

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

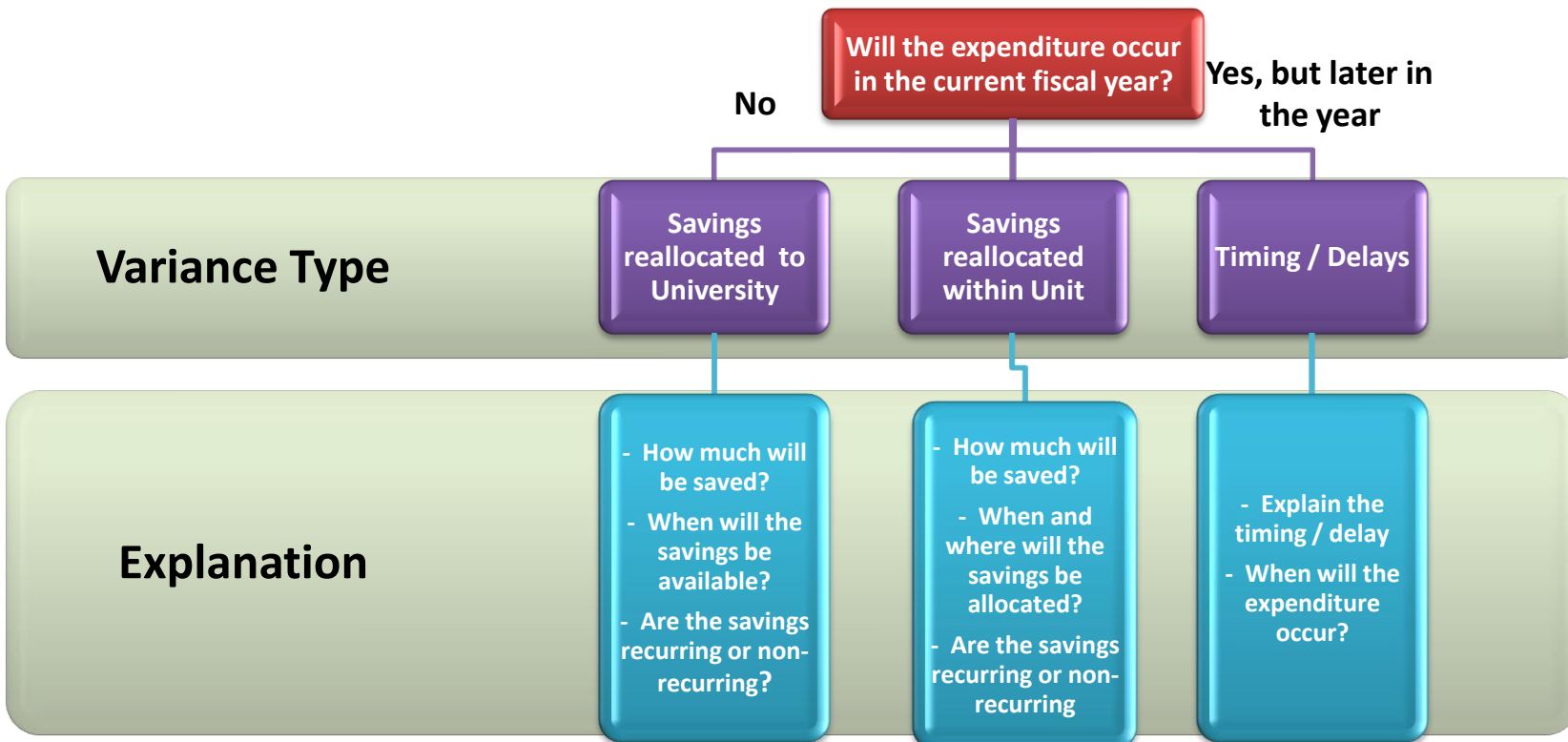
Sample E&G Variance Reporting Template

	YTD			Variance			Explanation
	Original Budget	Actuals	Variance	Savings Reallocated to University	Savings Reallocated in Unit	Timing / Delays	
\$							
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

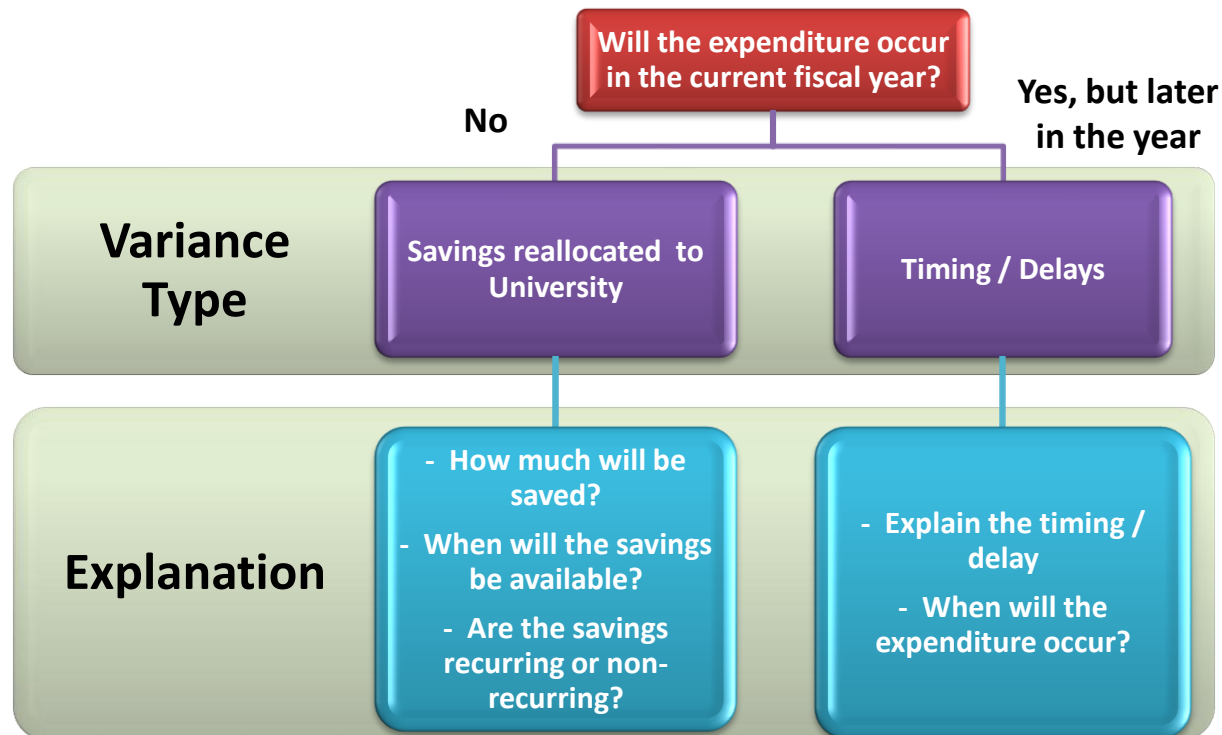
How do I explain my E&G variance relating to Base Budget?

	YTD			Variance	
	Original Budget	Actuals	Variance	Savings Reallocated to University	Savings Reallocated in Unit
\$					
<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