

January 14, 2015

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – Report of Auxiliary Funds

Background

Board of Regents Policy R550, *Auxiliary Enterprises Operation and Accountability*, requires an annual report of auxiliary operations within the Utah System of Higher Education (USHE). Auxiliary enterprises are business activities or other essentially self-supporting activities (as distinguished from primary programs of instruction, research, public service, and from intercollegiate athletics), the primary purpose of which is to provide specified services to students, faculty, staff, or guests of the institution.

Annually, USHE institutions provide reports of auxiliary enterprise activity. This information has been consolidated by OCHE staff for the purpose of Regent review and monitoring (see attachments). Auxiliary operations are examined by independent auditors during the annual financial statement audits.

All institutional housing, food service, and campus store activities are to be classified and managed as auxiliary enterprises. These three auxiliaries are common amongst most of the campuses and the revenues and expenses for each of these are reported in the attachments. For the purpose of this report it should be noted that the University of Utah and Utah State University have other auxiliary services that are not individually reported, but reported in the aggregate. Further, Utah Valley University and Salt Lake Community College do not own campus housing and this is reflected in the related attachment.

Current Issue

Auxiliary service revenues have been affected by changing conditions both nationally and within our own state. Over the past few years, textbook sales have declined at college and university campus stores as a result of other options for students to acquire course materials. Campus stores are continually exploring other possible revenues and new methods of competitively offering textbooks to students.

In addition, housing and food service revenues have fluctuated and are influenced by changes in enrollments. When these enrollment fluctuations occur, institutional auxiliary programs must maintain the flexibility needed to navigate successfully in a changed environment. The institutions strive to keep housing units filled as this correlates to strong food service revenues.

Auxiliary service revenue is important to an institution. Net income from auxiliary operations (including campus stores) is often used for campus projects, revenue bond obligations, repair and replacement

needs, reserves and other campus needs. Fortunately, at the aggregate level USHE auxiliary fund balances at most institutions appear healthy and are offsetting some of the challenges that are being faced. The Commissioner's Office staff has prepared the following attachments.

- Attachment 1 - Report of Total Auxiliary Enterprise Operation Actual Revenues (FY 2014)
- Attachment 2 - Report of Total Auxiliary Enterprise Operations Budgeted Revenues (FY 2015)
- Attachment 3 - Auxiliary Enterprise Operations Comparisons (FY 2013 to FY 2014)
- Attachment 4 - Bookstore Auxiliary Enterprise Operations Comparisons (FY 2013 to FY 2014)
- Attachment 5 - Housing Auxiliary Enterprise Operations Comparisons (FY 2013 to FY 2014)
- Attachment 6 - Food Services Auxiliary Enterprise Operations Comparisons (FY 2013 to FY 2014)

Commissioner's Recommendation

This is an information item only; no action is required.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/BLS
Attachment

UTAH SYSTEM OF HIGHER EDUCATION

Report of Total Auxiliary Enterprise Operations (2013-14 Actuals)

	UU	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Beg Fund Balance*	\$ 1,882,000	\$ (267,718)	\$ 4,913,733	\$ 1,896,837	\$ 462,839	\$ 2,875,811	\$ 3,434,722	\$ 3,348,663
Revenues	97,021,000	40,005,461	19,182,802	8,102,829	3,634,110	6,568,622	13,623,156	13,307,332
Expenditures	(95,334,000)	(33,278,703)	(17,370,212)	(5,340,720)	(3,465,216)	(6,185,296)	(13,364,538)	(13,257,463)
Net Income	1,687,000	6,726,758	1,812,590	2,762,109	168,894	383,326	258,618	49,869
Transfers	(1,484,000)	(6,239,316)	(1,703,088)	(2,762,109)	-	(176,534)	(258,618)	(542,439)
Change in Fund Balance	203,000	487,442	109,502	-	168,894	206,792	-	(492,570)
End Fund Balance	\$ 2,085,000	\$ 219,724	\$ 5,023,235	\$ 1,896,837	\$ 631,733	\$ 3,082,603	\$ 3,434,722	\$ 2,856,093

* It should be noted that the Fund Balance includes cash, inventories, etc. related to running/maintaining Auxiliary Enterprise Operations.

UTAH SYSTEM OF HIGHER EDUCATION
Report of Total Auxiliary Enterprise Operations (2014-15 Budgets)

	UU	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Beg Fund Balance*	\$ 2,085,000	\$ 219,724	\$ 5,023,235	\$ 1,896,837	\$ 631,733	\$ 3,082,603	\$ 3,434,722	\$ 2,856,093
Revenues	99,316,000	38,882,757	19,320,000	7,796,404	3,751,500	6,830,000	14,684,121	12,842,678
Expenditures	(97,468,000)	(33,076,038)	(17,163,680)	(5,293,465)	(3,476,100)	(6,455,000)	(14,436,588)	(12,217,678)
Net Income	1,848,000	5,806,719	2,156,320	2,502,939	275,400	375,000	247,533	625,000
Transfers	(1,841,000)	(5,513,446)	(1,856,320)	(2,502,939)	-	(945,000)	(247,533)	(65,000)
Change in Fund Balance	7,000	293,273	300,000	-	275,400	(570,000)	-	560,000
End Fund Balance	\$ 2,092,000	\$ 512,997	\$ 5,323,235	\$ 1,896,837	\$ 907,133	\$ 2,512,603	\$ 3,434,722	\$ 3,416,093

* It should be noted that the Fund Balance includes cash, inventories, etc. related to running/maintaining Auxiliary Enterprise Operations.

UTAH SYSTEM OF HIGHER EDUCATION

Auxiliary Enterprise Operations Comparisons of Totals (FY 2013 to FY 2014)

	UU		
	2012-13	2013-14	% Change
Revenues	\$ 92,797,000	\$ 97,021,000	5%
Expenditures	(90,342,000)	(95,334,000)	6%
Net Income	2,455,000	1,687,000	-31%
End Fund Bal	\$ 1,882,000	\$ 2,085,000	\$ 203,000

	USU		
	2012-13	2013-14	% Change
Revenues	\$ 39,612,044	\$ 40,005,461	1%
Expenditures	(33,677,120)	(33,278,703)	-1%
Net Income	5,934,924	6,726,758	13%
End Fund Bal	\$ (267,719)	\$ 219,724	\$ 487,442

	WSU		
	2012-13	2013-14	% Change
Revenues	\$ 19,953,283	\$ 19,182,802	-4%
Expenditures	(18,079,659)	(17,370,212)	-4%
Net Income	1,873,624	1,812,590	-3%
End Fund Bal	\$ 4,913,733	\$ 5,023,235	\$ 109,502

	SUU		
	2012-13	2013-14	% Change
Revenues	\$ 8,021,261	\$ 8,102,829	1%
Expenditures	(5,091,026)	(5,340,720)	5%
Net Income	2,930,235	2,762,109	-6%
End Fund Bal	\$ 1,896,837	\$ 1,896,837	\$ -

	SNOW		
	2012-13	2013-14	% Change
Revenues	\$ 3,825,670	\$ 3,634,110	-5%
Expenditures	(4,022,950)	(3,465,216)	-14%
Net Income	(197,280)	168,894	186%
End Fund Bal	\$ 462,839	\$ 631,733	\$ 168,894

	DSU		
	2012-13	2013-14	% Change
Revenues	\$ 6,819,229	\$ 6,568,622	-4%
Expenditures	(6,563,740)	(6,185,296)	-6%
Net Income	255,489	383,326	50%
End Fund Bal	\$ 2,875,811	\$ 3,082,603	\$ 206,792

	UVU		
	2012-13	2013-14	% Change
Revenues	\$ 15,722,551	\$ 13,623,156	-13%
Expenditures	(15,685,425)	(13,364,538)	-15%
Net Income	37,126	258,618	597%
End Fund Bal	\$ 3,434,722	\$ 3,434,722	\$ -

	SLCC		
	2012-13	2013-14	% Change
Revenues	\$ 14,344,465	\$ 13,307,332	-7%
Expenditures	(13,760,327)	(13,257,463)	-4%
Net Income	584,138	49,869	-91%
End Fund Bal	\$ 3,348,663	\$ 2,856,093	\$ (492,570)

Campus Store Auxiliary Enterprise Operations Comparisons (FY 2013 to FY 2014)

	UU			USU			WSU		
	2012-13	2013-14	% Change	2012-13	2013-14	% Change	2012-13	2013-14	% Change
Revenues	\$ 24,991,000	\$ 22,526,000	-10%	\$ 11,939,529	\$ 11,222,674	-6%	\$ 11,827,507	\$ 11,560,936	-2%
Expenditures	(25,131,000)	(22,753,000)	-9%	(12,169,191)	(11,217,433)	-8%	(11,577,448)	(11,423,854)	-1%
Net Income	\$ (140,000)	\$ (227,000)		\$ (229,662)	\$ 5,241		\$ 250,059	\$ 137,082	

	SUU			SNOW			DSU		
	2012-13	2013-14	% Change	2012-13	2013-14	% Change	2012-13	2013-14	% Change
Revenues	\$ 3,291,461	\$ 3,138,394	-5%	\$ 284,028	\$ 216,020	-24%	\$ 4,007,297	\$ 3,637,881	-9%
Expenditures	(3,056,798)	(3,076,775)	1%	(251,831)	(252,649)	0%	(3,893,690)	(3,543,581)	-9%
Net Income	\$ 234,663	\$ 61,619		\$ 32,197	\$ (36,629)		\$ 113,607	\$ 94,300	

	UVU			SLCC		
	2012-13	2013-14	% Change	2012-13	2013-14	% Change
Revenues	\$ 10,438,668	\$ 8,213,649	-21%	\$ 9,564,717	\$ 8,508,208	-11%
Expenditures	(10,455,955)	(7,825,274)	-25%	(9,097,635)	(8,534,308)	-6%
Net Income	\$ (17,287)	\$ 388,375		\$ 467,082	\$ (26,100)	

Housing Auxiliary Enterprise Operations Comparisons (FY 2013 to FY 2014)

	UU		% Change	USU		% Change	WSU		% Change
	2012-13	2013-14		2012-13	2013-14		2012-13	2013-14	
Revenues	\$ 24,700,000	\$ 26,027,000	5%	\$ 11,954,039	\$ 12,489,813	4%	\$ 4,311,053	\$ 4,193,462	-3%
Expenditures	(24,320,000)	(25,219,000)	4%	(7,818,933)	(8,264,647)	6%	(2,852,541)	(2,664,139)	-7%
Net Income	\$ 380,000	\$ 808,000		\$ 4,135,106	\$ 4,225,166		\$ 1,458,512	\$ 1,529,323	

	SUU		% Change	SNOW		% Change	DSU		% Change
	2012-13	2013-14		2012-13	2013-14		2012-13	2013-14	
Revenues	\$ 2,908,379	\$ 2,533,369	-13%	\$ 1,845,188	\$ 1,899,034	3%	\$ 795,493	\$ 863,316	9%
Expenditures	(1,185,533)	(912,501)	-23%	(2,147,894)	(1,792,752)	-17%	(711,044)	(550,039)	-23%
Net Income	\$ 1,722,846	\$ 1,620,867		\$ (302,706)	\$ 106,282		\$ 84,449	\$ 313,277	

	UVU		% Change	SLCC		% Change
	2012-13	2013-14		2012-13	2013-14	
Revenues	no housing	no housing		no housing	no housing	
Expenditures	no housing	no housing		no housing	no housing	
Net Income	-	-		-	-	

Food Services Auxiliary Enterprise Operations Comparisons (FY 2013 to FY 2014)

	UU		
	2012-13	2013-14	% Change
Revenues	\$ 7,465,000	\$ 8,090,000	8%
Expenditures	(6,405,000)	(7,013,000)	9%
Net Income	\$ 1,060,000	\$ 1,077,000	

	USU		
	2012-13	2013-14	% Change
Revenues	\$ 9,093,208	\$ 9,331,372	3%
Expenditures	(8,512,592)	(8,685,508)	2%
Net Income	\$ 580,617	\$ 645,864	

	WSU		
	2012-13	2013-14	% Change
Revenues	\$ 153,547	\$ 115,894	-25%
Expenditures	(153,547)	(56,286)	-63%
Net Income	\$ -	\$ 59,608	

	SUU		
	2012-13	2013-14	% Change
Revenues	\$ 247,302	\$ 241,845	-2%
Expenditures	(202,024)	(201,534)	0%
Net Income	\$ 45,278	\$ 40,311	

	SNOW		
	2012-13	2013-14	% Change
Revenues	\$ 1,205,647	\$ 1,105,971	-8%
Expenditures	(1,059,817)	(1,033,722)	-2%
Net Income	\$ 145,830	\$ 72,249	

	DSU		
	2012-13	2013-14	% Change
Revenues	\$ 1,706,580	\$ 1,774,765	4%
Expenditures	(1,694,417)	(1,823,098)	8%
Net Income	\$ 12,163	\$ (48,334)	

	UVU		
	2012-13	2013-14	% Change
Revenues	\$ 3,427,330	\$ 3,641,703	6%
Expenditures	(3,505,742)	(3,854,251)	10%
Net Income	\$ (78,412)	\$ (212,548)	

	SLCC		
	2012-13	2013-14	% Change
Revenues	\$ 2,570,059	\$ 2,684,032	4%
Expenditures	(2,598,161)	(2,731,929)	5%
Net Income	\$ (28,102)	\$ (47,897)	