



Item: AF: A-4

Tuesday, June 17, 2014

**SUBJECT: APPROVAL OF THE FLORIDA ATLANTIC UNIVERSITY
2014- 15 OPERATING BUDGET.**

PROPOSED BOARD ACTION

Approval of Florida Atlantic University's 2014-15 Operating Budget to the Board of Trustees (BOT). The Operating Budget consists of Educational and General (General Revenue, Student Fees, and Education Enhancement); Student Financial Aid; Grants and Contracts; Auxiliary Enterprises; Athletics Local; Student Government; and, Concession. Delegate to the University President, the authority to amend these budgets as appropriate during the fiscal year consistent with Legislative, Board of Governors' and Board of Trustees' directives and guidelines.

BACKGROUND INFORMATION

The University President is required to prepare an annual budget for approval by the BOT. Authority for the University President to amend the budget is necessary to accommodate changes in revenues, expenditures, statutory budget changes, salary increases, health insurance increases, retirement rate increases, and technical amendments without the need for the Board of Trustees' approval each time these modifications are made.

IMPLEMENTATION PLAN/DATE

July 1, 2014.

FISCAL IMPLICATIONS

The operating budget governs the University's expenditures during the year. This budget is required to be approved by the Board of Trustees prior to July 1, 2014.

Supporting Documentation: PowerPoint Presentation: FAU 2014-15 Budget Presentation.

Presented by: Ms. Dorothy Russell, V.P. for Financial Affairs and CFO

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FLORIDA ATLANTIC UNIVERSITY



2014-15 OPERATING BUDGET

June 5, 2014

2014-15 OPERATING BUDGET EXECUTIVE SUMMARY

The 2014-15 Operating Budget of Florida Atlantic University (FAU) is comprised of seven budgetary components:

Educational and General

Student Financial Aid

Contracts and Grants

Auxiliary Enterprises

Athletics Local

Student Government

Concessions

Within the budget development process, methods and techniques are carefully integrated to ensure effective best practices and to validate that decisions are directly tied to the University's strategic goals and objectives in a *value-maximizing* framework. All proposed expenditures are reviewed and evaluated at multiple levels within the organization, from departmental units to the President's Executive Leadership Team and the Board of Trustees Committees. Finally, the operating budget is formally approved and adopted by the full Board of Trustees.

FAU's 2014-15 Operating Expenditure Budget totals \$702,924,867, a decrease of 0.2 percent over the prior year. In order to accurately reflect total revenues within each budgetary component, the 2014-15 budget reflects transfers between units.

Educational and General:

The Educational and General (E&G) Budget supports the academic mission of the university through expenditures for instruction, research, library and learning resources, student services, university support, and physical plant.

Revenue Budget

The 2014-15 E&G Revenue Budget, including the College of Medicine, totals \$293,608,998 which reflects an increase of 4.1 percent over the previous year. The College of Medicine increased by \$1.9 million and all other FAU E&G budget increased by \$9.5 million. The \$9.5 increase includes \$4.2 million budget authority increase for student tuition and fees, derived from the 2013 FAU Work Plan enrollment estimates.

Other key components include (1) \$6.9 million base fund including \$3.7 million for state salary increase program and \$3.2 million for health insurance premium increases and for unfunded actuarial retirement cost; and (2) \$3.5 non-recurring fund including \$2 million for Max Planck Fellowship Program, \$1 million for Tech Runway, and \$0.5 million for Jupiter Bioscience Gateway.

Expenditure Budget

The 2014-15 E&G Expenditure Budget is \$280,809,449 which excludes \$12,799,499 budget authority to collect student tuition and not allocated at this time, pending actual enrollments.

Student Financial Aid:

The Student Financial Aid Budget is comprised of funding from student financial aid fees, support from federal and state financial aid awards, institutional programs, as well as numerous private scholarships. The Student Financial Aid Budget totals \$202,133,102 in projected expenditures, a slight decrease over the prior year.

Contracts and Grants:

The Contracts and Grants Budget is comprised of funding from many sources, including federal, state and local governmental agencies and private organizations. HBOI Foundation expenditures are reflected in the FAU Grants and Contracts budget. Also included are the A. D. Henderson University School and the FAU Foundation Payroll Clearing Fund. The Contracts and Grants budget totals \$55,498,239 in projected expenditures, a decrease of 18 percent, to better reflect actual experience in grant activity.

Auxiliary Enterprises:

The Auxiliary Enterprises Budget is comprised of business and enterprise operations that are self-supporting through user fees, payments, and charges. The range of operations include auxiliaries such as Food Service, Traffic and Parking, the Department of Ocean Engineering Research Boat, the College of Science Machine Shop, and HBOI auxiliary operations. Also included in this budget are the expenditures and revenues of the new technology fee. The Auxiliary Enterprises Budget totals \$125,346,933 in projected expenditures, an increase of 1.4 percent over the prior year.

Athletics:

The Athletics Budget is comprised of funding from student athletic fees, ticket sales to athletic events, game guarantees, corporate sponsorships, National Collegiate Athletic Association distributions and private support and gifts. The Athletics Budget totals \$27,409,563 in projected expenditures, an increase of 6.8 percent over the prior year.

Student Government:

The Student Government Budget is comprised of funding from the activity and service fee paid by students and well as other types of club and program income. The Student Government Budget totals \$11,217,531 in projected expenditures, an increase of 4.8 percent over the prior year due to the anticipated increasing campus activities programs.

Concessions:

The Concessions Budget is comprised of funding derived from concessions operations such as soft drink and snack vending machines. The Concessions Budget totals \$510,000 in projected expenditures, an increase of 6.2% over the prior year due to additional revenues derived from the Coca-Cola contract.

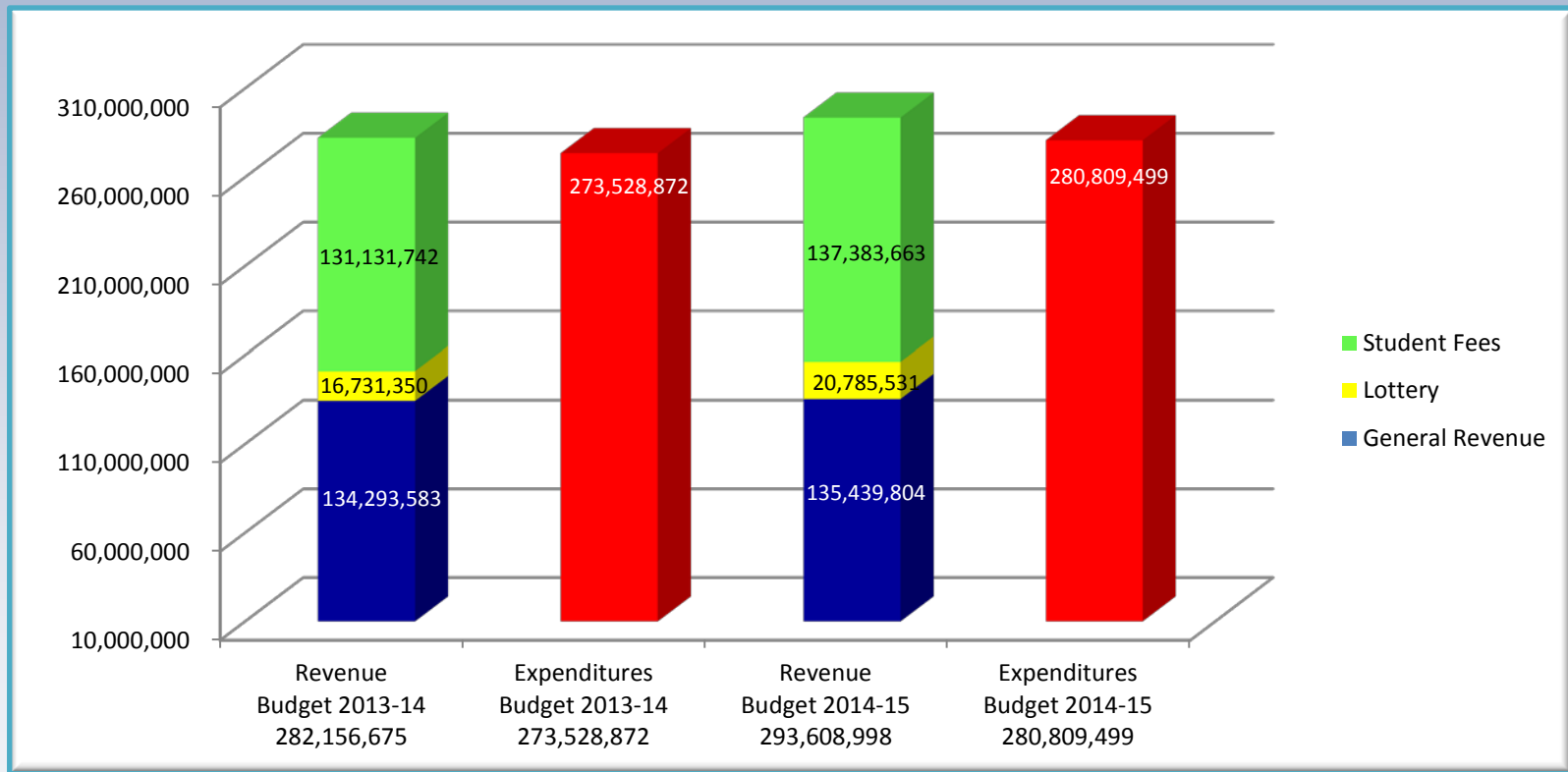
2014-15 Educational & General Budget

	<u>University</u>	<u>Medical School</u>	<u>Total FAU</u>
2013-14 E&G Expenditure Budget	\$ 252,834,801	\$ 20,694,071	\$ 273,528,872
 2013-14 Appropriation/Adjustments			
Fixed Cost: Health Insurance, Retirement, Risk Mgt, Salary Increase program	6,976,029	309,099	7,285,128
Non-recurring funding for projects	3,550,000	(500,000)	3,050,000
New Space	78,537	-	78,537
Performance Funding Reduction 2014-15	(5,213,263)	-	(5,213,263)
Legislative Student Tuition Budget Authority	12,799,499	-	12,799,499
College of Medicine	-	2,080,225	2,080,225
 2014-15 E&G Operating Revenue Budget	 271,025,603	 22,583,395	 293,608,998
Less Student Tuition Budget Authority	(12,799,499)	-	(12,799,499)
 2014-15 E&G Expenditure Budget	 <u>\$ 258,226,104</u>	 <u>\$ 22,583,395</u>	 <u>\$ 280,809,499</u>
 2014-15 Expenditure Budget Change	 <u>\$ 5,391,303</u>	 <u>\$ 1,889,324</u>	 <u>\$ 7,280,627</u>

FLORIDA ATLANTIC UNIVERSITY™

	<u>University</u>
2014-15 Expenditure Budget Change	\$ 5,391,303
Less:	
Fixed Cost -	
Health Insurance, Retirement, Risk Mgt, Salary Increase Program	(6,976,029)
New Space	(78,537)
Non-recurring funding for projects:	
Max Planck Fellowship Program	(2,000,000)
Tech Runway	(1,050,000)
Jupiter Bioscience Gateway	(500,000)
Total Fixed Cost	\$ (10,604,566)
Performance Funding 2013-14	(1,739,130)
Estimate 1% Student enrollment decrease	(1,330,000)
Subtotal	\$ (3,069,130)
2014-15 Estimated Operating Budget deficit funded temporarily from reserves, pending BOG reinstatement of Performance Funding in December 2014 and June 2015	<u>\$ (8,282,393)</u>

Educational & General Operating Budget with Prior Year Comparison



2014-15 Educational and General Five-year Legislative Revenue Budget Summary 2010-11 to 2014-15

<u>University</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General Revenue	\$ 139,233,212	\$ 126,676,960	\$ 91,510,614	\$ 119,757,792	\$ 121,094,914
Lottery	16,411,301	18,199,057	13,896,935	16,731,350	20,785,531
Tuition and Fees*	89,211,858	96,868,244	116,345,659	124,973,462	129,145,158
Federal Stimulus Fund	<u>11,630,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ 256,486,983	\$ 241,744,261	\$ 221,753,208	\$ 261,462,604	\$ 271,025,603
<u>Medical School</u>					
General Revenue			\$ 12,778,503	\$ 14,535,791	\$ 14,344,890
Tuition and Fees*			<u>4,196,880</u>	<u>6,158,280</u>	<u>8,238,505</u>
Subtotal			\$ 16,975,383	\$ 20,694,071	\$ 22,583,395
Total FAU E&G Revenue Budget	<u>\$ 256,486,983</u>	<u>\$ 241,744,261</u>	<u>\$ 238,728,591</u>	<u>\$ 282,156,675</u>	<u>\$ 293,608,998</u>

*Legislative authority to collect student tuition.

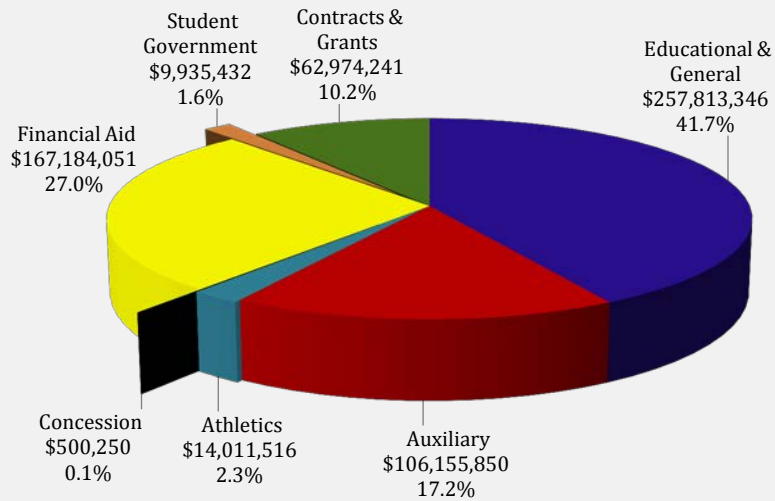
Five-year Expenditure Budget* Summary 2010-11 to 2014-15

Fund Type	2010-11	2011-12	2012-13	2013-14	2014-15	2-year % Change
Educational & General	\$ 257,813,346	\$ 241,532,283	\$ 238,728,591	\$ 273,528,872	\$ 280,809,499	2.7
Student Financial Aid	167,184,051	174,483,578	193,986,305	203,035,641	202,133,102	(0.4)
Contracts & Grants	62,974,241	61,868,134	64,748,439	67,714,890	55,498,239	(18.0)
Auxiliary Enterprises	106,155,850	102,608,700	107,309,457	123,564,043	125,346,933	1.4
Athletics						
Athletics Operations	14,011,516	15,707,021	17,556,053	20,428,407	22,133,710	
Stadium Operations	-	2,534,843	2,793,765	2,607,692	2,594,637	
Stadium Debt Service	-	-	<u>2,620,085</u>	<u>2,619,850</u>	<u>2,681,216</u>	
Total Athletics	14,011,516	18,241,864	22,969,903	25,655,949	27,409,563	6.8
Student Government	9,935,432	9,651,114	9,940,647	10,706,149	11,217,531	4.8
Concessions	<u>500,250</u>	<u>500,250</u>	<u>480,250</u>	<u>480,250</u>	<u>510,000</u>	<u>6.2</u>
TOTAL	<u>\$ 618,574,686</u>	<u>\$ 608,885,923</u>	<u>\$ 638,163,592</u>	<u>\$ 704,685,794</u>	<u>\$ 702,924,867</u>	<u>(0.2)</u>

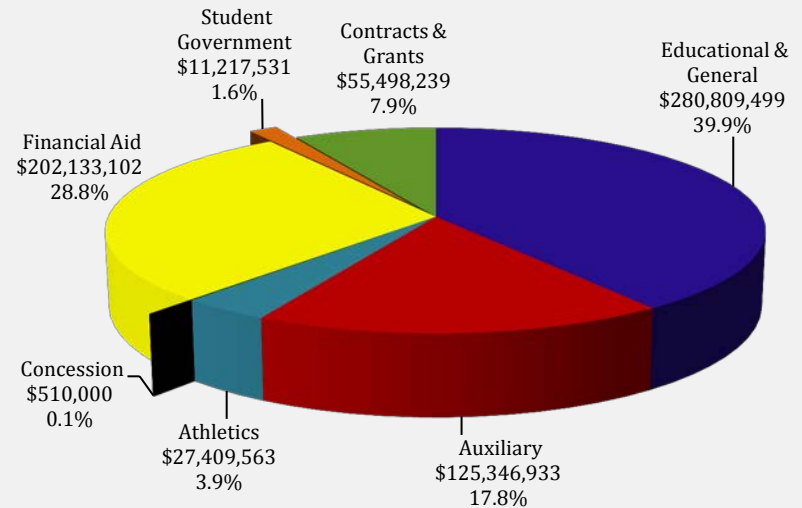
*Includes transfers

Five-year Expenditure Budget Comparison

2010-11 Expenditure Budget - \$618,574,686

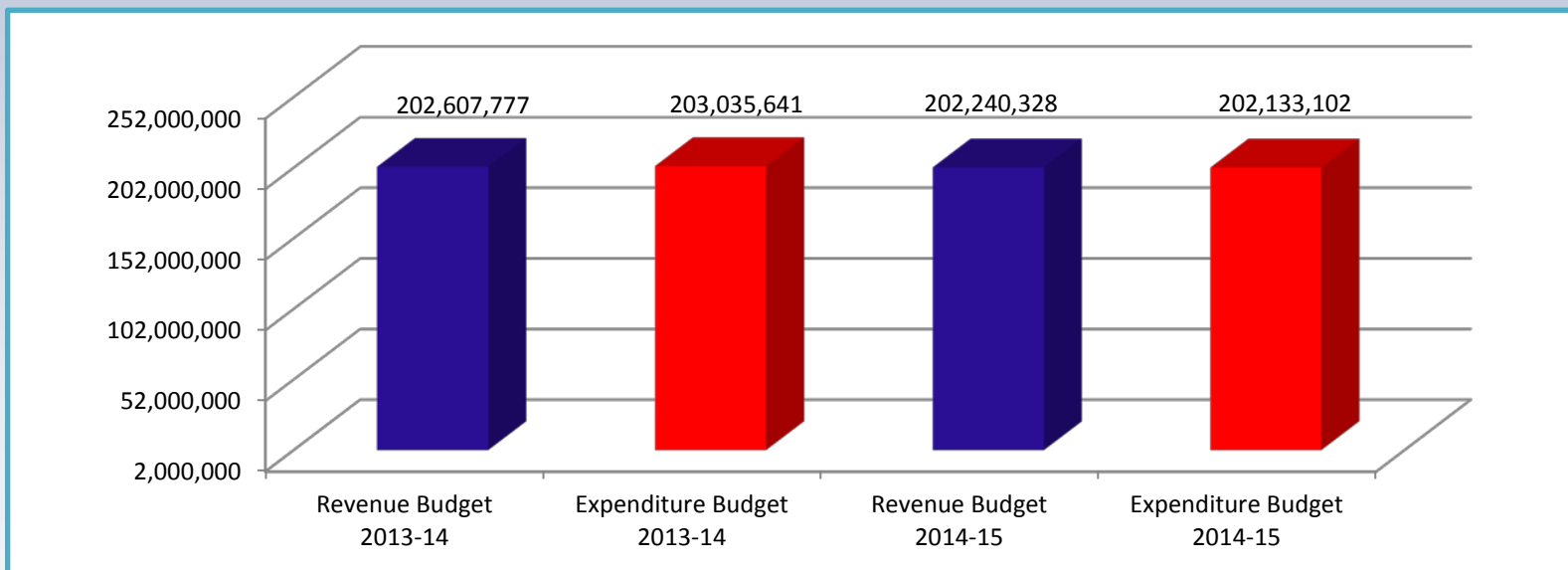


2014-15 Expenditure Budget - \$702,924,867



The Student Financial Aid Budget Highlights

The Student Financial Aid budget largely represents scholarship and loan funds that are received by the University and subsequently disbursed to students. Included in the budget are funding from student financial aid fees as well as financial aid support from all sources such as federal financial aid awards (Pell Grants, Student Educational Opportunity Grants, Perkins Loans, Stafford Loans), state financial aid awards (Bright Futures, Florida Assistance Grants), Institutional Programs (Presidential Awards, MLK Scholarships) and Private Scholarships (FAU Foundation).

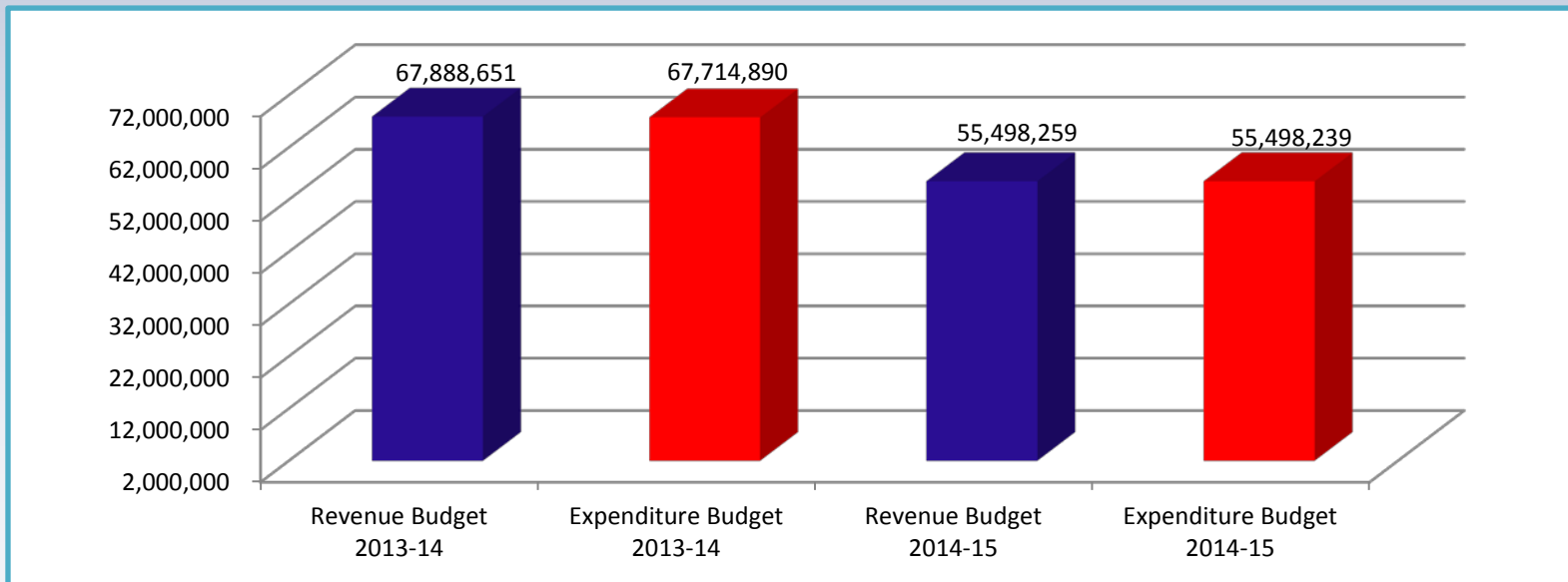


All years include Stafford and Alternative loans.

The Contracts and Grants Budget Highlights

Funding from federal agencies, state agencies, foundations and private sources that enables the University to conduct specific research projects or to provide specific services. The 2014-15 operating expenditure budget represents a decrease of 18 percent from the prior year:

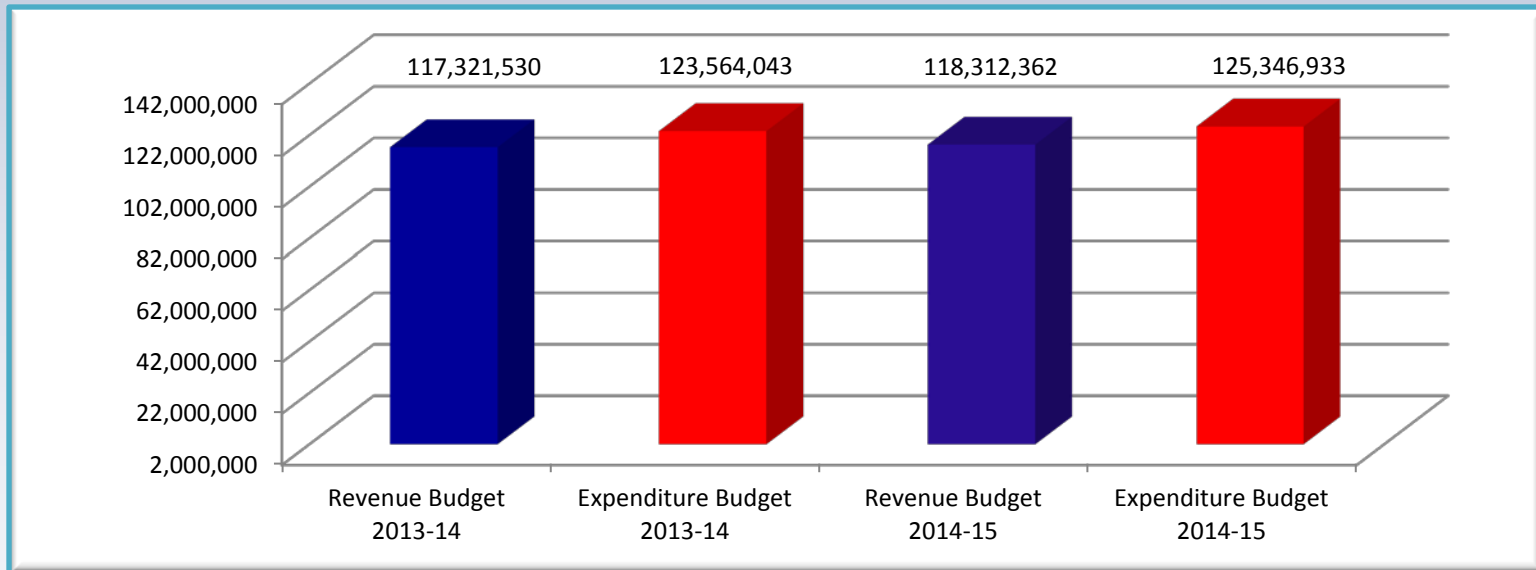
Sponsored Research	\$40,057,419
FAU Foundation, Inc.	8,425,206
HBOI Foundation	80,600
A. D. Henderson School	<u>6,935,014</u>
Total	\$55,498,239



The Auxiliary Enterprises Budget Highlights

University business operations that are self-supporting through user fees, payments and charges. These include: Food Services, Bookstore, Traffic and Parking, Technology Fee expenditure, and others.

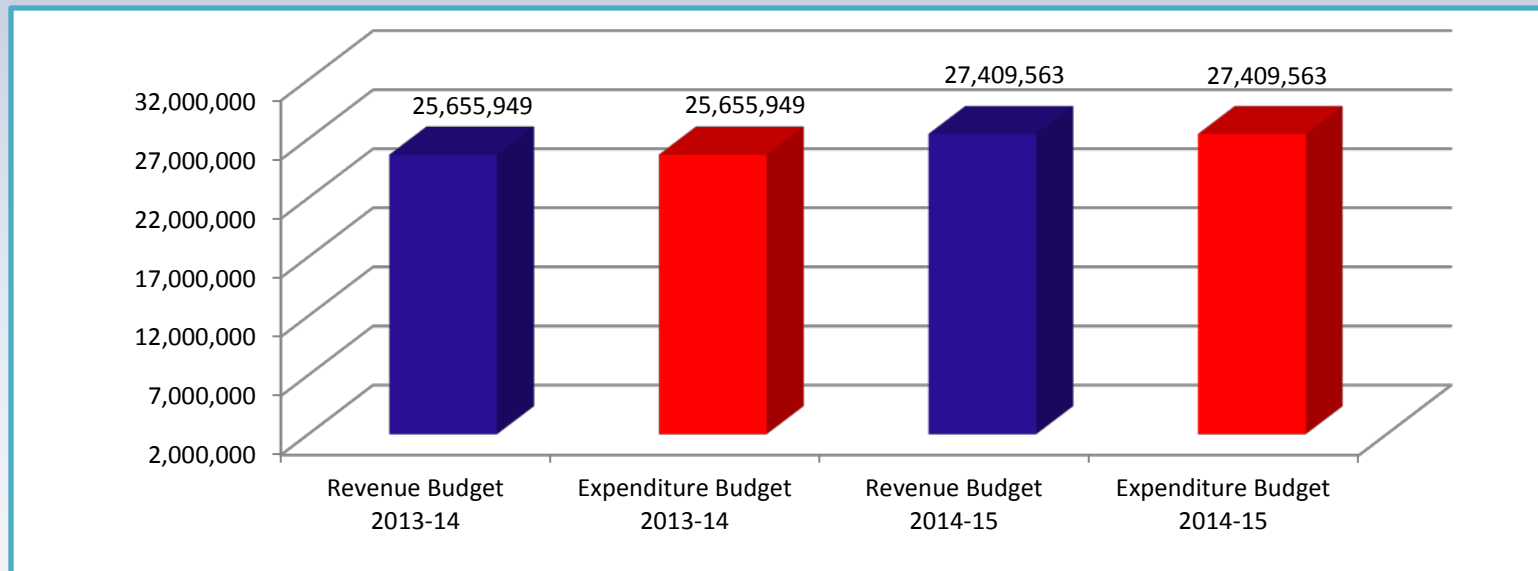
The 2014-15 budget including transfer authority reflects an increase of 1.4 percent which includes budget for College of Business Executive Program due to market rate change, the new residency program for College of Medicine, and Technology Fee Projects.



The Athletics Budget Highlights

The Athletics Operating Budget supports the University's student athletic program. Funding is generated from student athletics fees (\$17.27 per credit hour). Included in FY 2014-15 operating revenues is \$2.1M from Conference USA as well as tickets sales to athletic events, game guarantees, sponsorships and private support.

Major changes to the expenditure budget include increases in recruiting, travel and salaries. The Athletics program distributes \$5.8M in Financial Aid, Title IX, scholarships and out-of -state waivers to students.



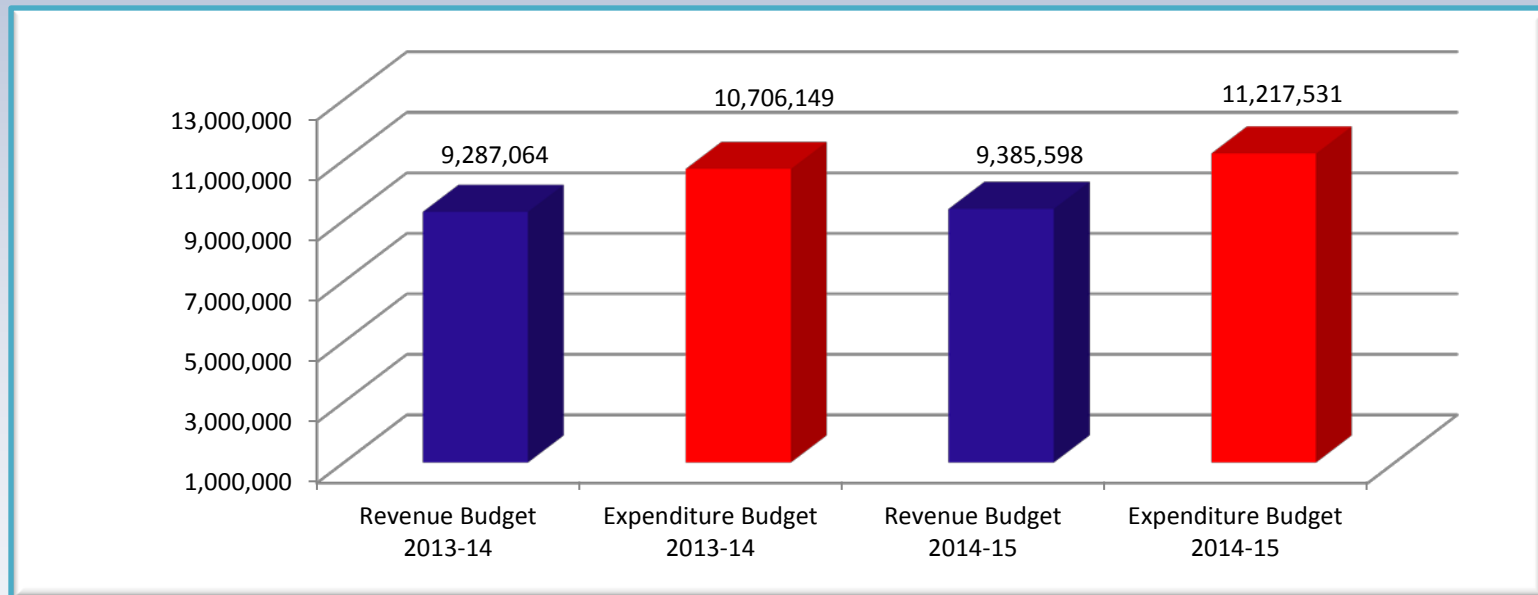
2014-15 Athletics Budget

<u>Revenue Budget</u>	<u>Athletic Operations</u>	<u>Stadium Operations</u>	<u>Total</u>
Ticket Sales/Other Event Tickets	\$ 220,000	\$ 700,000	\$ 920,000
Game Guarantees	1,318,000	1,000,000	2,318,000
NCAA/Conference Distribution	3,100,000	-	3,100,000
Student Fees	10,386,336	535,370	10,921,706
Development/Corporate Sales	1,470,500	563,000	2,033,500
Catering/Concessions	30,000	62,000	92,000
Facilities/Parking	483,000	400,000	883,000
Other Miscellaneous Revenue	50,000	-	50,000
Naming Rights	-	400,000	400,000
Premium Seating	-	400,000	400,000
Title IX, Financial Aid, Waivers	3,301,357	-	3,301,357
Capital Gifts and Scholarships	-	1,100,000	1,100,000
University Support	-	1,890,000	1,890,000
Total Revenue	\$ 20,359,193	\$ 7,050,370	\$ 27,409,563
<u>Expenditure Budget</u>			
Salaries and Benefits	\$ 7,716,262	\$ 220,445	\$ 7,936,707
Utilities/Maintenance/Facility Rental	10,500	528,653	539,153
Replacement/Repairs Fund	404,990	370,000	774,990
Rental Expenses	34,594	250,000	284,594
Memberships	831,150	-	831,150
Pre/Post Housing and Meals	322,869	-	322,869
Game Day Expenses	388,968	426,693	815,661
Equipment/Supplies	1,010,951	54,848	1,065,799
Advertising/Promotions	481,000	250,000	731,000
Insurances	510,000	60,100	570,100
Recruiting/Travel	3,300,280	-	3,300,280
Other Expenses	1,020,897	433,898	1,454,795
Scholarships	4,548,976	-	4,548,976
Title IX, Financial Aid, Waivers	1,301,357	-	1,301,357
Game Guarantees	250,916	-	250,916
Debt Service	-	2,681,216	2,681,216
Total Expense	\$ 22,133,710	\$ 5,275,853	\$ 27,409,563

The Student Activities Budget Highlights

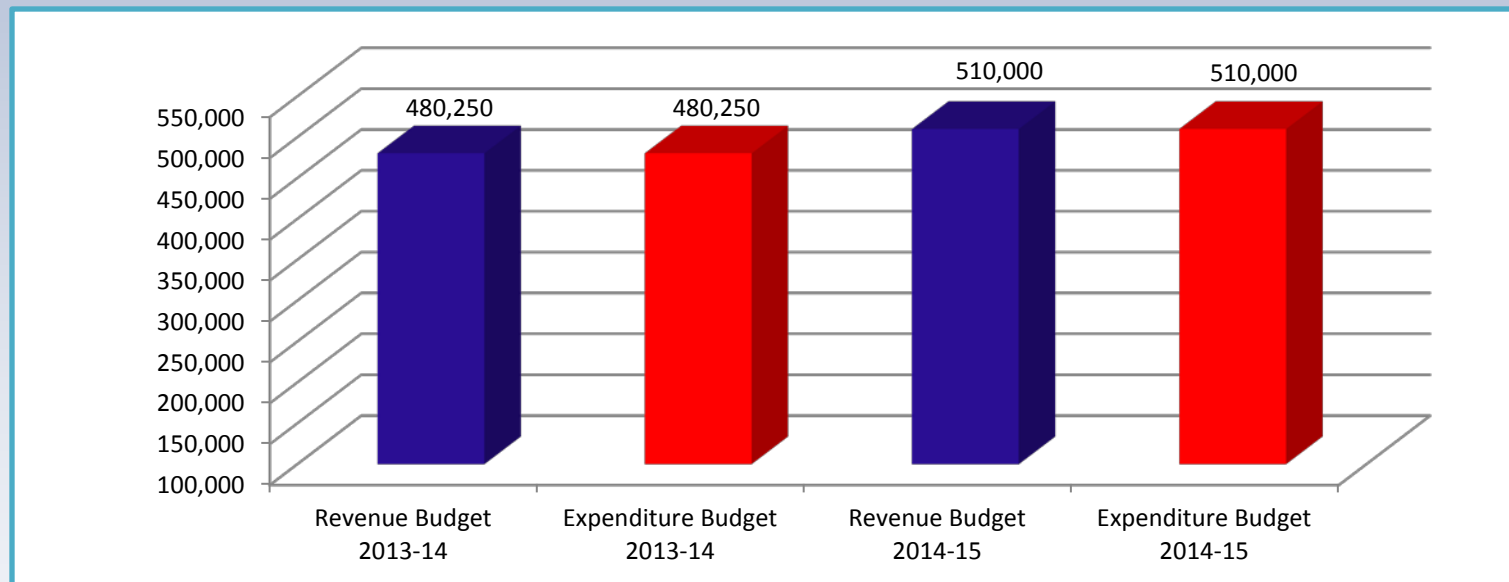
Funds from student activities and service fees are provided to support student government operations and student activities such as clubs and organizations.

Other funds available for expenditures include Program Board revenue, homecoming revenue, and available cash balances.



The Concession Budget Highlights

The concessions budget for 2014-15 is increased by 6.2% over 2013-14. Revenues are relatively constant and expenditures are projected to be in line with projected revenues.



2014-15 Capital Outlay Budget

	<u>2014-15 Request</u>	<u>2014-15 Budget</u>
Student Union	\$ 12,314,975	\$ 3,351,148
BOG Regular/Critical Maintenance*	<u>5,814,937</u>	<u>3,901,515</u>
Total	<u>\$ 18,129,912</u>	<u>\$ 7,252,663</u>

*Estimate Allocation Pending BOG Approval

2014-15 BUDGET SUMMARY

OPERATING EXPENDITURE BUDGET

\$702,924,867

CAPITAL OUTLAY BUDGET

\$7,252,663