



Item: AF: I-4

## AUDIT AND FINANCE COMMITTEE

Wednesday, February 25, 2009

**SUBJECT: REVIEW OF SECOND QUARTER STATUS OF FLORIDA ATLANTIC UNIVERSITY'S 2008-2009 OPERATING BUDGET, JULY 1 – DECEMBER 31, 2008.**

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### PROPOSED COMMITTEE ACTION

Information Only.

### BACKGROUND INFORMATION

To keep the Board of Trustees fully aware of the financial condition of the University, quarterly reports on the University's operating budget will be presented. This report will present year-to-date expenditures for each of the budgetary components of the University: Educational and General; Auxiliary Enterprises; Sponsored Research/Grants and Contracts; Financial Aid; Student Government/Student Activities; Athletics; and, Concessions. Budgetary comparison with the prior year will also be presented.

### IMPLEMENTATION PLAN/DATE

Not Applicable.

### FISCAL IMPLICATIONS

Not Applicable.

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**Supporting Documentation:** PowerPoint Presentation: Second Quarter Status of FAU's 2008-2009 Operating Budget, July 1 – December 31, 2008.

**Presented by:** Dr. Kenneth A. Jessell, Vice President for Financial Affairs      **Phone:** 561-297-3266

**FLORIDA ATLANTIC UNIVERSITY  
2008-09 UNIVERSITY OPERATING BUDGET  
JULY 1, 2008 TO DECEMBER 31, 2008  
SECOND QUARTER REPORT**

*Educational and General Operating Budget*

*Student Financial Aid Operating Budget*

*Grants and Contracts-Sponsored Research Operating Budget*

*Auxiliary Enterprises Operating Budget*

*Athletics Local Operating Budget*

*Student Government-Student Activities Operating Budget*

*Concessions Operating Budget*

# **THE EDUCATIONAL AND GENERAL BUDGET**

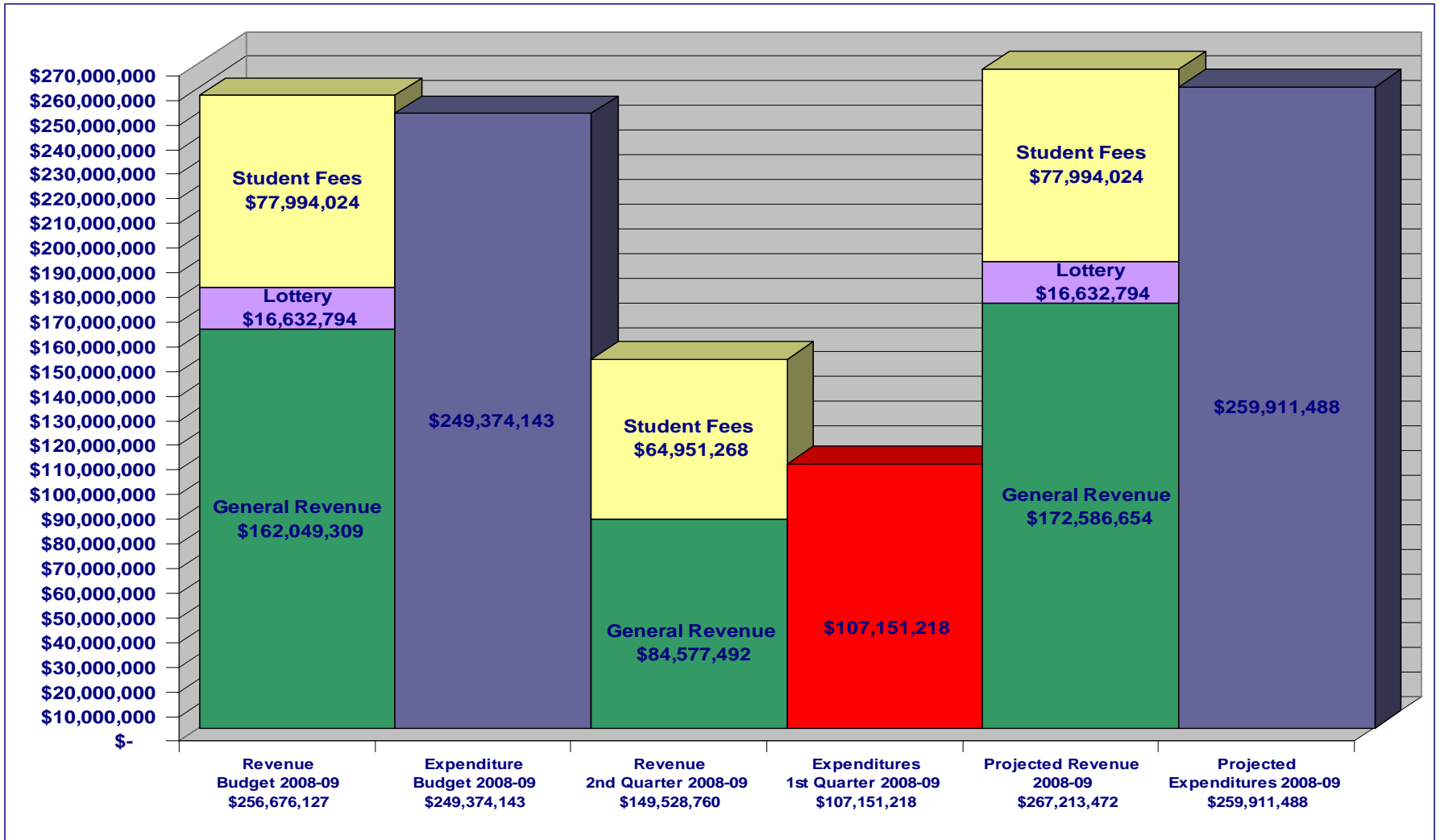
**The Educational and General budget includes expenditures for instruction, research, library and learning resources, student services, plant operations and maintenance and administrative support. The budget is funded by:**

**General Revenue, consisting primarily of State of Florida sales tax collections and corporate income tax collections, as well as license fees and other taxes and operating receipts.**

**Education Enhancement Trust Fund, consisting of collections from the sale of Florida lottery tickets. Approximately 31 percent of total lottery collections is dedicated to the trust fund.**

**Student Fee Trust Fund, consisting primarily of matriculation fees and tuition (out-of-state fees) paid by students, as well as other fees such as application and late registration fees.**

# Florida Atlantic University Educational and General Operating Budget July 1, 2008 – December 31, 2008 Second Quarter Report



# Educational and General Operating Budget

July 1, 2008 to December 31, 2008

Adjusted Budgeted Revenues 2008-09: \$267,213,472

Actual Revenues to December 31: \$149,528,760

Adjusted Budgeted Expenses 2008-09: \$259,911,488

Actual Expenses to December 31: \$107,151,218

The total original budgeted revenue for 2008-09 was \$256,676,127. The major revenue components were general revenue (\$162,049,309), student fees (\$77,994,024), and lottery funding (\$16,632,794).

For the second quarter, actual revenue collections are general revenue of \$84,577,492 and student fees of \$64,951,268 for total revenue of \$149,528,760. Lottery fund disbursements to universities have not been distributed as of this second quarter report, however, we expect the first payment to be received early in the third quarter. Included in the general revenue collected is the first and second payment of a grant from the State of Florida entitled the Florida Energy Systems Consortium awarded to FAU in August 2008. One of five universities in the consortium, FAU will receive a total of \$8,750,000 in 2008-09. A formal budget amendment to reflect this award has accompanied this report. Also reflected in our revenue projections is the salary portion of the Clearwire funding (\$1,745,623) and a small risk management amendment from the State of Florida (\$41,722). With these adjustments, the total projected revenues now total \$267,213,472.

Not included in this quarter's report is the recent combined budget reduction to the General Revenue and Lottery of 4% that was signed by Governor Crist in the early part of January 2009. For FAU this is a total reduction of \$7,076,953 in our General Revenue and Lottery allocations for the 08-09 fiscal year and will be reflected in our third quarter report to the Board of Trustees.

The total original expense budget 2008-09 is \$249,374,143. This amount reflects \$7,301,984 in student fee budget authority held in unallocated reserve. A portion of this (\$1,900,000) is a cash reserve which was set aside in anticipation of further budget reductions by the State of Florida. This amount will be part of FAU's reduction mention above. The remainder - \$5,401,984 - is not a cash reserve, but rather authority to spend if cash is received. As with the new funds adjustments to the revenue budget, equivalent adjustments have been made to the expenditure budget. Therefore, the expenditure budget now totals \$259,911,488.

Expenditures through the second quarter were \$107,151,218; approximately 41 percent of the total projected budget amount. Total expenditures are below the spending rate of the previous year - 41 percent compared to 45 percent in 2007-08. This is due largely to campus-wide spending restraints attributable to responsible management given the State economic exigencies.

# Educational and General Operating Budget

## Analysis and Update on State of Florida Budget:

The Educational and General figures presented in this document reflect initial budgets approved by the Board of Trustees in June with additional funding awarded in August for the Florida Energy Systems Consortium, the Clearwire funding and a small amendment to our Risk Management receipts.

Summer enrollment fell short of the budgeted projections by 7,493 student credit hours (7.62%) and preliminary estimates for the Fall semester indicate that enrollment will be short of its goal by 844 credit hours (.33%). Fall 2008 headcount is 26,897, just over a 1% increase over Fall 2007 headcount of 26,525. Spring enrollment is projected to be slightly below target. As such, our tuition revenue estimate is expected to be approximately 1.8 percent below target.

In early January 2009, Governor Crist signed into law a General Revenue and Lottery combined reduction of 4% for all SUS institutions. This reduction was anticipated by FAU and we were able to adjust our budget to this reduction on a non-recurring basis with reserves that were set aside. At the beginning of 2008-09, nearly \$4.3 Million was held in reserve to respond to a 4% reduction. The remainder of the \$7,076, 953 will be covered by current year, non-recurring savings.

For 2009-10, we will need to identify the recurring funds to cover not only this year's reduction of 4% but any additional reductions that the State of Florida mandates. At this time, the amount we need to prepare for in terms of additional budget cuts to our General Revenue allocation is estimated to be between 10% and 15% or in real dollars approximately \$22 Million.

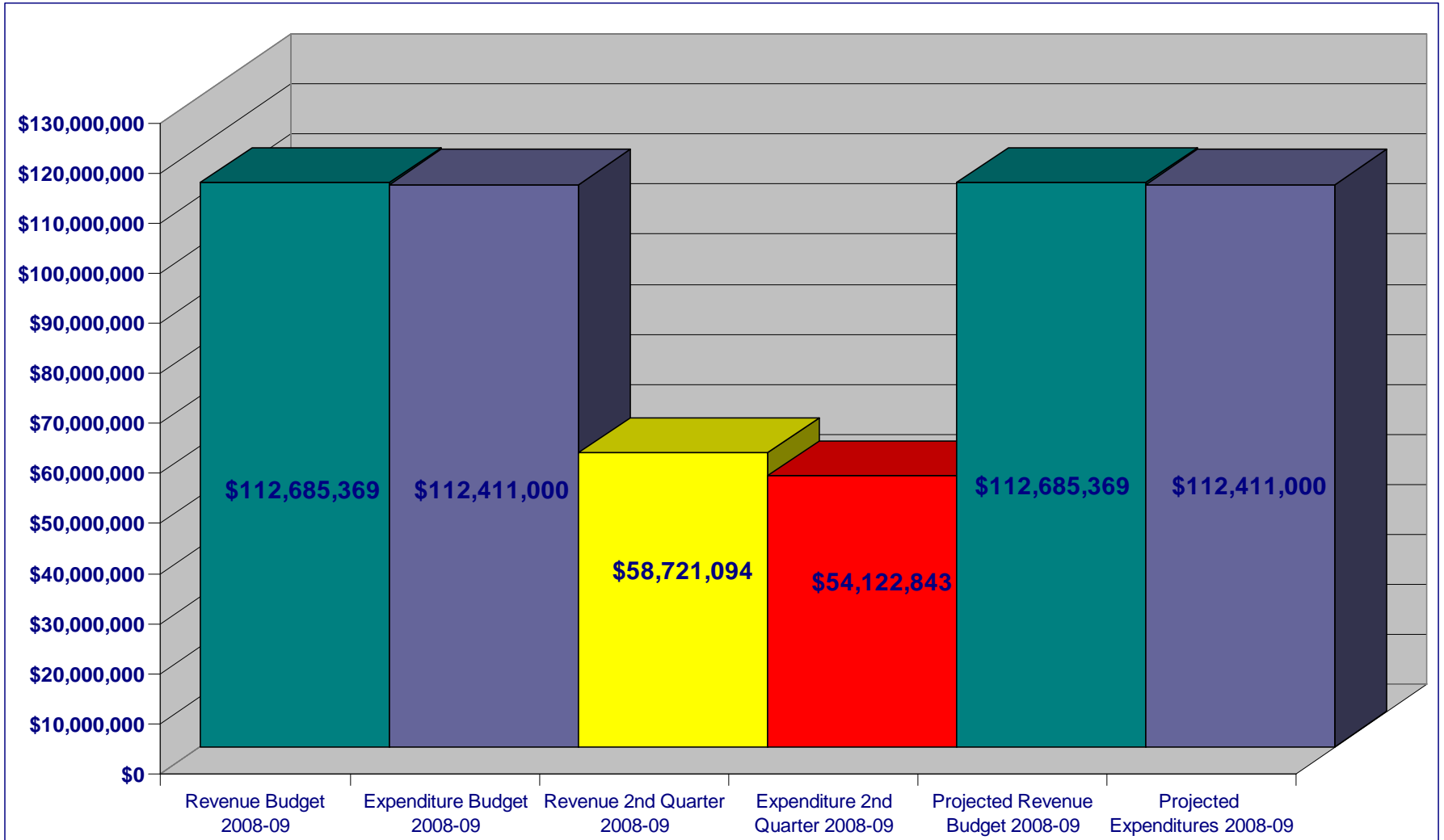
# THE STUDENT FINANCIAL AID BUDGET

The Student Financial Aid budget largely represents scholarship and loan funds that are received by the University and subsequently disbursed to students. Included in the budget are funding from student financial aid fees as well as financial aid support from all sources such as federal financial aid awards (Pell, Student Educational Opportunity Grants, Perkins Loans, Stafford Loans), state financial aid awards (Bright Futures, Florida Assistance Grants), Institutional Programs (Presidential Awards, MLK Scholarships) and Private Scholarships (FAU Foundation).

Student financial aid fees are established by the legislature. Current per-credit hour financial aid fees for 2008-09:

\$ 4.02	Undergraduate In-State
\$25.87	Undergraduate Out-of-State
\$11.15	Graduate In-State
\$41.89	Graduate Out-of-State

# Florida Atlantic University Student Financial Aid Operating Budget July 1, 2008 – December 31, 2008 Second Quarter Report





# Student Financial Aid Operating Budget

July 1, 2008 to December, 2008

Budgeted Revenues 2008-09: \$112,685,369      Actual Revenues to December 31: \$58,721,094

Budgeted Expenses 2008-09: \$112,411,000      Actual Expenses to December 31: \$54,122,843

The total budgeted revenue for 2008-09 is \$112,685,369. As of December 31, 2008, \$58,721,094 in revenue has been generated, or approximately 52 percent the total revenue budget. Total projected expenditures for the year are \$112,411,000. As of December 31, 2008, \$54,122,843 has been expended, or approximately 48 percent of total projected expenditures for the year.

## Analysis:

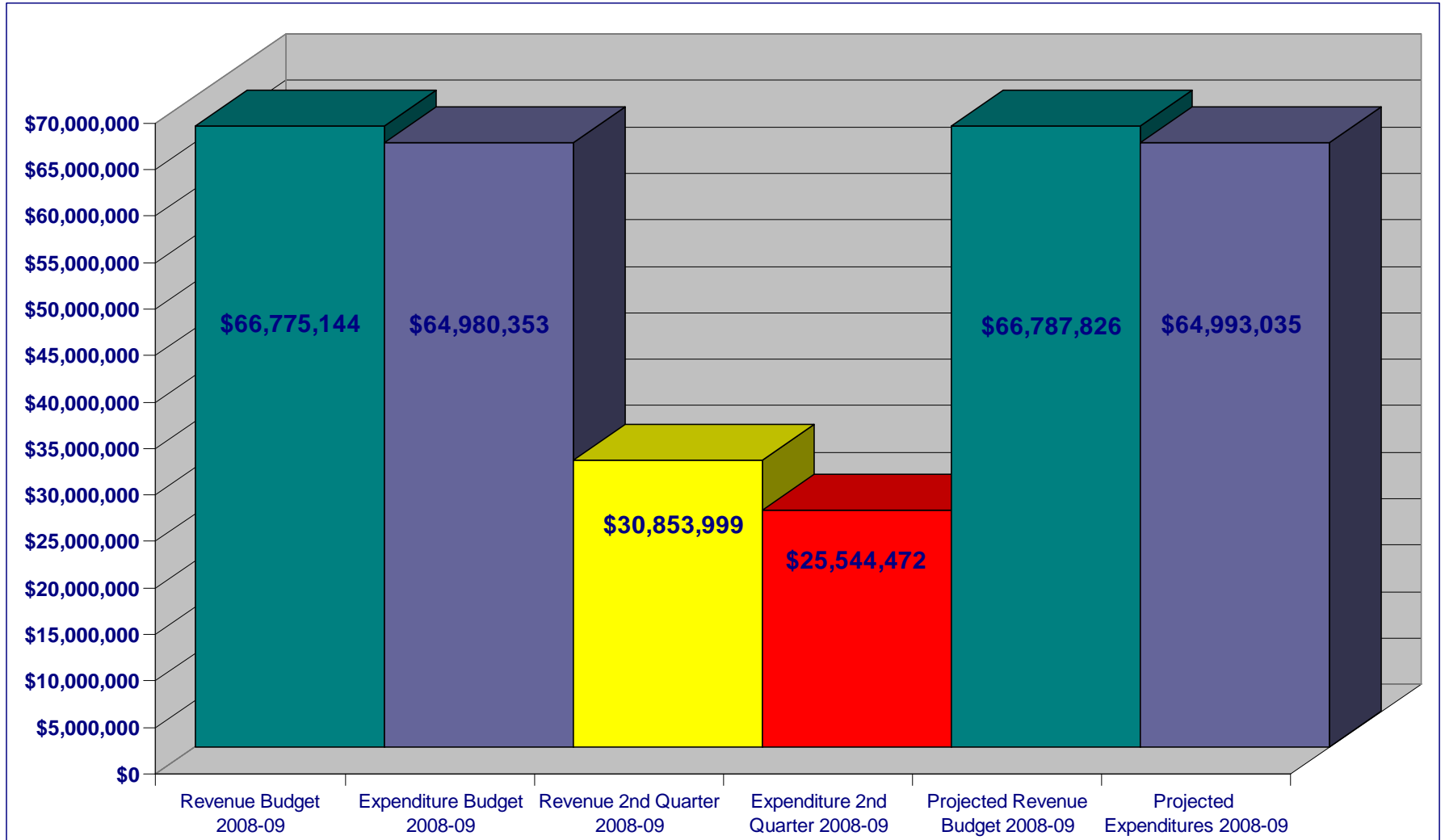
The amount of expenditures to date for 2008-09 is 48 percent of the total budgeted expenditures compared to 39 percent spent in the prior year. Revenues and expenditures are believed to be on target with projections.

# **THE GRANTS AND CONTRACTS BUDGET**

**The Grants and Contracts budget consists of funding from federal agencies, state agencies, foundations and private sources that enables the University to conduct specific research projects or to provide specific services.**

**Expenditures for the Division of Sponsored Research, the A.D. Henderson University School and the Florida Atlantic University Foundation (payroll and clearing account) are included in the Grants & Contracts budget. Beginning this fiscal year, Harbor Branch Oceanographic Institute research activity is included in this analysis and represents just over \$8 Million in fund activity.**

# Florida Atlantic University Grants and Contracts Operating Budget July 1, 2008 – December 31, 2008 Second Quarter Report



# Grants and Contracts Operating Budget

July 1, 2008 to December 31, 2009

Budgeted Revenues 2008-09: \$66,787,626      Actual Revenues to December 31: \$30,853,999

Budgeted Expenses 2008-09: \$64,993,035      Actual Expenses to December 31: \$25,544,472

The total budgeted revenue for 2008-09 is \$66,775,144 and budgeted expenses are \$64,993,035. Total budgeted expenditures are comprised of Sponsored Research (\$50,000,000), FAU Foundation, Inc (\$9,893,848) and A. D. Henderson University School (\$5,086,505). As of December 31, 2008, \$30,853,999 in revenue has been generated, approximately 46 percent of the budgeted amount. \$25,544,472 has been expended, or approximately 39 percent of the total expenditure budget.

Of the total expenditures to date, salaries and benefits equal \$11,583,595 (45 percent of total expenditures); OPS is \$3,192,653 (13 percent); and expense is \$10,768,224 (42 percent).

## Analysis:

Total expenditures to date are above last year's figure by \$1,676,882, or approximately 7 percent. Second quarter actual revenues of \$30,853,999 are above 2007-08 figures representing an increase of 34 percent. Some of this increase can be attributable to an infusion of \$3,500,000 into the budget by Clearwire funds use for the strategic enhancement of our research enterprise. Revenue is not earned evenly over the course of the fiscal year. For example, two of the primary sources of award funds, National Institute of Health and National Science Foundation, make their award announcements in November and April. Some grant awards are cost reimbursable and at times expenditures will be higher than collections of offsetting revenues of offsetting revenues.

# THE AUXILIARY ENTERPRISES BUDGET

The Auxiliary Enterprises budget includes activities that support the instructional, research and service objectives of the University. Auxiliary enterprise operations are self-supporting and must generate adequate revenue to cover expenditures and to allow for future renovations and building or equipment replacement. Some auxiliaries are partially funded by student fees, including Student Health Center through the student health fee (\$7.50 per-credit hour) and Traffic and Parking through the transportation access fee.

The major auxiliary areas are:

*Food Service*

*Housing*

*Bookstore*

*Printing/Duplicating*

*Telecommunications*

*University Theatre*

*Harbor Branch*

*Oceanographic Institute*

*Postal Services*

*Student Health Center*

*Traffic and Parking*

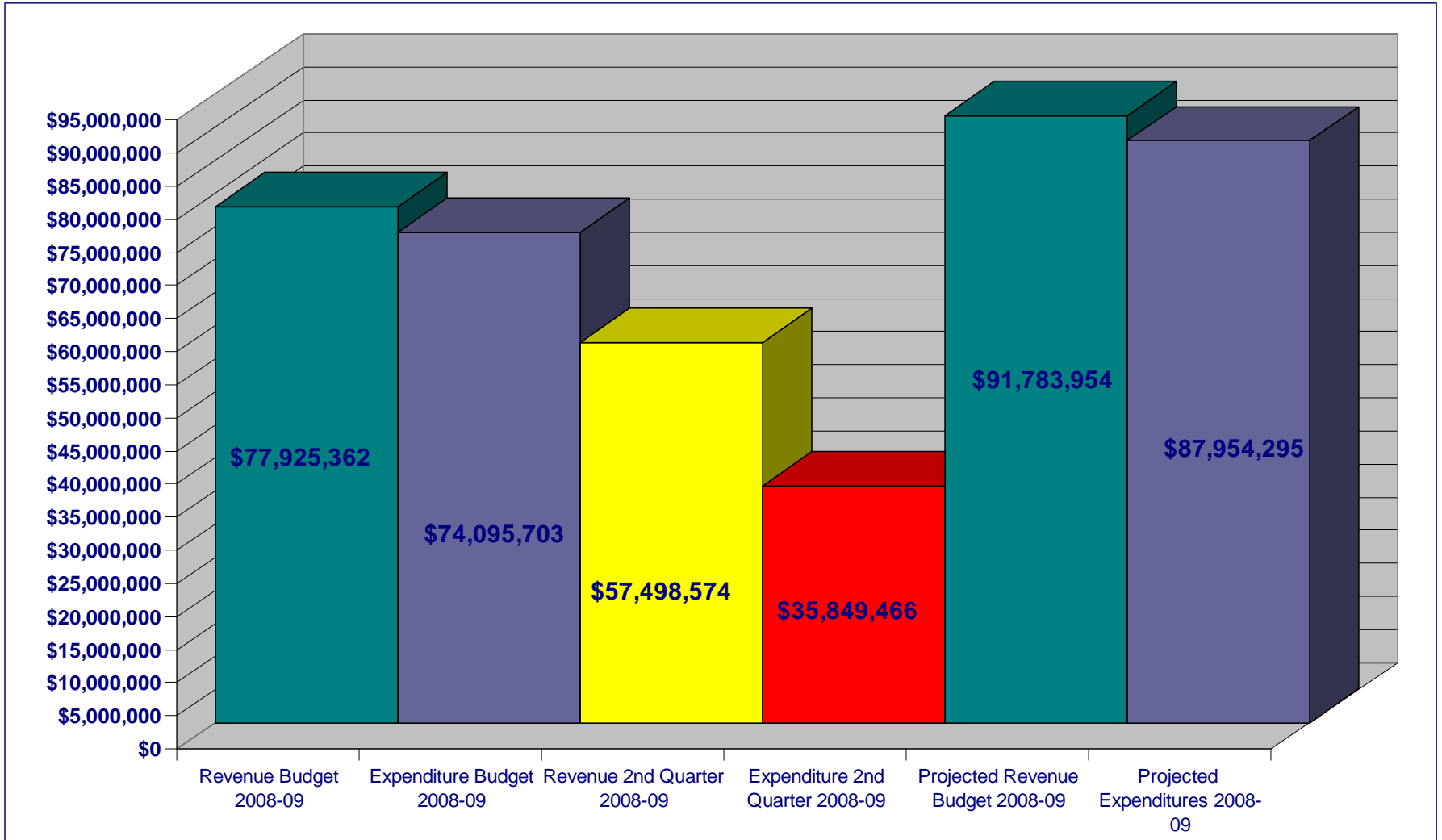
*Student Union*

*College Continuing Education*

*Lifelong Learning Society*

*Clearwire Spectrum Holdings*

# Florida Atlantic University Auxiliary Enterprises Operating Budget July 1, 2008 – December 31, 2008 Second Quarter Report



# Auxiliary Enterprises Operating Budget

July 1, 2008 to December 31, 2008

Adjusted Budgeted Revenues 2008-09: \$91,783,954

Actual Revenues to December 31: \$57,498,574

Adjusted Budgeted Expenses 2008-09: \$87,954,295

Actual Expenses to December 31: \$35,849,466

The total original budgeted revenue for 2008-09 is \$77,925,362. With the Clearwire funds, the adjusted total revenue increased to \$91,783,954. As of December 31, 2008, \$57,498,574 in revenue has been generated, or approximately 63 percent of the total budget. Total projected expenditures for the year are \$87,954,295. As of December 31, 2008, \$35,849,466 has been expended, or approximately 41 percent of total projected expenditures for the year.

## Analysis:

The expenditures to date for 2008-09 are slightly higher than the percentage spent in the prior year (41 percent for 2008-09 compared to 38 percent for 2007-08). This is the result of the activity of Harbor Branch Oceanographic Institute's full integration into the Auxiliary Fund and the Clearwire funds. Revenues and expenditures for the year are believed to be on target with projections.

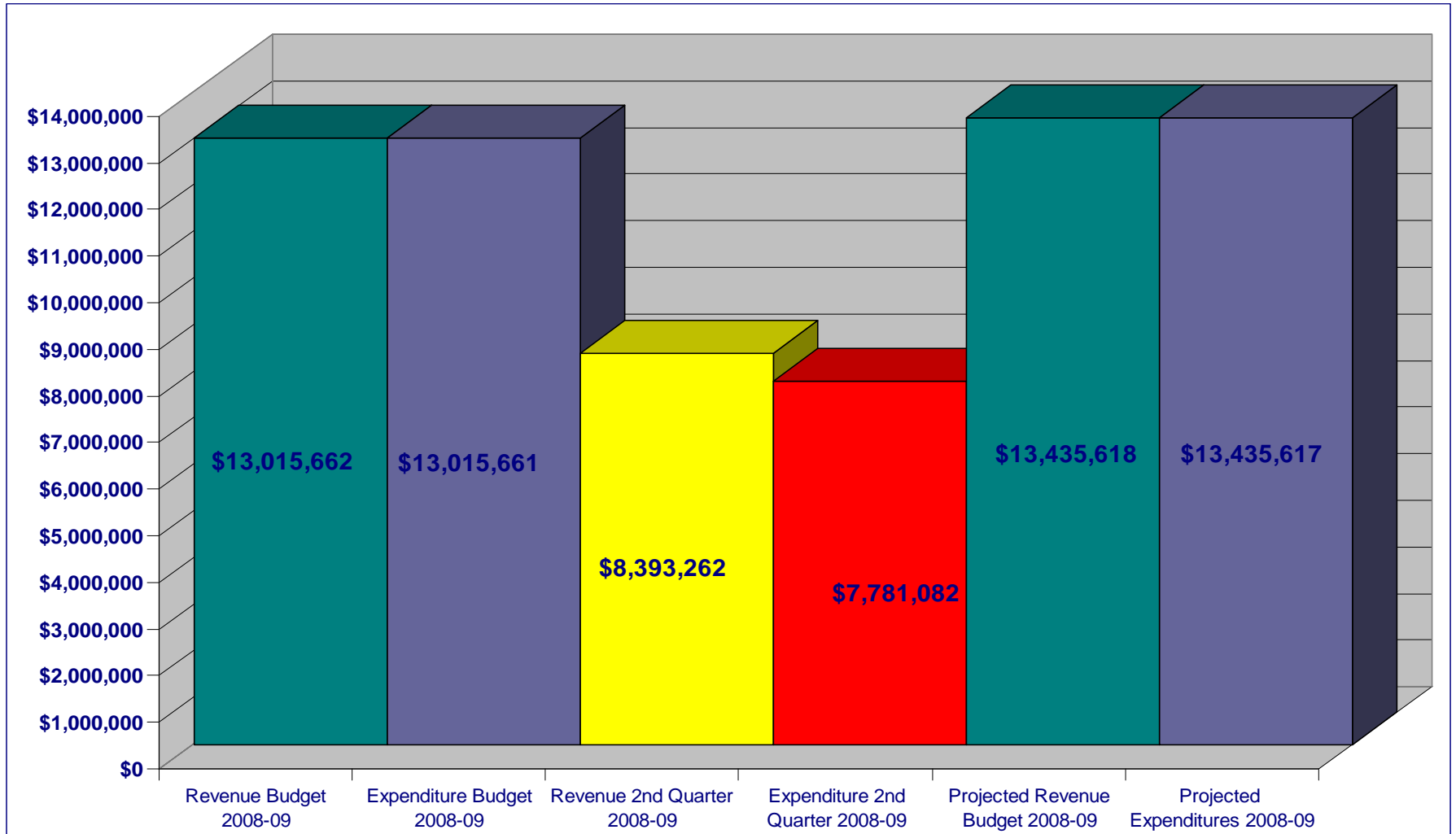
# **THE ATHLETICS LOCAL OPERATING BUDGET**

**The Athletics Local Operating Budget supports the University's student athletics program. Funding is generated from student athletics fees (\$13.75 per-credit hour) as well as ticket sales to athletics events, game guarantees, NCAA distributions, sponsorships and private support.**

**In addition to the Local Operating Budget, FAU Athletics receives \$247,246 in State Educational and General Title IX Gender Equity funding and \$1,076,569 in out-of-state waiver authority and financial aid.**



# Florida Atlantic University Athletics Local Operating Budget July 1, 2008 – December 31, 2008 Second Quarter Report



# Athletics Local Operating Budget

July 1, 2008 to December 31, 2008

Budgeted Revenues 2008-09: \$13,435,618

Actual Revenues to December 31: \$8,393,262

Budgeted Expenses 2008-09: \$13,435,617

Actual Expenses to December 31: \$7,781,082

The total original budgeted revenue for 2008-09 is \$13,015,662. The major revenue components are athletics fees (\$7,808,501), ticket sales (\$423,500), game guarantees (\$1,837,000), NCAA/Conference distribution (\$703,000), corporate sales/sponsorships (\$500,000), private fundraising (\$1,000,000) and other revenues (\$743,660). A budget amendment to increase revenues and expenses by \$350,000 is requested to account for revenue and expenditures associated with FAU'S participation in our second consecutive bowl game on December 26, 2008 - the Detroit Motor City Bowl. The increase in expenditures will be covered by Bowl game revenues.

As of December 31, collections consisted of athletics fees of \$7,054,640, ticket sales of \$340,106, NCAA Grants in Aid of \$580,744, facilities rentals of \$17,200, game guarantees \$163,325 and other revenue of \$237,247.

The total expense budget for 2008-09 is \$13,435,617. Payroll of \$5,325,345, program operating expenses of \$5,384,087, and scholarships of \$2,726,185 account for this total. Total expenditures through December 31, 2008 were \$7,781,082, or approximately 58 percent of the total budgeted amount. Of total expenditures to date, 25 percent (\$1,907,950) were financial aid disbursements and 31 percent (\$2,412,212) were payroll.

In addition to the local operating budget, FAU receives \$247,236 in State Educational and General Title IX Gender Equity funding and \$1,076,569 in out-of-state waiver authority and financial aid.

# Athletics Local Operating Budget

July 1, 2008 to December 31, 2008

## Analysis:

Athletic fee collections are projected to slightly exceed their targeted amounts. Athletics fees were conservatively estimated at \$247,858 below last year's projections (3 percent decline).

Ticket revenues are in-line with projections (\$340,106 ). Game guarantees revenues are expected to be achieved. Corporate sales (sponsorships) are below projections at this time and are being closely monitored. Development funds also are significantly below expectations at this time.

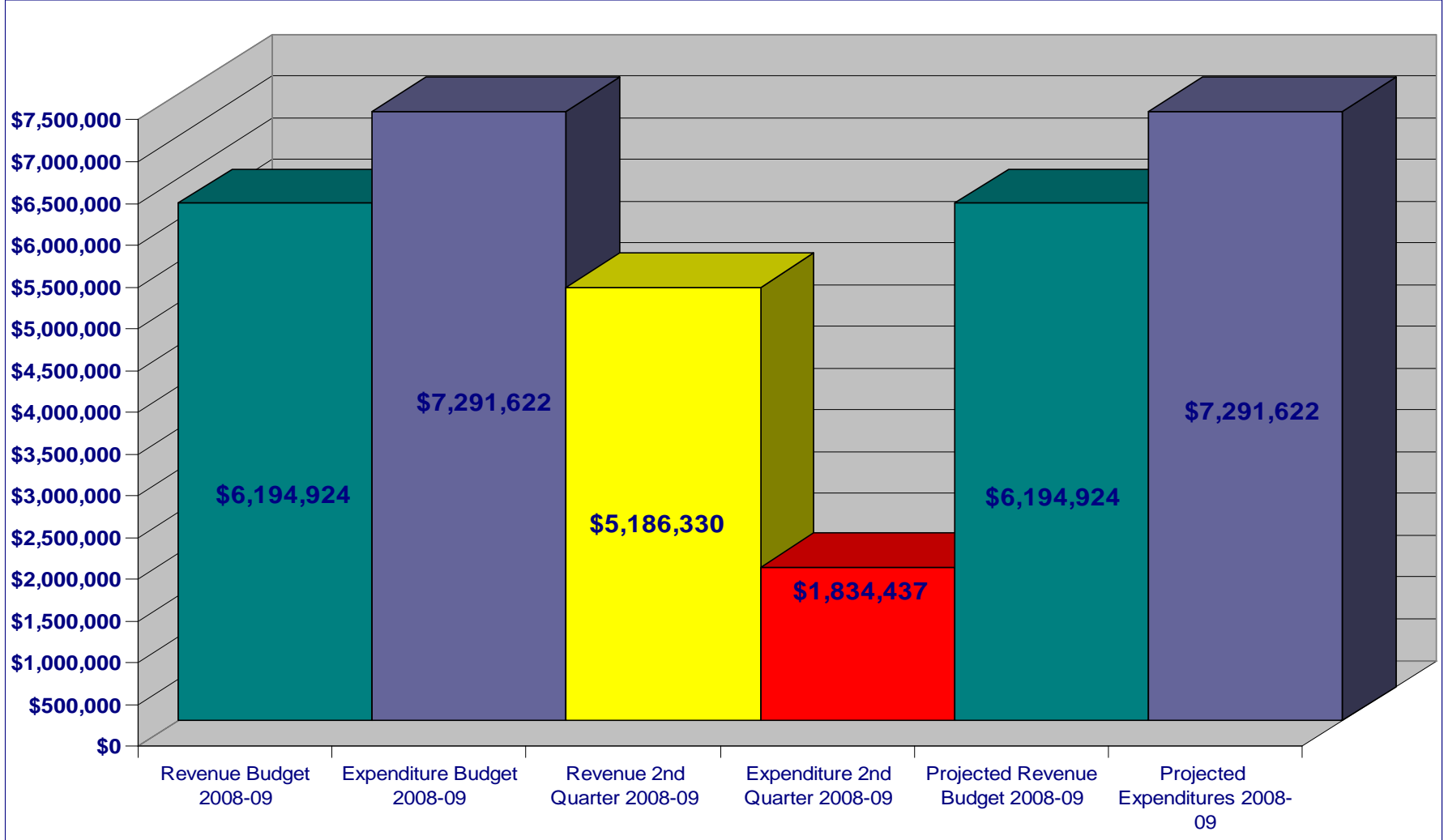
Regular meetings are on-going to monitor revenues and expenditures of Athletics. Athletics is working on an expenditure reduction plan.

# **THE STUDENT GOVERNMENT- STUDENT ACTIVITIES BUDGET**

**The Student Government-Student Activities budget supports student activities such as student government and student clubs and organizations. Also included in the budget are expenditures for the University Center and campus recreation and student wellness activities.**

**The Student Government budget is funded primarily through the Activity and Service fee paid by students (\$10 per credit hour) as well as other types of service fees.**

# Florida Atlantic University Student Government – Student Activities Operating Budget July 1, 2008 – December 31, 2008 Second Quarter Report



# Student Government- Student Activities Operating Budget

July 1, 2008 to December 31, 2008

Budgeted Revenues 2008-09: \$6,194,924

Actual Revenues to December 31: \$5,186,330

Budgeted Expenses 2008-09: \$7,291,622

Actual Expenses to December 31: \$1,834,437

The total budgeted revenue for 2008-09 is \$6,194,924. As of December 31, 2008, \$5,186,330 in revenue has been generated, or approximately 84 percent of the total projected revenue budget. These funds have been generated primarily by Activity and Service fees. Total projected expenditures for the year are estimated at \$7,291,622. To date, \$1,834,437 has been expended, or approximately 25 percent of total projected expenditures for the year.

## Analysis:

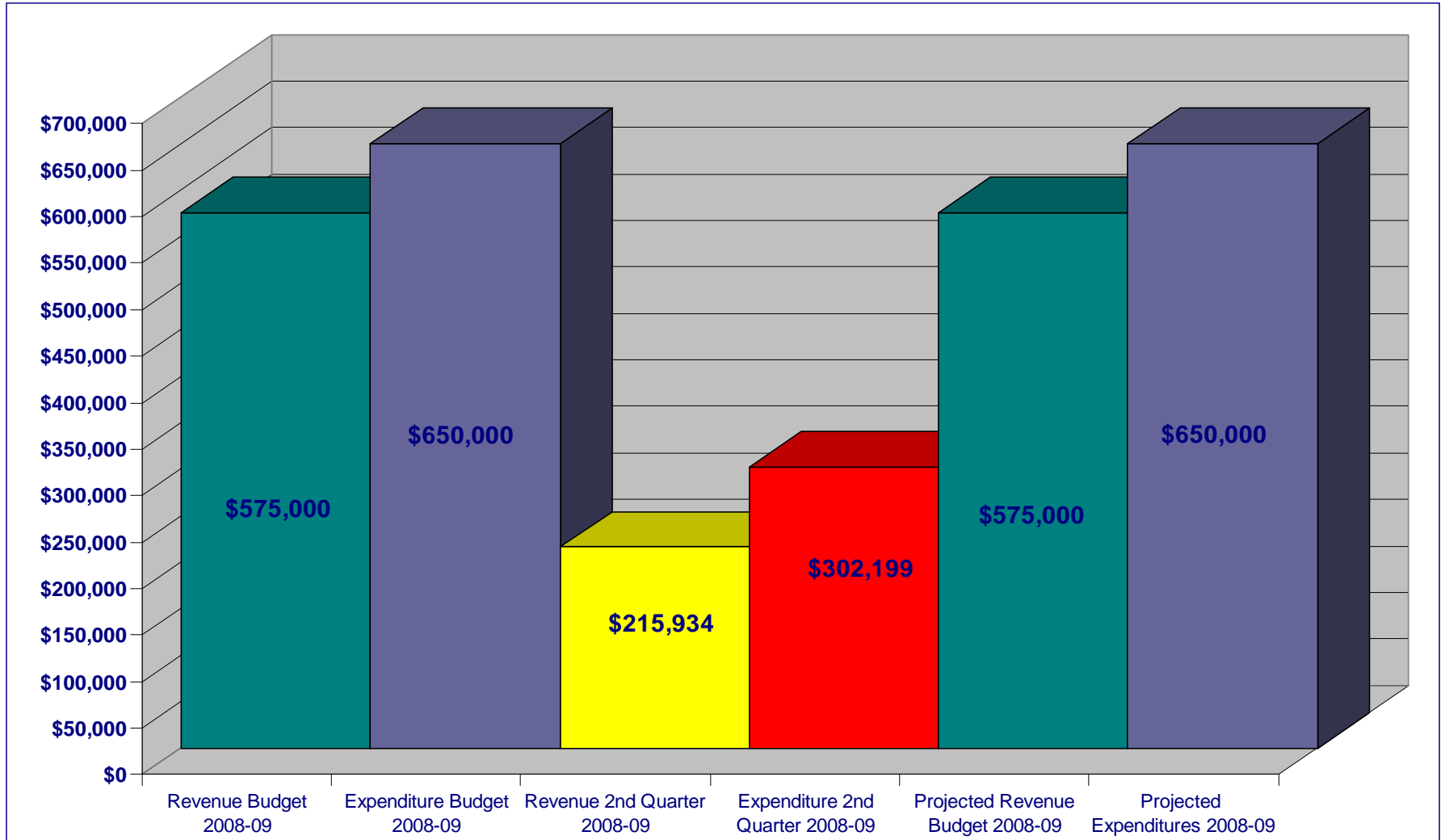
The expenditures to date for 2008-09 are lower than the percentage spent in the prior year (25 percent for 2008-09 compared to 30 percent for 2007-08). Although projected expenditures for the year exceed revenues by \$1,096,698, available cash balances will support this level of expenditure, if required.

# **THE CONCESSIONS BUDGET**

**The Concessions Budget consists of funds from concession operations such as soft drink and snack vending machines.**

**Expenditures from these funds support the academic mission of the University.**

# Florida Atlantic University Concessions Operating Budget July 1, 2008 – December 31, 2008 Second Quarter Report





# Concessions Operating Budget

July 1, 2008 to December 31, 2008

Budgeted Revenues 2008-09: \$575,000      Actual Revenues to December 31: \$215,934

Budgeted Expenses 2008-09: \$650,000      Actual Expenses to December 31: \$302,199

The total budgeted revenue for 2008-09 is \$575,000. As of December 31, 2008, \$215,934 had been received, or approximately 38 percent of the revenue budget, and \$302,199 has been expended, or approximately 46 percent of the total expenditure budget.

## Analysis:

Revenues and expenditures for the year are believed to be on target with projections. The amount of expenditures to date for 2008-09 is less than in the prior year. Revenues remain consistent and any overage will be absorbed by prior year cash balances.

# **FLORIDA ATLANTIC UNIVERSITY OPERATING BUDGET STATUS AS OF DECEMBER 31, 2008 SUMMARY COMPARISONS**

*Year-to-Date Expenditures for Fiscal Year 2008-09 and Fiscal Year 2007-08*

*Year-to-Date Student Credit Hours for Fiscal Year 2008-09 and 2007-08*

*Year-to-Date Expenditures by Activity in Dollars for Fiscal Year 2008-09 and Fiscal Year 2007-08*

*Year-to-Date Expenditures by Activity in Percentages for Fiscal Year 2008-09 and Fiscal Year 2007-08*

**FLORIDA ATLANTIC UNIVERSITY  
OPERATING BUDGET STATUS  
AS OF DECEMBER 31, 2008**

	YEAR - TO - DATE EXPENDITURES FISCAL YEAR 2008-2009				
	Expenditures	Operating Budget	Remainder	% of Budget Spent	Fund Balances
Educational & General	\$ 107,151,218	259,911,488	\$ 152,760,270	41.23%	\$ 53,143,521
Student Financial Aid	\$ 54,122,843	112,411,000	58,288,157	48.15%	6,520,636
Sponsored Research/Grants	\$ 25,544,472	64,993,035	39,448,563	39.30%	7,613,104
Auxiliary Enterprises	\$ 35,849,466	87,954,295	52,104,829	40.76%	74,179,952
Athletics	\$ 7,781,082	13,435,617	5,654,535	57.91%	655,328
Student Activities	\$ 1,834,437	7,291,622	5,457,185	25.16%	6,144,670
Concessions	\$ 302,199	650,000	347,801	46.49%	140,159
<b>Total</b>	<b>\$ 232,585,717</b>	<b>\$ 546,647,057</b>	<b>\$ 314,061,340</b>	<b>42.55%</b>	<b>\$ 148,397,370</b>

	YEAR - TO - DATE EXPENDITURES FISCAL YEAR 2007-08			
	Operating Expenditures	Final Budget	Remainder	% of Budget Spent
	\$ 116,443,876	\$ 258,329,084	\$ 141,885,208	45.08%
	\$ 47,924,737	122,951,300	75,026,563	38.98%
	\$ 23,867,590	63,307,843	39,440,253	37.70%
	\$ 24,134,578	63,391,982	39,257,404	38.07%
	\$ 7,434,513	13,236,185	5,801,672	56.17%
	\$ 2,100,663	7,064,000	4,963,337	29.74%
	\$ 378,718	695,000	316,282	54.49%
<b>Total</b>	<b>\$ 222,284,676</b>	<b>\$ 528,975,394</b>	<b>\$ 306,690,718</b>	<b>42.02%</b>

**STUDENT CREDIT HOURS**

FISCAL YEAR 2008-09 AS OF 12/31/2008				
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FISCAL YEAR 2007-08				
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Semester	Actual	Budget	Difference	% Variance
Summer (final)	90,874	98,367	(7,493)	-7.62%
Fall (preliminary)	252,733	253,577	(844)	-0.33%
Spring (estimate)	237,721	239,911	(2,190)	-0.91%
<b>Total</b>	<b>581,328</b>	<b>591,855</b>	<b>(10,527)</b>	<b>-1.78%</b>

Actual	Budget	Difference	% Variance
98,236	97,754	482	0.49%
255,170	256,327	(1,157)	-0.45%
231,677	237,776	(6,099)	-2.57%
<b>585,083</b>	<b>591,857</b>	<b>(6,774)</b>	<b>-1.14%</b>

**FLORIDA ATLANTIC UNIVERSITY  
OPERATING BUDGET STATUS  
EXPENDITURES BY CATEGORY AS OF DECEMBER 31, 2008**

**EXPENDITURES BY ACTIVITY - DOLLAR AMOUNTS**

	YEAR - TO - DATE EXPENDITURES FISCAL YEAR 2008-09				YEAR - TO - DATE EXPENDITURES FISCAL YEAR 2007-08			
	Salaries & Benefits	OPS	Expense/Other	Total	Salaries & Benefits	OPS	Expense/Other	Total
Educational & General	\$ 74,304,346	\$ 8,790,612	\$ 24,056,261	\$ 107,151,218	\$ 75,487,509	\$ 9,268,491	\$ 31,687,876	\$ 116,443,876
Student Financial Aid	341,587	220,821	53,560,435	54,122,843	281,012	263,456	47,380,269	47,924,737
Sponsored Research/Grants	11,583,595	3,192,653	10,768,224	25,544,472	10,661,529	3,665,933	9,540,128	23,867,590
Auxiliary Enterprises	8,664,431	2,619,395	24,565,640	35,849,466	6,701,302	2,471,194	14,962,082	24,134,578
Athletics	2,211,044	201,168	5,368,870	7,781,082	2,141,197	176,913	5,116,403	7,434,513
Student Activities	241,606	398,883	1,193,947	1,834,437	165,695	454,221	1,480,747	2,100,663
Concessions		116,822	185,377	302,199		167,445	211,273	378,718
<b>Total</b>	<b>\$ 97,346,609</b>	<b>\$ 15,540,354</b>	<b>\$ 119,698,755</b>	<b>\$ 232,585,717</b>	<b>\$ 95,438,244</b>	<b>\$ 16,467,653</b>	<b>\$ 110,378,778</b>	<b>\$ 222,284,676</b>

**EXPENDITURES BY ACTIVITY - PERCENT OF TOTAL**

	FISCAL YEAR 2008-09 AS OF 12/31/2008				FISCAL YEAR 2007-08 AS OF 12/31/2007			
	Salaries & Benefits	OPS	Expense	Total	Salaries & Benefits	OPS	Expense	Total
Educational & General	69.35%	8.20%	22.45%	100.00%	64.83%	7.96%	27.21%	100.00%
Student Financial Aid	0.63%	0.41%	98.96%	100.00%	0.59%	0.55%	98.86%	100.00%
Sponsored Research/Grants	45.35%	12.50%	42.15%	100.00%	44.67%	15.36%	39.97%	100.00%
Auxiliary Enterprises	24.17%	7.31%	68.52%	100.00%	27.77%	10.24%	61.99%	100.00%
Athletics	28.42%	2.59%	69.00%	100.00%	28.80%	2.38%	68.82%	100.00%
Student Activities	13.17%	21.74%	65.09%	100.00%	7.89%	21.62%	70.49%	100.00%
Concessions	0.00%	38.66%	61.34%	100.00%	0.00%	44.21%	55.79%	100.00%
<b>Total</b>	<b>41.85%</b>	<b>6.68%</b>	<b>51.46%</b>	<b>100.00%</b>	<b>42.94%</b>	<b>7.41%</b>	<b>49.66%</b>	<b>100.00%</b>