

Oakland University
OFFICE OF THE VICE PRESIDENT FOR
FINANCE AND ADMINISTRATION

MEMORANDUM

DATE: August 29, 2003

TO: Finance, Audit and Investment Committee

FROM: Lynne C. Schaefer
Vice President for Finance and Administration

SUBJECT: FY 2003 General Fund Budget Performance Report

Attached are the year-end budget performance reports detailing the actual FY 2003 expenditures to budget. The final budget figures include adjustments for compensation increases, one-time allocations, organizational reporting changes and the FY 2003 budget reductions.

Given the tumultuous year, the financial results shown here are very positive. Overall the university community exercised constraint in spending without jeopardizing customer service, quality or employee morale. Listed below are a few significant points regarding FY 2003 general fund budget performance:

- After decreasing the budget for the 3.5% appropriation reduction and the tuition revenue shortfall, the university ended the year with an \$817,152 positive expenditure variance.
- All major operating units finished the year with a positive budget variance. The general category shows a budget deficit due to the process used to allocate budget savings throughout the year, including year-end transfers.
- Special programs (incentive based) in Academic Affairs show a budget deficit due to the way these programs are budgeted. Generally, the base budgets for these programs are adjusted when there is a comfort level that enrollment growth is permanent in nature.
- Savings in compensation resulted from normal faculty and staff turnover coupled with the impact of the university-wide hiring freeze.
- Utilities savings are attributable to favorable natural gas purchases and a substantial savings from the electricity contract with Quest Energy.

FY 2003 General Fund Budget Performance Report

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- Insurance savings were due to good claims experience during the year. This resulted in a credit back to the general fund and the auxiliary units of a large part of the retentions set-up at the beginning of the fiscal year for General Liability and Errors and Omissions coverages. The retentions are determined each year by MUSIC's actuary for claims which have been incurred but not reported yet.
- Savings in debt service resulted from the variable rate portion of the Series 2001 bond issue. In addition, savings were realized from the re-financing of the Viron energy project.
- At the June 2003 Board meeting, the Trustees authorized the use of \$600,000 from the Rainy Day Fund to help offset the FY2003 budget reductions. As part of year-end closing, the University was able to restore this amount to the Rainy Day Fund, resulting in a year-end balance of \$1.5 million.

Oakland University
Total General Fund Budget and Expenditures by Major Unit
Fiscal Year 2003

| Division | Budget* | Expenditures | Difference |
|----------------------------|-----------------------|-----------------------|-------------------|
| Academic Affairs | \$ 83,391,172 | \$ 83,067,581 | \$ 323,591 |
| Finance and Administration | 17,708,916 | 17,194,146 | 514,770 |
| Student Affairs | 5,268,836 | 5,168,488 | 100,348 |
| University Relations | 1,542,108 | 1,513,859 | 28,249 |
| President | 6,827,947 | 6,347,827 | 480,120 |
| General | 5,016,757 | 5,646,683 | (629,926) |
| Total | \$ 119,755,736 | \$ 118,938,584 | \$ 817,152 |

* The FY 2003 final budget includes adjustments for compensation increases, one-time allocations and organizational reporting changes distributed after the Board approved budget.

Oakland University
Total General Fund Budget and Expenditures - Academic Affairs
Fiscal Year 2003

| Description | Budget* | Expenditures | Difference |
|--|-----------------------------|-----------------------------|--------------------------|
| Regular Programs | | | |
| College of Arts & Sciences | \$ 27,095,582 | \$ 27,058,870 | \$ 36,712 |
| School of Business Administration | 8,763,546 | 8,729,396 | 34,150 |
| School of Education and Human Services | 8,065,381 | 8,010,057 | 55,324 |
| School of Engineering and Computer Science | 7,114,923 | 7,095,817 | 19,106 |
| School of Health Sciences | 3,158,376 | 3,116,621 | 41,755 |
| School of Nursing | 2,563,762 | 2,532,561 | 31,201 |
| Kresge Library | 4,221,549 | 4,203,563 | 17,986 |
| Instructional and Information Technology | 6,190,155 | 6,029,792 | 160,363 |
| Academic Affairs - Other | 11,275,020 | 11,145,178 | 129,842 |
| Subtotal Regular Programs | <u>\$ 78,448,294</u> | <u>\$ 77,921,855</u> | <u>\$ 526,439</u> |
| Special Programs | | | |
| AA - Incentive Programs | \$ 1,621,817 | \$ 1,877,479 | \$ (255,662) |
| AA - CE Programs | 1,107,990 | 1,005,172 | 102,818 |
| AA - New Programs | 2,213,071 | 2,263,075 | (50,004) |
| Sub Total Special Programs | <u>\$ 4,942,878</u> | <u>\$ 5,145,726</u> | <u>\$ (202,848)</u> |
| Total Academic Affairs | <u><u>\$ 83,391,172</u></u> | <u><u>\$ 83,067,581</u></u> | <u><u>\$ 323,591</u></u> |

* The FY 2003 final budget includes adjustments for compensation increases, one-time allocations and organizational reporting changes distributed after the Board approved budget.

Oakland University
Analysis of Budget Performance
Fiscal Year Ended June 30, 2003

| | FY 2003 Budget | YTD Actual | Favorable (Unfavorable) | % of Budget | Explanation |
|---|-----------------------|-----------------------|----------------------------|----------------|---|
| Revenues: | | | | | |
| State Appropriation | \$ 52,384,700 | \$ 50,551,147 | \$ (1,833,553) | 96.50% | Reflects 3.5% state appropriation reduction. |
| Tuition | 66,597,819 | 65,507,432 | (1,090,387) | 98.36% | FYES projection 231 short of target. |
| Other Student Fees | 5,511,178 | 5,636,444 | 125,266 | 102.27% | Course Fee revenue favorable. |
| Financial Aid | (6,544,660) | (5,727,674) | 816,986 | 87.52% | Overestimated yield rate of financial aid awards. Grad. Fellowships favorable 200k. |
| Indirect Cost Recovery | 1,500,000 | 1,344,019 | (155,981) | 89.60% | NIH Grants down . |
| Investment Income | - | 38,758 | 38,758 | | |
| Miscellaneous Income | 1,625,000 | 1,538,001 | (86,999) | 94.65% | |
| Subtotal Revenues | \$ 121,074,037 | \$ 118,888,127 | \$ (2,185,910) | 98.19% | |
| Other Funding Sources: | | | | | |
| FY 02 to FY 03 Enc. and Carryforwards | \$ 1,731,405 | \$ 1,731,405 | \$ - | 100.00% | |
| Total Revenues and Other Funding Sources | \$ 122,805,442 | \$ 120,619,532 | \$ (2,185,910) | 98.22% | |
| Expenditures: | | | | | |
| Compensation | \$ 90,024,189 | \$ 88,829,948 | \$ 1,194,241 | 98.67% | Faculty fringe benefit savings of \$508,000 reallocated to other needs. Staff compensation savings of \$686,000 from turnover, vacancies and hiring freeze. |
| Purchased Utilities | 2,489,327 | 2,231,560 | 257,767 | 89.65% | Substantial savings realized from electrical contract with Quest Energy. |
| Insurance | 722,854 | 271,446 | 451,408 | 37.55% | Greater retention release than estimated by actuarial . |
| Debt Service | 4,675,304 | 4,300,321 | 374,983 | 91.98% | Series 2001 issue favorable due to variable rates and portion of debt service paid by bond proceeds. Viron debt service favorable due to Comerica debt re-financing. |
| Administrative Charge | (768,141) | (803,939) | 35,798 | 104.66% | Budget based on FY02 actual admin. charge to Auxiliaries. FY03 calculation higher. |
| Contingency, Str Plan, Tech. Imp. | 2,533,000 | 2,241,068 | 291,932 | 88.47% | Project balances remaining at year-end. |
| Incentive, CE, New Prog. Operating | 4,942,878 | 5,145,725 | (202,847) | 104.10% | Continued growth in Continuing Education and incentive programs. |
| Incentive, CE, New Prog. Profit Share | 1,271,912 | 1,409,706 | (137,794) | 110.83% | Continued growth in Continuing Education and incentive programs. |
| Operating Expenses | 16,607,401 | 15,136,291 | 1,471,110 | 91.14% | Restraint in spending in anticipation of FY 03 budget reductions. |
| Charter Schools | 763,366 | 776,458 | (13,092) | 101.72% | |
| Transfers from Year End Savings | (2,906,354) | - | (2,906,354) | 0.00% | Transfers for University projects and to restore Rainy Day Fund. |
| Transfers (Rainy Day Fund) | (600,000) | (600,000) | - | 100.00% | Utilize portion of Rainy Day Fund for FY 03 budget reductions. |
| Total Expenditures | \$ 119,755,736 | \$ 118,938,584 | \$ 817,152 | 99.32% | |
| Excess of Total Revenues over Expenditures | \$ 3,049,706 | \$ 1,680,948 | | | |

Oakland University
Budget Performance Summary
Fiscal Year Ended June 30, 2003
Reconciliation to the Financial Statements

| | |
|---|-----------------------|
| Revenues per Budget Performance | \$ 118,888,127 |
| Add back Financial Aid | 5,727,674 |
| Total (Matches Revenue per Financial Statements) | <u>\$ 124,615,801</u> |
| | |
| Expenditures and Transfers per Budget Performance | \$ 118,938,584 |
| Add back Financial Aid | 5,727,674 |
| Total (Matches General Fund Expenditures and Transfers per Financial Statements) | <u>\$ 124,666,258</u> |

Oakland University
Budget Performance Summary
Fiscal Year Ended June 30, 2003
Encumbrance and Carryforward

| Unit | Encumbrance | Carryforward | Total |
|----------------------------|-------------------|---------------------|---------------------|
| Academic Affairs | \$ 136,258 | \$ 478,805 | \$ 615,063 |
| Finance and Administration | 177,614 | 177,064 | 354,678 |
| President | 65,883 | 426,863 | 492,746 |
| Student Affairs | 6,193 | 16,567 | 22,760 |
| University Relations | - | - | - |
| General | - | 195,701 | 195,701 |
| Total | \$ 385,948 | \$ 1,295,000 | \$ 1,680,948 |

Oakland University
Budget Performance Summary
Fiscal Year Ended June 30, 2003

Non Mandatory Transfers from the General Fund to the Plant Fund

| | |
|--|--------------------------|
| Ravine Drive Sidewalk Project | \$ 4,151 |
| Oakland Center Lower Level | 148,079 |
| Telephone Switch | (82,000) |
| Chilled Water Project | 61,000 |
| Recreation Center Tap Fees | 96,450 |
| North Foundation Hall Modifications to Support IT | 145,000 |
| MBH Heating | 81,500 |
| Email System | 8 |
| Viron Payment Reimbursement | (78,333) |
| Revised Balances/Balances Left in Closed Projects | (145,319) |
| Total Non Mandatory Transfers to Plant Fund | <u>\$ 230,536</u> |

Non Mandatory Transfers from the General Fund to Funds other than the Plant Fund

| | |
|---|----------------------------|
| Auxiliary Funds | \$ 887,303 |
| Designated Funds | 3,577,244 |
| Expendable Restricted Funds | 89,557 |
| Loan Funds | 8,006 |
| Total Non Mandatory Transfers to Funds Other than Plant Fund | <u>\$ 4,562,110</u> |

Total Non Mandatory Transfers **\$ 4,792,646**

Oakland University
Budget Performance Summary
Fiscal Year Ended June 30, 2003

Detail of Year End Transfer Items:

| | |
|--|----------------------------|
| Rainy Day Fund Restoration | \$ 600,000 |
| MBHEI Deficit Coverage | 523,026 |
| Enrollment Incentive Pool | 500,000 |
| Capital Projects Reserve | 500,000 |
| Miscellaneous Facilities Repairs | 238,500 |
| Deferred Maintenance Funding | 200,000 |
| Auburn Hills Sewer Tap Fees | 130,910 |
| Applied Music Revenue | 107,618 |
| Donor Honor Roll | 54,000 |
| AP/IC Employee and Dependent Tuition Shortfall | 35,200 |
| Endowment Beneficiary Shortfall | 17,100 |
| Total | <u>\$ 2,906,354</u> |