

# THE UNIVERSITY OF IOWA

## Comprehensive Fiscal Report FY 2009

### **GENERAL UNIVERSITY**

Actual General University revenues and expenditures for FY 2009 were less than the revised budget by \$2,684,000 or 0.5%.

### **Revenue**

In June 2009, the University requested a budget adjustment of -\$961,000. This included a revenue increase of \$600,000 and an appropriation reduction of \$6,991,000.

Actual General University tuition revenues were less than the revised budget by approximately \$2,074,000. This represents a variance of 0.8%.

Final FY 2009 indirect cost revenue growth was approximately \$789,000 or 1.8% over the revised budget.

Interest income was under the revised budget by \$1,362,000. This variance is primarily due to lower than expected interest rates and the timing of expenditures during the year.

### **Expense**

Salaries comprise 73% of General University expenditures. Salary expenditures for FY 2009 were at 98.87% of the amount budgeted.

Actual expenditures for Professional and Scientific Supplies were \$3,839,000 below the revised budget. A portion of this variance was a direct result of the net revenue shortfall of \$2,684,000. The balance is the result of collegiate reallocations to Student Aid, Equipment and Building Repairs & Utilities.

Expenditures for Equipment were over the budget by \$1,959,000. This was primarily due to collegiate reallocations to Equipment and greater than anticipated salary savings.

General University expenditures for Student Aid were over budget by \$2,391,000 or 4.5%. This was due to reallocations within the colleges. Expenditures for Student Aid were 20.6% of actual tuition revenues.

General University expenditures for Building Repairs were \$4,086,000 over budget which were funded from collegiate reallocations. Examples of significant Building Repairs projects accomplished in FY 2008 include Old Capital Mall Phase 2 Occupancy, Data Center, Dental Science Building Addition, University-wide classroom and laboratory renovations, security enhancements, and fire, life safety and environmental projects.

Utilities were \$3,171,000 under budget.

**Reallocations**

As reported in the FY2009 Final Budget, the University of Iowa planned to reallocate \$6,530,000. As indicated in the schedule below, all reallocations occurred as intended.

These reallocations provided partial funding to help meet faculty and staff salary and benefit increases, and funded other unavoidable cost increases outlined below.

FY2009 was the fourth year in which reallocated funds were retained and redistributed during the course of the year by the Provost across collegiate units to support University-wide strategic initiatives. This funding, totaling \$1M, supported a broad spectrum of initiatives. Examples of these initiatives include: programs to promote diversity including the Faculty Diversity Opportunity Program; programs to enhance the undergraduate experience including the Honors Program, freshman seminars and technical communication programs; and programs to expand access to University Library resources.

**THE UNIVERSITY OF IOWA**  
**General Education Fund**  
**FY 2009 Reallocations**

	<u>Final Budget</u> (Form 1B)	<u>Actual</u>	<u>Change</u>
<b><u>SOURCE</u></b>			
Collegiate and Administrative Units	5,530,000	5,530,000	-
Collegiate Units (Provost Targeted Reallocation)	1,000,000	1,000,000	
<b>Total Source</b>	<b><u>\$ 6,530,000</u></b>	<b><u>\$ 6,530,000</u></b>	<b><u>\$ -</u></b>
<b><u>EXPENSE</u></b>			
<b>Core Salary/Benefits Increases:</b>			
P & S Compensation and Fringe Benefits	783,000	783,000	-
Graduate Assistants Compensation and Fringe Benefits	60,000	60,000	-
Graduate Assistants Scholarships	109,000	109,000	-
Merit Compensation and Fringe Benefits	663,000	663,000	-
Merit Annualization and Fringe Benefits	80,000	80,000	-
Subtotal	<u>1,695,000</u>	<u>1,695,000</u>	<u>-</u>
<b>Investment in Faculty:</b>			
Faculty Compensation and Fringe Benefits	374,000	374,000	-
Faculty Compensation Annualization	77,000	77,000	-
Provost Targeted Reallocation	500,000	500,000	-
Subtotal	<u>951,000</u>	<u>951,000</u>	<u>-</u>
<b>Investment in Students:</b>			
Provost Targeted Reallocation	500,000	500,000	-
<b>Renewing Environments for Learning and Research:</b>			
Utilities	1,495,000	1,495,000	-
Security/Collegiate/Administrative Support Commitments	460,000	460,000	-
Opening New Facilities	810,000	810,000	-
Library Acquisitions	255,000	255,000	-
Equipment	31,000	31,000	-
Building Renewal	333,000	333,000	-
Subtotal	<u>3,384,000</u>	<u>3,384,000</u>	<u>-</u>
<b>Total Expense</b>	<b><u>\$ 6,530,000</u></b>	<b><u>\$ 6,530,000</u></b>	<b><u>\$ -</u></b>

## **HEALTH CARE UNITS**

### **Supplemental Appropriation**

In addition to the \$27.3M of appropriation funds authorized in FY09 to support IowaCare, the legislature also approved funding of up to an additional \$36M to support services provided in FY 2009 for Iowa Care patients. Due to the delay in cash receipts compared to the provision of patient services, a \$4M variance occurs in supplemental appropriations. The \$31.8M of cash received is comprised of \$10.8M for services provided in FY08 and \$21M for services provided in FY09. An additional \$9.4M in receipts is anticipated in FY10 for services provided in FY09.

### **Federal Support**

The ability to carry over funding for one year and a timing difference in the receipt of grant funding contributes to this variance.

### **Sales and Services**

Due to the downturn in the economy, a significant change in patient payor mix and therefore reimbursement was experienced in FY09. In addition, some reductions in patient volume occurred for elective, non-urgent services. UIHC implemented aggressive cost reduction efforts to offset this reduction in revenue.

### **Salaries**

Due to the decline in patient revenue, UIHC implemented an aggressive plan to reduce costs. This plan, which was reviewed with the Board of Regents throughout FY09, included the establishment of a hiring board to review all requests for new and replacement staff, reduction in the use of overtime, salary reductions by senior leadership and productivity monitoring by flexing staff effort coordinate with changes in volume. These cost reduction efforts allowed UIHC to offset the decline in revenues.

### **Professional & Scientific Supplies and Services**

Cost reduction efforts for non-labor included continued emphasis on supply chain initiatives to achieve volume discounts and best pricing for contracts, elimination of free parking for outpatients, closure of specific dining services, elimination of non-critical travel, defer replacement of non-critical equipment. These cost reduction efforts allowed UIHC to offset the decline in revenues.

## **OTHER APPROPRIATED UNITS**

### **Oakdale Campus**

Both revenue and expense for the Oakdale unit were 99.10% of the original budget.

### **Hygienic Laboratory**

Both revenue and expense for the Hygienic Laboratory unit were 99.7% of the original budget.

### **Family Practice Program**

Both revenue and expense for the Family Practice Program unit were 99.39% of the original budget

### **Special Purpose Appropriations**

FY 2009 Special Purpose revised appropriations were as follows:

Primary Health Care	\$807,680
Ag Health & Safety	126,713
State of Iowa Cancer Registry	185,514
Substance Abuse	69,113
Non-Profit Resource Center	202,301
Biocatalysis	900,775
Advance Drug Development	118,278
Technology Innovation Center	46,880
Oakdale Research Park	99,167
Iowa Registry for Congenital and Inherited Disorders	47,656
Total	<u>\$2,604,077</u>

Both revenue and expense for each of the Special Purpose units were 100% of the revised budget.

## **RESTRICTED FUNDS**

The FY 2009 Restricted Fund budget was provided to the Board in August 2008. It was based upon the most current information available to inform revenue and expenditures projections for each of the funds contained therein. 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 expenditure plan provided for salary 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.

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.

## **Revenue**

### **State Appropriations**

Included in Restricted Funds were three appropriations from the General Assembly for FY 2009.

Tuition replacement funding in the amount of \$11,154,357 was appropriated to address debt service on outstanding Academic Building Revenue Bonds, of which \$285,344 was booked as a receivable.

A total of \$18,803,000 of capital appropriations was drawn during FY 2009 for the new University Hygienic Lab and for architectural and engineering planning associated with the new Iowa Institute for Biomedical Discovery building.

The FY 2009 Restricted Fund budget contained \$1,925,000 from the Grow Iowa Values Fund for new economic development. Due to a reversion in FY 2009, this amount was reduced to \$1,535,717. The table below indicates expenses during FY 2008 related to the economic development appropriation:

### **Spending in FY 2008**

	<u>FY 2007 Appropriation</u>	<u>FY 2008 Appropriation</u>	<u>Total</u>
GIVF *	\$1,434,000	\$1,414,000	\$2,848,000

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

Additional detail regarding FY 2009 GIVF expenditures and attendant match as well as planned programming for FY 2010 and beyond is available from the Office of the Vice President for Research and is reported to the Board quarterly.

## Federal Support

The current Restricted Fund includes sponsored activities, predominantly research and student financial aid funded from federal and other external sources. Federal Support was approximately 14.1% over the budgeted amount. The University established a budget for FY 2009 grants and contracts based on experience in the past several years. 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 Funds 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 \$134,000,000. The actual amount of bonds sold in FY 2009 totaled \$75,000,000. \$15,000,000 of Notes payable for flood recovery were not anticipated when the FY 2009 budget was developed. The following sales were budgeted in FY 2009 but were not sold:

- Utility System \$50,000,000
- Athletics – Carver Hawkeye Arena \$25,000,000

## Other Income

Other Income was 5.4% higher than the amount budgeted. This variance is primarily due to a conservative original budget; higher than anticipated Medicine and Dentistry Practice Plan revenues; interest, dividends, and capital gains and losses; as well as commissions and royalties.

The Other Income revenue category consists of the following components:

Non-Federal Gifts, Grants and Contracts	\$114.0 M
Medicine and Dentistry Practice Plans	\$ 21.4 M *
Interest, Dividends and Capital Gains and Losses	\$ 31.5 M
Workshops and Seminars	\$ 6.9 M
Commissions and Royalties	\$ 21.8 M
Rental of Equipment	\$ 4.9 M
Parking Fines	\$ .9 M
Other Miscellaneous Revenue	\$ 8.9 M

\*This includes transfers from agency fund operations only. FY 2009 total revenues for the Medical Practice Plan were \$203,441,000 and \$13,550,000 for the Dentistry Practice Plans.

## **Expense**

Actual total expenses for FY 2009 were under budget by \$116,067,000 or 12.0%.

Although expenditures were higher than anticipated in several categories including Salaries, Supplies, Building Repairs and Debt Service, these increases were offset somewhat by lower than expected expenses in Rentals, Utilities, Equipment and Student Aid.

## **Plant Capital**

The variance in plant capital expenditures is the result of adjustments in earlier projections of construction schedules.

**The University of Iowa  
Department of Athletics  
FY08 Budget to Actual Variance Analysis**

**Revenue:**

- a) **Football**  
Football revenue was above budget because of higher than anticipated season ticket sales.
- b) **Men's Basketball**  
Men's basketball revenue was below budget due to lower than anticipated single game ticket sales.
- c) **Multi Media Income**  
The rights fees earned by the UI Department of Intercollegiate Athletics were less than anticipated in the budget as a result of the transition into the multi-media relationship with Learfield and the UI's decisions on sponsorship relationships with some advertisers.
- d) **Athletic Conference Distribution**  
This increase is attributable to having two football teams in the Bowl Championship Series (BCS).
- e) **Interest**  
The increase in interest revenue is due to an increase in Facility Enterprise cash balances due to earlier receipt of premium seating revenues from the UI Foundation, BigTen Network revenues and Media rights contracts as well as an increase in the operating reserve fund.
- f) **Novelties (Licensing)**  
Revenue was above budget due to enrollment growth and success of the teams.

**Expense:**

- g) **Men's Basketball**  
The variance in Basketball expense is due to transition expenses for the new coaching staff.
- h) **Women's Basketball**  
Expenses associated with team travel and recruiting were higher than anticipated.
- i) **Volleyball**  
Expenses for team travel were less than originally anticipated.
- j) **Women's Other Sports**  
The variance is mainly attributable to higher medical costs and team travel costs.
- k) **Administrative and General Expenses**  
The variance is attributable to higher than anticipated computer costs, and additional compensation paid to coaches and staff based on achievement incentives.
- l) **Academic & Counseling**  
The variance is primarily attributable to unfilled permanent salaried positions. All vacant positions are expected to be filled by January 2009.
- m) **Buildings & Grounds**  
The variance is mainly attributable to higher utility and maintenance expenses for all Athletic venues.

**UNIVERSITY OF IOWA**  
**ATHLETIC BUDGET SUMMARY**

	FY 08 Budget	FY 08 Actuals	Variance	Explanation Reference
<b><u>INCOME:</u></b>				
<b>Men's Sports</b>				
Football	\$ 16,513,500	\$ 17,481,842	\$ 968,342	a
Basketball	3,250,000	2,872,458	(377,542)	b
Wrestling	276,000	274,914	(1,086)	
All Other	7,000	12,864	5,864	
<b>Total Men's Sports</b>	<b>\$ 20,046,500</b>	<b>\$ 20,642,078</b>	<b>\$ 595,578</b>	
<b>Women's Sports</b>				
Basketball	\$ 175,000	\$ 127,028	\$ (47,972)	
Volleyball	10,000	10,459	459	
All Other	13,000	7,453	(5,547)	
<b>Total Women's Sports</b>	<b>\$ 198,000</b>	<b>\$ 144,940</b>	<b>\$ (53,060)</b>	
<b>Other Income</b>				
Rec Facilities Debt Service/Student Fees (1)	\$ 1,500,000	\$ 1,487,795	\$ (12,205)	
Learfield Multi Media Contract Income	4,821,700	4,575,794	(245,906)	c
Athletic Conference	18,448,000	18,781,140	333,140	d
University General Fund Support	-	-	-	
Financial Aid Set Aside from Athlete Tuition	800,000	800,000	-	
Interest	350,000	1,316,883	966,883	e
Foundation Support	7,192,026	6,855,735	(336,291)	
Foundation Premium Seat Revenue	5,100,000	5,100,000	-	
Novelties--Bookstore	1,500,000	1,833,494	333,494	f
General Income	1,598,000	1,633,469	35,469	
<b>Total Other Income</b>	<b>\$ 41,309,726</b>	<b>\$ 42,384,310</b>	<b>\$ 1,074,584</b>	
<b>TOTAL INCOME</b>	<b>\$ 61,554,226</b>	<b>\$ 63,171,327</b>	<b>\$ 1,617,101</b>	
<b><u>EXPENSES:</u></b>				
<b>Men's Sports</b>				
Football	\$ 13,475,363	\$ 13,434,545	\$ (40,818)	
Basketball	4,036,213	4,151,926	115,713	g
Wrestling	955,138	974,562	19,424	
Other Sports	3,374,776	3,336,113	(38,663)	
<b>Total Men's Sports</b>	<b>\$ 21,841,489</b>	<b>\$ 21,897,146</b>	<b>\$ 55,657</b>	
<b>Women's Sports</b>				
Basketball	\$ 2,479,774	\$ 2,601,183	\$ 121,409	h
Volleyball	1,039,529	1,001,256	(38,273)	i
Other Sports	6,488,158	6,621,690	133,532	j
<b>Total Women's Sports</b>	<b>\$ 10,007,461</b>	<b>\$ 10,224,129</b>	<b>\$ 216,668</b>	
<b>Other Expenses</b>				
Training Services	\$ 1,234,762	\$ 1,228,261	\$ (6,501)	
Sports Information	619,787	686,184	66,397	
Admin. & General Expenses	8,596,685	8,845,969	249,284	k
Facility Debt Service	8,083,894	8,385,737	301,843	
Transfer - Enterprise Reserve/Contingency	2,000,000	2,000,000	-	
Contribution for Joint Recreation Projects	1,000,000	1,000,000	-	
Academic & Counseling	1,569,371	1,383,541	(185,830)	l
Buildings & Grounds	6,600,777	7,153,061	552,284	m
<b>Total Other Expenses</b>	<b>\$ 29,705,276</b>	<b>\$ 30,682,753</b>	<b>\$ 977,477</b>	
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 61,554,226</b>	<b>\$ 62,804,028</b>	<b>\$ 1,249,802</b>	
<b>TOTAL OPERATING BALANCE (2)</b>	<b>\$ -</b>	<b>\$ 367,299</b>	<b>\$ 367,299</b>	

(1) Student fees attributable to recreation as a part of joint recreation/athletic projects.

(2) The balance will partially fund the Recreation Building capital project as described in the Carver Hawkeye Arena 20 Year Financing Plan proforma.

**The University of Iowa  
University Residence System  
FY08 Budget to Actual Variance Analysis**

- (1) Contract Revenues: Contract revenues are higher than budgeted due to an increase in the actual number of room and board contracts over the budgeted number of contracts. The original budget for FY2008 was based upon fall residence hall occupancy of 5,576, board contracts numbering 5,675, and 680 occupied apartments. When budgeting for room and board contracts, it is the department's procedure to not budget for temporary housing. As of September 7, 2007, there were 71 more room contracts, 271 more board contracts, and 4 more apartment contracts than budgeted.
- (2) Interest Income Revenues: FY2008 investment income was \$79,994 higher than budgeted due to a higher than expected distribution rate, combined with higher balances available for investment (due to deferred capital spending and higher cash balances from FY2007).
- (3) Other Income Revenues: Summer conference room and board revenues for summer 2008 were lower than budgeted due to the flood.
- (4) Salaries, Wages & Benefits: Salaries and wages expense was lower than budgeted due to numerous vacancies and unfilled positions, particularly in the areas of residence life, custodial operations, and general administration.
- (5) Utilities: Actual utility consumption (particularly steam, water and sewer) was much lower than estimates made at the time of the FY2008 budget preparation.
- (6) Cost of Goods Sold: Food costs exceeded budgeted amounts for FY2008, consistent with the increased volume at the marketplaces, due to the higher number of board contracts sold.
- (7) Repairs & Maintenance: Repairs and maintenance costs fell below budget, due primarily to costs related to the flood charged directly to specific flood accounts outside of the residence system. During the latter half of June, nearly all maintenance efforts were directed toward flood relief rather than typical summer maintenance work.
- (8) Other Operating Expense: Other operating expenses exceeded the budgeted amount due to an accounting change related to the treatment of board plans for the department's live-in staff. For the 2008 original budget, these costs were not included in the Other Operating Expense category.
- (9) Voluntary Reserve Balance: The voluntary reserve balance as of June 30, 2008, is \$710,767 higher than originally budgeted due to the higher than budgeted net income from operations of \$1.4 million, offset by increased spending from reserves for capital projects.

**The University of Iowa  
University Residence System  
Comparison of Budget vs Actual  
FY 2007-2008**

	<u>Actual 2007-2008</u>	<u>Board Approved Budget 2007-2008</u>	<u>Over / (Under) Budget</u>	
<b>OPERATIONS (Modified Cash Basis)</b>				
Revenues	\$ 45,109,482	\$ 44,386,064	\$ 723,418	
Expenditures for Operations	30,870,381	31,556,261	(685,880)	
Net Revenues	<u>14,239,101</u>	<u>12,829,803</u>	<u>1,409,298</u>	
% of Revenues	31.6%	28.9%		
Debt Service (due July 1)	4,968,395	4,968,395	-	
Mandatory Transfers	600,000	600,000	-	
Net After Debt Service & Mandatory Transfers	<u>\$ 8,670,706</u>	<u>\$ 7,261,408</u>	<u>\$ 1,409,298</u>	
% of Revenues	19.2%	16.4%		
 University Overhead Payment From Surplus	 \$ 438,552	 \$ 438,552	 \$ -	
<b>REVENUES AND EXPENDITURES DETAIL</b>				
<b>Revenues</b>				
Contracts	\$ 40,680,495	\$ 39,942,150	\$ 738,345	(1)
Interest	1,072,413	992,419	79,994	(2)
Other Income	3,356,574	3,451,495	(94,921)	(3)
Total Revenues	<u>\$ 45,109,482</u>	<u>\$ 44,386,064</u>	<u>\$ 723,418</u>	
<b>Expenditures for Operations</b>				
Salaries, Wages & Benefits	12,092,866	12,706,762	(613,896)	(4)
Utilities	4,945,359	5,243,497	(298,138)	(5)
Cost of Food or Goods Sold	4,175,768	4,050,065	125,703	(6)
Repairs & Maintenance	3,811,225	4,021,042	(209,817)	(7)
Other Operating Expense	5,845,163	5,534,895	310,268	(8)
Total Expenditures	<u>\$ 30,870,381</u>	<u>\$ 31,556,261</u>	<u>\$ (685,880)</u>	
<b>RESIDENCE SYSTEM FUND BALANCES (June 30)</b>				
Revenue Fund	\$ -	\$ -	\$ -	
Operation & Maintenance Fund	1,000,000	1,000,000	-	
Improvement Fund	11,092,631	10,126,000	966,631	
Surplus Fund	858,065	1,113,929	(255,864)	
Subtotal--Voluntary Reserves	<u>12,950,696</u>	<u>12,239,929</u>	<u>710,767</u>	(9)
Sinking Fund	-	-	-	
Bond Reserve Fund	5,180,855	5,180,855	-	
Construction Fund	-	-	-	
Subtotal--Mandatory Reserves	<u>5,180,855</u>	<u>5,180,855</u>	<u>-</u>	
<b>Total Reserve Balances (June 30)</b>	<u>\$ 18,131,551</u>	<u>\$ 17,420,784</u>	<u>\$ 710,767</u>	