

Stetson University Projected 2010-2011 Operating Results

The 2010-2011 operating results for all four campuses of the University are projected to yield a reserve of \$816,000, all of which is currently attributable to the Gulfport and Tampa campuses. The DeLand and Celebration campus budgets are expected to balance at year-end.

The following summarizes the significant variances to the adopted budget approved on February 25, 2010:

REVENUES

Undergraduate tuition and fees:

Net undergraduate tuition and fees were down from original expectations by \$498,000 for both the DeLand and Celebration campuses. Although fall enrollment figures met budgeted projections, the tuition discount exceeded the budget by 2%. Actual opening enrollment at the DeLand campus totaled 2,096, exceeding the expected number of undergraduates by 3. The Passport program at Celebration, which was originally budgeted in the graduate estimates for that campus, is now appropriately included in undergraduate revenues.

Graduate tuition and fees:

The negative variance in graduate tuition and fees on the DeLand campus is due to weaker than expected fall enrollment, with 229 registered students versus budgeted enrollment of 321. It is anticipated that spring graduate figures will exceed the fall numbers and some recovery of revenue will be realized. The negative variance at the Celebration campus is due to the reclassification of Passport Program revenues into the undergraduate line. After this adjustment, the Celebration campus is projecting a positive variance on graduate revenues of \$74,000.

JD tuition and fees:

The College of Law has met their fall 2010 tuition and fees budget expectation. Fall enrollment was only 4 students short of projections, with a total of 848 students versus budgeted of 852. Part-time enrollment offset the revenue shortfall due to 211 students, versus an anticipated 179. LLM enrollment for both International and Elder Law also exceeded budget projections by 21 students. No budget variance is predicted at this time.

Gifts and grants:

The original model for the DeLand campus included a separate revenue line for the We Believe Endowed Scholarship fund gifts. The endowment has been fully restored to the original gift balance using net revenue from 2009-2010, and will

no longer require additional annual gifts to supplement the scholarship budget. The gift revenue projections have been adjusted to reflect this decrease. Additionally, the final Federal Work Study and SEOG funding authorizations were not known at the time the model was adopted. The projected results reflect the lower revenues expected from these grant sources. The College of Law is on target with gifts revenues for the year, with 20% of annual expectations realized through the end of August.

Other revenues:

The overall decrease of (9.5%) in Other Revenues is mainly due to a reclassification of revenues from the continuing education and summer conference programs at the DeLand campus. Specifically, summer conference housing revenues are now reflected in the Other Auxiliary Services budget figures, which is where actual results have been reported in prior years. Continuing Education programs in DeLand are expected to approximate 2009-2010 net income levels, which accounts for the remainder of the decrease of approximately (\$140,000). Celebration expects a \$54,000 increase in conference revenues versus initial estimates, with the College of Law revenues staying within original projections.

Auxiliary services revenue:

Auxiliary revenues currently approximate original projections with only some slight variances, which are due to a variety of enrollment and economic factors. The variances contributing to the overall difference of \$43,000 are in the following areas:

- **Residence halls** – gross revenue from student housing is down due to lower than expected enrollment and occupancy levels in DeLand. The Gulfport campus is experiencing lower than anticipated dormitory revenues, but expects to meet budget goals during the spring and summer terms.
- **Food services** – Board revenues at the DeLand campus are higher than expected, primarily from meal plan purchases ahead of projections and the continued success of the new campus coffee shop. The College of Law continues to see positive results from their partnership with Sodexo through increased catering revenues.
- **Other auxiliary revenues** – all campuses should meet or exceed projected auxiliary revenues. As mentioned earlier, the DeLand campus summer conference housing budget, which was previously included with the overall continuing education budget, will now be included in auxiliary revenues. The budget reclass results in an increase to revenues of \$253,000. For both campuses, bookstore revenues are projected to remain consistent with original budgets, but will be reviewed during the year for potential decreases due to the changing student textbook market.
- **Athletic revenues** – the DeLand Athletic Program budget was evaluated and restructured in August 2010 to better represent actual operating revenues. The result was a more concise budget model that excludes gift

projections. Budgeted revenues more accurately reflect expected revenues, resulting in a projected decrease of (\$132,000).

EXPENSES

Compensation:

Salaries remain at projected levels for the University in total, with some reallocations at the campus level. The DeLand campus is expecting increases of approximately \$222,000 due to necessary additions in facilities staffing and expansion of enrollment and student retention services. These increases are offset by reductions in Celebration compensation payments, primarily from the restructuring of adjunct and faculty overload payments. The College of Law compensation levels has been adjusted up slightly to more accurately reflect present levels.

Employee benefits on the DeLand campus were budgeted higher than projected results. In addition, proposed changes in retiree and employee health care benefits will result in an additional reduction to the benefits budget of approximately (\$340,000).

Operating Expenses:

Operating expense adjustments are expected to provide additional budget reductions for 2010-2011 of (\$1.0M):

- **Educational and General** – the DeLand campus has conducted an initial review of operating budgets, as well as reallocated certain departments to different functional areas. The result was the elimination of dormant or outdated budgets and the redistribution of some budget dollars to departments with insufficient resources. Overall, campus operating budgets in E&G were reduced by (\$326,000). The Celebration operating budgets were reduced an additional (\$88,000) by adjustments to graduate business program budgets.
- **Facilities and Plant** – the DeLand campus added \$50,000 to landscape and grounds maintenance budget to address inadequate funding. The remainder of additions consists of the reallocation of specific department budgets, such as Risk Management and Residence Hall utility costs, to more appropriately group expenses in the model. Increased budgets are offset by the 2010-2011 energy retrofit project savings of \$131,000. Additional savings of up to \$375,000 annually will be recognized from energy conservation initiatives in future years.
- **Auxiliary Enterprises** – for the DeLand campus, decreases are predominantly recognized in reduced Athletic figures due to budget restructuring, decreased Bookstore budget expectations and the reallocation of Residence Hall utilities and maintenance budgets to

Facilities. No adjustments are anticipated on the Gulfport or Tampa campuses.

- **Depreciation** – the adopted budget and projected results from operating do not include an estimate for depreciation expense, as the reports are prepared on a cash basis. The University expects to record depreciation on the balance sheet in the amount of \$7.8M for fiscal year 2010-2011.

Budget Pools and Debt Service:

For the DeLand campus, the Academic Program Contingency Pool of \$150,000 was eliminated for the 2010-2011 fiscal year. Funding levels will be restored for the 2011-2012 year in anticipation of academic program reviews and initiatives.

The debt services projection has been adjusted to reflect the planned bond refinancing of the Series 1996 and 1999 Bonds, as well as the addition of new financing for the DeLand Campus Improvement Projects. The net effect of these adjustments is a (\$20,000) reduction to debt service costs for the DeLand campus. (Any additional benefit for the College of Law portion of the debt refinancing will be calculated and adjusted at a later date.)

The reduction of the Celebration note interest reflects the decreased interest costs from the loan repayment at the end of fiscal year 2010. This reduction, coupled with the expected increase in net revenue should provide additional funds for the note principal payments for 2010-2011 of \$163,000.

University Overhead Allocation

An additional overhead allocation for costs incurred by the DeLand campus in support of the Celebration campus operations has been added. Revenues from the Celebration campus are sufficient to support the planned allocation of \$350,000 for the 2010-2011 fiscal year. The DeLand campus performs essential functions for the Celebration campus, such as accounts payable, purchasing, payroll services and finance and budgeting, as well as academic support and enrollment services.