

A collage of four photographs showing different parts of the Western Oregon University campus. The top photo shows a sign for Western Oregon University in front of a brick building. The middle-left photo shows a modern brick building with large windows. The middle-right photo shows a close-up of a brick building with arched windows. The bottom photo shows a large brick building complex surrounded by trees.

UNIVERSITY FINANCIAL UPDATE

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Western Oregon
UNIVERSITY

BUDGET CONCEPTS



BUDGET CONCEPTS

General Terms:

- Budget – a plan, projection, estimate
- Revenue – income, money earned
- Expense – cost, money spent
- Funds – separate bookkeeping records for different purposes
 - Some funds are fungible, while others are not
- Transfers – moving money between funds
- Fund Balance – similar to a savings account (not actually cash), cumulative difference between revenues & expenses
 - Our Board has set a target for E&G fund balance of 10-12%



TYPES OF REVENUES

- Tuition – tuition, mandatory fees (building, health service, incidental, student health building, student recreation center building), fee remissions
- State Appropriations
- Investment – interest from bank deposits & student account outstanding balances
- Grants
- Sales & Services – ticket sales, room & board, dining, bookstore, etc.
- Other – internal sales, reimbursements



TYPES OF EXPENSES

- Personnel – salaries & wages, health insurance, retirement, payroll taxes
 - ~85% of our E&G expenses are personnel
- Services & Supplies – office supplies, subscriptions & dues, desks, travel, etc.
- Capital Outlay – equipment, library collections, etc.



TYPES OF FUNDS

- Education & General (E&G) – operational – tuition & fee revenue, state appropriation, instructional expenses, administrative expenses, institutional support, etc.
- Auxiliaries – bookstore, housing, dining, athletics, Incidental Fee Committee (IFC), etc.
- Capital – buildings, repairs, etc.
 - Primary source of funding is through bonds from the state which are restricted for use on capital (not fungible)
- Grants – financial aid, federal & state grants, research, etc.
- Other Funds – DesOps, Service, Restricted

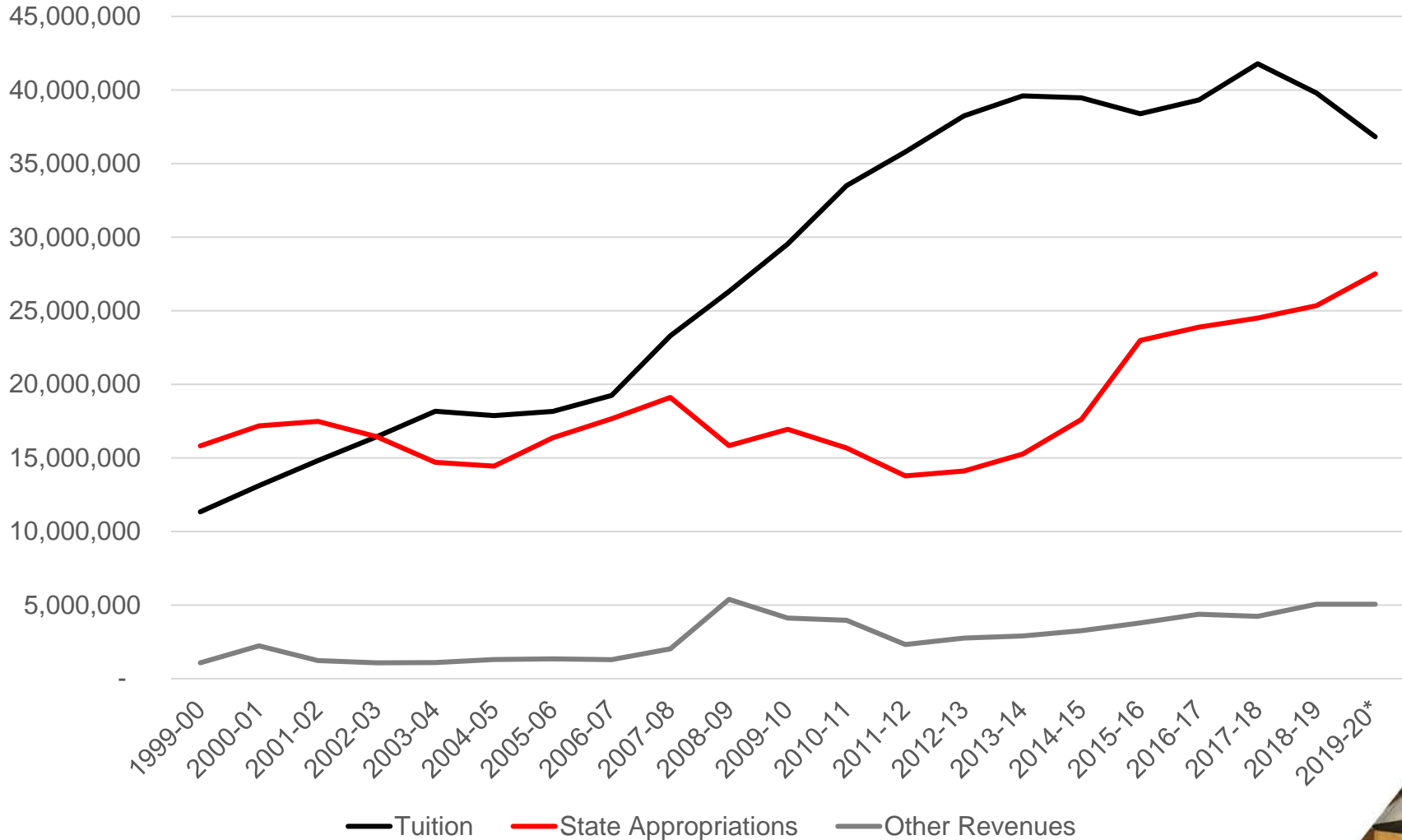


HISTORICAL CHANGES



HISTORICAL E&G REVENUES

While the gap is narrowing between state appropriations and tuition, this is a reflection of a decline in enrollment



* 2019-20 based on budgeted revenues



STATE ALLOCATION: Students Success and Completion Model

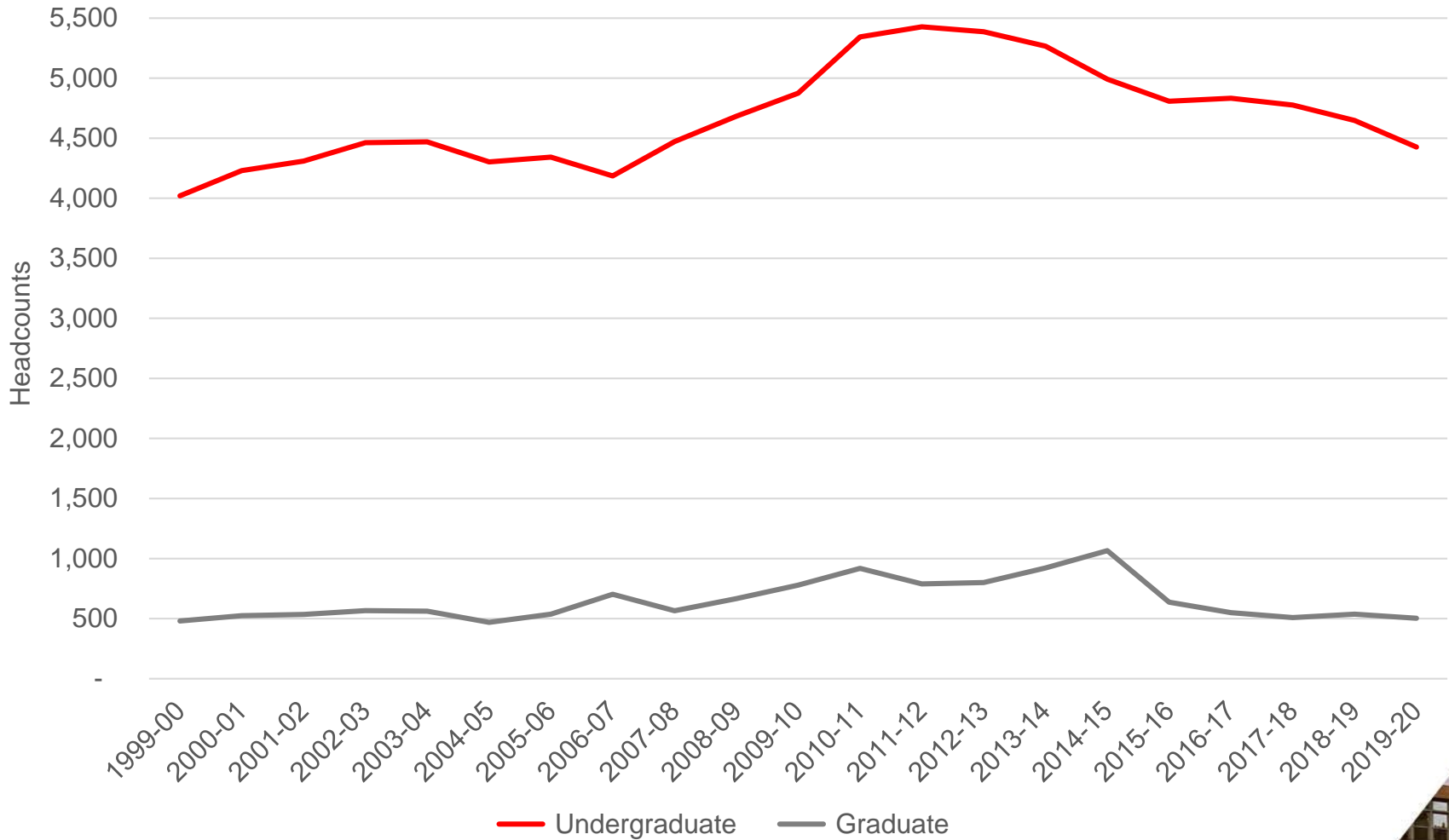
Consists of three components:

- Mission Differentiation Funding Allocation – supports a public university’s activities consistent with Regional Support, Mission Support, and Research Support
- Outcomes-Based Allocation – determined by the most recent three-year average total cost weighted degrees produced, student type, and priority area
- Activity-Based Allocation – determined by the most recent three-year average total, cost weighted, completed, resident student credit hours (SCH)

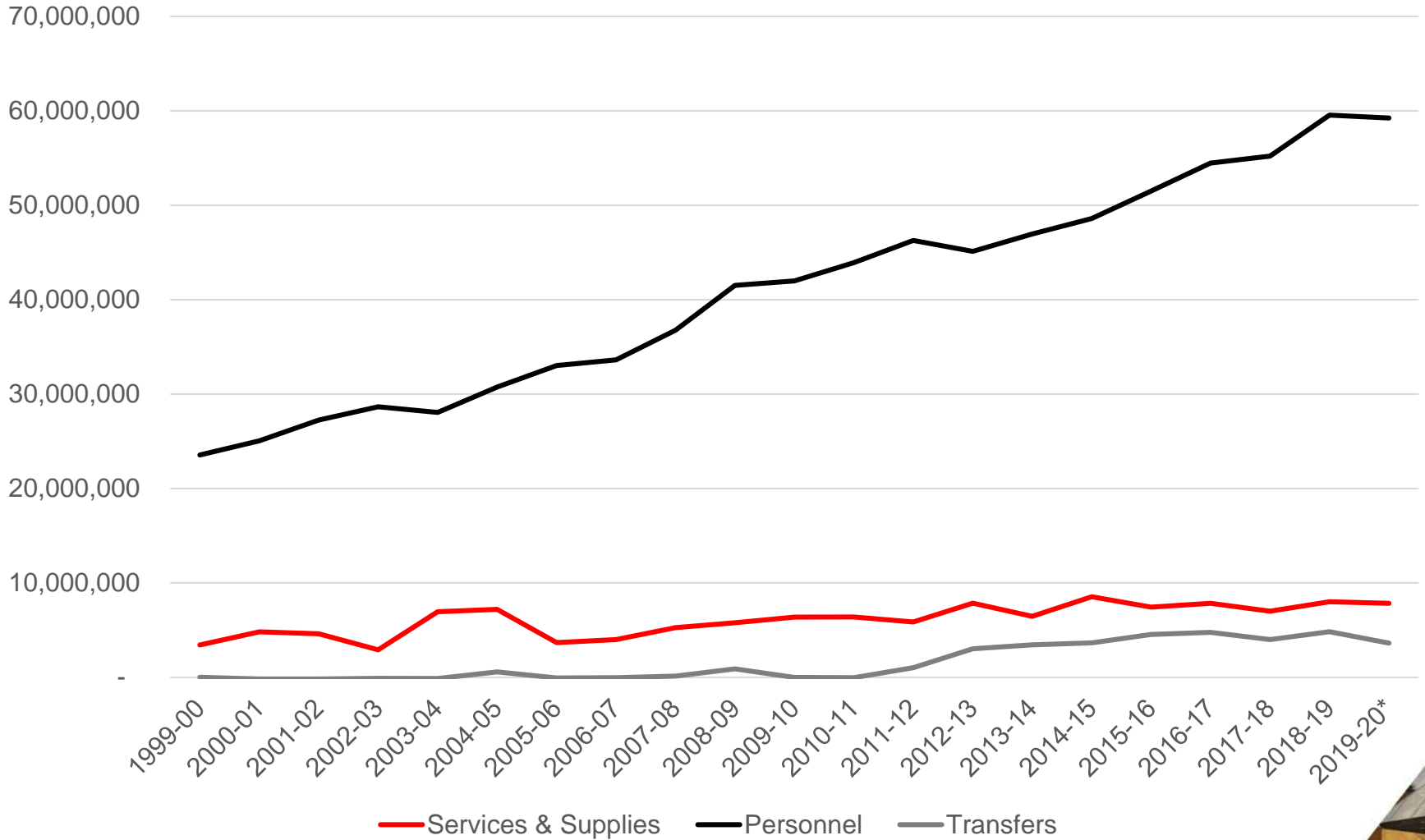
Mission Differentiation Allocation is completed first, with the remaining funds then being allocated 60% to Outcomes-Based and 40% to Activity-Based



HISTORICAL ENROLLMENT



HISTORICAL E&G EXPENSES



* 2019-20 based on budgeted expenses



FY20 Budget



FY20 BUDGET CREATION PROCESS

Engage all relevant campus stakeholders

- 26 meetings, including LAS, COE, divisions of Academic Affairs, Student Affairs, General Counsel, Development & Advancement, Finance & Administration, and Auxiliary Services
- Tuition & Fee Advisory Committee (TFAC) – lowest resident undergrad tuition increase of 2.33% (\$4/credit)
- University Budget Advisory Committee (UBAC) – 9 funded proposals, totaling \$997K
- Incidental Fee Committee (IFC) – set incidental fee and allocation (\$16 increase, 4.4%)



FY20 ADOPTED BUDGET ASSUMPTIONS & ENHANCEMENTS

- Tuition revenues were built on assumed flat enrollment & \$6.27M of fee remissions
 - FY18 – 3% down
 - FY19 – 1% up
- State Allocation was unknown ranging from \$40.5M to \$120M being added to the PUSF fund
 - Ultimately, \$100M was added to the PUSF; \$120M (which would have maintained CSL for universities) would have resulted in an additional \$550K to WOU
- Other revenues were assumed flat
- Flat S&S expense, minimum wage increase for students, \$500K for classified raises, \$500K for faculty raises, \$350K for unclassified raises, \$1.25M retirement increase
- Resulted in \$1.3M E&G budget deficit



FY20 ADJUSTED BUDGET

- Tuition revenues built on fall census – an ~5% decline from prior year & \$5.349M of fee remissions
 - Reallocated \$521K of fee remissions to lottery & \$400K due to fewer students
- To maintain the original \$1.3M deficit, \$3.828M of budget cuts were needed
- To date, we have identified & reduced the budget by \$1.943M
- Fee remissions are projected to be \$6.5M (\$1.15M over the revised budget)
- We need to find \$3M additional budget savings



FY20 YEAR-END FORECAST

| | FY19 Year-End Actuals | FY20 Year-End Projected | FY20 Adjusted Budget | Variance FY20 Projected Year-End to Adjusted Budget |
|--|--------------------------|----------------------------|-------------------------|---|
| Education & General Fund | | | | |
| Recurring Operating Activities | | | | |
| Student Fees & Tuition (net of remissions) | 39,804 | 35,571 | 36,819 | (1,248) |
| Government Resources & Allocations | 25,348 | 27,512 | 27,512 | 0 |
| Gift Grants and Contracts | 848 | 794 | 850 | (56) |
| Other Revenue | 4,209 | 3,525 | 4,209 | (684) |
| Total Revenues | <u>70,209</u> | <u>67,401</u> | <u>69,391</u> | <u>(1,989)</u> |
| Personnel | 58,712 | 62,572 | 59,240 | (3,332) |
| Service & Supplies | 7,556 | 5,812 | 7,640 | 1,828 |
| Capital Expense | 454 | 66 | 203 | 137 |
| Total Expenses | <u>66,722</u> | <u>68,450</u> | <u>67,083</u> | <u>(1,367)</u> |
| Interfund Transfers In | (12,350) | (1,319) | (841) | 478 |
| Interfund Transfers Out | 16,971 | 4,532 | 4,460 | (72) |
| Total Expenses and Transfers | <u>71,343</u> | <u>71,663</u> | <u>70,702</u> | <u>(961)</u> |
| Operating Net Revenues less Expenses | (1,134) | (4,262) | (1,311) | 2,951 |
| Other Activities | | | | |
| Investment in Salem Building | 0 | (2,698) | (3,500) | (802) |
| Retirement Window Payment | (840) | (783) | (783) | 0 |
| Other | (213) | (88) | (45) | 43 |
| Total Other Activities | <u>(1,052)</u> | <u>(3,569)</u> | <u>(4,328)</u> | <u>(759)</u> |
| Total Net Revenues less Expenses | (2,187) | (7,830) | (5,639) | 2,192 |
| Fund Balance at the Beginning of the Year | <u>15,143</u> | <u>12,956</u> | <u>12,956</u> | |
| Fund Balance at the End of the Year | <u>12,956</u> | <u>5,125</u> | <u>7,317</u> | |
| Fund Balance as a Percentage of Revenues | 18.45% | 7.60% | 10.54% | |



FY20 YEAR-END FORECAST: HIGHLIGHTS

- Revenues are projected to be \$69.391M, \$1.989M less than the FY20 adjusted budget
 - Due to a continued decline in enrollment and \$1M increase in fee remissions
- Expenses are projected to be \$68.450M, \$1.367M more than the FY20 adjusted budget
 - Personnel is projected to be \$3.332M more than the adjusted budget, which doesn't reflect budget reduction efforts underway.
 - President's Cabinet is reviewing each staff position as it opens to assess the appropriate timeline to fill
 - Service & supplies are projected to be \$1.828M less than the adjusted budget. This is reflective of campus-wide frugality efforts.

FY20 YEAR-END FORECAST: HIGHLIGHTS

- Operating net revenues less expenses are projected to be a loss of \$4.626M versus the FY20 adjusted budget of \$1.311M.
- Net revenues less expenses and transfers are projected to be a loss of \$7.830M versus the FY20 adjusted budget of \$5.639M. Projected year end fund balance is \$5.125M, or 7.60% of projected revenues.
 - This does not include the \$1M invested in the quasi-endowment; if included, it brings the fund balance to 9%.

FY21 Budget Planning



FY21 BUDGET

- Planning stages
 - TFAC process underway – goal of resident undergrad tuition increase of less than 5%
 - UBAC process underway – 37 proposals received & being reviewed in phase 1
 - IFC process underway – potential restructuring of fee, increase of less than 5%
- Assuming enrollment decline of 2.5%



FY2019 Audited Financial Statements

HIGHLIGHTS



CAMPUS ACCOMPLISHMENTS: Highlights

We started a **second campus in Salem** to offer programs tailored to the needs to adult learners. Today, **WOU:Salem** is located in the historic Vick building in downtown Salem.

The Higher Education Coordinating Commission approved the university's **Master's program in Organizational Leadership**.

The **Natural Science renovation** is nearly complete and sports a bevy of upgrades and classroom improvements.

BALANCE SHEET: Abbreviated Statement

(in thousand dollars)

| | FY2019 | FY2018 | Change | % Change |
|--|----------------|----------------|----------------|------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 21,367 | 19,350 | 2,017 | 10% |
| Accounts receivable, net of allowances | 15,373 | 8,522 | 6,851 | 80% |
| Other | 3,752 | 4,609 | (857) | -19% |
| Total current assets | 40,492 | 32,481 | 8,011 | 25% |
| Total noncurrent assets | 146,465 | 149,172 | (2,707) | -2% |
| Total assets | 186,957 | 181,653 | 5,304 | 3% |
| Liabilities | | | | |
| Total current liabilities | 20,746 | 21,136 | (390) | -2% |
| Noncurrent liabilities | | | | |
| Long-term liabilities | 52,631 | 52,473 | 158 | 0% |
| Net pension liabilities | 33,824 | 35,461 | (1,637) | -5% |
| OPEB liability | 2,361 | 2,438 | (77) | -3% |
| Total noncurrent liabilities | 88,816 | 90,372 | (1,556) | -2% |
| Total liabilities | 109,562 | 111,508 | (1,946) | -2% |
| Net position | | | | |
| Net investment in capital assets | 66,611 | 63,049 | 3,562 | 6% |
| Restricted net position | 10,349 | 7,532 | 2,817 | 37% |
| Unrestricted net position | 11,445 | 12,171 | (726) | -6% |
| Total net position | 88,405 | 82,752 | 5,653 | 7% |

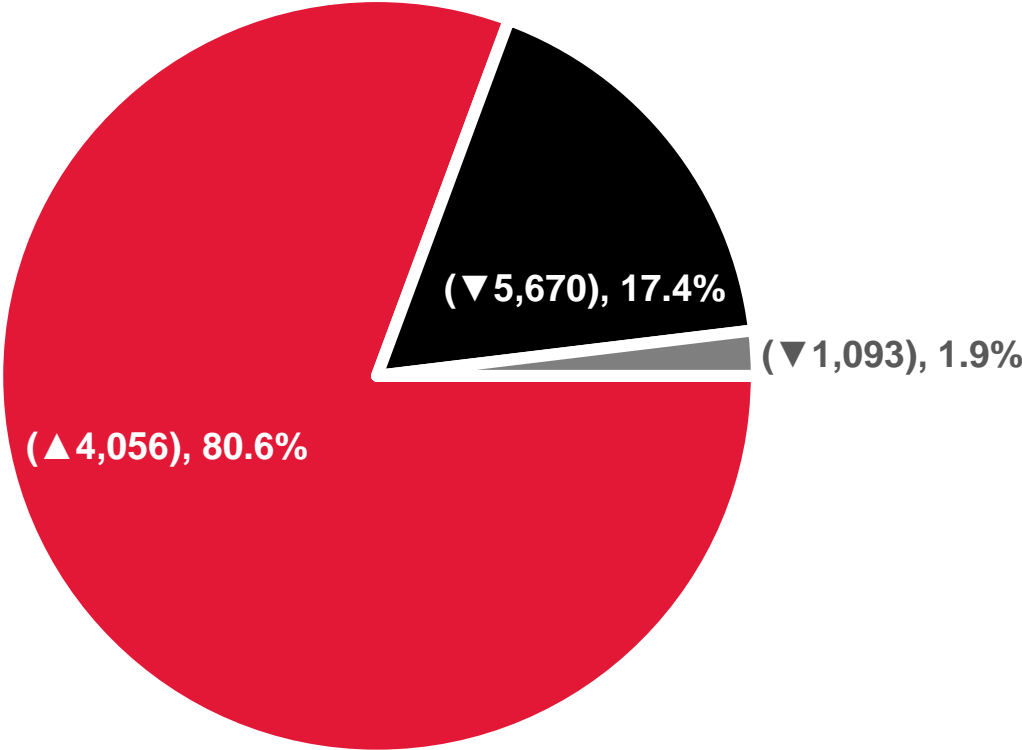
BALANCE SHEET: Accounts receivable

(in thousand dollars)

| | FY2019 | FY2018 | Difference | % Change |
|--|---------------|--------------|--------------|------------|
| Student Tuition and Fees | 18,487 | 19,483 | (996) | -5% |
| Federal Grants and Contracts | 2,816 | 1,485 | 1,331 | 90% |
| State Capital Construction Grants and Contracts | 3,301 | 310 | 2,991 | 965% |
| Auxiliary Enterprises and Other Operating Activities | 2,464 | 1,850 | 614 | 33% |
| State, Other Government, and Private Gifts, Grants, and Contracts | 1,052 | 1,079 | (27) | -3% |
| | 28,120 | 24,207 | 3,913 | 16% |
| Less: Allowance for Doubtful Accounts | (12,988) | (15,874) | 2,886 | -18% |
| Accounts Receivable, Net | 15,132 | 8,333 | 6,799 | 82% |

BALANCE SHEET: Noncurrent assets

Noncurrent assets
FY 2019



· Capital assets, net of accumulated depreciation · Investments · Other

INCOME STATEMENT: Abbreviated Statement

(in thousand dollars)

| | FY2019 | FY2018 | Difference | % Change |
|---|---------------|---------------|--------------|-----------|
| Operating Revenues | 64,507 | 68,552 | (4,045) | -6% |
| Operating Expenses | 107,904 | 108,080 | (176) | 0% |
| Operating Loss | (43,397) | (39,528) | (3,869) | 10% |
| Nonoperating Revenues, Net of Expenses | 41,162 | 37,441 | 3,721 | 10% |
| Other Revenues | 7,888 | 7,547 | 341 | 5% |
| Increase in Net Position | 5,653 | 5,460 | 193 | 4% |
| Net Position, Beginning of Year | 82,752 | 77,292 | 5,460 | 7% |
| Net Position, Ending of Year | 88,405 | 82,752 | 5,653 | 7% |

INCOME STATEMENT: Total Revenues

(in thousand dollars)

| | FY2019 | FY2018 | Difference | % Change |
|-------------------------------------|----------------|----------------|----------------|------------|
| Student Tuition and Fees | 32,253 | 34,304 | (2,051) | -6% |
| Grants and Contracts | 8,034 | 9,085 | (1,051) | -12% |
| Auxiliary Enterprises | 20,025 | 20,943 | (918) | -4% |
| Educational and Other | 4,195 | 4,220 | (25) | -1% |
| Total Operating Revenues | 64,507 | 68,552 | (4,045) | -6% |
| Appropriations | 25,929 | 25,087 | 842 | 3% |
| Financial Aid Grants | 14,284 | 13,954 | 330 | 2% |
| Gifts | 1,050 | 984 | 66 | 7% |
| Investment Activity | 2,487 | 401 | 2,086 | 520% |
| Capital Grants and Gifts | 7,506 | 7,165 | 341 | 5% |
| Gain (Loss) on Sales of Assets, Net | (41) | 0 | (41) | 0% |
| Total Nonoperating Revenues | 51,215 | 47,591 | 3,624 | 8% |
| Total Revenues | 115,722 | 116,143 | (421) | 0% |

STATEMENT OF CASH FLOWS: Abbreviated Statement

(in thousand dollars)

| | FY2019 | FY2018 | Difference | % Change |
|---|-----------------|-----------------|-----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Tuition and Fees | 30,565 | 32,736 | (2,171) | -7% |
| Grants and Contracts | 6,636 | 10,204 | (3,568) | -35% |
| Educational Department Sales & Services | 688 | 857 | (169) | -20% |
| Auxiliary Enterprises | 19,464 | 20,931 | (1,467) | -7% |
| Payments to Employees for Wages & Benefits | (74,804) | (70,838) | (3,966) | 6% |
| Payments to Suppliers | (19,705) | (20,377) | 672 | -3% |
| Student Financial Aid | (6,789) | (7,075) | 286 | -4% |
| Other Operating Receipts | 3,435 | 3,362 | 73 | 2% |
| Net Cash Used by Operating Activities | (40,510) | (30,200) | (10,310) | 34% |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Government Appropriations | 25,547 | 24,705 | 842 | 3% |
| Financial Aid Grants | 14,284 | 13,954 | 330 | 2% |
| Other | 916 | 882 | 34 | 4% |
| Net Cash Used by Noncapital Financing Activities | 40,747 | 39,541 | 1,206 | 3% |
| Net Cash Used by Capital Financing Activities | (7,277) | (5,682) | (1,595) | 28% |
| Net Cash Used by Investing Activities | 8,157 | (783) | 8,940 | 1142% |
| NET INCREASE IN CASH AND EQUIVALENTS | 1,117 | 2,876 | (1,759) | -61% |
| CASH AND CASH EQUIVALENTS | | | | |
| Beginning Balance | 20,200 | 17,324 | | |
| Ending Balance | 21,367 | 20,200 | 1,167 | 6% |

KEY PERFORMANCE INDICATORS: Financial Ratios

| | 2019 | 2018 | 2017 | Benchmark |
|------------------------------|---------------|--------|--------|-----------|
| Viability Ratio | 0.48 | 0.46 | 0.42 | 1.00 |
| Primary Reserve Ratio | 0.24 | 0.23 | 0.21 | 0.40 |
| Net Revenues Ratio | -1.28% | -1.78% | -6.39% | 2-4% |
| Net Assets Ratio | 7.16% | 7.18% | -2.49% | 3-4% |
| Debt Burden Ratio | 4.03% | 3.94% | 3.94% | 4.5% |

KEY PERFORMANCE INDICATORS: Financial Ratios

Viability Ratio

The viability ratio determines the ability of an institution to continue to achieve its operating objectives and fulfill its mission over the long term. The ratio is used to measure the ability of the institution to liquidate debt from its *expendable* resources.

Primary Reserve

The primary reserve ratio provides a snapshot of financial strength and flexibility by indicating how long an institution could function using its *expendable* resources without relying on additional assets.

$$x_{\text{reserve}} \times 12 = \text{months of funding}$$

Net Revenues Ratio

The net revenues ratio measures an institution's operating surplus or deficit. The ratio answers the question, "Did the institution balance operating expenses with available revenue?"

KEY PERFORMANCE INDICATORS: Financial Ratios

Net Assets Ratio

The net assets ratio measures an institution's total economic during a fiscal year. The ratio is used to determine if the institution is better off than it was a year ago.

Debt Burden Ratio

The debt burden ratio examines the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures.

NEXT FINANCIAL REPORT

Current Fiscal Year

- Management report through February 2020
- Year-end forecast based on period 8 actuals
- Update on current capital projects

Next Fiscal Year

- Tuition recommendation from TFAC
- IFC decision on incidental fee
- Management recommendation on other tuition and fees
- Update on future capital projects