) and a restricted gain of \$0.5 million (Operating Fund \$0.2 million and Research Fund \$0.3 million). The Operating Fund unrestricted net gain of \$2.3 million was slightly more than anticipated primarily due to additional tuition and fee revenue as a result of higher enrollment than budgeted. There were more auxiliary revenues than budgeted because the higher enrollment resulted in greater housing occupancy and meal plan consumption. An analysis of the results of operations for various categories of accounts is presented below.

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Total</u>
Unrestricted	\$2.3	\$2.0	\$4.3
Restricted	<u>0.2</u>	<u>0.3</u>	<u>0.5</u>
Total	\$2.5	\$2.3	\$4.8

Revenues - Operating Fund

Total **Operating Fund** revenue collections for Fiscal Year 2009 were \$879.1 million which represented 101.5% of the annual budget. Last fiscal year, Operating Fund revenue collections represented 101.3% of the annual budget. A major source of revenue, **State Support**, consisted of a \$238.8 million appropriation and a fringe benefit allotment of \$88.9 million. State Support represented 37.3% of total Operating Fund receipts for the year. On June 24, 2008, the Governor issued a directive which reduced the Fiscal Year 2009 State appropriation allotment by \$6.7 million or 3%; associated fringe benefit support was also reduced by \$2.7 million for a total of \$9.4 million. This rescission and the anticipated reduction in collective bargaining support from the State's Reserve for Salary Adjustment account of approximately \$2.7 million (includes estimated fringe benefits) were reflected in the Revised Spending Plan for Fiscal Year 2009. Since the spending plan was revised in September, the Governor reduced the allotment by \$0.2 million (including fringe benefits) on December 17, 2009 and reduced the allotment by \$6.1 million (including fringe benefits) on March 30, 2009. Other adjustments to the allotment included \$0.2 million of additional funds as a result of a settled maintainers contract and \$0.8 million less due to a state mandated furlough day. The State Support amount also includes the year-end payroll accrual.

University of Connecticut (Storrs & Regional Campuses)

Tuition collections were the second largest source of revenue, totaling \$210.3 million, which represented 23.9% of total Operating Fund receipts. Tuition receipts were 103% of the annual amount budgeted (\$204.2 million). Tuition revenue collections reflect a 5.6% rate increase coupled with a 2.7% increase in the number of undergraduate degree-seeking students who account for approximately 86.6% of budgeted tuition revenues. The revised Board of Trustee budget was only based on a 1.6% increase in undergraduate degree-seeking students. Therefore, tuition revenue was greater than budgeted due to higher enrollment than expected.

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 Fee collections were \$82.9 million or 100.3% of the amount budgeted. This category was more than budgeted primarily due to the higher enrollment mentioned above, but was offset by fewer than projected students in fee based self-supporting academic programs.

Auxiliary Enterprise Revenue for Fiscal Year 2009 was \$152.4 million which represented 108.6% of the annual budgeted amount and was ahead of budget due to a greater amount of students housed and more meal plans than anticipated. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 8.3% and 6.3% respectively (\$113.8 million) and Athletic Department receipts (\$34.8 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 Fiscal Year 2009, Gifts, Grants and Contracts revenue of \$74.0 million, which included \$18.5 million from the UConn Foundation, was 97.3% of the annual budget. The University has received additional federal financial aid, but this category is less than the budget due to slower implementation of the federally funded Teach Grant and less funds transferred from the Foundation for Athletics than expected.

Investment Income was \$1.3 million less than the budget for the year with revenues of \$4.1 million. Interest rates in the State Treasurer's STIF dropped to 0.54% by the end of the fiscal year. The average interest rate for Fiscal Year 2009 was 1.47% compared to 4.0% for Fiscal Year 2008.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$27.6 million and were close to budget for the year.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. Fiscal Year 2009 Research Fund revenues were \$80.6 million and represented 109.3% of the amount budgeted as compared to \$72.9 million and 105.2% of the amount budgeted in Fiscal Year 2008. This category was ahead of budget due to an additional \$2 million from the Federal American Recovery and Reinvestment Act and a higher utilization of NIH and NSF grants. These increased revenues have supported research in the Institute of

University of Connecticut (Storrs & Regional Campuses)

Materials Science, the Center for Health, Intervention and Prevention, Psychology, and selected areas of science in the College of Liberal Arts and Sciences and the School of Engineering. The unrestricted fund balances of the aforementioned departments have also seen an increase as a result of increased recovery of facilities and administrative costs.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for Fiscal Year 2009 were \$830.3 million or 100.7% of the annual budgeted amount. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	99.9%
Fringe Benefits	97.5%
Other Expenses	103.9%
Equipment	123.5%
Student Aid	99.9%

Personal Services/Fringe Benefits represented 99.3% of the annual budgeted amount of \$543.8 million and was close to budget. The University was able to identify resources to fund a net increase of 30 full-time faculty defined by 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. This category was on target because the University experienced a slower attrition rate than expected and hiring was limited to only essential positions due to the reductions in State Support.

Other Expenses (including energy costs) were \$185.1 million and represented 103.9% of the amount budgeted. Energy expenditures were slightly over budget partially due to increased non-cogeneration gas consumption. Other Expenses (excluding energy costs) were ahead of budget due to two contributing factors. Library acquisitions which were classified as prepaids at June 30, 2008 are now included in actual expenditures. Also, there were additional academic and auxiliary enterprise expenses due to the higher enrollment.

Equipment expenditures of \$14.8 million were 123.5% of the amount budgeted and were ahead of budget for the year due to an upgrade to the Student Administration System and continued implementation of the Human Capital Management System. In prior years, UCONN 2000 was the primary fund source for information technology equipment purchases.

Student Aid was \$90.4 million and represented 99.9% of the amount budgeted. This category was close to budget for the year. While the University received additional federal aid for Pell Grants, there was a slower implementation of the federally funded Teach Grant than expected.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects transfers to Plant Funds for various building improvements, code related corrective action and bond and installment loan payments as well as payments for the capital lease for the cogeneration plant. Transfers were over budget by \$6.1 million due to anticipated property acquisitions.

University of Connecticut (Storrs & Regional Campuses)

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$78.2 million and represented 106.1% of the budgeted amount which tracks with the additional revenue noted above. Research Fund transfers included funds for faculty start-up equipment. In Fiscal Year 2008, Research Fund expenditures and transfers reported totaled \$74.5 million and represented 107.5% of the budgeted amount.

Enrollment

Total University enrollment for fall 2008 (excluding the Health Center) was up 2.4% from fall 2007. First semester freshmen enrollment was up 12.3% from fall 2007 and total undergraduate enrollment (degree and non-degree) was up 2.5%. The current year budget was based on a projected 1.2% increase in total University enrollment and a projected 1.6% increase in undergraduate enrollment.

Cash Balance

The June 30, 2009 current funds cash balance was \$118.1 million, \$5 million more than June 2008 which was \$113.1 million. The current funds cash balance reflected the collection of 102.2% of budgeted revenue while total expenditures and transfers were 101.8% of budget. Also, the June 30, 2009 cash balance represented 12.4% of the annual expenditures and transfers as compared to 12.5% one-year ago.

Fund Balance

The University has a combined net gain of \$4.8 million for the fiscal year ended June 30, 2009, which is comprised of a \$4.3 million unrestricted net gain and a \$0.5 million restricted net gain. This results in a Current Funds Unrestricted Fund Balance of \$69.0 million (Operating Fund-\$48.8 million; Research Fund-\$20.2 million). The unrestricted fund balance represented 8.4% of the Fiscal Year 2009 unrestricted expenditure budget (\$823.7 million) or, alternatively stated, 30.6 days' worth of operations.

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 2009 revised budget assumed a consistent level of departmental fund balances at June 30, 2009. However, in anticipation of additional statewide budget reductions and the Governor's directives, departmental fund balances were greater than Fiscal Year 2008. The \$69 million fund balance represents the funds and inventory remaining in these accounts: the Research Fund (designated for research); the Auxiliary Operations (residential, dining, health, student activities and recreational services); and Departmental accounts (self-supporting fee-based instructional programs such as Continuing Studies and MBA).

The fund balances, while not all technically encumbered, are committed in a more generic sense. First of all, funds may be held in a departmental account in anticipation of expenditure such as start-up costs for a new researcher. Second, under the provisions of UCONN 2000, the University is required to maintain a Renewal and Replacement Fund to keep projects in

University of Connecticut (Storrs & Regional Campuses)

sound operating condition; the fund balance serves this purpose under the Master Indenture. Third, these amounts include inventory.

The fund balance is our operating capital and reserve for programs and activities that generate revenue and are not supported by state appropriation or tuition funds. We borrow from the fund balance to pay our bills when necessary. For example, in Fiscal Year 2004, the University did not receive \$13.4 million in state fringe benefit support until June—the very end of the fiscal year. In Fiscal Year 2005, the first quarter allotment of our entire appropriation did not arrive until September 28th—two days before the close of the fiscal quarter. Another example: the state generally informs us of changes in fringe benefit rates after the fiscal year has started, and frequently the increases have a significant fiscal impact. The fund balance allows us to manage these dislocations without disrupting the University's operations.

The total unrestricted net assets of \$147.2 million are made up of the \$69 million current funds balance, \$42.0 million in unexpended Plant Funds, and \$36.2 million in funds that are Internally Restricted for the Retirement of Indebtedness. 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. We believe that this policy has served us well as the University's bond rating has remained consistently strong.

The Plant Funds balance of \$42 million includes cash resources for projects for Auxiliary Enterprise operations such as Residential Life, Dining Services, Student Health Services, Student Union and Athletics. 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, the window of opportunity to actually complete many repairs and renovations is limited as some projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue.

In addition to on-going Residential Life projects, the Plant Funds balance includes funds for projects such as dormitory window replacements and sprinkler installations. \$11.7 million in projects were approved by the Board of Trustees on June 23, 2009.

Also, the Plant Funds balance includes funds set-aside for on-going code related corrective action such as the Office of the State Fire Marshal Legacy Code Remediation project, which will correct discrepancies in 56 buildings, and various fire alarm audibility upgrade projects. The additional funding for these projects totals \$14.6 million and was approved by the Board of Trustees on June 23, 2009. These projects are moving forward expeditiously with completion anticipated near the end of the next fiscal year.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses
For the Twelve Months Ending
6/30/2009 (unaudited)

	Operating Budget					Actual							
	Total	Research Fund	Operating Fund			Total	Research Fund	% of Budget	Operating Fund			% of Budget	% of Actual
			E&G	Aux Ent	Subtotal				E&G	Aux Ent	Subtotal		
REVENUE													
State Appropriations	\$ 239,155,605	\$ -	\$239,155,605	\$ -	\$ 239,155,605	\$ 238,813,090	\$ -		\$238,813,090	\$ -	\$ 238,813,090	99.9%	27.2%
State Allotment Fringe Benefits	89,742,687	-	89,742,687	-	89,742,687	88,938,332	-		88,938,332	-	88,938,332	99.1%	10.1%
Total State Support	328,898,292	-	328,898,292	-	328,898,292	327,751,422	-		327,751,422	-	327,751,422	99.7%	37.3%
Tuition	204,168,077	-	197,990,494	6,177,583	204,168,077	210,275,059	-		204,205,071	6,069,988	210,275,059	103.0%	23.9%
Fees	82,601,020	-	57,121,016	25,480,004	82,601,020	82,868,208	-		57,388,204	25,480,004	82,868,208	100.3%	9.4%
Grants & Contracts	127,012,703	73,484,347	52,968,477	559,879	53,528,356	135,842,204	80,345,525	109.3%	54,799,802	696,877	55,496,679	103.7%	6.3%
Foundation	22,614,800	50,000	10,350,800	12,214,000	22,564,800	18,536,915	18,357	36.7%	8,845,156	9,673,402	18,518,558	82.1%	2.1%
Investment Income	5,382,645	-	5,382,645	-	5,382,645	4,128,329	-		4,040,113	88,216	4,128,329	76.7%	0.5%
Sales and Services of Ed Activities	16,933,666	50,000	16,883,666	-	16,883,666	17,216,403	87,950	175.9%	17,128,453	-	17,128,453	101.4%	1.9%
Auxiliary Enterprise	140,391,547	-	-	140,391,547	140,391,547	152,448,716	-		-	152,448,716	152,448,716	108.6%	17.3%
All Other Sources	11,348,345	102,250	11,246,095	-	11,246,095	10,581,688	115,557	113.0%	10,384,784	81,347	10,466,131	93.1%	1.2%
TOTAL REVENUE	\$ 939,351,095	\$ 73,686,597	\$ 680,841,485	\$ 184,823,013	\$ 865,664,498	\$ 959,648,944	\$ 80,567,389	109.3%	\$ 684,543,005	\$ 194,538,550	\$ 879,081,555	101.5%	100.0%
Expenses													
Personal Services	\$ 440,255,361	\$ 36,736,235	\$ 351,657,934	\$ 51,861,192	\$ 403,519,126	\$ 441,965,597	\$ 38,721,390	105.4%	\$ 351,938,218	\$ 51,305,989	\$ 403,244,207	99.9%	46.0%
Fringe Benefits	149,090,416	8,816,696	120,368,362	19,905,357	140,273,719	145,640,701	8,902,630	101.0%	118,417,338	18,320,733	136,738,071	97.5%	15.6%
Other Expenses	198,962,721	20,856,900	103,765,356	74,340,465	178,105,821	208,458,953	23,370,359	112.1%	106,603,979	78,484,615	185,088,594	103.9%	21.1%
Equipment	15,626,765	3,626,765	9,955,235	2,044,765	12,000,000	19,687,524	4,867,610	134.2%	12,878,965	1,940,949	14,819,914	123.5%	1.7%
Fixed Charges/Student Aid	91,632,796	1,150,000	80,872,417	9,610,379	90,482,796	91,237,078	821,668	71.4%	80,316,351	10,099,059	90,415,410	99.9%	10.3%
Total Expenditures	\$ 895,568,059	\$ 71,186,597	\$ 666,619,304	\$ 157,762,158	\$ 824,381,462	\$ 906,989,853	\$ 76,683,657	107.7%	\$ 670,154,851	\$ 160,151,345	\$ 830,306,196	100.7%	94.7%
Debt Service	21,682,054	\$ -	\$ 8,712,181	\$ 12,969,873	\$ 21,682,054	\$ 20,744,615	\$ -		\$ 7,940,247	\$ 12,804,368	\$ 20,744,615	95.7%	844.6%
Non Mandatory	21,090,982	2,500,000	4,500,000	14,090,982	18,590,982	27,088,786	1,514,153		6,163,366	19,411,268	25,574,634	137.6%	1041.3%
Total Expense/Transfer	\$ 938,341,095	\$ 73,686,597	\$ 679,831,485	\$ 184,823,013	\$ 864,654,498	\$ 954,823,255	\$ 78,197,810	106.1%	\$ 684,258,464	\$ 192,366,982	\$ 876,625,445	101.4%	100.0%
Net Gain (Loss)	\$ 1,010,000	\$ 0	\$ 1,010,000	\$ -	\$ 1,010,000	\$ 4,825,689	\$ 2,369,579		\$ 284,541	\$ 2,171,568	\$ 2,456,110		

NET INC(DEC) CASH BALANCE

CASH BALANCE 6/30/08
CASH BALANCE 6/30/09

\$5,010,929
\$113,058,991
\$118,069,920

UNAUDITED

UNIVERSITY OF CONNECTICUT

Changes in Net Assets - All Funds

For the Year Ended June 30, 2009

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<u>Revenues and Expenditures, 6/30/2009</u>					
Revenue	\$879,081,555	\$80,567,389	\$ 959,648,944	\$ 247,601,876	\$ 1,207,250,820
Expenditures and Transfers	876,625,445	78,197,810	954,823,255	198,457,235	1,153,280,490
Net Increase (Decrease)	<u>\$ 2,456,110</u>	<u>\$ 2,369,579</u>	<u>\$ 4,825,689</u>	<u>\$ 49,144,641</u>	<u>\$ 53,970,330</u>
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Net Assets, 6/30/08					
Restricted and invested in capital					
net of related debt	\$ 14,249,063	\$ 380,028	\$ 14,629,091	\$ 1,227,683,533	\$ 1,242,312,624
Unrestricted	46,466,163	18,196,252	64,662,415	71,121,811	135,784,226
Total, 6/30/08	<u>\$ 60,715,226</u>	<u>\$ 18,576,280</u>	<u>\$ 79,291,506</u>	<u>\$ 1,298,805,344</u>	<u>\$ 1,378,096,850</u>
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Compensated Absences Liability, 6/30/08					
	\$ 25,018,064				
Change at 6/30/09					
Restricted and invested in capital					
net of related debt	\$159,136	\$358,376	\$ 517,512	\$ 42,088,433	\$ 42,605,945
Unrestricted	\$2,296,974	\$2,011,204	4,308,177	7,056,208	11,364,385
Subtotal, 6/30/09	<u>\$ 2,456,110</u>	<u>\$ 2,369,579</u>	<u>\$ 4,825,689</u>	<u>\$ 49,144,641</u>	<u>\$ 53,970,330</u>
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Net Assets, 6/30/09 (unaudited)					
Restricted and invested in capital					
net of related debt	\$ 14,408,199	\$ 738,404	\$ 15,146,603	\$ 1,269,771,966	\$ 1,284,918,569
Unrestricted	48,763,137	20,207,456	68,970,592	78,178,019	147,148,611
Total, 6/30/09	<u>\$ 63,171,336</u>	<u>\$ 20,945,859</u>	<u>\$ 84,117,195</u>	<u>\$ 1,347,949,985</u>	<u>\$ 1,432,067,180</u>
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Compensated Absences Liability, 6/30/09					
	\$ 26,166,072				