

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Three Months Ended September 30, 2009

Summary

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 General Fund.

Financial results for the first three months of Fiscal Year 2010 reflected a number of different factors when compared to budget. Actual revenue totaled \$368.6 million or 37.1% of the budget. At the close of September, the University expenditures and transfers totaled \$261.2 million or 26.3% 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 2010 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first three months of Fiscal Year 2010 were \$340.5 million which represented 37.6% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 36.5% of the annual budget. A major source of revenue, **State Support**, consisted of a \$63.6 million appropriation and a fringe benefit allotment of \$24.7 million. State Support represented 25.9% of total Operating Fund receipts for the first three months.

Tuition collections were the largest source of revenue, totaling \$112.0 million, which represented 32.9% of total Operating Fund receipts. Tuition receipts were 49.7% 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.

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 three months Fee collections were on track at \$37.9 million or 43.4% of the amount budgeted.

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Auxiliary Enterprise Revenue for the first three months of Fiscal Year 2010 was \$67.4 million which represented 41.7% of the annual budgeted amount and was greater than projected for the quarter due to timing of Athletics receipts. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 6.0% and 7.0% respectively (\$54.8 million) and Athletic Department receipts (\$11.4 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 2010, Gifts, Grants and Contracts revenue of \$26.9 million, which included \$1.1 million from the UConn Foundation, was 34.5% of the annual budget and is 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 (\$109,343) 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 \$7.9 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 \$28.1 million and represented 32.8% of the amount budgeted. In Fiscal Year 2009, Research Fund revenues reported in the first three months totaled \$25.6 million and represented 34.7% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first three months of Fiscal Year 2010 were \$229.9 million or 27.0% of the annual budgeted amount. The spending pattern of the first quarter of Fiscal Year 2009 reflected expenditures of 28.1% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	25.5%
Fringe Benefits	27.2%
Other Expenses	21.1%
Equipment	14.9%
Student Aid	45.6%

Personal Services/Fringe Benefits represented 26.0% of the annual budgeted amount of \$535.6 million. While the personal services expenditures were less than budgeted for the first quarter, the fringe benefit costs are greater due to some contract payouts for the faculty who took the Retirement Incentive Plan (RIP) and had higher associated fringe benefit costs. Official full-time faculty and staff counts (based on IPEDS federal reporting standards) will be available in the second quarter.

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Other Expenses (including energy costs) were \$40.8 million for the first three months and represented 21.1% of the amount budgeted. Energy expenditures are projected to be on budget for the year, but the first quarter figures are less than expected due to timing of when payments were made. Other Expenses (excluding energy costs) were slightly less than budget due to the delayed approval of the annual spending plan which held up approval of various expenditures included in this category.

Equipment expenditures of \$3.2 million were 14.9% of the amount budgeted. While this category was less than expected for the first quarter due to the same issues which affected Other Expenses, it is anticipated that annual equipment expenditures will approximate budget.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first quarter, Student Aid expenditures were \$46.80 million and represented 45.6% of the amount budgeted. While this category is slightly ahead of the first quarter projection due to increased restricted funds, it is expected to be on budget for the year.

Expenditures - Operating Fund Transfers

Transfers for the first quarter were on budget at \$6.2 million or 11.7% of the amount budgeted and consist of transfers for debt service payments.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$25.1 million and represented 29.2% of the budgeted amount. In Fiscal Year 2009, Research Fund expenditures and transfers reported in the first three months totaled \$26.4 million and represented 35.8% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

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's budget is projected to have a net loss of \$2.0 million for the fiscal year ended June 30, 2010, which results in a Current Funds Unrestricted Fund Balance of \$67.0 million (Operating Fund-\$46.8 million; Research Fund-\$20.2 million). The fund balance represents 7.8% of the current year's unrestricted expenditure budget. Also, in accordance with current 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 assumes a consistent level of departmental fund balances at June 30, 2010. Any variance from this assumption will affect the projected fund balance level at year-end.

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FY 2010 Estimated Annual Changes in Unrestricted Net Assets (Unaudited)

	Operating Fund	Research Fund	Subtotal	Other Funds	Total
Net Assets, 6/30/09 (Unaudited)					
Restricted	\$ 14,408,199	\$ 738,406	\$ 15,146,605	\$ 1,253,299,157	\$ 1,268,445,762
Unrestricted	48,763,142	20,207,455	68,970,597	78,178,014	147,148,611
Total Net Assets	\$ 63,171,341	\$ 20,945,861	\$ 84,117,202	\$ 1,331,477,171	\$ 1,415,594,373

Unrestricted Revenues & Expenditures/Debt Service FY 2010

	Operating Fund	Research Fund	Subtotal	Other Funds		Total
				Internally Designated for Retirement of Indebtedness	Unexpended Plant Funds	
Revenues	\$ 843,941,771	\$ 19,117,000	\$ 863,058,771	\$ 16,000	\$ -	\$ 863,074,771
Transfers In	-	-	-	20,724,427 ^A	35,832,006 ^A	56,556,433
Subtotal	\$ 843,941,771	\$ 19,117,000	\$ 863,058,771	\$ 20,740,427	\$ 35,832,006	\$ 919,631,204
Expenditures/Debt Service	\$ 786,855,338	\$ 18,617,000	\$ 805,472,338	20,740,427	\$ 21,267,913	\$ 847,480,678
Transfers Out	56,056,433	500,000	56,556,433	-	-	56,556,433
Transfer to State General Fund	3,000,000	-	3,000,000	-	-	3,000,000
Subtotal	\$ 845,911,771	\$ 19,117,000	\$ 865,028,771	\$ 20,740,427	\$ 21,267,913	\$ 907,037,111
Net Increase (Decrease)	\$ (1,970,000)	\$ -	\$ (1,970,000)	\$ -	\$ 14,564,093^B	\$ 12,594,093

Estimated Unrestricted Net Assets

Non-spendable	\$ 5,726,381	\$ -	\$ 5,726,381	\$ -	\$ -	\$ 5,726,381
Committed	-	-	-	-	18,484,344	\$ 18,484,344
Assigned	43,036,761	20,207,455	63,244,216	36,205,157	23,488,513	122,937,886
Unrestricted Net Assets 6/30/09 (Unaudited)	48,763,142	20,207,455	68,970,597^C	36,205,157	41,972,857	147,148,611
Projected Operating Change-Assigned	(1,970,000)	-	(1,970,000)	-	-	(1,970,000)
Projected Non-Operating Change-Committed	-	-	-	-	14,564,093 ^B	14,564,093
Estimated Unrestricted Assets 6/30/10	\$ 46,793,142	\$ 20,207,455	\$ 67,000,597	\$ 36,205,157	\$ 56,536,950	\$ 159,742,704

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

^B Primarily represents funding for auxiliary projects. 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 current balance represents approximately 31 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 (not tuition) instructional programs.

~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.