



Item: **BF: I-1**

BUDGET AND FINANCE COMMITTEE
Tuesday, November 17, 2020

SUBJECT: REVIEW OF FAU FINANCIALS (JUNE 30, 2020).

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

To inform the Board of Trustees of the financial condition of the University, semi-annual reports on the University's operating budget will be presented. This report will present year-end expenditures for each of the budgetary components of the University: Educational and General; Auxiliary Enterprises; Sponsored Research/Grants and Contracts; Financial Aid; Student Government/Student Activities; Athletics; and, Concessions. Budgetary comparisons with the prior year will also be presented.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: FAU Financials Presentation (June 30, 2020)

Presented by: Ms. Dorothy Russell, Interim VP Financial Affairs and CFO

Phone: 561-297-3267



FAU

Financials

Board of Trustee Presentation

Fund Types and Definitions

Florida Atlantic University (FAU) is comprised of eight funding components:

- **Educational and General (E&G)**: E&G supports the academic mission of the university through expenditures for instruction, research, library and learning resources, student services, university support, and physical plant, including the Medical School.
- **Auxiliary Enterprises**: Auxiliary Enterprises are comprised of business and enterprise operations that are self-supporting through user fees, payments, and charges. Amounts reported also include Technology Fee Funds.
- **Student Financial Aid**: Student Financial Aid 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.
- **Student Activity**: Student Activity is comprised of funding from the activity and service fee paid by students, club and program income.
- **Athletics**: Athletics is comprised of funding from student athletic fees, athletic event ticket sales, game guarantees, corporate sponsorships, National Collegiate Athletic Association distributions and private support and gifts.
- **Contracts and Grants**: Contracts and Grants are comprised of funding from many sources, including federal, state and local governmental agencies and private organizations, FAU and HBOI Foundation endowment distribution and A. D. Henderson University School.
- **Concession**: Concession is comprised of funding from campus vending machines and our soft drink beverage contract.
- **Carryforward**: Unspent funds in the current year budget plus prior years carryforward budget shall create the new carryforward budget for the next fiscal year.

Florida Atlantic University

FY 2019-20 Comparison of Budget to Actuals (\$000)

	Budget	Actual	Variance
REVENUE			
Education & General	355,806	351,660	(4,146)
Auxiliary Enterprises *	130,488	129,419	(1,069)
Student Financial Aid	203,887	217,867	13,980
Student Activities	9,160	9,958	797
Athletics	31,237	31,717	480
Contracts and Grants **	74,934	91,813	16,879
Concession	625	564	(61)
TOTAL REVENUE	806,137	832,998	26,861
EXPENDITURES			
Education & General	343,541	310,829	(32,712)
Auxiliary Enterprises *	144,982	135,431	(9,551)
Student Financial Aid	203,849	215,867	12,019
Student Activities	10,045	8,595	(1,449)
Athletics	31,237	31,717	480
Contracts and Grants **	74,802	88,956	14,154
Concessions	625	595	(30)
Carryforward ***	61,749	16,190	(45,559)
TOTAL EXPENDITURES	870,829	808,181	(62,648)

* Auxiliary Enterprises includes Technology Fee and Other Auxiliaries

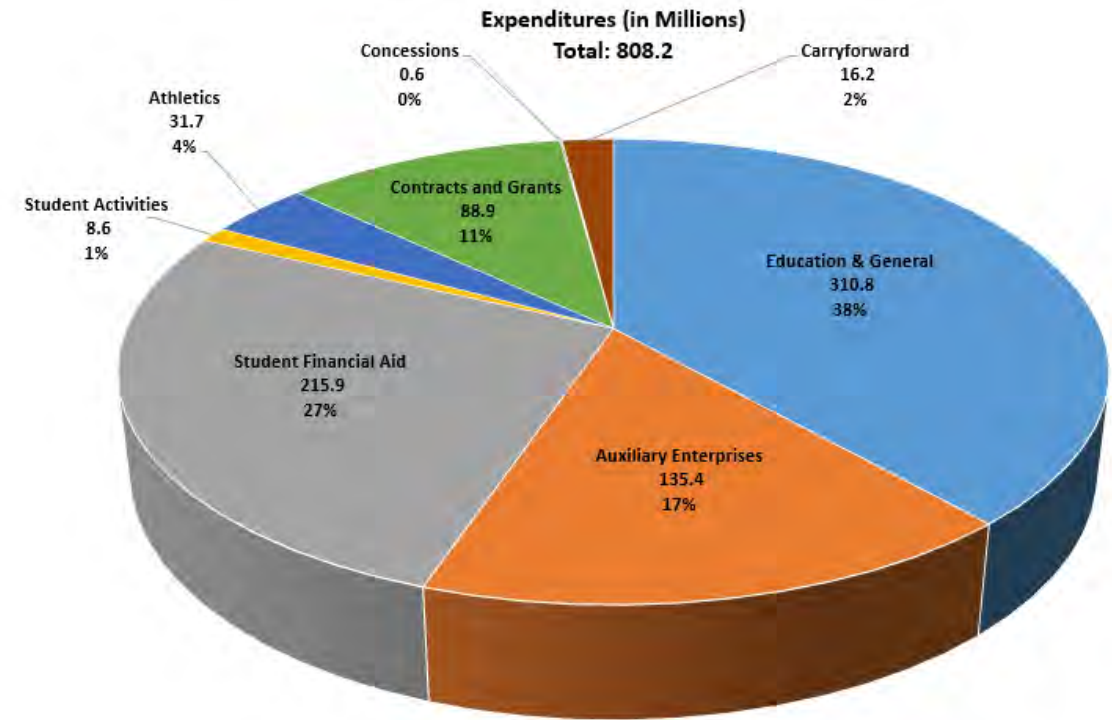
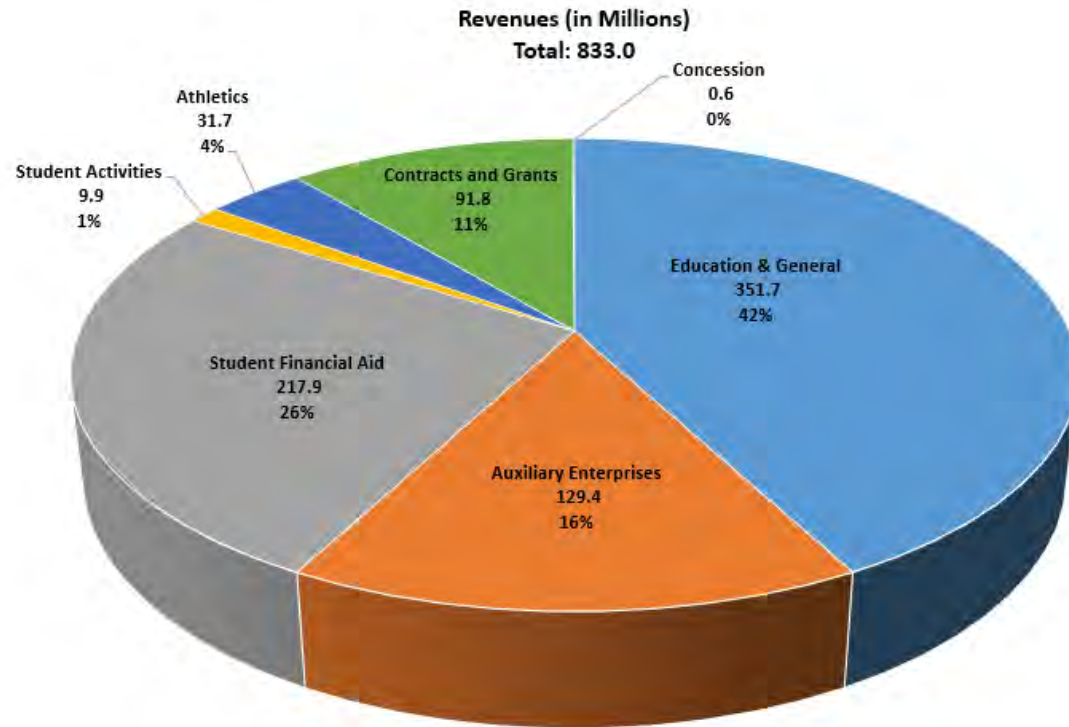
** Contracts and Grants includes Foundation, HBOI, Henderson, DOR Operations, and Sponsored Research

*** Budgeted Carryforwards include 7% (\$24.9 M) that by law we cannot spend.

Component Units such as FAUFC and CPOs are excluded.

Revenues & Expenses Comparison

FY 2020 Year End



Revenue Drivers – Student Credit Hours

FAU has seen an increase in the annual amount of credit hours that are taken by students. In addition, FAU has seen a large increase in Out-of-State enrollment. This directly impacts the following fund types:

Education & General

- Total Tuition Revenue
- 1 UG Out of State Credit Hour = 5.7 UG In-State Credit Hours

Auxiliaries

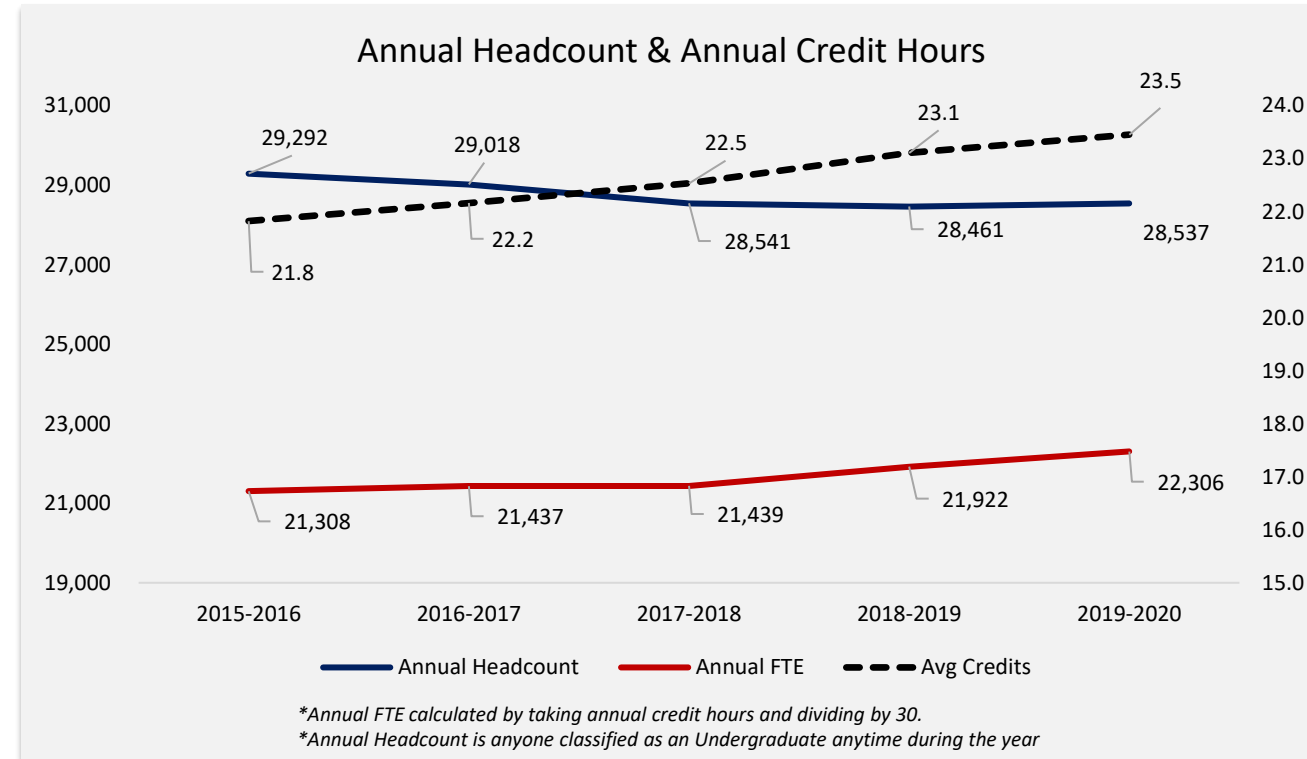
- Technology Fee (\$3.5M from Undergraduate SCH)
- Student Health Fee (\$6.3M from Undergraduate SCH)
- Market Rate Programs

Student Activity

- Student Activity Fee (\$8.2M from Undergraduate SCH)

Athletics

- Athletic Fee (\$12.9M from Undergraduate SCH)



Residency	Undergraduate Annual Credit Hours					Growth	
	2015-16	2016-17	2017-18	2018-19	2019-20	n	%
Out-of-State	40,338	48,199	51,904	56,527	60,110	19,772	49.0%
Florida	598,889	594,897	591,253	601,119	609,156	10,267	1.7%
Grand Total	639,227	643,096	643,157	657,646	669,266	30,039	4.7%

Headcount Source: Board of Governors Enrollment File (RVW_enrollments)
 Credit Hour Source: Courses Taken File

Florida Atlantic University
Six - Year Comparison of Actuals (\$000)

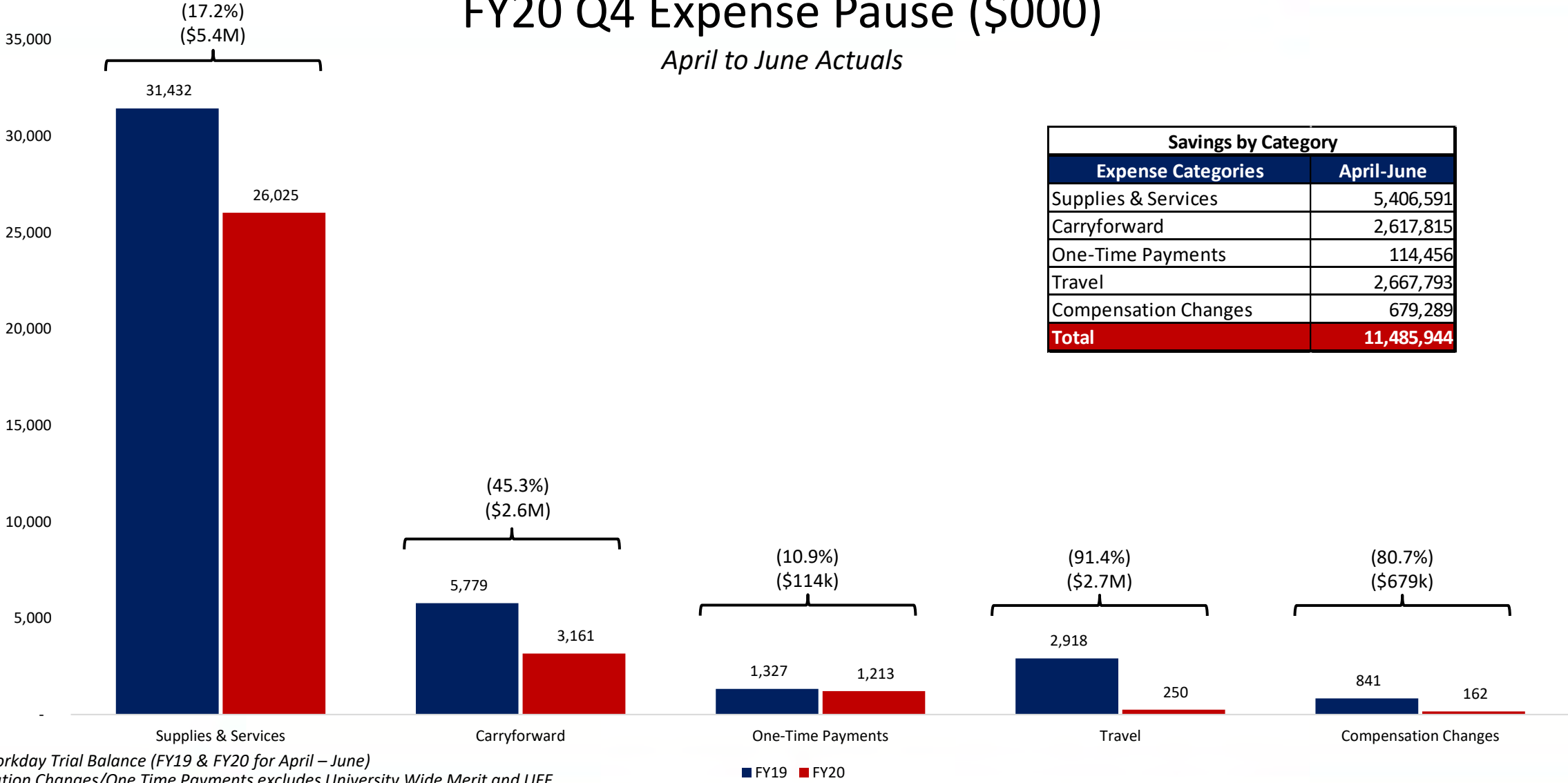
	2014-15	2019-20	Growth	
Category & Fund Type	Actuals	Actuals		
REVENUE				
Educational & General	297,800	351,660	53,860	18.09%
Auxiliary Enterprises*	109,647	129,419	19,772	18.03%
Student Financial Aid	190,921	217,867	26,946	14.11%
Student Activities	8,771	9,958	1,187	13.53%
Athletics	25,938	31,717	5,779	22.28%
Contracts & Grants**	55,541	91,813	36,272	65.31%
Concessions	1,094	564	(530)	-48.45%
TOTAL REVENUE	\$689,712	\$ 832,998	143,286	20.77%
EXPENDITURES				
Educational & General	280,892	310,829	29,937	10.66%
Auxiliary Enterprises*	104,938	135,431	30,493	29.06%
Student Financial Aid	190,443	215,867	25,424	13.35%
Student Activities	9,907	8,595	(1,312)	-13.24%
Athletics	26,208	31,717	5,509	21.02%
Contracts & Grants**	54,131	88,956	34,825	64.33%
Concessions	1,020	595	(425)	-41.67%
Carry Forward	14,927	16,190	1,263	8.46%
TOTAL EXPENDITURES	\$682,466	\$808,181	125,715	18.42%

* Auxiliary Enterprises includes Technology Fee and Other Auxiliaries

** Contracts & Grants fund type includes Foundation, HBOI, Henderson School, Division of Research, and Sponsored Research
Cut down to beginning and end year of 5 year. Remove excess columns.

FY20 Q4 Expense Pause (\$000)

April to June Actuals



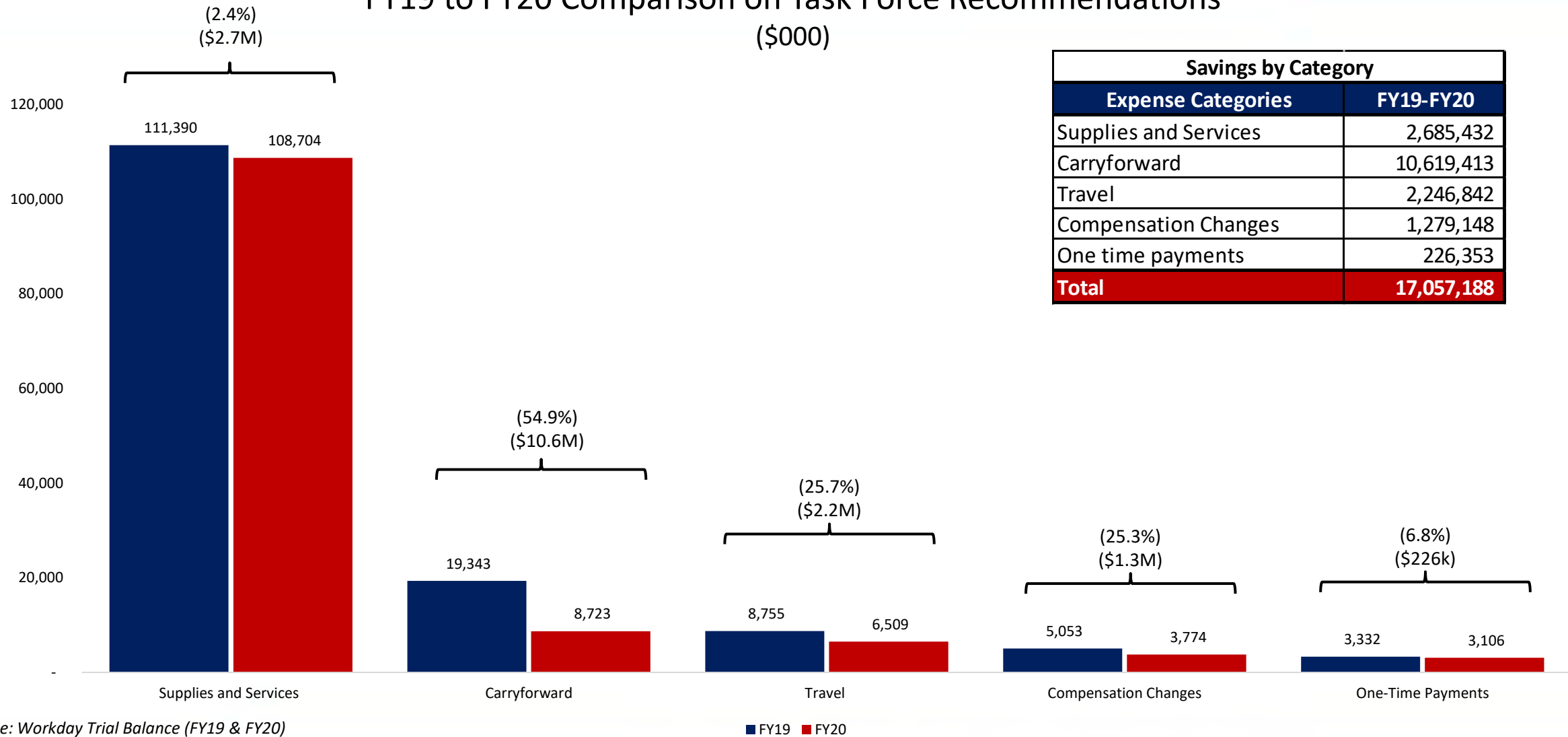
Savings by Category	
Expense Categories	April-June
Supplies & Services	5,406,591
Carryforward	2,617,815
One-Time Payments	114,456
Travel	2,667,793
Compensation Changes	679,289
Total	11,485,944

Source: Workday Trial Balance (FY19 & FY20 for April – June)

*Compensation Changes/One Time Payments excludes University Wide Merit and UFF.

Other expense categories not included: Base Salaries, Fringe Benefits, Utilities and Capital Expenses

FY19 to FY20 Comparison on Task Force Recommendations (\$000)



Savings by Category	
Expense Categories	FY19-FY20
Supplies and Services	2,685,432
Carryforward	10,619,413
Travel	2,246,842
Compensation Changes	1,279,148
One time payments	226,353
Total	17,057,188

Source: Workday Trial Balance (FY19 & FY20)

*Compensation Changes/One Time Payments excludes University Wide Merit and UFF.

Other expense categories not included: Salaries, Fringe Benefits, Utilities, and Capital Expenses

The Coronavirus Aid, Relief, and Economic Security Act (CARES)

Portion of CARES	Awarded	Expended	Unspent Balance	Obligations and Commitments 10/24/20	Balance
Student Portion	11,214,937	11,214,937	-	-	-
Institutional Portion*	11,214,937	9,069,517	2,145,420	907,692	1,237,728
Hispanic-Serving Inst.	1,660,047	-	1,660,047	-	1,660,047
Total	24,089,921	20,284,454	3,805,467	907,692	2,897,775

*Institutional Portion Expended in Detail	
PPE, Custodial, Equipment, Supplies	1,313,356
Remote Learning	858,256
Communications	124,585
Housing Refunds	5,287,018
Meal Plan Refunds	1,486,303
Total	9,069,517

An additional \$408k was raised by FAUF for FAU Cares Emergency Fund

Unspent balances will continue to go towards costs associated with supporting the FAU Health and Safety Plan

As of October 24, 2020

FAU - 8.5% (\$18.1M) E&G Holdback

	<u>Positions</u> <u>Reductions</u>	<u>OPS</u> <u>Reductions</u>	<u>Expense</u> <u>Reductions</u>	<u>Total 8.5%</u> <u>Holdback</u>
Academic Affairs	8,273,579	1,633,707	2,945,852	12,853,137
Administrative Affairs	491,735	76,923	1,366,058	1,934,716
President's Office	35,306	-	97,197	132,503
Financial Affairs	322,332	-	23,719	346,051
Student Affairs	470,735	42,920	697,995	1,211,650
Legal Affairs	-	-	76,988	76,988
Institutional Advancement	249,570	-	7,686	257,256
Division of Research	174,109	74,274	852,222	1,100,605
Public Affairs	-	-	228,686	228,686
<u>Total 8.5% Holdback</u>	10,017,367	1,827,824	6,296,403	18,141,593

By recommendation of Governor DeSantis State Universities are asked to holdback 6% (\$12.8M) of state appropriated dollars in June. Later, this recommendation was increased to 8.5% by the Board of Governors in July. For FAU, this equates to \$18.1M.

Carryforward Holdback – 17%

Area	Remaining Holdback
Academic Affairs	2,792,471
Division of Research	913,749
Administrative Affairs	625,916
Financial Affairs	581,584
Institutional Advancement	103,565
General Counsel	84,120
President	149,106
Public Affairs	55,025
Total	5,305,536

Rating Agency Grading System

	Fitch	S&P	Moody's	Rating Grade Description (Moody's)
Investment Grade	AAA	AAA	Aaa	Minimal Credit Risk
	AA+	AA+	Aa1	Very Low Credit Risk
	AA	AA	Aa2	
	AA-	AA-	Aa3	
	A+	A+	A1	Low Credit Risk
	A	A	A2	
	A-	A-	A3	
	BBB+	BBB+	Baa1	Moderate Credit Risk
	BBB	BBB	Baa2	
	BBB-	BBB-	Baa3	
Speculative Grade	BB+	BB+	Ba1	Substantial Credit Risk
	BB	BB	Ba2	
	BB-	BB-	Ba3	
	B+	B+	B1	High Credit Risk
	B	B	B2	
	B-	B-	B3	
	CCC+	CCC+	Caa1	Very High Credit Risk
	CCC	CCC	Caa2	
	CCC-	CCC-	Caa3	
	CC	CC	Ca	In or near default, with possibility of recovery
C	C			
DDD	SD	C	In default, with little chance of recovery	
DD	D			
D				

Highlighted cells reflect where current FAU debt is graded

University Debt Portfolio FY 2020

Project	Issue	Total Outstanding	Coupon Range	Final Maturity	Rating Agencies		
					Fitch	S&P	Moody's
Housing Facilities	University- Student Housing; Series 2016A	\$42,330,000	3.0% - 5.0%	7/1/2036	A+	A	A1
Parking Garage	University- Parking Garage; Series 2013	\$11,520,000	2.375% - 5.0%	7/2/2032	A+	A+	Aa3
Housing Facilities	FAU Foundation; Series 2012	\$5,587,000	2.93%	5/1/2030			
Stadium	FAU Finance Corporation; Series 2017 (Notes)	\$36,260,000	2.61%	7/1/2040			
Parliament	FAU Finance Corporation; Series 2012A	\$39,420,000	3.0% - 5.0%	7/1/2042	A+	A	A1
Housing Facilities	FAU Finance Corporation; Series 2012B	\$1,460,000	2.23%	7/1/2025	A+	A	A1
Innovation Village	FAU Finance Corporation; Series 2019A	\$86,265,000	4.0% - 5.0%	7/1/2039	A+	A	A1
New Student Housing	FAU Finance Corporation; Series 2019B	\$68,190,000	4.0% - 5.0%	7/1/2049	A+		A1
ESCO- FPL	University- ESCO Project: Series 2019	\$8,482,000	2.61%	7/1/2030			
ESCO- Siemens	University- ESCO Project: Series 2019-1	\$8,841,350	2.52%	10/1/2030			
Total		\$308,355,350					

- All of FAU's above Bond Ratings are ranked as Investment Grade with low credit risk.
- All of the above is Tax-Exempt.
- All debt is fully amortizing (no balloon payments). See final maturity dates listed above.

Moody's Financial Ratios

Unaudited

#	Moody's Scorecard Ratio	June 30, 2018	June 30, 2019	June 30, 2020
1	Operating Revenue (\$000s)	532,659	566,560	581,859
2	Annual Change in Operating Revenue (%) - Reputation & Pricing Power	4.6%	6.4%	2.7%
3	Total Cash & Investments (\$000s) (Endowments)	686,365	681,897	750,121
4	Financial Leverage (x) = Capital Reserve	1.98	2.16	1.81
5	Operating Reserve (x)	0.97	0.93	0.98
6	Operating Cash Flow Margin	8.5%	11.4%	8.7%
7	Debt Affordability (x)	5.83	3.68	6.30
8	Revenue Diversity (%)	44.7%	38.8%	42.2%
9	Monthly Days Cash on Hand (x)	197	192	198

Rating Outcome	Weight Score
Aa3	3.5-4.5
A1	4.5-5.5

Final Score	3.75	3.15	3.90
Rating	Aa3	Aa2	Aa3

FAU Debt Transactions

Annual Debt Service Coverage						
	FY15	FY16	FY17	FY18	FY19	FY20
Traffic and Parking	1.43	1.48	2.02	2.05	2.14	2.38*
Division of Bond Finance 2016A	1.26	1.48	1.62	1.93	2.13	1.75*
FAU Finance Corporation 2012A/2019A	1.33	1.55	1.59	1.43	1.8	1.52

**FY20 Unaudited*

FY21 Early Indicators of Financial Status

What We Know Thus Far

- We experienced a strong undergraduate enrollment for Summer and Fall-up 4.1%; Spring not as robust, but it is early. Due to uncertain Spring, predicting flat tuition revenues YoY. Non-resident enrollments up slightly (~1%) YoY.
- 6% hold back from State of Florida is on-going. \$6M or 2.5% still held in abeyance. No word on whether this is a permanent reduction, but we are prepared to address if it materializes.
- 17% CF held back for emergencies. \$5M Cash
- Housing holding its own. Expect 85-90% occupancy in Spring due to early interest – 56%+ YoY. Fall occupancy rate is 75%. Housing staff is reducing expenditures by \$1.8 to assure debt covenants of a DSC ratio of 1.25X or above is maintained.
- Auxiliary activity is down in many areas due to COVID.
- Predict to end FY21 in stable position.

Moody's Financial Ratios

FY21 Early Indicators

		Early Indicator
#	Moody's Scorecard Ratio	June 30, 2021
1	Operating Revenue (\$000s)	549,733
2	Annual Change in Operating Revenue (%) - Reputation & Pricing Power	-5.5%
3	Total Cash & Investments (\$000s) (Endowments)	740,881
4	Financial Leverage (x) = Capital Reserve	1.78
5	Operating Reserve (x)	0.99
6	Operating Cash Flow Margin	6.2%
7	Debt Affordability (x)	9.29
8	Revenue Diversity (%)	38.7%
9	Monthly Days Cash on Hand (x)	218

Final Score	4.20
Rating	Aa3

Highlights Affecting Decline in Revenues YoY (581.8M vs 549.7M)

- 6.4M Schmidt Family Complex
- 7.0M Auxiliary Revenues (Food Service, LLL, Slattery, M&W)
- 11.5M Capital Appropriations (A.D. Henderson)
- 12.8M State Appropriation Holdback

Anticipated Positive Growth in Revenues YoY

- 8M – 10.5M Division of Research IDC

Rating	Weight
<u>Outcome</u>	<u>Score</u>
Aa3	3.5-4.5
A1	4.5-5.5

Looking to FY22 and Beyond

Future Issues

- Revenue Estimating Conference FY22 Data – GR impact
- Enrollments/Admissions. High School Grads Declining – FY26
- SAT/ACT requirement – Impact on Non-resident Freshman
- Performance funding – Recurring obligations
- Waivers steadily increasing
- Housing – opening of new residence halls