

Faculty Senate
Financial Affairs Committee
Financial and Budget Presentation

November 21, 2003



The University of Alabama

Topics

- Financial Overview: Assets & Liabilities
- 2003 Budget vs. 2003 Actual
- 2004 Funding Sources & Priorities
- 2003 Budget vs. 2004 Budget
- Intercollegiate Athletics Budget 2004
- Implications of Enrollment Growth-Goal of 28,000 Students



The University of Alabama

Statement of Net Assets



The University of Alabama

Statement of Net Assets

September 30, 2003

(\$ in thousands)

Assets

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 41,694 |
| Investments | 564,566 |
| Accounts receivable, net | 70,585 |
| Capital assets, net | 434,491 |
| Other current assets | 31,954 |
| Total Assets | <u>\$ 1,143,290</u> |

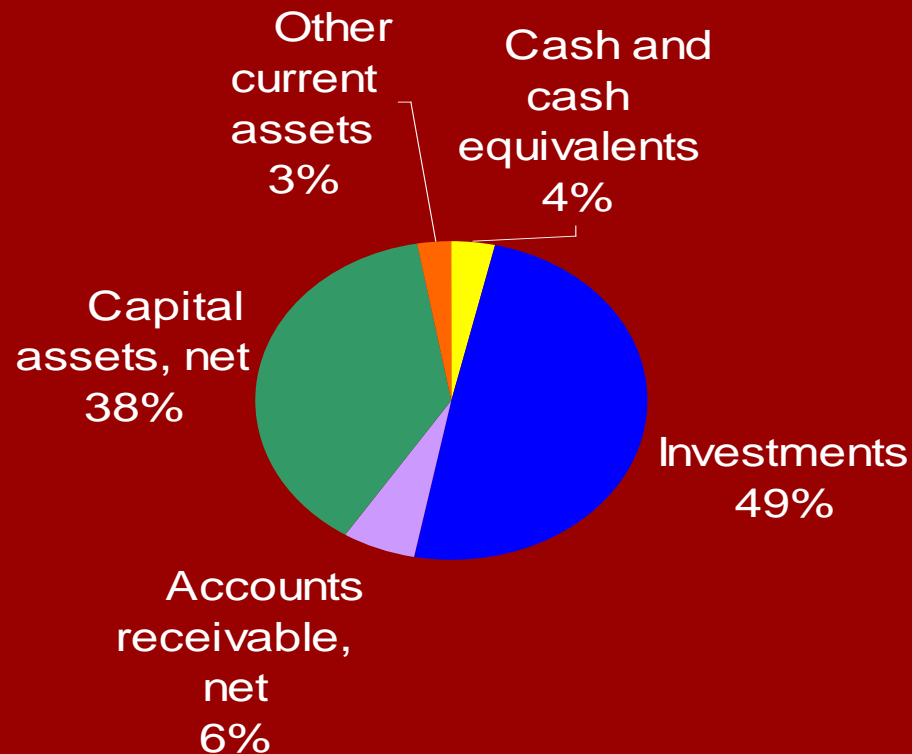


The University of Alabama

Statement of Net Assets

September 30, 2003

Assets



The University of Alabama

Statement of Net Assets

September 30, 2003

Liabilities and net assets

Liabilities

| | | |
|--|----|----------------|
| Accounts payable and accrued liabilities | \$ | 36,080 |
| Deferred revenue | | 74,468 |
| Other liabilities | | 16,309 |
| Long-term debt, net | | <u>161,754</u> |
| Total liabilities | \$ | <u>288,611</u> |

Net Assets

\$ 854,679

Total liabilities and net assets

\$ 1,143,290

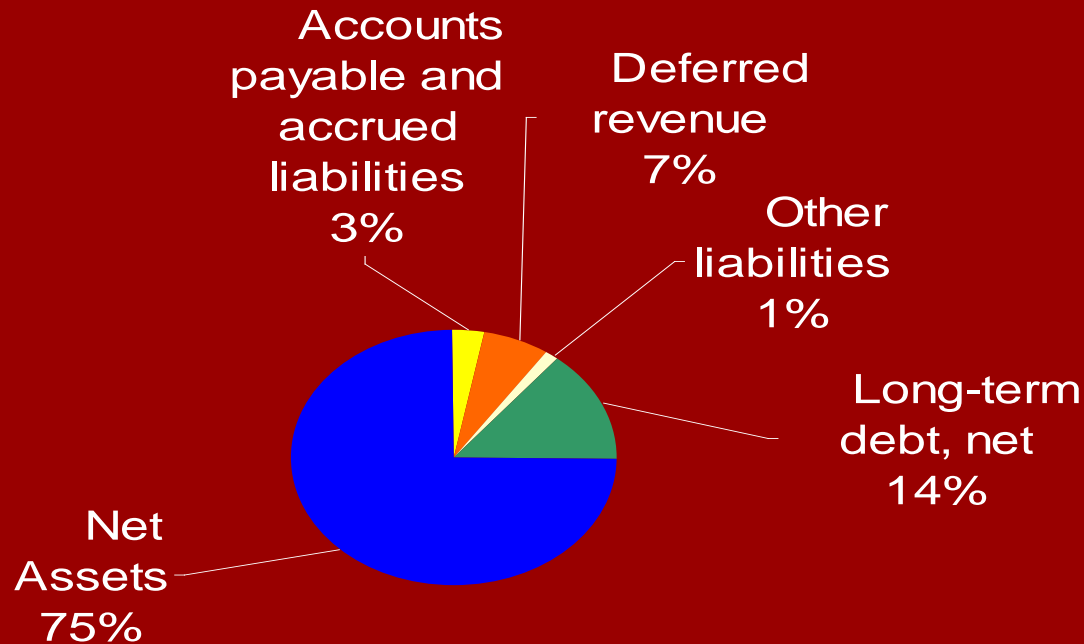


The University of Alabama

Statement of Net Assets

September 30, 2003

Liabilities & Net Assets



The University of Alabama

Debt Summary



The University of Alabama

Debt Summary

September 30, 2003

| | |
|----------------------------------|---------------|
| Total Debt Outstanding | \$161,753,558 |
| Weighted Average Cost of Capital | 5.25% |
| Fixed vs. Variable Rate | 100%/0% |
| Average Life | 8.3 years |
| | |
| General Fee Revenue Bonds | \$ 51,495,000 |
| Moody's Rating | Aa3 |
| S&P's Rating | A+ |
| | |
| Auxiliary Revenue Bonds | \$100,135,000 |
| Moody's Rating | A1 |
| S&P's Rating | A+ |
| | |
| Notes & leases Payable | \$ 6,310,500 |
| Unamortized Bond Premium | \$ 3,813,058 |



The University of Alabama

Performance Ratios vs. Moody's

| | <u>UA</u> | Moody's "Aa3" <u>Median</u> | Moody's "A1" <u>Median</u> |
|--|-------------|--------------------------------|-------------------------------|
| Total Resources to Debt (%) <i>A broad measure of resources to debt that includes the corpus of endowed contributions.</i> | 335% | 221% | 236% |
| Expendable Resources to Debt(%) <i>Measures the resources available to investors from expendable resources.</i> | 214% | 132% | 113% |
| Debt Service to Operations (%) <i>Measures an institution's total debt burden on the annual operating budget.</i> | 4.1% | 3.6% | 2.0% |
| Debt Service Coverage (%) <i>Measures the actual margin of protection Provided to investors by annual operations</i> | 164% | 249% | 290% |



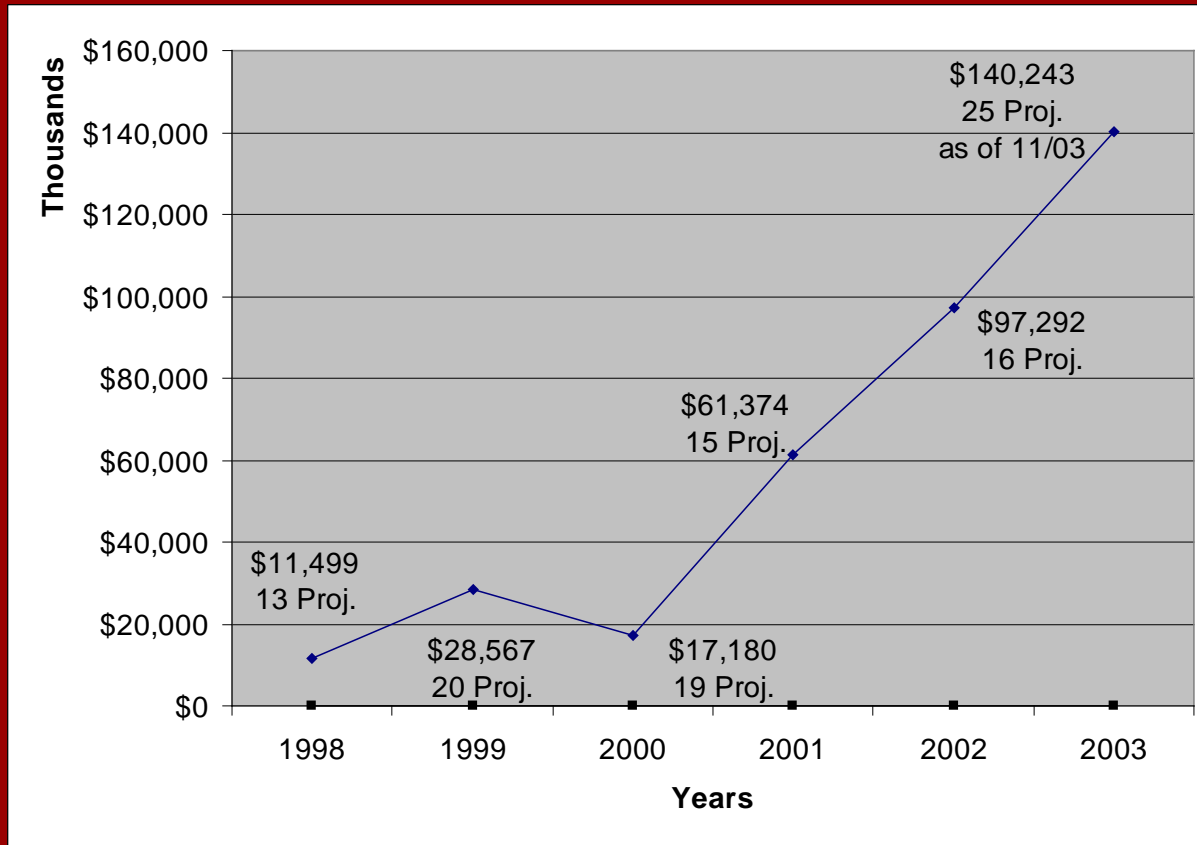
The University of Alabama

Construction Summary



The University of Alabama

Projects under construction 1998-2003



The University of Alabama

Construction Projects as of November 5, 2003

| | | |
|-------------------------------|-----------|--------------------|
| Total Active Projects | \$ | 375,299,600 |
| In Design | \$ | 44,349,000 |
| Under Construction | \$ | 166,317,000 |
| Substantially Complete | \$ | 13,842,600 |
| Future Projects | \$ | 109,250,000 |



The University of Alabama

FY2003 Actual Compared to FY2003 Budget



The University of Alabama

FY2003 Actual Compared to Budget Revenues and Expenses

| | Year Ending September 30 | | <u>Increase</u> | <u>% Change</u> |
|------------------------|-----------------------------|-----------------|-----------------|-----------------|
| | <u>Actual</u> | <u>Budget</u> | | |
| Total Revenues | \$517,557 | \$444,396 | \$73,161 | 16.46% |
| Total Expenses | 416,719 | 408,199 | 8,520 | 2.09 |
| Increase in Net Assets | <u>\$100,838</u> | <u>\$36,197</u> | <u>\$64,641</u> | <u>178.58%</u> |



The University of Alabama

FY2003 Actual Compared to Budget Revenues

| | Year Ending September 30 | | Increase (Decrease) | % Change |
|------------------------------|-----------------------------|-------------------|------------------------|---------------|
| | <u>Actual</u> | <u>Budget</u> | | |
| Revenues | | | | |
| Tuition and Fees | \$ 98,405 | \$ 92,922 | \$ 5,483 | 5.90% (1) |
| State Appropriations | 124,409 | 123,953 | 456 | 0.37 |
| Gifts | 27,950 | 23,340 | 4,610 | 19.75 (2) |
| Investment Income | 74,513 | 11,379 | 63,134 | 554.83 (3) |
| Grants & Contracts | 71,890 | 67,749 | 4,141 | 6.11 |
| Other Revenues | 46,701 | 56,396 | (9,695) | (17.19) (4) |
| Auxiliary Sales and Services | 73,689 | 68,657 | 5,032 | 7.33 (5) |
| Total Revenues | <u>\$ 517,557</u> | <u>\$ 444,396</u> | <u>\$ 73,161</u> | <u>16.46%</u> |



The University of Alabama

FY2003 Actual Compared to Budget Comments

(1) Tuition and fees, 5.90% increase of \$5.5 million:

For financial statement purposes, tuition and fees are recognized from the first day of classes in August until fiscal year end, September 30. This amount for FY03, is \$3.2 million. However, this accrual of tuition and fees is reversed in October of the next fiscal year and is not reflected in the budget. In addition tuition and fees from Continuing Studies courses were \$1.5 million greater than originally budgeted.

(2) Gifts, 19.75% increase of \$4.6 million:

Pledges to the Athletic Department's capital campaign, the Crimson Tradition Fund, account for this change. These pledges could not be projected when the FY03 original budget was prepared.

(3) Investment Income, 554.83% increase of \$63 million:

The adjustment of \$43 million made at year end to reflect investment holdings at market value accounts for the predominate amount of the increase. Since the year-end market value can not be projected the original budget does not include this amount.

In addition to market value adjustments, endowment gains of \$14.9 million were not included in the 2003 budget. Endowment gains are designated for endowment purposes.



The University of Alabama

(4) Other Revenues, -17.19% decrease of \$9.7 million:

Projected expenditures on construction projects were not as great as anticipated on the Campus Drive Parking Deck and the Child Development Center. As a result less revenues were drawn on these grants creating this difference between budget and actual.

(5) Auxiliary Sales and Services, 7.33% increase of \$5 million:

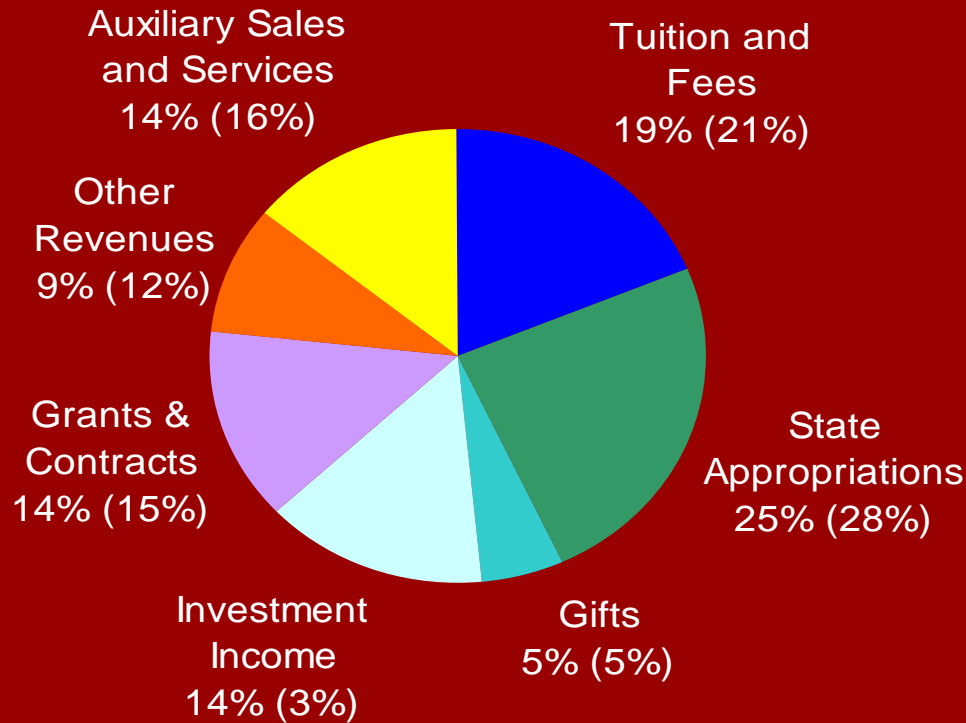
Athletic revenues were \$2.9 million over budget and food service revenues were \$2.9 million greater than the budget due to funding from Aramark for the Fresh Food Court.



The University of Alabama

FY2003 Actual Compared to Budget Revenues*

2003 Actual = \$517.6 million



*Actual (Budget)



The University of Alabama

FY2003 Actual Compared to Budget Expenses

| | Year Ending September 30 | | Increase (Decrease) | % Change |
|------------------------------|-----------------------------|------------------|------------------------|--------------|
| | Actual | Budget | | |
| Expenses | | | | |
| Compensation and Benefits | \$236,972 | \$228,300 | \$ 8,672 | 3.80% (1) |
| Supplies and Services | 102,911 | 107,809 | (4,898) | (4.54) |
| Interest Expense | 7,024 | 5,984 | 1,040 | 17.38 (2) |
| Depreciation | 25,175 | 27,240 | (2,065) | (7.58) (3) |
| Scholarships and Fellowships | 44,637 | 38,866 | 5,771 | 14.85 (4) |
| Total Expenses | <u>\$416,719</u> | <u>\$408,199</u> | <u>\$ 8,520</u> | <u>2.09%</u> |



The University of Alabama

FY2003 Actual Compared to Budget Comments

(1) Salaries, 3.8% increase of \$8.7 million:

The permanent budget for salaries was under funded by \$3.4 million in FY2003 due to the permanent departmental budget reallocations not being required until the end of the FY03 year. In addition salaries for temporary employees are not included in the original budget..

(2) Interest expense, 17.38% increase of \$1 million:

The University issued new debt in FY2003. Interest expense on the 2003 bond issue was \$1.5 million. Interest on the new debt was not know when the FY03 budget was prepared.

(3) Depreciation, -7.58% of -\$2.1 million:

Depreciation differed from the budgeted amount due to a decrease in software assets that were not included in the original budget. Major asset additions for Y2K upgrades and other information technology upgrades (depreciated over three years) that were added in 2000 were fully depreciated in 2003.



The University of Alabama

(4) Scholarships and Fellowships, 14.85% of \$5.8 million:

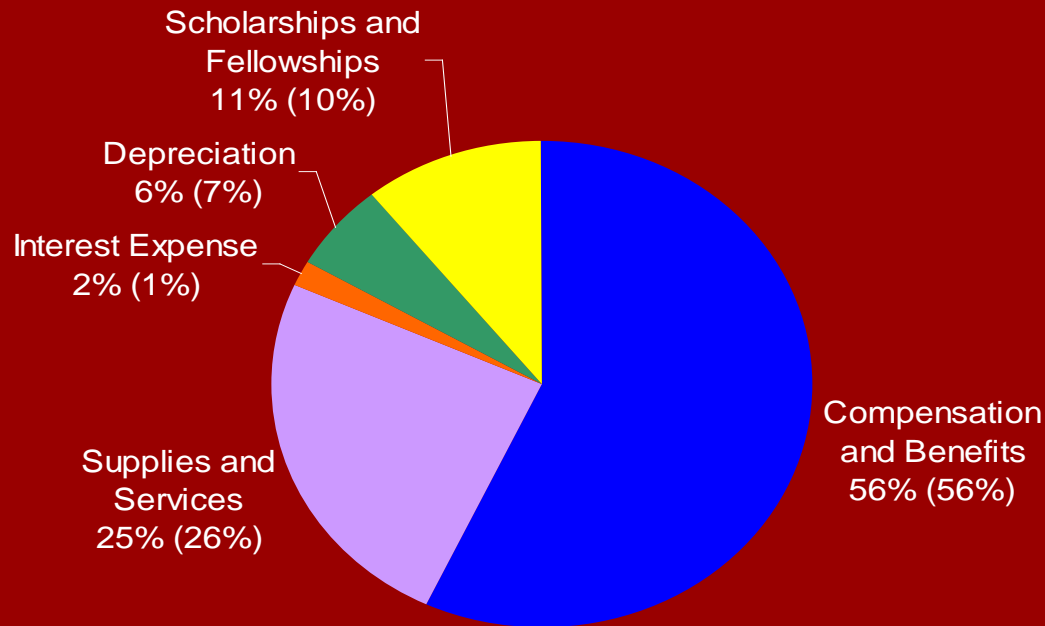
Scholarships from restricted gift accounts were \$3.2 million more than projected. The number of scholarships awarded last year increased for the University. A contributing factor was made by the Advancement office in identifying restricted funds to the departments that were not being awarded.



The University of Alabama

FY2003 Actual Compared to Budget Expenses

2003 Actual = \$416.7 million



*Actual (Budget)



The University of Alabama

Funding Sources and Priority Initiatives FY2004



The University of Alabama

Operating Budget Sources 2004

Sources:

| | |
|---------------------|----------------------------|
| State Appropriation | \$ 1,156,000 |
| Tuition & Fees | |
| Rate Increases | 12,726,000 |
| Enrollment Increase | 3,206,000 |
| | <hr/> |
| Total Sources | <u><u>\$17,088,000</u></u> |



The University of Alabama

Operating Budget Priorities 2004

Unavoidable Increases:

| | |
|--------------------------|---------------------------|
| Utilities/maintenance | \$1,725,000 |
| Library Inflation | 285,000 |
| Medical Insurance | 1,200,000 |
| Liability Insurance | 470,000 |
| TRS Allocation | 1,036,000 |
| PEEHIP | 4,243,000 |
| Telephone Revolving Fund | <u>175,000</u> |
| Total | <u><u>\$9,134,000</u></u> |



The University of Alabama

Operating Budget Priorities 2004

Critical Needs:

| | | |
|--|----------------|---------------------------|
| Student Aid | | \$2,188,000 |
| Improvement in Research Infrastructure | | 2,000,000 |
| Academic Support: | | |
| Academic Initiatives | \$1,000,000 | |
| Academic Promotions | 200,000 | |
| Academic commitments | 125,000 | |
| Capital Needs – Academic Affairs | <u>500,000</u> | |
| Total Academic Support | | <u>1,825,000</u> |
| Total Critical Needs | | <u><u>\$6,013,000</u></u> |



The University of Alabama

Operating Budget Priorities 2004

Other Funding Needs:

| | |
|-------------------------------|---------------------------|
| Technology Upgrade | \$ 400,000 |
| Deferred maintenance | 250,000 |
| Reserve for FY04-05 Shortfall | <u>1,291,000</u> |
| Total Other Funding Needs | <u><u>\$1,941,000</u></u> |



The University of Alabama

Operating Budget Changes 2004

Sources:

| | | |
|---------------------|------------|---------------------|
| State Appropriation | | \$ 1,156,000 |
| Tuition & Fees: | | |
| Rate Increases | 12,726,000 | |
| Enrollment Increase | 3,206,000 | |
| Total Sources | | <u>\$17,088,000</u> |

Priorities:

| | | |
|---------------------|--|---------------------|
| Unavoidable Costs | | \$ 9,134,000 |
| Critical Needs | | 6,013,000 |
| Other Funding Needs | | 1,941,000 |
| Total Uses | | <u>\$17,088,000</u> |



The University of Alabama

Legislative Changes to 2004 Budget

State Appropriations:

| | | |
|----------------------------------|--------------|-----------------------------|
| Operations and Maintenance | \$ 1,156,437 | |
| Michael Figures | (312,609) | |
| Alabama Shakespeare Festival | (422,314) | |
| AL Technology Network | (1,108,012) | |
| AL Technology Network-Minority | (569,835) | |
| Teacher In-Service Center | (16,818) | |
| Rise Program | (31,745) | |
| Family Practice Rural Health | (187,500) | |
| AL Museum-Indian Resource Center | (44,557) | |
| | | <u>\$(1,536,953)</u> |
| Increase in TRS Rate | | (1,036,000) |
| PEEHIP Retirees Cost | | (4,242,780) |
| Telephone Revolving Fund | | (175,000) |
| | | <u><u>\$(6,990,733)</u></u> |



The University of Alabama

FY2004 Budget Reallocation

\$4,025,000

| | | |
|-------------------|-----------|--------|
| President | \$ 64,360 | 1.60% |
| Academic Affairs | 3,311,301 | 82.27% |
| Financial Affairs | 506,329 | 12.58% |
| Advancement | 98,251 | 2.44% |
| Student Affairs | 44,759 | 1.11% |



The University of Alabama

Budget Comparison FY2003 to FY2004



The University of Alabama

FY2003 Budget Compared to FY2004 Budget Revenues and Expenses

| | Year Ending September 30, | | Increase | % Change |
|------------------------|------------------------------|------------------|-----------------|---------------|
| | 2003 | 2004 | | |
| Total Revenues | \$ 444,396 | \$ 481,514 | \$ 37,118 | 8.35% |
| Total Expenses | 408,199 | 436,652 | 28,453 | 6.97 |
| Increase in Net Assets | <u>\$ 36,197</u> | <u>\$ 44,862</u> | <u>\$ 8,665</u> | <u>23.94%</u> |



The University of Alabama

FY2003 Budget Compared to FY2004 Budget Revenues

| | Year Ending September 30, | | Increase (Decrease) | % Change |
|------------------------------|------------------------------|-------------------|------------------------|--------------|
| | 2003 | 2004 | | |
| Revenues | | | | |
| Tuition and Fees | \$ 92,922 | \$ 110,213 | \$ 17,291 | 18.61% (1) |
| State Appropriations | 123,953 | 122,679 | (1,274) | (1.03) |
| Gifts | 23,340 | 36,697 | 13,357 | 57.23 (2) |
| Investment Income | 11,379 | 13,455 | 2,076 | 18.24 (3) |
| Grants & Contracts | 67,749 | 71,239 | 3,490 | 5.15 |
| Other Revenues | 56,396 | 50,818 | (5,578) | (9.89) (4) |
| Auxiliary Sales and Services | 68,657 | 76,413 | 7,756 | 11.30 (5) |
| Total Revenues | \$444,396 | \$ 481,514 | \$ 37,118 | 8.35% |



The University of Alabama

FY2003 Budget Compared to FY2004 Budget Comments

(1) Tuition and Fees, 18.61% increase of \$17.3 million:

Tuition is anticipated to increase by \$16.4 million as a result of the change in the approved tuition rate and an increase in enrollment. Fees are projected to increase by \$.9 million.

(2) Gifts, 57.23% increase of \$13.4 million:

Restricted gifts are projected to increase by \$10.8 million in addition to an increase of \$2.4 million in gifts to Intercollegiate Athletics (for debt service).

(3) Investment Income, 18.24% increase of \$2.1 million:

This increase is primarily a result of the FY 2002-2003 reallocation plan whereby interest will be discontinued on certain non-scholarship restricted funds and included in unrestricted investment earnings in FY2004.

(4) Other Revenues, -9.89% decrease of -\$5.6 million:

The \$5.6 million decrease is due predominantly to the expectation that projected expenditures on construction projects will not be as great as budgeted for FY 2003, therefore less revenues will be drawn on these grants.



The University of Alabama

(5) Auxiliary Sales and Services, 11.30% increase of \$7.6 million:

This change is primarily due to increases in Housing (4.5% average rate increase), Intercollegiate Athletics (increased student fees and athletic events income), and Supply Store (due to implementation of recommendations made by professional consultants).

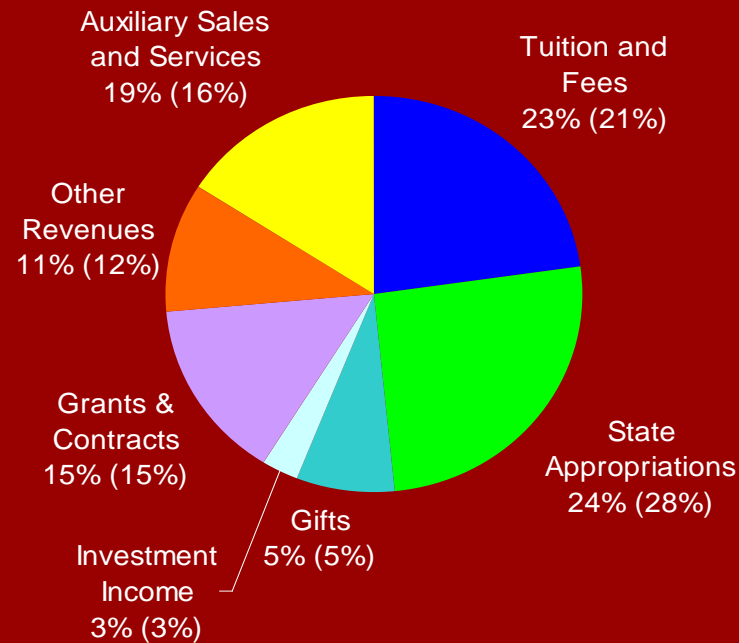


The University of Alabama

FY2003 Budget Compared to FY2004 Budget

Revenues

FY 2004 = \$444.4 million



*FY2004(FY2003)



The University of Alabama

FY2003 Budget Compared to FY2004 Budget Expenses

| Expenses | Year Ending September 30, | | Increase (Decrease) | % Change |
|------------------------------|------------------------------|-------------------|------------------------|--------------|
| | 2003 | 2004 | | |
| Compensation and Benefits | \$ 228,300 | \$ 244,373 | \$ 16,073 | 7.04% (1) |
| Supplies and Services | 107,809 | 115,205 | 7,396 | 6.86 (2) |
| Interest Expense | 5,984 | 8,252 | 2,268 | 37.90 (3) |
| Depreciation | 27,240 | 25,045 | (2,195) | (8.06) (4) |
| Scholarships and Fellowships | 38,866 | 43,777 | 4,911 | 12.64 (5) |
| Total Expenses | \$ 408,199 | \$ 436,652 | \$ 28,453 | 6.97% |



The University of Alabama

FY2003 Budget Compared to FY2004 Budget

Comments

(1) Compensation and Benefits, 7.04% increase of \$16.1 million:

E&G salaries for FY2003 were under funded by \$3.4 million which was provided by permanent reallocation of funds in the FY2004 budget process; restricted compensation and benefits reflect an increase of \$3.2 million; fringe benefit enhancements are provided in FY2004 due to projected increases in health insurance costs (\$1.2 million), allocation requirements for the Teacher's Retirement System (\$1 million), and funding for retiree's health insurance coverage (\$4.2 million).

(2) Supplies and Services, 6.86% increase of \$7.4 million:

Funds are provided in the FY04 budget to cover: unavoidable increases such as utilities and maintenance costs (\$1.7 million), library inflation (\$.3 million), liability insurance (\$.5 million), and telephone costs for intra-state service (\$.2 million); critical needs (\$3.8 million) such as academic promotions, improvement in research infrastructure, capital needs in the academic areas and funds to hire new faculty; and other funding needs which include a modest technology upgrade of \$400,000, a \$250,000 increase in deferred maintenance, and the establishment of a reserve fund (\$1.3 million) for an anticipated budget shortfall in FY2005.

(3) Interest Expense, 37.9% increase of \$2.3 million:

Interest expense will increase for FY2004 due to the 2003 bond issue.



The University of Alabama

(4) Depreciation, -8.06% decrease of -\$2.2 million:

Depreciation is decreased for FY2004 due to fully depreciated assets in the software classification.

(5) Scholarships and Fellowships, 12.64% increase of \$4.9 million:

Student Aid is increased to offset the increase in tuition.

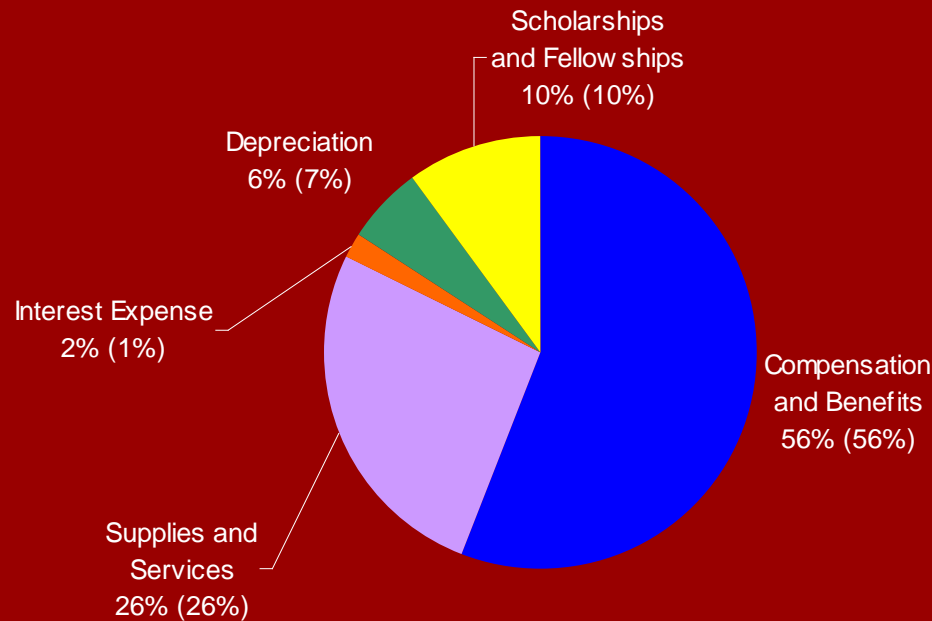


The University of Alabama

FY2003 Budget Compared to FY2004 Budget

Expenses*

FY2004 = \$436.7 million



*FY2004 (FY2003)



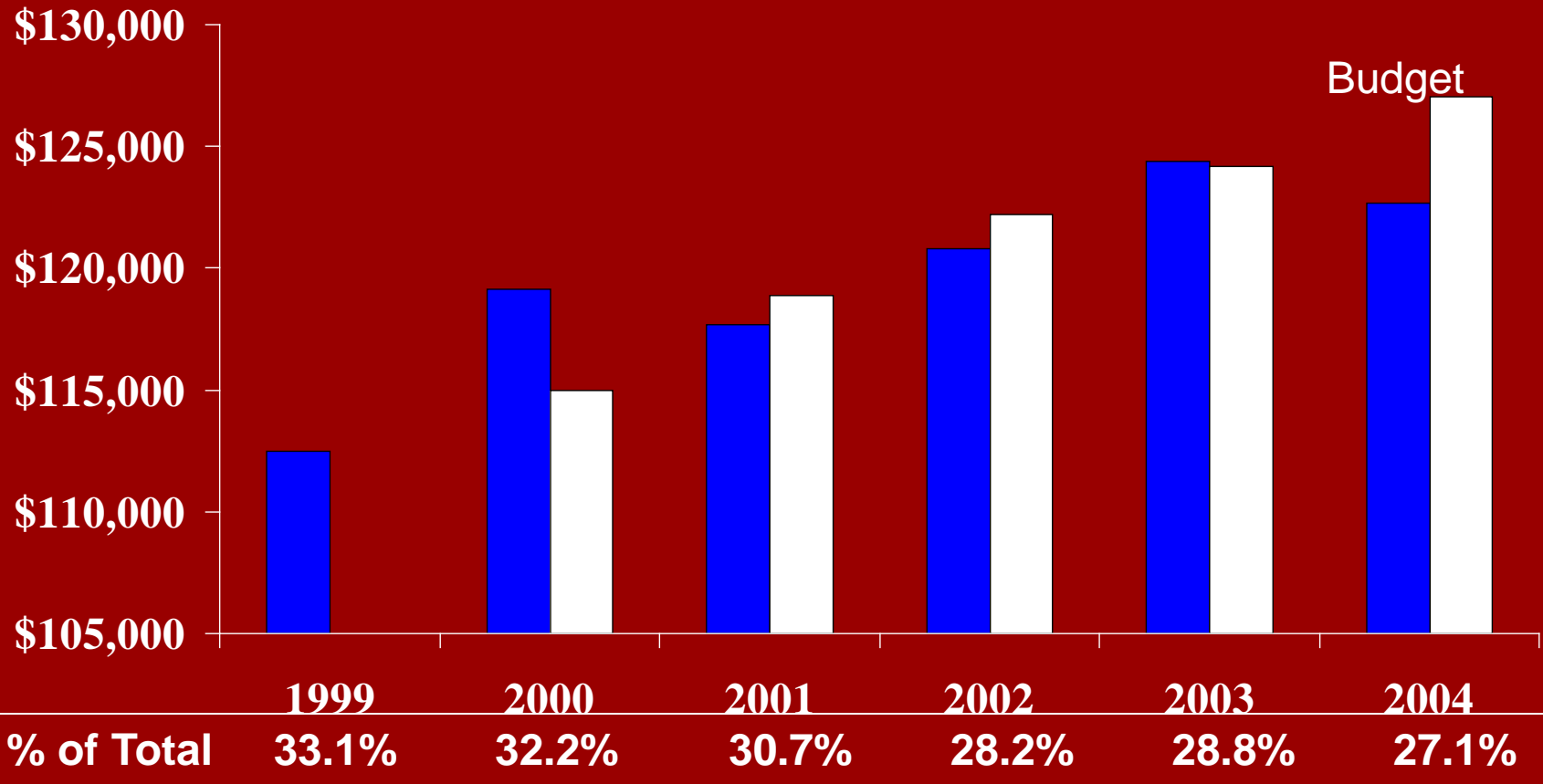
The University of Alabama

Trends



The University of Alabama

State Appropriations Trends 1999-2004

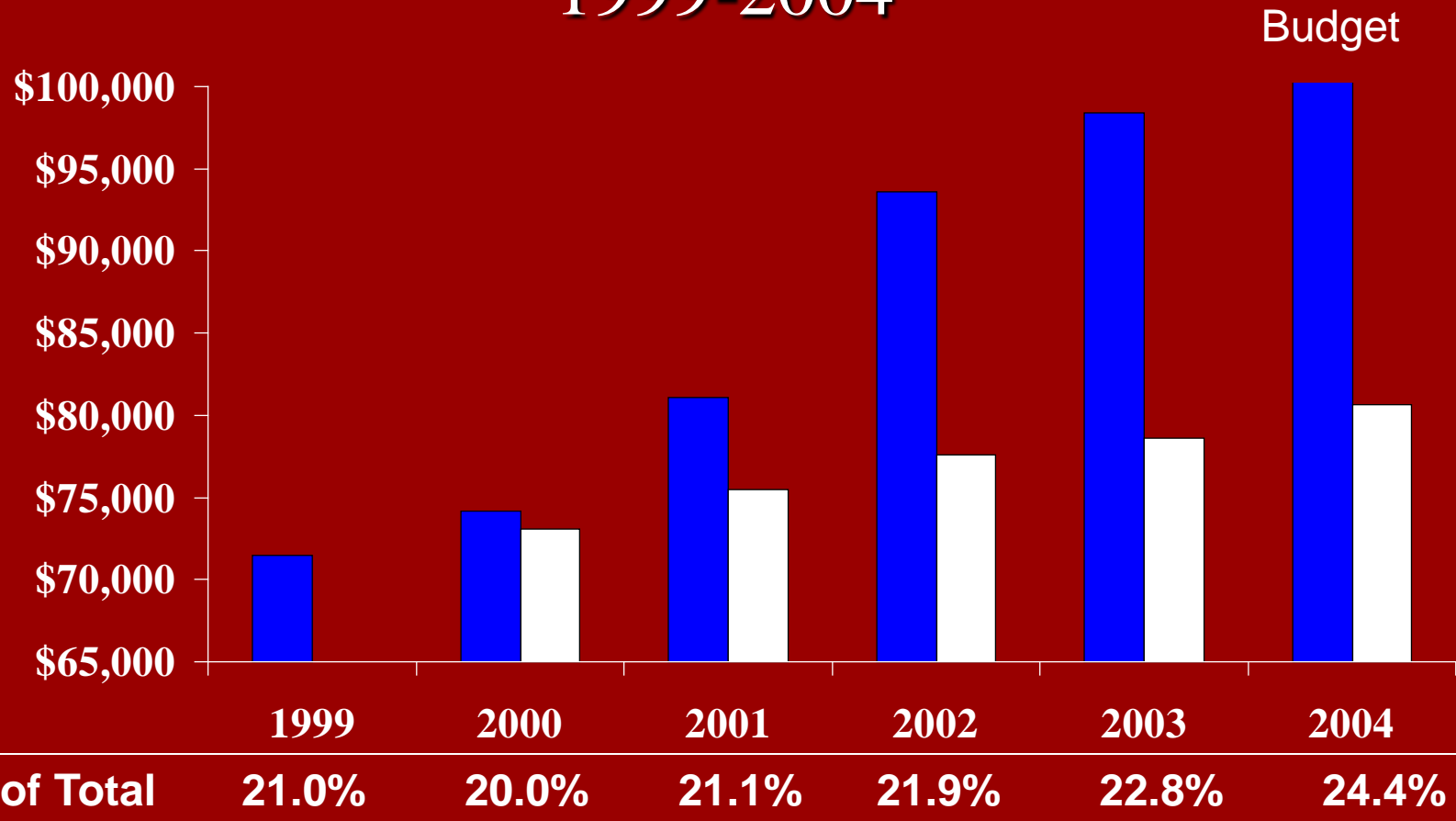


— Base year, 1999, adjusted for annual inflation



The University of Alabama

Tuition & Fees Trends 1999-2004

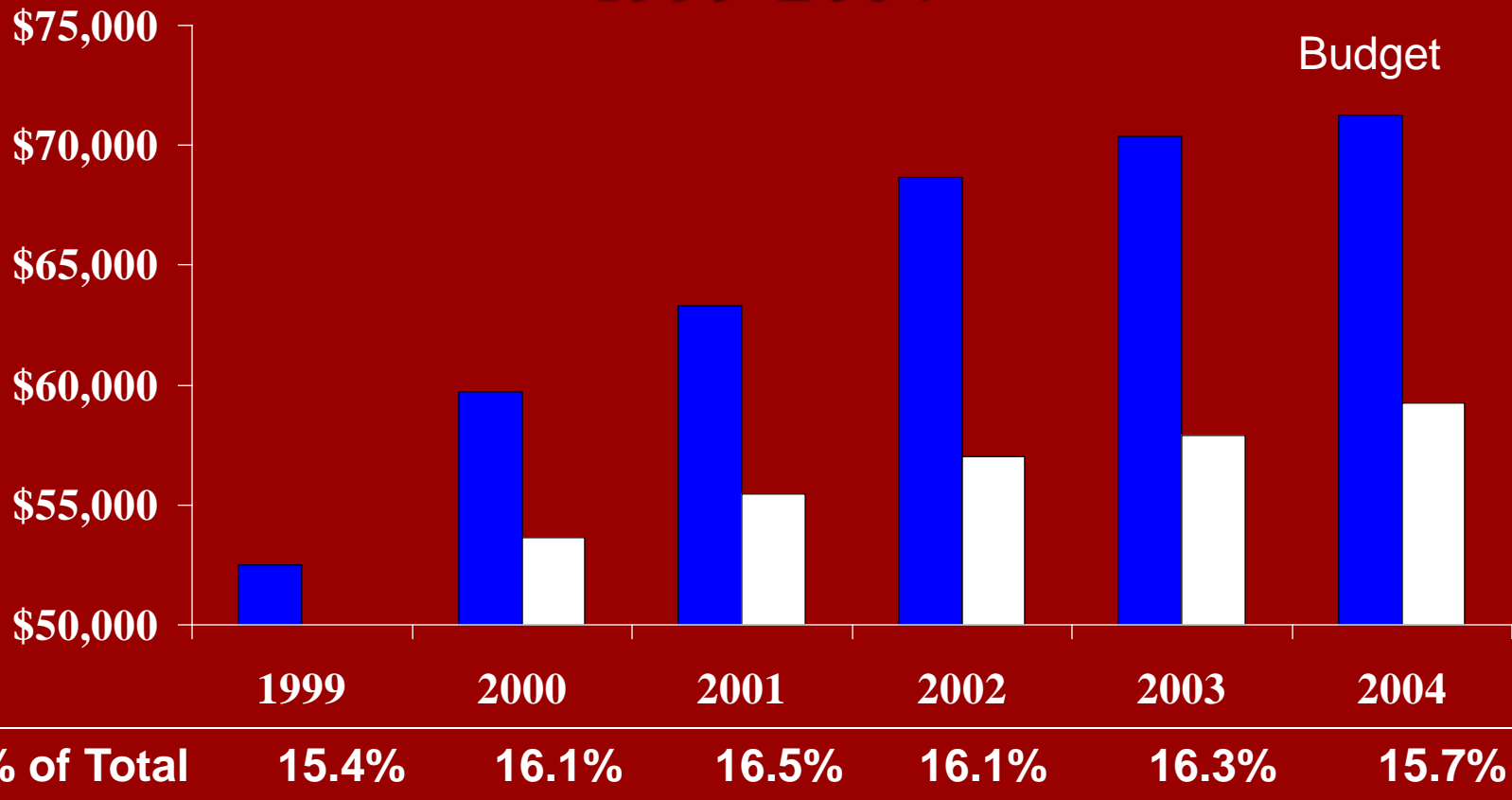


— Base year, 1999, adjusted for annual inflation



The University of Alabama

Contracts & Grants Trends 1999-2004

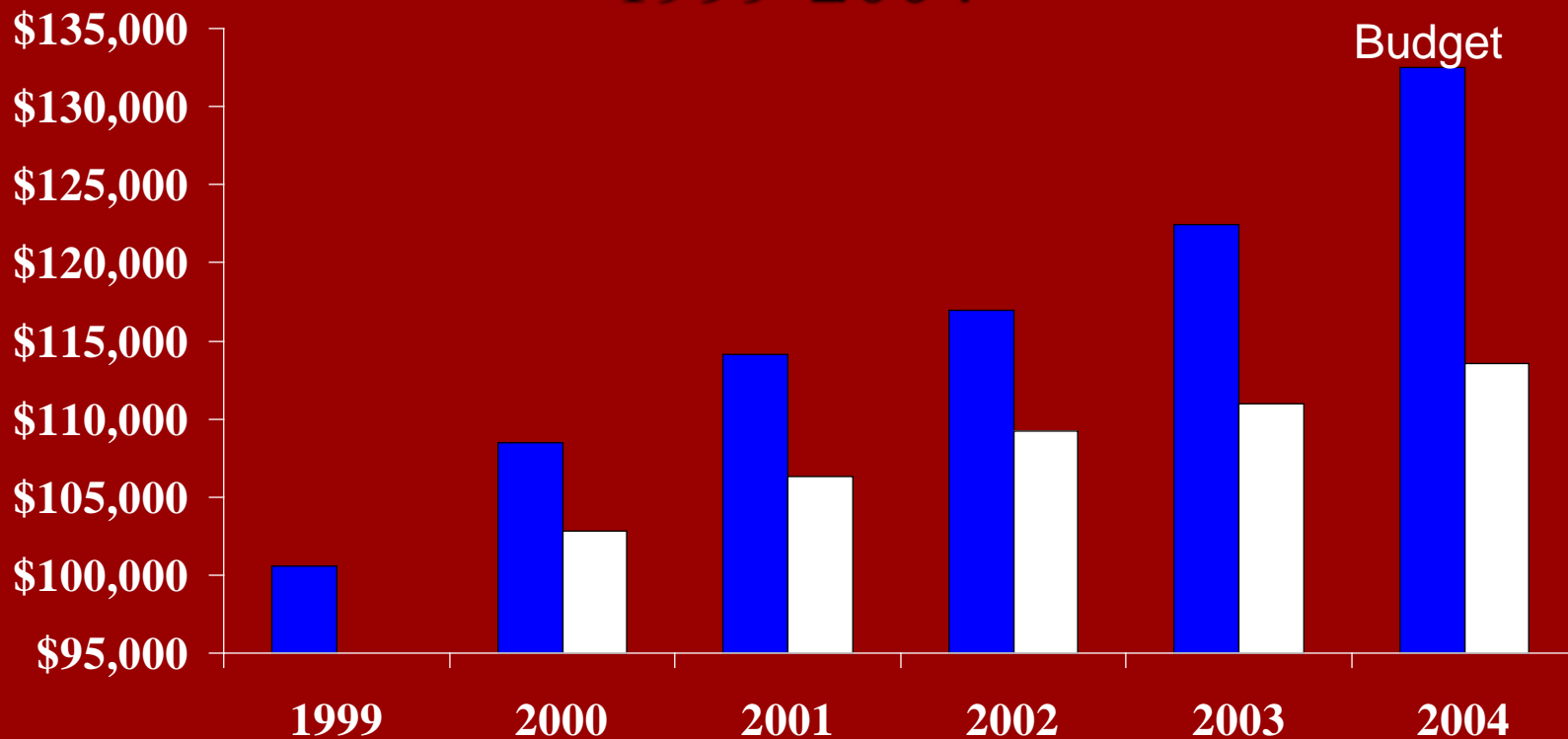


— Base year, 1999, adjusted for annual inflation



The University of Alabama

Instruction Trends 1999-2004



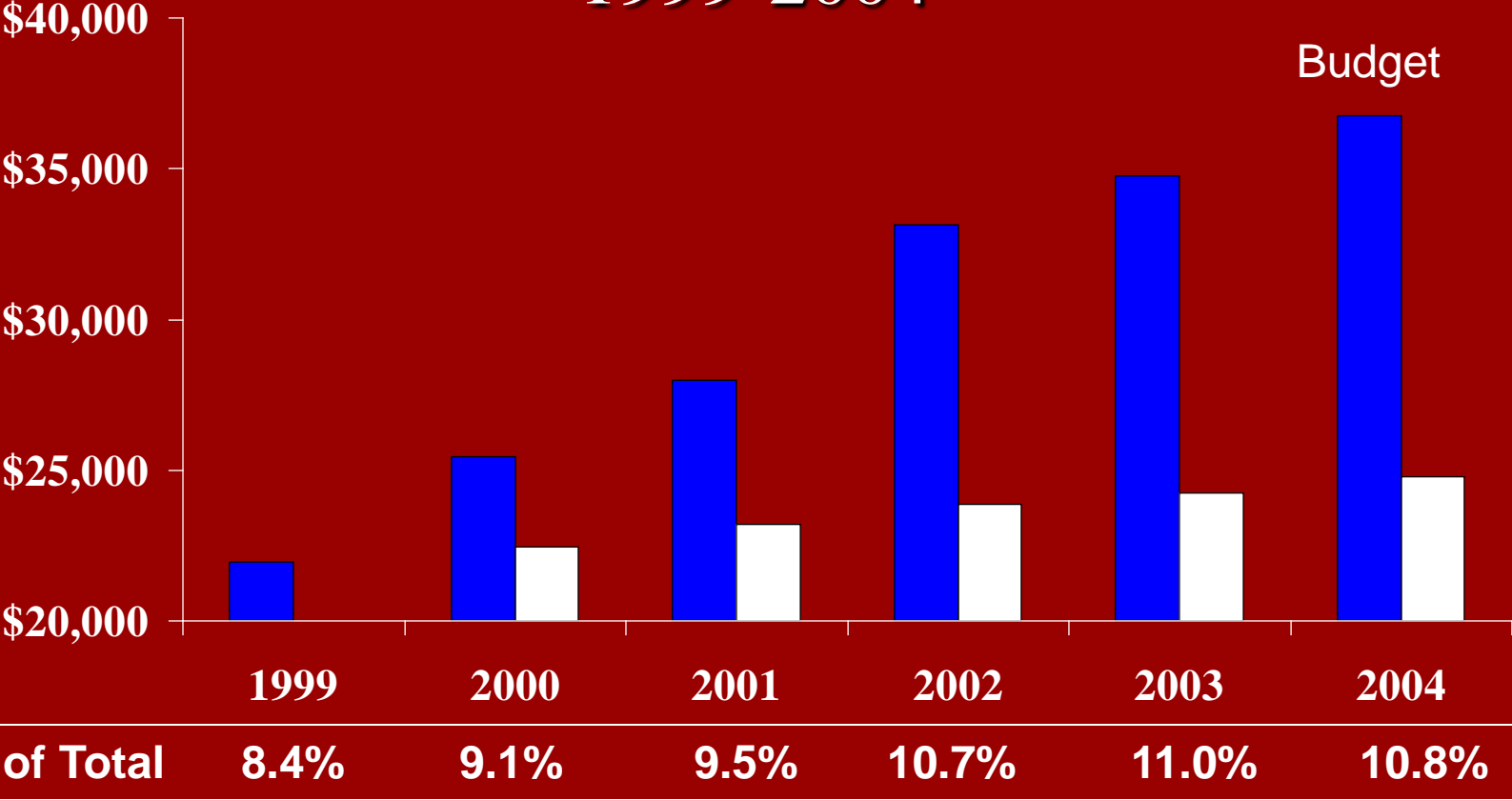
| % of Total | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|------------|-------|-------|-------|-------|-------|-------|
| | 38.5% | 38.6% | 38.9% | 37.8% | 38.8% | 39.0% |

— Base year, 1999, adjusted for annual inflation



The University of Alabama

Student Aid Trends 1999-2004



— Base year, 1999, adjusted for annual inflation



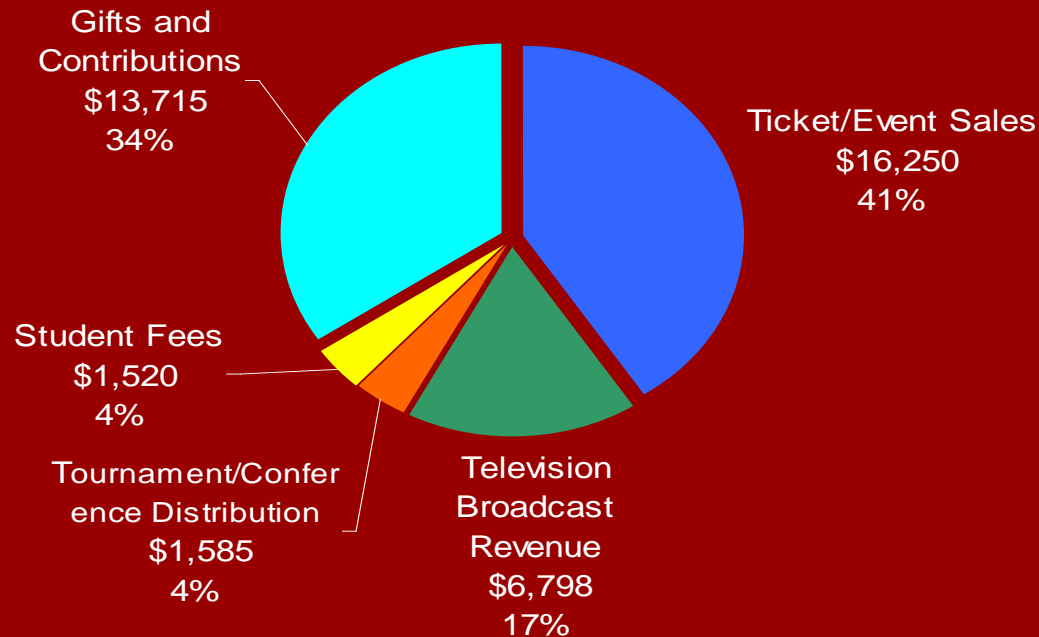
The University of Alabama

Intercollegiate Athletics FY2004 Budget



The University of Alabama

Intercollegiate Athletics FY04 Budget Revenues \$47.9 million*

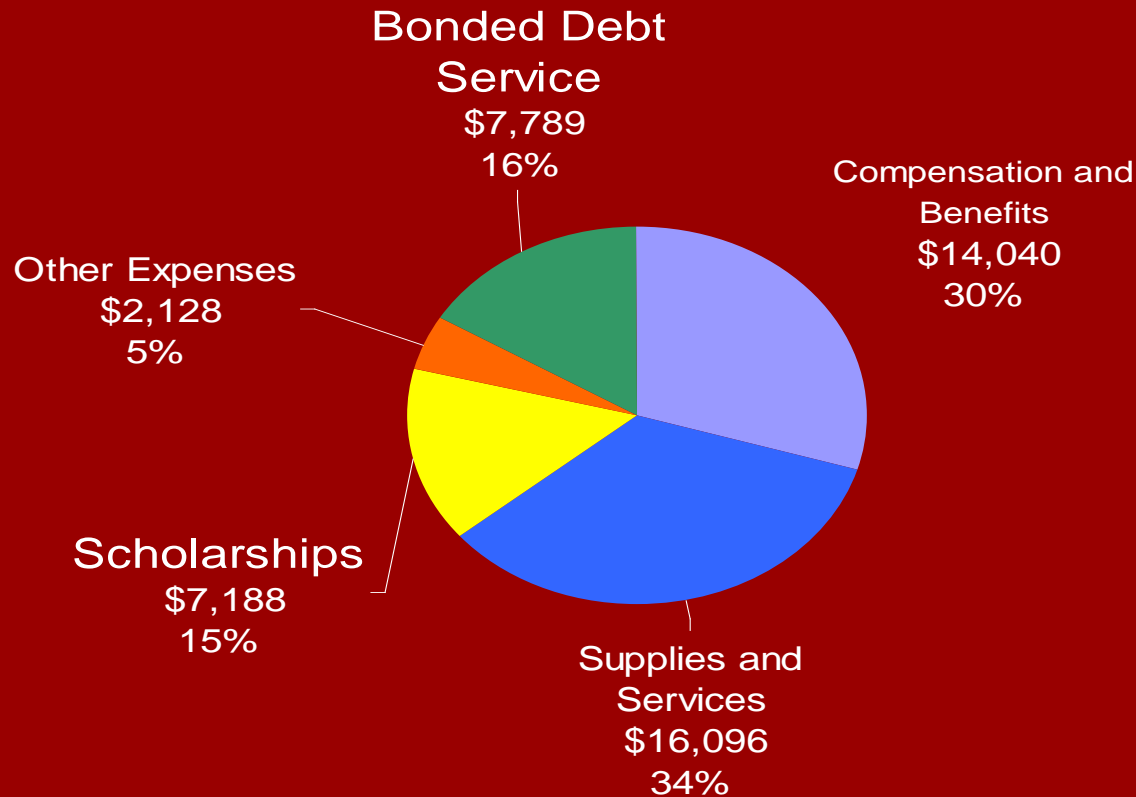


* All budgeted Revenues are generated by Intercollegiate Athletics.



The University of Alabama

Intercollegiate Athletics FY04 Budget Expenditures \$47.2 million*



*Athletics pays an administrative fee to the University which is included in other expenses.



The University of Alabama

Implications of Enrollment Growth to 28,000 Students



The University of Alabama

Faculty Senate
Financial Affairs Committee
Financial and Budget Presentation

November 21, 2003



The University of Alabama