



University of Connecticut

Office of the Chief Financial Officer

TO: Mary Johnson
Chief Fiscal Officer, Department of Higher Education

FROM: Bruce A. DeTora
Chief Financial Officer

DATE: November 1, 2005

SUBJECT: FY 2006 Operating and Research Funds Quarterly Report

Enclosed is the University of Connecticut's Quarterly Report of the Operating and Research Funds for the three-month period ended September 30, 2005.

If you should have any questions or need any additional information, please contact me at 486-2434.

Enclosures

cc: Lorraine Aronson
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University of Connecticut (Storrs & Regional Campuses)
Overview of the Quarterly Report of the Operating and Research Funds
Analysis of the Three Months Ended September 30, 2005

Summary of First Quarter Operations

On September 20, 2005, the Board of Trustees approved a revised Spending Plan for Fiscal Year 2006 of \$806.2 million. This updated University Operating budget includes \$798.2 million of revenue to cover \$806.2 million in expenses, yielding an \$8.0 million net loss. This net loss is comprised of a \$1.0 million gain to repay the reserve for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union and \$9.0 of additional equipment (and related) expenditures. The projected FY06 \$8.0 million loss is covered by unexpended equipment funds carried forward from Fiscal Year 2005.

Financial results for the first three months of Fiscal Year 2006 reflect a number of different factors when compared to budget. Overall, revenue is slightly under budget, but this can be primarily attributed to Auxiliary Enterprise revenue and the timing of Athletic ticket sales revenue as noted below. The University received the first quarter fringe benefit allocation from the State Comptroller in early October and the amount has been accrued and reported for the period ending September 30, 2005. As a result of a new methodology for determining the "general fund" fringe benefits associated with the University's State Appropriation, a general fund identifier has been added to Core-CT. Therefore, the actual fringe benefit charge for the identified "general fund" employees is recorded in Core-CT and these amounts form the basis for the fringe benefit transfer schedule. Expenditures are essentially on budget as a whole although energy expenditures are running ahead of budget.

The net gain for the Operating Fund shown in this three month report is not indicative of expected annual results, as most 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.

A more detailed review of the first three months of FY 2006 operations is presented below.

Revenues – Operating Fund

Total **Operating Fund** revenue collections for the first quarter of FY 2006 were \$261.2 million which represents 36.4% of the annual budget. A major source of revenue, **State Support**, consists of a \$58.7 million appropriation and a fringe benefit allotment of \$20.8 million. State Support represents 30.4% of total Operating Fund first quarter receipts. **Tuition** collections are the largest source of revenue this quarter, totaling \$81.3 million, which represents 31.1% of total Operating Fund receipts. Tuition receipts for the first quarter of Fiscal Year 2006 were 48.7% of the annual amount budgeted (\$167.0 million) which is slightly less than recent experience. Tuition revenue collections reflect a 5.6% rate increase coupled with a 2.9% increase in undergraduate degree seeking students whom account for approximately 86.3% of actual tuition revenues.

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 quarter Fee collections were \$29.1 million or 42.5% of the amount budgeted which is on budget for the first quarter.

Auxiliary Enterprise Revenue for the first quarter of Fiscal Year 2006 was \$47.1 million which represents 38.0% of the annual budgeted amount. This is less than budgeted due to the timing of

Athletic ticket sales. In prior years, more athletic revenue (basketball tickets) was received in the first quarter. In the current year, it will be posted in the second quarter. Auxiliary revenue consists primarily of Room and Board Fees (\$39.1 million) and Athletic Department receipts (\$6.9 million).

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

The first category consists primarily of restricted revenues from a granting agency or donor. **Grants and Contracts** revenue for the first quarter of \$15.4 million was ahead of the quarterly budgeted amount by \$2.5 million. However, the receipt of this revenue does not always follow a predictable pattern. For the first time, UConn Foundation revenue is listed as a separate category. Revenue is slightly ahead of budget, but this also does not follow a predictable pattern.

Most **Investment Income** is reported in the quarter subsequent to when it is earned except for the fourth quarter (June 30) when it is accrued for annual reporting purposes. Consequently, the amount received (\$98,485) does not reflect the actual amount earned for the first quarter.

Sales and Services of Educational Activities and Other Sources revenue totaled \$7.8 million for the first quarter and was ahead of the budgeted amount by \$0.9 million.

Revenues – Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first quarter research Fund revenues were \$21.1 million and represented 26.0% of the amount budgeted. In FY05, Research Fund revenues reported in the first quarter totaled \$22.3 million and represented 27.2% of the amount budgeted.

Expenditures/Transfers

Total Operating Fund expenditures and transfers for the first quarter of Fiscal Year 2006 were \$185.2 million or 25.5% of the annual budgeted amount, which is on target with the historical spending pattern. Energy costs are running ahead of budget due to the increased unit price for electricity and gas. This is also a transitional year for energy budgeting purposes as the University's cogeneration plant project is expected to be completed in the second quarter. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	26.0%
Fringe Benefits	27.0%
Other Expenses	20.4%
Equipment	27.6%
Student Aid	42.1%
Transfers	1.1%

Personal Services/Fringe Benefits This report includes seven pay periods and is essentially on budget but will be monitored closely throughout the year as this category represents 63% of the first quarter Operating Fund expenditures.

The revised Fiscal Year 2006 **equipment** budget (Operating Fund and Research Fund) totals \$21.4 million and the Operating Fund budget is \$16.0 million. The budget is a substantial increase from previous years and reflects the anticipated expenditure of \$9.0 million of unexpended equipment purchases carried forward from Fiscal Year 2005. As of September 30, 2005, total equipment expenditures were 27.3% of budget and Operating Fund expenditures were 27.6% of budget. The

percentages are not comparable to prior years because of the uniqueness of the equipment carry forward.

Historically, **Student Aid** funds are predominantly spent in the first and second quarter of the fiscal year. Student Aid expenditures were essentially on budget for the first quarter but it is still early in the fiscal year. The **Transfers** line reflects transfers to Plant Funds for various building improvements and renovations and is currently under budget. Finally, **Research Fund** expenditures and transfers total \$20.6 million and represents 25.4% 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 2005 (excluding the Health Center) is up 1.9% from Fall 2004. First semester freshmen enrollment is down 0.7% from Fall 2004 however total undergraduate enrollment (degree and non-degree) is up 1.9%. The current year budget was based on a 2.2% increase in total University enrollment and a 3% increase in undergraduate enrollment.

Cash Balance

The September 30, 2005 cash balance of \$133.9 million reflects the collection of 35.4% of budgeted revenue while total expenditures and transfers were 25.5% of budget. Thus, the cash balance can be expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the September 30, 2005 cash balance represented 16.6% of the annual expenditure budget as compared to 12.7% one-year ago. Please note that in FY 2005, fringe benefit support from the State was not recorded in the first quarter.

Fund Balance

The University's revised budget is projected to have a net loss of \$8.0 million for the fiscal year ended June 30, 2006, which results in a Current Funds Unrestricted Fund Balance of \$40.5 million (Operating Fund-\$23.5 million; Research Fund-\$17.0 million). This represents 5.8% 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 FY 2006 budget, with the exception of the equipment carry forward explained above, assumes a consistent level of departmental fund balances at June 30, 2006. Any variance from this assumption will affect the projected level of the fund balance at year-end.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses (a)
For the Three Months Ending 9/30/2005

	Operating Budget					Three Months Actual - 9/30/05							
	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	\$205,219,028	\$0	\$205,219,028	\$0	\$205,219,028	\$58,755,646	\$0		\$58,755,646	\$0	58,755,646	28.6%	22.5%
State Allotment Fringe Benefits	75,761,728	0	75,761,728	0	75,761,728	20,782,125	0		20,782,125	0	20,782,125	27.4%	8.0%
Total State Support	280,980,756	0	280,980,756	0	280,980,756	79,537,771	0		79,537,771	0	79,537,771		30.4%
Tuition	166,972,831	0	162,829,701	4,143,130	166,972,831	81,303,126	0		77,746,150	3,556,976	81,303,126	48.7%	31.1%
Fees	68,429,495	0	50,278,783	18,150,712	68,429,495	29,051,325	0		10,900,613	18,150,712	29,051,325	42.5%	11.1%
Grants & Contracts	115,356,266	80,044,000	34,801,296	510,970	35,312,266	36,356,704	20,948,204	26.2%	15,329,221	79,279	15,408,500	43.6%	5.9%
Foundation	17,101,267	700,000	5,618,267	10,783,000	16,401,267	864,586	0		858,114	6,472	864,586	5.3%	0.3%
Investment Income	3,464,468	170,000	3,294,468	0	3,294,468	98,485	0		85,326	13,159	98,485	3.0%	0.0%
Sales and Services of Ed Activities	12,674,000	180,000	12,494,000	0	12,494,000	3,755,224	107,739	59.9%	3,647,485	0	3,647,485	29.2%	1.4%
Aux Enterprise Revenue	123,829,260	0	0	123,829,260	123,829,260	47,110,510	0		0	47,110,510	47,110,510	38.0%	18.0%
Other Sources	9,420,000	260,000	9,160,000	0	9,160,000	4,254,368	59,533	22.9%	4,191,160	3,675	4,194,835	45.8%	1.6%
TOTAL REVENUE	798,228,342	81,354,000	559,457,270	157,417,072	716,874,342	\$282,332,099	\$21,115,476	26.0%	\$192,295,840	\$68,920,783	\$261,216,623	36.4%	100.0%
DISBURSEMENTS/TRANS:													
Personal Services	371,919,984	40,133,001	289,258,134	42,528,849	331,786,983	98,072,307	11,892,048	29.6%	74,993,361	11,186,898	86,180,259	26.0%	46.5%
Fringe Benefits	120,750,314	8,913,759	96,738,237	15,098,318	111,836,555	32,817,807	2,575,019	28.9%	26,572,348	3,670,441	30,242,788	27.0%	16.3%
Other Expenses	196,134,897	25,927,879	100,347,971	69,859,048	170,207,019	39,356,432	4,589,068	17.7%	22,883,118	11,884,246	34,767,364	20.4%	18.8%
Equipment	21,427,631	5,379,361	11,950,919	4,097,351	16,048,270	5,850,777	1,417,220	26.3%	4,165,243	268,314	4,433,557	27.6%	2.4%
Fixed Charges/Student Aid (b)	70,550,444	1,000,000	60,490,444	9,060,000	69,550,444	29,525,298	222,716	22.3%	25,753,929	3,548,653	29,302,582	42.1%	15.8%
Total Expenditures	780,783,270	81,354,000	558,785,704	140,643,566	699,429,270	205,622,621	20,696,071		154,367,999	30,558,552	184,926,550		99.8%
Mandatory	19,782,956	0	8,691,477	11,091,479	19,782,956	0	0		0	0	0	0.0%	0.0%
Non Mandatory	5,682,027	0	-	5,682,027	5,682,027	231,495	(51,779)		(408,034)	691,308	283,274	5.0%	0.2%
Total Expense/Transfer	806,248,253	81,354,000	567,477,181	157,417,072	724,894,253	205,854,116	20,644,291	25.4%	153,959,964	31,249,860	185,209,824	25.5%	100.0%
NET GAIN(LOSS)	(\$8,019,911)	\$0	(\$8,019,911)	0	(\$8,019,911)	\$76,477,983	\$471,185		\$38,335,876	\$37,670,923	\$76,006,799		
NET INC(DEC) CASH BALANCE						\$35,663,238							
CASH BALANCE 6/30/05						\$98,269,849							
CASH BALANCE 9/30/05						\$133,933,087							

(a) Budgeted and actual revenues and expenditures represent modified accrual rather than cash expenditures

(b) An additional \$1.8 million of Student Labor Financial Aid is included in the Personal Services Line.

UNAUDITED

UNIVERSITY OF CONNECTICUT

Projection of Statement of Revenues, Expenses and Changes in Net Assets

(Includes All Funds)

For the Year Ended June 30, 2006

<u>Revenues and Expenditures, 6/30/2006</u>	<u>Operating</u>	<u>Research</u>	<u>Other</u>	<u>Total</u>
Revenue	\$ 716,874,342	\$ 81,354,000	\$ 226,968,659	\$ 1,025,197,001
Expenditures and Transfers	724,894,253	81,354,000	235,496,812	1,041,745,065
Net Increase (Decrease)	<u>\$ (8,019,911)</u>	<u>\$ -</u>	<u>\$ (8,528,152)</u>	<u>\$ (16,548,063)</u>

UNAUDITED:

Fund Balance and Reserves

Fund Balance, 6/30/05				
Restricted/Net Investment in Plant	\$ 11,757,758	\$ (1,863,667)	\$ 1,267,886,707	\$ 1,277,780,798
Unrestricted	31,504,650	16,992,163	48,179,314	96,676,128
Total	<u>\$ 43,262,408</u>	<u>\$ 15,128,497</u>	<u>\$ 1,316,066,021</u>	<u>\$ 1,374,456,926</u>
Compensated Absences Liability	\$ 24,836,341			
Operating Change - Restricted/Net Investment in Plant	\$ -	\$ -	\$ 8,775,598	\$ 8,775,598
- Unrestricted	(8,019,911)	-	(17,303,750)	(25,323,662)
	<u>\$ (8,019,911)</u>	<u>\$ -</u>	<u>\$ (8,528,152)</u>	<u>\$ (16,548,063)</u>
Fund Balance, 6/30/06				
Restricted/Net Investment in Plant	\$ 11,757,758	\$ (1,863,667)	\$ 1,276,662,305	\$ 1,286,556,396
Unrestricted	23,484,739	16,992,163	30,875,564	71,352,466
Total	<u>\$ 35,242,496</u>	<u>\$ 15,128,497</u>	<u>\$ 1,307,537,869</u>	<u>\$ 1,357,908,862</u>
Compensated Absences Liability	\$ 24,504,010			