Budget Forecasting Focus

Results of Operations
vs.
Use of Reserves

Budget Planning Council – 9/22/22

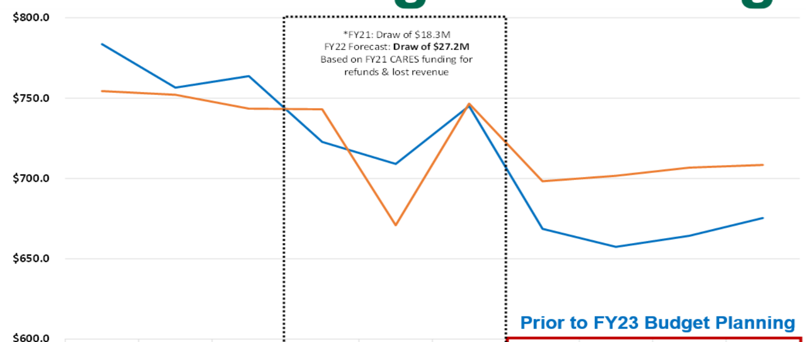
The purpose of this presentation is to explain how the emphasis in budget forecasting has shifted from a Use of Reserves summary of the budget to a Results of Operations summary and to illustrate how the development of the annual budget is an iterative process based on a set of assumptions that evolve over the course of the year.

Prior Emphasis – Use of Reserves

October 2021 Board Meeting

FY22 Forecast & Budget Planning

FY22 Forecasting Adjustments:
- +$27.2M COVID Revenue Deferral
- +$3.1M COVID Expenses
- -$2.2M Net Tuition & Fees



	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 * Forecast	FY22 Forecast	FY23 Forecast	FY24 Forecast	FY25 Forecast	FY26 Forecast
Revenues	$783.6	$756.5	$763.8	$722.7	$709.1	$745.1	$668.6	$657.4	$664.3	$675.4
Expenses & Transfers	$754.4	$752.1	$743.5	$743.1	$670.9	$746.6	$698.3	$701.7	$706.7	$708.4
Use of Reserves	$29.2	$4.4	$20.3	$(20.3)	$38.2	$(1.6)	$(29.7)	$(44.2)	$(42.3)	$(33.0)
Revenues: Excluding COVID					$635.8	$690.7	$668.6	$657.4	$664.3	$675.4
Expenses & Transfers: Excluding COVID					$597.6	$707.6	$698.3	$701.7	$706.7	$708.4

Compares Revenues to Expenses + Transfers

To understand the shift to a Results of Operations focus for budget forecasting, we will first start with the previous emphasis on Use of Reserves as the way forecasted budgets were evaluated to identify the future financial sustainability of the institution. As the enrollment declines continued from FY17 into FY20, strategies were implemented to use university reserves to phase in budget reductions by using attrition and buyouts. This created a need to focus on the capacity of reserves to be used in this way to avoid using reserves indefinitely to solve budget issue which would not be a strategy leading to financial stability.

This graph was presented to the Board of Trustees in October 2021 as the planning for the FY22 budget was beginning and prior to when academic and administrative units submitted budget projections for FY23. Notice that the two lines are Revenue and the combination of Expenses and Transfers. In the red box the net differences between the two lines is projected out into the future showing the rate at which reserves would be spent if the trends in the two lines remained as projected.

Use of Reserves

- Useful for understanding the balance sheet but not as useful for annual budgeting
- An institution should have a certain level of reserves in case of emergency - 5-10% of operations. You typically don't want to dip into these funds to support ongoing operations.
- Reserves are also used to accumulate funds over time to pay for large expenditures like capital projects in Auxiliaries and IT.

This graph is useful for projecting potential future use of reserves based on assumptions built into that projection. It is not, however, as useful for assessing the balance between revenue and expenses needed when constructing the annual budget. Reserves play a specific role in the financial health of the institution. Reserves are accumulated in units that have large occasional expenditures that they need to "save for" over time. These are typically investments in facilities or equipment. Reserves are also important as a way to cover unexpected events – like a pandemic. If there is a sudden drop in revenues or large additional expenses, reserves can be used to cover the gap for a short period of time while more permanent solutions are implemented. This use of reserves should not be a long strategy for covering imbalances in the operating budget since eventually the reserves will be exhausted.

Working Capital & Reserve Trends

	FY18	FY19	FY20	FY21	FY22 Forecast*	FY23 Forecast*	
Working Capital	172.8	245.1	227.0	226.1	273.9	220.9	Cash & Liquidity Pools (Tiers 1, 2, & 3)
Working Capital	**62.6**	**120.0**	**111.6**	**104.4**	**148.6**	**94.1**	
Reserves held for Capital Projects	**110.2**	**125.1**	**115.4**	**121.7**	**125.3**	**126.9**	
Auxiliary - Housing	60.0	63.6	55.8	57.9	54.5	52.3	
Auxiliary - Culinary	21.9	24.4	23.5	21.4	22.4	20.9	
Regional Campuses	2.7	1.9	1.3	1.3	1.3	1.3	
College of Medicine	7.5	9.7	0.8	1.8	2.2	2.5	
Information Technology	11.2	17.9	24.8	29.3	33.2	37.1	
Campus Recreation	1.4	1.0	1.9	2.7	3.7	4.7	
Other Repair & Replacement	5.6	6.5	7.2	7.3	8.1	8.1	
Strategic Opportunity Reserve	24.6	22.9	23.0	32.6	35.0	41.8	Liquidity Pools (Tiers 2 & 3)
Diversified Investment Pools	124.6	89.8	73.3	110.3	115.7	123.4	Tier 4 - Operating Reserve & Student Investment Pool
Debt Contingency Reserve	34.9	40.9	61.2	63.6	66.2	68.9	Tier 4 - Debt Contingency Reserve
Total Working Capital	**356.9**	**398.7**	**384.5**	**432.6**	**490.8**	**455.0**	

** Forecasts provided by Treasury Department; excludes Century Bond net assets and associated reserve*

The university has strong and growing reserve balances – particularly in Auxiliaries and IT where most of the reserve spending comes from.

The university currently has a strong and growing reserve balance. You will often hear that the university is in a strong financial position. These reserves and the growing trend in those balances are part of that. Strong reserves put the university in a better position to take on debt if needed for things like capital projects. The balances accumulating in the Auxiliary and IT areas represent accumulations targeted at renovating and building dormitories and upgrading in the large financial and student information systems. The Strategic Opportunity Reserve is an investment pool where the university supports investments in strategic efforts such as marketing/recruiting, TechGrowth, advising/retention, etc.

Issues with the Graph

- By combining Expenses and Transfers it is not possible to determine if the Use of Reserves represents planned spending on capital projects or a structural imbalance in revenues and expenses.
- The deficits on the Use of Reserves line were interpreted as a structural imbalance.
- You need to separate the balance of Revenues and Expenses – Results of Operations from planned Use of Reserves

The challenge with the emphasis on Use of Reserves is that it mixes the planned use of reserves for units like Auxiliaries with any imbalance in the revenues and expenses. This structural imbalance would represent spending in excess of revenues which would require the use of reserves to balance. As indicated before this type of reserve use can help solve short term or unexpected shortfalls but is not a sustainable strategy for balancing a budget.

Prior Emphasis – Use of Reserves

October 2021 Board Meeting

FY22 Forecast & Budget Planning

FY22 Forecasting Adjustments:
- +$27.2M COVID Revenue Deferral
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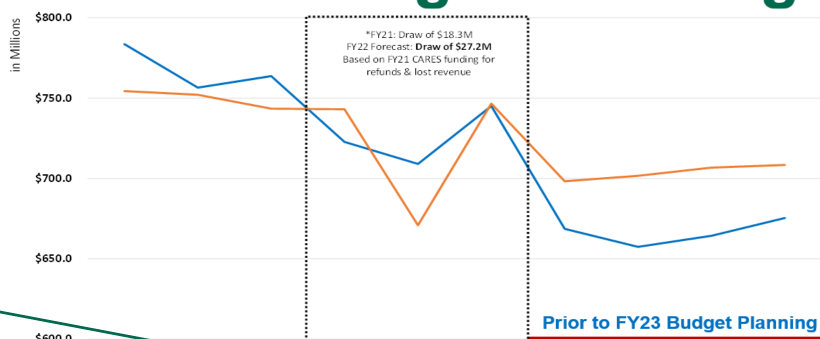
How much of these deficits is the structural deficit?



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If you look at the reserve use in the first three years, you can see that the university added to reserves during these years when we were starting to feel the effects of the enrollment decline that started in FY17. FY20 was the disruption from COVID where we instantly lost room and board revenue and we dipped into reserves to balance. In FY21 we bounced back but this was due to the influx of federal and state stimulus funds and the decline in expenses triggered by fewer people on campus and fewer people traveling. So, during the COVID years in the box, it is not really possible to assess the ongoing financial stability of the institution.

The future projections in the red box are a forecast based on assumptions. At this point we were still in the pandemic and there was no prediction of enrollments rebounding or students returning fully to campus. So, the revenue forecast was extremely conservative while the assumption was that expenses would bounce back.

The Use of Reserves view then forecasted $30-40M in reserve use is this scenario would come true. But by combining Expenses and Transfers, the orange line is a mixture of planning spending of reserves with the use of reserves to balance the revenue-expense gap. This structural imbalance is important for the budget process of balancing revenues and expenses but this graph does not tell you what that structural imbalance is. Without this distinction, the assumption on campus and with the trustees was that we were headed towards completely running out of reserves in a couple years.

Results of Operations

Here are the same numbers with Expenses and Transfers separated so you can see the equivalent Results of Operations

October*	FY23	FY24	FY25	FY26
Revenues	668.6	657.4	664.3	675.4
Expenses	677.2	681.5	686.4	690.5
Non-Operating Transfers	21.0	20.1	20.3	17.9
Use of Reserves	(29.7)	(44.3)	(42.3)	(33.0)
Operating Results Equivalent	*(8.6)*	*(24.1)*	*(22.1)*	*(15.1)*
* Noted in presentation that these figures are prior to FY23 Budget Planning				

As noted, these are the results for future years projected in October BEFORE the planning for FY23 (and beyond) began. The purpose of that planning is to address the structural imbalance once you know what that structural imbalance really is.

Here you can see what the underlying Expenses and Transfers are and the resulting Use of Reserves from the graph. By separating out the planned use of reserves we can arrive at the actual structural deficit . The deficits in FY24 and FY25 are driven by the projection that room and board revenue would not recover assuming the pandemic would limit the return to campus as well as uncertainty about the potential return of enrollment levels. Based on this view the FY23 budget process required a solution to an $8.6M structural imbalance between revenues and expenses as opposed to nearly $30M.

The $20M in transfers represents units like Auxiliaries predicting spending on future building projects. These units had been accumulating reserves to pay for these projects. If, in future years, it turned out that they did not have the reserve funds to do these projects then they would have to reduce their planning so they fit within whatever reserves they had available.

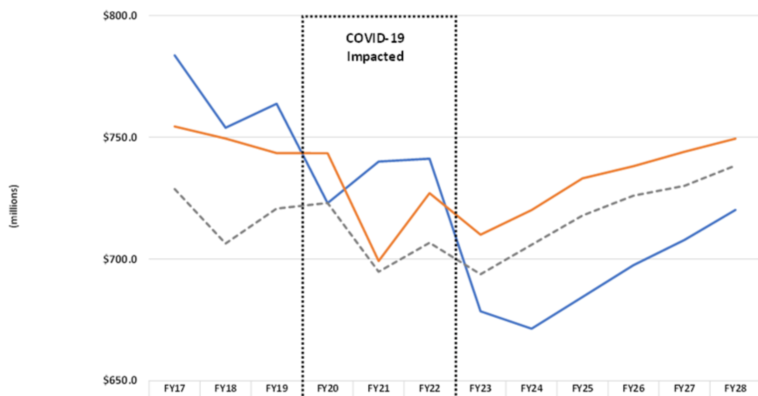
Results of Operations Goals

- Results of Operations is the ”true” balance between Revenues and Expenses
- A negative Results of Operations should only exist for brief periods and only with a plan to quickly come back into balance.
- Normally you want a positive Results of Operations so that you have funds to add to reverses for future capital projects.
- Reserve Use to support capital projects with accumulated funds will always be controlled since projects are not started until the funds are accumulated.

During the budget process last year, the shift was made from summarizing the budget in terms of Use of Reserves to Results of Operations. This allowed us to focus on the structural imbalance which is really where the focus of the budget process needs to be. Typically, you want to have a positive Results of Operations so that units like Auxiliaries can put funds aside to build reserves for future capital projects. A negative Results of Operations will impact reserves to balance the budget and should occur infrequently and only for short periods of time.

Refocusing the Discussion

Change from Reserve Impact → to focusing on Structural Imbalance



	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Forecast	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget	FY27 Budget	FY28 Budget
Revenues	$783.6	$753.9	$763.8	$723.0	$740.0	$741.2	$678.5	$671.3	$684.4	$697.5	$707.8	$720.1
Expenses	$728.7	$706.4	$720.7	$723.0	$694.8	$706.7	$693.7	$705.8	$717.8	$726.0	$730.1	$738.4
Results of Operations	$54.9	$47.5	$43.1	-$0.1	$45.2	$34.5	-$15.2	-$34.5	-$33.5	-$28.5	-$22.3	-$18.2
Expenses & Investment Transfers	$754.4	$749.5	$743.5	$743.5	$699.1	$727.0	$710.0	$720.1	$733.1	$738.1	$744.0	$749.4
Total Reserve Impact	$29.2	$4.4	$20.3	-$20.5	$40.9	$14.1	-$31.5	-$48.8	-$48.8	-$40.6	-$36.2	-$29.3

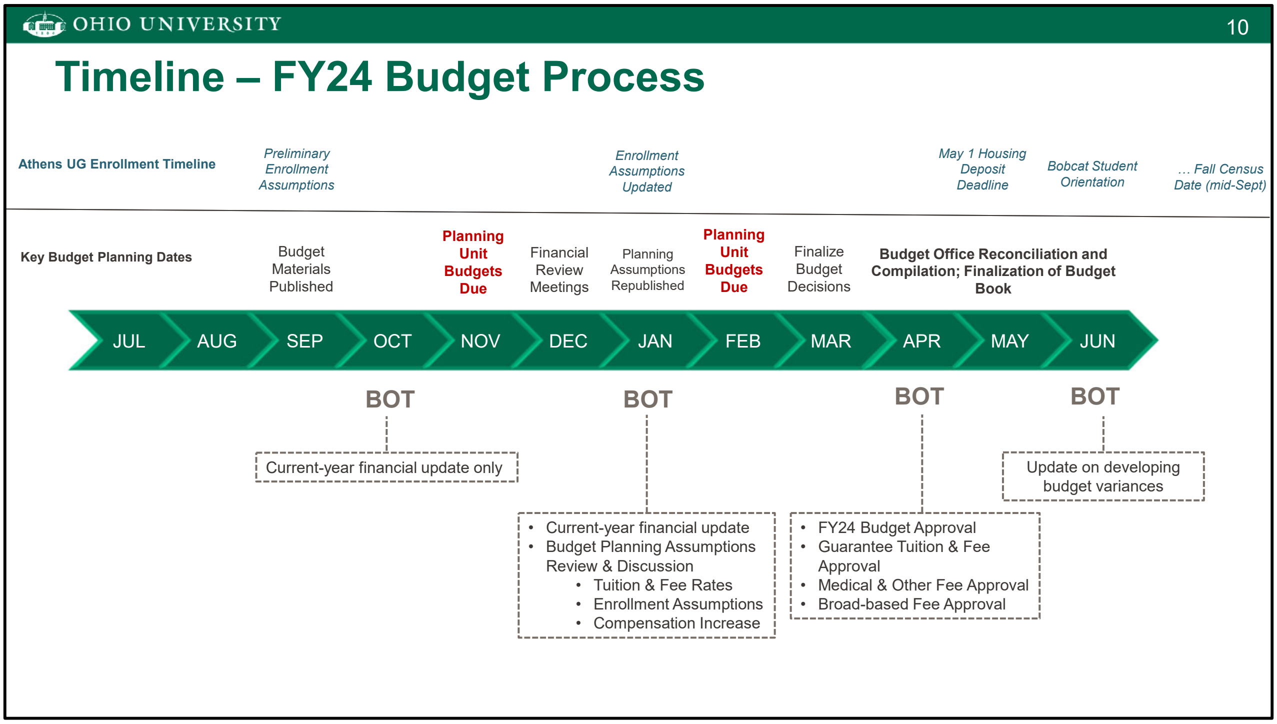
This illustrates the difference between combined Expenses and Transfers and just Expenses alone

Start of FY23 Forecasting in November 2021 before Budget Planning had started

This scenario is earlier in the year than the graph on the previous slides. Starting Gap = $15M

Revenue and Expense projections continuously evolve during the Budget Planning Process where the goal is to bring revenues and expenses into balance.

Here is view of the FY23 budget process. This version of the graph was created in November at the start of the FY23 budget planning where budget forecasts from academic and administrative units are submitted and combined with central projections for revenues and expenses to get an initial budget. This was still presented in the Use of Reserves focus but we have added a line for Expenses alone so you can see the Results of Operations. At this point in the process, the structural imbalance was $15M since the revenue assumption was still very conservative based on the uncertainty of the continued affect of the pandemic on on-campus enrollment and units have made their projections.



To illustrate the iterative nature of the budget process this timeline show the major steps. The graph on the previous slide was the result of planning unit submissions in November. From that point unit March, strategies are implemented to close the gap. These typically include refinement to the enrollment assumptions are we move from just applications in the fall to admits and enrollments in the spring. On the expense side, things like buyouts, changes to raise assumptions and even layoffs are used to achieve balance.

Budget Model

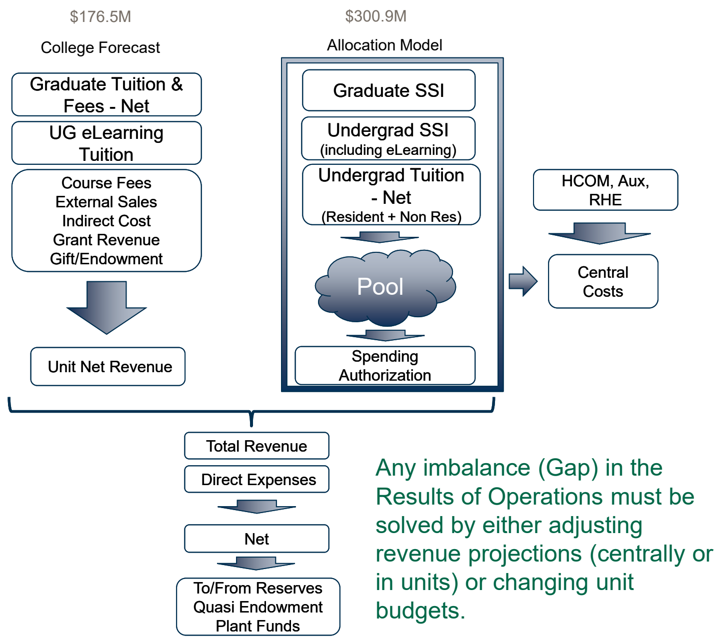
The Budget Model determines the way revenues and expenses flow to colleges and support units.

Revenues (graduate, eLearning, etc.) flowing directly to colleges to provide Unit Net Revenue are forecast by the colleges. Bottom-Up

Revenues (UG tuition and SSI) flowing centrally are pooled to pay for central costs support colleges in the form of a Spending Authorization. These revenues are projected centrally. Top-Down

Expenses are projected at the unit level driven by central assumptions (raises, health care), and local unit needs. Additional expenses (utilities, financial aid, debt) are projected centrally.

To determine Results of Operations, we need to bring planning unit forecasts together with central projections to see how revenues and expenses balance.



Any imbalance (Gap) in the Results of Operations must be solved by either adjusting revenue projections (centrally or in units) or changing unit budgets.

The budget development process is both bottom-up and top-down. Many projections depend on the academic and administrative planning units. They control the forecasting of certain revenues (e.g. off-campus graduate and e-learning revenues) and have the details on retirements or staff turnover. Units control one third of the projection. The remainder is controlled centrally. The projections from these two areas must then be combined to get to the overall balance between revenues and expenses.

FY23 Budget Planning Results - April

How was the projected $8.6M deficit addressed?

- Increased tuition revenue and subsidy from a stronger enrollment projection net of increased financial aid
- Increased room & board revenue associated with the new enrollment projection
- Budgeting a 3% vacancy savings rate
- Increased health care costs

This is typical of the budget cycle where potential imbalances are identified in the fall and then actions are taken to bring the actual budget into balance.

The main goal of the budget process is to identify any structural imbalance and come up with solutions to close that gap to create a balanced budget at the end of the process. Since the enrollment decline starting in FY17, there is always a gap when the initial projections are made in the fall. Based on that information the assumptions underlying the revenue projections and expenses are refined both centrally and within academic and administrative planning units. Here is an example of some of the changes implemented during the FY23 budget planning process between the original November scenario and the final budget presented to the Trustees in April.

OHIO UNIVERSITY

Historical Budget-to-Actuals

All Operating Units (All Sources)

	FY18 Budget	FY18 Actuals	FY19 Budget	FY19 Actuals	FY20 Budget	FY20 Actuals	FY21 Budget	FY21 Actuals	FY22 Budget	FY22 Forecast*	FY23 Budget
State Appropriations	$ 164.8	$ 166.0	$ 167.7	$ 172.0	$ 175.5	$ 176.3	$ 169.0	$ 186.9	$ 187.3	$ 187.3	$ 180.0
Net Undergraduate Tuition & Fees	241.1	239.0	235.7	231.5	224.9	213.2	173.7	183.8	173.5	169.9	164.0
Room & Board	92.9	92.2	91.4	90.9	87.7	68.4	68.7	25.9	77.6	79.8	84.5
Net Graduate Tuition & Fees	87.1	87.0	96.3	93.2	100.7	96.5	97.8	97.7	96.4	97.6	98.7
Grants & Contracts	51.3	43.5	45.6	49.3	52.2	57.3	71.4	100.3	46.8	79.4	45.5
Private Support	44.0	45.5	48.9	43.4	49.1	44.4	53.9	53.2	55.4	45.5	45.4
Other Revenues	63.8	80.5	66.0	83.5	68.6	66.9	60.4	92.1	56.0	81.6	60.4
Total Revenues	**$ 745.1**	**$ 753.9**	**$ 751.5**	**$ 763.8**	**$ 758.7**	**$ 723.0**	**$ 695.0**	**$ 740.0**	**$ 692.9**	**$ 741.2**	**$ 678.5**
Salaries, Wages, & Other Payroll	$ 369.9	$ 354.6	$ 373.8	$ 356.9	$ 366.7	$ 361.0	$ 328.3	$ 319.1	$ 332.9	$ 327.2	$ 336.9
Benefits	122.6	113.1	121.8	120.1	122.8	121.2	121.9	113.8	115.3	115.3	121.1
Non-Compensation Direct Expenses	197.5	188.6	195.0	186.4	199.4	168.1	196.7	199.6	191.4	204.8	179.7
Internal Loan P&I	51.1	49.0	54.1	53.2	68.1	71.6	61.0	62.7	63.2	65.4	56.0
Total Expenses	**$ 741.1**	**$ 705.2**	**$ 744.7**	**$ 716.5**	**$ 757.1**	**$ 721.9**	**$ 707.9**	**$ 695.2**	**$ 702.8**	**$ 712.8**	**$ 693.7**
Total Funding Transfers	0.0	1.1	(0.0)	4.2	0.1	1.1	(0.0)	(0.4)	(0.0)	0.0	0.0
Results of Operations	**$ 4.0**	**$ 47.5**	**$ 6.8**	**$ 43.1**	**$ 1.6**	**$ (0.1)**	**$ (13.0)**	**$ 45.2**	**$ (9.8)**	**$ 28.4**	**$ (15.2)**
Variances to Budget											
Results of Operations		*$ 43.5*		*$ 36.3*		*$ (1.6)*		*$ 58.2*		*$ 38.2*	

One area the FY23 Budget Planning Process focused on was the variance between budget and actual across fiscal years – if we have consistent funds budgeted that are not spent, we could have an opportunity to reduce budget without affecting the actual need for funds

** FY22 Forecast based on Nov 19, 2021 submissions. Assumes $6.1M FY22 expenses associated with VSRP 2022. Note: CARES/HEERF funds reflected in Grants & Contracts, as well as Other Revenues and Non-Compensation Direct Expenses (offsetting amounts) based on accounting treatment.*

As part of the FY23 budget process, we looked at the historical balance between budgeted expenses and the actual amount spent. With the exception of FY20 which is anomalous because the effect of the pandemic, we have consistently under spent the budget. This implies that one way to close the gap between revenues and expenses could be to budget lower expenses since we don't need all of the funds we put into the budget. We could basically decrease budgets and not affect actual unit spending needs.

Historical Budget-to-Actuals

Faculty & Staff Payroll Trends

	FY18 Budget	FY18 Actuals	FY19 Budget	FY19 Actuals	FY20 Budget	FY20 Actuals	FY21 Budget**	FY21 Actuals	FY22 Budget	FY22 Forecast	FY23 Budget
Faculty Salaries	$ 144.6	$ 141.7	$ 147.3	$ 141.6	$ 144.7	$ 140.9	$ 129.6	$ 126.8	$ 130.0	$ 124.0	$ 130.0
Staff Salaries/Wages	182.9	168.7	181.4	170.7	178.0	169.5	157.3	158.3	162.2	158.7	166.1
Subtotal: Faculty & Staff Payroll	**$ 327.5**	**$ 310.4**	**$ 328.7**	**$ 312.3**	**$ 322.7**	**$ 310.3**	**$ 286.9**	**$ 285.0**	**$ 292.2**	**$ 282.7**	**$ 296.1**
Furlough-Adjustment**							**11.2**				
Furlough-Adjusted Faculty & Staff Payroll	**$ 327.5**	**$ 310.4**	**$ 328.7**	**$ 312.3**	**$ 322.7**	**$ 310.3**	**$ 298.1**	**$ 285.0**	**$ 292.2**	**$ 282.7**	**$ 296.1**

**Exclues "Other Compensation" line, which contains historical VSRP/ERIP expense costs; salary savings reflected in Faculty FY21 figures*

***FY21 Budget included OTO furlough cost-savings of $13M -- $11.2M salaries & $1.8M associated benefits. Furlough was ended in April 2021, and refunds provided to employees for the impact of the first 3 quarters of FY21*

	FY18 Actuals	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Forecast
Variance to Furlough-Adjusted Budget	(17.1)	(16.4)	(12.4)	(13.1)	(9.6)
Actuals as a % of Furlough-Adjusted Budget	94.8%	95.0%	96.2%	95.6%	96.7%
Total Compensation (Including 16.189% variable benefits)	(19.9)	(19.0)	(14.4)	(15.2)	(11.1)

Personnel costs make up such a large portion of the budget. When units create their budget, they assume that they need 100% of the funding for their positions. In reality, it is almost impossible for larger units to be fully staffing all year and spend their entire budget. Actual compensation expenditure trends 4-5% below budget. So, at the macro level, we decided to budget 97% of compensation in all units with the provision that if a smaller unit does not experience that level of savings, they are not expected to cut expenditures to achieve it. The next step for FY24 will be to look at non-compensation expenses in a similar way.

When looking more closely at spending that is below budget, compensation was one of the main area where this was occurring. Units naturally will build a budget assuming that 100% of their positions are filled throughout the year. In reality, especially with larger units, it is impossible to be 100% staffed for the entire year. People are continually leaving and being hired and this churn keeps the actual spending on compensation are around 95-95% of budget. It is not possible to predict exactly which positions will be unfilled but at the planning unit level it is fairly predictable that 5-6% of the budget will not be needed. So, starting in FY23, we have introduced a vacancy savings factor of 3% into all units budgets. While not all units will achieve this level and others will exceed it, on average this is a conservative estimate of the likely savings at the macro level. This included a provision that if a smaller unit does not experience that level of savings, they are not expected to cut expenditures to achieve it.

The next step for FY24 will be to look at non-compensation expenses in a similar way.

All Operating Units (All Sources)

	FY23	FY24	FY25	FY26	FY27	FY28
Results of Operations*	$ (15.2)	$ (34.5)	$ (33.5)	$ (28.5)	$ (22.3)	$ (18.2)
University Strategies						
Budgeting 3% vacancy/turnover savings	$ 10.3	$ 10.5	$ 10.7	$ 10.8	$ 11.0	$ 11.1
VSRP 2022	4.6	6.0	6.0	6.1	6.1	6.1
Impact of University Strategies	**$ 14.9**	**$ 16.5**	**$ 16.7**	**$ 16.9**	**$ 17.1**	**$ 17.3**
Adjusted Operating Results	**$ (0.3)**	**$ (18.0)**	**$ (16.7)**	**$ (11.6)**	**$ (5.2)**	**$ (1.0)**

**As submitted by Planning Units Nov 19, 2021*

Two of the macro strategies to address the $15M structural deficit projected in November were the implementation of the 3% vacancy savings and a Voluntary Separation and Retirement Program for faculty in certain departments on the Athens campus. These strategies were projected to save $14.9M across the institution.

Remember, though, that this represents the entire institution including the Athens campus, Regional Campuses, HCOM and Auxiliaries. The impact is different across these units and each unit has a different affect on the overall Results of Operations.

College of Medicine (All Sources)

	FY23	FY24	FY25	FY26	FY27	FY28
Results of Operations*	$ 2.0	$ (0.8)	$ 0.4	$ (1.1)	$ 1.3	$ 2.2
University Strategies						
Budgeting 3% vacancy/turnover savings	$ 1.1	$ 1.1	$ 1.2	$ 1.2	$ 1.2	$ 1.2
VSRP 2022						
Impact of University Strategies	**$ 1.1**	**$ 1.1**	**$ 1.2**	**$ 1.2**	**$ 1.2**	**$ 1.2**
Adjusted Operating Results	**$ 3.1**	**$ 0.4**	**$ 1.5**	**$ 0.0**	**$ 2.5**	**$ 3.5**

**As submitted by Planning Units Nov 19, 2021*

With HCOM the results of Operations is positive as they are allocating some of their operating budget to paying off their facility investments. The 3% savings remains in their budget and is not “transferable” to the Athens budget.

Auxiliaries (All Sources)

	FY23	FY24	FY25	FY26	FY27	FY28
Results of Operations*	$ 10.0	$ 9.8	$ 12.8	$ 16.8	$ 18.6	$ 18.9
University Strategies						
Budgeting 3% vacancy/turnover savings	$ 0.6	$ 0.7	$ 0.7	$ 0.7	$ 0.7	$ 0.7
VSRP 2022						
Impact of University Strategies	**$ 0.6**	**$ 0.7**	**$ 0.7**	**$ 0.7**	**$ 0.7**	**$ 0.7**
Adjusted Operating Results	**$ 10.6**	**$ 10.4**	**$ 13.4**	**$ 17.5**	**$ 19.3**	**$ 19.6**

**As submitted by Planning Units Nov 19, 2021*

Similarly, Auxiliaries maintains a positive Results of Operations to put funds into reserves for facilities and their 3% savings also remains with them.

Regional Campuses (All Sources)

		FY23		FY24		FY25		FY26		FY27		FY28
Results of Operations*	$	(4.4)	$	(9.2)	$	(9.0)	$	(8.9)	$	(9.4)	$	(9.7)
University Strategies												
Budgeting 3% vacancy/turnover savings	$	0.8	$	0.8	$	0.8	$	0.8	$	0.8	$	0.8
VSRP 2022												
Impact of University Strategies	**$**	**0.8**	**$**	**0.8**	**$**	**0.8**	**$**	**0.8**	**$**	**0.8**	**$**	**0.8**
Adjusted Operating Results	**$**	**(3.6)**	**$**	**(8.4)**	**$**	**(8.2)**	**$**	**(8.0)**	**$**	**(8.6)**	**$**	**(8.9)**

**As submitted by Planning Units Nov 19, 2021*

Regional campuses have a negative Results of Operations which represents a structural deficit that they still need to address.

OHIO UNIVERSITY

Athens Campus (All Sources)

		FY23		FY24		FY25		FY26		FY27		FY28
Results of Operations*	$	(22.8)	$	(34.3)	$	(37.5)	$	(35.3)	$	(32.8)	$	(29.7)
University Strategies												
Budgeting 3% vacancy/turnover savings	$	7.8	$	7.9	$	8.1	$	8.2	$	8.3	$	8.4
VSRP 2022		4.6		6.0		6.0		6.1		6.1		6.1
Impact of University Strategies	**$**	**12.4**	**$**	**13.9**	**$**	**14.1**	**$**	**14.2**	**$**	**14.4**	**$**	**14.5**
Adjusted Operating Results	**$**	**(10.4)**	**$**	**(20.4)**	**$**	**(23.4)**	**$**	**(21.1)**	**$**	**(18.5)**	**$**	**(15.2)**

**As submitted by Planning Units Nov 19, 2021*

Similarly, after these strategies, the Athens budget still has a negative Results of Operations that needs to be solved. However, this projection is based on the conservative enrollment assumptions (4,036 incoming freshmen) in place in April before actual enrollment is known. It was therefore considered an acceptable risk since it was looking like actual enrollments would end up being several hundred students higher.

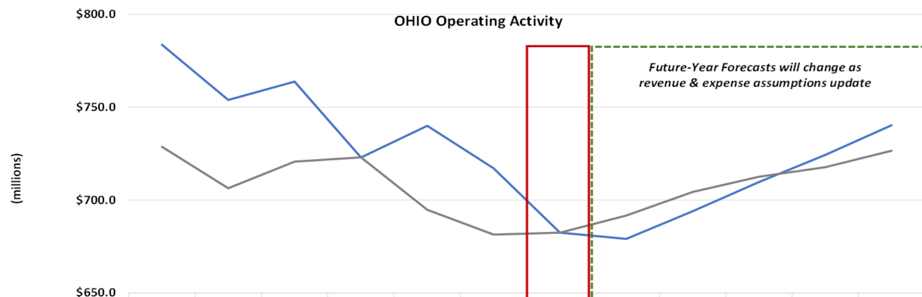
OHIO UNIVERSITY

New Emphasis – Results of Operations

April 2022 Board Meeting – AFTER BUDGET PLANNING

FY23 Budget & Multi-Year Planning

Multi-Year Revenues & Expenses (in millions)



	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Forecast	FY23 Budget*	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast
Revenues	$783.6	$753.9	$763.8	$723.0	$740.0	$717.1	$682.5	$679.1	$694.0	$709.7	$724.4	$740.3
Expenses	$728.7	$706.4	$720.7	$723.0	$694.8	$681.4	$682.5	$691.6	$704.3	$712.5	$717.7	$726.6
Results of Operations	$54.9	$47.5	$43.1	-$0.1	$45.2	$35.7	$0.0	-$12.6	-$10.4	-$2.9	$6.6	$13.7
Imbalance as a % of Expenses								-1.8%	-1.5%	-0.4%		

** Excludes COVID FY23 contingency budget of $1.0M*

When you put all of this together the university budget has a balanced Results of Operations. This again includes the conservative enrollment assumptions from April. Those assumptions were also better than November since we had seen a return to on-campus instruction coming out of the pandemic so the revenue line is much better at this point and the structure deficits in FY24 and beyond are much smaller than the November scenario. Normally you want to have positive Results of Operations in order to put "savings" into reserves so the balance in FY23 and the negatives in the future need to be turned around and hopefully the stronger enrollment from this fall is the start of that.

Potential Adjustments - June: Athens Campus

Results of Operations	FY23 Budget	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast
Athens Campus	(9.0)	(14.5)	(11.7)	(6.4)	(1.8)	3.4
Adjustments						
Net Tuition - Enrollments	6.4	7.8	8.6	8.3	4.7	2.2
SSI - Enrollments	-	-	0.5	3.2	4.6	5.4
SSI - FY23 Final Allocation	4.6	3.1	2.8	3.2	3.2	3.2
Recast Athens Campus *	**2.0**	**(3.7)**	**0.2**	**8.3**	**10.8**	**14.2**

April

Potential Changes from Potentially Higher Enrollment

	FY23	FY24	FY25	FY26	FY27	FY28
April 2022 (included in Budget)	3,711	3,739	3,848	3,960	3,994	4,018
Modeled Scenario	4,400	4,000	4,000	4,000	4,000	4,000
Difference	***689***	***261***	***152***	***40***	***6***	***(18)***

** Does not yet include additional expenses associated with higher enrollments, which will partially offset positive enrollment impacts*

Areas of Investment will Focus on Student Success

- Instructional Capacity
- Student Advising
- Mental Health
- Academic Support & Tutoring
- Custodial & Maintenance (Housing & Classroom)

A preliminary assessment of potential impact of increased enrollments was made in June, At this point we had a new enrollment projection and we learned that our share of the state SSI was increasing because of additional funding and because our share against other universities was increasing because our performance under the funding model was better. When those additional revenues are factored in, the -$9M deficit in Athens is $2M positive. This, however, is only the potential revenue. We have had to make additional investments in student-driven services to handle the larger freshman class so the final effect on Results of Operations is still not determined.

Results of Operations, as presented April 2022

	FY23 Budget	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast
College of Medicine*	2.1	(0.1)	0.2	(0.9)	1.5	2.3
Auxiliaries	8.2	7.6	8.5	12.6	15.5	16.7
Regional Campuses	(1.3)	(5.6)	(7.4)	(8.2)	(8.5)	(8.9)
Athens Campus	(9.0)	(14.5)	(11.7)	(6.4)	(1.8)	3.4
Subtotal: OHIO Operating	**(0.0)**	**(12.6)**	**(10.4)**	**(2.9)**	**6.6**	**13.7**
COVID Contingency Budget	*(1.0)*	-	-	-	-	-

Recast Results of Operations - August

	FY23 Budget	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast
College of Medicine*	3.1	0.9	1.2	0.1	2.4	3.2
Auxiliaries	12.7	12.9	10.0	13.0	15.5	16.7
Regional Campuses**	(0.8)	(5.1)	(6.9)	(7.7)	(8.0)	(8.3)
Athens Campus	2.0	(3.7)	0.2	8.3	10.8	14.2
Additional Expenses (Enrollments)	TBD	TBD	TBD	TBD	TBD	TBD
Subtotal: OHIO Operating	**17.0**	**5.1**	**4.6**	**13.8**	**20.6**	**25.8**
COVID Contingency Budget	*(1.0)*	-	-	-	-	-

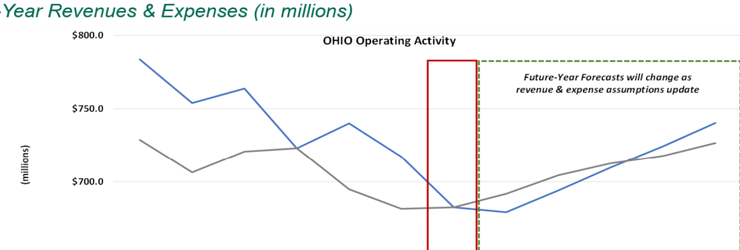
** Assumes advance principal payments for debt paydown*
*** Does not include stretch-goal of flat enrollments*

The other units – HCOM, RHE and Auxiliaries also had varying levels of change to their Results of Operations since the April approval of the budget. As mentioned earlier, the budget is continually evolving throughout the annual budget development process and after the budget is approved.

What Happened to the Projected Deficits?

FY23 Budget & Multi-Year Planning

Multi-Year Revenues & Expenses (in millions)



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Imbalance as a % of Expenses								-1.8%	-1.5%	-0.4%		

* Excludes COVID FY23 contingency budget of $1.0M

Revenues

Expenses

- The previous projected future deficits in the multi-year budget forecast were real.
- Since FY2017 our enrollment has declined 20% resulting in a $66M decrease in revenues over several years.
- We have responded to this each year resulting in significant reductions of expenditures of $47M as well as increasing other revenues in order to address the projected deficits.

So the overall point of this presentation is to give you a better understanding of the evolution of a budget through the budget development process and to emphasize that projections of future budgets are simply meant to be a planning tool. It is a view of potential future trends based on a series of assumptions - they are not a conclusion. Given the conservative nature of projections, initial budgets presented in the fall are often alarming. They should be an indication of a potential future given those assumptions. The process of balancing the budget hinges on changing those assumptions – what can be done to increase various revenues and want can we do to not spend what is projected.

Throughout the enrollment decline starting in FY17, budget gaps have been an annual challenge and budget discussions have portrayed a challenging future that needed a reaction. We have avoided a financial disaster by acting on those challenges. We have lost $100M in revenues from FY17 to FY23 (13%) and we have had to react by reducing expenses. So, it was not that crisis was not real and the painful budget reductions were not necessary. The reductions have each year avoided the crisis of having to dip into reserves to solve our structural imbalances and keep the budget balanced.