

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Three Months Ended September 30, 2008

Summary

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.

Financial results for the first three months of Fiscal Year 2009 reflected a number of different factors when compared to budget. Actual revenue totaled \$341.8 million or 36.4% of the budget. At the close of September, the University expenditures and transfers totaled \$257.0 million or 27.4% of the 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 Fiscal Year 2009 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first three months of Fiscal Year 2009 were \$316.2 million which represented 36.5% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 36.0% of the annual budget. A major source of revenue, **State Support**, consisted of a \$59.0 million appropriation and a fringe benefit allotment of \$25.0 million. State Support represented 26.6% of total Operating Fund receipts for the first three months. 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.

Tuition collections were the largest source of revenue, totaling \$104.3 million, which represented 33.0% of total Operating Fund receipts. Tuition receipts were 51.1% of the annual amount budgeted (\$204.2 million) which is more than recent experience. 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. Therefore, tuition revenue is forecasted to be 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

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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 three months Fee collections were \$36.2 million or 43.8% of the amount budgeted.

Auxiliary Enterprise Revenue for the first three months of Fiscal Year 2009 was \$60.9 million which represented 43.4% of the annual budgeted amount and was on track for the year. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 8.3% and 6.3% respectively (\$50.3 million) and Athletic Department receipts (\$9.4 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 three months of Fiscal Year 2009, Gifts, Grants and Contracts revenue of \$22.3 million, which included \$1.8 million from the UConn Foundation, was 29.4% of the annual budget and was on track for the year

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 (\$131,140) does not reflect the actual amount earned for the first quarter.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$8.4 million and were on budget.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first three months, Research Fund revenues were \$25.6 million and represented 34.7% of the amount budgeted. In Fiscal Year 2008, Research Fund revenues reported in the first three months totaled \$23.3 million and represented 33.6% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first three months of Fiscal Year 2009 were \$232.1 million or 28.1% of the annual budgeted amount. The spending pattern of the first quarter of Fiscal Year 2008 reflected expenditures of 26.0% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	25.8%
Fringe Benefits	25.7%
Other Expenses	27.2%
Equipment	35.7%
Student Aid	43.1%

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Personal Services/Fringe Benefits represents 25.8% of the annual budgeted amount of \$543.8 million. Official full-time faculty and staff counts (based on IPEDS federal reporting standards) will be available in the second quarter.

Other Expenses (including energy costs) were \$48.4 million for the first three months and represented 27.2% of the amount budgeted. Energy expenditures are projected to be slightly under budget due to lower than expected non-cogeneration gas and electric 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, Residential Life spent additional funds to convert existing space into dorm rooms to accommodate the higher than anticipated enrollment.

Equipment expenditures of \$4.3 million were 35.7% of the amount budgeted and included the additional furniture purchased for new dorm rooms.

Student Aid funds are predominantly spent in the first and third quarter of the fiscal year. For the first quarter, Student Aid expenditures were \$39.0 million and represented 43.1% of the amount budgeted. This category is expected to be on budget for the year.

Expenditures - Operating Fund Transfers

Transfers for the first quarter reflect a negative amount of \$1.4 million due to timing differences in funding the cogeneration reserve account, transfers from plant funds to operating, additional Human Resource system implementation expenditures, and research funding for faculty start-up equipment purchases. Additionally, Transfers do not always follow a predictable pattern, especially in the first three months, so quarterly results or comparisons are not necessarily indicative of annual results.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$26.4 million and represented 35.8% of the budgeted amount. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. In Fiscal Year 2008, Research Fund expenditures and transfers reported in the first three months totaled \$23.0 million and represented 33.2% of the budgeted amount.

Enrollment

Total University enrollment for fall 2008 (excluding the Health Center) is up 2.4% from fall 2007. First semester freshmen enrollment is up 12.3% from fall 2007 and total undergraduate enrollment (degree and non-degree) is 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 September 30, 2008 current funds cash balance was \$168.6 million, \$14.3 million more than September 2007 which was \$154.3 million. The current funds cash balance reflected the collection of 36.4% of budgeted revenue while total expenditures and transfers were

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27.4% of budget. The cash balance is expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the September 30, 2008 cash balance represented 18.0% of the annual expenditure budget as compared to 17.1% one-year ago.

Fund Balance

The University's revised budget is projected to have a net gain of \$1.0 million for the fiscal year ended June 30, 2009, which results in a Current Funds Unrestricted Fund Balance of \$65.7 million (Operating Fund-\$47.5 million; Research Fund-\$18.2 million). The fund balance represents 8.0% 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 2009 revised budget assumes a consistent level of departmental fund balances at June 30, 2009. 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 Months Ending 09/30/08

	Operating Budget					Actual as of 9/30/08							
	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	\$ 59,051,212			\$ 59,051,212		\$ 59,051,212	24.7%	18.7%
State Allotment Fringe Benefits	89,742,687	-	89,742,687	-	89,742,687	24,950,997	-		24,950,997	-	24,950,997	27.8%	7.9%
Total State Support	328,898,292	-	328,898,292	-	328,898,292	84,002,209	-		84,002,209	-	84,002,209	25.5%	26.6%
Tuition	204,168,077	-	197,990,494	6,177,583	204,168,077	104,316,238	-		98,588,399	5,727,839	104,316,238	51.1%	33.0%
Fees	82,601,020	-	57,121,016	25,480,004	82,601,020	36,185,886	-		10,705,882	25,480,004	36,185,886	43.8%	11.4%
Grants & Contracts	127,012,703	73,484,347	52,968,477	559,879	53,528,356	45,957,401	25,437,801	34.6%	20,304,482	215,118	20,519,600	38.3%	6.5%
Foundation	22,614,800	50,000	10,350,800	12,214,000	22,564,800	1,830,183	1,868	3.7%	1,817,801	10,514	1,828,315	8.1%	0.6%
Investment Income	5,382,645	-	5,382,645	-	5,382,645	131,140	-		109,709	21,431	131,140	2.4%	0.0%
Sales and Services of Ed Activities	16,933,666	50,000	16,883,666	-	16,883,666	4,369,309	110,691	221.4%	4,258,618	-	4,258,618	25.2%	1.3%
Auxiliary Enterprise	140,391,547	-	-	140,391,547	140,391,547	60,925,973	-		-	60,925,973	60,925,973	43.4%	19.3%
All Other Sources	11,348,345	102,250	11,246,095	-	11,246,095	4,120,287	3,839	3.8%	4,112,169	4,279	4,116,448	36.6%	1.3%
TOTAL REVENUE	\$ 939,351,095	\$ 73,686,597	\$ 680,841,485	\$ 184,823,013	\$ 865,664,498	\$ 341,838,626	\$ 25,554,199	34.7%	\$ 223,899,269	\$ 92,385,158	\$ 316,284,427	36.5%	100.0%
Expenses													
Personal Services	\$ 440,255,361	\$ 36,736,235	\$ 351,657,934	\$ 51,861,192	\$ 403,519,126	\$ 117,516,348	\$ 13,229,497	36.0%	\$ 89,919,352	\$ 14,367,499	\$ 104,286,851	25.8%	45.2%
Fringe Benefits	149,090,416	8,816,696	120,368,362	19,905,357	140,273,719	38,969,006	2,934,793	33.3%	31,033,963	5,000,250	36,034,213	25.7%	15.6%
Other Expenses	198,962,721	20,856,900	103,765,356	74,340,465	178,105,821	55,544,381	7,126,719	34.2%	31,691,766	16,725,896	48,417,662	27.2%	21.0%
Equipment	15,626,765	3,626,765	9,955,235	2,044,765	12,000,000	5,219,448	941,085	25.9%	3,602,482	675,881	4,278,363	35.7%	1.9%
Fixed Charges/Student Aid	91,632,796	1,150,000	80,872,417	9,610,379	90,482,796	39,170,233	129,560	11.3%	34,400,943	4,639,730	39,040,673	43.1%	16.9%
Total Expenditures	\$ 895,568,059	\$ 71,186,597	\$ 666,619,304	\$ 157,762,158	\$ 824,381,462	\$ 256,419,416	\$ 24,361,654		\$ 190,648,506	\$ 41,409,256	\$ 232,057,762	28.1%	100.6%
Debt Service	\$ 24,182,054	-	11,212,181	12,969,873	\$ 24,182,054	\$ 6,205,619	\$ -		\$ 3,971,597	\$ 2,234,022	\$ 6,205,619	25.7%	2.7%
Non Mandatory	\$ 18,590,982	2,500,000	2,000,000	14,090,982	16,090,982	(5,535,006)	2,038,382		(10,261,046)	2,687,658	(7,573,388)	-47.1%	-3.3%
Total Expense/Transfer	\$ 938,341,095	\$ 73,686,597	\$ 679,831,485	\$ 184,823,013	\$ 864,654,498	\$ 257,090,029	\$ 26,400,036	35.8%	\$ 184,359,057	\$ 46,330,936	\$ 230,689,993	26.7%	100.0%
Net Gain (Loss)	\$ 1,010,000	\$ 0	\$ 1,010,000	\$ -	\$ 1,010,000	\$ 84,748,598	\$ (845,837)		\$ 39,540,212	\$ 46,054,222	\$ 85,594,434		

NET INC(DEC) CASH BALANCE

\$56,804,399

CASH BALANCE 6/30/07

\$111,827,723

CASH BALANCE 09/30/08

\$168,632,122

(a) Budgeted and actual revenues and expenditures represent accrual basis, except compensated absences which are adjusted at fiscal year end, rather than cash expenditures.

UNAUDITED

UNIVERSITY OF CONNECTICUT
Projection of 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	\$ 865,664,498	\$ 73,686,597	\$ 939,351,095	\$ 265,786,706	\$ 1,205,137,801
Expenditures and Transfers	864,654,498	73,686,597	938,341,095	177,826,715	1,116,167,810
Net Increase (Decrease)	\$ 1,010,000	\$ -	\$ 1,010,000	\$ 87,959,991	\$ 88,969,991
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Net Assets, 6/30/08 (Unaudited)					
Restricted and invested in capital net of related debt	\$ 14,249,046	\$ 380,047	\$ 14,629,093	\$ 1,227,683,531	\$ 1,242,312,624
Unrestricted	46,466,166	18,196,251	64,662,417	\$ 71,121,809	135,784,226
Total, 6/30/08	\$ 60,715,212	\$ 18,576,298	\$ 79,291,510	\$ 1,298,805,340	\$ 1,378,096,850
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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	\$ -	\$ -	\$ -	\$ 101,527,500	\$ 106,527,500
Unrestricted	1,010,000	-	1,010,000	(13,567,509)	(17,557,509)
Subtotal, 6/30/09	\$ 1,010,000	\$ -	\$ 1,010,000	\$ 87,959,991	\$ 88,969,991
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Net Assets, 6/30/09					
Restricted and invested in capital net of related debt	\$ 14,249,046	\$ 380,047	\$ 14,629,093	\$ 1,334,211,031	\$ 1,348,840,124
Unrestricted	47,476,166	18,196,251	65,672,417	52,554,300	118,226,717
Total, 6/30/09	\$ 61,725,212	\$ 18,576,298	\$ 80,301,510	\$ 1,386,765,331	\$ 1,467,066,841
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Compensated Absences Liability, 6/30/09	\$ 25,518,426				