



# Finance and Administration Update

FOAC  
January 19, 2023

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Vice President for Finance and Administration

## Briefing Topics

- FY 2023 Budget Performance YTD November
- FYE 2021-22 Annual Report Snapshot
- 2022-23 Annual Financial Statement Ratios
- Revised Quasi-Endowment Investment Policy
- FY 2024 Outlook and Reason for Caution
  - Governor's Budget
  - Enrollment and Tuition
  - Operating Cost Inflation
- RFP for Internal Auditors

# FY 2022-23 Budget Performance as of November



**Forecast based on YTD Nov figures is trending cautiously positive**



**Tuition revenue is down related to 5.9% enrollment shortfall (excludes ACP)**



**Spending is below budget for labor and non-labor categories**



**Required transfers-in may be less than budgeted based on spending patterns**



**FY 2022-23 budget was balanced using:  
\$3.0M COVID Funds &  
\$1.5M Reserve Funds**



**Must continue to be strategic in managing our resources**

# 2022 Annual Financial Report

## Summarized Statement of Revenues, Expenses, and Changes in Net Position (SRE)

*in millions*

For the Years Ended June 30,	2022	2021	2020
Operating Revenues	\$ 47,221	\$ 48,200	\$ 45,988
Operating Expenses	94,383	95,051	91,520
Operating Loss	(47,162)	(46,851)	(45,532)
Nonoperating Revenues, Net of Expenses	57,373	43,774	43,640
Other Revenues	23,809	23,271	16,865
Increase in Net Position	34,020	20,194	14,973
Net Position, Beginning of Year	125,655	105,461	90,488
Net Position, End of Year	\$ 159,675	\$ 125,655	\$ 105,461

## Total Operating and Nonoperating Revenues

*in millions*

For the Years Ended June 30,	2022	2021	2020
Student Tuition and Fees	\$ 27,302	\$ 29,548	\$ 29,911
Grants and Contracts	5,441	4,543	3,427
Auxiliary Enterprises	13,083	12,876	11,573
Educational and Other	1,195	1,233	1,077
Total Operating Revenues	47,221	48,200	45,988
Appropriations	38,837	33,490	32,379
Financial Aid Grants	6,829	7,331	7,061
Gifts	3,508	3,479	3,877
Investment Activity	(1,214)	915	1,764
HEERF Grants	10,554	1,968	393
Capital Grants and Gifts	23,675	23,137	16,731
Total Nonoperating and Other Revenues	82,187	70,320	62,205
Total Revenues	\$ 129,408	\$ 118,520	\$ 108,193

# FY 2023 YTD November Revenue and Labor Expenses

## General Fund Monthly Report

FY 2022-23 November (in thousands)

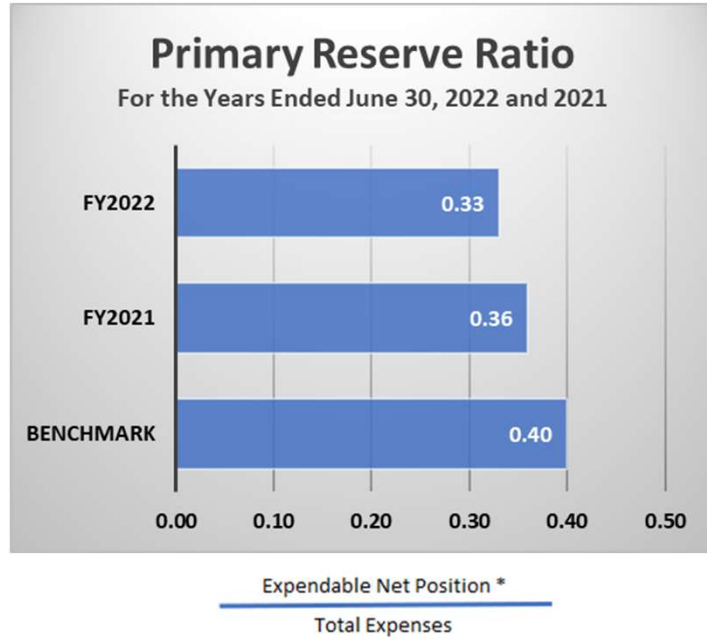
	YTD Comparison		FY 2022-23 Budget & Forecast					Notes
	FY 2021-22 November Actuals	FY 2022-23 November Actuals	FY 2021-22 Year End Actuals	FY 2022-23 Board Adopted Budget (BAB)	FY 2022-23 Adjusted Budget	FY 2022-23 Forecast	Forecast to Budget Variance	
<b>Revenue</b>								
State Allocations	\$24,631	\$20,233	\$37,407	\$32,385	\$32,385	\$33,744	\$1,360	(1)
Tuition & Fees	25,361	25,435	38,190	39,832	39,875	37,706	(2,126)	(2)
Remissions	(2,067)	(2,359)	(5,837)	(5,546)	(5,546)	(5,805)	(259)	
Other	825	1,273	2,259	2,302	2,254	2,302	-	
<b>Total Revenue</b>	<b>\$48,750</b>	<b>\$44,583</b>	<b>\$72,019</b>	<b>\$68,972</b>	<b>\$68,967</b>	<b>\$67,947</b>	<b>(\$1,025)</b>	
<b>Expenses</b>								
Administrative Staff Salary	\$3,319	\$3,487	\$8,204	\$9,700	\$9,700	\$9,230	(\$470)	
Faculty Salary	3,597	3,718	12,783	14,227	14,227	13,438	(790)	
Adjunct and Admin/Faculty Other Pay	1,375	1,323	3,726	3,457	3,457	3,495	38	
Classified	2,320	2,501	5,838	6,321	6,321	6,150	(172)	
Student	233	294	755	1,063	1,063	842	(221)	
GTA	25	37	74	121	121	106	(15)	
OPE	6,721	6,770	17,207	19,252	19,252	17,821	(1,431)	
<b>Total Labor Expense</b>	<b>\$17,590</b>	<b>\$18,130</b>	<b>\$48,588</b>	<b>\$54,142</b>	<b>\$54,142</b>	<b>\$51,082</b>	<b>(\$3,060)</b>	(3)

# FY 2023 YTD November Direct Expenditures and Net from Operations

## General Fund Monthly Report FY 2022-23 November (in thousands)

	YTD Comparison		FY 2022-23 Budget & Forecast					Notes	
	FY 2021-22 November Actuals	FY 2022-23 November Actuals	FY 2021-22 Year End Actuals	FY 2022-23 Board Adopted Budget (BAB)	FY 2022-23 Adjusted Budget	FY 2022-23 Forecast	Forecast to Budget Variance		
Service & Supplies	\$5,753	\$6,623	\$12,762	\$21,463	\$21,460	\$15,484	(\$5,979)	(4)	
Internal Sales	(528)	(545)	(1,272)	(1,356)	(1,356)	(1,271)	85		
Debt Service	98	981	631	1,189	1,189	1,579	390	(5)	
Capital	479	102	153	185	185	250	65		
Utilities	505	457	1,820	1,335	1,335	1,335	-		
Transfers In	-	-	-	-	-	-	-	-	
Transfers Out	-	723	1,433	1,462	1,462	1,462	-		
<b>Total Direct Expense</b>	<b>\$6,308</b>	<b>\$8,341</b>	<b>\$15,527</b>	<b>\$24,279</b>	<b>\$24,276</b>	<b>\$18,840</b>	<b>(\$5,439)</b>		
<b>Total All Expense</b>	<b>\$23,898</b>	<b>\$26,471</b>	<b>\$64,115</b>	<b>\$78,421</b>	<b>\$78,417</b>	<b>\$69,922</b>	<b>(\$8,499)</b>		
<b>Net from Operations before Other Resources (Uses)</b>	<b>\$24,852</b>	<b>\$18,112</b>	<b>\$7,904</b>	<b>(\$9,449)</b>	<b>(\$9,450)</b>	<b>(\$1,975)</b>		(6)	
<b>Other Resources (Uses)</b>									
Transfers In	\$0	\$1	\$78	\$8,000	\$8,000	\$1,001			
Transfer Out	-	(200)	(6,059)	(51)	(51)	(251)			
Use of Reserve	-	-	-	1,500	1,500	1,500			
<b>Total Other Resources (Uses)</b>	<b>\$0</b>	<b>(\$199)</b>	<b>(\$5,981)</b>	<b>\$9,449</b>	<b>\$9,449</b>	<b>\$2,250</b>		(7)	
<b>Total from Operations and Other Resources (Uses)</b>	<b>\$24,852</b>	<b>\$17,913</b>	<b>\$1,923</b>	<b>(\$0)</b>	<b>(\$2)</b>	<b>\$275</b>		(8)	

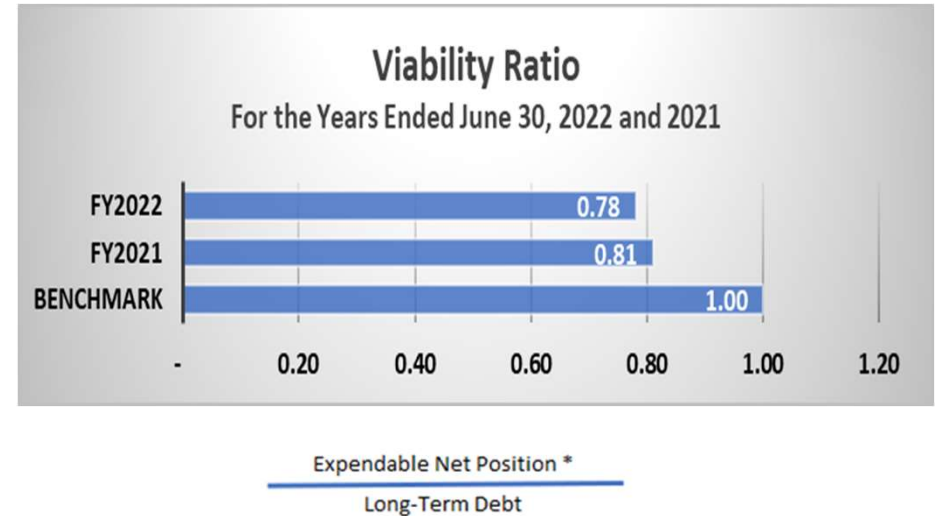
# FY 2022 Annual Financial Statement Ratios



\* Excluding net position restricted for capital investments

A ratio of .40x (provides about 5 months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

At 0.33, Oregon Tech's FY2022 Primary Reserve Ratio decreased slightly from the prior year and provides just over 4 months of expenses. Decrease in FY2022 from FY2021 is a result of an increase in the University's expendable net position, partially offset by a decrease in the Foundation's expendable net assets.

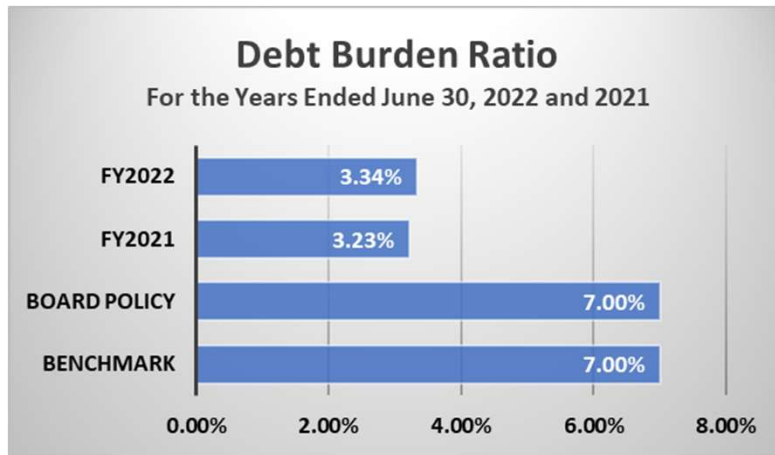


\* Excluding net position restricted for capital investments

A ratio of 1.00 or greater indicates that there are sufficient resources to satisfy debt obligations.

Oregon Tech's FY2022 Viability Ratio decreased slightly from the prior year to 0.78. The change is due to an increase in the University's expendable net position, partially offset by a decrease in the Foundation's expendable net assets.

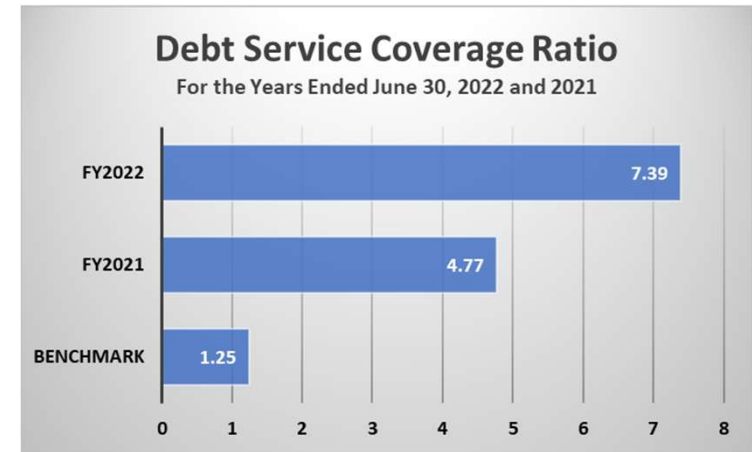
# FY 2022 Annual Financial Statement Ratios (continued)



$$\frac{\text{Debt Service}}{\text{Total Expenditures}}$$

The industry often has viewed the upper threshold for this ratio at 7 percent, meaning that current principal payments and interest expense should not represent more than 7 percent of total expenditures.

Oregon Tech’s FY2022 Debt Burden Ratio increased slightly from the prior year due to FY2022 implementation of GASB87 (lease accounting standard) and current year principal payments on related lease obligation liabilities recorded as a result. These lease obligation liabilities did not exist in FY2021 as Oregon Tech elected to implement the respective GASB in FY2022.



$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses) plus Interest Expense plus Depreciation plus Foundation Adjusted Change in Net Assets}}{\text{Debt Service}}$$

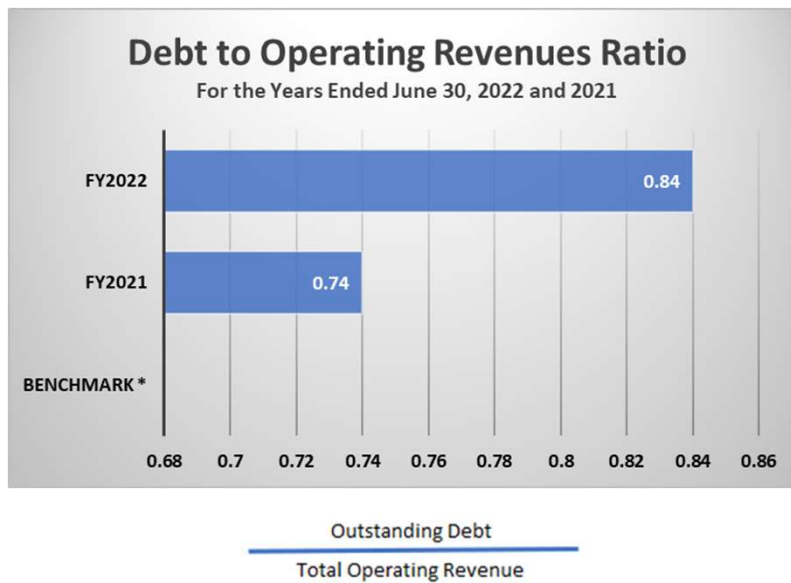
While the industry does not set a recommended upper or lower threshold, a ratio of 1.25 can be viewed as a general guideline.

The increase in the Debt Service Coverage Ratio is due to total University net income in FY2022. With the Higher Education Emergency Relief Funding (HEERF) grants the University recognized grant revenue in FY2022 with some related expenses to be incurred in future years. The University anticipates spending HEERF grant proceeds in FY2023 and future years, with a corresponding decrease in the Debt Service Coverage Ratio expected as the related monies are spent.



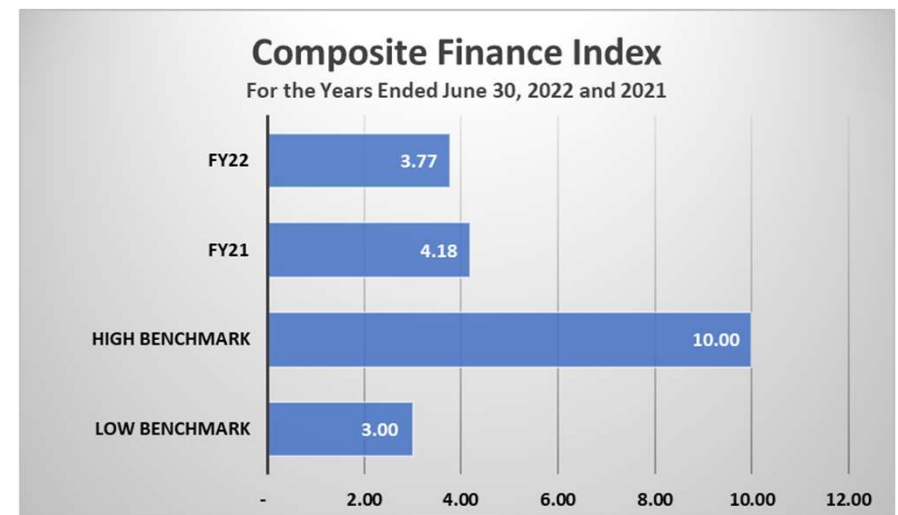
# FY 2022 Annual Financial Statement Ratios

(continued)



An advised range is not set by the industry with no general guidelines established.

Oregon Tech's FY2022 Debt to Operating Revenue Ratio increased slightly from the prior year, due to FY2022 implementation of GASB87 (lease accounting standard) and current year principal payments on related lease obligation liabilities recorded as a result. Similar lease obligation liabilities did not exist in FY2021 as Oregon Tech elected to implement the respective GASB in FY2022.



The Composite Financial Index (CFI) creates one overall financial measurement of the institution's health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio.

A score of 1.0 indicates very little financial health, 3, the low benchmark, represents a relatively stronger financial positions; and 10 is the top of the scale.

Oregon Tech's FY22 CFI score of 3.77, a slight decrease from the prior year, continues to indicate positive return on net position and net operating revenue ratios.

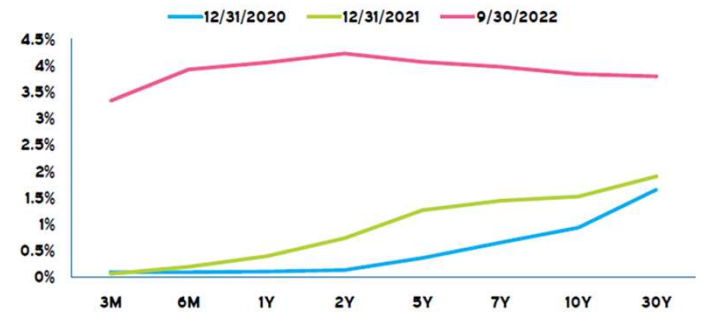
## Board Policy on Quasi-Endowment Investment

- The Oregon Board established the Quasi Endowment in 2016 and invested it in the Oregon Treasury's Intermediate-Term pool
- The investment strategy was to commit the funds for 3-5 years, and to earn fixed returns on the investment
- Board review of the Policy on Quasi-Endowment is required biennially, per Policy
- Investment markets have become considerably volatile in the past several months.
- This combined with the current Policy requirement to draw or spend 4% each year from the fund has caused the market value of the investment to decline in value
- Staff will request a revision of the investment policy to revise required annual spending from 4% to a range between 1-10% to provide flexibility and protect the corpus in market declines.

# Q-1 Summary of Investments

## Fixed Income Yield Curve

US Yield Curve<sup>1</sup>



### Oregon Tech Investment Summary as of September 30, 2022 (Net of Fees)

	Quarter Ended 9/30/2022	Current Fiscal YTD	Prior Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Target
<b>OIT Operating Assets Invested in Public University Fund</b>									
Oregon Short - Term Fund	0.4%	0.4%	0.1%	1.1%	1.6%	1.1%	\$ 9,183,693	41.5%	
Benchmark - 91 day T-Bill	0.5%	0.5%	0.0%	0.6%	1.1%	0.7%			
PUF Core Bond Fund	-2.7%	-2.7%	0.5%	-0.6%	0.9%	N/A	12,954,298	58.5%	
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't/Credit Index <sup>2</sup>	-3.1%	-3.1%	0.0%	-1.6%	0.3%	1.0%			
<b>Public University Fund Total Return</b>	<b>-1.5%</b>	<b>-1.5%</b>	<b>0.4%</b>	<b>0.2%</b>	<b>1.3%</b>	<b>N/A</b>	<b>\$ 22,137,991</b>	<b>100.0%</b>	
Public University Fund Investment Yield <sup>3</sup>	0.6%	0.6%	0.4%	2.0%	2.2%	N/A			
<b>OIT Endowment Assets</b>									
Oregon Intermediate-Term Pool	-2.7%	-2.7%	0.4%	-0.8%	0.8%	N/A	\$ 6,315,822	100.0%	
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't/Credit Index <sup>4</sup>	-3.1%	-3.1%	0.0%	-1.9%	0.1%	0.8%			

<sup>1</sup> The Public University Fund (PUF) policy guidelines define investment allocation targets based upon total participant dollars committed. Core balances in excess of liquidity requirements for the participants are available for investment in the Core Bond Fund.

Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

<sup>2</sup> 100% Bloomberg Barclays Intermediate U.S. Gov't/Credit Index as of February 1, 2021. From April 1, 2017 to January 31, 2021, the benchmark was 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.

<sup>3</sup> The reported investment yield for the quarter and fiscal year-to-date represent earned yields for the period and are not annualized rates.

<sup>4</sup> 100% Bloomberg Barclays Intermediate U.S. Gov't/Credit Index as of January 1, 2021. From June 1, 2015 to December 31, 2020 the benchmark was Bloomberg Barclays 3-5 Year U.S. Aggregate Index.

Note: Outlined returns underperformed their benchmark.

# FY 2024 Outlook and Reason for Caution

## State Funding for Higher Education is Uncertain

- Public Universities requested a \$150M increase in PUSF which included 8.67% increase for CSL, essentially an inflationary adjustment
- Remainder would be investment in essential student wrap-around services
- Governor Kotek's budget may only provide for a 4% increase in PUSF (Feb 1<sup>st</sup>)

## Recent Enrollment for Oregon Tech has not met budget

- Each 1% drop in enrollment translates to about \$381,000 in lost tuition revenue
- Tuition revenue plays an important role in overall University funding
- Tuition Recommendation Committee begins their work later this month
- Collaborative group of faculty, staff and students

## Labor and other Operating Expense and Inflation

- National inflation rate at about about 7%
- Contractual obligations in labor agreements
- Increasing benefits and related payroll costs
- Utilities, liability insurance and maintenance

## RFP for Internal Audit Services

- Current Agreement with Kernutt-Stokes ends on June 30, 2022
- Option for two (2) one (1) year renewals, however...
- Oregon Tech requires an expanded scope of services in response to:
  - Increasingly complex regulatory compliance and governmental accounting standards
  - Continuing changes/reductions in services levels provided by USSE partner
- Therefore, state procurement guidelines require a competitive bid for a material change in scope
- Hence, we cannot exercise option for renewal with current vendor
- Requesting approval to issue an RFP for enhanced scope and to execute agreement for internal audit services

# Capital Projects Update

Boivin Hall renovation project is on schedule for completion by summer 2023. (61% complete)

Track/Stadium Renovation to be completed by spring 2023. (73% complete)

OMIC Additive Manufacturing Center scheduled to be complete by end of February. (83% complete)

Campus facilities master planning project is underway with Soderstrom Architects. Meeting with groups. Expected to be completed June 2023.

Initial visioning session for new student housing with Mahlum Architects, faculty, staff and students last week. Expected completion summer 2025

Campus Wayfinding signage is underway with completion scheduled by summer of 2023.

Have a great week!





