



# University Finances

A Report of University Reserves in FY 2019

November 6, 2019

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**ALL FOUR:ONE**



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# Transparent Financial Reporting

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- The university implemented an Administrative Policy Statement (APS) outlining the reporting requirements regarding variances, carry-forwards, transfers, and fund balances.
- In addition to the items above, the Composite Financial Index (CFI) is used to monitor the financial health of the system and campuses.
- Each campus developed fund balance policies in 2014 that include information on the appropriate use of fund balances and transfers. Highlights include:
  - Fund Balances must have a spending plan in place.
  - Transfers of unspent operating funds to plant funds are held there until approved for spending.



# Fund Balances: Unobligated Funds

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- Unobligated Funds are available for campus use. Funds are held in general categories based on intended use. Unobligated Fund categories include:
  - Auxiliary Facilities – Nonpledged
  - Unobligated Capital Reserves (Funds available to campus)
  - General Programmatic Reserves
  - Campus Designated Capital



# Fund Balances: Obligated Funds

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- Obligated Funds are obligated to specific projects, are required to be held by external agencies (i.e., bond covenant requirements), are held for contractual payments (such as faculty start-up), or are unavailable by their nature (i.e., inventory and prepaid expenses). Obligated Fund categories include:
  - Obligated Capital In Progress
  - Service Centers
  - University Risk Management (URM)
  - Risk Financing Activities - Professional Risk Management
  - Faculty Startup and Research Initiatives



# CU Metrics – Proposed Stabilization Plan Ratio

- Each campus identified resources available to move toward a 4% Emergency Tuition Stabilization Plan Ratio.
- Status and progress will be reported annually to Regents at summer retreat.



# SB18-200 PERA Reform Legislation

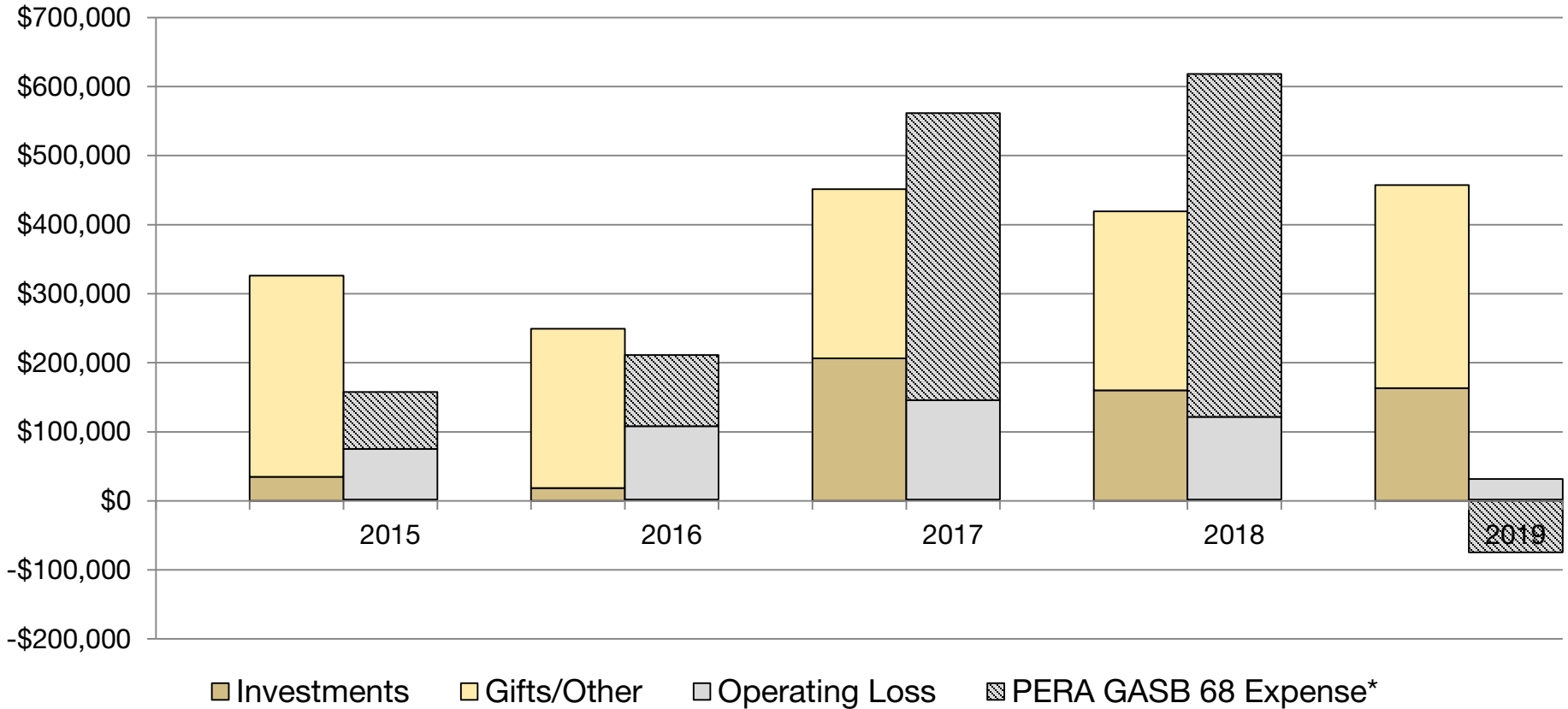
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- CU's PERA's liability was reduced from \$2.2 billion to \$1.2 billion at FYE 2018-19.
- As a result of SB18-200, the university actually experienced 'pension revenue' of \$75 million, meaning the decrease in the university's liability exceeded the contributions made to the plan.
- Fitch recently affirmed our AA+ rating and "Stable Outlook." Moody's rating remains Aa1.
- Fitch cited the passage of SB18-200 in their ratings statement, saying SB 18-200 will "provide meaningful long-term relief to defined benefit pension plan liabilities."



# Operating Loss Over Time

Investments, Gifts, and Other Revenue typically covers CU's operating loss, but GASB 68 expenses related to PERA historically exceeded Investment gains.



\*Operating Loss includes PERA expense



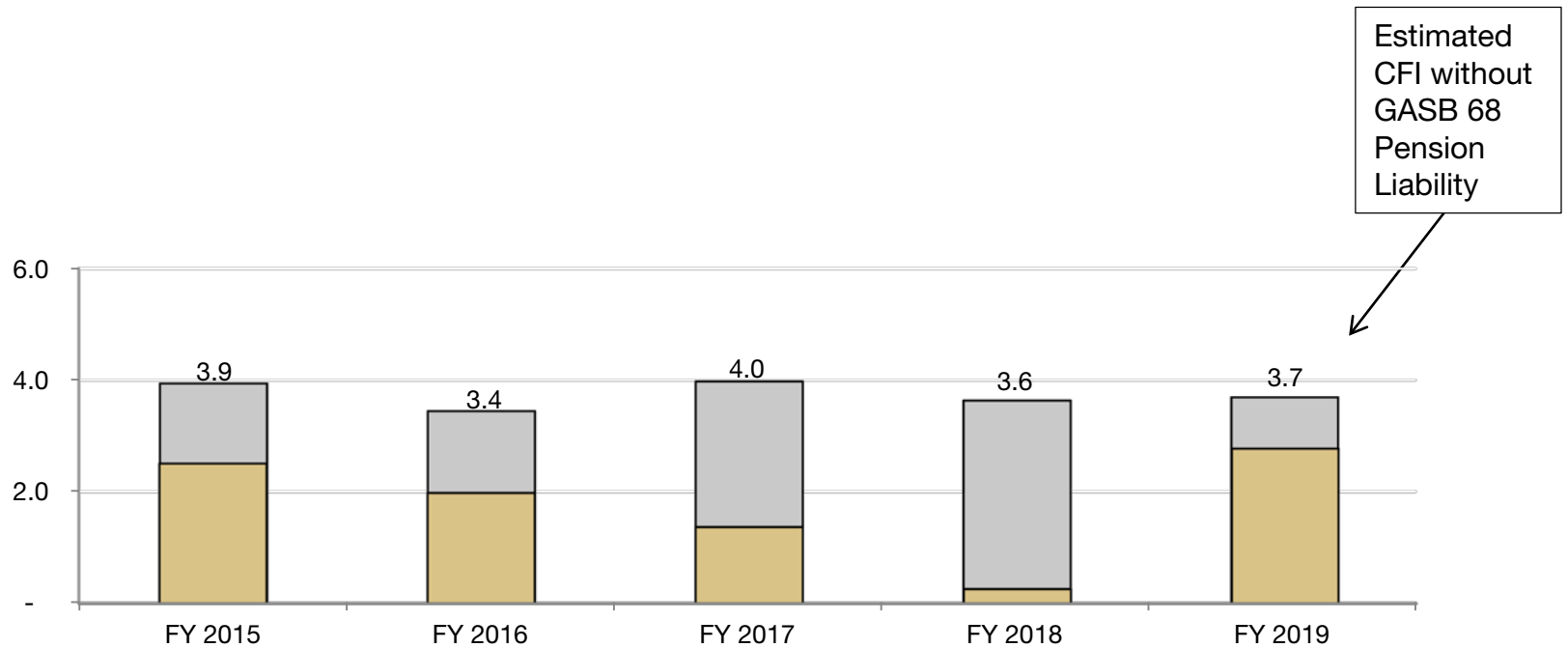
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# Financial Health, CU System-wide

## Composite Financial Index (CFI)



Includes the Foundation. Estimated CFI without Pension Liability does not match financial statements.



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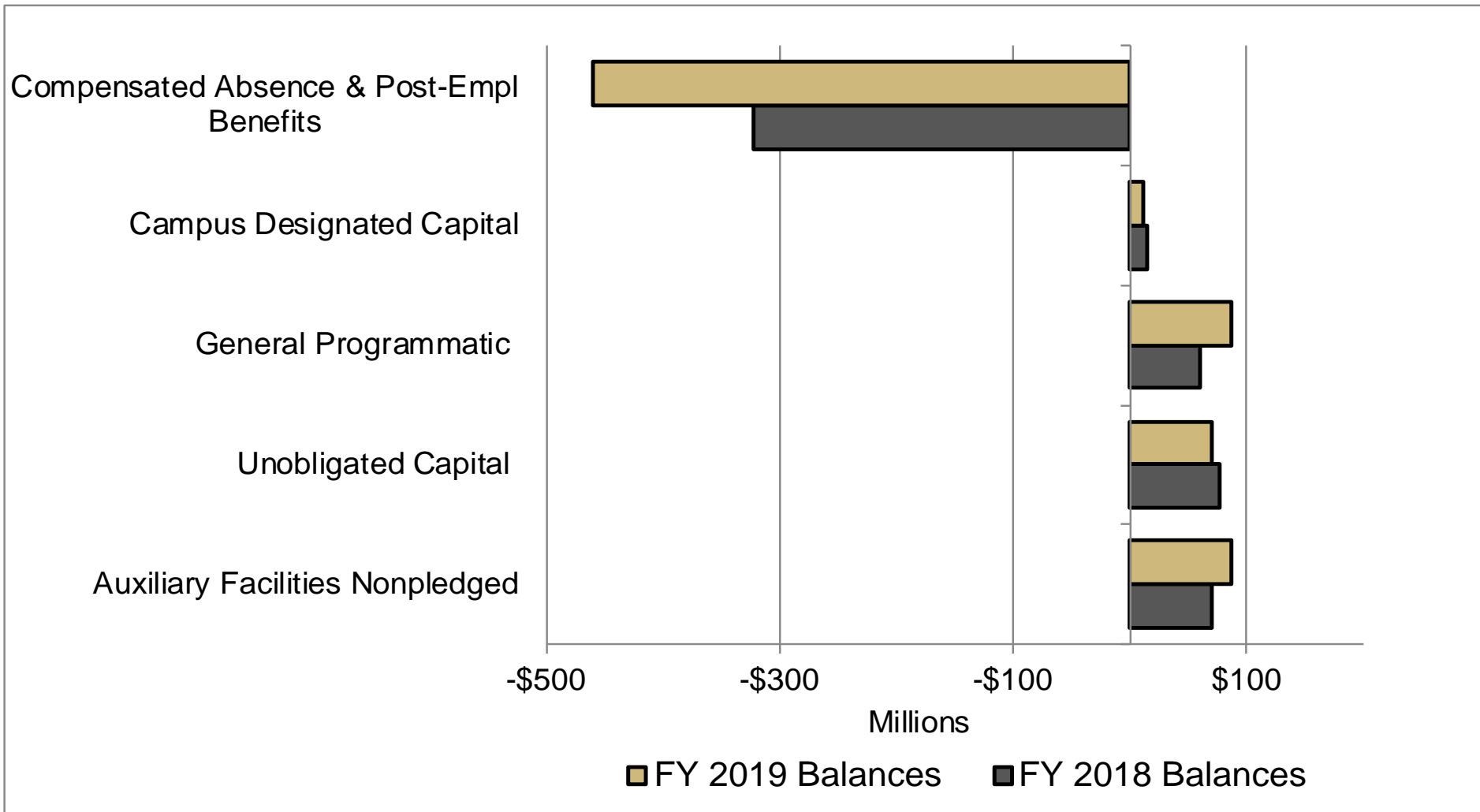
# Boulder



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# Overview of Fund Balances, Boulder



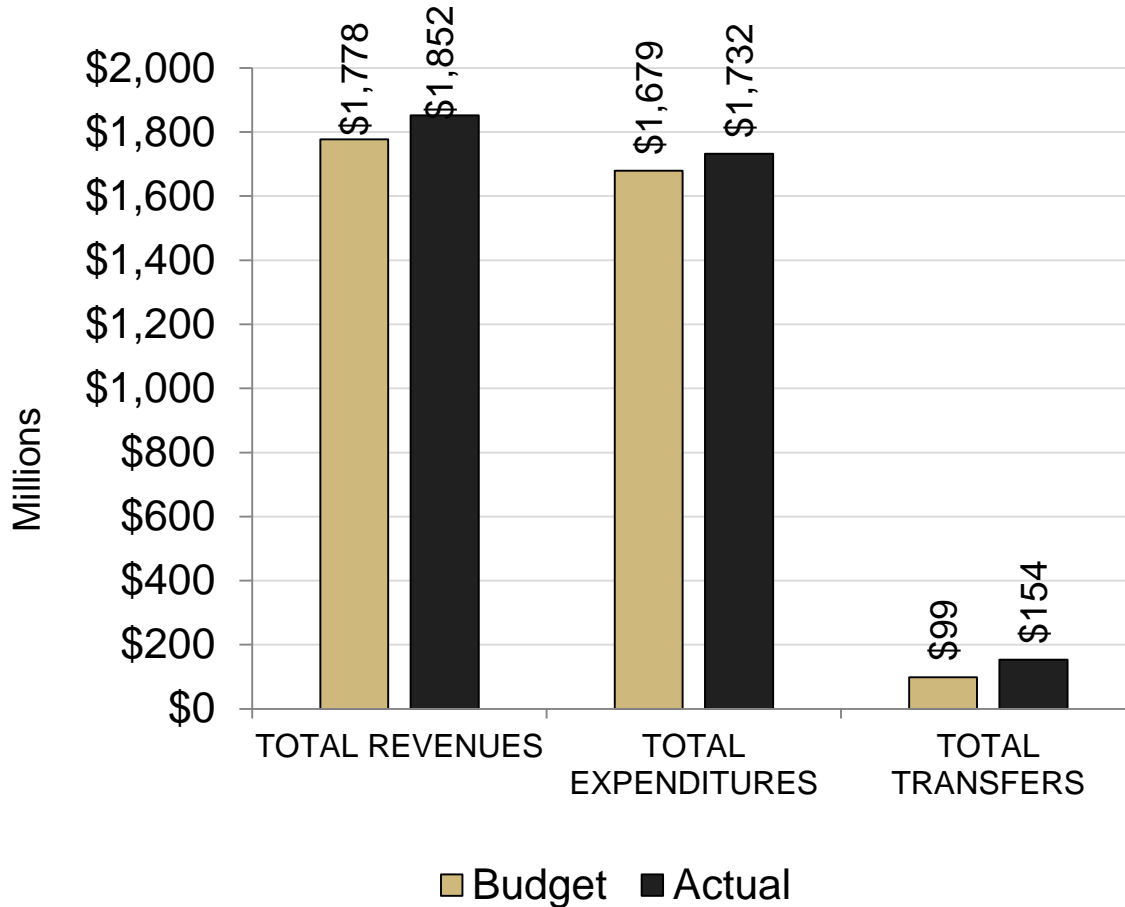
# Overview of Fund Balances, Boulder

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- Compensated Absence and Post Employment Benefits increased due to a change in actuarial calculation and cost allocation methodology.
- Campus Obligated Capital (pending Regent approval) funds are intended for the Wellness Institute and the Education renovation of Fleming.
- General Programmatic reserves have grown-due to allocating funding for key investments in strategic initiatives, information technology, student enrollment growth, and the Emergency Tuition Stabilization Plan.
- Obligated Capital in Progress includes funds set aside for Ramaley, Business and Engineering expansion, debt reserve requirement and other small projects.
- The campus use of Unobligated Capital is dedicated to addressing deferred maintenance and future infrastructure needs. The specific uses will be informed by Strategic Facilities Visioning and campus master planning processes.



# Revenues vs. Expenditures, Boulder



Revenues exceeded budget due to higher federal and private research growth, and strong enrollment

Expenditures exceeded the budget primarily due to increased research activity and instructional costs

Transfers include all debt payments, activity to and from System and intradepartmental activity



# Planning Highlights, Boulder

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Significant expenditures planned from reserves include...

- \$11.2 million - Ramaley Biology Renovation
- \$9.0 million - Business-Engineering Expansion
- \$6.0 million - Education Renovation
- \$6.0 million – Wellness Institute Renovation



# Emergency Tuition Stabilization Plan, Boulder

<b>Metric Calculation</b>	
FY 2019 E&G Budgeted Revenues	\$873,350,317
Identified Resources	\$30,301,127
Target Resources	\$34,934,013
Percentage of FY 2019 E&G Revenues	3.5%
Target	4.0%



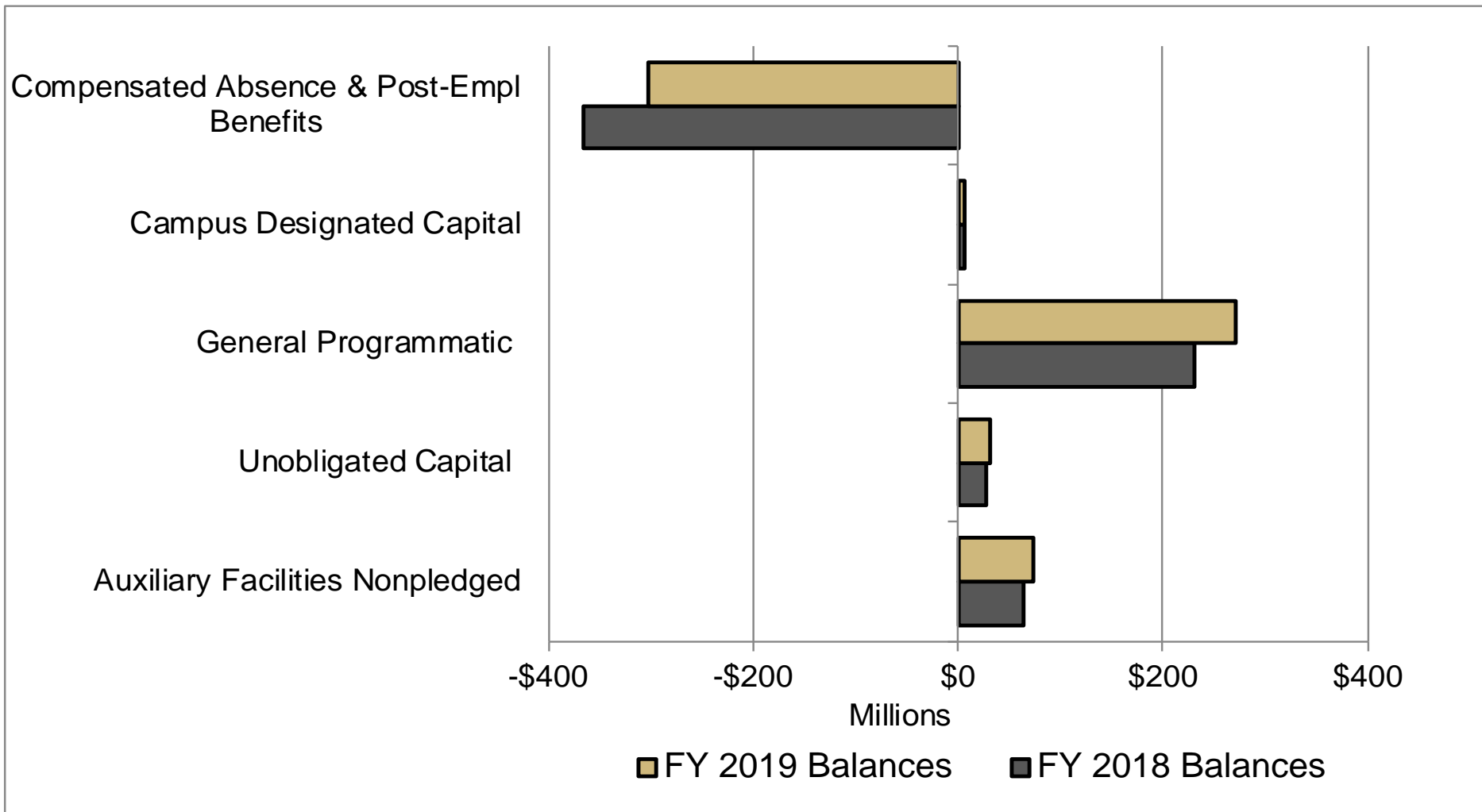
# Denver | Anschutz



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# Overview of Fund Balances, Denver | Anschutz





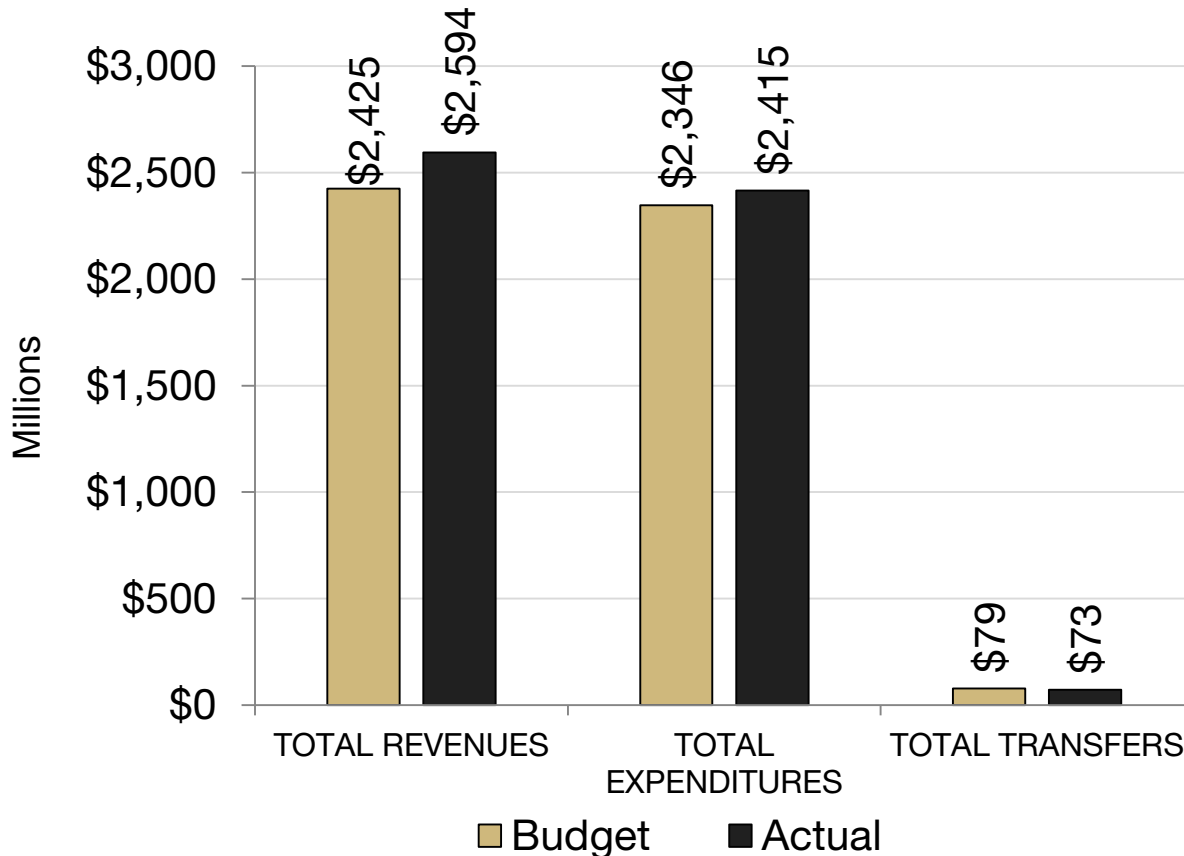
# Overview of Fund Balances, Denver | Anschutz

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- Campus Obligated Capital Reserves (\$6.1 million) includes equipment and technology initiatives.
- General Programmatic Reserves (\$271.1 million) includes Academic Unit contingencies, administration balances for unplanned expenditures, Tuition Stabilization resources, and online education initiatives.
- Obligated Capital In Progress (\$49.6 million) includes future building planning resources, renovation funds, and some debt service obligations.
- Unobligated Capital Reserves (\$31.6 million) includes planning for deferred maintenance, emergency building renewals, and IT infrastructure expansion and replacement.
- Faculty Start-Up and Research Initiatives (\$47.2 million) includes recruitment and start-up funding for equipment and supplies to set up laboratory and research programs.



# Revenues vs. Expenditures, Denver | Anschutz



Revenues exceeded budget due to:

- CU Medicine revenue greater than planned
- Research revenue greater than planned
- Royalty revenue greater than planned

Expenses exceeded the budget primarily due to CU Medicine.

Large transfers include:

- Debt (Mandatory)
- Indirect Cost Recovery
- CU Innovations



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# Planning Highlights, Denver Campus

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Significant expenditures planned from reserves include:

- Continuation of Business School infill project
- Facilities approved deferred maintenance projects
- Start-up packages and research initiatives
- Equipment maintenance and replacement



# Planning Highlights, Anschutz Medical Campus

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Significant expenditures planned from reserves include:

- Construction of the Anschutz Health Sciences Building
- Vivarium expansion, renewal and replacement projects
- Pharmacy Building Debt Service
- Fitzsimons Building space renovations
- Facilities approved deferred maintenance projects
- Technology infrastructure maintenance, renewal, and replacement
- CU Innovations Initiatives
- CU Online Program Development
- Faculty recruitment, start-up packages and research initiatives



# Emergency Tuition Stabilization Plan, Denver Campus

<b>Metric Calculation</b>	
FY 2019 E&G Budgeted Revenues	\$213.8M
Identified Resources	\$8.9M
Target Resources	\$8.5M
Percentage of FY 2019 E&G Revenues	4.0%
Target	4.0%



# Emergency Tuition Stabilization Plan, Anschutz Campus

<b>Metric Calculation</b>	
FY 2019 E&G Budgeted Revenues	\$292.6M
Identified Resources	\$11.7M
Target Resources	\$11.7M
Percentage of FY 2019 E&G Revenues	4.0%
Target	4.0%



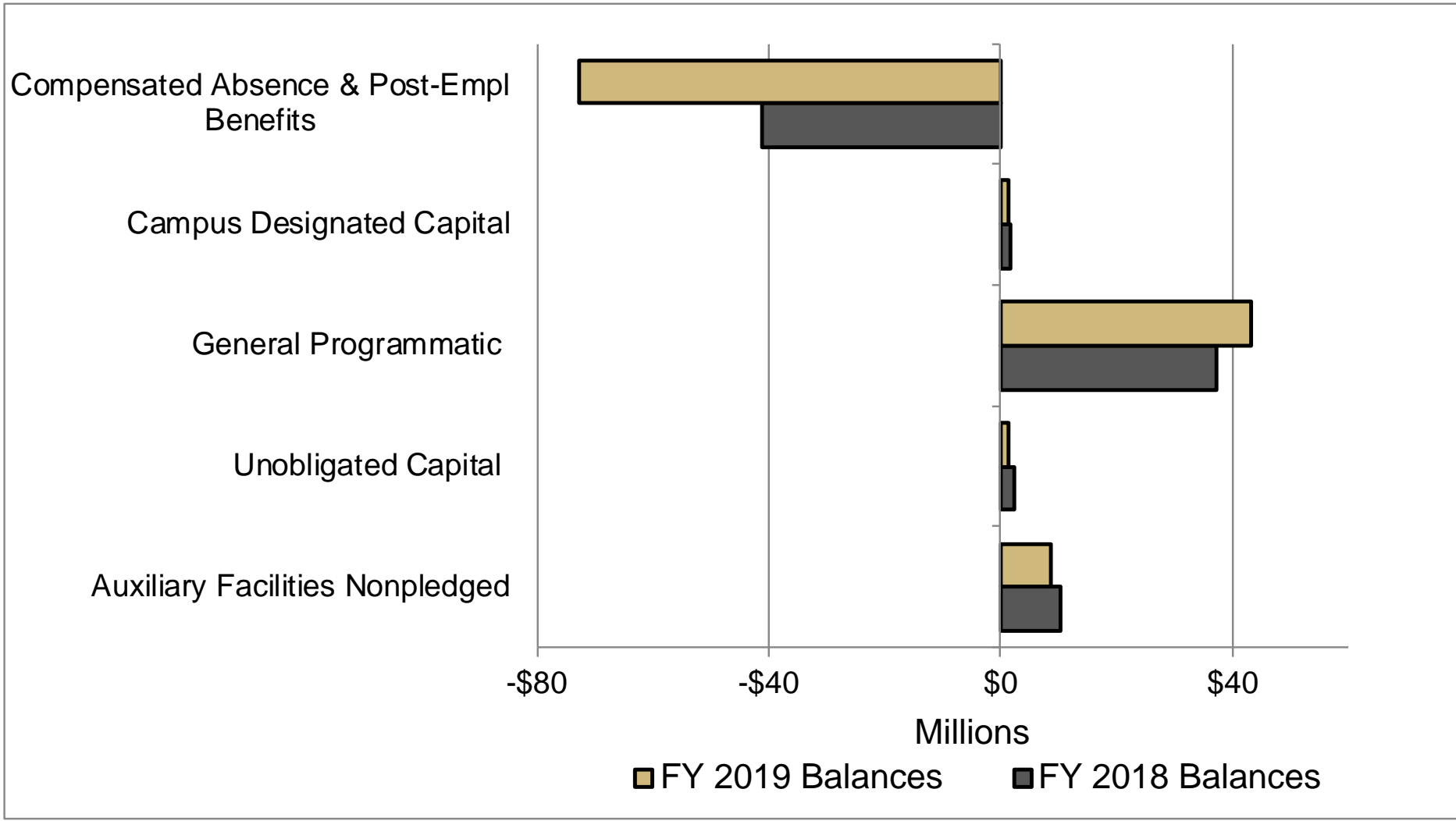
# Colorado Springs



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# Overview of Fund Balances, Colorado Springs





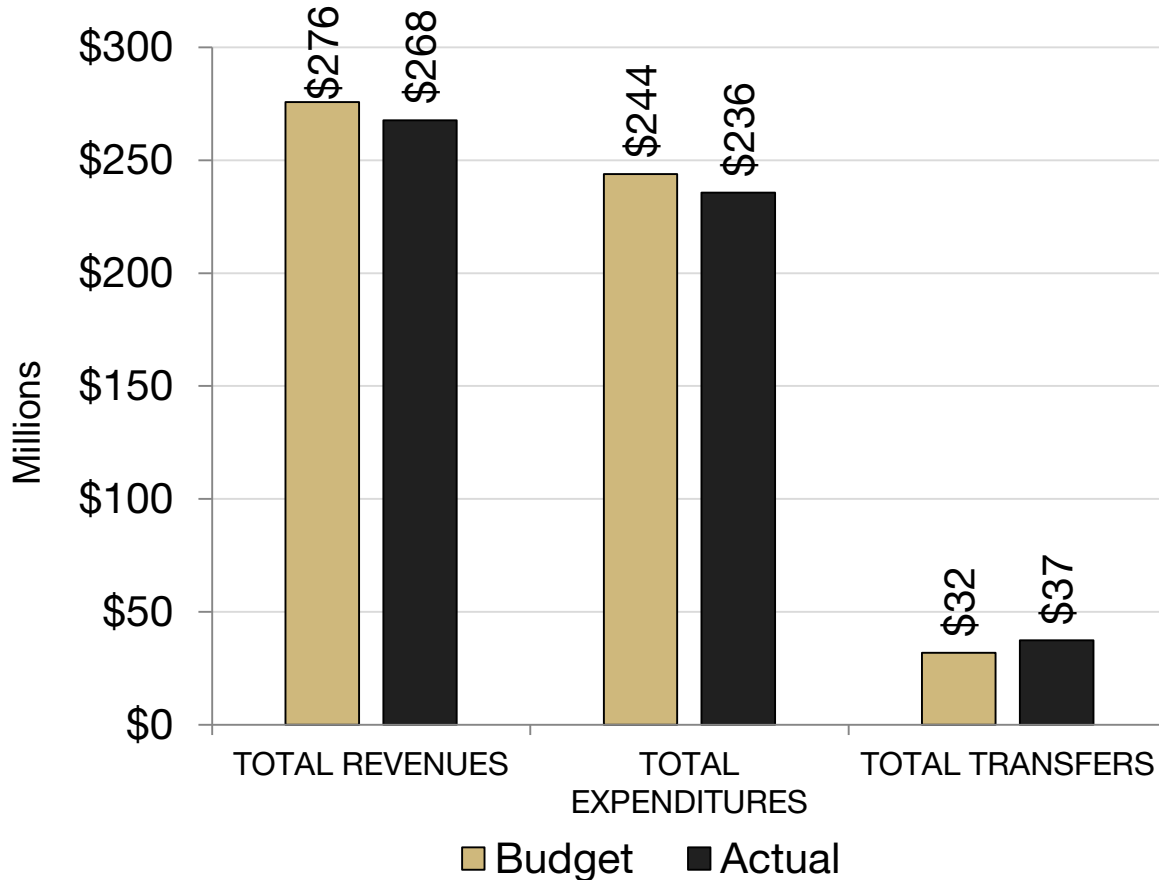
# Overview of Fund Balances, Colorado Springs

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- Growth in General Programmatic is primarily due to:
  - Online initiatives \$3.7 million
  - Increases in reserves for all schools and colleges \$4 million.
- Compensated Absence and Post Employment Benefits increased due to a change in actuarial calculation and cost allocation methodology.
- Accounts Receivable's increase is due to City for Champions for Hybl \$3.9 million and State controlled maintenance projects \$1.3 million.
- Obligated Capital in Progress increase includes Debt Service Reserves for Hybl \$6.3 million.



# Revenues vs. Expenditures, Colorado Springs



Revenues came in less than budget due to tuition revenue shortfall and decreased private sponsorships and gifts.

Expenditures were less than budgeted primarily due to conservative spending due to lower than budgeted enrollments and planned savings for use in future years.

Transfers include debt service payments and departmental savings.



# Planning Highlights, Colorado Springs

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Significant expenditures planned from reserves include:

- UCCS is working on a plan for making up FY20 budget deficit with a combination of ETSP, reserves, and base cuts.
- Debt service has started with the Hybl Sports Performance Building and UCCS is working on the payment plan strategy as C4C revenue is coming in at a different rate than the original plan set forth.
- UCCS remains committed to a funding strategy for the renovation and addition of our current Engineering & Applied Sciences building.
- UCCS is currently undergoing planning for a new budget model to meet the needs of our campus. We appreciate the help of the President's Office which will enable us to hire a consulting firm for best practices and the transition to this new model.



# Emergency Tuition Stabilization Plan, Colorado Springs

<b>Metric Calculation</b>	
FY 2019 E&G Budgeted Revenues	\$163,568,619
Identified Resources	\$6,542,745
Target Resources	\$6,542,745
Percentage of FY 2019 E&G Revenues	4.0%
Target	4.0%



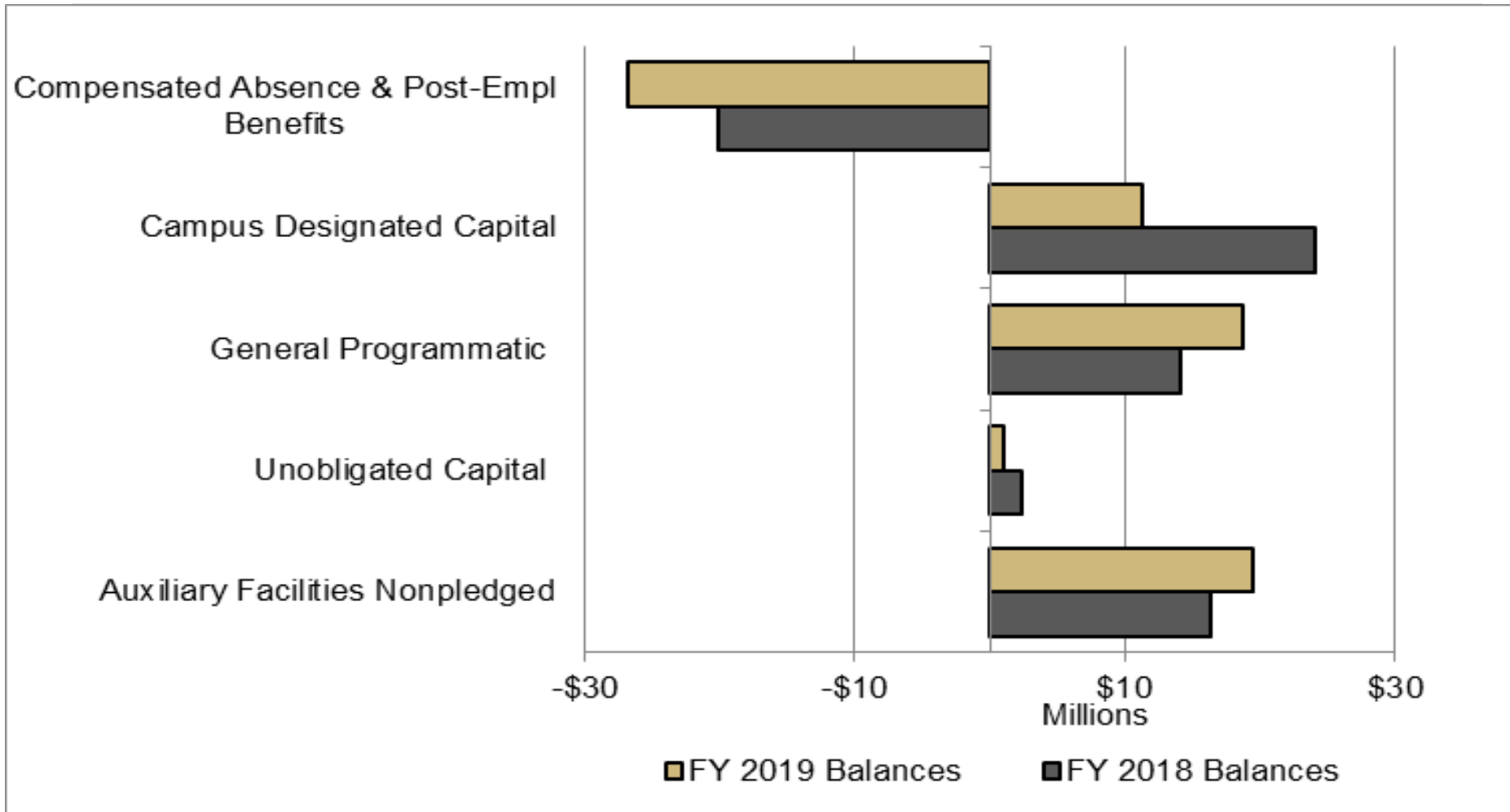
# System Administration



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# Overview of Fund Balances, System Administration



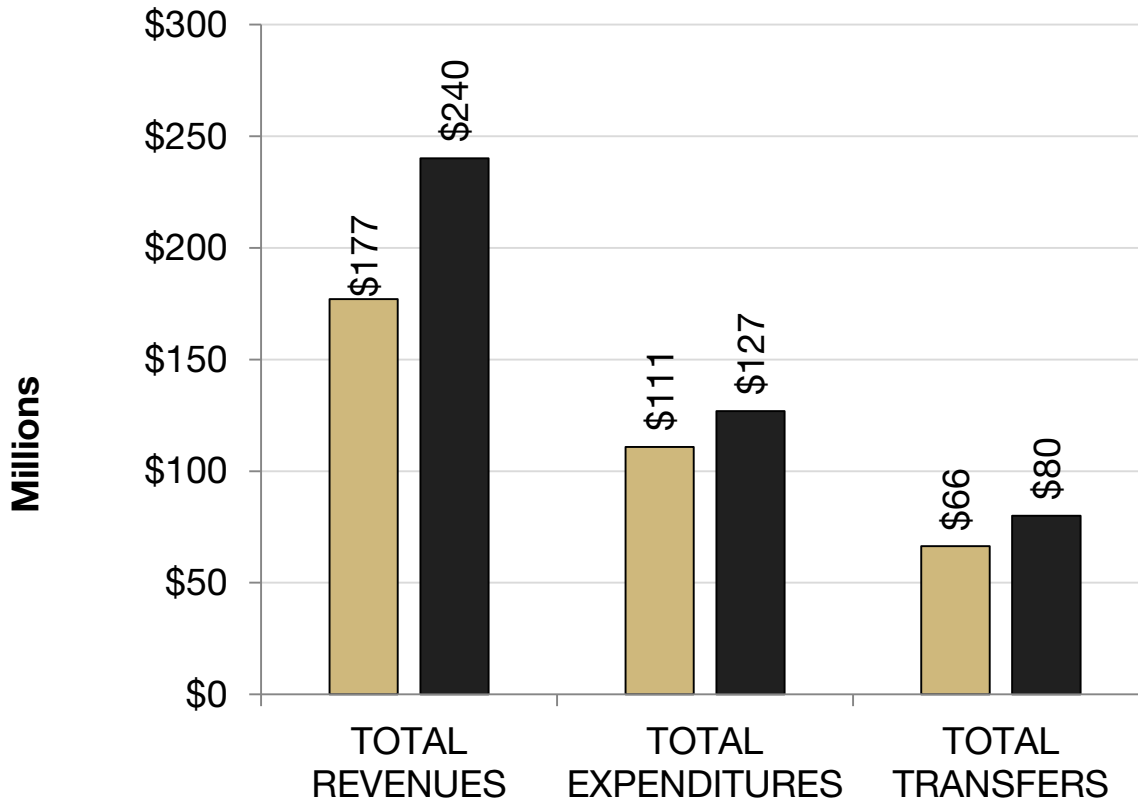
# Overview of Fund Balances, System Administration

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- Compensated Absence and Post Employment Benefits increased due to a change in actuarial calculation and cost allocation methodology.
- Decrease in Campus Designated Capital reflects planned expenditures of the prior year roll-forward funds.
- The change in General Programmatic balances reflects the continued efforts of System Administration to build a contingency fund that can maintain programs and service levels in the event of an economic downturn.
- Unobligated Capital balances reflect the amount budgeted to complete business system IT optimization projects.
- Auxiliary Facility Nonpledged balances were strategically increased to ensure program continuity if funding sources decrease unexpectedly.



# Revenues vs. Expenditures, System Administration



■ Budget ■ Actual

Revenues exceeded budget primarily due to Treasury Investments.

Expenditures exceeded the budget primarily due to Risk Management transactions not budgeted in FY 2019.

Transfers include campus support from President's Initiative funds, and transfers for Advancement operations.



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# Planning Highlights, System Administration

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Significant expenditures planned from reserves include:

- \$ 5.0 million Online Funding (Year 2 of 3)
- \$ 2.5 million Online Technology (Year 2 of 3)
- \$ 1.0 million UCCS and CU Denver Grand Challenge
- \$ 1.0 million Boulder and Anschutz Research Collaboration
- \$ 2.0 million System-wide Online and Technology Analysis

