

## **DISCUSSION ITEM**

### **Agenda Item No. 5.2**

## **Updated Forecast of the 2017-18 Education and General Operating Fund Budget**

### **Summary**

Because of business cycle timing issues relating to the September 30<sup>th</sup> close of the Q1 each year and the start of Fall Term during the last week of September little information is available to base meaningful budget forecasts. After the October month-end close and the fall fourth-week census date this information becomes available. This docket item, and attached report provides an updated forecast on Oregon Tech's General Fund financial position and major changes from the Board adopted FY18 budget.

### **Background**

With the expansion of the Budget and Resource Planning Office additional resources have allowed for the development of more sophisticated and structured budget reporting and forecasting. This includes internal monthly reporting, trend analysis and year-end forecasting for the General Fund. This structure will be expanded to the Auxiliaries in the coming months, and further developed for all funds. The attached document provides the most recent (October) monthly report.

Because of timing issues the first quarter of every fiscal years closes before significant information is available to provide accurate budget forecasts with the highly periodic nature of university business cycles. Final Fall Term enrollment is not known until the fourth week of the term, and consequently tuition revenues. This typically falls during mid- to late-October. There can be significant shifts in course loading and class offerings during this period as sections are added, or less frequently eliminated due to unanticipated demand. This can affect labor and overload expenses. Because of this key information needed to accurately forecast yearly revenues and expenses is not available at the close of Q1 when Quarterly Management Reports are distributed to the Finance & Facilities Committee this report is being distributed to ensure accurate and up-to-date information is available.

The leadership team has approached this year with a focus on delaying and holding back unnecessary expenses and shifting investments within, or below, current budgeted amounts where possible. This effort is creating additional fiscal space for strategic investments aligned with the goals established by the President and endorsed by the Board at its October 26, 2017 meeting which will drive growth or reduce operating costs over the next several years.

### **Forecast Highlights**

Highlights from the October General Find Report:

- State allocations are significantly above budget.

- Tuition revenue is ahead of last year by 3.6%, however it is significantly below forecast.
- Remissions are on pace with prior year spending, though are below budget.
- Significant unfilled positions continue to contribute to the bottom line, however create strategic risks within certain departments and many searches are underway or will commence in the coming months.
- S&S is ahead of last year, though forecast to be below budget.
- Prior year net S&S savings have been rolled over into Divisional budgets and are expected to be expended this fiscal year, causing Capital Expense and Service & Supplies budgets to increase over the coming months.
- Change in Fund Balance is anticipated to be negative \$1.7 million, however this is significantly ahead of the Board adopted budget. It should be noted that this is an early forecast and either strategic outlays may occur or anticipated cost savings may not be fully realized impacting overall performance.

**Staff Recommendation**

For discussion purposes only. No action required.