Agenda

- Review of feedback provided on the prior town hall survey
- Review of CARES/CRRSAA campus funding
- Update on campus financial conservation measures
- Future fiscal direction and considerations
- Upcoming campus town halls
Town Hall Survey

- 1,880 faculty and staff invited to respond
  - 671 responses (36% response rate)
- Purpose of campus survey following Townhall December 4th was to provide feedback on the following:
  - Proposed salary/time reduction program
  - Desired communications to increase financial transparency
  - Current cost saving measures you are taking to support the campus
  - Cost saving measures you are willing to take moving forward
- Model feedback was “Model 3”
  - Highest protection for low-income earners (2/7ths of the income distribution)
Question: “Please use the space below to share any additional feedback about the models and/or provide suggestions for different approaches”:

Top five responses:

- Use a more graduated program that increases the financial costs for administrators and those in the higher pay scale
- Work to cut expenses that are not payroll related
- Consider utilizing a voluntary separation program or time reduction program
- Ensure that any program addresses issues of equity and fairness
- Need to utilize a salary/time savings program is more closely aligned with our current financial situation
Model Feedback Question
Question: “What information would you like campus leadership to share with the campus community on a routine basis?"

Five primary response:

- The campus’ fiscal strategies for the long run sustainability of the campus
- The campus’ historical financial information
- The current hiring decisions made by the campus and where they reside (77%)
- The campus’ current revenues and deficits (78%)
- The campus’ current expenditures (77%)
Campus Communication Question
Current Cost Saving Measures

- Question: “Please use the space below to share what you are currently doing to reduce costs.”:
- Top five responses:
  - Taking on extra/different work to reduce additional payroll expenses
  - Paying for my own work-related expenses at home (utilities, supplies, equipment)
  - Saving on supplies, services, travel, entertainment, subscriptions/memberships
  - Saving campus utilities through remote instruction and working
  - Forgoing merit pay, equity increases, reclassifications, stipends, STAR awards
Current Cost Saving Measures

- equipment
- office
- student
- supplies
- costs
- workhome
- working
- staff
- position
- purchase
- campus
- travel
- reduce
- program
- department
- professional
- employee
- money
- time
- item
- save additional
- need
- remotely
- cut
- year
- remotely
- internet
- development
- order
- request
- service
- continue
- electricity
- development
- research
- event
Additional Cost Saving Measures

- Question: “Please use the space below to share what you believe the campus community can do to save additional dollars.”
- Top five responses:
  - Reduce the number/salary of administrators
  - Use fewer and cheaper consultants
  - Hire fewer managers, and more line staff to do work
  - Continue to defer backfills and hires
  - Delay capital projects
Additional Cost Saving Measures

consultant
furlough
employee
costs
campus
spend
staff
time
make
people
money
hire
work
pay
reduce
save
department
student
process
continue
community
Stimulus Funding

- Coronavirus Aid, Relief and Economic Security Act (CARES Act) – March 27, 2020
  - Provided initial funding for universities/colleges to support pandemic relief
    - Higher Education Emergency Relief Fund I ($30.75B)
    - Funding was equally split between financial aid and institutional support

- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) – December 27, 2020
  - Provided additional support for universities/colleges for the pandemic relief
    - Higher Education Emergency Relief Fund II ($81.88B)
    - Funds both financial aid and provides institutional support
UC Merced Stimulus Funding

- **First Stimulus (CARES Act)**
  - $6,518,949 for student support
    - Financial Aid (~95% for undergraduate support; ~5% graduate students)
  - $6,518,948 institutional support
    - Student reimbursements for housing and dining (total amount >$10M)
  - $965,728 Minority Serving Institution (MSI)
    - ~50% for Financial Aid; remainder of funds TBD

- **Second Stimulus (CRRSAA)**
  - $6,518,949 for Financial Aid (unallocated)
  - $13,698,560 for institutional support (unallocated)

- Potential for another MSI portion?
- Potential for a 3rd stimulus impact?
Fiscal Conservation Measures

- **June 8th Message to campus:**
  - Pause all existing stipends, starting July 1, 2020 through June 30, 2021
  - Place a six-month hold on all new and backfill hires, including limited and contract hiring
  - Halt all recruitments, if no offer has been extended
  - Any exceptions must go through position control process

- **June 29th message to campus:**
  - All purchases and contracts of $5K or more will require approval from dean or divisional head
  - All professional services and consulting agreements of any value will require divisional-level of dean approval

- **September/October Cabinet-level messages:**
  - 5% targeted reduction in expenditures relative to FY20 for FY21
  - Additional 7% targeted reduction for FY22

- **December campus-wide message:**
  - Chancellor announced not utilizing a salary/time savings program to campus
  - Interim CFO announces the need to continue cost saving measures moving forward
• Positions not backfilled:
  • April 1, 2020 – June 30, 2020
    • $1,342,800
  • July 1, 2020 – December 31, 2020
    • $1,240,098
  • Total Savings through December 31, 2020
    • $2,582,898
• 20-21 Forecasted Spend is $216M vs. Budget of $198M
• Central deficit in General Fund is $33MM of which $23MM included as salary/benefit related
• All funds excl. Contracts & Grants, Gifts, Endowments and Auxiliary
## Year-to-Date Financials by Organization

*Excludes Financial Aid, Contracts & Grants, Gifts, endowment, Campus Base fee Auxiliary (DFA Only)*

<table>
<thead>
<tr>
<th>All Funds</th>
<th>2019-2020 Spend</th>
<th>2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December prior year YTD</td>
<td>FY21 Targeted expenditures (5% reduction)</td>
</tr>
<tr>
<td>CHANCELLOR’S ORGANIZATION</td>
<td>6,222,038</td>
<td>3,118,705</td>
</tr>
<tr>
<td>EXECUTIVE VICE CHANCELLOR</td>
<td>15,284,866</td>
<td>7,677,782</td>
</tr>
<tr>
<td>SCHOOL OF ENGINEERING</td>
<td>26,485,672</td>
<td>12,955,218</td>
</tr>
<tr>
<td>SCHOOL OF NATURAL SCIENCES</td>
<td>34,321,277</td>
<td>17,739,042</td>
</tr>
<tr>
<td>SCHOOL OF SOC/SCIENCE/HUMANITIES/ARTS</td>
<td>45,755,062</td>
<td>23,083,714</td>
</tr>
<tr>
<td>VC-CHIEF FINANCIAL &amp; ADMIN OFFICER</td>
<td>18,371,572</td>
<td>9,107,569</td>
</tr>
<tr>
<td>VC-CHIEF OPERATING OFFICER</td>
<td>33,176,678</td>
<td>16,286,268</td>
</tr>
<tr>
<td>VICE CHANCELLOR-RESEARCH</td>
<td>9,287,548</td>
<td>4,831,979</td>
</tr>
<tr>
<td><strong>Total Organization</strong></td>
<td><strong>247,966,205</strong></td>
<td><strong>124,159,667</strong></td>
</tr>
</tbody>
</table>

- Overall spending has increased by $1.5M relative to last year (YTD).
- Majority of increase in spend is due to salary and benefit.
- Favorability in Student Affair is due to the health insurance payment to UCOP that has not yet been processed, the projected invoice is about $2.9M. This would increase the December spend by another $2.9M.
Annual Targets by Organization (5% Reductions)

*Excludes Financial Aid, Contracts & Grants, Gifts, endowment, Campus Base fee and Auxiliary (DFA Only)
YTD Actuals vs. YTD Targets (5% Reduction)

Favorability in Student Affairs is due to timing of payment for health insurance to UCOP ~$2.9M
– This is a normal expense but has to be paid by the campus.
Current Financial Status

- **General Campus:**
  - Expected Revenues: $300.563M
  - Expected Expenditures: $305.471M
  - Debt: $42.696M
  - Net: ($47.604M)

- **Auxiliaries (Housing, Dining, Transportation, ECEC):**
  - Expected Revenues: $7.862M
  - Expected Expenditures: $18.185M
  - Debt: $51.503M
  - Net: ($61.826M)

- **Total:**
  - ($109.430M)
Future Directions

- **Our financial situation is not happening to us, it is happening with us!**
- Current cost saving measures are not sufficient to meet our campus targets
  - Need to begin to plan for FY22 cost reductions
- Additional cost saving measures that may be necessary:
  - Continued reductions in non-salary expenditures
  - Continued position control efforts (holding on vacancies, oversight of contracts, reductions in new hiring)
  - Adjustments to budgets for FY22
  - Revisitation of the salary/time savings program
- “You can’t cut your way to excellence!” – President Drake
  - We must continue to make strategic investments that align with our campus’ financial needs
    - enrollment support, retention, marketing, focal research areas
Future Considerations

- The primary answer to our financial situation is very simple: **Increase our undergraduate enrollment**
  - Enrollment must be viewed as a campus responsibility
  - Retention must be viewed as a campus responsibility
  - Provides the financial resources for our campus to be a R1 institution
  - Continued campus growth will help us thrive into the future
  - Note: Applications currently at 30,150 students (highest to date)
    - ~5% increase in first year and ~20% increase in transfer students
  - Work on expanding our other revenue sources for the campus: i.e., philanthropy, contracts & grants, extension, conference center
Upcoming Fiscal Responsibility Town Halls

- Thank you for joining us for this town hall!!
- Questions?