

November 16, 2018

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – Report of Auxiliary Enterprise Operations

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, and public service), 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, campus store, and student centers are classified and managed as auxiliary enterprises. These four 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 institutions have other auxiliary services that are reported in the aggregate.

At the aggregate level, ending FY 2018 auxiliary fund balances appear healthy, with only Utah State University reporting a negative ending fund balance of \$318,000 due to challenges with Campus Stores in Price and Blanding. Snow College has recovered from the previous year's deficit with a \$398,000 ending fund balance. Aggregate budgeted FY 2019 fund balances are all projected to be positive.

Housing – all institutions have positive net incomes, with four of six reporting FY2018 revenue increases above FY2017. Utah Valley University and Salt Lake Community College do not own campus housing which is reflected in the related attachments.

Campus Stores – net income declined at five of eight institutions due to the competitive textbook market. Institutions continue to explore other revenue sources and new methods of competitively offering textbooks to students. USU-Eastern (Price) will be closing their campus store due to continued operational losses.

Food Service - net income at six of eight institutions is positive, with Snow College and Salt Lake Community College experiencing small negative net income amounts. The University of Utah's significant increase is due to the addition of retail services in their reporting starting FY2018.

Student Center – net income at six of seven institutions was positive, with only the University of Utah showing a negative income for FY2018.

- Attachment 1 - Report of Total Auxiliary Enterprise Operation Actual Revenues (FY 2018)
- Attachment 2 - Report of Total Auxiliary Enterprise Operations Budgeted Revenues (FY 2019)
- Attachment 3 - Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)
- Attachment 4 - Campus Store Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)
- Attachment 5 - Housing Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)
- Attachment 6 - Food Services Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)
- Attachment 7 – Student Center Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)

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 (2017-18 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*	\$ 4,705,000	\$ 210,719	\$ 4,390,667	\$ 1,881,926	\$ (18,375)	\$ 2,283,101	\$ 3,055,596	\$ 1,293,172
Revenues	146,191,431	44,111,681	18,434,221	8,738,816	4,379,185	8,935,078	18,051,870	7,811,052
Expenditures	<u>(139,684,962)</u>	<u>(35,691,396)</u>	<u>(16,447,938)</u>	<u>(5,818,224)</u>	<u>(2,803,150)</u>	<u>(7,395,648)</u>	<u>(17,537,974)</u>	<u>(8,026,098)</u>
Net Income	6,506,469	8,420,285	1,986,283	2,920,592	1,576,035	1,539,430	513,896	(215,046)
Transfers	<u>(7,977,361)</u>	<u>(8,949,017)</u>	<u>(1,748,604)</u>	<u>(2,920,592)</u>	<u>(1,159,214)</u>	<u>(1,673,870)</u>	<u>(513,896)</u>	<u>-</u>
Change in Fund Balance	<u>(1,470,892)</u>	<u>(528,732)</u>	<u>237,679</u>	<u>-</u>	<u>416,821</u>	<u>(134,440)</u>	<u>-</u>	<u>(215,046)</u>
End Fund Balance	<u>\$ 3,234,108</u>	<u>\$ (318,013)</u>	<u>\$ 4,628,346</u>	<u>\$ 1,881,926</u>	<u>\$ 398,446</u>	<u>\$ 2,148,661</u>	<u>\$ 3,055,596</u>	<u>\$ 1,078,126</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 (2018-19 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 ¹	\$ 3,234,108	\$ (318,013)	\$ 4,628,346	\$ 1,881,926	\$ 398,447	\$ 2,148,661	\$ 3,055,596	\$ 1,078,126
Revenues	152,002,278	45,481,887	17,661,074	8,056,037	4,487,000	9,020,000	18,335,001	3,225,000
Expenditures	<u>(148,031,697)</u>	<u>(36,627,460)</u>	<u>(17,640,344)</u>	<u>(5,576,237)</u>	<u>(3,020,250)</u>	<u>(7,450,000)</u>	<u>(17,719,525)</u>	<u>(3,817,357)</u>
Net Income	3,970,581	8,854,427	20,730	2,479,800	1,466,750	1,570,000	615,476	(592,357)
Transfers	<u>(4,080,524)</u>	<u>(7,883,188)</u>	<u>-</u>	<u>(2,662,886)</u>	<u>(1,115,000)</u>	<u>(1,325,000)</u>	<u>(615,476)</u>	<u>(445,769)</u>
Change in Fund Balance	<u>(109,943)</u>	<u>971,239</u>	<u>20,730</u>	<u>(183,086)</u>	<u>351,750</u>	<u>245,000</u>	<u>-</u>	<u>(1,038,126)</u>
End Fund Balance	<u><u>\$ 3,124,165</u></u>	<u><u>\$ 653,226</u></u>	<u><u>\$ 4,649,076</u></u>	<u><u>\$ 1,698,840</u></u>	<u><u>\$ 750,197</u></u>	<u><u>\$ 2,393,661</u></u>	<u><u>\$ 3,055,596</u></u>	<u><u>\$ 40,000</u></u>

¹ 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 2017 to FY 2018)

	UU				USU				WSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 141,969,000	\$ 146,191,431	\$ 4,222,431	3%	\$ 42,001,269	\$ 44,111,681	\$ 2,110,412	5%	\$ 18,197,284	\$ 18,434,221	\$ 236,937	1%
Expenditures	(132,522,583)	(139,684,962)	(7,162,379)	5%	(34,287,557)	(35,691,396)	(1,403,839)	4%	(17,649,289)	(16,447,938)	1,201,351	-7%
Net Income	9,446,417	6,506,469	(2,939,948)	-31%	7,713,712	8,420,285	706,573	9%	547,995	1,986,283	1,438,288	262%
End Fund Bal	\$ 6,022,000	\$ 5,085,108	\$ (936,892)		\$ 210,719	\$ (318,013)	\$ (528,732)		\$ 4,390,667	\$ 4,628,346	\$ 237,679	

	SUU				SNOW				DSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 8,272,132	\$ 8,738,816	\$ 466,684	6%	\$ 4,692,361	\$ 4,379,185	\$ (313,176)	-7%	\$ 8,221,272	\$ 8,935,078	\$ 713,806	9%
Expenditures	(5,414,600)	(5,818,224)	(403,624)	7%	(3,734,343)	(2,803,150)	931,193	-25%	(7,098,996)	(7,395,648)	(296,652)	4%
Net Income	2,857,532	2,920,592	63,060	2%	958,018	1,576,035	618,017	-65%	1,122,276	1,539,430	417,154	37%
End Fund Bal	\$ 1,881,926	\$ 1,881,926	\$ -		\$ (18,375)	\$ 398,446	\$ 416,821		\$ 2,283,101	\$ 2,148,661	\$ (134,440)	

	UVU				SLCC			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 17,613,477	\$ 18,051,870	\$ 438,393	2%	\$ 9,728,066	\$ 7,811,052	\$ (1,917,014)	-20%
Expenditures	(17,433,616)	(17,537,974)	(104,358)	1%	(10,218,807)	(8,026,098)	2,192,709	-21%
Net Income	179,861	513,896	334,035	186%	(490,741)	(215,046)	275,695	-56%
End Fund Bal	\$ 3,055,596	\$ 3,055,596	\$ 0		\$ 1,293,172	\$ 1,078,126	\$ (215,046)	

UTAH SYSTEM OF HIGHER EDUCATION
Campus Store Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)

UU					USU				WSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 25,083,000	\$ 24,128,805	\$ (954,195)	-4%	\$ 9,048,448	\$ 8,873,483	\$ (174,965)	-2%	\$ 8,892,825	\$ 8,995,264	\$ 102,439	1%
Expenditures	(24,955,000)	(24,345,048)	609,952	-2%	(8,790,401)	(8,959,036)	(168,635)	2%	(10,624,078)	(9,361,871)	1,262,207	-12%
Net Income	\$ 128,000	\$ (216,243)	(344,243)		\$ 258,047	\$ (85,553)	(343,600)		\$ (1,731,253)	\$ (366,607)	1,364,646	

SUU					SNOW				DSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 2,941,440	\$ 3,255,536	\$ 314,096	11%	\$ 229,070	\$ 198,357	\$ (30,713)	-13%	\$ 3,650,966	\$ 3,710,582	\$ 59,616	2%
Expenditures	(2,917,826)	(3,230,985)	(313,159)	11%	(243,709)	(190,481)	53,228	-22%	(3,729,723)	(3,625,831)	103,892	-3%
Net Income	\$ 23,614	\$ 24,551	937		\$ (14,639)	\$ 7,876	22,515		\$ (78,757)	\$ 84,751	163,508	

UVU					SLCC			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 9,003,195	\$ 9,137,930	\$ 134,735	1%	\$ 5,580,133	\$ 5,036,892	\$ (543,241)	-10%
Expenditures	(8,987,169)	(9,236,833)	(249,665)	3%	(5,693,849)	(5,447,993)	245,856	-4%
Net Income	\$ 16,027	\$ (98,903)	(114,930)		\$ (113,716)	\$ (411,101)	(297,385)	

UTAH SYSTEM OF HIGHER EDUCATION

Housing Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)

	UU				USU				WSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 43,603,000	\$ 46,227,444	\$ 2,624,444	6%	\$ 15,232,151	\$ 15,962,310	\$ 730,159	5%	\$ 5,148,749	\$ 5,418,756	\$ 270,007	5%
Expenditures	(38,892,540)	(44,691,986)	(5,799,446)	15%	(9,672,608)	(9,946,702)	(274,094)	3%	(3,276,351)	(3,140,017)	136,334	-4%
Net Income	\$ 4,710,460	\$ 1,535,458	(3,175,002)		\$ 5,559,543	\$ 6,015,608	456,065		\$ 1,872,398	\$ 2,278,739	406,341	

	SUU				SNOW				DSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 2,461,104	\$ 2,453,861	\$ (7,243)	0%	\$ 2,702,813	\$ 2,702,069	\$ (744)	0%	\$ 2,091,778	\$ 2,229,578	\$ 137,801	7%
Expenditures	(925,270)	(1,000,963)	(75,693)	8%	(1,610,154)	(1,130,591)	479,563	-30%	(780,971)	(798,358)	(17,387)	2%
Net Income	\$ 1,535,834	\$ 1,452,898	(82,936)		\$ 1,092,659	\$ 1,571,478	478,819		\$ 1,310,806	\$ 1,431,220	120,414	

	UVU				SLCC			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	No Housing							
Expenditures	No Housing							
Net Income	No Housing							

UTAH SYSTEM OF HIGHER EDUCATION

Food Services Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)

	UU				USU				WSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 10,051,000	\$ 16,529,000	\$ 6,478,000	64%	\$ 9,947,622	\$ 11,342,735	\$ 1,395,113	14%	\$ 220,761	\$ 173,066	\$ (47,695)	-22%
Expenditures	(8,734,000)	(14,678,000)	(5,944,000)	68%	(9,623,627)	(10,757,274)	(1,133,647)	12%	(168,643)	(95,224)	73,419	-44%
Net Income	\$ 1,317,000	\$ 1,851,000	534,000		\$ 323,995	\$ 585,461	261,466		\$ 52,118	\$ 77,842	25,724	

	SUU				SNOW				DSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 323,560	\$ 328,795	\$ 5,235	2%	\$ 1,230,025	\$ 1,220,861	\$ (9,164)	-1%	\$ 2,148,581	\$ 2,566,006	\$ 417,425	19%
Expenditures	(282,583)	(295,355)	(12,772)	5%	(1,277,230)	(1,240,580)	36,650	-3%	(2,164,518)	(2,543,635)	(379,117)	18%
Net Income	\$ 40,977	\$ 33,440	(7,537)		\$ (47,205)	\$ (19,719)	27,486		\$ (15,937)	\$ 22,371	38,308	

	UVU				SLCC			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 3,638,075	\$ 3,570,416	\$ (67,659)	-2%	\$ 2,440,061	\$ 1,165,055	\$ (1,275,006)	-52%
Expenditures	(4,224,097)	(3,380,587)	843,510	-20%	(2,814,599)	(1,187,268)	1,627,331	-58%
Net Income	\$ (586,022)	\$ 189,829	775,851		\$ (374,538)	\$ (22,214)	352,324	

UTAH SYSTEM OF HIGHER EDUCATION

Student Center Auxiliary Enterprise Operations Comparisons (FY 2017 to FY 2018)

	UU				USU				WSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 3,612,000	\$ 3,685,307	\$ 73,307	2%	\$ 2,415,987	\$ 2,304,110	\$ (111,877)	-5%	\$ 2,992,098	\$ 2,896,531	\$ (95,567)	-3%
Expenditures	(3,760,000)	(3,901,342)	(141,342)	4%	(2,069,187)	(2,127,338)	(58,151)	3%	(2,719,162)	(2,871,347)	(152,185)	6%
Net Income	\$ (148,000)	\$ (216,035)	(68,035)		\$ 346,800	\$ 176,772	(170,028)		\$ 272,936	\$ 25,184	(247,752)	

	SUU				SNOW				DSU			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 2,546,028	\$ 2,700,624	\$ 154,596	6%	No Student Center				\$ 329,947	\$ 428,912	\$ 98,965	30%
Expenditures	(1,288,921)	(1,290,921)	(2,000)	0%					(423,784)	(427,824)	(4,040)	1%
Net Income	\$ 1,257,107	\$ 1,409,703	152,596						\$ (93,837)	\$ 1,088	94,925	

	UVU				SLCC			
	2016-17	2017-18	\$ Change	% Change	2016-17	2017-18	\$ Change	% Change
Revenues	\$ 1,997,146	\$ 2,208,254	\$ 211,108	11%	\$ 1,707,872	\$ 1,609,106	\$ (98,766)	-6%
Expenditures	(1,973,084)	(2,204,599)	(231,515)	12%	(1,710,359)	(1,390,837)	319,522	-19%
Net Income	\$ 24,062	\$ 3,655	(20,407)		\$ (2,487)	\$ 218,269	220,756	