



*Maine's
Public
Universities*

UNIVERSITY OF MAINE SYSTEM

FY2012 Actual vs. Budget Internal Financial Reporting

Financial Analysis of Unrestricted Annual Operations

For the year ended 6/30/2012

**UNIVERSITY OF MAINE SYSTEM
FY2012 UNRESTRICTED ANNUAL OPERATIONS**

HIGHLIGHTS

For FY2012, UMS experienced a positive net increase from unrestricted operations of \$8.9 million; the equivalent of 1.7% of the unrestricted annual operating budget.

Institution	Net Increase(Decrease)
UMaine	\$4.346 Million
UMA	\$1.649 Million
UMF	\$ 967 Thousand
UMFK	\$ 0
UMM	\$ 0
UMPI	\$ 420 Thousand
USM	\$ 378 Thousand
System-wide Services	\$1.472 Million
Temporary Investment Income	\$1.682 Million
Employee Benefits	(\$1.970) Million
TOTAL	\$8.944 Million

Major factors impacting the year-end results:

- The temporary investment income budget was \$2.0 million. UMS earned \$3.682 million for a total budget-to-actual positive variance of \$1.682 million.
- In FY2011, the System realized a \$3.4 million surplus in the employee benefit pool - primarily from lower than anticipated employee medical and workers' compensation costs. When the FY2012 benefit budget was developed, the total amount that should be recovered from campuses to offset the estimated benefit cost was reduced by \$3.0 million and resulted in a lower FY2012 benefit rate. Although reducing the FY2012 campus recovery resulted in an estimated \$3.0 million deficit in FY2012, the deficit was only \$1.970 million due to a reduction in the actuarial projection for Other Post-Employment Benefits. This deficit was mitigated by the utilization of the FY2011 surplus.
- System-wide Services increase includes \$2.1 million in FY2012 strategic funds that will be utilized in FY2013 to mitigate the tuition freeze and to fund Board of Trustee "Goals and Actions" projects. This increase was offset by \$589 thousand in start-up costs for the Chief Information Security Office; although not included in the FY2012 budget, the System had planned to utilize reserves.
- Energy costs were \$5.968 million below budget as the result of a mild winter, various energy-saving initiatives, and contracting for fuel and electricity below the anticipated price.
- Average FTE enrollments for Fall 2011 and Spring 2012 were 1.0% (226 FTE) below budget.
- Average residence hall occupancy for Fall 2011 and Spring 2012 was 5.2% (331 students) below budget.

University of Maine System
FY2012 FTE ENROLLMENT

	<u>FY2011 ACTUAL</u>	<u>FY2012 BUDGET</u>	<u>FY2012 ACTUAL</u>	<u>VARIANCE</u>	
				<u>#</u>	<u>%</u>
<u>Fall</u>					
UMaine	9,358	9,137	9,120	(17)	(0.2%)
UMA	2,805	2,804	2,823	19	0.7%
UMF	2,003	1,947	1,983	36	1.8%
UMFK	705	698	702	4	0.6%
UMM	569	597	537	(60)	(10.1%)
UMPI	1,044	997	997	0	0.0%
USM	7,051	7,051	6,764	(287)	(4.1%)
Total	<u>23,535</u>	<u>23,231</u>	<u>22,926</u>	<u>(305)</u>	<u>(1.3%)</u>
<u>Spring</u>					
UMaine	8,662	8,561	8,391	(170)	(2.0%)
UMA	2,749	2,668	2,824	156	5.8%
UMF	1,847	1,777	1,849	72	4.1%
UMFK	687	680	685	5	0.7%
UMM	520	548	548	0	0.0%
UMPI	967	932	935	3	0.3%
USM	6,629	6,629	6,417	(212)	(3.2%)
Total	<u>22,061</u>	<u>21,795</u>	<u>21,649</u>	<u>(146)</u>	<u>(0.7%)</u>
<u>Average</u>					
UMaine	9,010	8,849	8,756	(94)	(1.1%)
UMA	2,777	2,736	2,824	88	3.2%
UMF	1,925	1,862	1,916	54	2.9%
UMFK	696	689	694	5	0.7%
UMM	545	573	543	(30)	(5.2%)
UMPI	1,006	965	966	2	0.2%
USM	6,840	6,840	6,591	(250)	(3.6%)
Total	<u>22,798</u>	<u>22,513</u>	<u>22,288</u>	<u>(226)</u>	<u>(1.0%)</u>

University of Maine System
FY2012 RESIDENCE HALL OCCUPANCY

	FY2011 ACTUAL	FY2012 BUDGET	FY2012 ACTUAL	VARIANCE	
				#	%
<u>Fall</u>					
UMaine	3,414	3,462	3,405	(57)	(1.6%)
UMA	-	-		-	-%
UMF	1,089	1,100	1,053	(47)	(4.3%)
UMFK	190	200	205	5	2.5%
UMM	260	284	254	(30)	(10.6%)
UMPI	307	285	301	16	5.6%
USM	1,304	1,274	1,004	(270)	(21.2%)
Total	6,564	6,605	6,222	(383)	(5.8%)
<u>Spring</u>					
UMaine	3,262	3,266	3,270	4	0.1%
UMA	-	-		-	-%
UMF	999	1,000	959	(41)	(4.1%)
UMFK	169	190	169	(21)	(11.1%)
UMM	224	252	227	(25)	(9.9%)
UMPI	285	285	284	(1)	(0.4%)
USM	1,223	1,147	950	(197)	(17.2%)
Total	6,162	6,140	5,859	(281)	(4.6%)
<u>Average</u>					
UMaine	3,338	3,364	3,338	(26)	(0.8%)
UMA	-	-		-	-%
UMF	1,044	1,050	1,006	(44)	(4.2%)
UMFK	180	195	187	(8)	(4.1%)
UMM	242	268	241	(27)	(10.1%)
UMPI	296	285	293	8	2.8%
USM	1,264	1,211	977	(234)	(19.3%)
Total	6,364	6,373	6,042	(331)	(5.2%)

University of Maine System
Unrestricted Annual Operations
FY2012 ACTUAL vs. BUDGET
(\$ 000's)

	FY2011 ACTUAL	FY2012 BUDGET	FY2012 ACTUAL	FY2012 ACTUAL vs. BUDGET VARIANCE	
				\$	%
Operating Revenue					
Tuition & Fee Revenue	\$262,160	\$264,478	\$267,453	\$2,975	1.1%
Dining & Residence Revenue	59,499	60,637	57,401	(3,236)	(5.3%)
Tuition Waivers/Scholarships	(45,435)	(47,340)	(48,743)	(1,403)	3.0%
Net Student Charges Revenue	276,224	277,775	276,111	(1,664)	(0.6%)
State Appropriation	178,960	181,031	181,031	0	0.0%
State Fiscal Stabilization Funds - ARRA	6,541	0	61	61	-%
Other Income	84,894	66,278	75,880	9,602	14.5%
Total Operating Revenue	\$546,619	\$525,084	\$533,083	\$7,999	1.5%
Operating Expense					
Compensation & Benefits (excl. Retiree Health)	\$307,799	\$320,323	\$321,082	(\$759)	(0.2%)
Retiree Health	19,741	23,062	15,262	7,800	33.8%
Fuel & Electricity	19,582	24,273	18,305	5,968	24.6%
Travel	6,040	5,150	6,321	(1,171)	(22.7%)
Contributions & Sponsorships	0	0	10	(10)	-%
Interest Expense	9,131	8,183	8,192	(9)	(0.1%)
Depreciation	28,528	29,028	30,301	(1,273)	(4.4%)
Other Expenses/Transfers	122,300	123,143	120,523	2,620	2.1%
Total Operating Expense	\$513,121	\$533,162	\$519,996	\$13,166	2.5%
Net Increase (Decrease) from Operations	\$33,498	(\$8,078)	\$13,087	\$21,165	(262.0%)
Modified Cash Flow					
Net Increase (Decrease) from Operations	\$33,498	(\$8,078)	\$13,087	\$21,165	
Plus Depreciation	28,161	28,591	29,670	1,079	
Less Capital Expenditures & Reserve Funding	(27,442)	(10,699)	(24,510)	(13,811)	
Less Debt Service Principal	(8,608)	(9,068)	(9,303)	(235)	
Net Change	\$25,609	\$746	\$8,944	\$8,198	

University of Maine System
Unrestricted Annual Operations
FY2012 ACTUAL vs. BUDGET
(\$ 000's)

	FY2011 ACTUAL	FY2012 BUDGET	FY2012 ACTUAL	FY2012 ACTUAL vs. BUDGET VARIANCE	
				\$	%
Operating Revenue					
UMaine	\$254,877	\$245,593	\$251,109	\$5,516	2.2%
UMA	39,183	36,982	39,898	2,916	7.9%
UMF	39,437	39,342	39,491	149	0.4%
UMFK	12,526	12,025	11,855	(170)	(1.4%)
UMM	10,663	11,030	10,387	(643)	(5.8%)
UMPI	17,655	15,826	16,814	988	6.2%
USM	144,921	141,717	138,229	(3,488)	(2.5%)
System-Wide Services	27,357	22,569	25,300	2,731	12.1%
Total Operating Revenue	\$546,619	\$525,084	\$533,083	\$7,999	1.5%
Operating Expenditures (includes capital expenditures utilizing operating funds)					
UMaine	\$248,914	\$245,081	\$246,763	(\$1,682)	(0.7%)
UMA	37,340	36,939	38,249	(1,310)	(3.5%)
UMF	37,896	39,262	38,524	738	1.9%
UMFK	12,526	12,009	11,855	154	1.3%
UMM	10,622	11,030	10,387	643	5.8%
UMPI	16,985	15,826	16,394	(568)	(3.6%)
USM	141,389	141,622	137,851	3,771	2.7%
System-Wide Services	18,727	22,569	22,146	423	1.9%
Employee Benefits	(3,389)	0	1,970	(1,970)	-%
Total Operating Expenditures	\$521,010	\$524,338	\$524,139	\$199	0.0%
Net Inc (Dec) from Operations					
UMaine	\$5,963	\$512	\$4,346	\$3,834	
UMA	1,843	43	1,649	1,606	
UMF	1,541	80	967	887	
UMFK	0	16	0	(16)	
UMM	41	0	0	0	
UMPI	670	0	420	420	
USM	3,532	95	378	283	
System-Wide Services	8,630	0	3,154	3,154	¹
Employee Benefits	3,389	0	(1,970)	(1,970)	²
Net Inc (Dec) from Operations	\$25,609	\$746	\$8,944	\$8,198	

¹ Temporary Investment Income; Strategic Funds for FY2013 Trustee projects & tuition freeze mitigation

² Offset by FY2011 surplus

Variance Analysis by University

UMaine:

\$4.346 Million Net Increase

- UMaine's overall FY2012 net increase from operations is \$4.3 million or \$3.8 million (one-time) above budget. Any FY2012 balances will be used to mitigate serious reductions in the FY2013 budget and one-time commitments.
- Spring FTE enrollments (8,391) were 2.0% below an FTE budget of 8,561 and 3.1% below Spring 2011 actuals. It is important to note that although fall and spring semester budgeted FTE enrollment was not met, UMaine exceeded its out-of-state budgeted credit hours, which directly impacts total revenue.
- Tuition and fee revenue was 1.1% or approximately \$1.3 million above budget despite a decrease in actual vs. budgeted credit hours. Out-of-state credit hour enrollment has offset tuition losses for in-state budgeted tuition. Summer Session continues to be monitored carefully.
- Dining and residence revenue, originally projected to be below budget, actually exceeded budget by 1.2% or \$389 thousand. Efforts continued throughout the year to reduce the cost of dining and residence operations to ensure balanced budgets.
- Additional revenues generated from indirect cost recovery were utilized for additional indirect costs to include replacing capital equipment for researchers, facilities infrastructure needs, and other campus costs.
- An abnormally mild winter resulted in significant fuel and electricity savings (\$3.1 million or 23.9% below budget) which were allocated to capital reserve funding. UMaine maintains its focus on concerted and aggressive conservation efforts.
- UMaine continues to be prudent in its cost containment efforts. Several FY2013 budget items have been committed based upon one-time resources available in FY2012.

UMA:

\$1.649 Million Net Increase

- Fall enrollments were 0.7% (19 FTE) above budget; Spring enrollments were 5.8% (156 FTE) above budget. Tuition and fee revenue, net of financial aid, were \$2.4 million (11.5%) above budget.
- A portion of the additional revenue generated from increased enrollments was utilized for necessary and unanticipated plumbing and electrical repairs as well as a wide range of maintenance projects as UMA attempts to reduce the backlog of deferred maintenance on each of its campuses.
- UMA will utilize a portion of its revenue for one-time capital improvements in FY2013 - including such possible projects as replacing roofs on Jewett Hall and Robinson Hall, renovating the Stoddard House, completing the campus green at UMA Bangor, and further renovating the Fine Arts facility.
- The year-end net increase will help maintain UMA's financial reserves and improve financial ratios as well as position UMA to respond to any future mid-year appropriation reductions and assist the university in moving through what appears to be several very tight fiscal years ahead.

UMF:

\$967 Thousand Net Increase

- Fall enrollments were 1.8% (36 FTE) above budget; Spring enrollments were 4.1% (72 FTE) above budget. When compared to last year, the average enrollment is down slightly as the decline in undergraduate enrollments was greater than the increase in graduate enrollments.
- Fall residence hall occupancy was 4.3% (47 students) below budget; Spring occupancy was 4.1% (41 students) below budget. UMF's net student revenues were slightly below budget (0.4%) due to reduced residence hall occupancy and increased financial aid.
- Due to a mild winter and fuel procured at 80 cents per gallon below budget, energy savings were \$492 thousand or 20.7% below budget. These savings, as well as other savings resulting from the institution of the "milestone plan" were reinvested in capital improvements.

UMFK:

\$0 Net Increase

- Both Fall and Spring credit hours exceeded budget but the mix of in-state and out-of-state students was not as expected. Fall enrollments were 0.6% (4 FTE) above budget and Spring enrollments were 0.7% (5 FTE) above budget. Although in-state credit hours were up, a decrease in out-of-state credit hours contributed to the loss of \$147 thousand (2.1%) in tuition and fee revenue.

- Residence hall occupancy was above budget for the Fall (2.5% or 5 students) but was below budget for the Spring (11.1% or 21 students). With some exceptions allowed, UMFK has implemented a requirement for all first year students to reside on campus starting in the fall of 2012.
- Spending curtailments were implemented as of April 5th for all goods and services (i.e., non-compensation costs) and any requests for spending required review and approval by the CFO or the President.
- Deferred maintenance has resulted in unbudgeted repairs during FY2012. Maintenance costs exceeded budget by \$122 thousand (79.7%) due to emergency repairs.
- As a result of locking in lower fuel prices, a mild winter, and a lower electrical contract in the spring, energy savings of \$16 thousand were realized.

UMM:

\$0 Net Increase

- Despite a 17% increase in first-year students, Fall enrollments were 10.1% (60 FTE) below budget as transfer students and those seeking re-admittance were fewer than projected. Spring enrollments, however, were at budget (548 FTE).
- Major recruitment and retention efforts included the start-up of the new Advising Center, a planned redesign of orientation and first-semester seminars for the fall, and planning for an evening-based community education program designed for local part-time adult learners.
- Residence hall occupancy was below budget for Fall 2011 (30 residents or 10.6%) and Spring 2012 (25 students or 9.9%). When compared to the actual average occupancy for FY2011, however, occupancy is basically flat.
- Energy savings of \$180 thousand or 22.8% were realized as a result of favorable fuel pricing, a mild winter, and the implementation of various energy-saving initiatives.
- Revenue shortfalls due to reduced enrollments were partially offset by position vacancy savings, energy savings, and spending curtailments.

UMPI:

\$420 Thousand Net Increase

- UMPI's tuition and fee revenue exceeded budget by \$372 thousand (4.6%).
- Fall enrollments equaled the budget (997 FTE); Spring enrollments were 0.3% above budget (3 FTE).
- Fall residence hall occupancy was 5.6% (16 students) above budget; Spring occupancy was 0.4% (1 student) below budget. Dining and residence revenues exceeding budget by \$135 thousand (6.7%).
- Increased Gentile Hall memberships and conference activity resulted in additional revenues but were offset by the associated increased expenses.
- Locked-in fuel prices, a mild winter, and a new biomass boiler in the Folsom-Pullen building resulted in energy savings of \$197 thousand (16.9%).
- Operational savings were redeployed for various capital projects and maintenance costs such as roof, sewer, and boiler repairs.

USM:

\$378 Thousand Net Increase

- Tuition and fee revenue was \$1.4 million (1.7%) below budget as enrollments were below budget for the Fall (287 FTE or 4.1%) and the Spring (212 FTE or 3.2%).
- Dining and residence revenue was \$3.0 million (23.1%) below budget. This reflects the decline in residence hall occupancy reported to the Board of Trustees in all FY2012 Financial Forecasts. Spending was reduced but the overall Residence Life operations could not be balanced. The Residence Life deficit was \$1.6 million and was covered by funds from the Residence Life reserve. The balance of the Residence Life reserve as of June 30, 2012 was \$700,000.
- Indirect cost recovery exceeded budget by \$1.0 million (21.9%). USM conservatively budgets for these revenues. The base budget had been reduced in anticipation of reductions in funds available from State contracts. These decreases did not occur until after the end of FY2012.
- As a result of an exceptionally mild winter, conservation efforts, contracting for fuel and electricity at below the anticipated level, and facilities improvements, USM's energy costs were \$1.7 million (39.2%) below budget. USM utilized a portion of these energy savings to help offset the tuition and fee revenue shortfall and the remainder to support energy related infrastructure improvements.
- Cost containment efforts resulted in USM's ability to reallocate funds to support capital projects and maintenance costs addressing roof, HVAC, building envelope, and classroom issues.

System-wide Services:

\$1.472 Net Increase

- This net increase is the result of System-wide Services holding the FY2012 \$2.1 million in strategic funds to mitigate the impact of the FY2013 tuition freeze for the campuses and to fund Board of Trustee “Goals and Actions” projects.
- System-wide Services incurred planned start-up costs for the Chief Information Security Office of \$589 thousand. Although not included in the FY2012 budget, the System planned to utilize reserves to cover these costs.

System Temporary Investment Income:

\$1.682 Million Net Increase

- The FY2012 temporary investment income budget was \$2.0 million. FY2012 temporary investment income, net of expenses, was \$3.682 million or \$1.682 million above budget.

System-wide Employee Benefits:

(\$1.970) Million Net Decrease

- In FY2011, the System realized a \$3.4 million surplus in the employee benefit pool - primarily from lower than anticipated employee medical and workers’ compensation costs. When the FY2012 benefit budget was developed, the total amount that should be recovered from campuses to offset the estimated benefit cost was reduced by \$3.0 million and resulted in a lower FY2012 benefit rate. Although reducing the FY2012 campus recovery resulted in an estimated \$3.0 million deficit in FY2012, the deficit was only \$1.970 million due to a reduction in the actuarial projection for Other Post-Employment Benefits. This deficit was mitigated by the utilization of the FY2011 surplus.