

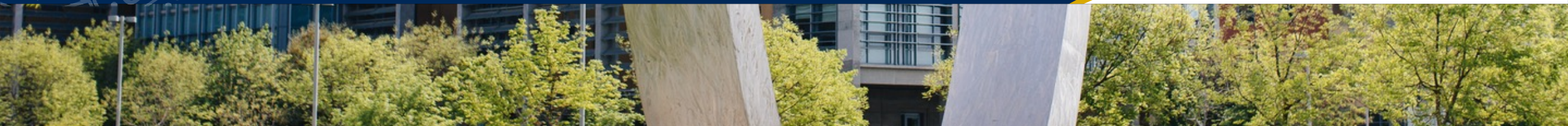


Fiscal Transparency Town Hall

3.2.22



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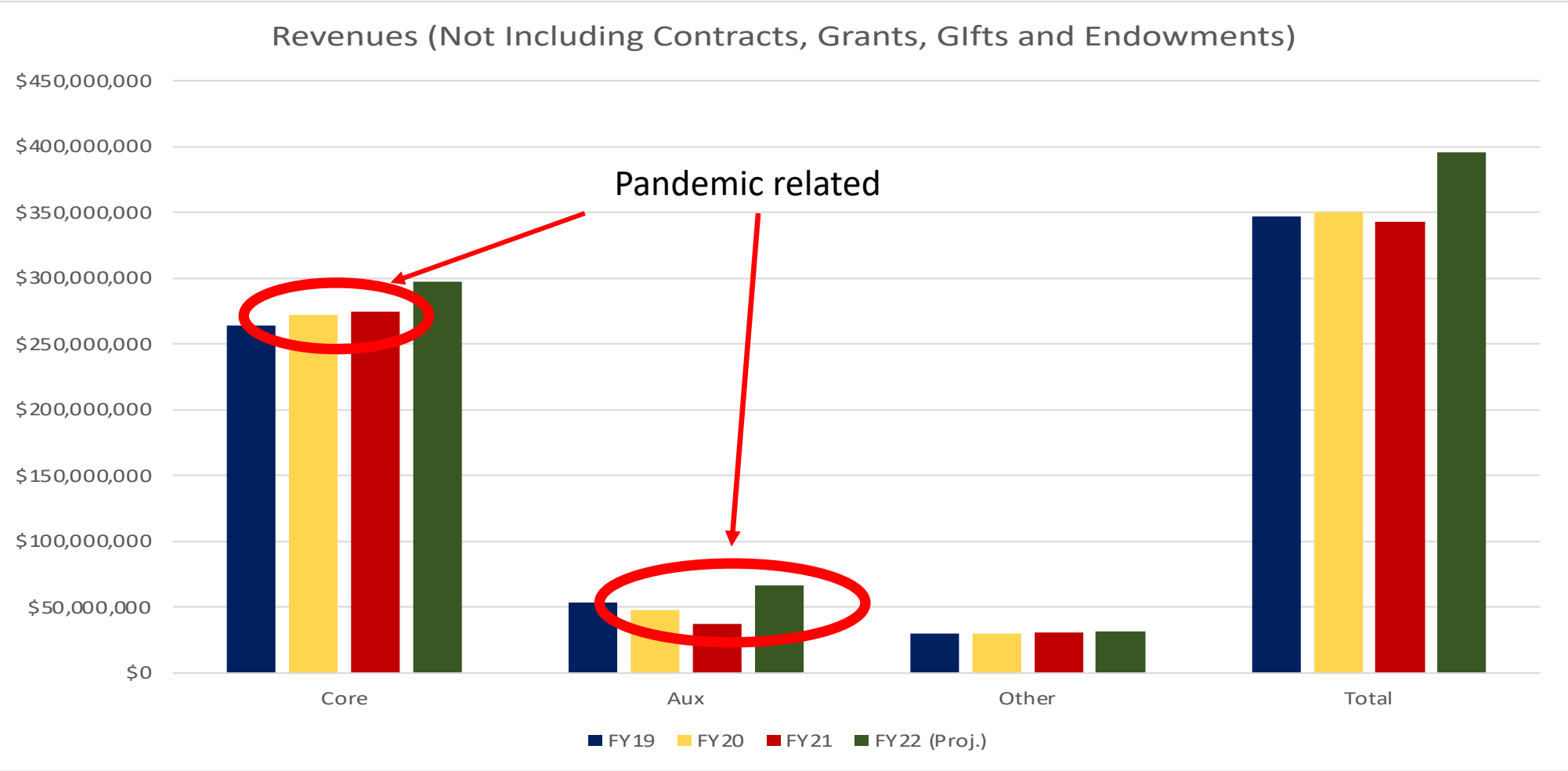


Agenda

- Historical revenues and expenditures
- Projections to alleviate deficit
- Update on financial expectations for fiscal year 2021-22 (FY22)
- Current financial projections for fiscal year 2022-23 (FY23)
- Review of FY22 Budget Call activities and outcomes
 - Location of retired vacancies
- Update on our FY23 Budget Call process



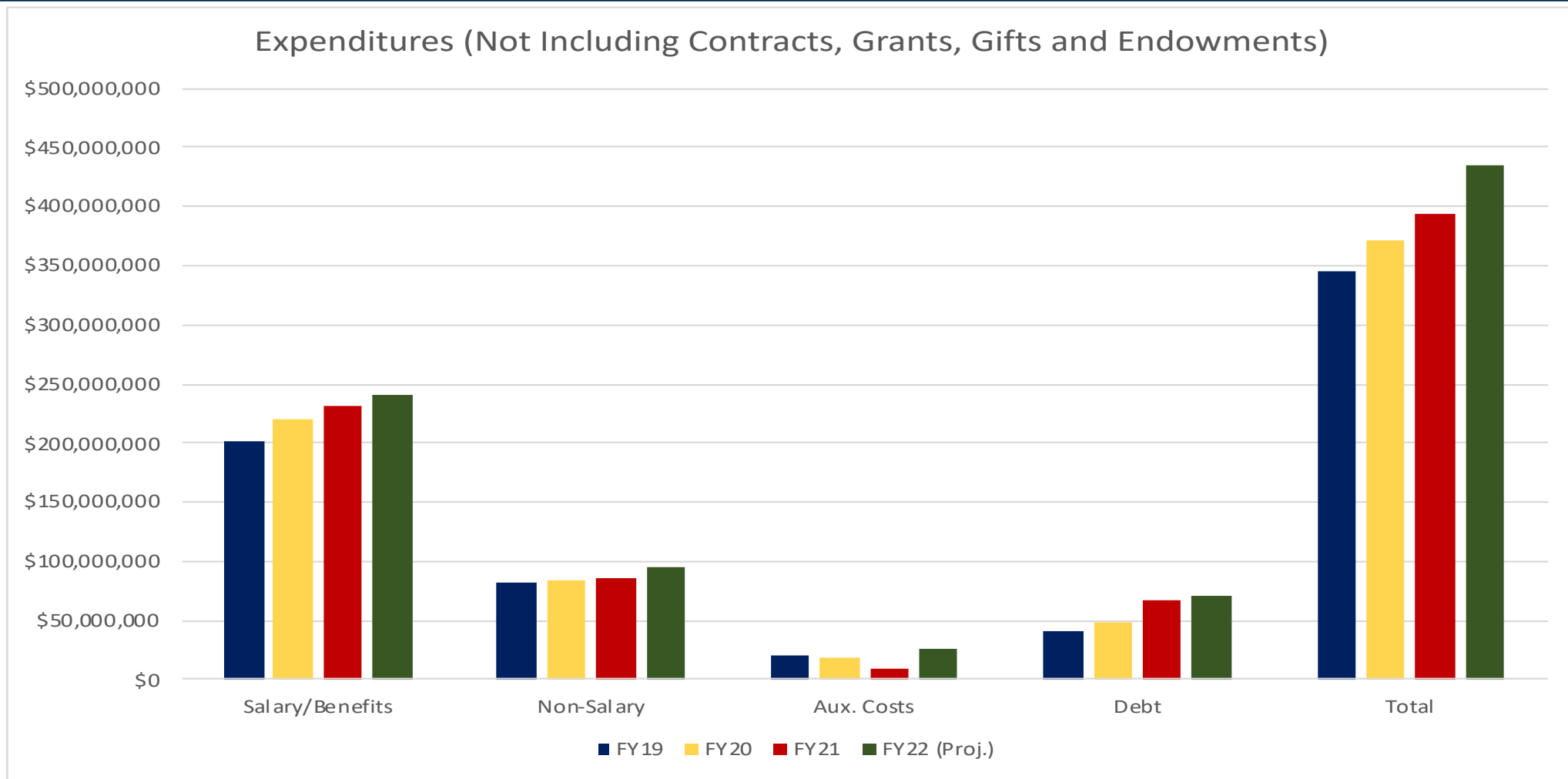
Historical Revenue Growth: Revenues



Note: State appropriations represents 45% of all our revenues; tuition and fees is 35%; auxiliaries is 18%. (98% is enrollment-driven)



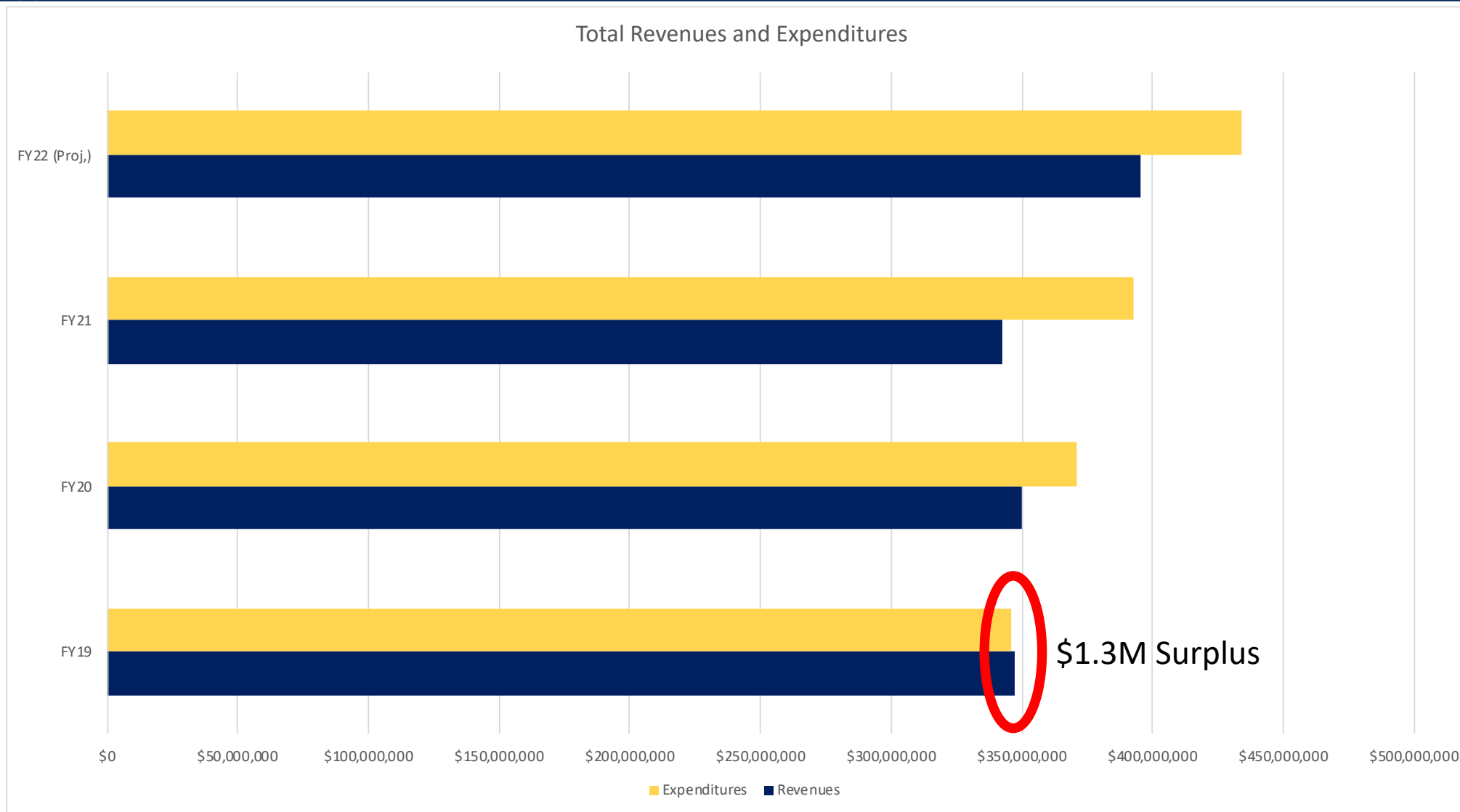
Historical Cost Growth: Expenditures



Note: Salary and Benefits consists of 67% of our expenditures before debt (55% after debt), if we also exclude auxiliary costs it is 72% of general campus expenditures.



Total Revenues and Total Expenditures



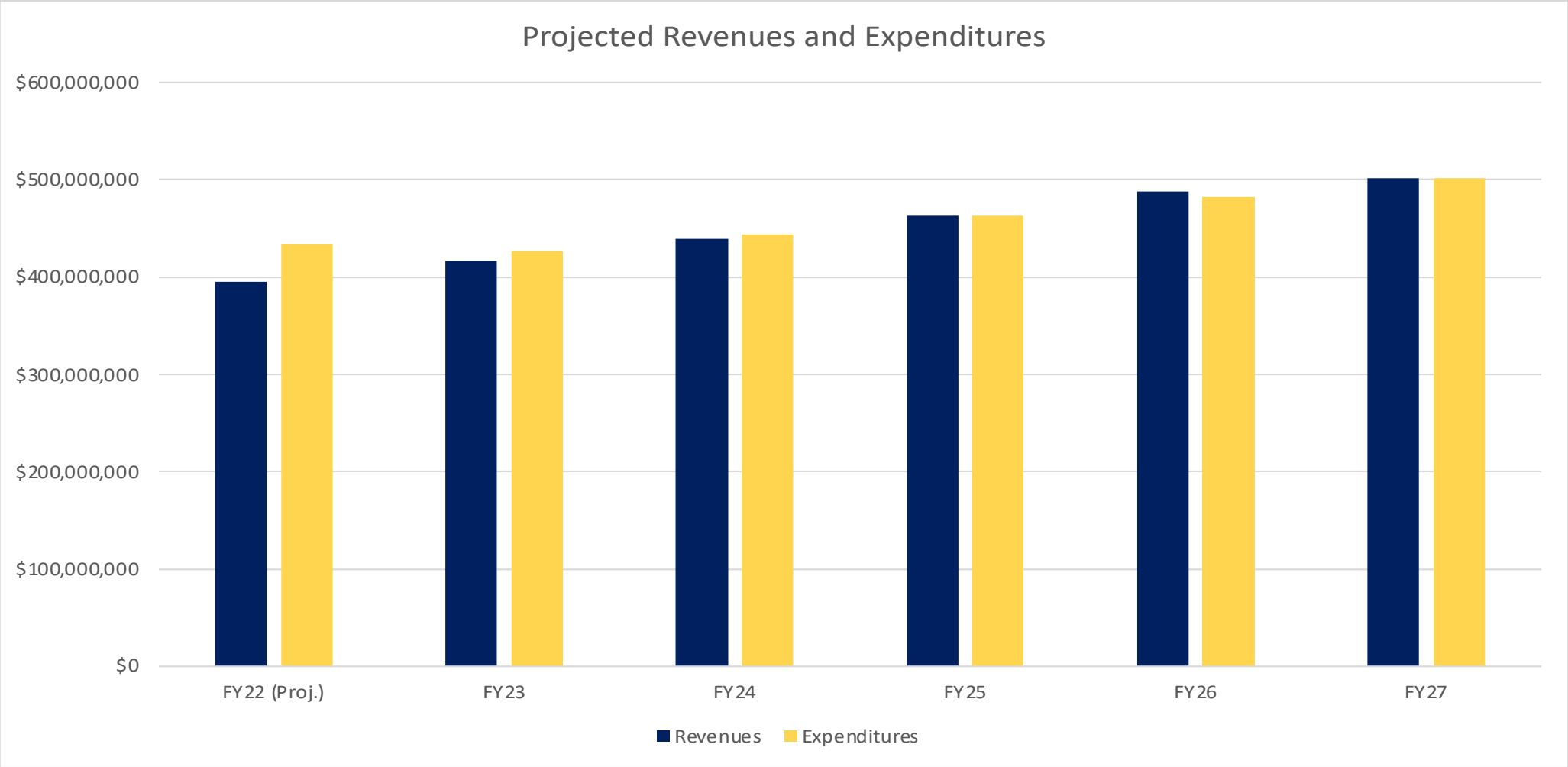


Key Historical Trends

- The campus' expenditures have grown at a more rapid pace than our revenues between FY19 through FY22 (projected)
- Total revenues have grown **14%** between FY19 and FY22 (projected)
 - Core – 13%
 - Auxiliaries – 25%
 - Other – 6%
- Total costs have grown **17%** between FY19 and FY22 (projected)
 - Salary & Benefits – 23%
 - Non-Salary – 11%
 - Debt – 14%



Fiscal Projections





Fiscal Goals and Strategy

- **Meeting goals will require the strategic allocation of new revenues**
- FY22 – reduce deficit to be less than **\$15M**
 - **\$38M** including “owner” cost payments for 2020 Project (illustrated)
- FY23 – further reduce deficit to be less than **\$10M**
- FY24 – reduce deficit to be less than **\$5M**
- FY25 – balanced budget
- FY26 – surplus revenues exceeding **\$5M**
- FY27 – balanced budget
 - One-time funding from UCOP ends
- Simplified underlying strategy
 - 5.5% growth in total revenues
 - State (3%-4%); enrollment (6%-8%)
 - 4% growth in total expenditures
 - Payroll (5%-6%); Non-salary (3%)



Current Financial Trajectory for FY22 (Updated)

- **Growth in revenues:**
 - **Sources:**
 - Auxiliary growth of **~\$29M**
 - State appropriation growth of **~\$23M**
 - Reversal of the prior campus cuts from the pandemic
 - **\$9M** as part of our recently negotiated MOU
 - Other revenue sources **~\$1M**
 - Contract and grant success has been increasing



Expected Changes in Expenditures for FY22 (Updated)

- Total salary and benefits are expected to increase by **~\$9M**
- Non-salary costs are expected to increase by **~\$10M**
 - Sources: building operations, maintenance and utilities; faculty start-up
- Auxiliary costs are expected to increase by **~\$18M**
- Total campus deficit is expected to be **~\$37M**
 - Approximately **\$23M** of that was carried over from last year's "owner's cost"
 - The **\$9M** provided under the MOU is lowering this from a projected deficit of **~\$46M**



Expected Changes in Expenditures for FY22 (Updated)

- Factors influencing our FY22 strategy
 - Small enrollment growth (Fall 2020 – 9,018; Fall 2021 – 9,093; 0.8%)
 - Monthly budget reviews (divisions/schools)
 - On target except for Temporary Academic Support budgets
 - **Retired \$8M** in vacancies leading from FY21 into FY22
 - **\$9M** one-time MOU funding provided by UCOP
 - 9.75% **reduction** on non-salary spending (state appropriation money)
 - Central retention of four-month vacancies



Current Four Month Hold Savings

All Campus Excluding Campus control	\$3,361,435
AB10000 PROVOST	\$328,475
AB20000 SCHOOL OF ENGINEERING	\$26,469
AB30000 SCHOOL OF NATURAL SCIENCES	\$128,669
AB40000 SCHL OF SOC SCI HUMANTIES ARTS	\$193,551
BA20000 OFFICE OF INFORMATION TECHNOLOGY	\$501,755
BA30000 VICE CHANCELLOR RESEARCH	\$476,389
BA50000 VC CHIEF EXT RELATIONS OFFICER	\$113,394
BA60000 VC CHIEF FINAN & ADMIN OFFICER	\$484,731
BA70000 VC-CHIEF OPERATING OFFICER	\$703,483
BA40000 VICE CHANCELLOR STUDENT AFFAIR	\$404,520



FY23 Considerations

- MOU Impacts
 - Provides an additional **\$4M** for next year
- Enrollment Goals
 - Increased enrollment may increase our revenues by around **\$8M - \$9M**
 - Will be allocating around **\$2.5M - \$3M** as part of our campus budget call
 - Anticipated deficit reduction is between **\$5M** and **\$6M**
- Additional Fiscal Controls?
 - Additional fiscal controls will be considered depending on our enrollment numbers



Goal and Principles of a Budget Call Process

Goal:

Align our resource allocation process with the campus' Strategic Plan

Principles:

Transparency – clear and easily understood

Predictable – can reliably be used for future needs

Integrated – connected with other campus processes

Adaptable – is “living” and can be revisited as needed

Accountable – can measure progress

Fiscally Responsible – efficiently utilizes the campus' limited resources



Review of Fiscal Year 22 Budget Call

- Retired ~\$8M in vacancies to reduce our campus’ structural deficit
 - Deficit is driven by our structural enrollment deficit

Division	Vacancy Dollars	FY22 Budget Augmentation	Percentage of Vacancy Dollars
Academic Affairs (AF)	\$2,954,149	\$709,712	24.02%
Office of Information Technology (OIT)	\$1,244,346	\$519,010	41.71%
External Relations (ER)	\$1,283,371	\$343,745	26.78%
Division of Finance and Administration (DF&A)	\$2,834,015	\$1,131,428	39.92%
Office of Research and Economic Development (ORED)	\$1,141,411	\$197,941	17.34%
Physical Operations, Planning and Development (POPD)	\$1,819,917	\$729,251	40.07%
Chancellor’s Organization (CO)	\$1,219,830	\$343,570	28.17%



Academic Affairs (FY22 Budget Call)

School/Division	Vacancy Dollars	FY22 Budget Augmentation	Percentage of Vacancy Dollars
School of Engineering	\$329,544	\$132,336	40.16%
School of Natural Sciences	\$743,913	\$108,042	14.52%
School of Social Sciences, Humanities and Arts	\$432,563	\$136,709	31.60%
Division of Undergraduate Education	\$330,301	\$63,617	19.26%
Division of Graduate Education	\$0	\$0	0%
University Library	\$124,150	\$95,030	76.54%
Executive Vice Chancellor and Provost	\$993,678	\$173,978	17.51%



Budget Call FY23 Revised Timeline

- February 1, 2022 – April 15, 2022: Executive Vice Chancellor and Provost (EVC/Provost) Gregg Camfield and Interim Vice Chancellor and Chief Financial Officer (IVC/CFO) Kurt Schnier meet with the Senate ~~and the Strategic Planning Teams~~ to discuss campus priorities for the upcoming fiscal year (FY23).
- April 15, 2022: Divisions submit their FY23 budget requests for both one-time and permanent funding.
- April 15, 2022 – April 29, 2022: EVC/Provost and IVC/CFO meet with division leads (Vice and Associate Chancellors) **and Strategic Planning Teams** to review budget requests, with divisions presenting the required budget call information described below.
- May 2, 2022 – May 13, 2022: EVC/Provost and IVC/CFO develop a proposed budget allocation for FY23, both one-time and permanent funding, and present at the SAC for feedback. Feedback is reviewed and recommendation is provided to the Chancellor.
- May 20, 2022: Chancellor makes budget allocation decisions, one-time and permanent funding, for FY23.



Budget Call FY23 Presentations

- Series of questions that each division is required to answer:
 1. How are you allocating financial resources for the current fiscal year (FY22)?
 2. How do you plan to provide budget transparency internally?
 3. Explain how your work advances the Strategic Plan. What goals, objectives and measures are you are targeting for the upcoming fiscal year (FY23)?
 4. What consultation have you undertaken across divisions to ensure your sequencing of needs and [Strategic Plan](#) alignment are integrated?
 5. What is your resource request for the upcoming fiscal year? Why is this request a higher priority than other needs?
 6. How is it aligned with the Chancellor's and EVC/Provost's foci for next year?

The full text of these questions are at: <https://finance.ucmerced.edu/budget-call>



Budget Call FY23 Presentations

7. Highlight any structural deficit. What measures have been taken to address that deficit for FY23?
8. Where have you achieved efficiencies? Are there areas where you can save money to reallocate to higher priority areas that align with the Strategic Plan?
9. What was your FY 21/22 budget call allocation?
10. List all Chancellor-approved FTE/budget augmentations received since the FY22 budget call.
11. Describe any other budget augmentations received during FY22 and how they were allocated.

The full text of these questions are at: <https://finance.ucmerced.edu/budget-call>



Budget Call FY23 Transparency

- Details regarding the FY23 Budget Call will be provided in an upcoming (tentatively June 1st) Fiscal Transparency Town Hall after the Chancellor has made his decisions regarding budget allocations:
 - Overview of additional funding provided between FY22 and FY23 Budget Call
 - Overview of predicted budget allocation
 - Overview of divisional requests
 - Overview of budget allocations
 - Overview of alignment with Strategic Plan
 - Chancellor and EVC/Provost foci alignment
 - Overview of conditions that will generate Fall augmentations



Funding our R1 Ambitions

- Our ability to fund the infrastructure necessary to achieve R1 status rests on one simple factor: **UNDERGRADUATE ENROLLMENT**
 - Investments include: faculty, staff, graduate students, research support, labs, facilities, IT, etc..
- **UNDERGRADUATE ENROLLMENT** must be viewed as a campus-wide objective
 - Requires partnership between faculty (curriculum) and administration (resources)

Presentation can be found at: <https://dfa.ucmerced.edu/financial-responsibility>

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