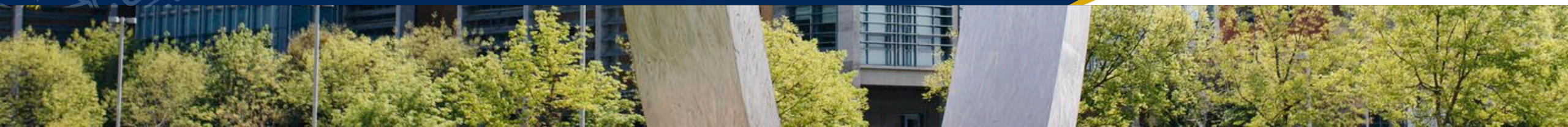




Fiscal Responsibility Campus Town Hall 2.12.21

UNIVERSITY OF CALIFORNIA
MERCED





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)



Model Feedback Question

- 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



Campus Communication 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%)



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



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





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?



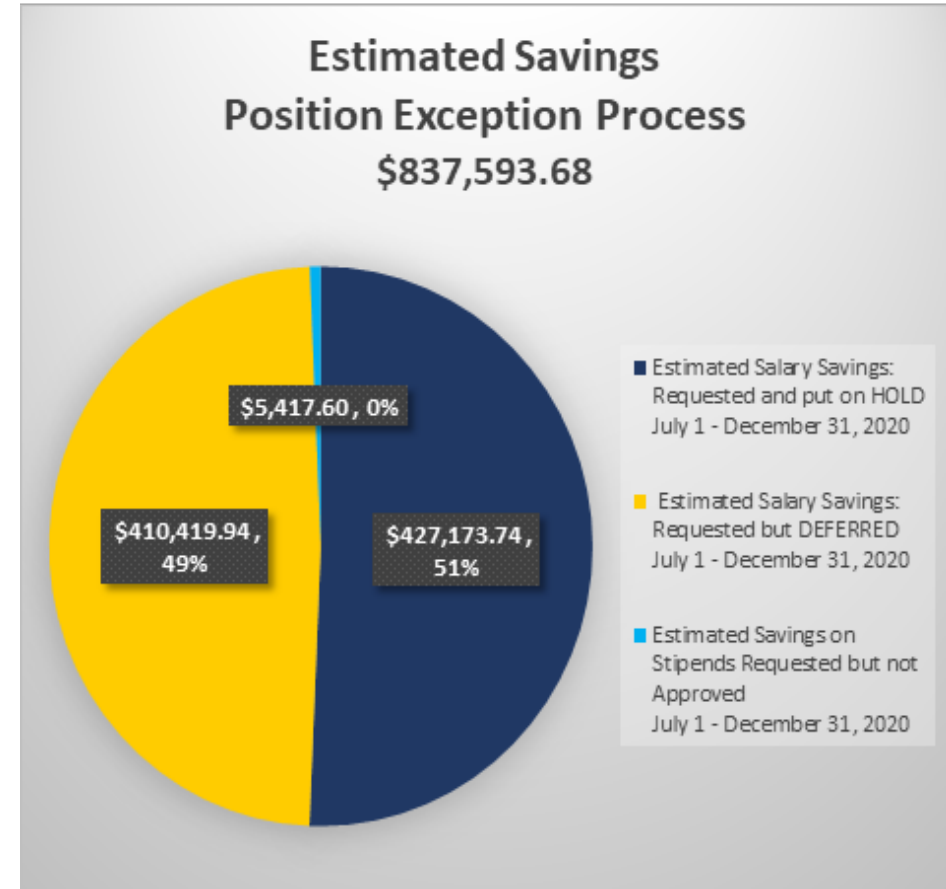
Fiscal Conservation Measures

- 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



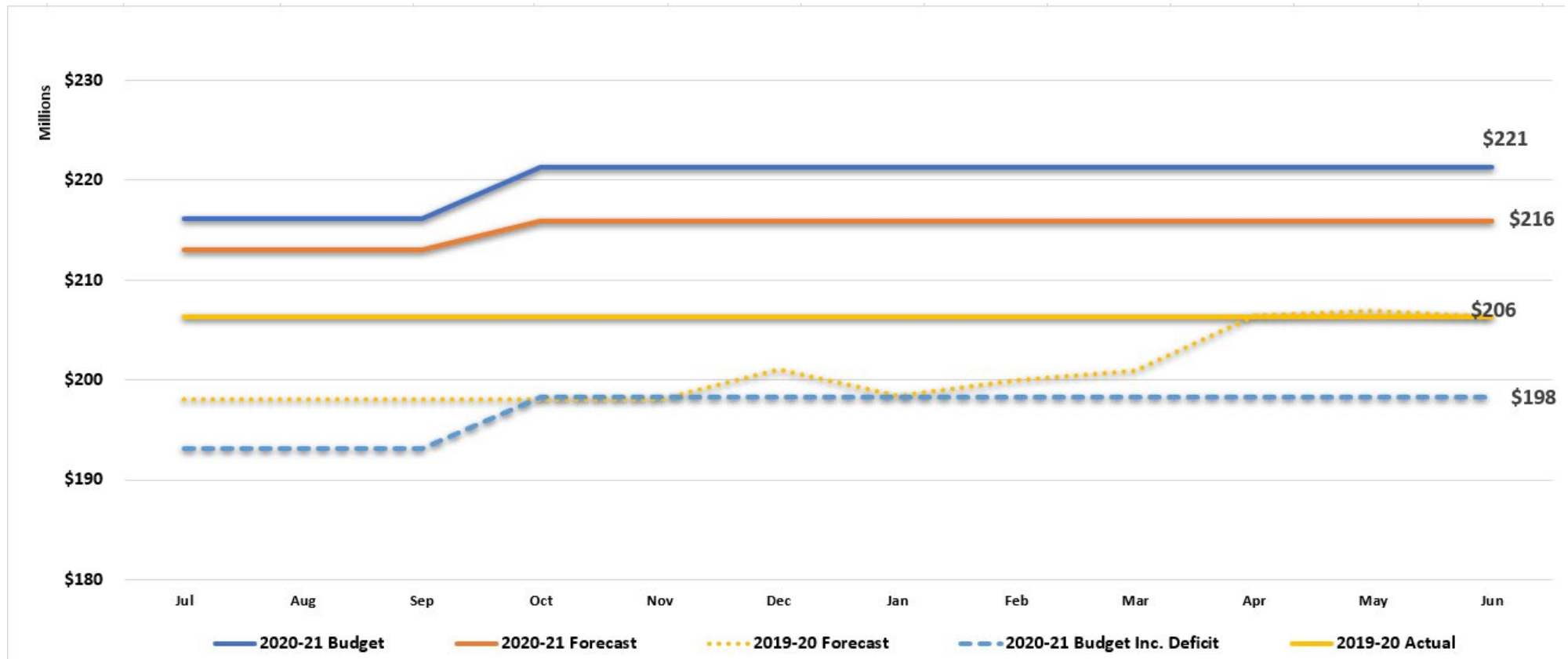
Position Control Savings

- 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





Updated Payroll Forecast



- 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

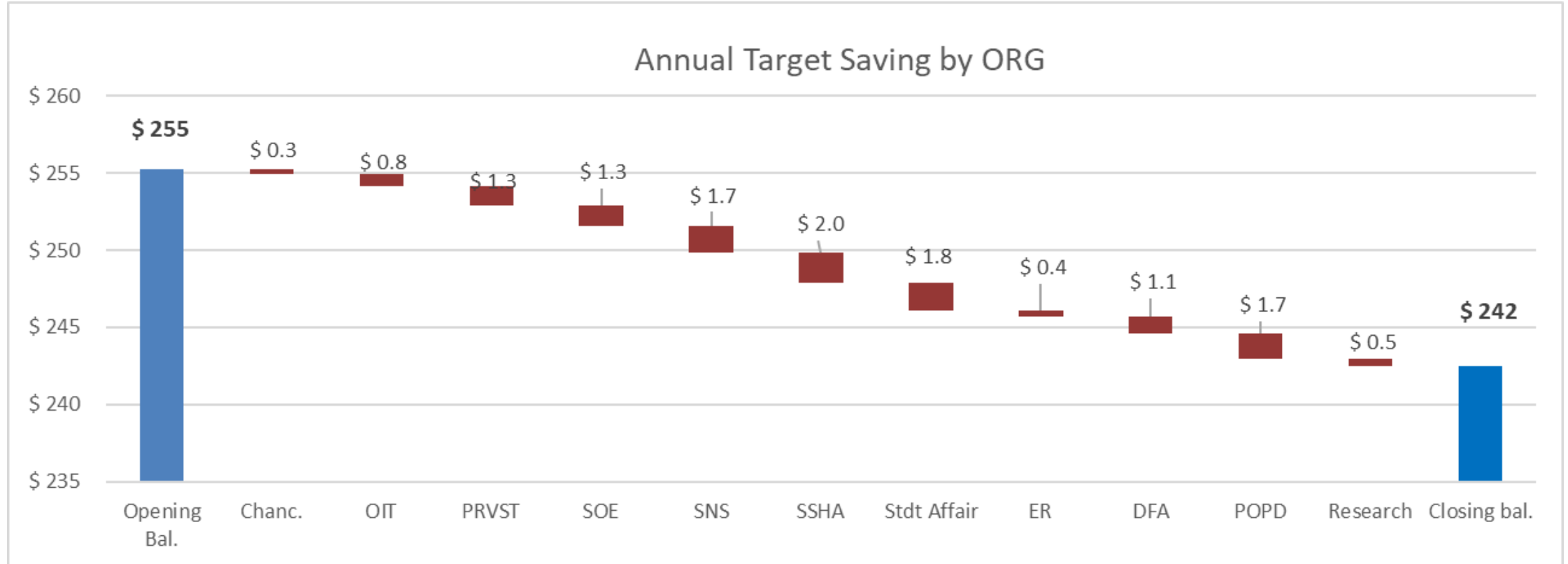
Year-to-Date Financials by Organization

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

All Funds	2019-2020 Spend		2020-2021							
	Full Year	December prior year YTD	FY21 Targeted expenditures (5% reduction)	Full year Budget	December Budget YTD	December Actuals YTD	YTD Actual Vs. YTD Budget (over)/under	December Target YTD(-5%)	YTD Spend Vs. Prior year (over)/under	YTD Actuals Vs. Target (over)/under
			-					-		
			-					-		
CHANCELLOR'S ORGANIZATION	6,222,038	3,118,705	5,910,936	9,320,390	4,660,195	3,173,835	1,486,361	2,962,770	(55,129)	(211,064)
EXECUTIVE VICE CHANCELLOR	15,284,666	7,677,782	14,520,432	16,084,310	8,042,155	7,556,224	485,931	7,293,893	121,559	(262,330)
PROVOST	21,195,852	10,356,262	20,136,059	34,464,193	17,232,096	11,070,810	6,161,286	9,838,449	(714,548)	(1,232,361)
SCHOOL OF ENGINEERING	26,485,672	12,955,218	25,161,388	25,907,717	12,953,859	13,334,187	(380,328)	12,307,457	(378,969)	(1,026,730)
SCHOOL OF NATURAL SCIENCES	34,321,277	17,739,042	32,605,213	34,856,362	17,428,181	18,195,063	(766,882)	16,852,090	(456,020)	(1,342,973)
SCHOOL OF SOC SCIENCE/HUMANITIES/ARTS	45,755,062	23,083,714	43,467,309	47,894,179	23,947,089	25,504,280	(1,557,191)	21,929,529	(2,420,566)	(3,574,751)
VICE CHANCELLOR-STUDENT AFFAIRS	30,205,334	15,307,696	28,695,067	36,590,751	18,295,375	12,003,860	6,291,516	14,542,311	3,303,836	2,538,451
VC-CHIEF EXTERNAL RELATIONS OFFICER	7,660,506	3,695,431	7,277,481	7,800,725	3,900,363	3,620,262	280,101	3,510,659	75,169	(109,603)
VC-CHIEF FINANCIAL & ADMIN OFFICER	18,371,572	9,107,569	17,452,993	26,433,194	13,216,597	10,788,059	2,428,538	8,652,191	(1,680,490)	(2,135,868)
VC-CHIEF OPERATING OFFICER	33,176,678	16,286,268	31,517,844	29,079,289	14,539,645	15,562,805	(1,023,161)	15,471,955	723,463	(90,851)
VICE CHANCELLOR-RESEARCH	9,287,548	4,831,979	8,823,171	11,245,895	5,622,948	4,856,542	766,406	4,590,380	(24,563)	(266,162)
					-			-		
Total Organization	\$ 247,966,205	\$ 124,159,667	235,567,895	\$ 279,677,005	\$ 139,838,503	\$ 125,665,925	\$ 14,172,578	\$ 117,951,683	\$ (1,506,250)	\$ (7,714,242)

- 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 Affairs 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.

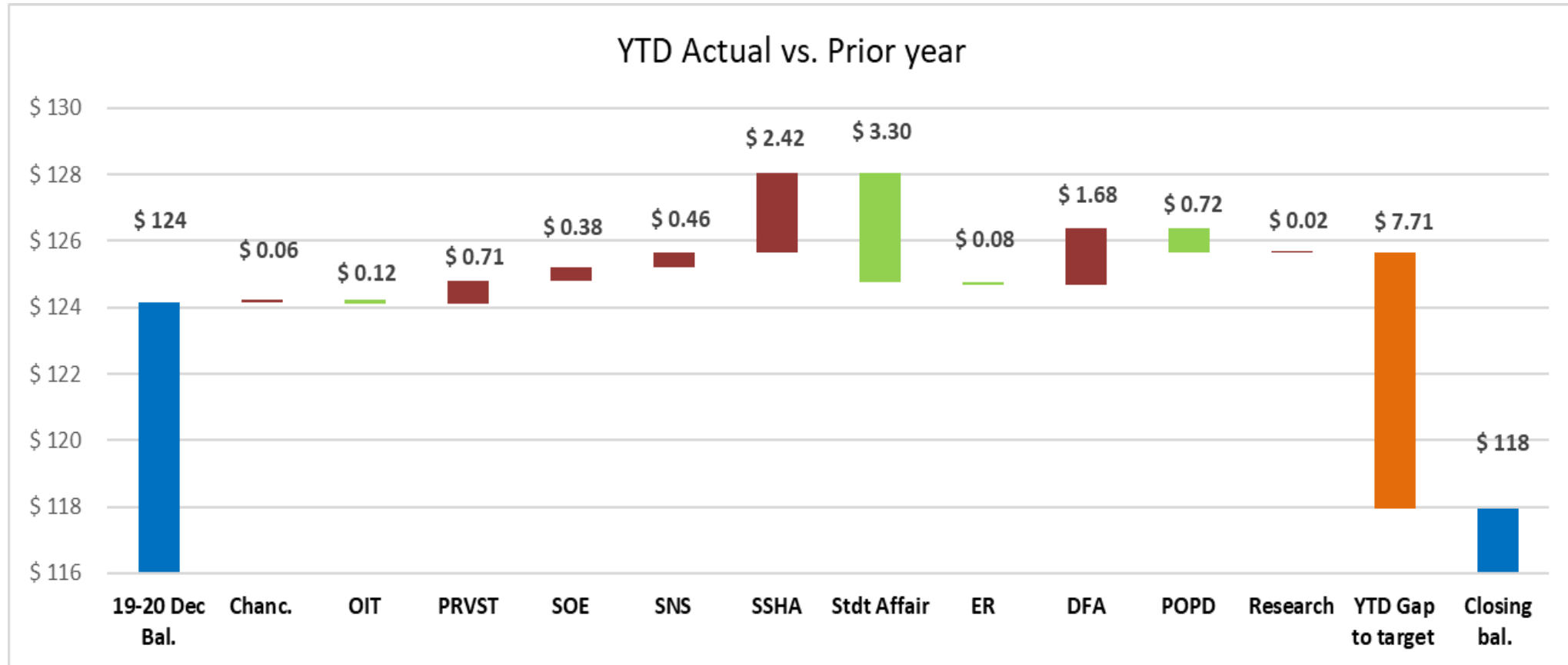
Annual Targets by Organization (5% Reductions)



*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?

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