

January 13, 2016

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 principal 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). Additionally, auxiliary operations are examined by independent auditors during the annual institutional 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.

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 additional options have become available for students to acquire course materials. Consequently, campus stores are continually exploring other possible revenue sources 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. For instance, some of the recent declines in enrollments have occurred due to the age change in the LDS Church's missionary program. The USHE institutions strive to keep housing units filled as this quite naturally correlates to stronger food service revenues.

Auxiliary service revenue is important to an institution. Net income from auxiliary operations (including campus stores) is often used for various campus projects, in meeting revenue bond obligations, to fund facilities repair and replacement needs, and to build reserves and meet 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 2015)
- Attachment 2 - Report of Total Auxiliary Enterprise Operations Budgeted Revenues (FY 2016)
- Attachment 3 - Auxiliary Enterprise Operations Comparisons (FY 2014 to FY 2015)
- Attachment 4 - Bookstore Auxiliary Enterprise Operations Comparisons (FY 2014 to FY 2015)
- Attachment 5 - Housing Auxiliary Enterprise Operations Comparisons (FY 2014 to FY 2015)
- Attachment 6 - Food Services Auxiliary Enterprise Operations Comparisons (FY 2014 to FY 2015)

Commissioner's Recommendation

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

David L. Buhler
Commissioner of Higher Education

DLB/GLS/BLS
Attachments

UTAH SYSTEM OF HIGHER EDUCATION

Report of Total Auxiliary Enterprise Operations (2014-15 Actuals)

	<u>UU</u>	<u>USU</u>	<u>WSU</u>	<u>SUU</u>	<u>SNOW</u>	<u>DSU</u>	<u>UVU</u>	<u>SLCC</u>
Beg Fund Balance*	\$ 3,535,241	\$ 219,724	\$ 5,023,237	\$ 1,896,837	\$ 154,075	\$ 3,047,770	\$ 3,055,596	\$ 2,856,093
Revenues	105,396,299	40,276,110	19,884,513	8,145,449	3,941,003	6,865,270	17,021,904	11,883,136
Expenditures	<u>(99,979,015)</u>	<u>(33,113,974)</u>	<u>(17,790,446)</u>	<u>(5,366,054)</u>	<u>(3,622,472)</u>	<u>(6,479,316)</u>	<u>(16,842,028)</u>	<u>(12,575,001)</u>
Net Income	5,417,284	7,162,136	2,094,067	2,779,395	318,531	385,954	179,876	(691,865)
Transfers	<u>(4,008,931)</u>	<u>(6,725,453)</u>	<u>(1,841,188)</u>	<u>(2,779,394)</u>	<u>-</u>	<u>(1,336,429)</u>	<u>300,124</u>	<u>676,710</u>
Change in Fund Balance	<u>1,408,353</u>	<u>436,683</u>	<u>252,879</u>	<u>0</u>	<u>318,531</u>	<u>(950,476)</u>	<u>480,000</u>	<u>(15,155)</u>
End Fund Balance	<u><u>\$ 4,943,594</u></u>	<u><u>\$ 656,407</u></u>	<u><u>\$ 5,276,116</u></u>	<u><u>\$ 1,896,837</u></u>	<u><u>\$ 472,606</u></u>	<u><u>\$ 2,097,295</u></u>	<u><u>\$ 3,535,596</u></u>	<u><u>\$ 2,840,938</u></u>

* 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 (2015-16 Budgets)

	<u>UU</u>	<u>USU</u>	<u>WSU</u>	<u>SUU</u>	<u>SNOW</u>	<u>DSU</u>	<u>UVU</u>	<u>SLCC</u>
Beg Fund Balance*	\$ 4,943,594	\$ 656,407	\$ 5,276,116	\$ 1,896,837	\$ 472,608	\$ 2,097,294	\$ 3,535,596	\$ 2,840,938
Revenues	110,924,000	40,059,101	20,499,567	8,063,980	4,087,000	6,755,000	17,820,570	11,288,980
Expenditures	<u>(109,817,000)</u>	<u>(33,862,903)</u>	<u>(18,524,388)</u>	<u>(5,419,219)</u>	<u>(3,653,400)</u>	<u>(6,350,000)</u>	<u>(17,282,929)</u>	<u>(10,718,980)</u>
Net Income	1,107,000	6,196,198	1,975,179	2,644,761	433,600	405,000	537,641	570,000
Transfers	<u>(1,127,000)</u>	<u>(6,047,198)</u>	<u>(1,714,364)</u>	<u>(2,644,761)</u>	<u>-</u>	<u>(35,000)</u>	<u>(537,641)</u>	<u>(65,000)</u>
Change in Fund Balance	<u>(20,000)</u>	<u>149,000</u>	<u>260,815</u>	<u>-</u>	<u>433,600</u>	<u>370,000</u>	<u>-</u>	<u>505,000</u>
End Fund Balance	<u><u>\$ 4,923,594</u></u>	<u><u>\$ 805,407</u></u>	<u><u>\$ 5,536,931</u></u>	<u><u>\$ 1,896,837</u></u>	<u><u>\$ 906,208</u></u>	<u><u>\$ 2,467,294</u></u>	<u><u>\$ 3,535,596</u></u>	<u><u>\$ 3,345,938</u></u>

* 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 2014 to FY 2015)

UU			
	2013-14	2014-15	% Change
Revenues	\$ 105,111,000	\$ 113,705,299	8%
Expenditures	(102,347,000)	(107,157,015)	5%
Net Income	2,764,000	6,548,284	137%
End Fund Bal	\$ 2,085,000	\$ 4,943,594	

USU			
	2013-14	2014-15	% Change
Revenues	\$ 40,005,461	\$ 40,276,110	1%
Expenditures	(33,278,703)	(33,113,974)	0%
Net Income	6,726,758	7,162,136	6%
End Fund Bal	\$ 219,724	\$ 656,407	

WSU			
	2013-14	2014-15	% Change
Revenues	\$ 19,182,802	\$ 19,884,513	4%
Expenditures	(17,370,212)	(17,790,446)	2%
Net Income	1,812,590	2,094,067	16%
End Fund Bal	\$ 5,023,235	\$ 5,276,116	

SUU			
	2013-14	2014-15	% Change
Revenues	\$ 8,102,829	\$ 8,145,449	1%
Expenditures	(5,340,720)	(5,366,054)	0%
Net Income	2,762,109	2,779,395	1%
End Fund Bal	\$ 1,896,837	\$ 1,896,837	

SNOW			
	2013-14	2014-15	% Change
Revenues	\$ 3,634,110	\$ 3,941,003	8%
Expenditures	(3,465,216)	(3,622,472)	5%
Net Income	168,894	318,531	-89%
End Fund Bal	\$ 631,733	\$ 472,606	

DSU			
	2013-14	2014-15	% Change
Revenues	\$ 6,568,622	\$ 6,865,270	5%
Expenditures	(6,185,296)	(6,479,316)	5%
Net Income	383,326	385,954	1%
End Fund Bal	\$ 3,082,603	\$ 2,097,295	

UVU			
	2013-14	2014-15	% Change
Revenues	\$ 13,623,156	\$ 17,021,904	25%
Expenditures	(13,364,538)	(16,842,028)	26%
Net Income	258,618	179,876	-30%
End Fund Bal	\$ 3,434,722	\$ 3,535,596	

SLCC			
	2013-14	2014-15	% Change
Revenues	\$ 13,307,332	\$ 11,883,136	-11%
Expenditures	(13,257,463)	(12,575,001)	-5%
Net Income	49,869	(691,865)	-1487%
End Fund Bal	\$ 2,856,093	\$ 2,840,938	

Campus Store Auxiliary Enterprise Operations Comparisons (FY 2014 to FY 2015)

	UU			USU			WSU		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change	2013-14	2014-15	% Change
Revenues	\$ 22,526,000	\$ 23,303,136	3%	\$ 11,222,674	\$ 10,648,646	-5%	\$ 11,560,936	\$ 11,414,031	-1%
Expenditures	(22,753,000)	(23,296,727)	2%	(11,217,433)	(10,499,103)	-6%	(11,423,854)	(11,359,417)	-1%
Net Income	\$ (227,000)	\$ 6,409		\$ 5,241	\$ 149,543		\$ 137,082	\$ 54,614	

	SUU			SNOW			DSU		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change	2013-14	2014-15	% Change
Revenues	\$ 3,138,394	\$ 3,201,480	2%	\$ 216,020	\$ 254,198	18%	\$ 3,637,881	\$ 3,806,182	5%
Expenditures	(3,076,775)	(2,979,383)	-3%	(252,649)	(221,711)	-12%	(3,543,581)	(3,688,995)	4%
Net Income	\$ 61,619	\$ 222,098		\$ (36,629)	\$ 32,487		\$ 94,300	\$ 117,187	

	UVU			SLCC		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change
Revenues	\$ 8,213,649	\$ 9,076,264	11%	\$ 8,508,208	\$ 7,539,528	-11%
Expenditures	(7,825,274)	(9,037,694)	15%	(8,534,308)	(7,595,972)	-11%
Net Income	\$ 388,375	\$ 38,570		\$ (26,100)	\$ (56,444)	

Housing Auxiliary Enterprise Operations Comparisons (FY 2014 to FY 2015)

	UU			USU			WSU		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change	2013-14	2014-15	% Change
Revenues	\$ 26,027,000	\$ 27,291,365	5%	\$ 12,489,813	\$ 12,901,149	3%	\$ 4,193,462	\$ 4,734,670	13%
Expenditures	(25,219,000)	(25,577,102)	1%	(8,264,647)	(8,743,892)	6%	(2,664,139)	(2,919,339)	10%
Net Income	\$ 808,000	\$ 1,714,263		\$ 4,225,166	\$ 4,157,257		\$ 1,529,323	\$ 1,815,331	

	SUU			SNOW			DSU		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change	2013-14	2014-15	% Change
Revenues	\$ 2,533,369	\$ 2,476,204	-2%	\$ 1,899,034	\$ 1,865,779	-2%	\$ 863,316	\$ 834,094	-3%
Expenditures	(912,501)	(914,389)	0%	(1,792,752)	(1,786,003)	0%	(550,039)	(566,517)	3%
Net Income	\$ 1,620,867	\$ 1,561,815		\$ 106,282	\$ 79,776		\$ 313,277	\$ 267,577	

	UVU			SLCC		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change
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 2014 to FY 2015)

	UU			USU			WSU		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change	2013-14	2014-15	% Change
Revenues	\$ 8,090,000	\$ 8,309,000	3%	\$ 9,331,372	\$ 9,782,645	5%	\$ 115,894	\$ 124,648	8%
Expenditures	(7,013,000)	(7,178,000)	2%	(8,685,508)	(8,653,648)	0%	(56,286)	(114,960)	104%
Net Income	\$ 1,077,000	\$ 1,131,000		\$ 645,864	\$ 1,128,997		\$ 59,608	\$ 9,688	

	SUU			SNOW			DSU		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change	2013-14	2014-15	% Change
Revenues	\$ 241,845	\$ 275,324	14%	\$ 1,105,971	\$ 1,268,825	15%	\$ 1,774,765	\$ 1,920,944	8%
Expenditures	(201,534)	(227,453)	13%	(1,033,722)	(1,020,853)	-1%	(1,823,098)	(1,904,133)	4%
Net Income	\$ 40,311	\$ 47,871		\$ 72,249	\$ 247,972		\$ (48,334)	\$ 16,810	

	UVU			SLCC		
	2013-14	2014-15	% Change	2013-14	2014-15	% Change
Revenues	\$ 3,641,703	\$ 3,618,761	-1%	\$ 2,684,032	\$ 2,537,406	-5%
Expenditures	(3,854,251)	(3,867,699)	0%	(2,731,929)	(2,812,715)	3%
Net Income	\$ (212,548)	\$ (248,938)		\$ (47,897)	\$ (275,309)	