

Town Hall Meeting

October 15, 2018

Presented by: Katherine Newman, Interim Chancellor
Kathleen Kirleis, Vice Chancellor for Administration and Finance
Emily McDermott, Interim Provost and Vice-Chancellor of Academic Affairs
Garrett Smith, Deputy Chancellor

Agenda

- ▶ Introduction
- ▶ FY18 Operating Results
- ▶ FY19 Operating Budget
- ▶ Chancellor's Goals
- ▶ FY20 Operating Budget
- ▶ Questions and Comments

FY18 Operating Results

FY18 Actual Results

	FY18 Budget* <i>(\$thousands)</i>	FY18 Forecast Third Quarter <i>(\$thousands)</i>	FY18 Actual** <i>(\$thousands)</i>
Revenues:	431,135	428,300	426,590
Expenses:			
Salaries and Fringe Benefits	277,084	272,834	269,465
Non-personnel operating expenses	104,861	102,962	98,972
Scholarships and fellowships	15,201	18,771	17,180
Depreciation Expense	25,711	24,170	24,433
Interest Expense	13,278	12,563	14,152
Total Expenses	436,135	431,300	424,202
Surplus/(Deficit)	(5,000)	(3,000)	2,388

*FY18 Budget represents budget submitted to UMASS System Office as of 7/1/2017

**Due to an accounting change at the system-level, FY18 Actual includes net non-operating revenue not included in the FY18 Budget or Forecast

Remaining FY18 Budget Gap - Oct 2017 Town Hall

	FY18 (in thousands)
Amount of Deficit Remaining as of October 2017 Town Hall	(7,080)
Additional Revenue Reduction (lower enrollment, summer revenue, spring melt, lower grants, lower ESS, partially offset by higher investment and state appropriation)	(5,500)
Revised FY18 deficit	(12,580)
Personnel Savings (Voluntary Separation Incentive Program “VSIP”, Reduction in Force “RIF”, vacation & sick balances, vacancies, NTT reduction, HR efforts to reduce spending on temporary positions)	7,800
Non-personnel Savings (under-run of expense budget, lower grant expenses)	7,168
FY18 Savings	14,968
FY18 Actual Operating Income	2,388

Operating Margin Trend

	FY14	FY15	FY16	FY17	FY18*	FY19 Budget*
Enrollment (<i>FTE</i>)	12,333	12,833	13,137	13,013	13,036	13,188
Revenue (<i>\$ thousands</i>)	354,137	376,122	406,403	421,461	426,590	436,969
Expenses (<i>\$ thousands</i>)	347,427	377,435	411,912	424,463	424,202	436,500
Operating Margin \$ (<i>\$ thousands</i>)	6,710	-1,313	-5,509	-3,002	2,388	469
Operating Margin %	1.9%	-0.8%	-1.4%	-0.7%	0.6%	0.0%

*Note: Due to an accounting change at the system-level, FY18 Actual & FY19 Budget includes non-operating revenue not included in prior years

FY19 Operating Budget

FY19 Adopted Budget as adopted by the Board of Trustees in July

	FY18 Actual (\$millions)	FY19 (\$millions)
Revenues:	426,590	436,969
Expenses:		
Salaries and Fringe Benefits	269,465	269,623
Non-personnel operating expenses	98,972	101,445
Scholarships and fellowships	17,180	18,771
Depreciation Expense	24,433	29,474
Interest Expense	14,152	17,186
Subtotal Expense	424,202	436,500
Surplus/(Deficit)	2,388	469

FY19 High-level Balanced Budget Assumptions

Added Resources (increased revenue/decreased expense)	(\$millions)
Tuition and fee rate increase	3.6
Enrollment Growth to 13,188 FTE	2.6
New Parking Rates (net)	2.8
Full FY18 VSIP/RIF Savings	4.8
Vacancy Savings	1.5
Total net revenue increases/cost savings	15.3

Reduced Resources (decreased revenue/increased expense)	(\$millions)
Depreciation	5.3
Interest	4.6
Cost of Living (net of state support)	1.7
Additional Salary & Fringe	1.5
Fringe Rate/Utilities/Central Support	2.1
Total net revenue decreases/cost increases	15.2

FY19 Strategic Investments

- **Student Success**
 - Addressing bottlenecks (\$600+K for NTT and TAll increases)
 - Physics & Chemistry lab sections
 - Bio 111, 112, 207, 208, 209
 - Chemistry 130
 - Math sections
 - First Year Seminar
 - English Composition
 - 24x7 operations support
- **Information Technology**
 - Institutionalized Refresh / Replace
 - Enabled investment in data analytics PASS / Heliocampus
 - Enabled investment in Curriculog for curriculum management
- **Strategic Faculty Hiring**
 - Pooled savings
 - Strategic hires across Academic Affairs
 - Target of opportunity hiring pool
- **Chancellor-directed Investment**
 - Civitas Agreement

FY19 Centers & Institutes

- **Detailed Assessment**
 - 17 centers and institutes (deficits greater than \$60K)
 - Accounted for ~\$5M gap between revenues and expenses in FY17
 - FY19 budgeted savings of \$285K
- **Glide Path to Self-Sufficiency**
 - Submitted report to state on funding decisions
 - Glide paths established into FY2022
 - Estimated in FY19 that 75% of reductions will be in reallocation of expenses and 25% will be in shifting expenses to external funding (ratio will reverse between FY20 and FY22)
 - Multiple university initiatives to assist including Chancellor establishment of high-priority for University Advancement to support centers and institutes
- **Task Force**
 - Provost to develop center and institute task force in Q1
 - Evaluate self-sufficiency, academic programming crediting, and business approach
 - Implement best practices and lessons learned from self-sustaining models

FY19 Process for Maintaining a Balanced Budget

- ▶ Throughout FY19 progress will be monitored a number of ways
- Variance reporting process to identify key material differences from budget
 - **Monitoring general operating spend vs budget and prior year on a quarterly basis**
 - **Requires explanation from budget owners for significant variances**
- Important data points
 - **Tuition and Fee revenue analysis**
 - Fall, half year, spring
 - **Monthly expense projections based on current year vs prior year trending (augmented by variance reporting process)**
- Carry-forward process
 - **Revenue-based chartfield review at half year to determine if there is room to release carry-forward balances**
 - **RTF changes in FY19 include allowing carry-forward for capital purchases and start up projects**
- ▶ New and current process implementation will ensure that the FY19 BOT target is achieved

Chancellor's Goals

Chancellor Level Goals for FY2019

- 1. Budget:** Operating margin consistent with the Board Approved Budget of 0%, as measured by financial results for the fiscal year.
- 2. Student Success:** Develop a campus-wide program of student success initiatives designed to significantly improve retention (and ultimately graduation), including increasing first year retention of freshman students by 3-5%.
- 3. Online:** Increase online revenue by 5%-10% via UMass Online, reorganization of CAPS, and/or expansion of campus online programs.
- 4. Residence Halls:** Ensure successful opening of residence halls and our shift to a 24/7 campus, including development of student life programming (co-curricular, athletics, RA sponsored) and a carefully managed transition plan for sophomore housing.
- 5. Fundraising:** Increase donor visits, principal gifts, endowment. Target minimum \$15 million.

We are developing a program of student success initiatives to build on 15 points of grad rate growth in the past 10 years

Goals *(examples)*

Undergraduate

3-5% increase in freshmen retention

2-3% increase in new transfer retention

1% incr. in continuing student retention

Including retention goals for each college

Initiatives *(examples)*

1. Eliminate course bottlenecks
2. Focused student support using predictive analytics
3. Common metrics, practices, and tools for advisors
4. Reduce failure/withdrawal rates in gateway courses

Chancellor Level Goals for FY2019

6. **University Relations:** Contribute to the enhancement of the university's public position.
7. **Faculty and staff:** Enhance our ability to attract and retain a diverse and highly qualified faculty and staff.
8. **Capital projects:** Work with the system office to proceed with substructure and Bayside projects
9. **Planning:** Develop coherent and integrated plans (including Strategic Plan, Academic Master Plan, Capital Master Plan) to provide a roadmap for the future of the University. Ensure that research excellence is central to the planning process.
10. **Excellence in leadership/management.** Focus on quality across the board for all of us, reinforce an “accountability culture,” and **participate robustly in UMPO “shared services” initiative.**

FY20 Operating Budget

FY20 Budget Context

Prior to any new strategic investments being made, the current projected campus budget for FY20 has a projected deficit of **-\$7.7M**

Revenue or Expense Change	FY20 Projected (\$millions)
Tuition & Fees (flat enrollment, FY19 rate increases)	3.7
State Appropriation (COLA/Fringe)	7.9
Meal Plan	1.0
Depreciation	(4.5)
Interest	(4.8)
Cost of Living/Fringe	(10.1)
Other changes (net)	(0.9)
Surplus/(Deficit)	(7.7)

FY20 Budget – New Items to Help Meet Margin

Bayside redevelopment

- Ground lease or sale revenue
- Additional physical space for program or housing expansion

Retention efforts/student success initiatives

- Maintain enrollment of existing students

Online learning expansion

Efficient Staffing and Other Administrative Efficiencies

- Reorganization of functions/areas
- Centralization of services
- Shared services (ex. A/P, payroll, procurement)

Long-term Financial Path Forward

- ▶ A pathway is there to solidify the university's financial future
- ▶ Current projected FY20 Budget gap will be closed
- ▶ The university is being right-sized to support our current operations and to become better
- ▶ Can make decisions on how to move forward
- ▶ Can focus on how to grow net revenue, including
 - ▶ Increased enrollment
 - ▶ Online education
 - ▶ Bayside development
- ▶ Be in a better position to solve the remaining funding needs for the substructure project

Comments and Questions?