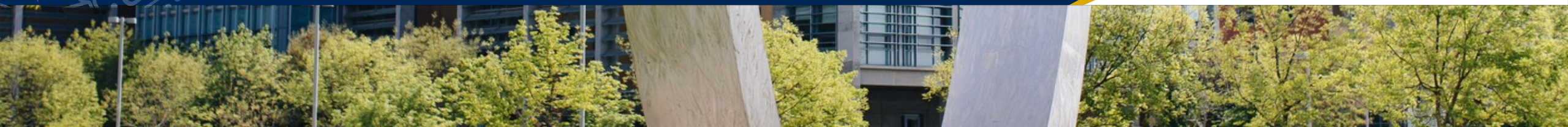




Fiscal Responsibility Campus Townhall 4.30.21



UNIVERSITY OF CALIFORNIA
MERCED





Agenda

- Update on our campus' financial status
 - Campus' response for 2020-21 academic year
 - Campus' cash balances
- Campus' future fiscal responses
 - Update on campus' stimulus funding
 - Description and drivers of our campus revenues sources
 - Campus budget call process
 - Continued partnership with University of California Office of the President
- Fiscal conservation for FY22 – using the budget call process
- Future directions
- Thank you!



Current Financial Status

Academic Year 2020-21 (FY21)

- General Campus:
 - Expected Revenues: \$300.56M
 - Expected Expenditures: \$305.47M
 - Debt: \$42.70M
 - Net: (\$47.60M)
- Auxiliaries:
 - Expected Revenues: \$7.862M
 - Expected Expenditures: \$18.19M
 - Debt: \$51.50M
 - Net: (\$61.83M)
- Total:
 - (\$109.43M)

Note: Impacts do not include the stimulus funding provided to the campus or other investment returns.

Academic Year 2021-22 (FY22)

- General Campus:
 - Expected Revenues: \$301.11M
 - Expected Expenditures: \$315.57M
 - Debt: \$23.44M
 - Net: (\$37.90M)
- Auxiliaries:
 - Expected Revenues: \$55.81M
 - Expected Expenditures: \$33.57M
 - Debt: \$40.91M
 - Net: (\$18.67M)
- Total:
 - (\$56.57M)

Note: FY22 is highly preliminary and dependent on the density of students on campus, our realized enrollment and the final budget decisions made by the state. Numbers are subject to change accordingly.



Campus Response to Fiscal Situation

- Cost saving measures for 2020-21 academic year
 - Position control
 - Large purchase approvals
 - Targeted division/school reductions of 5%
- Campus did not meet its cost-saving goals
 - Payroll up ~\$10.8M; non-salary down ~\$8.5M (not 5% lower)
- This has reduced our campus' cash balances due to:
 - Significantly reduced revenues
 - Higher-than-targeted expenditures



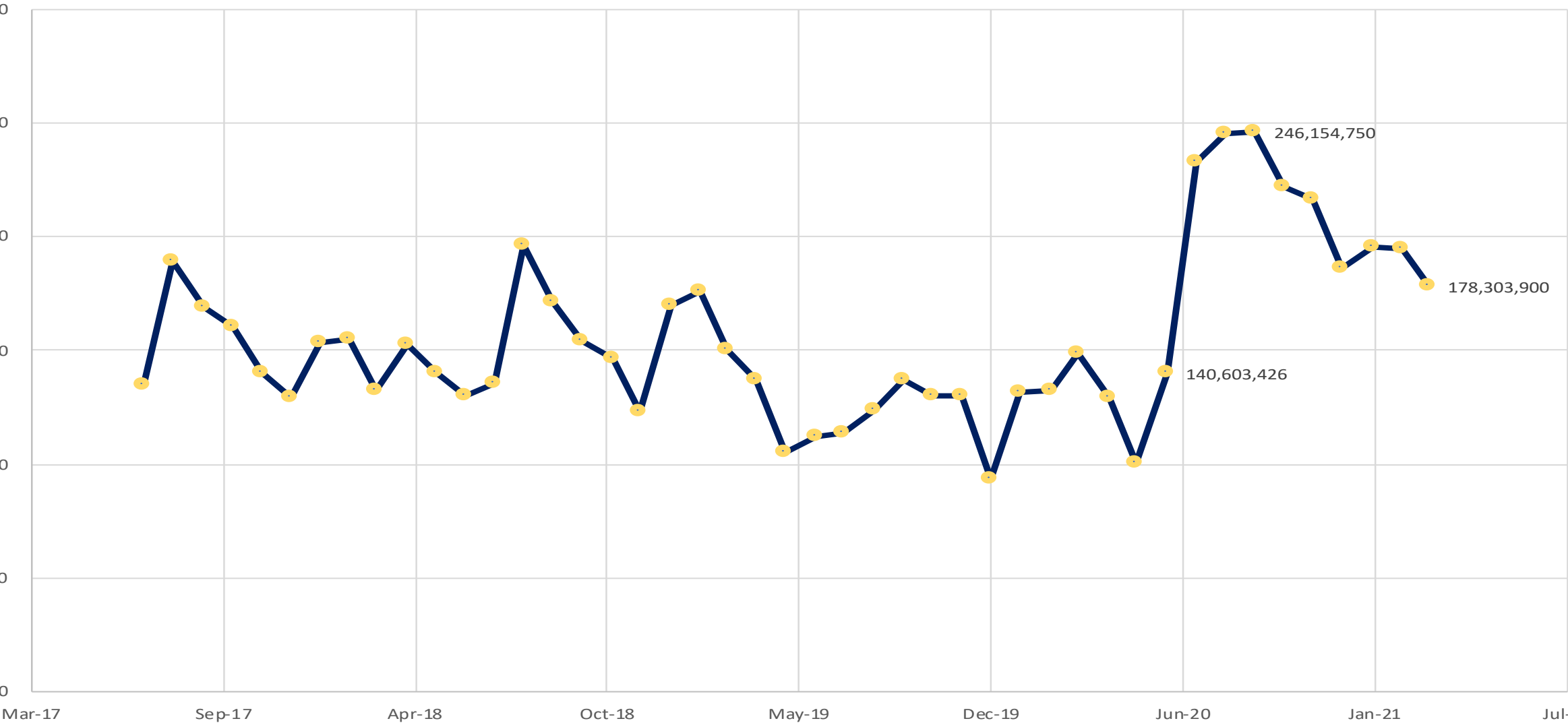
Cash Balances

- Two sources of cash balances:
 - STIP – Short Term Investment Pool (checking account)
 - TRIP – Total Return Investment Pool (savings account)
- Current loans:
 - \$100M – current in our STIP pool (costs ~\$10M to have loan)
- Need to retain a 60-day cash-on-hand balance
 - Have enough money to pay all bills for 60 days
 - \$100M loan helps “bridge” our 60-day cash on hand requirements
 - The 60-day requirement is slightly less than \$60M



Cash Balances

STIP/TRIP





Future Fiscal Responses

- Over the coming fiscal year (FY) we will be taking the following actions to continue to improve our financial health:
 - Use the stimulus funding to cover a portion of our lost revenue sources and COVID-related expenses
 - Continue to focus on the growth of our revenue streams
 - Use our recently designed budget call process to retire a portion of our salary vacancies
 - Work with the University of California Office of the President on our existing debt structure
 - Use the budget call process to align future spending with our Strategic Plan

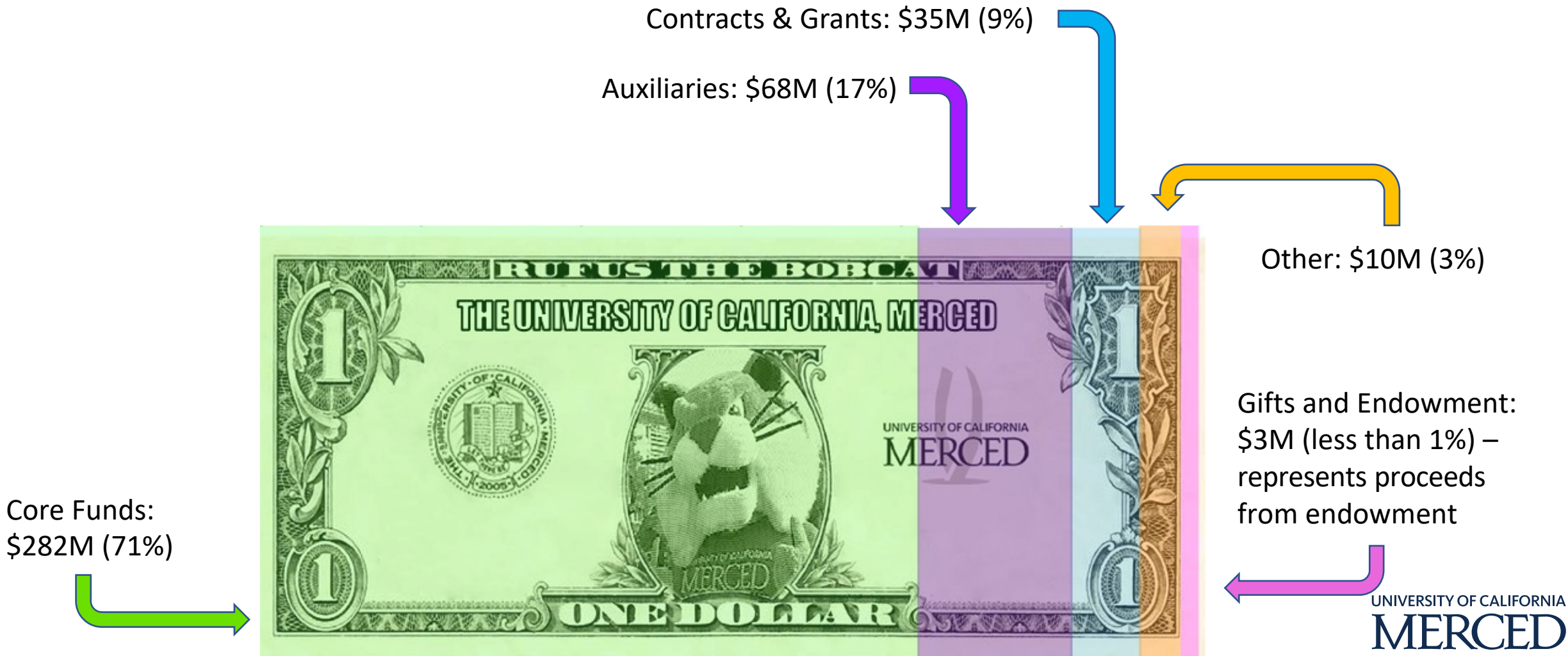


Update on Stimulus Funding

- Stimulus funding will help us “bridge” the gap through these fiscally challenging times
- CARES Act
 - \$6.52M – Student financial assistance
 - \$6.52M – Institutional funds
 - \$966K – Minority Serving Institution (MSI) (financial assistance, institutional)
- CRRSAA: (Coronavirus Response and Relief Supplemental Appropriations Act)
 - \$6.52M – Student financial assistance
 - \$13.7M – Institutional funds
- American Rescue Plan (Association of Public Land-Grant Universities estimates)
 - \$17.56M – Student financial assistance
 - \$17.56M – Institutional funds
 - \$2.24M – MSI (financial assistance, institutional)

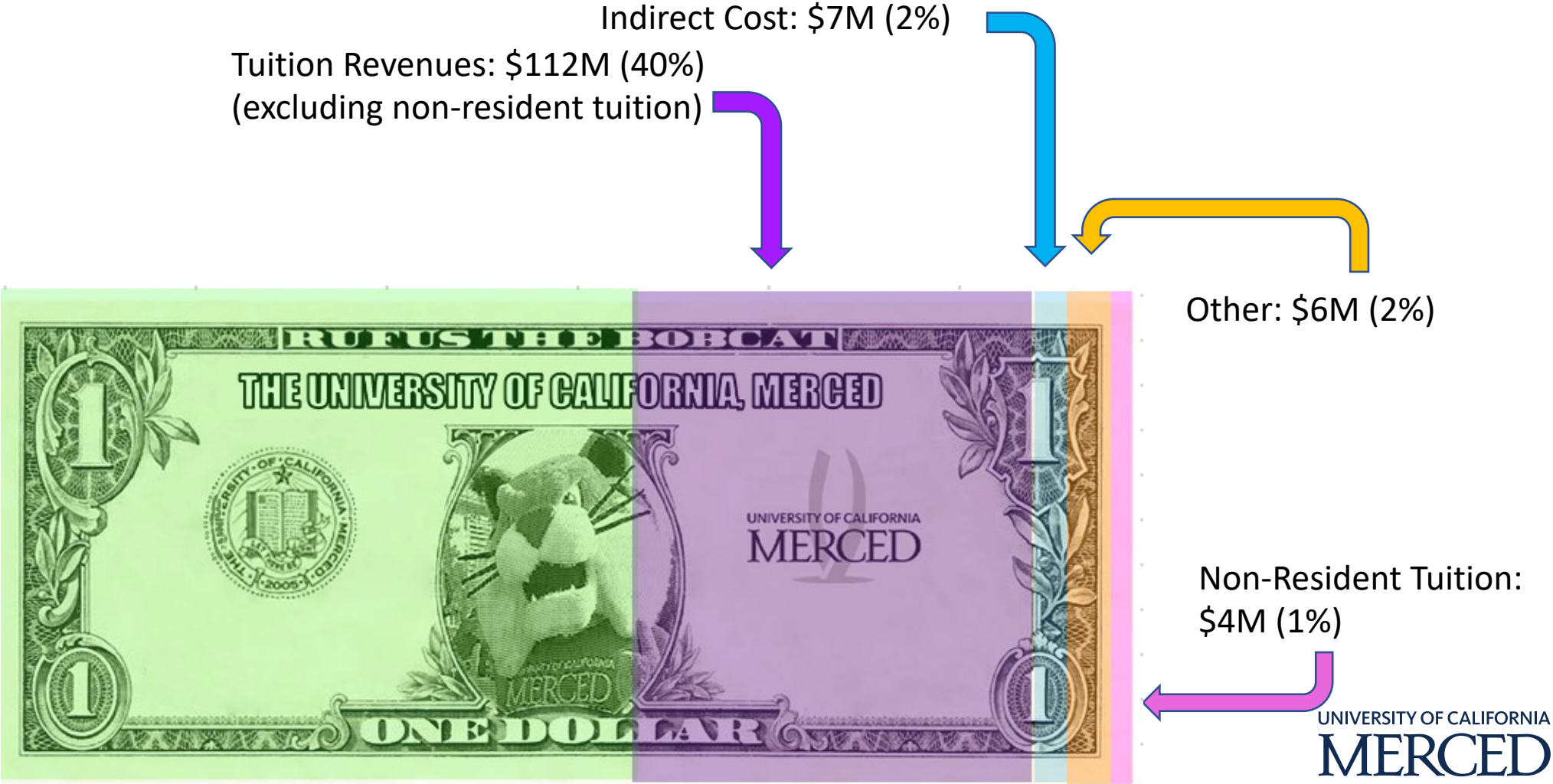


Campus Revenue Sources (FY20)





Source of our Core Funds (FY20)





Three largest revenue sources

- Our three largest revenues sources all boil down to one driver: **ENROLLMENT**
 - **ENROLLMENT** refers to the growth in our undergraduate enrollment
 - **Growth to 15,000 students by 2030 is critical to our finances**
 - Enrollment generates ~84% of **ALL** our campus revenue sources
- Three largest revenue sources (FY20):
 1. State appropriations (\$154M)
 2. Tuition (\$112M)
 3. Auxiliaries (\$68M)
- Each campus retains the revenues it generates from:
 - Tuition, private gifts, auxiliaries, research grants, medical centers, UC Extension



What are our state appropriations?

- The primary driver for state appropriations is **ENROLLMENT**
- State appropriations represent the campus' portion of the resources that are allocated to the University of California Office of the President (UCOP)
 - January: preliminary budget is announced
 - May: revise of the budget is provided
 - End of June: state's final budget is announced
- State appropriations are assigned to the campus based on two factors:
 1. Base funding levels
 2. Weighted enrollment (a.k.a. "rebenching")

Current UC Merced is on "corridor" funding by UCOP
- State appropriation funds are predominately used to support our permanent salaries



What are our tuition revenues?

- Fundamental driver of tuition revenues is **ENROLLMENT**
 - Current resident tuition is \$11,442 (with fees it is \$13,538)
 - Non-resident tuition is an additional \$29,754
 - 33% of ALL undergraduate tuition is provided as “return to aid” (RTA) for Financial Aid
 - Graduate student RTA is 50%
 - Provides the base funding for graduate groups
 - The net tuition revenues to the campus must account for RTA reductions
- Tuition dollars are predominantly used to support:
 - Temporary academic support
 - Faculty start-ups
 - Student support
 - Owner cost payments



How are our auxiliary revenues determined?

- The primary source of auxiliary revenues are exemplary services provided by Housing and Dining. Both are driven by the same factor: **ENROLLMENT**
 - Approximately ~90% of total auxiliary revenues
- Other sources: Parking, Transportation, Bookstore, Hospitality, ECEC
 - Housing costs – ~\$13,000 - ~\$14,000/year per student (avrg. - varies by type)
 - Dining costs – ~\$4,400/year per student on campus
- Important note: ~80% of the funds for our 2020 debt are scheduled to come from our net auxiliary revenues, when less than 50% of the buildings are associated with auxiliaries – balance are for teaching and research



Budget Call Process

- Developed to align our resource allocations with our campus' Strategic Plan
- The principles of the budget call process are:
 - 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 uses the campus' limited resources



Preliminary Budget Call Timeline

Spring

- Determine baseline budget levels for divisions/schools based on cost drivers
- Develop preliminary budget estimates for the campus based on projected state budget and enrollment expectations for the upcoming year
- Budget call submissions due (late Spring)
- Budget requests reviewed and prioritized by Joint Council
- CFO and EVC/Provost make recommendations to Chancellor
- Chancellor announces preliminary budgets for divisions and schools

Summer

- Governor finalizes the state budget and campus budget expectations updated
- Campus budget estimates revised based on state allocations
- If budgetary surpluses arise from prior year “carry-forward” funds established for each division and school based on campus funds available
- Budgetary deficits for prior fiscal year determined and reduced from upcoming year budgets
- Final budgets provided to divisions/schools for upcoming fiscal year

Fall

- Enrollment census complete and budget implications determined
- Budget surplus/deficit for current fiscal year determined
- Review budget call prioritization from prior fiscal (informed by Strategic Plan) and revisit unfunded priorities
- If a surplus: Draft preliminary follow-up funding and circulate to Joint Council.
- If a deficit: Announce spending target reductions for fiscal year at Joint Council



Continued Partnership with UCOP

- Our campus was founded during a different financial time than our peers
 - Large portions of infrastructure covered by the state
 - Campus growth occurred during times of higher state support
 - one-time and continuous
 - State funding per student was significantly higher
- This has generated some significant fiscal disparities
 - Highest debt per student in the UC system
 - Highest debt to income ratio in the UC system
- The University of California Office of President recognizes our financial situation and wants to serve as a strategic partner to support our campus growth
- Our peer institutions also recognize our unique situation and continue to support our long-term growth

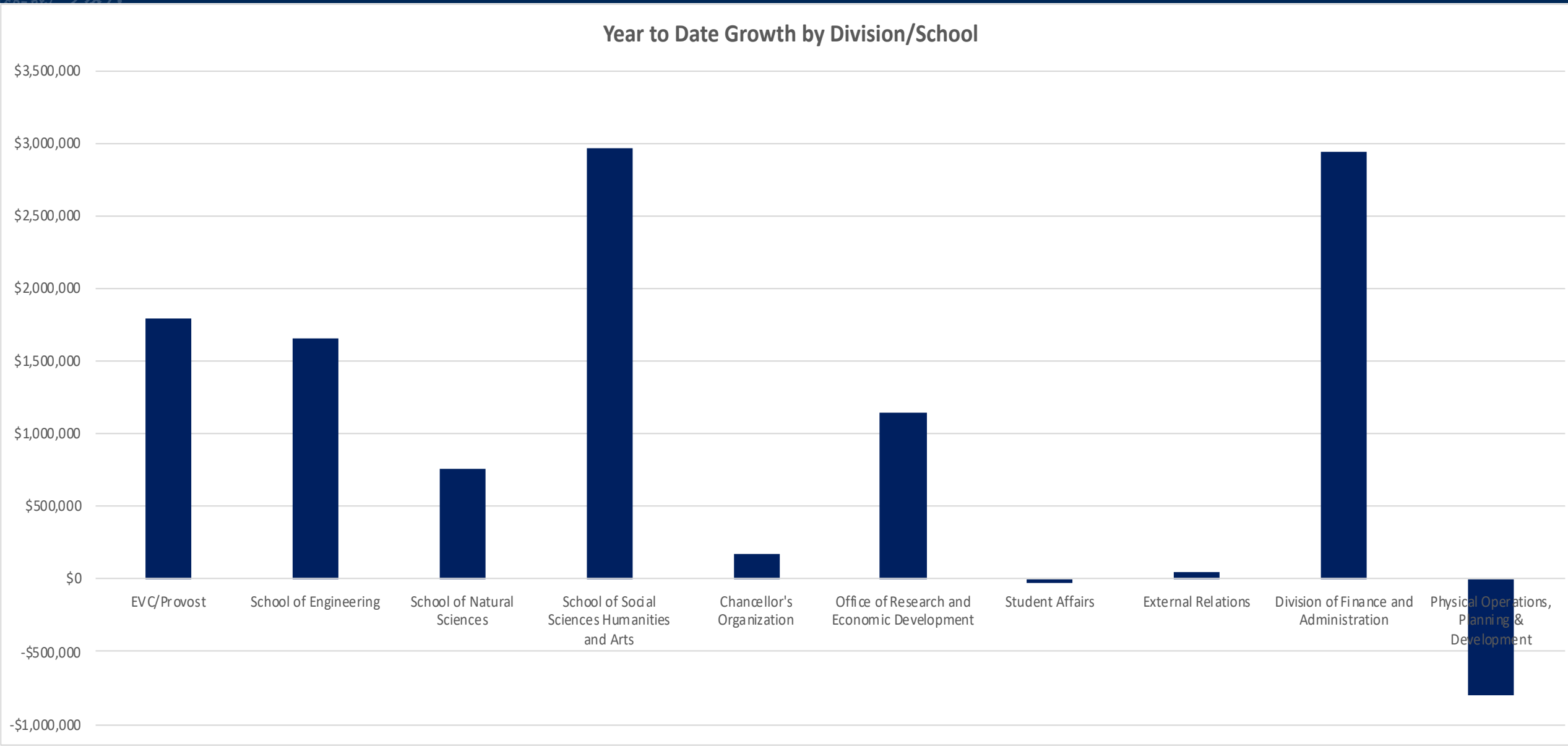


Use of the Budget Call Process for FY22

- For FY22 the following budget controls were put in place:
 - Centralized all campus vacancies (19900 funds only – state funds) with intent to retire at least 50% of the funds with additional considerations
 - “State funded” non-salary budgets have been reduced by 9.75% for FY22 relative to FY20 (5% compounded two years)
 - Vacancies will return to central pool during FY22 for consideration (goal is to retire at least 50% of vacancies)
 - Once budgets established for divisions/schools they have autonomy on budget management – no longer FTE based
 - Each division/school asked to give presentations
 - Position control will meet once a month during FY22



Year to Date Growth in 19900 Funds (State Funds)





Priorities for FY22

- Three priorities for FY22 (aligned with the campus' Strategic Plan)
 1. Maintaining/promoting stability in campus operations
 - e.g. compliance, infrastructure, student support, instructional support, People First foci, COVID preparations, etc.
 2. Supporting enrollment growth
 - e.g. program expansion, new programming, admissions, retention, etc.
 3. Supporting research relaunch
 - e.g. faculty support, research infrastructure, etc.



Budget Call Summary

- Process:
 - Presentations on April 6 and April 13
 - Recommendations developed at Joint Council on April 20
 - Interim CFO and EVC/Provost make recommendations to Chancellor

	Vacancies	Requests	
Total Number	~110	~125	
Total Amount	\$12.47M	\$13.49M	

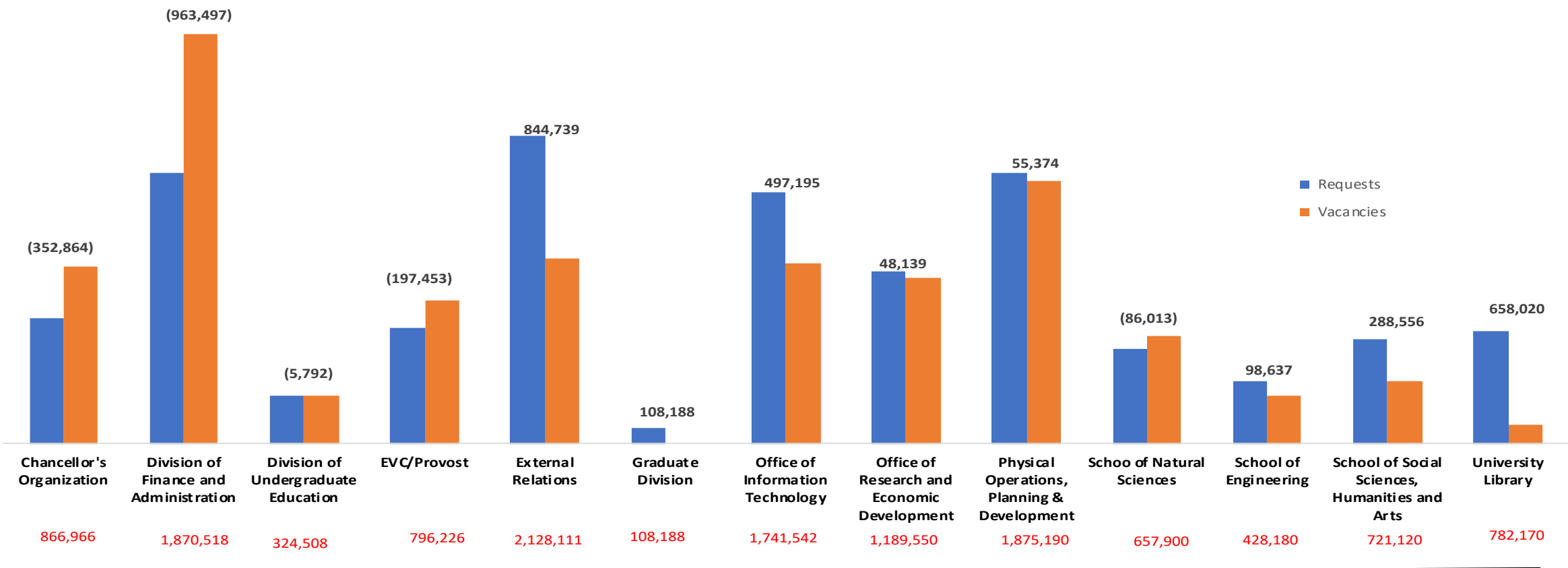
- Additional considerations
 - Need to account for any merit/salary adjustments



Vacancies/Requests

(Campus Savings)/Campus Increases

Total vacancy including benefit: \$12.4M
Total asks: \$13.5M



Priority request



Future Directions

- **“You can’t cut you way to excellence”** - President Drake, Oct. 15, 2020
- Although we will continue to take measures to control our costs, we also need to make investments in our future
- These investments must be aligned with our campus’ Strategic Plan
- We must be willing to sequence and prioritize our resource allocations and answer two questions:
 - What can we delay for the future?
 - What must we do now to increase our options in the future?
- Answering these questions will allow our campus to thrive into the future!



Future Directions

- We remain committed to our primary goals:
 - Teaching – serving our students and their advancement as scholars
 - Research – striving toward our achievement of R1 status
 - Service – serving the University of California and our region
- We have a lot of positive things to look forward to as we move out of the pandemic:
 - We are returning to in-person campus instruction
 - Highest application numbers ever – should yield our largest enrollment ever!
 - Amazing growth in our research expenditures
 - Increasing our staffing levels to meet critical needs
- These will all help us thrive as a campus into the future!



Thank you!

Thank you for joining our Fiscal Responsibility town halls

We will continue this dialogue in-person starting in Fall 2021

*For an archive of Fiscal Responsibility town halls and additional information,
visit <https://dfa.ucmerced.edu/financial-responsibility>*

dofa@ucmerced.edu <https://dfa.ucmerced.edu/form/comment-box>

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