

January 10, 2018

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – Annual Auxiliary Funds Report

Issue

Regents Policy R550, *Auxiliary Enterprises Operation and Accountability* requires the Commissioner's Office to 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 specific 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, ending FY 2017 auxiliary fund balances appear healthy, with a small overall declining fund balance reported by Snow College. All aggregate budgeted FY 2018 fund balances are projected to be positive.

Housing - Additional housing units were added to inventory significantly increasing revenues at the University of Utah (Lasonde) and Dixie State University (Campus View Suites). Snow College experienced unanticipated housing expenditures during FY2016 that depleted the auxiliary fund balance. Snow College's current FY 2018 net income is projected to increase by over \$500,000.

Campus Stores - Revenues at all institutions continue to decline due to textbook sales as additional options have become available for students to acquire course materials. Institutions continue to explore other possible revenue sources and new methods of competitively offering textbooks to students. Weber State University's significant decrease was from a software conversion error that overstated accruals, which has since been remedied, and efforts are underway to return the store to profitability.

Food Service - Net income at half of the institutions is positive, with both Utah Valley University and Salt Lake Community College experiencing the most significant declines. Remedies have been implemented for FY 2018 including changing vendors, position reductions and realignment.

- Attachment 1 - Report of Total Auxiliary Enterprise Operation Actual Revenues (FY 2017)
- Attachment 2 - Report of Total Auxiliary Enterprise Operations Budgeted Revenues (FY 2018)
- Attachment 3 - Auxiliary Enterprise Operations Comparisons (FY 2016 to FY 2017)
- Attachment 4 - Campus Store Auxiliary Enterprise Operations Comparisons (FY 2016 to FY 2017)
- Attachment 5 - Housing Auxiliary Enterprise Operations Comparisons (FY 2016 to FY 2017)
- Attachment 6 - Food Services Auxiliary Enterprise Operations Comparisons (FY 2016 to FY 2017)

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 (2016-17 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*	\$ 6,221,000	\$ 628,928	\$ 5,833,430	\$ 1,881,926	\$ 141,136	\$ 2,311,640	\$ 3,055,596	\$ 1,778,116
Revenues	131,918,000	42,001,269	18,197,284	8,272,132	4,692,361	8,221,272	17,613,477	9,728,066
Expenditures	<u>(123,788,583)</u>	<u>(34,287,557)</u>	<u>(17,649,289)</u>	<u>(5,414,600)</u>	<u>(3,734,343)</u>	<u>(7,098,996)</u>	<u>(17,433,616)</u>	<u>(10,218,807)</u>
Net Income	8,129,417	7,713,712	547,996	2,857,532	958,018	1,122,276	179,862	(490,741)
Transfers	<u>(9,645,417)</u>	<u>(8,131,921)</u>	<u>(1,990,759)</u>	<u>(2,857,532)</u>	<u>(1,117,528)</u>	<u>(1,150,815)</u>	<u>(179,862)</u>	<u>-</u>
Change in Fund Balance	<u>(1,516,000)</u>	<u>(418,209)</u>	<u>(1,442,763)</u>	<u>-</u>	<u>(159,510)</u>	<u>(28,539)</u>	<u>(0)</u>	<u>(490,741)</u>
End Fund Balance	<u><u>\$ 4,705,000</u></u>	<u><u>\$ 210,719</u></u>	<u><u>\$ 4,390,667</u></u>	<u><u>\$ 1,881,926</u></u>	<u><u>\$ (18,374)</u></u>	<u><u>\$ 2,283,101</u></u>	<u><u>\$ 3,055,596</u></u>	<u><u>\$ 1,287,375</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 (2017-18 Budgets)

	<u>UU²</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 ¹	\$ 4,705,000	\$ 628,928	\$ 4,390,666	\$ 1,881,926	\$ (18,374)	\$ 2,383,101	\$ 3,055,596	\$ 1,287,375
Revenues	135,299,000	42,001,269	19,995,183	7,790,862	4,720,400	8,535,000	17,882,577	7,781,098
Expenditures	<u>(135,159,637)</u>	<u>(34,287,557)</u>	<u>(18,210,930)</u>	<u>(5,411,214)</u>	<u>(3,344,000)</u>	<u>(7,026,000)</u>	<u>(17,539,287)</u>	<u>(7,666,098)</u>
Net Income	139,363	7,713,712	1,784,253	2,379,648	1,376,400	1,509,000	343,290	115,000
Transfers	<u>(1,684,363)</u>	<u>(8,131,921)</u>	<u>(1,795,037)</u>	<u>(2,379,648)</u>	<u>(900,000)</u>	<u>(1,271,500)</u>	<u>(343,290)</u>	<u>-</u>
Change in Fund Balance	<u>(1,545,000)</u>	<u>(418,209)</u>	<u>(10,784)</u>	<u>-</u>	<u>476,400</u>	<u>237,500</u>	<u>-</u>	<u>115,000</u>
End Fund Balance	<u><u>\$ 3,160,000</u></u>	<u><u>\$ 210,719</u></u>	<u><u>\$ 4,379,882</u></u>	<u><u>\$ 1,881,926</u></u>	<u><u>\$ 458,026</u></u>	<u><u>\$ 2,620,601</u></u>	<u><u>\$ 3,055,596</u></u>	<u><u>\$ 1,402,375</u></u>

¹ It should be noted that the Fund Balance includes cash, inventories, etc. related to running/maintaining Auxiliary Enterprise Operations.

² Budgeted revenue and expenses for the UU Food Services is not included.

UTAH SYSTEM OF HIGHER EDUCATION

Auxiliary Enterprise Operations Comparisons of Totals (FY 2016 to FY 2017)

	UU				USU				WSU			
	2015-16	2016-17	\$ Change	% Change	2015-16	2016-17	\$ Change	% Change	2015-16	2016-17	\$ Change	% Change
Revenues	\$ 115,729,000	\$ 131,918,000	\$ 16,189,000	14%	\$ 42,694,575	\$ 42,001,269	\$ (693,306)	-2%	\$ 19,796,165	\$ 18,197,284	\$ (1,598,881)	-8%
Expenditures	(110,587,000)	(123,788,583)	(13,201,583)	12%	(34,421,594)	(34,287,557)	134,037	0%	(17,390,918)	(17,649,289)	(258,371)	1%
Net Income	5,142,000	8,129,417	2,987,417	58%	8,272,981	7,713,712	(559,269)	-7%	2,405,247	547,995	(1,857,252)	-77%
End Fund Bal	\$ 6,221,000	\$ 4,705,000	\$ (1,516,000)		\$ 628,927	\$ 2,878,757	\$ 2,249,830		\$ 5,833,430	\$ 4,390,667	\$ (1,442,763)	

	SUU				SNOW				DSU			
	2015-16	2016-17	\$ Change	% Change	2015-16	2016-17	\$ Change	% Change	2015-16	2016-17	\$ Change	% Change
Revenues	\$ 8,654,633	\$ 8,272,132	\$ (382,501)	-4%	\$ 4,467,713	\$ 4,692,361	\$ 224,648	5%	\$ 6,829,629	\$ 8,221,272	\$ 1,391,643	20%
Expenditures	(5,406,610)	(5,414,600)	(7,990)	0%	(3,657,036)	(3,734,343)	(77,307)	2%	(6,520,204)	(7,098,996)	(578,792)	9%
Net Income	3,248,023	2,857,532	(390,491)	-12%	810,677	958,018	147,341	-18%	309,425	1,122,276	812,851	263%
End Fund Bal	\$ 1,881,926	\$ 1,881,926	\$ -		\$ 141,136	\$ (18,374)	\$ (159,510)		\$ 2,311,640	\$ 2,283,101	\$ (28,539)	

	UVU				SLCC			
	2015-16	2016-17	\$ Change	% Change	2015-16	2016-17	\$ Change	% Change
Revenues	\$ 17,530,889	\$ 17,613,477	\$ 82,588	0%	\$ 10,520,105	\$ 9,728,066	\$ (792,039)	-8%
Expenditures	(17,477,886)	(17,433,616)	44,270	0%	(11,656,571)	(10,218,807)	1,437,764	-12%
Net Income	53,003	179,861	126,858	239%	(1,136,466)	(490,741)	645,725	-57%
End Fund Bal	\$ 3,055,596	\$ 3,055,595	\$ (1)		\$ 1,778,116	\$ 1,287,375	\$ (490,741)	

Campus Store Auxiliary Enterprise Operations Comparisons (FY 2016 to FY 2017)

	UU			USU			WSU		
	2015-16	2016-17	% Change	2015-16	2016-17	% Change	2015-16	2016-17	% Change
Revenues	\$ 25,115,000	\$ 25,083,000	0%	\$ 10,222,244	\$ 9,048,448	-11%	\$ 10,400,444	\$ 8,892,825	-14%
Expenditures	(25,114,000)	(24,955,000)	-1%	(10,084,115)	(8,790,401)	-13%	(10,665,727)	(10,624,078)	0%
Net Income	\$ 1,000	\$ 128,000		\$ 138,129	\$ 258,047		\$ (265,283)	\$ (1,731,253)	

	SUU			SNOW			DSU		
	2015-16	2016-17	% Change	2015-16	2016-17	% Change	2015-16	2016-17	% Change
Revenues	\$ 3,351,574	\$ 2,941,440	-12%	\$ 234,621	\$ 229,070	-2%	\$ 3,653,609	\$ 3,650,966	0%
Expenditures	(3,043,335)	(2,917,826)	-4%	(192,645)	(243,709)	27%	(3,599,811)	(3,729,723)	4%
Net Income	\$ 308,239	\$ 23,614		\$ 41,976	\$ (14,639)		\$ 53,798	\$ (78,757)	

	UVU			SLCC		
	2015-16	2016-17	% Change	2015-16	2016-17	% Change
Revenues	\$ 9,126,563	\$ 9,003,195	-1%	\$ 6,276,496	\$ 5,580,133	-11%
Expenditures	(9,296,257)	(8,987,169)	-3%	(6,769,177)	(5,693,849)	-16%
Net Income	\$ (169,694)	\$ 16,027		\$ (492,681)	\$ (113,716)	

Housing Auxiliary Enterprise Operations Comparisons (FY 2016 to FY 2017)

	UU			USU			WSU		
	2015-16	2016-17	% Change	2015-16	2016-17	% Change	2015-16	2016-17	% Change
Revenues	\$ 38,677,000	\$ 43,603,000	13%	\$ 14,625,008	\$ 15,232,151	4%	\$ 5,560,488	\$ 5,148,749	-7%
Expenditures	(36,981,000)	(38,892,540)	5%	(9,017,764)	(9,672,608)	7%	(3,138,705)	(3,276,351)	4%
Net Income	\$ 1,696,000	\$ 4,710,460		\$ 5,607,244	\$ 5,559,543		\$ 2,421,783	\$ 1,872,398	

	SUU			SNOW			DSU		
	2015-16	2016-17	% Change	2015-16	2016-17	% Change	2015-16	2016-17	% Change
Revenues	\$ 2,479,198	\$ 2,461,104	-1%	\$ 2,049,305	\$ 2,702,813	32%	\$ 910,085	\$ 2,091,778	130%
Expenditures	(886,388)	(925,270)	4%	(1,369,879)	(1,610,154)	18%	(697,417)	(780,971)	12%
Net Income	\$ 1,592,810	\$ 1,535,834		\$ 679,426	\$ 1,092,659		\$ 212,668	\$ 1,310,806	

	UVU			SLCC		
	2015-16	2016-17	% Change	2015-16	2016-17	% 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 2016 to FY 2017)

	UU			USU			WSU		
	2015-16	2016-17	% Change	2015-16	2016-17	% Change	2015-16	2016-17	% Change
Revenues	\$ 8,619,000	\$ 10,051,000	17%	\$ 10,559,498	\$ 9,947,622	-6%	\$ 161,074	\$ 220,761	37%
Expenditures	(7,518,000)	(8,734,000)	16%	(9,533,849)	(9,623,627)	1%	(124,536)	(168,643)	35%
Net Income	\$ 1,101,000	\$ 1,317,000		\$ 1,025,649	\$ 323,995		\$ 36,538	\$ 52,118	

	SUU			SNOW			DSU		
	2015-16	2016-17	% Change	2015-16	2016-17	% Change	2015-16	2016-17	% Change
Revenues	\$ 312,523	\$ 323,560	4%	\$ 1,472,694	\$ 1,230,025	-16%	\$ 1,952,452	\$ 2,148,581	10%
Expenditures	(213,199)	(282,583)	33%	(1,420,390)	(1,277,230)	-10%	(1,912,671)	(2,164,518)	13%
Net Income	\$ 99,324	\$ 40,977		\$ 52,304	\$ (47,205)		\$ 39,781	\$ (15,937)	

	UVU			SLCC		
	2015-16	2016-17	% Change	2015-16	2016-17	% Change
Revenues	\$ 3,735,116	\$ 3,638,075	-3%	\$ 2,555,195	\$ 2,440,061	-5%
Expenditures	(4,012,208)	(4,224,097)	5%	(2,932,866)	(2,814,599)	-4%
Net Income	\$ (277,092)	\$ (586,022)		\$ (377,671)	\$ (374,538)	