



Item: BF: I-1

BUDGET AND FINANCE COMMITTEE
Tuesday, February 1, 2022

SUBJECT: FINANCIAL UPDATE.

PROPOSED COMMITTEE ACTION

Information only.

BACKGROUND INFORMATION

University's financial update for Fiscal Year 2021-22.

IMPLEMENTATION PLAN/DATE

N/A.

FISCAL IMPLICATIONS

N/A.

Supporting Documentation: Powerpoint Presentation

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FAU Financial Update

University Overview

The University's financials consist of the following 8 funds:

Education & General

*State Appropriations &
Tuition Revenue*

Auxiliary Enterprise

*Self-Supported Business
Operations*

Student Financial Aid

*Federal and State Financial Aid
Awards, Institutional Programs
and Scholarships*

Athletics

*Athletic Fees, Ticket Sales, Game
Guarantees, etc.*

Carryforward

*Unspent E&G Funds that
Carryover From Prior Years*

Student Activity

*Funding from Activity & Service
Fee*

Contracts & Grants

*Contracts & Grants from
Governmental Agencies and
Private Organizations*

Concession

*Funding from Campus Vending
Machines & Soda Contracts*

The University is also supported by the following component units (DSOs):

Finance Corp.

Research Corp.

Foundation

HBOIF

Clinical Practice Org.

Education & General Budget Overview

E&G	2017-18	2018-19	2019-20	2020-21	2021-22
General Revenue & Lottery	\$ 177,076,259	\$ 183,799,929	\$ 193,610,661	\$ 196,561,275	\$ 197,700,110
FAU Tuition & Fees	123,809,237	123,809,237	122,912,467	124,829,634	124,829,634
<i>University Subtotal</i>	<i>300,885,496</i>	<i>307,609,166</i>	<i>316,523,128</i>	<i>321,390,909</i>	<i>322,529,744</i>
Medical School	24,569,928	24,615,684	26,121,007	27,286,330	27,464,420
Total FAU E&G Budget	\$ 325,455,424	\$ 332,224,850	\$ 342,644,135	\$ 348,677,239	\$ 349,994,164

Since 2018, the University has seen an increase in the E&G budget from a combination of FAU100, World Class Faculty, and Graduate Degrees of Excellence. The Medical School has also seen an increase in its tuition authority due to an increase in the out-of-state mix.

Student Fee Trust Fund Breakdown

	FY18	FY19	FY20	FY21
Tuition, Differential & Waivers				
Tuition	118,614,286	121,471,626	125,439,149	124,508,527
Tuition Differential	25,829,632	26,392,480	26,894,822	27,038,853
Prior Terms Realized	844,080	521,832	642,976	524,664
Institutional Aid	(6,577,973)	(6,777,450)	(7,466,237)	(7,463,876)
State Mandated Fee Exemptions	(11,037,844)	(12,910,924)	(12,035,968)	(10,899,135)
Tuition Differential Waiver	(3,844,544)	(3,738,911)	(3,517,808)	(3,311,948)
Tuition Net Waivers	123,827,637	124,958,653	129,956,934	130,397,086
Other Revenues/Expenses				
Fees (Application, Late Payment, etc.)	2,695,004	2,685,280	3,053,340	3,034,176
Revenue Share	(1,224,358)	(1,362,322)	(1,972,220)	(3,946,103)
Navitas	(977,587)	(509,465)	(517,298)	(66,623)
All Other	385,499	160,582	(784,637)	(876,069)
Total Other Revenues/Expenses	878,558	974,075	(220,815)	(1,854,619)
Total Actual Revenues	124,706,195	125,932,728	129,736,119	128,542,467
Total STF Revenue Budget:	123,809,237	123,809,237	122,912,467	124,829,634
Budget Vs. Actual:	896,958	2,123,491	6,823,652	3,712,833
% to Budget:	0.7%	1.7%	5.6%	3.0%

Increases in tuition have been sustained through an increase in student credit hours. Prior to Covid, Out-of-State students were a major contributor to the overall increase in tuition.

State mandated waivers saw a decline in FY21 due to Non-E&G waivers being moved to their respective fund. The tuition differential waiver will continue to go down as we get further away from 2007. This waiver includes students who started a Florida pre-paid program before 2007.

Historically, the revenue share has been with the College of Business' Online BBA agreement. In FY21, this saw an increase for the Summer and Intercession revenue shares.

This represents the amount of actual revenue after exemptions over the University's tuition budget. The student fee trust fund currently sits at a fund balance of \$39.6M. This fund balance has been built to be used in the event of a tuition deficit or state budget shortfalls. While the fund balance may appear to be large, \$39.6M equates to a little over one month of E&G expenses.

Historic Credit Hour Production

Historical Credit Hour Production by Fiscal Year				
Residency/Student Level	FY18	FY19	FY20	FY21
Non-Resident	62,040	66,345	70,581	68,154
Undergraduate	51,513	56,650	60,917	59,191
Graduate	10,527	9,695	9,664	8,963
Resident	643,660	651,856	661,392	667,654
Undergraduate	591,912	601,417	609,391	614,915
Graduate	51,748	50,439	52,001	52,739
Grand Total	705,700	718,200	731,973	735,808

Credit hours exclude Market Rate & Executive Programs

Organized by Fiscal Year (Summer 3, Fall, Spring, Summer 1&2)

Credit hours have been on an upward trend for the past three years. Non-resident credit hours rose 13.8% from FY18 to FY20, but saw a decline in FY21 due to the COVID19 pandemic. However, this decrease in non-resident growth in FY21 was offset with Florida resident's taking more courses during this time. While credit hour production is growing, a future concern is the potential plateau of credit hours with flat headcount growth.

Education & General

Mid-Year Update (As of Dec. 31st)

E&G Update Mid-Year									
	FY20			FY21 (COVID Year)			FY22		
	Budget	Actual	% To Budget	Budget	Actual	% To Budget	Budget	Actual	% To Budget
Revenues	342,644,135	233,390,882	68.11%	348,677,239	227,441,408	65.23%	350,799,288	231,378,895	65.96%
Expenses	343,540,904	173,147,429	50.40%	348,677,239	163,102,972	46.78%	350,001,403	164,384,901	46.97%

Source: Workday BOT Monthly Report (Up to Dec. Each Year)

Revenue Budget includes FAU Tuition Budget and not BOG Tuition Authority

Fall Credit Hours				% Growth	
Student Level/Residency	Fall 2019	Fall 2020	Fall 2021	1-Year	2-Year
Non-Resident	31,167	30,533	33,773	10.6%	8.4%
Undergraduate	26,872	26,358	29,608	12.3%	10.2%
Graduate	4,295	4,175	4,165	-0.2%	-3.0%
Resident	274,238	280,247	265,422	-5.3%	-3.2%
Undergraduate	253,886	259,056	243,877	-5.9%	-3.9%
Graduate	20,352	21,191	21,545	1.7%	5.9%
Grand Total	305,405	310,780	299,195	-3.7%	-2.0%

Credit hours exclude Market Rate & Executive Programs

Overall, the latest Fall credit hours were down 2% when compared to a pre-covid term (Fall 2019). However, credit hours among non-residents increased over 8% resulting in more tuition dollars compared to 2019 (\$67.2M vs. \$65.6M).

Spring Credit Hours (Preliminary)				% Growth	
Student Level/Residency	Spring 2020	Spring 2021	Spring 2022	1-Year	2-Year
Non-Resident	28,950	28,421	32,576	14.6%	12.5%
Undergraduate	24,929	24,706	28,492	15.3%	14.3%
Graduate	4,021	3,715	4,084	9.9%	1.6%
Resident	259,696	257,547	242,757	-5.7%	-6.5%
Undergraduate	239,889	237,170	222,643	-6.1%	-7.2%
Graduate	19,807	20,377	20,114	-1.3%	1.5%
Grand Total	288,646	285,968	275,332	-3.7%	-4.6%

Credit hours exclude Market Rate & Executive Programs

Spring numbers are a preliminary number as of 1/21/2021

Like Fall, overall credit hours are trending down for the current Spring. However, a rise in non-resident credit hours are covering this overall decrease fiscally. Currently Spring is flat at a \$600k difference between Spring 20 (\$62.3M) and Spring 22 (\$62.9M).

Auxiliaries

What is a University Auxiliary?

Auxiliary Enterprises are comprised of business and enterprise operations that are self-supporting through user fees, payments, and charges. Known examples of Auxiliary Enterprises include the College of Business Executive Programs, Osher Lifelong Learning and the Bookstore. Most auxiliaries are charged an overhead rate of 11.19%. This is used to support University expenses that support the auxiliaries.

10 Areas by Auxiliary Revenue - Year End			
Area	FY19	FY20	FY21
College of Business	24,482,908	25,285,611	25,557,015
Business Services	12,882,777	11,583,211	8,501,285
Student Health Services	7,704,082	8,510,555	8,432,645
Center for eLearning	5,078,961	5,455,126	6,267,536
Parking & Transportation	7,327,978	7,093,950	6,202,202
College of Nursing	989,547	2,737,429	5,134,396
College of Education	5,424,953	4,616,881	2,428,275
Communication Infrastructure	3,483,211	2,241,706	2,095,335
Osher Lifelong Learning Institute	2,932,279	3,181,284	1,119,121
College of Arts & Letters	2,050,526	1,500,744	874,953

Business Executive Programs

Collection of Meal Plans, Bookstore, and other Food Services

2nd BSN Program, Dermatology Program & Lab Fees

AD Henderson, Slattery and Pine Jog Camps

Institute of Government Seminars, Theatre Productions & Lab Fees

*Excludes Housing, Auxiliary Overhead and Medicine's GME Programs
Only Revenue, Excludes Transfers-in*

Auxiliaries

Mid-Year Update (As of Dec. 31st)

Aux Update Mid-Year									
	FY20			FY21 (COVID Year)			FY22		
	Budget	Actual	% To Budget	Budget	Actual	% To Budget	Budget	Actual	% To Budget
Revenues	141,144,335	79,303,631	56.19%	135,094,169	68,426,893	50.65%	136,764,057	77,953,007	57.00%
Expenses	167,234,991	72,822,880	43.55%	141,101,600	48,024,537	34.04%	134,841,765	49,266,120	36.54%

Source: Workday BOT Monthly Report (Up to Dec. Each Year)

Auxiliaries saw a sharp decline in both revenue and expenses due to Covid in FY21. Compared to Quarter 2 of last year, revenues are up nearly 14% while expenses only increased about 3%.

10 Areas by Auxiliary Revenue - Quarter 2 (Dec. 31 st)				
Area	FY20	FY21	FY22	
College of Business	18,097,292	18,491,801	18,482,584	Business Executive Programs
Business Services	11,268,748	8,372,323	12,456,563	Collection of Meal Plans, Bookstore, and other Food Services
Center for eLearning	3,922,011	4,411,210	6,489,638	
Student Health Services	7,102,606	6,832,738	6,394,526	
Parking & Transportation	5,424,615	4,757,167	4,866,389	
College of Nursing	1,387,299	2,996,642	3,294,295	2 nd BSN Program, Dermatology Program & Lab Fees
College of Education	2,929,317	1,034,744	1,478,301	AD Henderson, Slattery and Pine Jog Camps
Osher Lifelong Learning Institute	2,493,700	700,950	1,207,893	
Communication Infrastructure	1,137,177	1,073,804	1,021,190	
College of Arts & Letters	933,520	383,580	823,758	Institute of Government Seminars, Theatre Productions & Lab Fees

Excludes Housing, Auxiliary Overhead and Medicine's GME Programs
Only Revenue, Excludes Transfers-in

Central Auxiliaries – Fund Balance

Central Auxiliaries		
Fund Balance	Beginning Balance	End of Dec. Balance
Auxiliary Overhead Pool/Campus Priorities	12,149,079	7,134,470
SPIA Investment	5,783,281	6,282,393
Hurricane Reserve	4,306,136	4,306,136
Total	22,238,496	17,723,000

Q2 Balance includes Obligations & Commitments
Campus Priorities refers to TAG003880
Auxiliary Overhead Pool consists of fund F0259,F0260

The auxiliary overhead pool is used to support overhead expenses that auxiliaries benefit from. This is generated from the 11.19% overhead rate. In addition, surplus from the auxiliary overhead pool is used for campus priorities. This quarter, \$5M was used for the build out of the Jupiter STEM project. The auxiliary overhead pool typically brings in revenues between \$5M-\$7M and covers expenses between \$5M-\$6M.

SPIA Investment funds utilize the State Treasurer's Special Purpose Investments Account to generate incremental returns for the University.

The Hurricane reserve is set aside to deal with unforeseen expenses resulting from a hurricane or tropical storm.

Carryforward

Carryforward By VP Snapshots					
Unit	FY18*	FY19	FY20	FY21	FY22
Academic Affairs and Provost	18,224,953	13,745,770	11,238,425	13,047,132	23,563,477
Administrative Affairs	5,303,893	4,884,730	2,280,553	12,876,632	12,565,098
Division of Research	2,819,393	4,740,200	5,072,645	6,117,201	12,310,256
Financial Affairs	6,257,154	6,250,449	5,068,119	3,561,059	1,620,380
General Admin Services	3,767,985	9,705,658	2,658,376	3,921,258	14,059,153
Institutional Advancement	495,358	2,429,341	391,282	641,437	1,536,799
Legal Affairs & General Counsel	1,017,978	599,819	705,889	520,999	215,379
President	867,992	762,629	946,287	988,492	826,167
Public Affairs	475,515	585,375	405,985	340,800	519,649
Student Affairs	983,460	576,687	407,481	878,053	1,359,433
Athletics	188,691	8,508	-	-	1,432
Total Excluding COM	40,402,372	44,289,167	29,175,041	42,893,064	68,577,223
College of Medicine	11,408,972	8,461,136	4,457,899	5,337,079	9,932,617
Total Including COM	51,811,344	52,750,303	33,632,941	48,230,143	78,509,840
7% Required Reserve Gen Admin			23,367,107	23,367,107	23,367,107
7% Required Reserve COM			1,828,470	1,910,043	1,922,509
Total Carryforward	51,811,344	52,750,303	58,828,518	73,507,293	103,799,456

*Includes \$9.6M of Unspent 16-17 Strategic Plan Funds

What is Carryforward?

Carryforward is unspent E&G that rolls over from prior years.

Carryforward has seen a sharp increase from fiscal year 2020 to fiscal year 2021. The largest factor for this increase is due to the E&G holdbacks that were imposed on units during the COVID-19 Pandemic.

Examples of Carryforward Priorities

- **Academic Affairs:** Startup Costs for New Faculty Contracts, Workday Student
- **Administrative Affairs:** Deferred Maintenance
- **Division of Research:** 3T fMRI
- **General Admin:** Workday HCM

Carryforward Spending Plan

Starting in FY20, the University sends the Board of Governors a spending plan for Carryforward funds. The summary of that plan is on the left. Examples of expense items highlighted in the largest categories below.

	<u>University Plan</u>	<u>Actuals (Dec 31st)</u>	
<u>Restricted / Contractual Obligations</u>			
Restricted by Appropriations	\$ 1,062,965	\$ 251,368	
Faculty Research and Public Service Support and Start-Up Funding	\$ 7,560,649	\$ 770,440	
Information Technology (ERP, Equipment, etc.)	\$ 5,282,000	\$ 1,227,745	
Minor Carryforward Fixed Capital Outlay Projects (Board of Governors Regulation 14.003(2))	\$ 200,000		
Grand Total Restricted / Contractual Funds :	\$ 14,105,614	\$ 2,249,553	
<u>Commitments</u>			
Compliance Program Enhancements	\$ 235,053	\$ 148,129	
Campus Security and Safety Enhancements	\$ 1,428,173	\$ 1,036,307	
Student Services, Enrollment, and Retention Efforts	\$ 669,923	\$ 147,527	
Student Financial Aid	\$ 1,057,404	\$ 20,918	
Faculty/Staff, Instructional and Advising Support and Start-up Funding	\$ 10,767,627	\$ 2,401,609	
Faculty Research and Public Service Support and Start-Up Funding	\$ 14,297,824	\$ 1,112,455	
Library Resources	\$ 635,630	\$ 13,983	
Utilities	\$ 1,092,596		
Information Technology (ERP, Equipment, etc.)	\$ 12,559,068	\$ 285,811	
Minor Carryforward Fixed Capital Outlay Projects (Board of Governors Regulation 14.003(2))	\$ 8,777,579	\$ 817,268	
Other Operating Requirements*	\$ 12,883,352	\$ 5,298,403	
Grand Total Commitments :	\$ 64,404,228	\$ 11,282,410	
Total Obligations & Commitments	\$ 78,509,841	\$ 13,531,963	
7% Statutory Reserve Requirement (1011.45(1) F.S.):	\$ 25,289,616		
Total Carryforward	\$ 103,799,457		

Workday HCM

Police Safety/Security (Camera Systems)

Summer Funding

Research Investment

Renovations & Repairs

Benefit Pool Deficit for FY20/21

*After consulting with the BOG, the University recently moved the line of "Contingencies for a State of Emergency Declared by the Governor" to "Other Operating Requirements"

Major Impacts of Pandemic

Education & General

- Increased credit hour production by Florida Residents while a decreased production for Non-Florida Residents.
- 8.5% holdback in FY21 (6% State, 2.5% FAU)
- Decreased expenses in travel and services/supplies.

Auxiliary Enterprises

- Karen Slattery lab school closure.
- Osher Lifelong Learning Institute revenues negatively impacted over pandemic.
- Despite pandemic, Nursing 2nd BSN program opened in FY20 and has seen continued growth in enrollment.

Carryforward

- Increased Carryforward amounts for FY22 from two major sources:
 - 8.5% E&G holdback released.
 - Fiscal Taskforce enforced hiring, travel and expense freezes within the university.

FAU Finance Corp.

Budget & Actuals (FY21-FY23)

	FY21 Budget	FY21 Actuals	FY22 Budget	FY22 Projected	FY21 Q2	FY22 Q2	FY23 Budget
Operating Revenues:	\$ 39,302,708	31,587,195	\$ 42,473,478	44,761,617	\$ 28,044,628	41,493,602	\$ 44,695,011
Operating Expenses:							
Lease Expense	400,000	364,328	368,889	368,889	-	-	368,889
Housing Operating Expenses	13,222,625	11,030,327	15,618,535	12,802,919	5,026,239	6,191,811	17,477,294
Other Operating Expenses (R&R, Overhead)	3,292,102	1,262,224	3,060,648	1,385,841	622,306	692,921	3,177,705
Total Operating Expenses	16,914,727	12,656,879	19,048,072	14,557,649	5,648,545	6,884,732	21,023,888
Net Operating Income	22,387,981	18,930,316	23,425,406	30,203,968	22,396,082	34,608,870	23,671,123
Non-Operating Revenues (Expenses):							
Unrealized Gain/Loss	-	(3,467,728)		1,559,801	(2,688,229)	779,900	
Investment Income	794,365	1,196,540	794,365	325,000	771,161	163,294	794,365
Depreciation	(6,000,000)	(6,448,084)	(6,100,000)	(8,446,554)	(3,222,153)	(4,223,277)	(6,100,000)
Bond Expenses (Stadium Bond Payment)	(10,303,508)	(12,291,209)	(13,110,640)	(13,110,640)	-		(12,800,765)
Total Non-Operating Income (Expense)	(15,509,143)	(17,542,753)	(18,416,275)	(21,232,194)	(2,450,992)	(4,059,983)	(18,106,400)
Transfer:							
FAU Police Salaries and Benefits	(1,200,000)	(1,199,998)	(1,200,000)	(1,200,000)	(595,290)	(465,116)	(1,200,000)
Transfer to Fund Scholarships - UMI	(350,000)	(350,000)	-	-	(175,000)	-	(350,000)
	(1,550,000)	(1,549,998)	(1,200,000)	(1,200,000)	(770,290)	(465,116)	(1,550,000)
Net Income (Financial Statement-Accrual)	\$ 5,328,838	\$ (162,436)	\$ 3,809,131	\$ 7,771,774	\$ 19,174,800	\$ 30,083,770	\$ 4,014,723

**Capital Expenses not included. In FY21, Capital Expenses totaled \$1,396,888. In FY22, it is projected to be \$4,615,000. FY23 has a Capital Expense budget of \$1,810,311.*

FAU Finance Corp.

Debt Service Coverage

Florida Atlantic University FAUFC - Debt Service Coverage Ratio			
Fiscal Year Ending June 30,	2021 Actual	2022 Projected	2023 Budget
BOG/DBF			
Housing Fees, Interest and Other Operating Revenues	\$13,922,982	\$17,084,749	\$16,880,112
Less: Administrative Expenses and Reserve Funding	7,157,090	8,069,365	10,430,126
Net Operating Income	6,765,891	9,015,384	6,449,986
Less Debt Service on DBF Bonds	5,386,800	4,313,550	4,310,550
Surplus of Existing DBF Facilities - Tier 1	1,379,091	4,701,834	2,139,436
Innovation Village			
Innovation Village Pledged Revenue	11,189,713	13,643,291	13,714,838
Less: Current Expenses	2,836,934	3,415,339	4,820,260
Net Operating Income	8,352,779	10,227,952	8,894,578
Parliament Hall			
Parliament Hall Pledged Revenue	4,560,107	5,184,465	4,851,530
Less: Current Expenses	1,182,524	1,025,239	1,858,013
Net Operating Income	3,377,584	4,159,226	2,993,517
Gross Revenues 2019B Facilities (New Reporting FY22)			
Housing Fees and Other Operating Revenues		6,491,629	6,889,022
Less: Current Expenses		1,678,817	2,354,058
Net Operating Income		4,812,812	4,534,964
Net Revenues Available for Debt Service - Tier 2	\$13,109,454	\$23,901,824	\$18,562,495
Annual Debt Service Requirement	\$10,339,880	\$14,709,607	\$14,732,732
Debt Service Coverage Ratio	1.27	1.62	1.26
Net Cash Flow	\$2,769,574	\$9,192,217	\$3,829,763

Florida Atlantic University DBF - Debt Service Coverage Ratio			
Fiscal Year Ending June 30,	2021 Actual	2022 Projected	2023 Budget
BOG/DBF			
Gross Revenues			
Housing Fees and Other Operating Revenues	\$13,922,982	\$17,084,749	\$16,880,112
Less: Current Expenses	6,535,435	7,754,755	9,580,687
Pledged Revenues	\$7,387,547	\$9,329,994	\$7,299,425
Less Debt Service on DBF Bonds	\$5,386,800	\$4,313,550	\$4,310,550
Debt Service Coverage Ratio	1.37	2.16	1.69
Net Cash Flow	\$2,000,747	\$5,016,444	\$2,988,875

Credit Ratings

Standard & Poor's

- Parking: A+
- FAUFC: A
- DBF Housing: A

Moody's

- FAU – Overall: Aa3
- Parking: Aa3
- FAUFC: A1
- DBF Housing: A1

Fitch

- FAU – Overall: AA-
- Parking: A+
- FAUFC: A+
- DBF Housing: A+
- Parliament: A+

	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	
Speculative Grade	BBB+	BBB+	Baa1	Moderate credit risk
	BBB	BBB	Baa2	
	BBB-	BBB-	Baa3	
	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	DD		
	D	D		

Shaded areas reflect FAU Rated Debt