



Item: **BF: I-1**

BUDGET AND FINANCE COMMITTEE
Friday, December 6, 2019

SUBJECT: REVIEW OF FAU FINANCIALS (JUNE 30, 2019).

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

To inform the Board of Trustees of the financial condition of the University, semi-annual reports on the University's operating budget will be presented. This report will present year-end 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 comparisons with the prior year will also be presented.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: FAU Financials Presentation (June 30, 2019)

Presented by: Mr. Jeff Atwater, V.P. Strategic Initiatives and CFO

Phone: 561-297-3267



FAU

Financials

Board of Trustee Presentation

Fund Types and Definitions

Florida Atlantic University (FAU) is comprised of eight funding components:

- **Educational and General (E&G)**: E&G supports the academic mission of the university through expenditures for instruction, research, library and learning resources, student services, university support, and physical plant, including the Medical School.
- **Auxiliary Enterprises**: Auxiliary Enterprises are comprised of business and enterprise operations that are self-supporting through user fees, payments, and charges. Amounts reported also include Technology Fee Funds.
- **Student Financial Aid**: Student Financial Aid is comprised of funding from student financial aid fees, support from federal and state financial aid awards, institutional programs, as well as numerous private scholarships.
- **Student Activity**: Student Activity is comprised of funding from the activity and service fee paid by students, club and program income.
- **Athletics**: Athletics is comprised of funding from student athletic fees, athletic event ticket sales, game guarantees, corporate sponsorships, National Collegiate Athletic Association distributions and private support and gifts.
- **Contracts and Grants**: Contracts and Grants are comprised of funding from many sources, including federal, state and local governmental agencies and private organizations, FAU and HBOI Foundation endowment distribution and A. D. Henderson University School.
- **Concession**: Concession is comprised of funding from campus vending machines and our soft drink beverage contract.
- **Carryforward**: Unspent funds in the current year budget plus prior years carryforward budget shall create the new carryforward budget for the next fiscal year.

Florida Atlantic University
FY 2018-19 Comparison of Budget to Actuals (\$000)

	Budget	Actual	Variance
REVENUE			
Education & General	\$ 343,787	\$ 340,990	\$ (2,797)
Auxiliary Enterprises *	138,999	132,906	(6,093)
Student Financial Aid	201,807	211,066	9,259
Student Activities	9,178	9,809	631
Athletics	31,130	30,253	(877)
Contracts and Grants **	69,962	73,752	3,790
Concession	625	721	96
TOTAL REVENUE	\$ 795,488	\$ 799,498	\$ 4,010
EXPENDITURES			
Education & General	\$ 331,522	\$ 319,682	\$ 11,840
Auxiliary Enterprises *	164,681	139,435	25,245
Student Financial Aid	201,484	210,510	(9,026)
Student Activities	10,627	8,135	2,491
Athletics	31,130	30,253	877
Contracts and Grants **	69,962	70,678	(716)
Concessions	625	655	(30)
Carryforward ***	52,750	27,969	24,781
TOTAL EXPENDITURES	\$ 862,781	\$ 807,318	\$ 55,462

Explanations of Revenues

- Primarily due to Waivers
- Required Budget Authority for Housing and CPO
- Increase in Bright Futures and Pell Grants received by students
- Higher student fee income due to higher credit hours
- Budgeted revenues that did not occur (offset by decreased expenses)
- Increased overhead, sponsored research dollars, and Henderson funding
- Flat

Explanations of Expenses

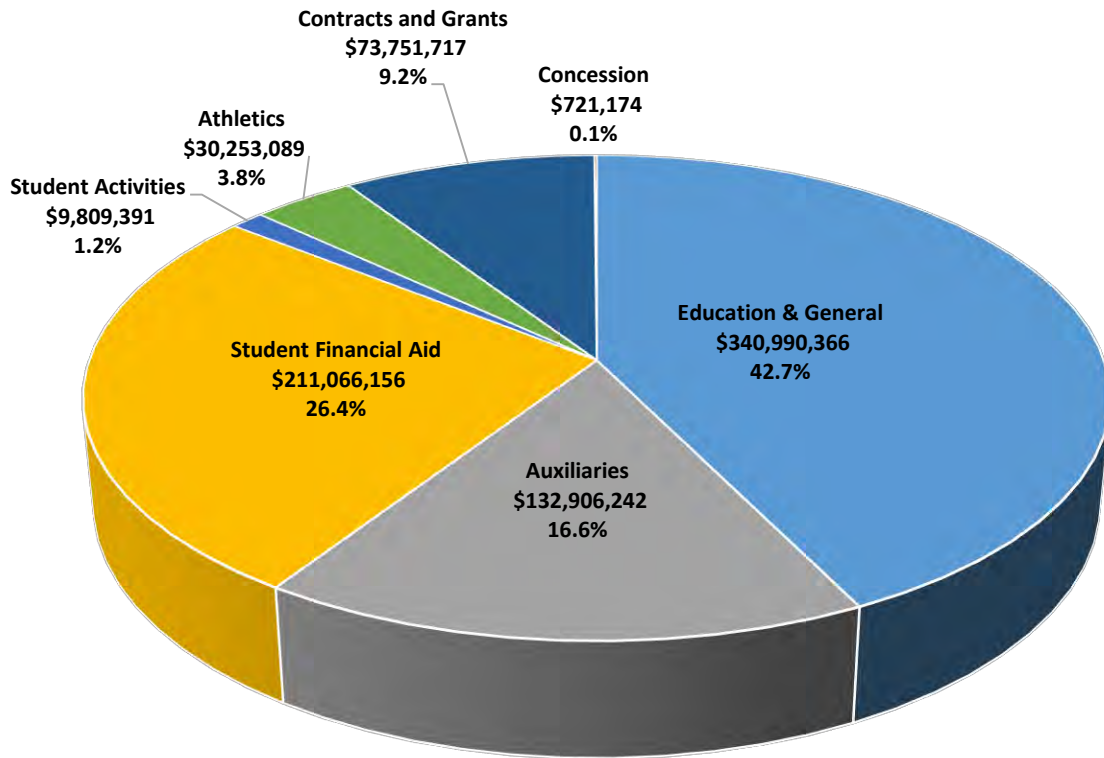
- Unspent budget will roll into next FY as Carryforward
- Budget authority for FAUFC & Housing, other projects that were put on hold
- Increase in Bright Futures and Pell Grants received by students
- Student Union renovation budgeted and not spent but will occur in FY 20
- Budgeted expenses and travel that did not occur
- Increased expenditures from overhead as well as higher sponsored research
- Flat
- Required to keep minimum reserve of 5% by law.

* Auxiliary Enterprises includes Technology Fee and Other Auxiliaries
 **Contracts and Grants includes Foundation, HBOI, Henderson, DOR Operations, and Sponsored Research
 *** Budgeted Carryforwards include 5% (\$17 M) that by law we cannot spend. Reserve increases to 7% in FY 20 (\$24.9 M)

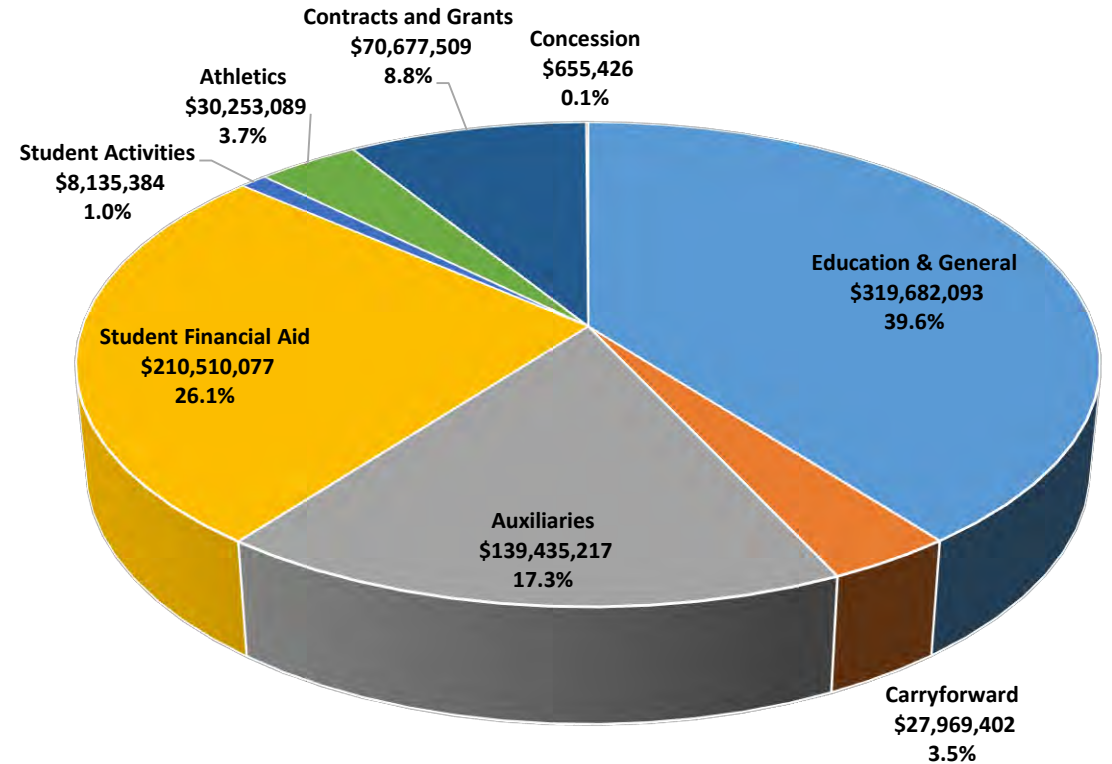
Revenues & Expenses Comparison

FY 2019 Year End

Total Revenues
\$799,498,135



Total Expenses
\$807,318,197



Revenue Drivers – Student Credit Hours

FAU has seen an increase in the annual amount of credit hours that are taken by students. In addition, FAU has seen a large increase in Out-of-State enrollment. This directly impacts the following fund types:

Education & General

- Total Tuition Revenue
- 1 UG Out of State Credit Hour = 5.7 UG In-State Credit Hours

Auxiliaries

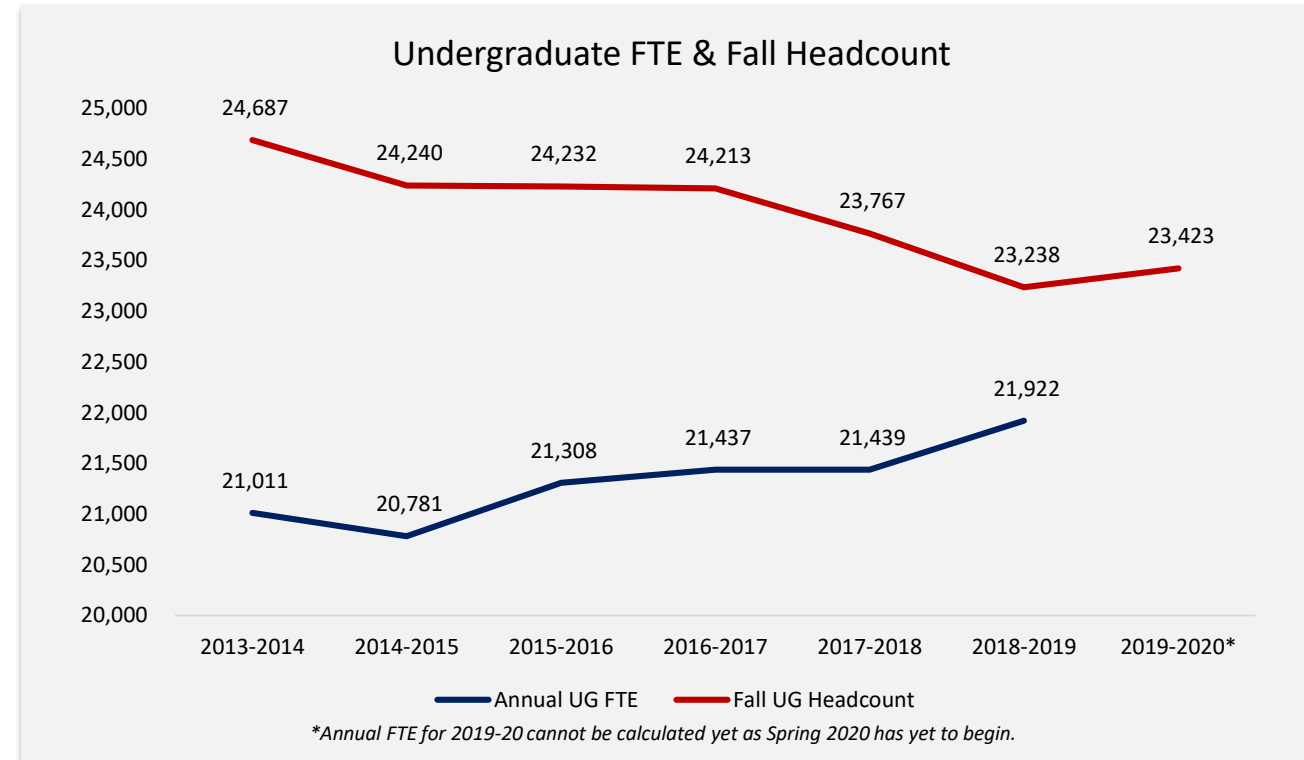
- Technology Fee (\$5.16/Credit Hour)
- Market Rate Programs

Student Activity

- Student Activity Fee (\$12.32/Credit Hour)

Athletics

- Athletic Fee (\$19.27/Credit Hour)



Residency	Undergraduate Annual Credit Hours						5-Yr Growth	
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	n	%
Florida Resident	601,134	591,663	598,889	594,897	591,253	601,119	(15)	0%
Non-Florida Resident	29,188	31,780	40,338	48,199	51,904	56,527	27,339	94%
Grand Total	630,322	623,443	639,227	643,096	643,157	657,646	27,324	4%

Florida Atlantic University
Six - Year Comparison of Actuals (\$000)

Category & Fund Type	2013-14 Actuals	2014-15 Actuals	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	1-year \$ Change	1-year % Change	5-year \$ Change	5-year % Change
REVENUE										
Educational & General	292,248	297,800	310,862	330,837	331,070	340,990	9,920	3.0%	48,742	16.7%
Auxiliary Enterprises*	94,776	109,647	119,488	110,532	118,320	132,906	14,586	12.3%	38,130	40.2%
Student Financial Aid	191,980	190,921	193,198	194,559	207,257	211,066	3,809	1.8%	19,086	9.9%
Student Activities	8,973	8,771	9,122	9,138	9,514	9,809	295	3.1%	836	9.3%
Athletics	25,662	25,938	25,406	30,118	32,329	30,253	(2,076)	-6.4%	4,591	17.9%
Contracts & Grants **	52,818	55,541	61,591	72,497	71,836	73,752	1,916	2.7%	20,934	39.6%
Concessions	418	1,094	650	705	672	721	49	7.3%	303	72.5%
TOTAL REVENUE	\$666,875	\$689,712	\$720,317	\$748,388	\$770,998	\$799,498	\$28,500	3.7%	\$132,623	19.9%
EXPENDITURES										
Educational & General	261,073	280,892	284,757	312,522	319,967	319,682	285	0.1%	-58,609	-22.4%
Auxiliary Enterprises*	103,393	104,938	113,515	107,532	113,716	139,435	-25,719	-22.6%	-36,042	-34.9%
Student Financial Aid	192,044	190,443	191,944	193,590	206,809	210,510	-3,701	-1.8%	-18,466	-9.6%
Student Activities	9,369	9,907	7,570	7,643	8,137	8,135	2	0.0%	1,234	13.2%
Athletics	25,796	26,208	25,390	30,118	32,329	30,253	2,076	6.4%	-4,457	-17.3%
Contracts & Grants **	54,770	54,131	61,053	56,997	64,852	70,678	-5,826	-9.0%	-15,908	-29.0%
Concessions	408	1,020	690	769	575	655	-81	-14.0%	-247	-60.6%
Carry Forward	12,233	14,927	13,090	25,756	26,287	27,969	-1,683	-6.4%	-15,737	-128.6%
TOTAL EXPENDITURES	\$659,086	\$682,466	\$698,009	\$734,927	\$772,672	\$807,318	-\$34,646	4.5%	-\$148,232	-22.5%

* Auxiliary Enterprises includes Technology Fee and Other Auxiliaries

** Contracts & Grants fund type includes Foundation, HBOI, Henderson School, Division of Research, and Sponsored Research

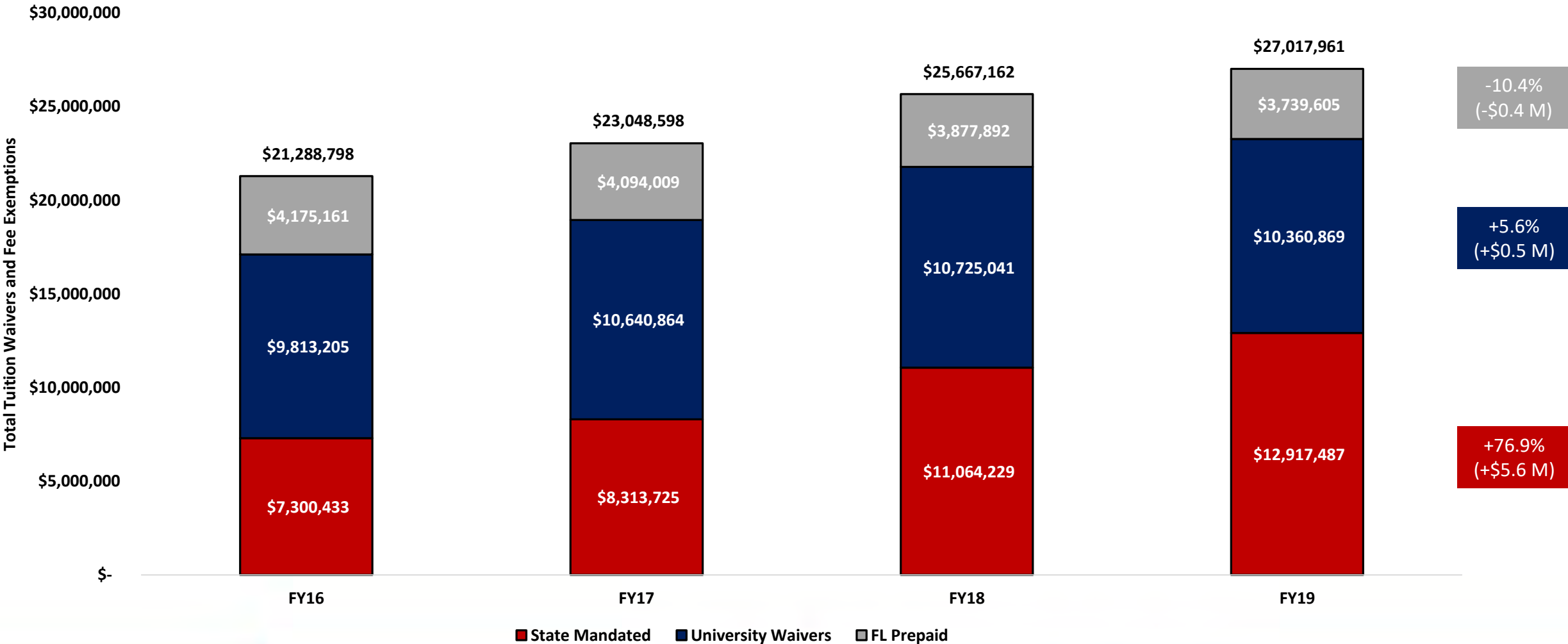
Comments on Y-o-Y Variance of Revenues

- **E&G**- Primarily driven by increases of \$3.6 M Lottery; \$2.6M Tuition; \$1.2 M Performance Funding ; \$1.2 M World Class; \$0.5 M Graduate Degrees of Excellence. State mandated waivers are recognized in E&G Revenues (negative impact to revenues)
- **Auxiliaries**- Increases in revenues from \$4.4M Graduate Medical Education Program, \$2.5 M food service and bookstore, \$1 M College of Business executive programs, \$0.9 M e-learning, \$0.6 M student union, \$0.4M student health.
- **Financial Aid**- \$3.8 M more in Pell
- **Student Activities**- Increase in credit hours.
- **Athletics**- FY18 had higher revenues due to Conference Champion, Bowl Games and various other tournaments but did not occur in FY19 and reduction in support funding.
- **Contracts & Grants**- Primarily positive variance due to additional giving from the Foundation for scholarships
- **Concessions**- Flat

Comments on Y-o-Y Variance of Expenses

- **E&G**- Flat
- **Auxiliaries**- Increased expenses due to \$13 M Schmidt, \$4.0 M for scholarships, \$3.6 M Graduate Medical Education, \$1.8 M for telecoms systems, \$1.6 M College of Business, \$0.6 M Student Health, \$0.6 M Lifelong Learning, \$0.6 M University Center
- **Financial Aid**- \$3.7 M increase for Pell Grants
- **Student Activities**- Flat
- **Athletics**- FY18 had higher expenses due to Conference Champion, Bowl Games and various other tournaments but did not occur in FY19 and reduction in debt service \$.2M and other sport related expenses \$.5M.
- **Contracts & Grants**- Primarily increased due to increased scholarships of \$2.1 M from Foundation as well as increased Sponsored Research expenditures of \$3.2 M
- **Concessions**- Flat

3-Year Trend of Tuition Waivers and Fee Exemptions



Waivers Detailed

- Tuition waivers and fee exemptions have increased \$5.7 M (26.9%) from \$21.3 M in FY 16 to \$27.0 M in FY19.
- Of the three components of the waivers, state mandated waivers have increased \$5.6 M (76.9%) from \$7.3 M in FY16 to \$12.9 M in FY19. University Waivers also increased \$0.5 M (5.6%) from FY 16 to FY19, but these increases have been offset by decreases in FL prepaid waivers (-\$0.4 M, -10.4%).
 - Within state mandated waivers, undocumented student waivers have increased \$2.5 M (287.6%) from \$0.9 M in FY16 to \$3.4 M in FY19.
 - Other major increases in state mandated waivers were:
 - Homeless Waiver- +\$0.2 M (146.2%), total in FY19 is \$0.3 M
 - Department of Children & Families Waivers- +\$0.4 M (86.7%) , total in FY19 is \$0.8 M
 - Employee Educational Scholarship Program Waiver (EESP)- +\$0.9 M, total in FY 19 is \$0.9 M
 - Veterans Non-Resident Waiver- +\$0.5 M (74.7%), total in FY 19 is \$1.2 M

FAU DEBT MANAGEMENT

Rating Agency Grading System

	Fitch	S&P	Moody's	Rating Grade Description (Moody's)
Investment Grade	AAA	AAA	Aaa	Minimal Credit Risk
	AA+	AA+	Aa1	Very Low Credit Risk
	AA	AA	Aa2	
	AA-	AA-	Aa3	
	A+	A+	A1	Low Credit Risk
	A	A	A2	
	A-	A-	A3	
	BBB+	BBB+	Baa1	Moderate Credit Risk
	BBB	BBB	Baa2	
BBB-	BBB-	Baa3		
Speculative Grade	BB+	BB+	Ba1	Substantial Credit Risk
	BB	BB	Ba2	
	BB-	BB-	Ba3	
	B+	B+	B1	High Credit Risk
	B	B	B2	
	B-	B-	B3	
	CCC+	CCC+	Caa1	Very High Credit Risk
	CCC	CCC	Caa2	
	CCC-	CCC-	Caa3	
	CC	CC	Ca	In or near default, with possibility of recovery
	C	C		
DDD	SD	C	In default, with little chance of recovery	
DD	D			
D				

Highlighted cells reflect where current FAU debt is graded

University Debt Portfolio FY 2019

Project	Issue	Total Outstanding	Coupon Range	Final Maturity	Rating Agencies		
					Fitch	S&P	Moodys
Housing Facilities	University- Student Housing; Series 2016A	\$ 45,540,000	4.0% - 5.0%	7/1/2036	A+	A	A1
Parking Garage	University- Parking Garage; Series 2013	\$ 13,120,000	2.375% - 5.0%	7/2/2032	A+	A+	Aa3
Housing Facilities	FAU Foundation; Series 2012	\$ 6,668,000	2.93%	5/1/2030			
Stadium	FAU Finance Corporation; Series 2017 (Notes)	\$ 37,620,000	2.61%	7/1/2040			
Parliament	FAU Finance Corporation; Series 2012A	\$ 40,510,000	3.5% - 5.0%	7/1/2042	A+	A	A1
Housing Facilities	FAU Finance Corporation; Series 2012B	\$ 1,735,000	2.24%	7/1/2025	A+	A	A1
Innovation Village	FAU Finance Corporation; Series 2019A	\$ 89,110,000	5.00%	7/1/2039	A+	A	A1
ESCO- FPL	University- ESCO Project: Series 2019	\$ 8,716,000	2.61%	7/1/2030			
ESCO- Siemens	University- ESCO Project: Series 2019-1	\$ 8,841,350	2.52%	10/1/2030			
Total		\$ 251,860,350					

- All of FAU's above Bond Ratings are ranked as Investment Grade with low credit risk.
- All of the above is Tax-Exempt.
- All debt is fully amortizing (no balloon payments). See final maturity dates listed above.

FAU Debt Transactions

- **Stadium Refunding in FY18-** Net present value cost savings of \$6.3 M(7/1/2040)
- **Series 2019A Innovation Village Refunding in FY19-** Net present value savings of \$10.4 M (7/1/2039)
- **Series 2019B-** New Housing for Boca and Jupiter \$78.5 M, Pending financing approval. Bond sale took place the week of 11/4/2019 and closing took place 11/18/2019.

Annual Debt Service Coverage					
	FY15	FY16	FY17	FY18	FY19
Traffic and Parking	1.43	1.48	2.02	2.05	2.14
Division of Bond Finance 2016A	1.26	1.48	1.62	1.93	2.13
FAU Finance Corporation 2012A/2019A	1.33	1.55	1.59	1.43	1.80