University Finances

A Report on Spending and Saving

December 4, 2013
Today’s Presentation

- Information requested about CU fund balances.
- Financial info is important but can be a bit dry.
- Enhanced communication strategy.
- Questions? Please ask.
Today’s Information

• Overview of university funds and user-friendly fund category names.
• Broad fund categories: Obligated and unobligated.
• Where we ended up on budget and revenues last year.
• Where the year-end balances go.
• Timeline for future briefings.
• Procedure recommendations.
Communication and Process Observations

Communication

- Robust communication with Board regarding fund balances is needed.
  - Will adapt as we go based on feedback.
  - This will provide a deeper context for budget discussions.

Process

- New reporting format and timeline so Board knows what information to expect and when.
- Develop new policies to institutionalize predictable reporting process.
- Highlight annual financial health measures and track them over time.
Additional Observations

- Fund balances intentionally built during downturn for safety net.
- Strategy to achieve stability during downturn implemented.
- Avoided larger tuition increases and deeper cuts.
- Funds saved during downturn are available for one-time uses.
- Accounting term is “Unrestricted Net Assets” but most are obligated.
New Reporting

- New fund categories to better describe intended use of funds.
- New annual reporting to track and report on annual changes beyond the financial statement footnote.
- New annual reporting separated out by campus.
- Fund allocations are not exact due to transition to new categories.
System-wide New Categories

- Obligated Funds
  - Accounts Receivable
  - Inventory and Prepaid
  - Obligated Capital in Progress
  - Service Centers
  - Risk Financing Activities
  - Faculty Startup, Cost Shares, Matches and Aid

- Unobligated Funds
  - Auxiliary Facilities Non-pledged
  - Unobligated Capital
  - Campus Designated Capital (pending Regent approval if over $2 million)
  - General Programmatic
  - Compensated Absences and Post-employment Benefits
Unobligated Funds and Obligated Capital

• Auxiliary Facilities Non-pledged
  • Example: Continuing Education
  • Auxiliaries operate like businesses

• Unobligated Capital
  • Funds held for future capital and deferred maintenance projects.

• General Programmatic
  • Available for shortfalls, leveraging grants and gifts, and strategic opportunities.

• Compensated Absences and Post-employment Benefits
  • Cost to pay out these benefits.

• Campus Designated Capital Pending Regent Approval
  • Funds for projects under consideration by Regents Capital Sub-Committee.

• Capital in Progress (obligated)
  • Construction projects previously approved
Developed by KPMG Accounting Firm.

- Scale is from -4 to 10.
  - A CFI score of 3 is the threshold of institutional financial health.
  - A score of less than 3 indicates a need for attention.
  - A score of greater than 3 indicates acceptable fiscal health.
  - CU targets a score between 3 and 4.

CU CFI

Includes the Foundation.
Denver | Anschutz
Obligated Fund Total: $158.6 million

Unobligated Fund Total: $86.5 million (8.8%* of CU Denver’s operating budget)
  - Auxiliary Facilities Non-pledged: $45.2 million
  - Unobligated Capital: $26.9 million
  - General Programmatic: $87.1 million
  - Campus Designated Capital: $38.7 million
  - Compensated Absences and Post-Employment Benefits: -$111.4 million
Auxiliary Facilities Non-pledged, Denver | Anschutz

- Denver Campus Extended Studies
  - Caused by and used for extended study enrollment fluctuations and to help cover other budget shortfalls
- School of Medicine
  - Placements for medical students in hospitals (Graduate Medical Education)
  - Continuing medical education, unspent funds are used for operating and enrollment fluctuations.
- School of Pharmacy
  - Distance degree programs.
  - Unspent funds used to support enrollment and operating needs.
- Investment Earnings and International Education
• School of Medicine
  • Renovation, furniture and equipment needs in 22 departments.
  • Personalized Medicine program initiative
• School of Pharmacy
  • Shared equipment for research
• Vice Chancellor Administration & Finance
  • IT, repairs, infrastructure and autoclaves
• Vice Chancellor Academic & Student Affairs
  • Library and equipment
  • Disability resources
• School of Dental Medicine
  • Equipment replacement and maintenance primarily for added floors
• Reserve for Capital and Initiatives
• Renovation of Vivarium to meet accreditation standards
• Central Administration
  - Tuition shortfalls, new innovation center, police equipment, Anschutz clinical trials office, gift/research matches and bridges, deans recruitments and other strategic priorities

• School of Medicine
  - Funds from ICR
  - Department Chair recruitments and onetime operating needs.

• School of Pharmacy
  - Accumulated from ICRs and held faculty hires.
  - For faculty recruitments, research excellence incentives, bond payments and enrollment fluctuations.
• Future Building Reserves

• Smart Classrooms

• School of Medicine
  • Lion’s Institute, personalized medicine, business intelligence software

• School of Dental Medicine
  • Special renovation projects or capital needs in wake of building expansion.

• School of Pharmacy
  • Repairs and replacement of autoclaves and class washers.
## Denver | Anschutz Obligated Capital In-Progress (Approved by BOR/State)

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic 1 Building - Denver Campus</td>
<td>$18,900,000</td>
</tr>
<tr>
<td>Bioscience II Building - Anschutz</td>
<td>$3,400,000</td>
</tr>
<tr>
<td>Debt Service Requirements</td>
<td>$7,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$29,800,000</strong></td>
</tr>
</tbody>
</table>
• Tuition revenues lower than budgeted. Interest income and UPI revenues higher.

• Instruction and scholarship expenditures lower than budgeted due to lower enrollment. Research expenditures down due to lower federal and state research revenue and sequestration.

• Transfers higher than budgeted due to ICR distributions made late in fiscal year and tobacco/state supplemental made in late FY 2012-13.
### General Fund Carry-Forward FY 2012-13

<table>
<thead>
<tr>
<th>Campus</th>
<th>Amount</th>
<th>% of General Fund Budget</th>
<th>Authority Threshold %</th>
<th>Exceed Threshold</th>
<th>Additional Authority Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denver</td>
<td>$524,096</td>
<td>0.2%</td>
<td>3%</td>
<td>N</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Budget Resolution Language:** FURTHER RESOLVED that if revenue from the College Opportunity Fund, tuition, and fees exceeds the initial FY 2012-2013 budget by greater than 3 percent, the campuses shall seek approval from the president and the Board of Regents prior to spending the revenue.
### FY 2013-14 Expected Use of the Carry-Forward, Denver | Anschutz

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Within Threshold</strong></td>
<td></td>
</tr>
<tr>
<td>Tuition shortfall on the Denver Campus in FY 13-14 above the enrollment</td>
<td>$524,096</td>
</tr>
<tr>
<td>contingency amount budgeted.</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$524,096</td>
</tr>
<tr>
<td><strong>Beyond Threshold</strong></td>
<td></td>
</tr>
<tr>
<td>Not Applicable</td>
<td></td>
</tr>
</tbody>
</table>
Boulder Campus
Fund Balances, Boulder

- Obligated Fund Total: $330.2 million
- Unobligated Fund Total: $49.0 million (3.8% of Boulder’s operating budget)
  - Auxiliary Facilities Non-pledged: $42.5 million
  - Unobligated Capital: $34.3 million
  - General Programmatic: $68.5 million
  - Campus Designated Capital: $12.5 million
  - Compensated Absences and Post-Employment Benefits: -$108.8 million
Auxiliary Facilities, Non-pledged, Boulder

- Continuing Education
  - Business reserves
- Insurance
- Pooled Investment Earnings
  - One-time earnings for initiatives
Unobligated Capital, Boulder

- Deferred Maintenance and Capital Renewal
  - $375 million backlog
- Indirect Cost Recoveries
  - For research infrastructure
- Capital Projects
  - Small projects without other sources
- Pooled Investment Earnings
General Programmatic, Boulder

- Indirect Cost Recoveries
  - For research equipment
- Academic/Technology Infrastructure
  - Student-centered investments
- Matching Funds
  - Leverage external donations and grants
- Student Services
- Utilities
  - Energy price fluctuations
Campus Designated Capital, Boulder

- Euclid Addition
- Security Infrastructure
### Capital In-Progress, Boulder

**Boulder Obligated Capital In-Progress (Approved by BOR/State)**

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Reserve</td>
<td>$31,300,000</td>
</tr>
<tr>
<td>Construction in-progress</td>
<td>$24,600,000</td>
</tr>
<tr>
<td>Educational Properties Capital Renewal</td>
<td>$6,800,000</td>
</tr>
<tr>
<td>Data Center</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Distribution Center Acquisition</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Administrative Enterprise System</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>Atlas R&amp;R</td>
<td>$300,000</td>
</tr>
<tr>
<td>JSC Biotech Building</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Ekeley Capital Renewal</td>
<td>$10,200,000</td>
</tr>
<tr>
<td>Aerospace and Energy</td>
<td>$18,400,000</td>
</tr>
<tr>
<td>Geosciences</td>
<td>$10,400,000</td>
</tr>
<tr>
<td>Deferred maintenance planned or in progress</td>
<td>$15,200,000</td>
</tr>
<tr>
<td>Small projects</td>
<td>$9,800,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$152,600,000</strong></td>
</tr>
</tbody>
</table>
Tuition, Research, and Auxiliary revenues were less than budgeted, but Gift revenue was higher due to Caruthers gift.

Expenditures, particularly Instruction related, were lower than budgeted in response to the tuition shortfall.

Transfers were made for the MacAllister building and gifts related to the Caruthers BioScience building and Center for Community.
### General Fund Carry-Forward FY 2012-13

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<th>Additional Authority Requested</th>
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</thead>
<tbody>
<tr>
<td>UCB</td>
<td>$6,312,901</td>
<td>1.2%</td>
<td>3%</td>
<td>N</td>
<td>N/A</td>
</tr>
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## FY 2013-14 Expected Use of the Carry-Forward, Boulder

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<tbody>
<tr>
<td><strong>Within Threshold</strong></td>
<td></td>
</tr>
<tr>
<td>Funding to be used for summer session tuition revenue sharing.</td>
<td>$510,335</td>
</tr>
<tr>
<td>Surplus ICR to be used for investment in the research enterprise, including programs and facilities.</td>
<td>$3,343,419</td>
</tr>
<tr>
<td>Support for schools/colleges across all academic units for items such as start-ups, seed funding, recruiting and cost sharing.</td>
<td>$1,789,871</td>
</tr>
<tr>
<td>Funding for one-time academic support activities.</td>
<td>$161,436</td>
</tr>
<tr>
<td>Funding for one-time academic, libraries, and student support services investments.</td>
<td>$507,840</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,312,901</strong></td>
</tr>
</tbody>
</table>

<table>
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<tr>
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<td><strong>Beyond Threshold</strong></td>
<td></td>
</tr>
<tr>
<td>Not Applicable</td>
<td></td>
</tr>
</tbody>
</table>
Colorado Springs Campus
Fund Balances, UCCS

- Obligated Fund Total: $6.3 million
- Unobligated Fund Total: $18.1 million (9.7% of UCCS’ operating budget)
  - Auxiliary Facilities Non-pledged: $7.0 million
  - Unobligated Capital: $14.7 million
  - General Programmatic: $5.3 million
  - Campus Designated Capital: $3.5 million
  - Compensated Absences and Post-Employment Benefits: -$12.5 million
Auxiliary Facilities Non-pledged, UCCS

- Extended Studies
  - Business fluctuations
- Other
  - Academic Office Building reserve
Unobligated Capital, UCCS

- Academic Affairs
  - Startup packages
  - ICR for future research expenditures
- Student Success
  - Enrollment management
- Chancellor/Vice Chancellor Administration & Finance
  - Small remodeling projects
  - Bridge funding for planned positions
General Programmatic, UCCS

- Campus Reserves
  - Lane Center clinic startup
  - Weekend University funding
- Campus Emergency Reserve
Capital In-Progress, UCCS

<table>
<thead>
<tr>
<th>UCCS Obligated Capital In-Progress (Approved by BOR/State)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
</tr>
<tr>
<td>Recreation Center</td>
</tr>
<tr>
<td>University Center</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

*To date, the campus has set aside $3.5 million from unobligated capital toward these projects.*
Tuition revenue was higher than budgeted, while Grants and Contracts were lower than budgeted.

Expenditures related to Instruction were higher than budgeted, but overall expenditures were lower due to the deferral of a student technology renewal.

Transfers were in line with the budget.
### General Fund Carry-Forward FY 2012-13

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<th>Exceed Threshold</th>
<th>Additional Authority Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCCS</td>
<td>$1,178,919</td>
<td>1.2%</td>
<td>3%</td>
<td>N</td>
<td>N/A</td>
</tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Within Threshold</strong></td>
<td></td>
</tr>
<tr>
<td>• Academic Support</td>
<td>$27,000</td>
</tr>
<tr>
<td>• Campus Initiatives</td>
<td>$57,000</td>
</tr>
<tr>
<td>• College Initiatives</td>
<td>$320,000</td>
</tr>
<tr>
<td>• Facilities &amp; Maintenance</td>
<td>$43,000</td>
</tr>
<tr>
<td>• Faculty Start Up</td>
<td>$85,000</td>
</tr>
<tr>
<td>• Grants/Awards/F&amp;A</td>
<td>$447,000</td>
</tr>
<tr>
<td>• Professional Development</td>
<td>$56,000</td>
</tr>
<tr>
<td>• Student Support Services</td>
<td>$65,000</td>
</tr>
<tr>
<td>• University Advancement</td>
<td>$21,000</td>
</tr>
<tr>
<td>• Weekend University</td>
<td>$43,000</td>
</tr>
<tr>
<td>• Other</td>
<td>$14,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,178,000</td>
</tr>
</tbody>
</table>

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<tbody>
<tr>
<td><strong>Beyond Threshold</strong></td>
<td></td>
</tr>
<tr>
<td>• Not Applicable</td>
<td></td>
</tr>
</tbody>
</table>
System Administration
Fund Balances, System Administration

- Obligated Fund Total: $43.9 million
- Unobligated Fund Total: $26.9 million (29.1% of System’s operating budget)
  - Auxiliary Facilities Non-pledged: $6.2 million
  - Unobligated Capital: $0
  - General Programmatic: $23.4 million
  - Designated Capital: $0
  - Compensated Absences and Post-Employment Benefits: -$2.7 million
Auxiliary Facilities Non-pledged, System Administration

- Employee Services
- University Information Systems
General Programmatic, System Administration

- President’s Initiatives
- Emergency Reserve
Revenues vs. Expenditures, System Administration

- Revenues were higher than budgeted due to higher than expected Investment Earnings.
- Expenditures were lower than budgeted due to timing of technology purchases across the fiscal year.
- Transfers will support the update of the current Human Resource and Finance software platform which is no longer supported.
Conclusions
Future Timeline for Board Presentations

- November/December Meeting
  - Fund Category Report by campus
    - Including Unobligated and Capital Detail
  - Carry forward Report by campus including Auxiliaries
  - Revenue, Expenditure and Transfer Summary Report by campus

- February
  - Preliminary Budget Presentation for Next Fiscal Year
    - Current Fiscal Year Revised Budget Report (includes revenues and expenditures) by campus
  - List of Strategic Uses of New Unobligated Revenues for Next Fiscal Year by campus
The Composite Financial Index (CFI) will be used to monitor the financial health of the system and campuses.

The University will maintain adequate unobligated fund balances and report annually to the Board of Regents.

Each campus will develop and maintain fund balance reporting that will include information on the appropriate use of fund balances and transfers.

Carry forward procedures regarding parameters and reporting timeline.

Timeline – will be in the spring APS cycle and will go in effect July 1, 2014.