

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2010

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, 2010 reflects unaudited figures and is subject to additional year-end accounting and audit adjustments.

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's General Fund.

The University ended the year with an unrestricted Operating Budget gain of \$1.8 million (Operating Fund \$0.3 million and Research Fund \$1.5 million) and a restricted gain of \$0.5 million (Operating Fund \$0.5 million and Research Fund \$0.0 million). The Operating Fund unrestricted net gain of \$0.3 million was slightly more than anticipated primarily due to savings in food costs, energy and personnel costs in Residential Life, Dining Services and Student Health Services. 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	\$0.3	\$1.5	\$1.8
Restricted	<u>0.5</u>	<u>0.0</u>	<u>0.5</u>
Total	\$0.8	\$1.5	\$2.3

Revenues - Operating Fund

Total **Operating Fund** revenue collections for Fiscal Year 2010 were \$907.8 million which represented 100.1% of the annual budget. Last fiscal year, Operating Fund revenue collections represented 101.5% of the annual budget. A major source of revenue, **State Support**, consisted of a \$231.8 million appropriation and a fringe benefit allotment of \$93.6 million. The State Support amount is consistent with the University's Biweekly Schedule of State Appropriation Transfers. State Support represented 35.9% of total Operating Fund receipts for the year.

Tuition collections were the second largest source of revenue, totaling \$226.2 million, which represented 24.9% of total Operating Fund receipts. Tuition receipts were 100.3% 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 was slightly ahead of budget at year end.

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 supports several Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees

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and Late Payment Fees. The Fee collections were \$88.6 million or 101.3% of the amount budgeted for the year primarily due to higher enrollment than expected.

Auxiliary Enterprise Revenue for Fiscal Year 2010 was \$164.8 million which represented 102.0% of the annual budgeted amount and was greater than projected mainly due to greater than expected Athletic revenue from post season activity. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 6.0% and 7.0% respectively (\$123.0 million) and Athletic Department receipts (\$37.5 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 2010, Gifts, Grants and Contracts revenue of \$75.6 million, which included \$16.0 million from the UConn Foundation, was 96.8% of the annual budget and is slightly less than expected due to a lower level of Foundation support for Athletics.

Investment Income was \$0.2 million more than the budget for the year with revenues of \$1.3 million. Interest rates in the State Treasurer's STIF were 0.27% by the end of the fiscal year. The average interest rate for Fiscal Year 2010 was 0.33% compared to 1.47% for Fiscal Year 2009.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$25.9 million and were \$1.5 million 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. Research Fund revenues were \$89.7 million and represented 104.5% of the amount budgeted for the year. In Fiscal Year 2009, Research Fund revenues totaled \$80.6 million and represented 109.3% of the amount budgeted. This category was ahead of budget primarily due to additional funds from the Federal American Recovery and Reinvestment Act. The unrestricted fund balances 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 2010 were \$841.8 million or 98.8% of the annual budgeted amount. Fiscal Year 2009 reflected expenditures of 100.7% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	97.6%
Fringe Benefits	99.3%
Other Expenses	96.3%
Equipment	122.3%
Student Aid	102.2%

Personal Services/Fringe Benefits represented 98.1% 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

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Fiscal Year 2009. Due to the vacancies created by the RIP and the amount of time it takes to refill positions, especially faculty, this category was under budget.

Other Expenses (including energy costs) were \$185.8 million for the year and represented 96.3% of the amount budgeted. Energy expenditures were below budget for the year due to lower than expected expenditures at the regional campuses. Other Expenses (excluding energy costs) were less than budget due to the late approval of the annual spending plan which delayed expenditures included in this category. This delay also resulted in significant increases in encumbrances at year-end rather than actual expenditures.

Equipment expenditures of \$26.0 million were 122.3% of the amount budgeted. This category was greater than budget for the year because of the larger than expected expenditures in the Eminent Faculty program and Facilities Operations.

Student Aid was \$104.8 million and represented 102.2% of the amount budgeted. This category was slightly ahead of the budget due to increased availability of restricted funds and additional University support for Juniors and Seniors provided by the President.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects transfers for bond and installment loan payments, payments for the capital lease for the cogeneration plant, and transfers to Plant Funds for construction and information technology projects. Transfers were over budget by \$9.2 million. On April 14, 2010, AN ACT CONCERNING DEFICIT MITIGATION FOR THE FISCAL YEAR ENDING JUNE 30, 2010 was passed by the Governor and the General Assembly. This plan required the University to transfer an additional \$5 million of operating reserves to the State's General Fund which is included in the \$9.2 million previously mentioned.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$88.1 million and represented 102.7% of the budgeted amount. In Fiscal Year 2009, Research Fund expenditures and transfers totaled \$78.2 million and represented 106.1% of the budgeted amount.

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 has a combined net gain of \$2.3 million for the fiscal year ended June 30, 2010, which is comprised of a \$1.8 million unrestricted net gain and a \$0.5 million restricted net gain. This results in a Current Funds Unrestricted Fund Balance of \$70.9 million (Operating Fund-\$49.2 million; Research Fund-\$21.7 million). The unrestricted fund balance represented 8.2% of the Fiscal Year 2010 unrestricted expenditure budget (\$862.0 million) or, alternatively stated, 30 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 2010 budget assumed a consistent level of departmental fund balances at June 30, 2010. The \$70.9 million fund balance represents the

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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). A significant amount of the increase in unrestricted fund balance was in the Research Fund which had greater than expected research activity resulting in increased facilities and administrative costs recovery.

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

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 \$162.2 million are made up of the \$70.9 million current funds balance, \$56.3 million in unexpended Plant Funds, and \$35.0 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. In 2010, student fee revenue bonds were refunded thereby lowering the annual debt service, hence the University reduced the Internally Restricted for the Retirement of Indebtedness funds.

The Plant Funds balance of \$56.3 million includes cash resources for on-going code related corrective action and 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.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses
For the Months Ending
6/30/2010

	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	\$ 231,832,417	\$ -	\$231,832,417	\$ -	\$ 231,832,417	
State Allotment Fringe Benefits	92,272,460	-	92,272,460	-	92,272,460	93,629,340	-	93,629,340	-	93,629,340	
Total State Support	325,283,723	-	325,283,723	-	325,283,723	325,461,757	-	325,461,757	-	325,461,757	
Tuition	225,474,935	-	219,035,615	6,439,320	225,474,935	226,173,914	-	219,774,933	6,398,981	226,173,914	
Fees	87,486,665	-	59,223,327	28,263,338	87,486,665	88,649,227	-	60,385,889	28,263,338	88,649,227	
Grants & Contracts	145,626,886	85,584,000	59,364,231	678,655	60,042,886	149,189,137	89,569,871	58,548,837	1,070,429	59,619,266	
Foundation	18,150,837	10,000	9,644,337	8,496,500	18,140,837	16,056,955	31,831	9,897,841	6,127,283	16,025,124	
Investment Income	1,145,249	-	1,095,249	50,000	1,145,249	1,270,831	-	1,194,330	76,501	1,270,831	
Sales and Services of Ed Activities	17,119,450	84,000	17,035,450	-	17,035,450	15,203,884	47,990	15,155,894	-	15,155,894	
Auxiliary Enterprise	161,462,091	-	-	161,462,091	161,462,091	164,770,400	-	-	164,770,400	164,770,400	
All Other Sources	10,534,081	126,000	10,408,081	-	10,408,081	10,737,474	27,079	10,637,901	72,494	10,710,395	
Total Revenues	\$ 992,283,917	\$ 85,804,000	\$ 701,090,013	\$ 205,389,904	\$ 906,479,917	\$ 997,513,580	\$ 89,676,771	\$ 701,057,382	\$ 206,779,426	\$ 907,836,808	
Expenses											
Personal Services	\$ 438,182,567	\$ 41,155,000	\$ 343,762,420	\$ 53,265,147	\$ 397,027,567	\$ 429,360,926	\$ 41,871,634	\$ 335,125,065	\$ 52,364,227	\$ 387,489,292	
Fringe Benefits	148,174,172	9,547,000	118,554,742	20,072,430	138,627,172	148,000,050	10,312,150	118,313,705	19,374,195	137,687,900	
Other Expenses	218,368,663	25,514,000	110,380,635	82,474,028	192,854,663	214,877,747	29,073,776	106,466,174	79,337,797	185,803,971	
Equipment	26,223,840	4,938,000	19,658,965	1,626,875	21,285,840	29,706,847	3,669,789	24,356,284	1,680,774	26,037,058	
Fixed Charges/Student Aid	103,748,242	1,150,000	92,211,737	10,386,505	102,598,242	104,124,071	(682,516)	93,899,701	10,906,886	104,806,587	
Total Expenses	\$ 934,697,484	\$ 82,304,000	\$ 684,568,499	\$ 167,824,985	\$ 852,393,484	\$ 926,069,641	\$ 84,244,833	\$ 678,160,929	\$ 163,663,879	\$ 841,824,808	
Transfers											
Debt Service	20,724,427	\$ -	\$ 7,947,508	\$ 12,776,919	\$ 20,724,427	\$ 20,821,907	\$ -	\$ 8,055,227	\$ 12,766,679	\$ 20,821,907	
Non Mandatory	35,832,006	\$ 3,500,000	\$ 7,544,006	\$ 24,788,000	\$ 32,332,006	\$ 40,306,219	\$ 3,393,131	\$ 9,608,893	\$ 27,304,195	\$ 36,913,088	
Reserves to State General Fund	3,000,000	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 8,000,000	\$ 500,000	\$ 4,639,583	\$ 2,860,417	\$ 7,500,000	
Total Expense/Transfer	\$ 994,253,917	\$ 85,804,000	\$ 703,060,013	\$ 205,389,904	\$ 908,449,917	\$ 995,197,768	\$ 88,137,965	\$ 700,464,632	\$ 206,595,171	\$ 907,059,803	
Net Gain (Loss)	\$ (1,970,000)	\$ -	\$ (1,970,000)	\$ -	\$ (1,970,000)	\$ 2,315,812	\$ 1,538,807	\$ 592,750	\$ 184,255	\$ 777,005	

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

**University of Connecticut (Storrs & Regionals)
FY 2010 Changes in Unrestricted Net Assets (Unaudited)**

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
Net Assets, 6/30/10 (Unaudited)					
Restricted	\$ 14,871,089	\$ 792,457	\$ 15,663,546	\$ 1,270,471,309	\$ 1,286,134,855
Unrestricted	49,177,261	21,692,207	70,869,468	91,305,800	162,175,268
Total Net Assets, 6/30/10 (Unaudited)	\$ 64,048,350	\$ 22,484,664	\$ 86,533,014	\$ 1,361,777,109	\$ 1,448,310,123

	<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>	
Unrestricted Net Assets 6/30/09						
Non-spendable	\$ 5,726,381	\$ -	\$ 5,726,381	\$ -	\$ -	\$ 5,726,381
Committed	-	-	-	-	18,484,344	18,484,344
Assigned	43,136,761	20,207,455	63,344,216	36,205,157	23,488,513	123,037,886
Unrestricted Net Assets 6/30/09	\$ 48,863,142	\$ 20,207,455	\$ 69,070,597	\$ 36,205,157	\$ 41,972,857	\$ 147,248,611
Unrestricted Net Assets, 6/30/10 (Unaudited)						
Non-spendable	\$ 6,296,853	\$ -	\$ 6,296,853	\$ -	\$ 83,546	\$ 6,380,399
Committed	-	-	-	-	44,716,104	44,716,104
Assigned	42,880,408	21,692,207	64,572,615	35,015,416	11,490,734	111,078,765
Unrestricted Net Assets, 6/30/10 (Unaudited)	\$ 49,177,261	\$ 21,692,207	\$ 70,869,468	\$ 35,015,416	\$ 56,290,384	\$ 162,175,268
Net Unrestricted Increase (Decrease) 6/30/10	\$ 314,119	\$ 1,484,752	\$ 1,798,871	\$ (1,189,741)	\$ 14,317,527	\$ 14,926,657

Note regarding Assigned and Committed 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 saving for debt obligations, maintaining funds at a level of approximately 1.75 times our annual debt payments. In 2010 student fee revenue bonds were refunded thereby lowering the annual debt service, hence the University reduced internally designated for retirement of indebtedness.
- ~Departmental generated funds come from self-supporting fee based (not tuition) instructional programs.
- ~Board of Trustees reserve policy is 90 days of current fund expenditures. The 6/30/10 balance represents approximately 30 days.
- ~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. 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.