

January 11, 2017

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – Annual Auxiliary Funds Report

Issue

Regent Policy R550, *Auxiliary Enterprises Operation and Accountability*, requires the Commissioner's Office prepare an analysis of the financial condition of auxiliary enterprises at each USHE Institution. The following information has been reviewed by independent auditors as part of the institutional financial statement audits, and has been consolidated by OCHE staff for the purpose of Regent review and monitoring.

Background

Auxiliary enterprises are business activities or other essential self-supporting activities (as distinguished from primary programs of instruction, research, public service, and intercollegiate athletics), the principal purpose of which is to provide specified services to students, faculty, staff, or guests of the institution.

Auxiliary enterprise operational revenue is important to an institution, where net income from operations is often used for various campus projects: such as, meeting revenue bond obligations, funding facilities repair and replacement needs, building reserves, and meeting other campus needs.

All institutional housing, food service, and campus store activities are classified and managed as auxiliary enterprises. These three auxiliaries are common amongst most of the campuses. The revenues and expenses for each of these auxiliaries 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 attachments.

At the aggregate level USHE auxiliary fund balances appear healthy. While housing and food service revenue has increased at all institutions (primarily a function of enrollment increases), textbook sales have declined at some college and university campus stores as additional options have become available for students to acquire course materials. Consequently, campus stores continue to explore other possible revenue sources and new methods of competitively offering textbooks to students.

Attachments include:

1. Report of Total Auxiliary Enterprise Operation Actual Revenues (FY16)
2. Report of Total Auxiliary Enterprise Operations Budgeted Revenues (FY17)
3. Auxiliary Enterprise Operations Comparisons (FY15 to FY16)
4. Campus Store Auxiliary Enterprise Operations Comparisons (FY15 to FY16)
5. Housing Auxiliary Enterprise Operations Comparisons (FY15 to FY16)
6. Food Services Auxiliary Enterprise Operations Comparisons (FY15 to FY16)

Commissioner's Recommendation

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

David L. Buhler
Commissioner of Higher Education

DLB/KLH/BLS
Attachments

UTAH SYSTEM OF HIGHER EDUCATION

Report of Total Auxiliary Enterprise Operations (2015-16 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*	\$ 4,944,000	\$ 656,407	\$ 5,276,117	\$ 1,896,837	\$ 492,011	\$ 2,097,295	\$ 3,055,596	\$ 2,840,938
Revenues	115,729,000	42,694,575	19,796,165	8,654,633	4,423,527	6,829,629	17,530,899	10,520,105
Expenditures	<u>(110,587,000)</u>	<u>(34,421,594)</u>	<u>(17,390,918)</u>	<u>(5,406,610)</u>	<u>(3,448,396)</u>	<u>(6,520,204)</u>	<u>(17,477,886)</u>	<u>(11,656,571)</u>
Net Income	5,142,000	8,272,981	2,405,247	3,248,023	975,131	309,425	53,013	(1,136,466)
Transfers	<u>(3,865,000)</u>	<u>(8,300,461)</u>	<u>(1,847,934)</u>	<u>(3,262,934)</u>	<u>-</u>	<u>(95,079)</u>	<u>(53,013)</u>	<u>73,644</u>
Change in Fund Balance	<u>1,277,000</u>	<u>(27,480)</u>	<u>557,313</u>	<u>(14,911)</u>	<u>975,131</u>	<u>214,345</u>	<u>-</u>	<u>(1,062,822)</u>
End Fund Balance	<u><u>\$ 6,221,000</u></u>	<u><u>\$ 628,927</u></u>	<u><u>\$ 5,833,430</u></u>	<u><u>\$ 1,881,926</u></u>	<u><u>\$ 1,467,142</u></u>	<u><u>\$ 2,311,640</u></u>	<u><u>\$ 3,055,596</u></u>	<u><u>\$ 1,778,116</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 (2016-17 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*	\$ 6,221,000	\$ 628,927	\$ 5,833,430	\$ 181,926	\$ 1,467,142	\$ 2,311,640	\$ 3,055,596	\$ 1,778,116
Revenues	118,129,000	42,924,754	20,130,919	8,171,892	4,435,000	8,015,000	17,797,779	9,994,100
Expenditures	<u>(117,526,000)</u>	<u>(35,899,177)</u>	<u>(18,127,510)</u>	<u>(5,630,354)</u>	<u>(3,796,500)</u>	<u>(6,725,000)</u>	<u>(17,322,978)</u>	<u>(9,424,100)</u>
Net Income	603,000	7,025,577	2,003,409	2,541,538	638,500	1,290,000	474,801	570,000
Transfers	<u>(669,000)</u>	<u>(6,748,577)</u>	<u>(1,763,934)</u>	<u>(2,541,538)</u>	<u>-</u>	<u>(1,016,900)</u>	<u>(474,801)</u>	<u>-</u>
Change in Fund Balance	<u>(66,000)</u>	<u>277,000</u>	<u>239,475</u>	<u>-</u>	<u>638,500</u>	<u>273,100</u>	<u>-</u>	<u>570,000</u>
End Fund Balance	<u><u>\$ 6,155,000</u></u>	<u><u>\$ 905,927</u></u>	<u><u>\$ 6,072,905</u></u>	<u><u>\$ 181,926</u></u>	<u><u>\$ 2,105,642</u></u>	<u><u>\$ 2,584,740</u></u>	<u><u>\$ 3,055,596</u></u>	<u><u>\$ 2,348,116</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 2015 to FY 2016)

	UU				USU				WSU			
	2014-15	2015-16	\$ Change	% Change	2014-15	2015-16	\$ Change	% Change	2014-15	2015-16	\$ Change	% Change
Revenues	\$ 113,705,299	\$ 124,348,000	\$ 10,642,701	9%	\$ 40,276,110	\$ 42,694,575	\$ 2,418,465	6%	\$ 19,884,513	\$ 19,796,165	\$ (88,348)	0%
Expenditures	(107,157,015)	(118,105,000)	(10,947,985)	10%	(33,113,974)	(34,421,594)	(1,307,620)	4%	(17,790,446)	(17,390,918)	399,528	-2%
Net Income	6,548,284	6,243,000	(305,284)	-5%	7,162,136	8,272,981	1,110,845	16%	2,094,067	2,405,247	311,180	15%
End Fund Bal	\$ 6,074,594	\$ 7,322,000	\$ 1,247,406		\$ 656,407	\$ 628,927	\$ (27,480)		\$ 5,276,116	\$ 5,833,430	\$ 557,314	

	SUU				SNOW				DSU			
	2014-15	2015-16	\$ Change	% Change	2014-15	2015-16	\$ Change	% Change	2014-15	2015-16	\$ Change	% Change
Revenues	\$ 8,145,449	\$ 8,654,633	\$ 509,184	6%	\$ 3,941,003	\$ 4,423,527	\$ 482,524	12%	\$ 6,865,270	\$ 6,829,629	\$ (35,641)	-1%
Expenditures	(5,366,054)	(5,406,610)	(40,556)	1%	(3,622,472)	(3,448,396)	174,076	-5%	(6,479,316)	(6,520,204)	(40,888)	1%
Net Income	2,779,395	3,248,023	468,628	17%	318,531	975,131	656,600	-206%	385,954	309,425	(76,529)	-20%
End Fund Bal	\$ 1,896,837	\$ 1,881,926	\$ (14,911)		\$ 472,606	\$ 1,467,142	\$ 994,536		\$ 2,097,295	\$ 2,311,640	\$ 214,345	

	UVU				SLCC			
	2014-15	2015-16	\$ Change	% Change	2014-15	2015-16	\$ Change	% Change
Revenues	\$ 17,021,904	\$ 17,530,889	\$ 508,985	3%	\$ 11,883,136	\$ 10,520,105	\$ (1,363,031)	-11%
Expenditures	(16,842,028)	(17,477,886)	(635,858)	4%	(12,575,001)	(11,656,571)	918,430	-7%
Net Income	179,876	53,003	(126,873)	-71%	(691,865)	(1,136,466)	(444,601)	64%
End Fund Bal	\$ 3,535,596	\$ 3,055,596	\$ (480,000)		\$ 2,840,938	\$ 1,778,116	\$ (1,062,822)	

Campus Store Auxiliary Enterprise Operations Comparisons (FY 2015 to FY 2016)

	UU			USU			WSU		
	2014-15	2015-16	% Change	2014-15	2015-16	% Change	2014-15	2015-16	% Change
Revenues	\$ 23,303,136	\$ 25,115,000	8%	\$ 10,648,646	\$ 10,222,244	-4%	\$ 11,414,031	\$ 10,400,444	-9%
Expenditures	(23,296,727)	(25,114,000)	8%	(10,499,103)	(10,084,115)	-4%	(11,359,417)	(10,665,727)	-6%
Net Income	\$ 6,409	\$ 1,000		\$ 149,543	\$ 138,129		\$ 54,614	\$ (265,283)	

	SUU			SNOW			DSU		
	2014-15	2015-16	% Change	2014-15	2015-16	% Change	2014-15	2015-16	% Change
Revenues	\$ 3,201,480	\$ 3,351,574	5%	\$ 254,198	\$ 234,621	-8%	\$ 3,806,182	\$ 3,653,609	-4%
Expenditures	(2,979,383)	(3,043,335)	2%	(221,711)	(192,645)	-13%	(3,688,995)	(3,599,811)	-2%
Net Income	\$ 222,098	\$ 308,239		\$ 32,487	\$ 41,976		\$ 117,187	\$ 53,798	

	UVU			SLCC		
	2014-15	2015-16	% Change	2014-15	2015-16	% Change
Revenues	\$ 9,076,264	\$ 9,126,563	1%	\$ 7,539,528	\$ 6,276,496	-17%
Expenditures	(9,037,694)	(9,296,257)	3%	(7,595,972)	(6,769,177)	-11%
Net Income	\$ 38,570	\$ (169,694)		\$ (56,444)	\$ (492,681)	

Housing Auxiliary Enterprise Operations Comparisons (FY 2015 to FY 2016)

	UU			USU			WSU		
	2014-15	2015-16	% Change	2014-15	2015-16	% Change	2014-15	2015-16	% Change
Revenues	\$ 27,291,365	\$ 28,364,000	4%	\$ 12,901,149	\$ 14,625,008	13%	\$ 4,734,670	\$ 5,560,488	17%
Expenditures	(25,577,102)	(26,951,000)	5%	(8,743,892)	(9,017,764)	3%	(2,919,339)	(3,138,705)	8%
Net Income	\$ 1,714,263	\$ 1,413,000		\$ 4,157,257	\$ 5,607,244		\$ 1,815,331	\$ 2,421,783	

	SUU			SNOW			DSU		
	2014-15	2015-16	% Change	2014-15	2015-16	% Change	2014-15	2015-16	% Change
Revenues	\$ 2,476,204	\$ 2,479,198	0%	\$ 1,865,779	\$ 2,005,119	7%	\$ 834,094	\$ 910,085	9%
Expenditures	(914,389)	(886,388)	-3%	(1,786,003)	(1,161,239)	-35%	(566,517)	(697,417)	23%
Net Income	\$ 1,561,815	\$ 1,592,810		\$ 79,776	\$ 843,880		\$ 267,577	\$ 212,668	

	UVU			SLCC		
	2014-15	2015-16	% Change	2014-15	2015-16	% 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 2015 to FY 2016)

	UU			USU			WSU		
	2014-15	2015-16	% Change	2014-15	2015-16	% Change	2014-15	2015-16	% Change
Revenues	\$ 8,309,000	\$ 8,619,000	4%	\$ 9,782,645	\$ 10,559,498	8%	\$ 124,648	\$ 161,074	29%
Expenditures	(7,178,000)	(7,518,000)	5%	(8,653,648)	(9,533,849)	10%	(114,960)	(124,536)	8%
Net Income	\$ 1,131,000	\$ 1,101,000		\$ 1,128,997	\$ 1,025,649		\$ 9,688	\$ 36,538	

	SUU			SNOW			DSU		
	2014-15	2015-16	% Change	2014-15	2015-16	% Change	2014-15	2015-16	% Change
Revenues	\$ 275,324	\$ 312,523	14%	\$ 1,268,825	\$ 1,472,694	16%	\$ 1,920,944	\$ 1,952,452	2%
Expenditures	(227,453)	(213,199)	-6%	(1,020,853)	(1,420,390)	39%	(1,904,133)	(1,912,671)	0%
Net Income	\$ 47,871	\$ 99,324		\$ 247,972	\$ 52,304		\$ 16,810	\$ 39,781	

	UVU			SLCC		
	2014-15	2015-16	% Change	2014-15	2015-16	% Change
Revenues	\$ 3,618,761	\$ 3,735,116	3%	\$ 2,537,406	\$ 2,555,195	1%
Expenditures	(3,867,699)	(4,012,208)	4%	(2,812,715)	(2,932,866)	4%
Net Income	\$ (248,938)	\$ (277,092)		\$ (275,309)	\$ (377,671)	