

THE UNIVERSITY OF IOWA
Comprehensive Fiscal Report FY 2012

Each year, the University of Iowa is required to submit to the Board of Regents, a comprehensive fiscal report which compares actual revenues and expenditures with approved budgets, to identify variances and summarize actual uses of funding increases. Details for FY 2012 are described below.

A. GENERAL UNIVERSITY

Revenue

Total General University revenues for FY 2012 were less than the revised budget by \$5,408,000 or 0.86% under budget.

In June 2012, the University requested a revised revenue budget adjustment for FY 2012. The budget revision consisted of \$4,000,000 in advanced commitment funds budgeted as "other income". The increase was requested to balance revenues with estimated expenses for the construction of the Library Student Commons project. With actual revenues reported in the year received, an expected budget-to-actual variance occurred in "other income". FY 2012 actual other income of \$51,000 was comparable to the original budget of \$125,000.

FY 2012 reimbursed indirect costs were less than budget by approximately \$2,012,000 or 4.14% under the revised budget. A complicating factor in projecting indirect cost recoveries has been in the application of substantial, one time federal ARRA awards.

Actual General University tuition revenues were greater than budget by approximately \$713,000. This represents a variance of 0.20%.

Interest income actuals were less than budget by \$35,000. This variance was primarily due to the timing of expenditures during the year.

Expense

Total General University expenditures for FY 2012 were less than the revised budget by \$3,152,000 or 0.50%.

Salaries comprise 68% of all General Education Fund expenditures. Salary expenditures for FY 2012 exceeded the budget by 0.6%.

General University expenditures for Student Aid were over budget by \$4,116,000 or 5.41%. Per Board of Regents policy, the University is required to set-aside a minimum of 15% of gross tuition revenues for financial aid. Expenditures for Student Aid were 21.88% of actual tuition revenues.

Supplies and Services were under budget by \$10,927,000. Many university units reallocated these resources toward other non-recurring expenses such as building repairs and student aid.

Cash Balance of Advanced Commitment Funds

Actual expenditures exceeded revenues in FY 2012 resulting from the expenditure of advance commitment revenues earned and reported in prior years.

According to Iowa Code section 262.9 tuition revenues may be carried forward for use in subsequent years:

In FY 2011, excess tuition revenue of \$10,500,000 was carried forward to fund future expenses associated with the board approved Library Student Commons project. During FY 2012, \$2,255,543 of project expense was incurred.

The remaining carry-forward balance is as follows:

| | |
|-------------------------|--------------------|
| FY11 Carry-forward | \$10,500,000 |
| Less: FY12 Expense | <u>(2,255,543)</u> |
| Remaining Carry-forward | \$ 8,244,457 |

Reallocations

As reported in the FY 2012 Final Budget, the University of Iowa planned to reallocate \$5,311,630 which was a minimum reallocation of 1% of the FY2011 original General Fund base. These reallocations were created by reducing each collegiate and vice presidential unit's funding and reinvesting those funds into the University's highest priority needs. Much of this supports student success initiatives. All reallocations occurred as indicated below.

FY 2012 Reallocations

| STRATEGIC INITIATIVES | Reallocations |
|---|--------------------|
| Undergraduate Student Success | \$2,403,735 |
| Graduate and Professional Student Success | \$943,251 |
| Total Strategic Initiatives | \$3,346,986 |

| OTHER COST INCREASES | Reallocations |
|----------------------------------|---------------|
| Support for Strategic Priorities | \$1,964,644 |

| | |
|---|--------------------|
| TOTAL STRATEGIC & SUPPORT COST INCREASES | \$5,311,630 |
|---|--------------------|

In addition to the reallocations that were included in the original budget, collegiate and non-collegiate units reallocated an additional \$3,200,000 within their General Fund budgets to fund required and performance-based salary increases.

B. HEALTH CARE UNITS

Supplemental Appropriation

In addition to the \$27,300,000 of appropriation funds authorized in FY 2012 to support IowaCare, the legislature also approved funding of up to an additional \$44,000,000 to support services provided in FY 2012 for Iowa Care patients. Due to a timing difference of cash receipts compared to the provision of patient services, a positive variance of \$1,200,000 occurred in supplemental appropriations.

Sales and Services

In FY 2012, UIHC experienced volume increases beyond budget levels. Increased volumes over budgeted levels were reported in patient admissions (up 2.4%), acute patient days (up 1.0%), inpatient and outpatient surgical procedures (up 3.5%) and emergency treatment center visits (up 2.5%). While patient volumes showed a general increase over budget, actual patient revenue was slightly below the sales and services budget.

Other Income

Meaningful Use funds of \$9,400,000 were received in FY 2012. These funds are associated with the new incentives provided by Medicare and Medicaid for use of the electronic health record in the care of patients.

Salaries

While UIHC experienced increased patient volume beyond budgeted levels, labor costs did not exceed the budget. In FY 2012, a concerted effort to monitor and manage labor costs was utilized to minimize the need for additional staffing costs while still providing safe and high quality patient care services. All new position requests as well as requests to re-fill vacant positions were reviewed by a multi-disciplinary Hiring Board. Most areas contributing to the budget surplus were fixed cost departments that do not flex with volume. Some offset to salaried expense was recognized in the use of hourly staff which exceeded budget levels.

Professional & Scientific Supplies and Services

Increased patient volumes reflected in higher patient admissions and surgical volumes resulted in greater use of patient care related medical supplies and purchased services. Increased supply use of medical implants, robotic surgery supplies and drugs contributed to the variance over budget.

C. OTHER APPROPRIATED UNITS

Oakdale Campus

Both revenue and expense for the Oakdale unit were 97.84% of the budget.

Hygienic Laboratory

Both revenue and expense for the Hygienic Laboratory unit were 97.72% of the budget.

Family Practice Program

Both revenue and expense for the Family Practice Program unit were 99.86% of the revised budget.

Special Purpose Appropriations

FY 2012 Special Purpose appropriations were as follows:

| | |
|--|--------------------|
| Primary Health Care | \$648,930 |
| Iowa Online AP Academy | 383,270 |
| State of Iowa Cancer Registry | 149,051 |
| Substance Abuse | 55,529 |
| Non-Profit Resource Center | 162,539 |
| Biocatalysis | 723,727 |
| Advance Drug Development | 93,645 |
| Technology Innovation Center | 37,119 |
| Oakdale Research Park | 78,515 |
| Iowa Registry for Congenital and Inherited Disorders | 38,288 |
| Total | <u>\$2,469,192</u> |

With the exception of the Iowa Online Advanced Placement Academy, both revenue and expense for each of the Special Purpose units were 100% of the budgets.

Actual expense for the Iowa Online Advanced Placement Academy was 79.54% of the budget. Acknowledgement of the appropriation came late in the legislative session resulting in delayed advertisement of the online courses and therefore unused course seats. The University reverted \$98,578.82 of funds to the State at the end of FY 2012.

As allowed by Section 8.62 of the Iowa Code, fifty percent (\$49,289.41) of the reverted funds will carry-forward into FY 2013 for technology enhancements.

D. RESTRICTED FUNDS

The Restricted Fund includes the Organized Activities Fund, the Auxiliary Enterprise Fund, the Current Restricted Fund and the Plant Fund. It involves virtually every department on campus in revenue and expenditure planning. Revenues are derived from federal and non-federal support for sponsored programs (primarily research and student aid), sales and services, bond proceeds, transfers from current unrestricted funds for debt service and depreciation, tuition replacement appropriations and capital appropriations.

The Organized Activities Fund includes Continuing Education programs, Medicine and Dentistry Practice Plan funds, Sports Camp activities, Conferences and Institutes, and various publications and workshops related to academic departments.

The Auxiliary Enterprise Fund includes Intercollegiate Athletics, Residence Halls, the Iowa Memorial Union operations, Student Health, Recreational Services, Hancher Auditorium, Parking and Transportation, Cambus, and various smaller enterprises serving faculty, staff, students and the public.

The FY 2012 Restricted Fund budget was approved by the Board in August 2011. The expenditure plan provided for required salary and benefit adjustments, met certain nondiscretionary cost increases, and reflected the University's best efforts at planning to meet its most critical needs and to provide essential services within the limits of available resources guided by the strategic plan.

Revenue

State Appropriations

Included in the Restricted Fund were four appropriations from the General Assembly for FY 2012.

Tuition replacement funding in the amount of \$9,705,345 was received to address debt service on outstanding Academic Building Revenue Bonds.

A total of \$11,293,907 of capital appropriations was drawn during FY 2012 for Fire Safety, the Dental Science Building remodel and the remaining funds of the new University Hygienic Laboratory and the Pappajohn Biomedical Discovery Building.

The Iowa Flood Center received and spent \$1,300,000 to advance critical research and applications in flood prediction and floodplain mapping.

The FY 2012 Restricted Fund budget contained \$576,000 from the Grow Iowa Values Fund for economic development initiatives. The table below indicates expenses during FY 2012 related to the economic development appropriation:

Spending in FY 2012

| | <u>FY 2011 Appropriation</u> | <u>FY 2012 Appropriation</u> | <u>Total</u> |
|--------|----------------------------------|----------------------------------|--------------|
| GIVF * | \$286,967 | \$576,000 | \$862,967 |

*An equal amount of matching funds provided from other sources.

Additional detail regarding FY 2012 GIVF expenditures and attendant match is available from the Office of the Vice President for Research and Economic Development, and it is reported to the Board quarterly.

Federal Support

The Restricted Fund includes sponsored activities, predominantly research and student financial aid funded from federal and other external sources. Federal Support was approximately 12.17% over the budgeted amount. The University established a budget for FY 2012 grants and contracts based on experience in the past several years and anticipated ARRA awards. The cash flows from this revenue source are variable and difficult to project.

Intra State Receipts

It has been a longstanding requirement of the Board Office that the revenue and expenditure beginning budgets for the Restricted Fund be in balance even though this is never the case at the end of the year given the "going concern" nature of the Restricted Fund's major

components. In order to accomplish this required balancing in the original budget, the University uses the Intra State Receipts line in the Department of Management Report. At the end of each year this creates a significant variance between budget and actual numbers for Intra State Receipts. Intra State Receipts are intended to reflect only net transfers for the year.

Bond Proceeds

The original bond sale projection was \$81,500,000. The actual amount of bonds sold in FY 2012 totaled \$51,800,000.

| | <u>Budget</u> | <u>Actual</u> |
|----------------------------------|---------------------|---------------------|
| UIHC Iowa River Landing | \$ 29.0 million | \$ 26.8 million |
| Residence System – New Dormitory | 27.5 million | n/a |
| Utility System | <u>25.0 million</u> | <u>25.0 million</u> |
| | \$ 81.5 million | \$ 51.8 million |

Tuition and Fees

Actual Non-General Education Fund Tuition and Fees (e.g. Continuing Education offerings) were 0.3% less than the FY 2012 budget of \$76,500,000.

Sales and Services

Actual income from Sales and Services exceeded the original budget by 4.06%. This variance is due to a conservative original budget.

Other Income

Other Income was 13.92% higher than the amount budgeted. This variance is primarily due to a conservative original budget and higher than anticipated Gifts, Capital Gains, and Royalties.

The Other Income revenue category consists of the following components:

- Non-Federal Gifts, Grants and Contracts
- Medicine and Dentistry Practice Plans
- Interest, Dividends and Capital Gains and Losses
- Workshops and Seminars
- Commissions and Royalties
- Rental of Equipment
- Parking Fines
- Other Miscellaneous Revenue

Expense

Actual total expenses for FY 2012 were over the revised budget by \$18,756,277 or 1.63%.

Although expenditures were higher than anticipated in categories such as Salaries and Supplies these increases were offset somewhat by lower than expected expenses in Plant Capital and Student Aid.

Rentals

Rental expenditures exceeded the budget by \$5,510,029 or 27.8%. This increase was partially due to flood recovery expenditures.

Equipment

Equipment expenditures were over budget by \$8,218,984 or 63.2% due to the receipt of a sizeable piece of research equipment.

Building Repairs

Building Repair expense was \$1,169,603 or 23.6% higher than the budget due to unexpected additional building repair needs.

**The University of Iowa
Department of Athletics
FY12 Budget to Actual
Variance Analysis**

Revenue:

- a) **Football**
Football revenue was above budget due to additional revenue from home game ticket sales, higher parking revenue, and additional handling fees.
- b) **Athletic Conference**
Distributions from Men's Basketball Conference Gate Sharing and Conference Tournament, Football Bowl Distribution, and Television Distributions were higher than expected.
- c) **Foundation Support**
Performance from other revenue streams permitted Foundation Support to be less than the budgeted amount.
- d) **Novelties – Bookstore**
Greater licensing monies were received than expected.
- e) **General Income**
New agreement for Herky's Locker Room, and both Concessions and Football seat back sales were better than anticipated.

Expense:

- f) **Administration & General Expenses**
Administrative expenses were above budget because of higher postseason and administrative travel, rent payment for Herky's Locker Room, and higher wage expenses.
- g) **Buildings & Grounds**
First year occupation of renovated Carver Hawkeye Arena resulted in much higher utilities, maintenance, and custodial costs than anticipated. In addition, Kinnick Stadium utilities and maintenance were greater than expected.

**The University of Iowa
UNIVERSITY HOUSING
FY12 Budget to Actual
Variance Analysis**

Operations:

- (1) **Debt Service:** Debt service is \$13,303 less than budget due to accrued interest and issuance costs variances related to the Series 2011 Refunding issue.
- (2) **University Overhead:** University Overhead payments from surplus exceeded the original budgeted amount by \$106,200 due to additional overhead charges related to the retail food service operations transitioned into University Housing & Dining during FY2012.

Revenues:

- (3) **Contract Revenues:** Contract revenues are higher than budgeted due to the increased demand for residence hall space brought on by the continued large first-year class size for fall 2011. The original FY2012 budget was based on fall occupancy of 5,878 beds in the residence hall system. Actual fall 2011 occupancy was 5,923.
- (4) **Interest Income:** Interest income is \$72,880 higher than originally budgeted due to higher voluntary reserve balances during FY2012.
- (5) **Other Income:** Other income revenues are higher than budgeted due to the higher than expected non-contract food sales in the retail and catering food service operations transitioned into University Housing & Dining during FY2012.

Expense:

- (6) **Salaries, Wages & Benefits:** Salaries, wages and benefits expense is higher than budgeted due to additional positions and hours related primarily to the retail food service operations transitioned into University Housing & Dining during FY2012, offset by vacancies and unfilled positions, particularly in residence life, custodial operations, dining operations, and general administration.
- (7) **Utilities:** Utility expenses are lower than budgeted due to reduced consumption of gas, steam, and electricity, particularly during the winter heating season.
- (8) **Cost of Goods Sold:** Cost of goods sold was higher than budgeted due to the increased volume of food and beverage sales in the retail and catering food service operations transitioned into University Housing & Dining during FY2012.
- (9) **Repairs & Maintenance:** Repairs and maintenance expenses are lower than budget primarily due to vacancies in several maintenance positions.
- (10) **Other Operating Expense:** Other operating expenses are lower than budget due to cost savings in the areas of contracted grounds and snow removal, telecommunications and data services, and other miscellaneous general expenses.

Balances:

- (11) **Improvement Fund Balance:** The improvement fund balance is lower than budgeted due to the timing of costs related to projects funded in future years. This is offset by the higher than budgeted balance in the surplus fund.
- (12) **Surplus Fund Balance:** The surplus fund balance is higher than budgeted due to a combination of higher than expected beginning balances coming forward from fiscal year 2011, the higher than budgeted net revenues from operations, and the timing of funding for capital projects in the improvement fund.
- (13) **Bond Reserve Fund Balance:** The balance in the mandatory bond reserve fund as of June 30, 2012 decreased by \$596,681 as a result of the refunding bond issue during FY2012.