

Executive Area Budget Managers Meeting



October 14, 2009

Variance Analysis Process Overview

- **OFP & OSD will prepare Variance Analysis with commentary at the end of each quarter**
 - For all funds, Executive Area analysis with explanations are due to respective OFP & OSD liaisons by the end of the 10th calendar day after the month-end close of the quarter end
 - OFP & OSD will monitor the variance on a monthly basis and will follow-up with the Executive Area should there be any significant changes in the numbers in the months between a quarter end
- **Updates of Strategic Initiatives /Critical Investments will be requested as part of the Quarterly Variance Report**

Variance Analysis Process Overview

E&G

- **1 day after the month-end close, OFP will distribute a template specific to each Executive Area which shows YTD Budget, Actual, and Variance for:**
 - Total E&G Budget
 - Permanent Salaries and Benefits and Other Expenses by:
 - Operating Base Budget (Total E&G Budget – Strategic initiatives / Critical Investments)
 - Strategic Initiatives/Critical Investments
- **YTD Actuals and commentary from the Executive Area are required for:**
 - Variance for Operating Base Budget
 - Strategic Initiative for expenses other than Permanent Salaries & Benefits
- **Information relating to Permanent Salaries & Benefits variance is already available from the Salary Float process and will be prepared by OFP**
 - As part of the Salary Float process, OFP will be following up with each Executive Area for an update on the status of each vacant position

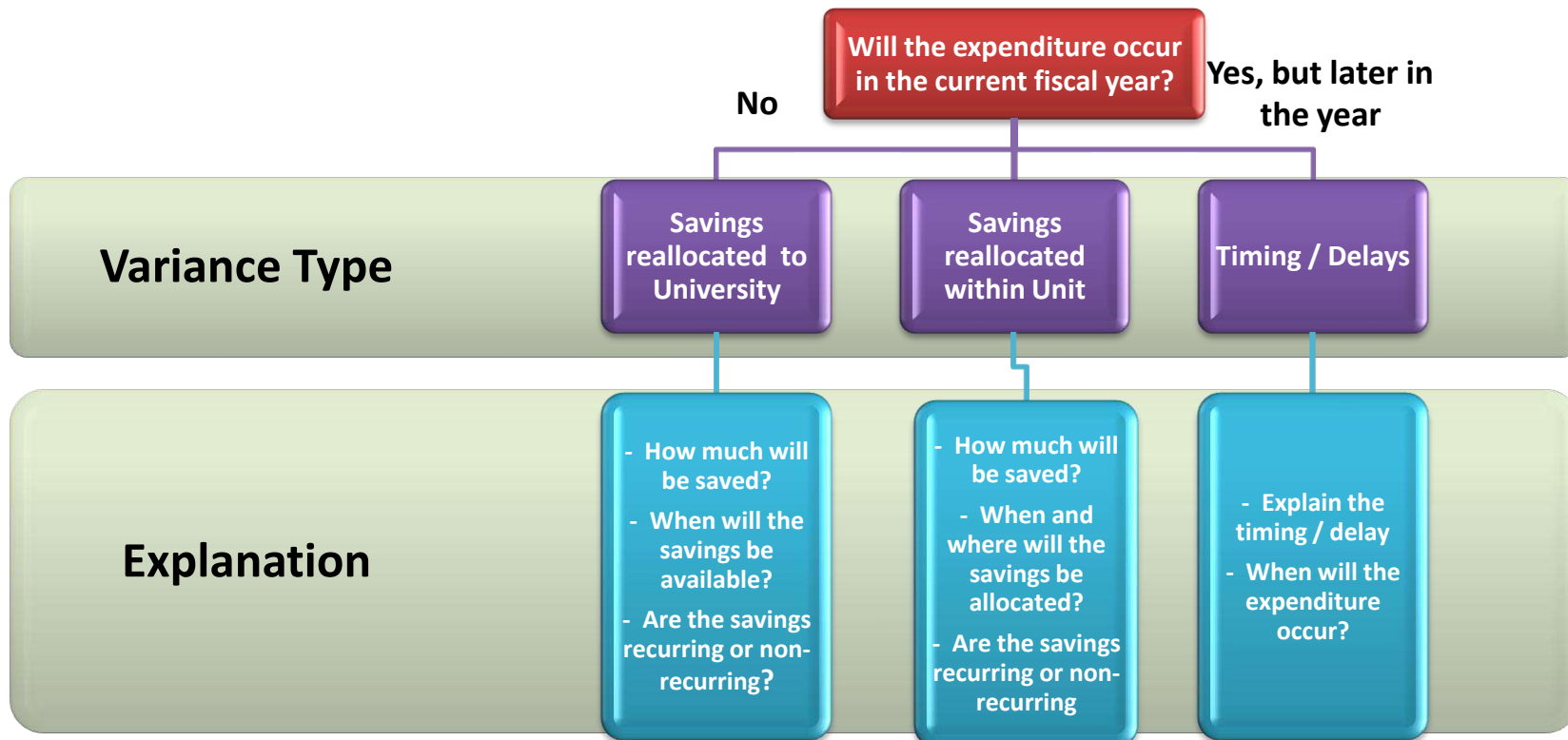
Sample E&G Variance Reporting Template

| | YTD | | | Variance | | | |
|--|-------------------|------------------|------------------|---|-----------------------------------|--------------------|-------------|
| | Original Budget | Actuals | Variance | Savings Reallocated to University | Savings Reallocated in Unit | Timing / Delays | Explanation |
| \$ | | | | | | | |
| Total E&G Budget | | | | | | | |
| Permanent Salaries and Benefits | 8,000,000 | 5,900,000 | 2,100,000 | 1,300,000 | 800,000 | - | |
| Other Expenses | 4,000,000 | 1,500,000 | 2,500,000 | 250,000 | 850,000 | 1,400,000 | |
| Total | 12,000,000 | 7,400,000 | 4,600,000 | 1,550,000 | 1,650,000 | 1,400,000 | |
| Permanent Salaries and Benefits | | | | | | | |
| Operating Base Budget | 7,400,000 | 5,800,000 | 1,600,000 | 800,000 | 800,000 | | |
| Strategic Initiative | | | | | | | |
| - Critical Investment #1 | 500,000 | - | 500,000 | 500,000 | | | |
| - Critical Investment #2 | 100,000 | 100,000 | - | | | | |
| Total | 8,000,000 | 5,900,000 | 2,100,000 | 1,300,000 | 800,000 | - | |
| Other Expenses | | | | | | | |
| Operating Base Budget | 2,000,000 | 750,000 | 1,250,000 | | 850,000 | 400,000 | |
| Strategic Initiative | | | | | | | |
| - Critical Investment #3 | 1,000,000 | 750,000 | 250,000 | 250,000 | | | |
| - Critical Investment #4 | 1,000,000 | - | 1,000,000 | | | 1,000,000 | |
| Total | 4,000,000 | 1,500,000 | 2,500,000 | 250,000 | 850,000 | 1,400,000 | |

Prepared by OFP
Input Required by Unit

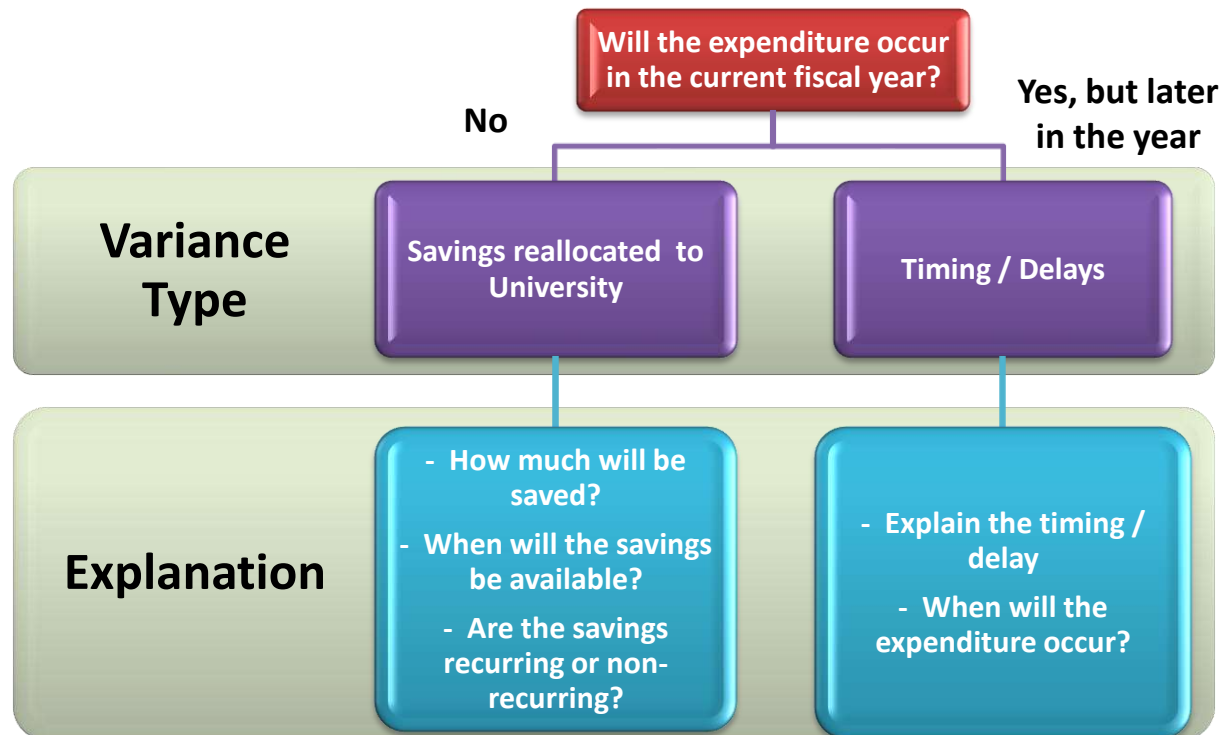
How do I explain my E&G variance relating to Base Budget?

| | YTD | | | Variance | | |
|-----------------------|-----------------|---------|-----------|-----------------------------------|-----------------------------|-----------------|
| | Original Budget | Actuals | Variance | Savings Reallocated to University | Savings Reallocated in Unit | Timing / Delays |
| \$ | | | | | | |
| <u>Other Expenses</u> | | | | | | |
| Operating Base Budget | 2,000,000 | 750,000 | 1,250,000 | 850,000 | 400,000 | |



How do I explain my E&G variance relating to Strategic Initiatives?

| | YTD | | | Variance | | | |
|--------------------------|-----------------|-----------|-----------|-----------------------------------|-----------------------------|-----------------|-------------|
| | Original Budget | Actuals | Variance | Savings Reallocated to University | Savings Reallocated in Unit | Timing / Delays | Explanation |
| \$ | | | | | | | |
| Strategic Initiative | | | | | | | |
| - Critical Investment #3 | 1,000,000 | 750,000 | 250,000 | 250,000 | | | |
| - Critical Investment #4 | 1,000,000 | - | 1,000,000 | | | 1,000,000 | |
| Total | 4,000,000 | 1,500,000 | 2,500,000 | 250,000 | 850,000 | 1,400,000 | |



Example of E&G Variance Analysis

Use the answers to the questions to build your explanation, for example...

| \$ | YTD | | | Variance | | | |
|-----------------------------|------------------|------------------|------------------|-----------------------------------|-----------------------------|------------------|---|
| | Original Budget | Actuals | Variance | Savings Reallocated to University | Savings Reallocated in Unit | Timing / Delays | Explanation |
| Other Expenses | | | | | | | |
| Operating Base Budget | 2,000,000 | 750,000 | 1,250,000 | | 850,000 | 400,000 | Savings Reallocated in Unit: Savings generated due to system maintenance contracts renegotiated at a lower rate will be used to replace obsolete server equipment, \$850k Timing / Delays: Building Signage: Consultant expenses incurred earlier than budgeted, (\$100k), offset by delay in production cost of building signage, \$500k, due to development of new building signage standards. Anticipate payment to be made in the next 2 months. |
| Strategic Initiative | | | | | | | |
| - Critical Investment #3 | 1,000,000 | 750,000 | 250,000 | 250,000 | | | candidates. However, lower number of Graduate Assistants is not expected to severely impact quality of education provided to students. Savings will be available at the beginning of the Spring semester |
| - Critical Investment #4 | 1,000,000 | - | 1,000,000 | | | 1,000,000 | FPSC meeting to ratify electricity rate increase has been postponed to March. |
| Total | 4,000,000 | 1,500,000 | 2,500,000 | 250,000 | 850,000 | 1,400,000 | |

Variance Analysis Process Overview

Non-E&G

- **For Funds other than E&G, explanations should be submitted using the AS report template**
- **The elements of the AS Report are:**
 - YTD and Current Month Total Revenues including Investment Income
 - YTD and Current Month Total Expenses by category (Permanent Salaries, OPS, Other Operating Expenses, OCO)
 - Section to classify the type of variance by Timing, True Variance and Reallocation and commentary section for Revenues and each category of YTD Expense

Variance Reports

- **Variance Reports are available in the system to assist with your analysis:**
 - AS report – Provides Variance by department by each main expense category (Permanent Salaries, OPS, Operating Expenses, OCO) and Revenues
 - DI report – Provides Variance by account within each main expense category; drill down option to obtain department detail by account
 - XA report – like DI report, but includes Revenue variance