

# University Finances

A Report on Spending and Saving

December 4, 2013



University of Colorado  
Boulder | Colorado Springs | Denver | Anschutz Medical Campus

Office of the Vice President for Budget and Finance

# 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

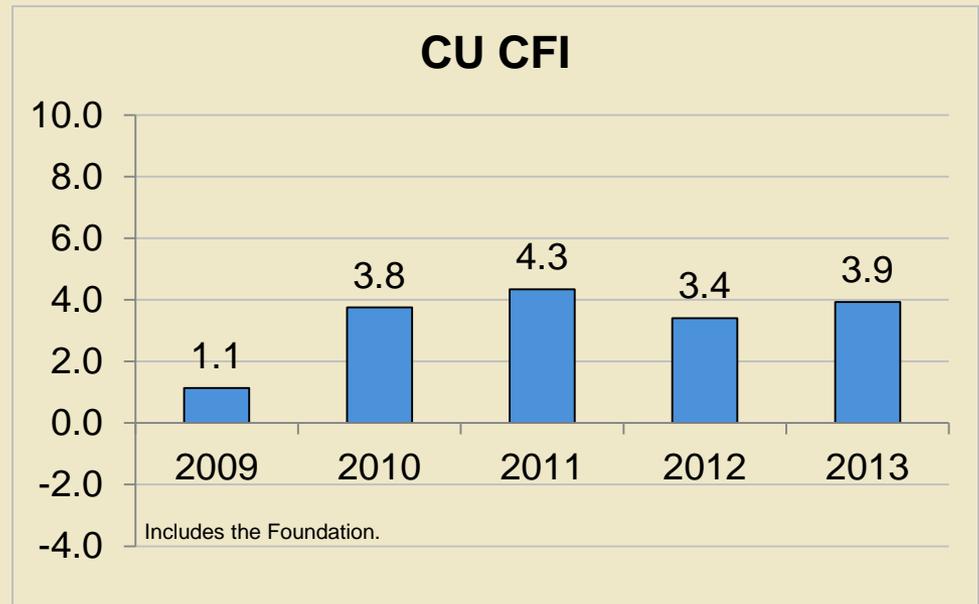
- Auxiliary Facilities Non-pledged
  - Example: Continuing Education
  - Auxiliaries operate like businesses
- Unobligated Capital
  - Funds held for future capital and deferred maintenance projects.
- General Programmatic
  - Available for shortfalls, leveraging grants and gifts, and strategic opportunities.
- 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



# Financial Health, CU System-wide

## Composite Financial Index (CFI)

- 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.





# Denver | Anschutz



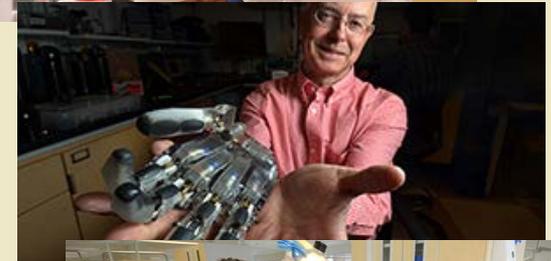
# Fund Balances, Denver | Anschutz

- 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



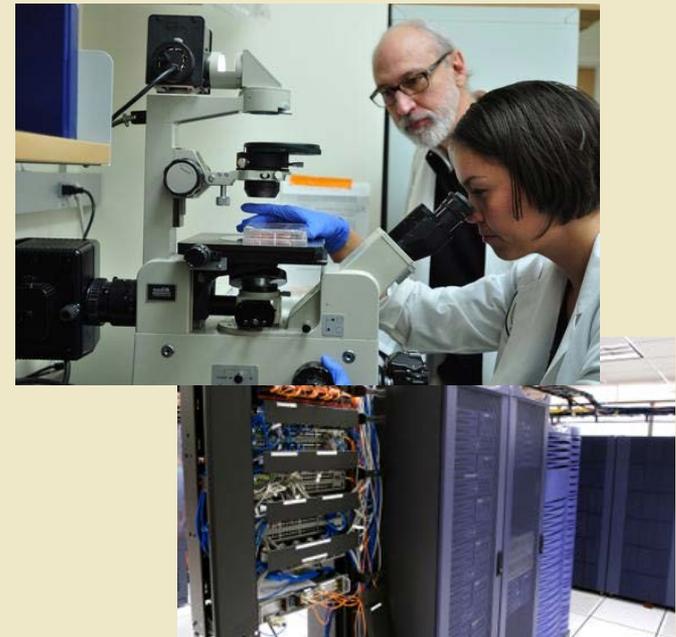
# Auxiliary Facilities Non-pledged, Denver | Anschutz

- 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



# Unobligated Capital, Denver | Anschutz

- 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



# General Programmatic, Denver | Anschutz

- 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.



# Campus Designated Capital Denver | Anschutz

- 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.

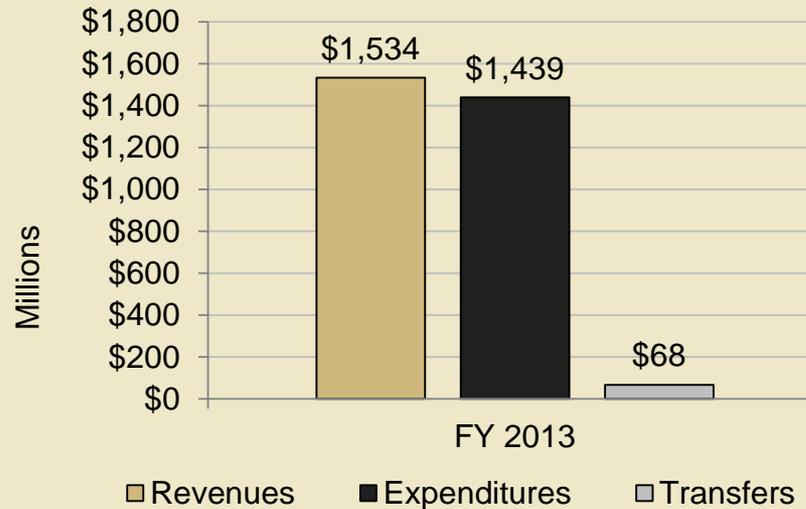


# Capital In-Progress, Denver | Anschutz

<b>Denver   Anschutz Obligated Capital In-Progress (Approved by BOR/State)</b>	
Academic 1 Building - Denver Campus	\$18,900,000
Bioscience II Building - Anschutz	\$3,400,000
Debt Service Requirements	\$7,500,000
<b>Total</b>	<b>\$29,800,000</b>



# Revenues vs. Expenditures, Denver | Anschutz



- 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

Campus	Amount	% of General Fund Budget	Authority Threshold %	Exceed Threshold	Additional Authority Requested
<b>Denver   Anschutz</b>	\$ 524,096	0.2%	3%	N	N/A

**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

Description	Amount
<b>Within Threshold</b>	
Tuition shortfall on the Denver Campus in FY 13-14 above the enrollment contingency amount budgeted.	\$524,096
<b>Total</b>	\$524,096

Description	Amount
<b>Beyond Threshold</b>	
Not Applicable	





# 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

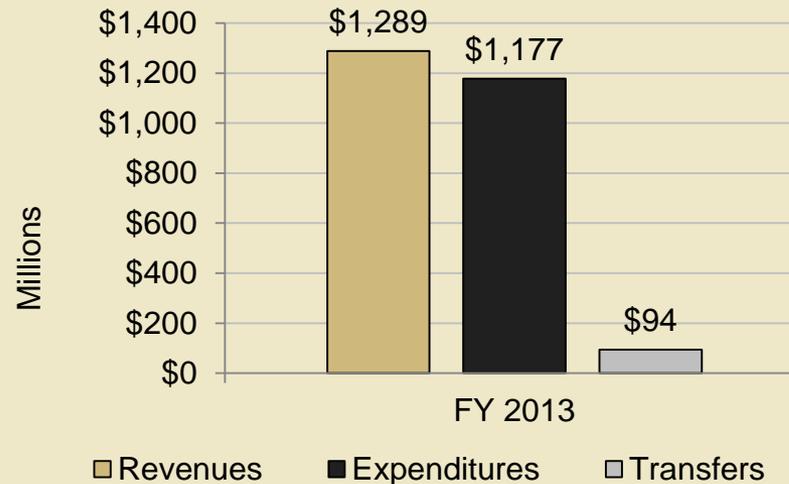


# Capital In-Progress, Boulder

<b>Boulder Obligated Capital In-Progress (Approved by BOR/State)</b>	
Debt Reserve	\$31,300,000
Construction in-progress	\$24,600,000
Educational Properties Capital Renewal	\$6,800,000
Data Center	\$10,000,000
Distribution Center Acquisition	\$10,000,000
Administrative Enterprise System	\$1,600,000
Atlas R&R	\$300,000
JSC Biotech Building	\$4,000,000
Ekeley Capital Renewal	\$10,200,000
Aerospace and Energy	\$18,400,000
Geosciences	\$10,400,000
Deferred maintenance planned or in progress	\$15,200,000
Small projects	\$9,800,000
<b>Total</b>	<b>\$152,600,000</b>



# Revenues vs. Expenditures, Boulder



- 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

Campus	Amount	% of General Fund Budget	Authority Threshold %	Exceed Threshold	Additional Authority Requested
<b>UCB</b>	\$ 6,312,901	1.2%	3%	N	N/A

**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, Boulder

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

Description	Amount
<b>Beyond Threshold</b>	
Not Applicable	





# 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



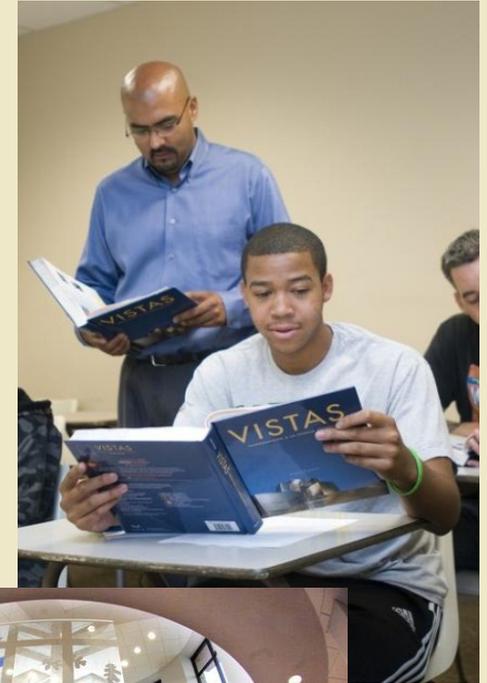
# Auxiliary Facilities Non-pledged, UCCS

- 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

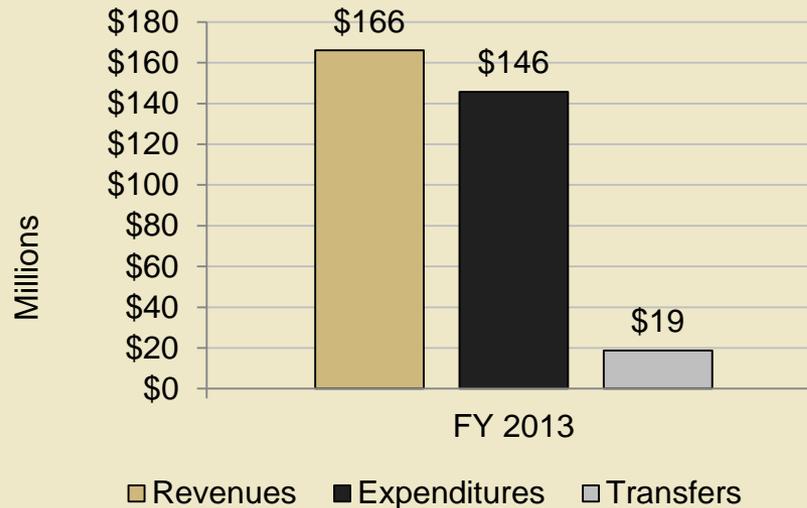


# Capital In-Progress, UCCS

<b>UCCS Obligated Capital In-Progress (Approved by BOR/State)</b>	
Housing	\$1,400,000
Recreation Center	\$1,000,000
University Center	\$1,800,000
<b>Total</b>	<b>\$4,200,000</b>
<i>To date, the campus has set aside \$3.5 million from unobligated capital toward these projects.</i>	



# Revenues vs. Expenditures, UCCS



- 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

Campus	Amount	% of General Fund Budget	Authority Threshold %	Exceed Threshold	Additional Authority Requested
<b>UCCS</b>	\$ 1,178,919	1.2%	3%	N	N/A

**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, UCCS

Description	Amount
<b>Within Threshold</b>	
• Academic Support	\$27,000
• Campus Initiatives	\$57,000
• College Initiatives	\$320,000
• Facilities & Maintenance	\$43,000
• Faculty Start Up	\$85,000
• Grants/Awards/F&A	\$447,000
• Professional Development	\$56,000
• Student Support Services	\$65,000
• University Advancement	\$21,000
• Weekend University	\$43,000
• Other	\$14,000
<b>Total</b>	<b>\$1,178,000</b>

Description	Amount
<b>Beyond Threshold</b>	
Not Applicable	





# 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

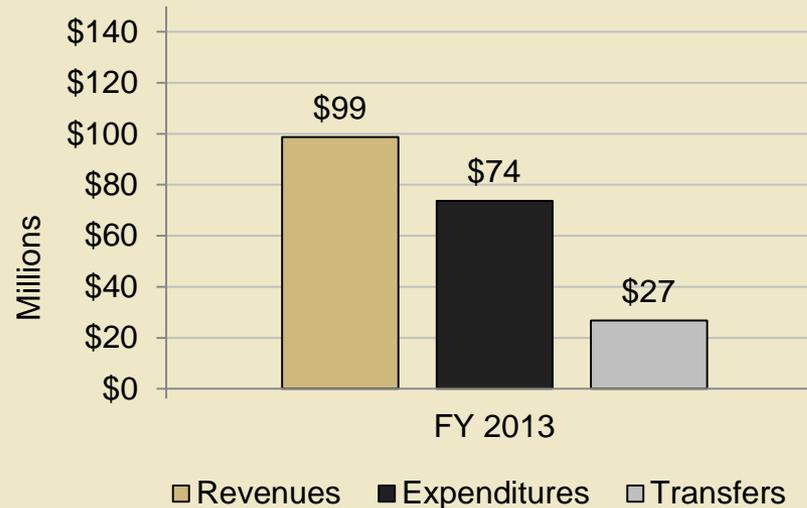


# General Programmatic, System Administration

- 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



# Future Reporting

- 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.

