

University of Houston  Clear Lake

Financial Presentation

Mark Denney, Vice President for
Administration and Finance

October 27, 2020

Housekeeping

- I am an accountant (not really, but you know, kinda one)

Housekeeping

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Housekeeping

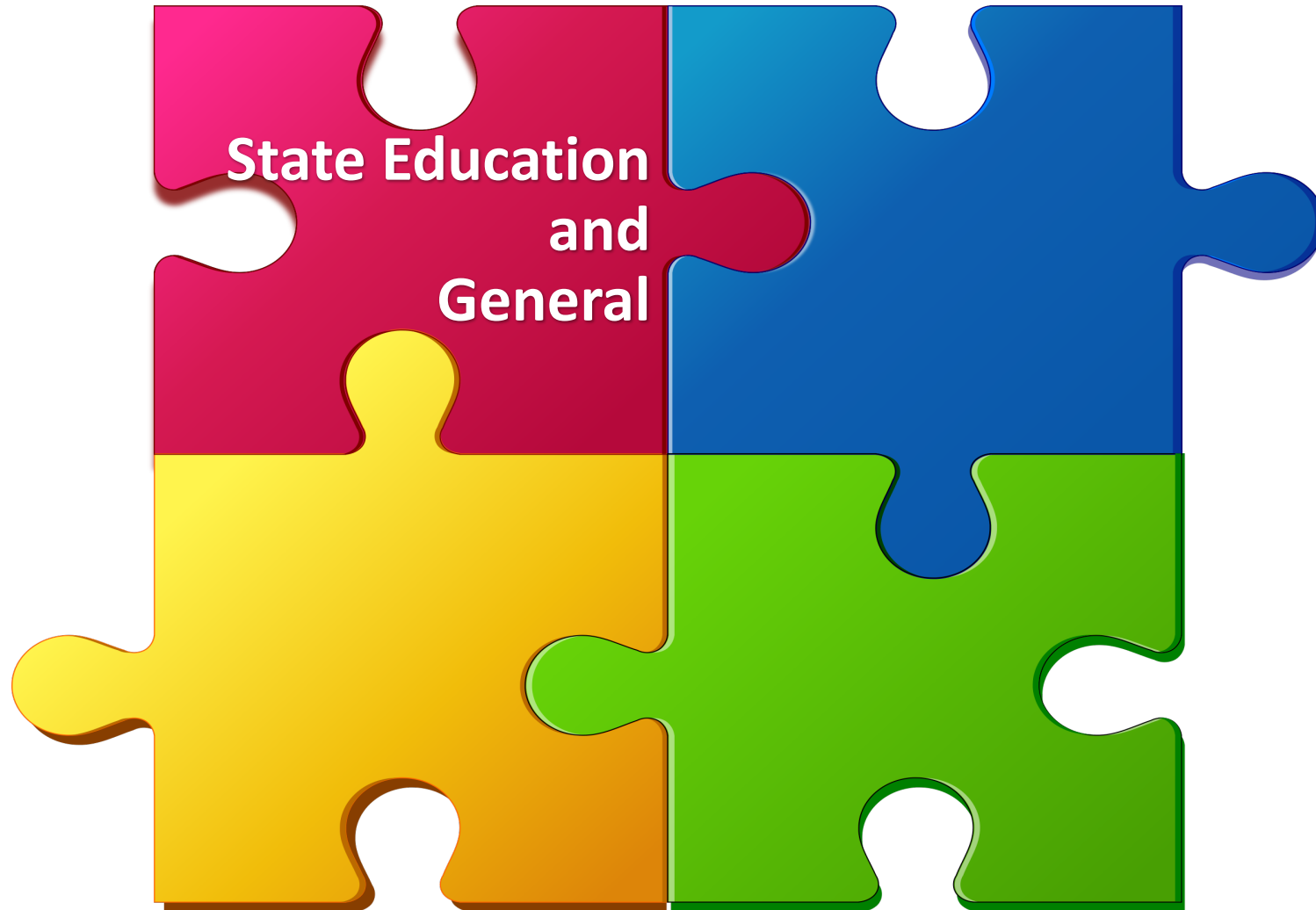
- I am an accountant (not really, but you know, kinda one)
- This presentation will have numbers.....
- Possibly lots of them.....
- And if we don't get to all of the questions – put them in the chat box or email Ms. Shirley Nilsen at Nilsen@uhcl.edu
(We will answer them.)

First: Lay of the Land

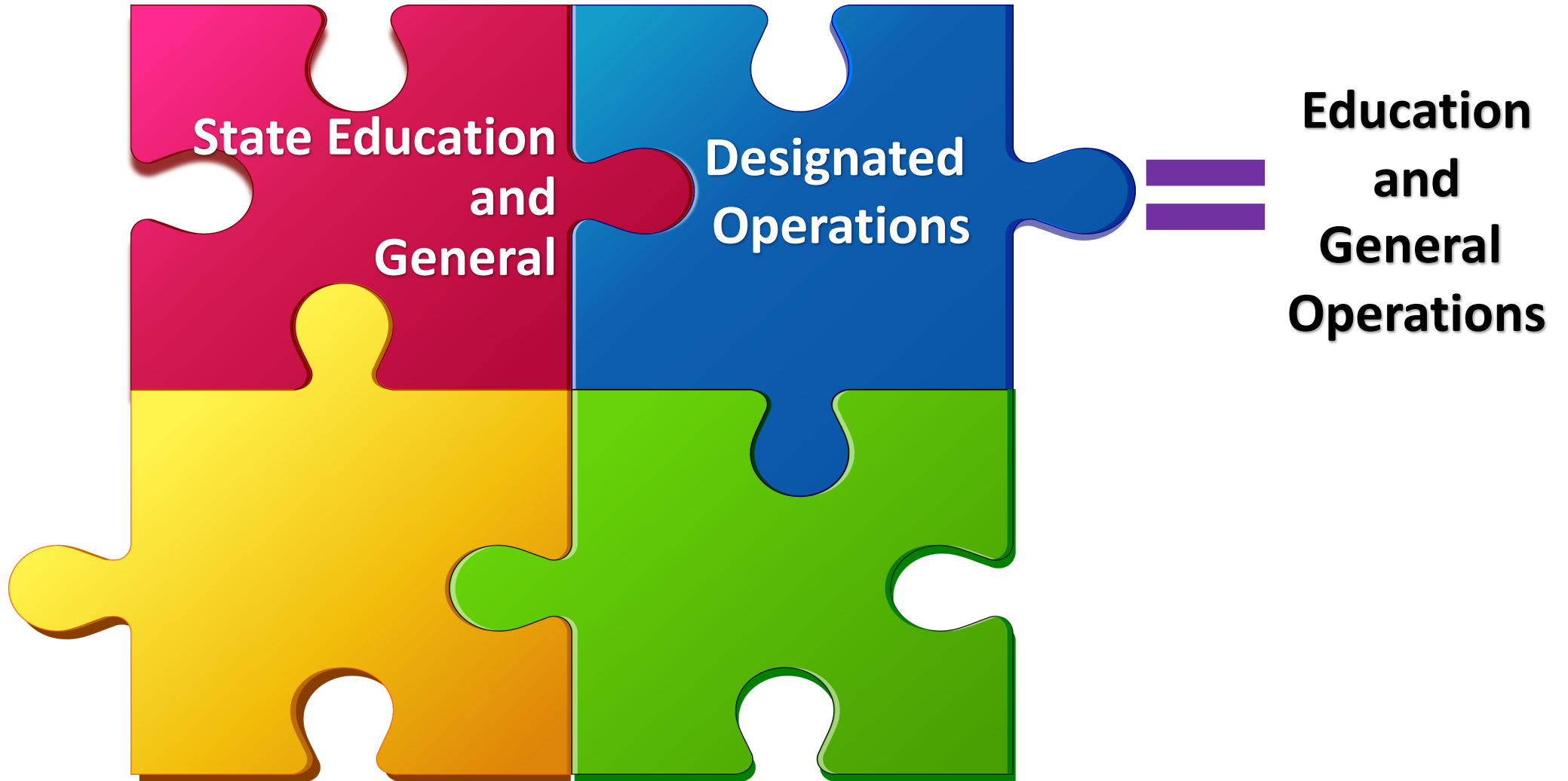
- All universities have multiple “Operations”
- What are we going to cover?



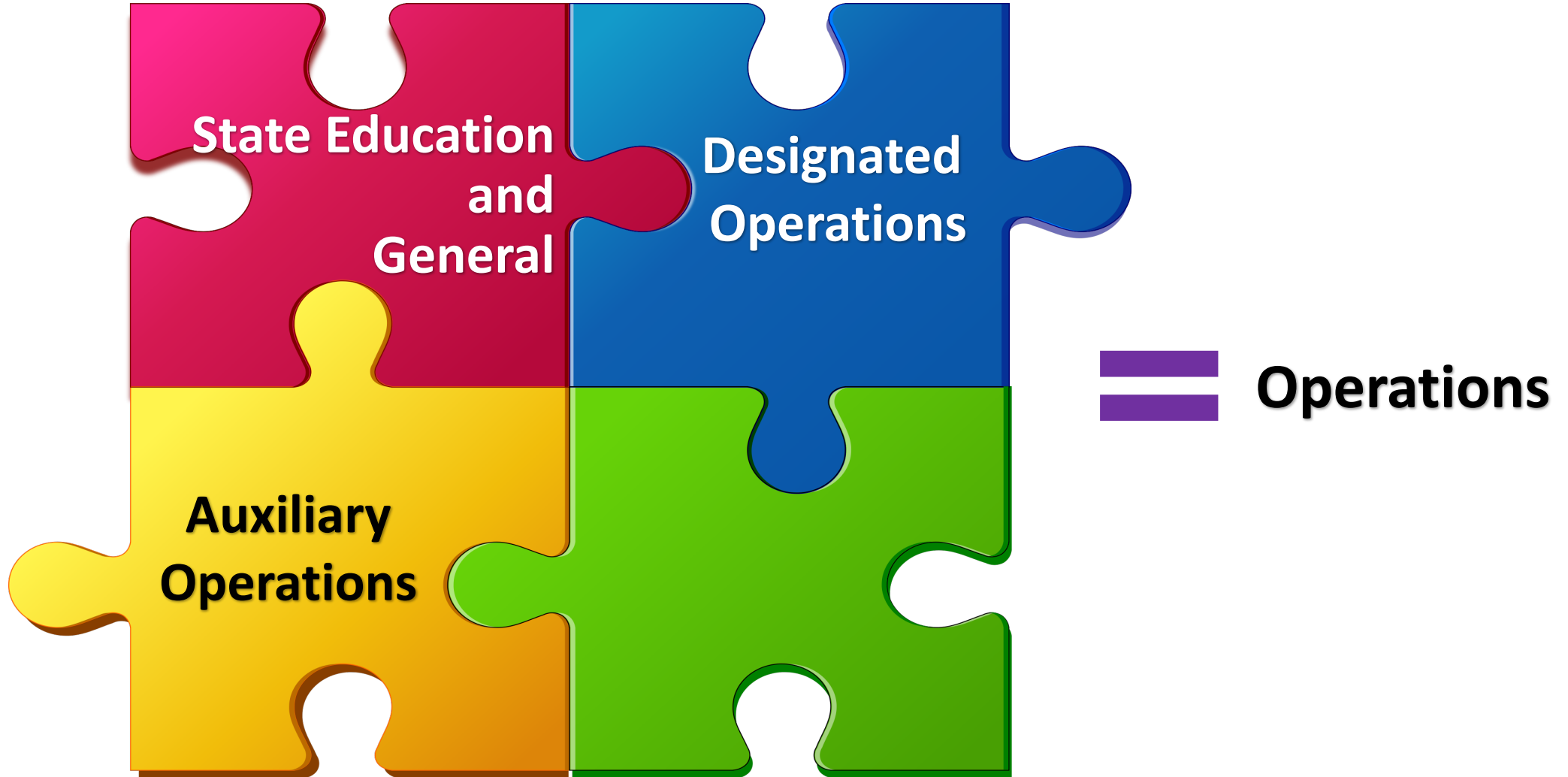
Operations:



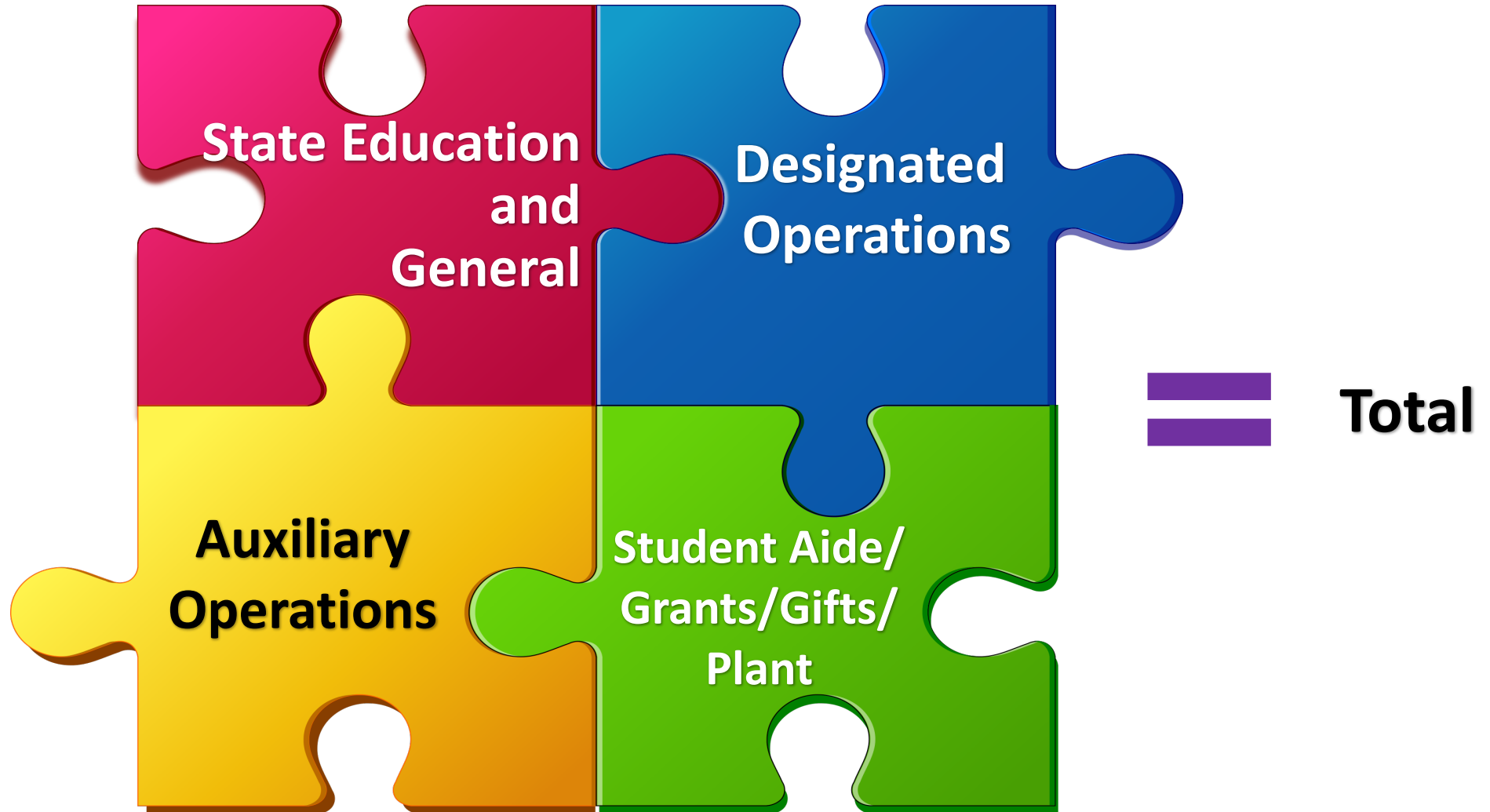
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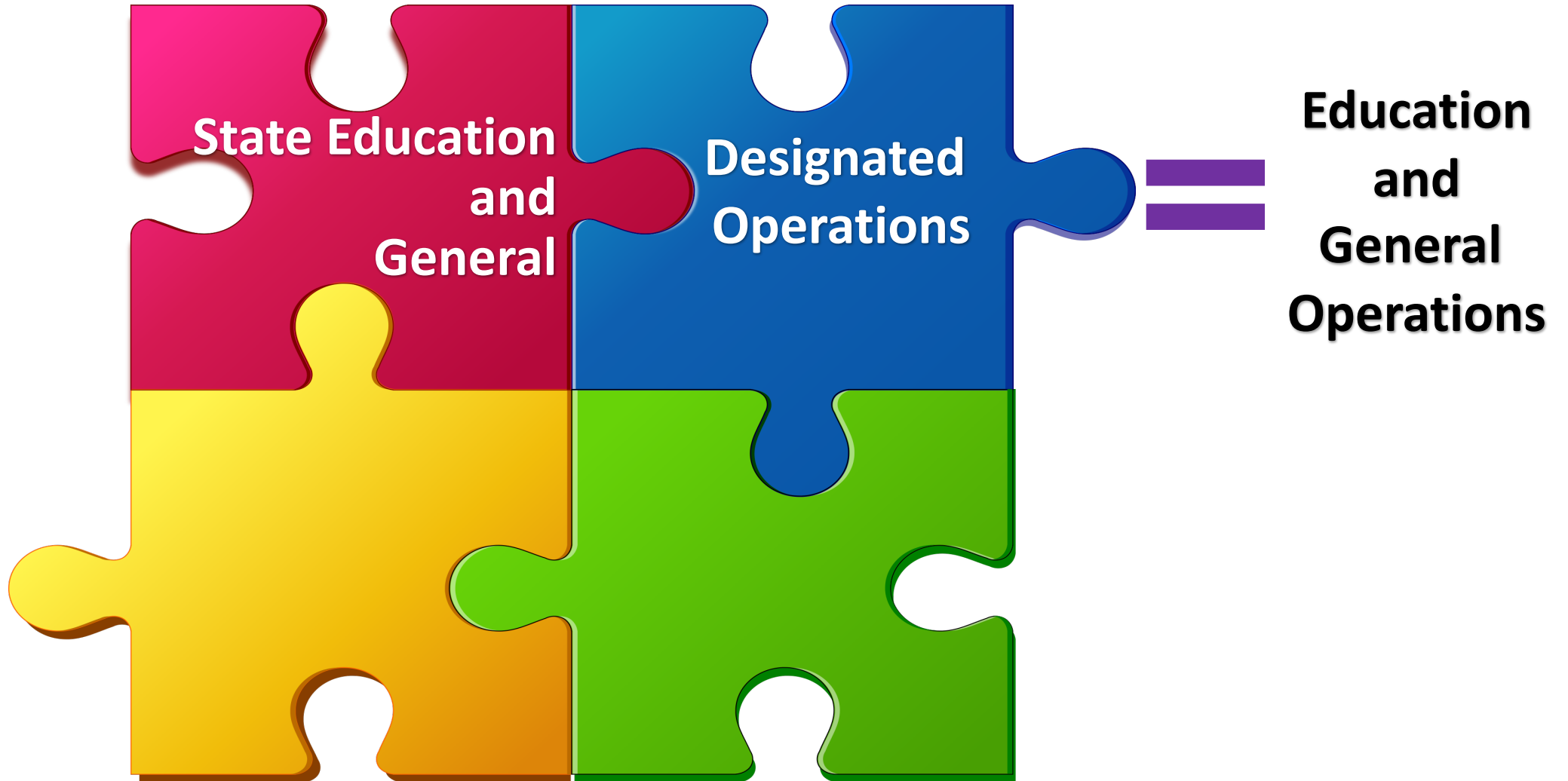
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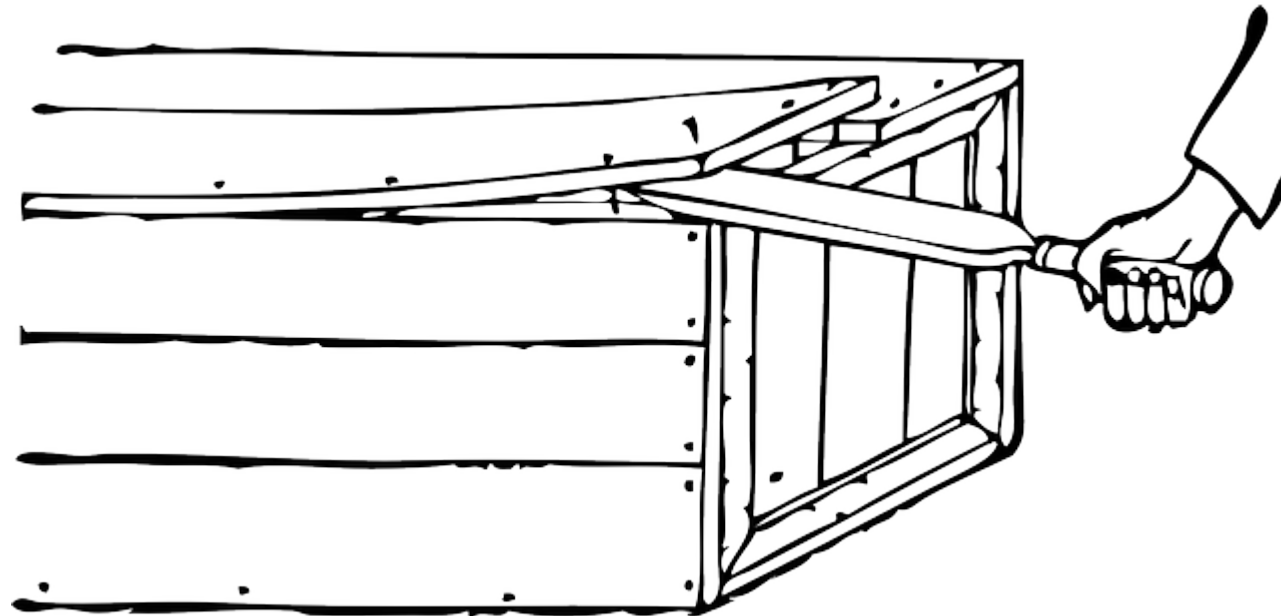
Total University:



Today's Discussion:



Additional Disclaimer:



Goals For Today's Presentation

- Better understanding of what happened in FY2020
- Provide an update for FY2020-21
- Provide a view of the financial strength of the university
- Provide a view looking forward

GOALS – PART 1

A large, stylized eagle logo in a lighter shade of blue, positioned in the lower right quadrant of the slide. The eagle is depicted in profile, facing left, with its wings spread wide. The logo is composed of smooth, curved lines that define the bird's form.

Goals – Part 1

- Better understanding of what happened in FY2020

Goals – Part 1

- Better understanding of what happened in FY2020
 - What were the results of FY2019-20 and
 - What happened to create them



FY 2019-20

	Budget	Actual	Note
State Support	45,546,626	43,209,612	A
Tuition and Fees	65,850,683	68,727,217	B
Misc. Other Revenue	1,780,310	5,378,655	
Fund Balance			
Total Resources	113,470,955	117,315,483	
Salary and Wages	60,982,530	59,080,866	C
Benefits	18,156,522	17,407,653	
Total Labor	79,135,052	76,488,519	
Maintenance and Ops	34,331,903	28,368,785	D
Total Expenditures	113,470,955	104,857,304	

 **decrease in State Support due to 5% take back**

FY 2019-20

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A: decrease in State Support due to 5% take back

B

Increase in tuition due to increased enrollment

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A: decrease in State Support due to 5% take back

B: Increase in tuition due to increased enrollment

→ Reduction in labor spending due to:

- **Directed hiring chill**
- **Reduced Summer labor**
- **Reduced temp labor**

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A: decrease in State Support due to 5% take back

B: Increase in tuition due to increased enrollment

C: Reduction in labor spending due to:

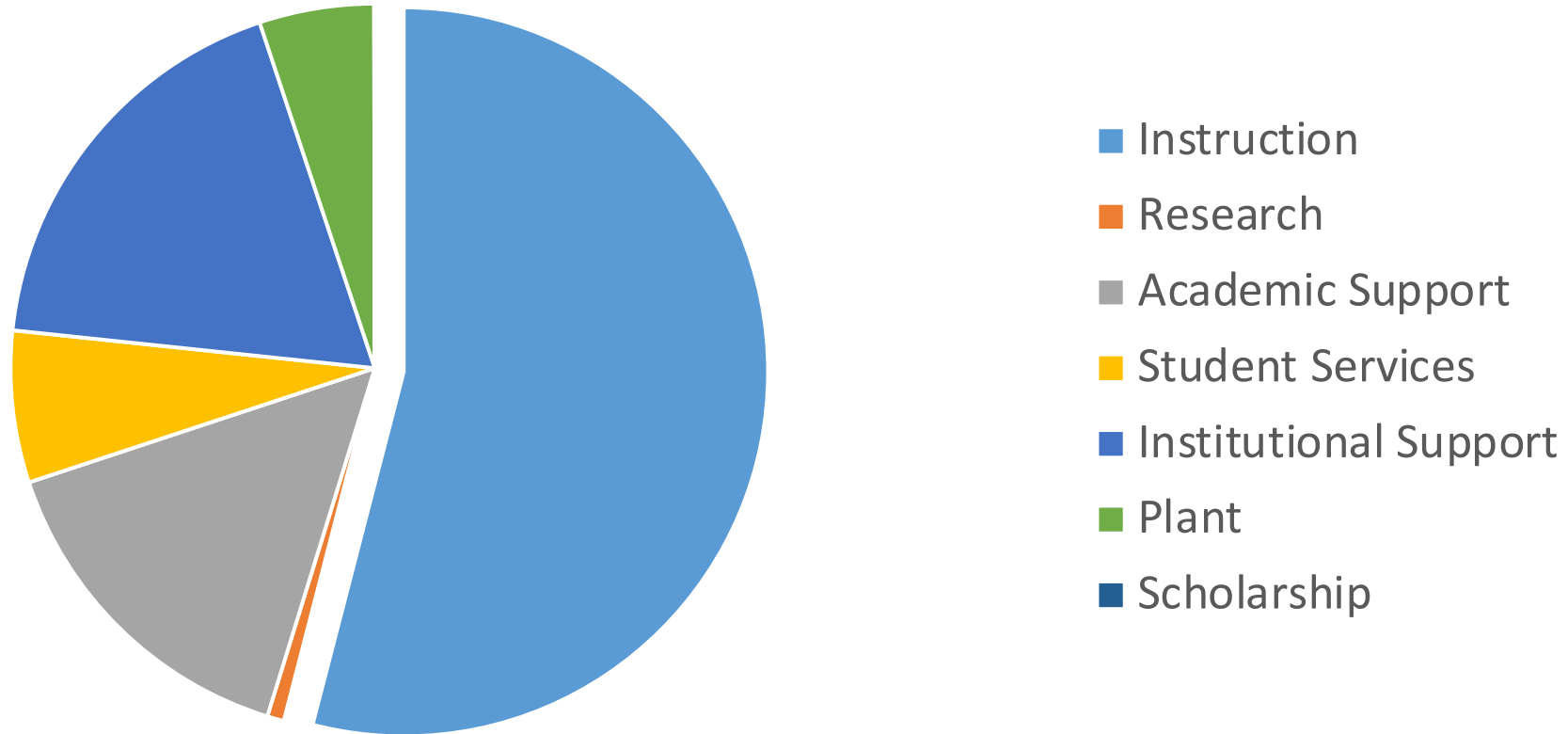
- Directed hiring Chill
- Reduced Summer labor
- Reduced temp labor

Reduction in M&O spending due to:

- **Directed Spending Chill**
- **Campus shut down due to pandemic**

How We Spend Our Dollars by Function

Education and General Expenditures on Labor



GOALS – PART 2



Goals - Part 2

- Provide an update for FY2020-21

Goals - Part 2

- Provide an update for FY2020-21
 - Pandemic
 - Funding challenges at the State
 - Our funding request for the upcoming legislative session

Fiscal Challenges

- Impact of Pandemic
 - \$5 + million to-date
 - \$2.7 million in CARES Act dollars
 - Uncertainty as to when the pandemic will end
 - Uncertainty of any future COVID-19 relief from Federal Government
 - Uncertainty that cuts we've already experienced from the State are it.
 - Uncertainty of any future FEMA reimbursement

Challenges at the State Level

- Texas Comptroller: \$11.5 billion in lower revenues
- Challenges this next Legislative Session
 - Resulting in a projected \$4.6 billion deficit
 - Medicaid and other programs that were already underfunded
 - \$2 billion promise from Rainy Day Fund for Public Education from last session
 - Declining revenues projection lowered the “Rainy Day Fund” projected ending balance from \$9.3 billion down to \$8.8 billion

FY 2020-21

- Legislative Appropriations Request:
 - Restoration of Funding Formula
 - Restoration of 5% reductions from FY2020 and FY2021
 - Fully fund Texas Grants
 - Hazelwood Exemption
 - Expansion Funding
 - Tuition Revenue Bond
 - Non-Formula Funded Programs

FY 2021 Budget

- What UHCL did **NOT** do
 - Across the board cuts (Non-strategic and impose unintended outcomes)
 - Shift funding responsibility from central funds to decentral funds (Colleges)
- What UHCL Did do
 - University wide actions to reduce spending
 - Strategic and Operational impact analysis before moving forward
 - Budget initiatives: All remain budgeted
 - Some will move forward, **SLOWLY**
 - Some will move forward a bit delayed
 - All remain a high priority

GOALS – PART 3



Goals – Part 3

- Provide a view of the financial strength of the university

Goals – Part 3

- Provide a view of the financial strength of the university
 - What are the metrics we should be watching
 - Where does UHCL stand on those metrics

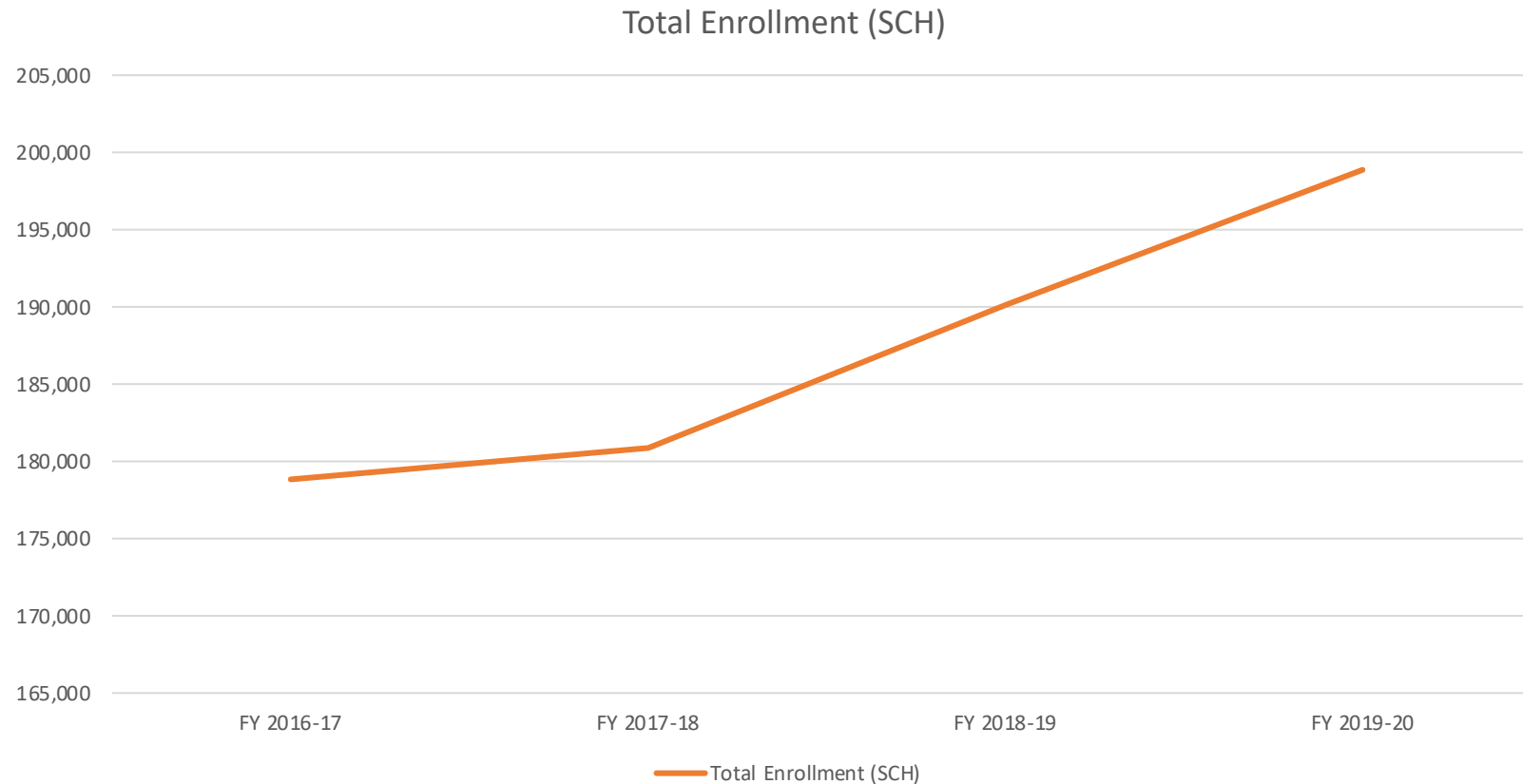
First Key Metric: Operational Effectiveness

- Not part of today's discussion, but it matters little if you are efficient or well-resourced, if you are not first effective.

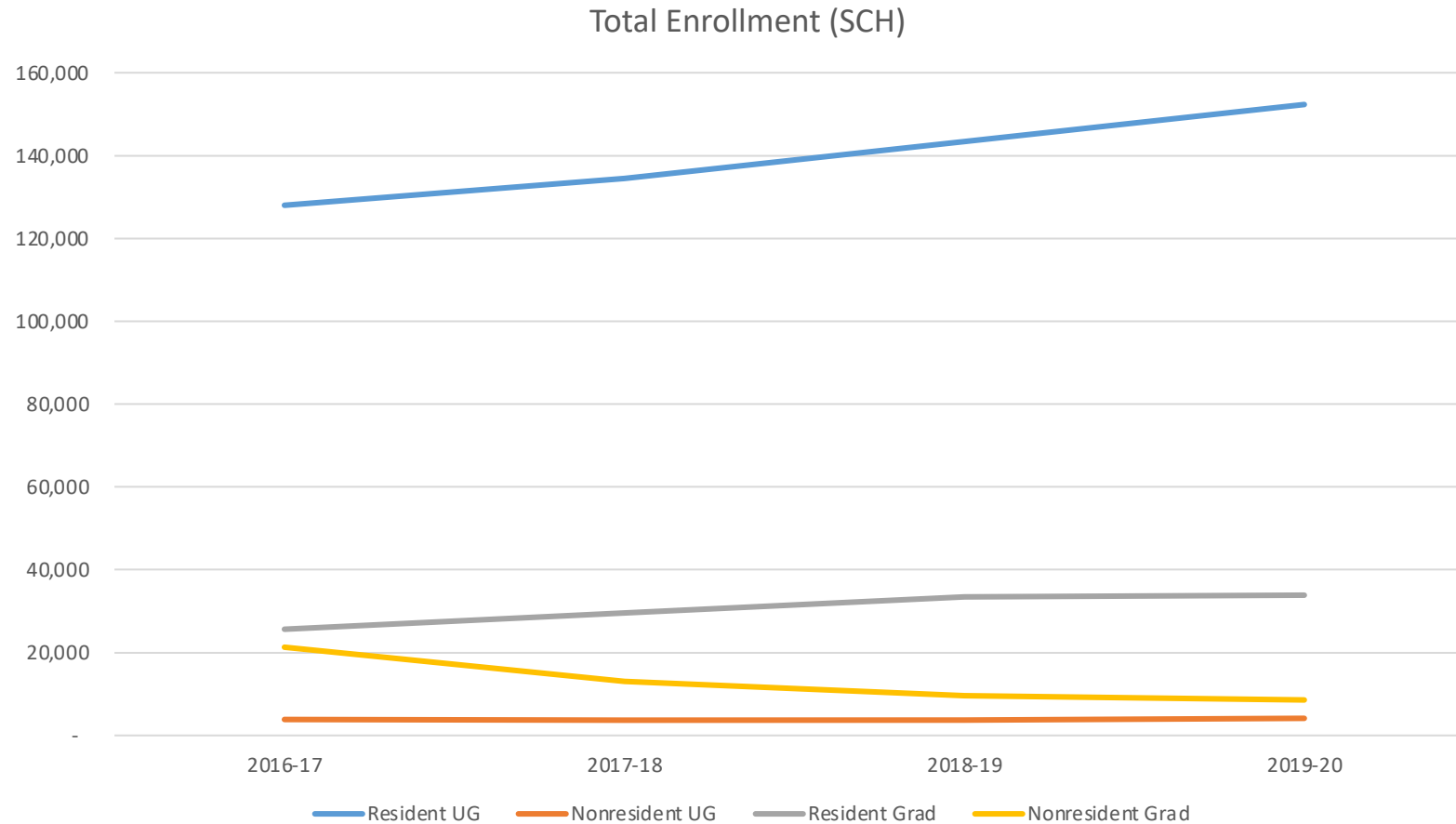
Second Key Metric: Operational Efficiency

- The cost of Higher Education is THE CRITICAL challenge facing our students

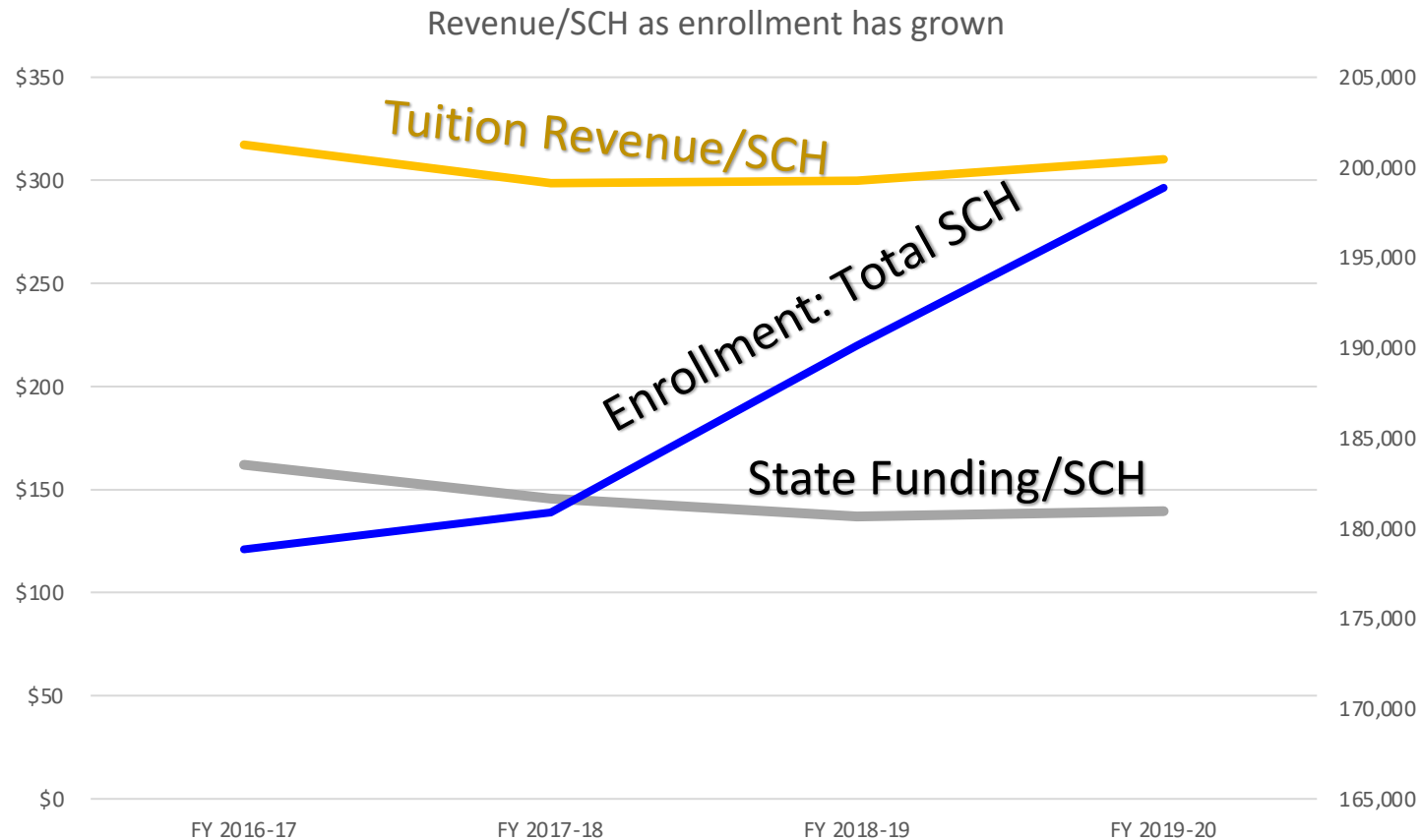
Key metrics to understand: Enrollment is key



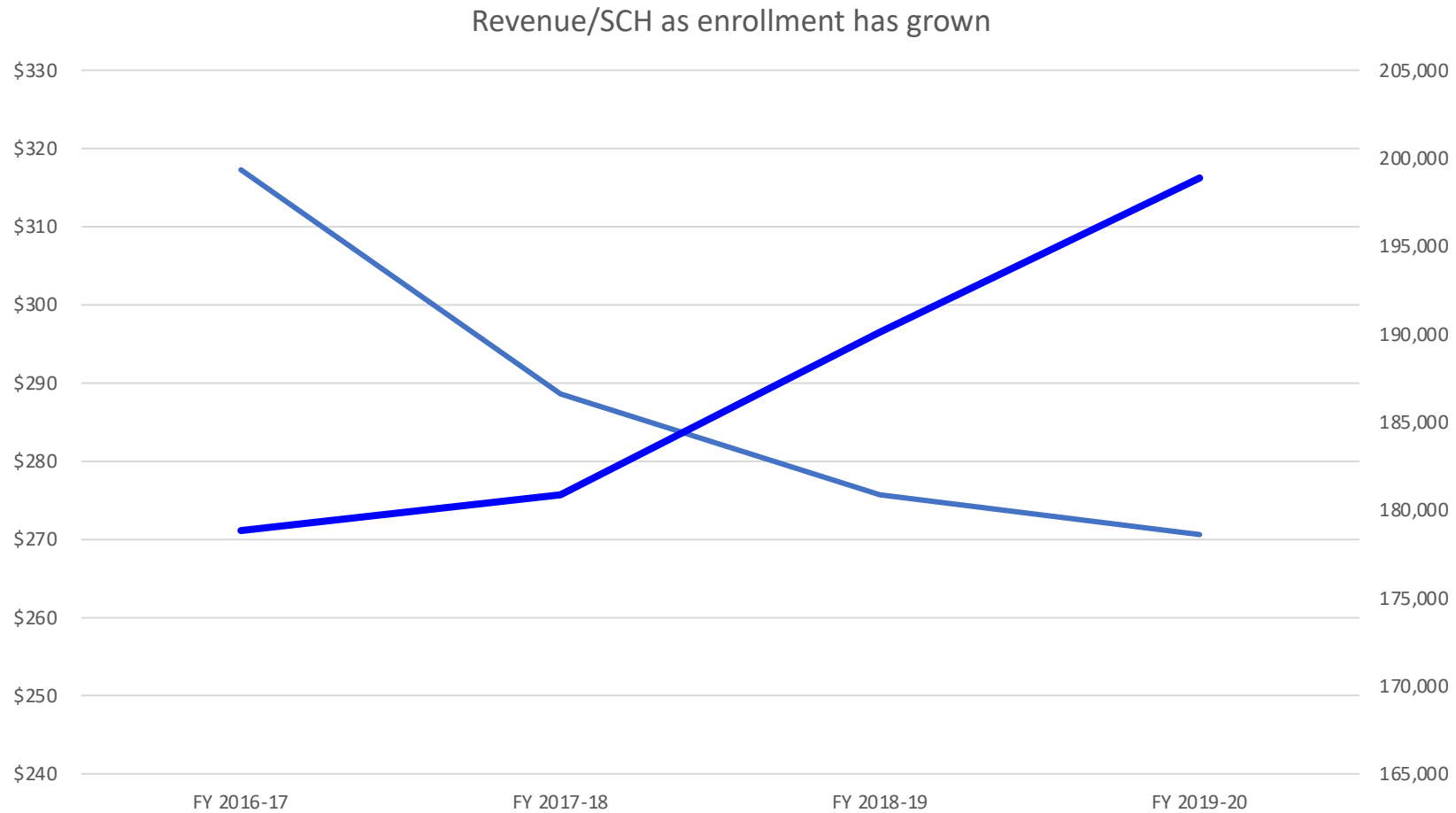
Key metrics to understand: Mix matters



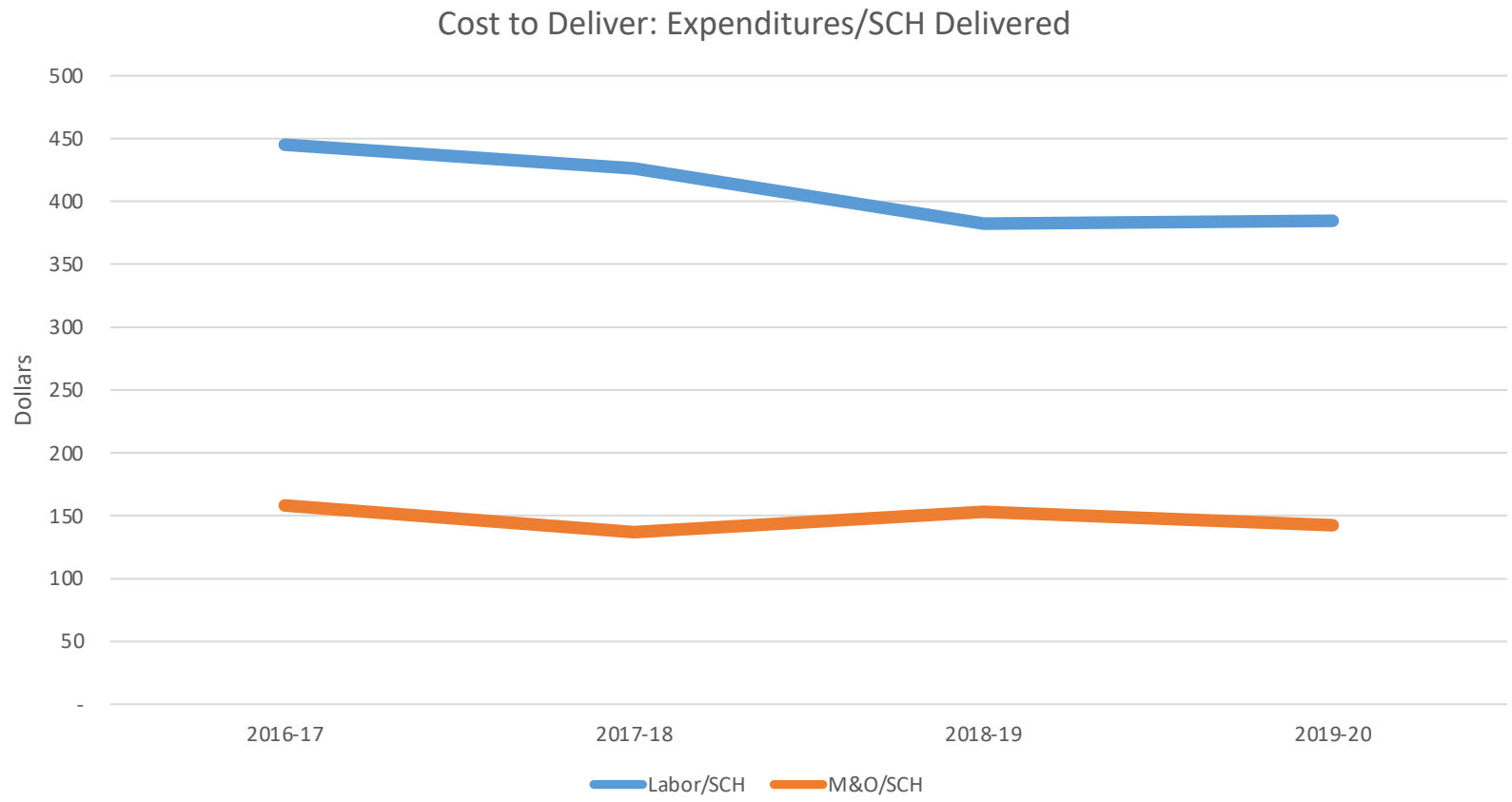
But what is the impact of mix on revenue?



The impact of mix on tuition revenue is even greater



Cost to Deliver



Moving Forward

- What are we doing to better manage future challenges

Moving Forward

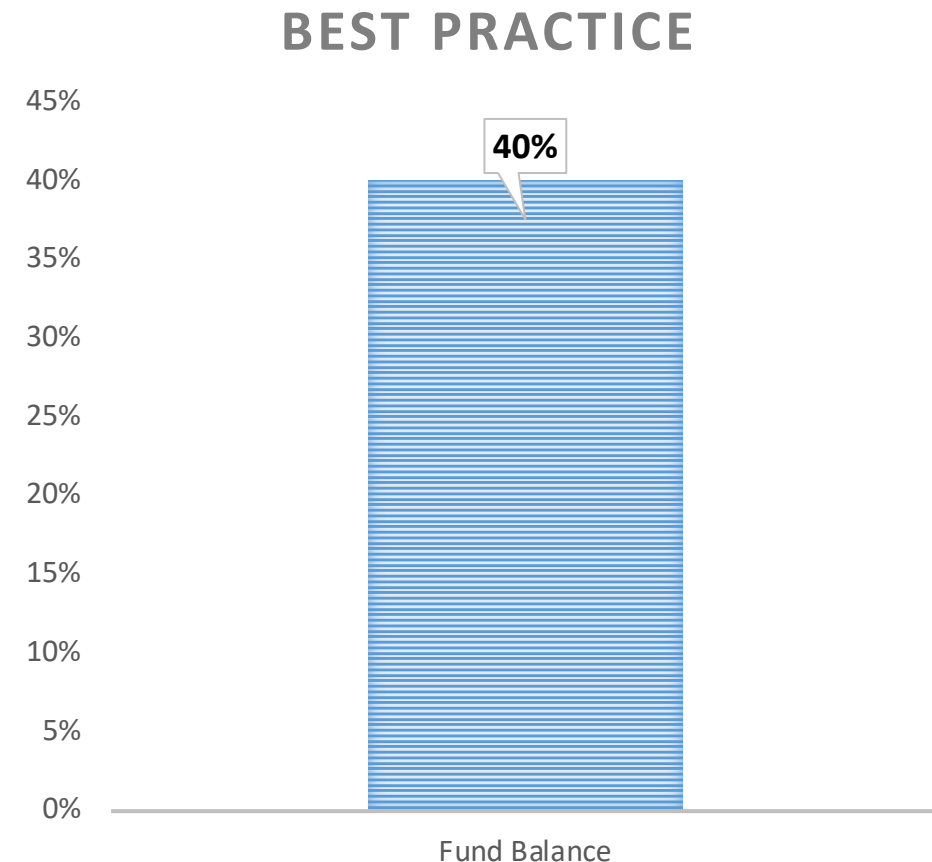
- What are we doing to better manage future challenges
 - Completing our Strategic Planning
 - Strategically moving forward with budget initiatives to continue to support enrollment growth and our student's success
 - Utilizing our Fund Balance

FUND BALANCE OR RESERVES



How do universities invest for the future or weather the storms?

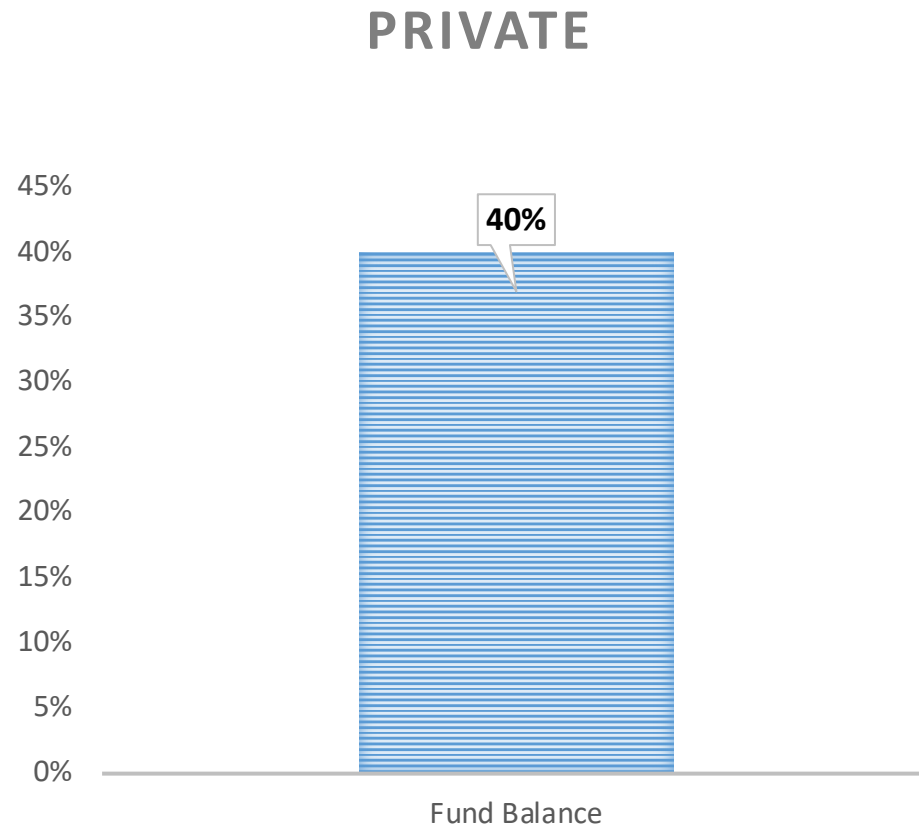
- Fund Balance
- What is enough?
- Why 40%?
 - Reliance upon funding streams we only influence
 - Public: State Funding
 - Private: Endowments
 - Significant need to Stability
 - Results take significant time to be realized
 - Assets are not very liquid



How do universities invest for the future or weather the storms?

- Fund Balance
- What is enough?

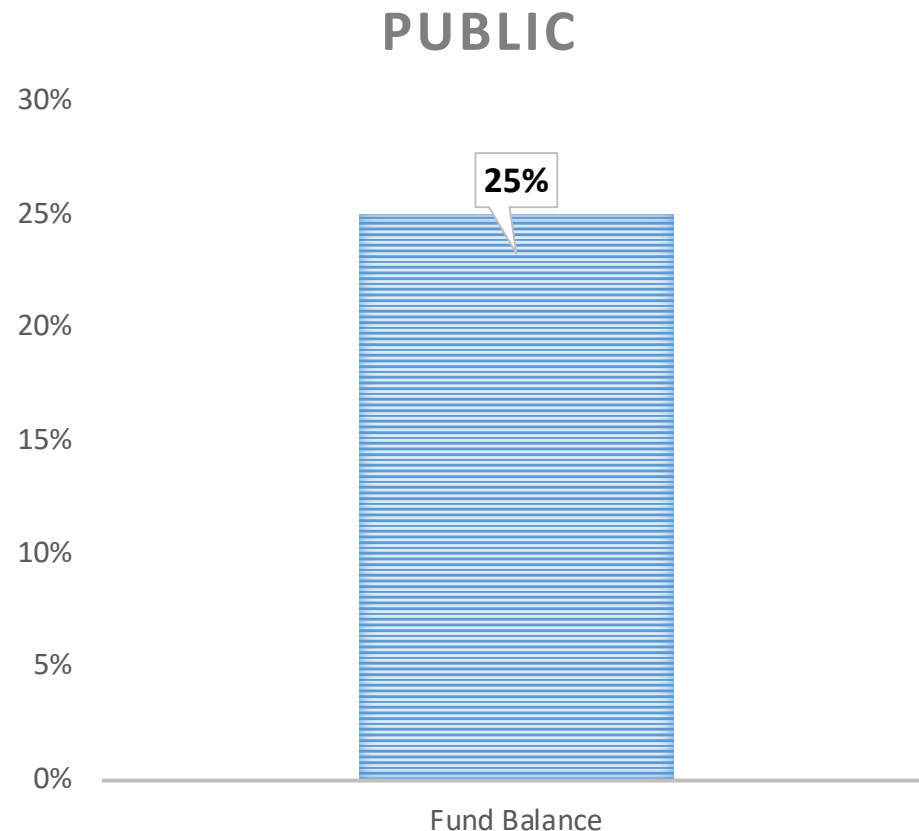
- Private Universities:



How do universities invest for the future or weather the storms?

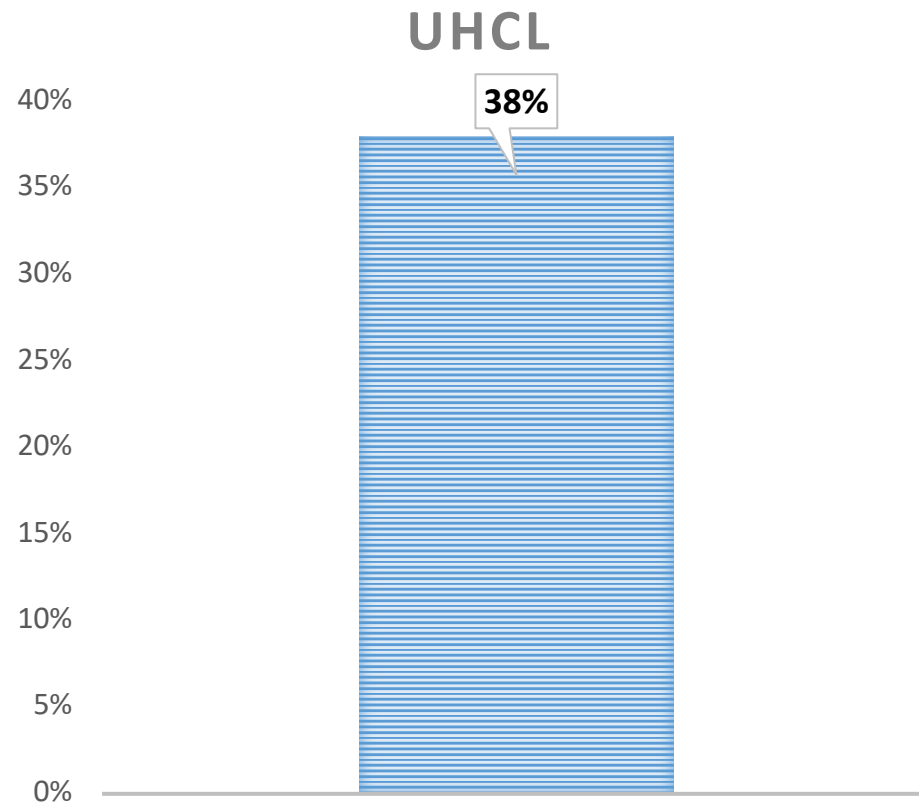
- Fund Balance
- What is enough?

- Public Universities:
 - Declining State Support
 - Enrollment Declines



How do universities invest for the future or weather the storms?

- Fund Balance
- What is enough?
- UHCL:
 - Declining State Support
 - Enrollment Growth



ISN'T THAT GREAT!?

A large, faint watermark of an eagle with its wings spread is visible in the background, centered behind the text.

Yes, but.....

- What is your fund balance made up of?

Yes, but.....

- What is your fund balance made up of?

- Money?



Yes, but.....

- Not that.....

- Are the funds available for use?



Fund Balance

- Funds in your fund balance are one of three classifications:
 - RESTRICTED
 - DESIGNATED
 - OPERATIONAL
 - UNRESTRICTED/UNRESERVED (STRATEGIC)

Another Key Metric: Our Reserve Picture

Elements of Fund Balance	FY 15
Total Fund Balance	\$23.3 M
Restricted Reserves	1.0 M
Designated Reserves	11.6 M
Operational Reserves (Should Have)	19.0 M
Unrestricted, Unreserved Fund Bal	\$(8.3)M

Another Key Metric: Our Reserve Picture

Elements of Fund Balance	FY 15	FY 16
Total Fund Balance	\$23.3 M	\$27.0 M
Restricted Reserves	1.0 M	1.6 M
Designated Reserves	11.6 M	12.5 M
Operational Reserves (Should Have)	19.0 M	20.6 M
Unrestricted, Unreserved Fund Bal	\$(8.3)M	\$(7.6)M

Another Key Metric: Our Reserve Picture

Elements of Fund Balance	FY 15	FY 16	FY 17
Total Fund Balance	\$23.3 M	\$27.0 M	\$30 M
Restricted Reserves	1.0 M	1.6 M	2.3 M
Designated Reserves	11.6 M	12.5 M	10.6 M
Operational Reserves (Should Have)	19.0 M	20.6 M	20.6 M
Unrestricted, Unreserved Fund Bal	\$(8.3)M	\$(7.6)M	\$(2.7)M

Another Key Metric: Our Reserve Picture

Elements of Fund Balance	FY 15	FY 16	FY 17	FY 18
Total Fund Balance	\$23.3 M	\$27.0 M	\$30 M	\$30 M
Restricted Reserves	1.0 M	1.6 M	2.3 M	2.7 M
Designated Reserves	11.6 M	12.5 M	10.6 M	13.2 M
Operational Reserves (Should Have)	19.0 M	20.6 M	20.6 M	20.1 M
Unrestricted, Unreserved Fund Bal	\$(8.3)M	\$(7.6)M	\$(2.7)M	\$(6.0)M

Another Key Metric: Our Reserve Picture

Elements of Fund Balance	FY 15	FY 16	FY 17	FY 18	FY 19
Total Fund Balance	\$23.3 M	\$27.0 M	\$30 M	\$30 M	\$35 M
Restricted Reserves	1.0 M	1.6 M	2.3 M	2.7 M	2.1 M
Designated Reserves	11.6 M	12.5 M	10.6 M	13.2 M	13.6 M
Operational Reserves (Should Have)	19.0 M	20.6 M	20.6 M	20.1 M	20.6 M
Unrestricted, Unreserved Fund Bal	\$(8.3)M	\$(7.6)M	\$(2.7)M	\$(6.0)M	\$(0.8)M

Another Key Metric: Our Reserve Picture

Elements of Fund Balance	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Total Fund Balance	\$23.3 M	\$27.0 M	\$30 M	\$30 M	\$35 M	\$44.9M
Restricted Reserves	1.0 M	1.6 M	2.3 M	2.7 M	2.1 M	2.7 M
Designated Reserves	11.6 M	12.5 M	10.6 M	13.2 M	13.6 M	19.9 M
Operational Reserves (Should Have)	19.0 M	20.6 M	20.6 M	20.1 M	20.6 M	21.6 M
Unrestricted, Unreserved Fund Bal	\$(8.3)M	\$(7.6)M	\$(2.7)M	\$(6.0)M	\$(0.8)M	\$0.8 M

GOALS – PART 4



Goals – Part 4

- Provide a view looking forward

Goals – Part 4

- Provide a view looking forward
 - What assumptions are we making on revenue
 - Enrollment:
 - 4-year historical to create trendline
 - By major enrollment category: UG/Grad, Res/NRes
 - Projected for each college, not lower
 - Why my forecast is wrong
 - Every forecast is wrong
 - FY2016-17 through FY2019-20 have been growth years in undergraduate enrollment
 - FY2016-17 through FY2019-20 have been decline years in graduate enrollment

Goals – Part 4

- Provide a view looking forward
 - What assumptions are we making on revenue
 - State Funding:
 - 1% decline due to poor census year (FY2021)
 - 2% decline in funding rate
 - Then constant for all out years
 - Tuition and Fees:
 - Statutory tuition: driven by enrollment trendline and flat on rates, UG/Grad and Res/NRes
 - Designated tuition: driven by enrollment trendline and annual rate increase:
2.5% UG/1.5% Grad
 - Fees: no growth
 - Misc. Other Revenue:
 - Mix: 3-year average and FY21 budget

Goals – Part 4

- Provide a view looking forward
 - What assumptions are we making on expenditures
 - Labor
 - Salary and wages: 2.5% increase annually – that is wages only, no adjustments for increased FTE
 - Benefits: constant proportion as historical with 1% rate increase annual
 - Maintenance and Operations
 - 2% annual increase across the board

Financial Pro Forma Model

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
	Education and General Actual	Education and General Actual	Education and General Actual	Education and General Budget	Education and General FORECAST	Education and General FORECAST	Education and General FORECAST	Education and General FORECAST
State Support								
Total State Support	41,974,253	41,375,001	43,209,612	42,880,722	42,352,629	42,387,801	42,517,006	42,419,145
Tuition and Fees								
Total Tuition and Fees	61,580,806	64,156,041	68,727,217	65,393,043	69,380,860	73,624,124	78,230,501	82,912,284
Misc Other Revenue								
Total Misc Oth Revenue	3,778,831	5,350,020	5,378,655	1,823,859	3,087,027	3,087,027	3,087,027	3,087,027
Fund Balance	-	-	-	3,035,776	1,148,181			
Total Revenue	107,333,890	110,881,061	117,315,483	113,133,400	115,968,696	119,098,952	123,834,533	128,418,456
Labor								
Total Salary and Wages	58,980,138	56,727,111	59,080,866	62,170,220	63,724,476	65,317,587	66,950,527	68,624,290
Fringe Benefits	18,074,867	15,959,162	17,407,653	17,165,718	17,770,810	18,397,231	19,045,733	19,717,095
Total Labor	77,055,006	72,686,273	76,488,519	79,335,938	81,495,285	83,714,818	85,996,260	88,341,385
Maintenance and Operations								
Total Maint and Operations	24,758,376	29,061,225	28,368,785	33,797,462	34,473,411	35,162,879	35,866,137	36,583,460
Total Expenditures	101,813,382	101,747,497	104,857,305	113,133,400	115,968,696	118,877,697	121,862,397	124,924,845
Net of Operations (Contribution Margin)	5,520,508	9,133,564	12,458,179	-	0	221,255	1,972,136	3,493,610

Thank you very much for
your time and attention.

Please put questions in the chat box
or email **Nilsen@uhcl.edu**.