

March 22, 2010

TO: Faculty Senate
FROM: Jody Magliolo
Chair, All-University Finance Committee

This report contains a brief review of updated 2010 budget information, budgeted 2011 figures, and 2009 actual data for the University. Earlier figures are also presented (Tables 2 and 3). Table 2 contains the 2007 and 2008 figures, and Table 3 contains data from prior years for comparison purposes. The reporting format is the one that the university administration uses to communicate with the Board of Trustees. Following the tables is a set of explanatory items for the various line items in the table (the description of the line items is much more detailed than what you have seen in prior versions of this report). The attached figures can be thought of as a profit and loss statement for the university, exclusive of some activities (e.g., real estate). While perhaps not obvious, the attached figures leave out capital costs and related funding – e.g. the funds collected in the capital campaign.

Page 6 of this report (Table 3) is shows selected capital expenditures. The information was extracted from the “Executive Summary” that accompanies the audited financial statements for the university. (This discussion is similar to the “Management Discussion and Analysis” section of a public company annual report.) The “Summary” shows the bulk of any capital expenditures made by SMU during the year (buildings, real estate, etc.). Unlike the budget documents used to construct Table 1, the university’s audited financial statements include capital costs such as purchases of real estate. The table shows all significant capital expenditures and all off-campus real estate purchases from 2001-2010.

Endowment “Highlights”:

The Investment Committee of the Board of Trustees last met February 17.

- 1) In 2009, the endowment returns were 3 percentage points below the NACUBO mean (-21.9% versus -18.7). Larger endowments tended to do worse – the NACUBO average for endowments over \$1 billion were -20.5% These numbers are based on the one year period ending in June 2009. (NACUBO stands for “National Association of College and University Business Officers”. It is the “trade association” for university financial people around the country.)
- 2) The calendar year 2009 return on the endowment was 8.6%.
- 3) The Endowment balance at 12/31/2009 was \$1.119 billion

Budget Issues:

- 1) Endowment Spending Calculations
- 2) Professional Fees
- 3) Debt Service

Table 1

Synthesis of University Budget Documents
 2009 Actual, 2010 Updated Budget, 2011 Budget
 Consolidated Unrestricted and Restricted Funds
 (Dollars in Thousands)

	FY 2011 Projected Budget	2010 Revised Budget	2009 Actual
Educational and General			
Revenue:			
1. Tuition and Required Fees	331634	312977	306766
2. Scholarship Allowances	(97079)	-89655	(81799)
3. Other Fees	4974	4989	8131
4. Net Tuition and Fees	239529	228311	233098
5. Gifts	13440	13440	26712
6. Endowment Distribution	56792	59842	58970
7. Investment Income	1102	1102	4743
8. Camps and Conferences	9598	9598	11413
9. Sales and Services	3839	3839	3838
10. Rental Revenue	1462	1462	1295
11. Other Revenue	3767	3767	6179
12. Total Revenue	329529	321361	346248
Expenses:			
Compensation			
13. Salaries	174120	171657	166340
14. Benefits	47340	43701	44901
15. Total Compensation	221460	215358	211241
General and Administrative			
16. Supplies	5622	5622	7019
17. Professional Fees and Services	19286	19109	26153
18. Public Relations	3540	3540	6173
19. Travel and Professional Development	12613	12613	17081
20. Student Stipends and Awards	1484	1472	1984
21. Operations and Maintenance	9824	9461	9437
22. Utilities	9789	9741	8320
23. Property Costs	4107	4057	3621
24. Debt Service Expense	18170	17099	13398
25. Library Acquisitions	6538	6398	5950
26. Asset Acquisitions	9524	9524	9950
27. Other Expenses	1230	1733	3954
28. Transfers	(2815)	(2421)	(373)
29. Total General and Administrative	98912	97948	112667
30. Total Expenses	320372	313306	323908
31. Transfer To/From Fund Balance	(7630)	(7630)	4933
32. Revenue Less Expenses	16787	15685	17407
Auxiliaries			
33. Revenue	26395	26083	26365
34. Expenses	24382	23723	23803
35. Increase/ Decrease Fund Balance	0		11
Revenues Less Expenses	2013	2360	2551
Athletics			
37. Revenue	15547	15941	16581
38. Expenses	20585	21434	22647
39. Increase/Decrease Fund Balance			1018

40. Revenue less Operating Expenses	(5038)	(5493)	(7084)
.			
41. Grants in Aid	13762	12552	12750
42. Athletics Revenue			
43. Revenue Less Exp	(18800)	(18045)	(19834)
44. Net Revenue			148

Table 2

Synthesis of University Budget Documents
 2008 Actual, 2007 Actual,
 Consolidated Unrestricted and Restricted Funds
 (Dollars in Thousands)

	2007 Year End Actual	2008 Year End Actual
Educational and General Revenue:		
1. Tuition and Required Fees	266144	284517
2. Scholarship Allowances	-67583	-71633
3. Other Fees	4277	7099
4. Net Tuition and Fees	204722	219983
5. Gifts	17874	20374
6. Endowment Distribution	53472	58750
7. Investment Income	6679	4642
8. Camps and Conferences	9951	11253
9. Sales and Services	4143	4453
10. Rental Revenue	1250	1366
11. Other Revenue	7261	6248
12. Total Revenue	305352	327069
Expenses:		
Compensation		
13. Salaries	141304	154061
14. Benefits	34273	37941
15. Total Compensation	175577	192022
General and Administrative		
16. Supplies	6094	6585
17. Professional Fees and Services	17633	19004
18. Public Relations	4952	5189
19. Travel and Professional Development	12305	14821
20. Student Stipends and Awards	1326	1622
21. Operations and Maintenance	7393	8080
22. Utilities	7338	7943
23. Property Costs	3145	3354
24. Debt Service Expense	12332	14240
25. Library Acquisitions	5589	5855
26. Asset Acquisitions	16319	12477
27. Other Expenses	2473	9103
28. Transfers	1722	266
29. Total General and Administrative	98621	108539
30. Total Expenses	274198	300541
31. Transfer To / (From) Fund Balance	15647	11527
32. Revenue Less Expenses	15507	15001
Auxiliaries		
33. Revenue	23732	24907
34. Expenses	21164	21576
35. Transfer To / (From) Fund Balance	(27)	7
36. Revenues Less Expenses	2595	3324
Athletics		
37. Revenue	8912	13420
38. Expenses	16887	21293
39. Revenue less Operating Expenses	-7975	-7873
Gender Equity Compliance		
41. Grants in Aid	-9745	-10815
42. Transfer To / (From) Fund Balance	-234	507
43. Revenue Less Exp	-17954	-18181
44. Net Revenue	148	144

Table 3

Synthesis of University Budget Documents
2004 Actual, 2005 Actual, 2006 Actual, 2007 Actual

(Dollars in Thousands)

	2004 Actual	2005 Actual	2006 Actual	2007 Actual
Educational and General Revenue:				
1. Tuition and Required Fees	222393	233313	240204	266144
2. Scholarship Allowances	-55644	-60116	-64427	-67583
3. Other Fees	5254	5802	4489	6161
4. Net Tuition and Fees	172002	178999	180266	204722
5. Gifts	15467	14527	9989	17874
6. Endowment Distribution	39571	41262	46655	53472
7. Investment Income	862	2231	1595	6679
8. Camps and Conferences	9504	9432	10261	9951
9. Sales and Services	4268	4522	3686	4143
10. Rental Revenue	1121	1023	1368	1250
11. Other Revenue	5144	6577	3400	7261
12. Total Revenue	247939	258573	257220	305352
Expenses:				
Compensation				
13. Salaries	121439	126806	132417	141304
14. Benefits	29681	31254	33353	34273
15. Total Compensation	151120	158060	166003	175577
General and Administrative				
16. Supplies	5193	5192	5266	6094
17. Professional Fees and Services	15632	15360	12463	17633
18. Public Relations	4746	4271	2849	4952
19. Travel and Professional Development	9962	10467	9448	12305
20. Student Stipends and Awards	1202	1145	753	1326
21. Operations and Maintenance	6933	7144	6144	7393
22. Utilities	5977	6810	7541	7338
23. Property Costs	3763	3740	3295	3145
24. Debt Service Expense	9147	12078	13120	12332
25. Library Acquisitions	4571	4850	6010	5589
26. Asset Acquisitions	11749	11827	7458	16319
27. Other Expenses	2481	3814	6406	2473
28. Transfers	1514	1397	1232	1722
29. Total General and Administrative	82870	88095	81985	98621
30. Total Expenses	233990	246155	247755	274198
31. Transfer To / (From) Fund Balance	4107	1365	-1587	15647
32. Revenue Less Expenses	9842	11053	11052	15507
Auxiliaries				
33. Revenue	18624	18744	20377	23732
34. Expenses	16353	15882	18463	21164
35. Transfer To / (From) Fund Balance	0	-16	0	-27
36. Revenues Less Expenses	2271	2878	1914	2595
Athletics				
37. Revenue	10202	8304	10452	8912
38. Expenses	13891	13475	13664	16887
39. Revenue less Operating Expenses	-3690	-5171	-3212	-7975
40. Gender Equity Compliance	200	508	508	
41. Grants in Aid	8097	8607	9246	9745
42. Transfer To / (From) Fund Balance	17	-494	0	-234
43. Revenue Less Exp	-12003	-13792	-12966	-17954
44. Net Revenue	110	139	0	148

Explanatory Notes and Issues with Attached Spreadsheet (constructed based on the line items on the spreadsheet)

- 1) Tuition and Required Fees -Tuition and required fees students have paid for credit bearing undergraduate and graduate courses.
- 2) Scholarship Allowances - Primarily the waived tuition portion of the tuition reported in line one.
- 3) Other fees received for various purposes, e.g., testing fees, parking, etc.
- 5) Gifts - Gifts and memberships received in funds 10 and 20. If the gift was deposited into the endowment fund then it would not show up in this presentation.
- 6) Endowment Income - Note that significant parts of this income are restricted.
- 7) Investment Income - Various types of investment income received from sources other than the endowment.
- 8) Camps and Conferences - Summer camps and continuing education programs, e.g., cheerleading camps and Executive Education.
- 9) Sales and Services - Various revenue sources for events and services, e.g., health center charges, theatre tickets, etc.
- 10) Rental Revenue - Rentals include mail box rentals and facilities rentals, such as Moody and McFarlin, Campus in Legacy. Rent for living accommodations (e.g., dorms) is in auxiliary activities.
- 13) 3% compensation increase for faculty amounts to roughly ?? million. Includes payments part time faculty and staff, students, overtime, extra compensation, and Post Doctoral Students.
- 14) Benefits - Includes pension benefits, post-retirement health care benefits, and current health care benefits.
- 16) Supplies - Payments for office supplies, magazine subscriptions, and lab supplies. Some computer supplies may also show up here from Computer Corner
- 17) Professional Fees and Services - Payments for computer services, consulting, copy center cross charges, postage, courier services, publishing, seminar lecturers, and services related to some on-line reference sources
- ??? Includes legal consulting fees (much university legal work is outsourced), architectural fees, etc.???
- 18) Public Relations - Consulting for fundraising, advertising, photography related to PR, and general PR.
- 19) Travel and Professional Development - Professional memberships, travel related expenses for conferences. Employee recruiting travel also charged here.
- 20) Student Stipends and Awards - Actual cash payments to student for scholarships, prizes, and awards.
- 21) Operations and Maintenance - Painting, plumbing, electrical, computer hardware and software maintenance.
- 22) Utilities - Water, electric, natural gas, cell phones, and telephone/long distance costs
- 23) Property Costs - Expenses associated with facility rentals, vehicle leasing, property taxes, and insurance for property and automobiles.
- 24) Debt service cost - Principle and interest expense transfers as well as direct interest expense to funds 10 and 20
- 25) Library Acquisitions - Books, serials, periodical purchases and renewals for the library.
- 26) Asset Acquisitions - related largely to technology (computer purchases).
- 33-36) Auxiliaries - Refers to the university housing - on-campus dorms, e.g.
- 41) Rough estimate is that \$1 million of this is cash. Thus, cash flow associated with athletics is approximately line 39 minus \$1 million dollars for the years presented.

Table 4
Table of Selected Capital Expenditures of SMU for
Fiscal Years 2001-2008

(\$ in thousands)

2001:	Gerald J. Ford Stadium	\$9,650
	Meadows Museum and Parking Garage	8,938
	Airline Parking Structure	2,231
	Dedman Life Sciences Building	10,183
	Law School Parking Structure	4,913
2002:	Junkins Electrical Engineering Building	\$9,622
	Dedman Life Sciences Building	5,936
	1600 Yale Property	1,600
2003:	University Gardens Condominiums	\$ 19,595
	Blanton Student Services Building	8,395
	Junkins Electrical Engineering Bldg	2,016
2004:	Mrs. Baird's Property	\$ 9,852
	Fondren Science Renovation	8,896
	University Park Rights of Way	4,619
	Laura Lee Blanton Bldg	4,130
	Collins Executive Education Center	3,819
2005:	Dedman Center for Lifetime Sports	\$14,331
	Collins Executive Education Center	12,806
	Legacy Campus Land	2,284
	Pony Properties, Inc	1,209
	(Cobblestone property and alley)	
2006:	Park Cities Plaza Acquisition	\$35,016
	Expressway Tower Acquisition	16,512
	J. Lindsay Embrey Engineering Bldg.	12,045
	Mockingbird Lane Acquisitions (south side)	11,344
	Dedman Center for Lifetime Sports	10,504
	Potomac Duplexes Acquisition	6,899
	Greek House Construction and Renovation	5,764
	FAS 143/FIN 47 (Asset Retirement)	5,702
	University Gardens Acquisitions	4,452
2007:	Potomac Duplexes Acquisition	9,988
	Residence Hall Renovations	7,205
	Parking Garage #7	5,039
	Crum Basketball Center	3,150
	6200 North Central Expressway	2,773
	Embrey Engineering Building	2,711
	Umphrey Lee Dining Hall Renovation	2,086
	SMU Boulevard Acquisitions	1,586
	Expressway Tower Renovation/Fire Protection	1,488
	Dedman Center for Lifetime Sports	1,154
2008:	Residence Hall Renovations	20,389
	Crum Basketball Center	10,440
	Binkley Parking Garage	9,353
	Software Gift-in-Kind (Engineering)	5,568
	Lighting Retrofit	3,174
	6200 North Central Expressway Renovation	2,341
	Single Family Home Acquisitions	2,232
	Expressway Tower Fire Protection/Renovation	2,139
	5538 Dyer Acquisition	2,027
	Elizabeth Perkins Prothro Hall and Perkins	
	School of Theology Renovation	1,989
	Perkins Administration Renovation	1,372
	Fondren Science Renovation	1,163
2009	Prothro Hall/Perkins Renovation	10,012
	Caruth Hall	7,766
	Taos Master Plan	4,999
	Phase III/Phase IV Energy Performance	4,180
	Boaz Renovation	3,331
	University Boulevard Extension	1,928
	Lighting Retrofit Project	1,285