

University of Connecticut (Storrs & Regional Campuses) – FY11

Quarterly Overview of the Operating and Research Funds For the Nine Months Ended March 31, 2011

Summary

On June 10, 2010, the Board of Trustees approved a Spending Plan for Fiscal Year 2011 which includes \$1,033.5 million of revenue to cover \$1,047.5 million in expenses and transfers. The net loss of \$14.0 million consists of the \$1.0 million reserve repayment from the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union, and a \$15.0 million transfer from University operating reserves to the State General Fund as required by the 2011 State budget.

Financial results for the first nine months of Fiscal Year 2011 reflected a number of different factors when compared to budget. Actual revenue totaled \$895.6 million or 86.7% of the budget. At the close of March, the University expenditures and transfers totaled \$819.8 million or 78.3% of the budget.

The net gain or loss shown in the nine month report may not be indicative of expected annual results. More revenue is typically received in the first and second quarters of the fiscal year while expenditures are normally more evenly distributed throughout the year. This year, there is a higher level of expenditures at this point in time primarily due to the other expense and equipment encumbrances at the end of fiscal year 2010 that became expenses in the first two quarters of fiscal year 2011. In addition, the mandatory transfer of \$15M to the State General Fund was included in the second quarter as an accounting accrual even though the actual funds will not be moved until the end of the fiscal year. The current year-end forecast reflects a net loss of \$12.9 million which includes the \$15.0 million transfer from University operating reserves to the State General Fund. However, in light of the challenges in the FY12 budget, senior management has now placed a hold on all furniture and other purchases exceeding \$5,000 except for emergency items. They have also initiated a review of and slow down of all purchasing. These actions are expected to alter expenditure patterns to year end.

A more detailed review of the first nine months of Fiscal Year 2011 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first nine months of Fiscal Year 2011 were \$825.4 million which represented 87.9% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 85.3% of the annual budget. A major source of revenue, **State Support**, consisted of a \$176.6 million appropriation and a fringe benefit allotment of \$73.9 million. State Support represented 30.3% of total Operating Fund receipts for the first three quarters.

Tuition collections were the second largest source of revenue, totaling \$246.2 million, which represented 29.8% of total Operating Fund receipts. Tuition receipts were 102.5% of the annual amount budgeted (\$240.1 million). Tuition revenue collections reflect a 5.66% rate increase coupled with a 1.6% increase in the number of undergraduate degree-seeking students who account for approximately 86.8% of budgeted tuition revenues. Overall

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enrollment is 2.0% higher than budgeted. Tuition revenue is projected to be greater at fiscal year-end than originally budgeted.

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. Due to higher enrollment than projected and better than expected summer session enrollment, the first nine months Fee revenues were ahead of budget at \$81.7 million or 90.0% of the amount budgeted. This category is forecasted to be higher than expected at year-end.

Auxiliary Enterprise Revenue for the first nine months of Fiscal Year 2011 was \$156.3 million which represented 91.8% of the annual budgeted amount and will be more than budgeted. This is largely due to a successful post season for Athletics. Auxiliary revenue consists primarily of Room and Board fees which reflect rate increases of 7.0% and 6.0% respectively (\$131.6 million) and Athletic Department receipts (\$21.6 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 nine months of Fiscal Year 2011, Gifts, Grants and Contracts revenue of \$69.5 million, which included \$6.9 million from the UConn Foundation, was 88.0% of the annual budget. This category is expected to be greater than budgeted for the year because of additional federal and state financial aid funds.

Investment Income for the first three quarters of Fiscal Year 2011 was \$0.8 million. Interest rates continue to be low with the rate for March 2011 at 0.22% compared to 0.24% in March 2010. Investment income for the year is projected to be slightly less than budgeted. Actual results will depend on interest rates and the University's cash balance through the last quarter of the fiscal year.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$20.4 million and were slightly ahead of budget primarily due to greater activity in certain Educational Activities (i.e. Study Abroad, Roper Center, and Institute of Materials Science).

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first nine months, Research Fund revenues were \$70.2 million and represented 74.0% of the amount budgeted. In Fiscal Year 2010, Research Fund revenues reported in the first nine months totaled \$70.2 million and represented 81.8% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first nine months of Fiscal Year 2011 were \$701.7 million or 79.8% of the annual budgeted amount. The spending pattern for the first three quarters of Fiscal Year 2010 reflected expenditures of 75.2% of the

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annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	74.7%
Fringe Benefits	74.2%
Other Expenses	82.9%
Equipment	70.6%
Student Aid	102.9%

Personal Services/Fringe Benefits represented 74.5% of the annual budgeted amount of \$563.4 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 18 more than the prior year. Due to the limited strategic hiring and the amount of time it takes to refill positions, especially faculty, we anticipate personal services and fringe benefits to end the year under budget.

Other Expenses (including energy costs) were \$155.8 million for the first nine months and represented 82.9% of the amount budgeted. Energy expenditures are projected to be slightly below budget for the year due to favorable gas prices. Other Expenses (excluding energy costs) are greater than anticipated for the first three quarters, and are expected to end the year over budget. This is primarily due to the encumbrances at the end of fiscal year 2010 that became expenses in the first two quarters of fiscal year 2011 and the additional cost of hiring a consulting firm to examine operations and recommend savings and revenue-enhancements. Also contributing to this category is higher than expected expenditures in Athletics due to successful post season participation.

Equipment expenditures of \$12.6 million were 70.6% of the amount budgeted. This category was greater than expected for the first three quarters due to equipment that was encumbered at fiscal year 2010 year-end that became expenditures in fiscal year 2011. Annual equipment expenditures are projected to be higher than budgeted for the fiscal year.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first nine months, Student Aid expenditures were \$113.3 million and represented 102.9% of the amount budgeted. This category will be greater than budgeted for the year due to additional federal and state funds. This increase in expenditures is offset by the additional state and federal revenue.

Expenditures - Operating Fund Transfers

Transfers for the first nine months were slightly less than budget at \$43.0 million or 58.5% of the amount budgeted and consisted of transfers to Plant Funds for construction projects, bond and installment loan payments, and payments for the capital lease for the cogeneration plant. Transfers are expected to be under budget at year-end due to the revised funding plan for the water reclamation project that reallocates some existing plant fund balances as opposed to using current year revenues. In addition, the timing of future Student Affairs projects has been adjusted to accommodate the current construction schedule and to recognize the limited window of opportunity to actually complete many repairs and renovations since some projects cannot be done while students are occupying the buildings.

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Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$75.1 million and represented 79.2% of the budgeted amount. In Fiscal Year 2010, Research Fund expenditures and transfers reported in the first nine months totaled \$64.5 million and represented 75.1% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. However, it is anticipated that Research expenditures and transfers will exceed budget due to equipment expenditures and Research Fund support for the Torrey Life Sciences 1st Floor construction project.

Enrollment

Total University enrollment for fall 2010 (excluding the Health Center) is up 1.7% from fall 2009 and undergraduate enrollment (degree and non-degree) is up 1.8%. The budget was based on lower enrollment levels.

Current Funds Unrestricted Fund Balance

The University's budget was projected to have a net loss of \$14.0 million for the fiscal year ended June 30, 2011. The budgeted fund balance of \$57.5 million represented 6.3% of the current year's unrestricted expenditure budget (\$910.1 million). In accordance with current University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditures in the current and future fiscal years. At this point, we are forecasting a net loss of \$12.9 million which includes the \$15.0 million transfer from University operating reserves to the State General Fund. This forecasted net loss results in a Current Funds Unrestricted Fund Balance of \$58.6 million (Operating Fund-\$42.6 million; Research Fund-\$16.0 million).

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses
For the Months Ending
3/31/2011

	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⁾	\$ 235,541,587	\$ -	\$235,541,587	\$ -	\$ 235,541,587	\$ 176,581,796	\$ -	\$176,581,796	\$ -	\$ 176,581,796	
State Allotment Fringe Benefits	96,525,205	-	96,525,205	-	96,525,205	73,926,358	-	73,926,358	-	73,926,358	
Total State Support	332,066,792	-	332,066,792	-	332,066,792	250,508,155	-	250,508,155	-	250,508,155	
Tuition	240,102,478	-	233,312,928	6,789,550	240,102,478	246,224,193	-	239,583,805	6,640,388	246,224,193	
Fees	90,844,367	-	61,569,806	29,274,561	90,844,367	81,724,582	-	52,450,021	29,274,561	81,724,582	
Grants & Contracts	155,377,013	94,567,000	59,834,133	975,880	60,810,013	132,518,428	69,997,809	61,730,110	790,508	62,520,618	
Foundation	18,125,000	25,000	8,689,350	9,410,650	18,100,000	7,026,815	86,373	4,884,045	2,056,397	6,940,442	
Investment Income	1,151,330	-	1,101,330	50,000	1,151,330	826,136	-	774,706	51,430	826,136	
Sales and Services of Ed Activities	14,980,308	96,000	14,884,308	-	14,884,308	11,316,661	9,966	11,301,365	5,330	11,306,695	
Auxiliary Enterprise	170,246,704	-	-	170,246,704	170,246,704	156,334,068	-	-	156,334,068	156,334,068	
All Other Sources	10,586,353	140,000	10,446,353	-	10,446,353	9,077,750	42,819	9,025,044	9,887	9,034,931	
Total Revenues	\$ 1,033,480,345	\$ 94,828,000	\$ 721,905,000	\$ 216,747,345	\$ 938,652,345	\$ 895,556,787	\$ 70,136,967	\$ 630,257,250	\$ 195,162,569	\$ 825,419,820	
Expenses											
Personal Services	\$ 457,562,433	\$ 45,668,571	\$ 357,037,051	\$ 54,856,811	\$ 411,893,862	\$ 339,416,824	\$ 31,858,366	\$ 265,231,812	\$ 42,326,646	\$ 307,558,458	
Fringe Benefits	162,334,681	10,856,819	130,928,954	20,548,908	151,477,862	120,032,619	7,630,506	96,957,707	15,444,406	112,402,113	
Other Expenses	215,616,845	27,754,533	106,793,978	81,068,334	187,862,312	176,747,218	20,916,334	87,657,882	68,173,002	155,830,884	
Equipment	22,730,917	4,898,077	16,044,616	1,788,224	17,832,840	18,632,230	6,042,912	10,988,709	1,600,609	12,589,318	
Fixed Charges/Student Aid	111,276,853	1,150,000	98,773,336	11,353,517	110,126,853	115,900,192	2,589,639	102,706,204	10,604,349	113,310,553	
Total Expenses	\$ 969,521,729	\$ 90,328,000	\$ 709,577,935	\$ 169,615,794	\$ 879,193,729	\$ 770,729,083	\$ 69,037,757	\$ 563,542,314	\$ 138,149,012	\$ 701,691,326	
Transfers											
Debt Service	20,550,651	\$ -	\$ 7,953,058	\$ 12,597,593	\$ 20,550,651	\$ 12,048,754	\$ -	\$ 4,966,297	\$ 7,082,457	\$ 12,048,754	
Non Mandatory	42,377,065	\$ 4,500,000	\$ 3,343,107	\$ 34,533,958	\$ 37,877,065	\$ 22,040,140	\$ 5,074,473	\$ (3,305,626)	\$ 20,271,293	\$ 16,965,667	
Reserves to State General Fund	15,000,000	\$ -	\$ 15,000,000	\$ -	\$ 15,000,000	\$ 15,000,000	\$ 1,000,000	\$ 8,000,000	\$ 6,000,000	\$ 14,000,000	
Total Expense/Transfer	\$ 1,047,449,445	\$ 94,828,000	\$ 735,874,100	\$ 216,747,345	\$ 952,621,445	\$ 819,817,977	\$ 75,112,230	\$ 573,202,985	\$ 171,502,761	\$ 744,705,746	
Net Gain (Loss)	\$ (13,969,100)	\$ -	\$ (13,969,100)	\$ -	\$ (13,969,100)	\$ 75,738,810	\$ (4,975,263)	\$ 57,054,265	\$ 23,659,808	\$ 80,714,073	

(1) State Appropriation - HB 5018 \$233,011,263
Accrual \$2,530,324
Adjusted Appropriation \$235,541,587

University of Connecticut (Storrs & Regionals)
Statement of Actual (FY 2010) and Estimated (FY 2011) Net Assets

Agrees To June 30, 2010 Audited Financial Statements

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<i>Net Assets</i>					
Restricted	\$ 14,871,089	\$ 877,317	\$ 15,748,406	1,265,771,793	\$ 1,281,520,199
Unrestricted	49,808,995	21,692,207	71,501,202	91,305,800	162,807,002
Total Net Assets, 6/30/10	\$ 64,680,084	\$ 22,569,524	\$ 87,249,608	\$ 1,357,077,593	\$ 1,444,327,201

Unrestricted Revenues & Expenditures/Debt Service FY 2011
Estimated Annual Changes in Unrestricted Net Assets

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>		<u>Total</u>
				<u>Internally Designated for Retirement of Indebtedness</u>	<u>Unexpended Plant Funds</u>	
Revenues	\$ 874,349,897	\$ 21,810,000	\$ 896,159,897	\$ 10,000	\$ -	\$ 896,169,897
Transfers In	-	-	-	20,550,651 ^A	42,377,064 ^A	62,927,715
Subtotal	\$ 874,349,897	\$ 21,810,000	\$ 896,159,897	\$ 20,560,651	\$ 42,377,064	\$ 959,097,612
Expenditures/Debt Service	\$ 814,891,282	\$ 17,310,000	\$ 832,201,282	20,560,651	\$ 35,000,000	\$ 887,761,933
Transfers Out	58,427,715	4,500,000	62,927,715	-	-	62,927,715
Transfer to State General Fund	15,000,000	-	15,000,000	-	-	15,000,000
Subtotal	\$ 888,318,997	\$ 21,810,000	\$ 910,128,997	\$ 20,560,651	\$ 35,000,000	\$ 965,689,648
Net Increase (Decrease)	\$ (13,969,100)	\$ -	\$ (13,969,100)	\$ -	\$ 7,377,064 ^B	\$ (6,592,036)

Unrestricted Net Assets

Non-spendable	\$ 6,647,916	\$ -	\$ 6,647,916	\$ -	\$ 83,546	\$ 6,731,462
Committed	-	-	-	-	44,716,104	\$ 44,716,104
Assigned	43,161,079	21,692,207	64,853,286	35,015,416	11,490,734	111,359,436
Unrestricted Net Assets 6/30/10	49,808,995	21,692,207	71,501,202 ^C	35,015,416	56,290,384	162,807,002
Projected Operating Change-Assigned	(13,969,100)	-	(13,969,100)	-	-	(13,969,100)
Projected Non-Operating Change-Committed	-	-	-	-	7,377,064 ^B	7,377,064
Estimated Unrestricted Assets 6/30/11	\$ 35,839,895	\$ 21,692,207	\$ 57,532,102 ^C	\$ 35,015,416	\$ 63,667,448	\$ 156,214,966

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

^B Primarily represents transfers for auxiliary projects which are funded from revenue generated from room and board (not state appropriation or tuition). 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 6/30/10 balance represents approximately 28 days and the estimated 6/30/11 balance represents approximately 23 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 investigators.

-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 instructional programs (not tuition).

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