

Committee on Academic Planning and Resource Allocation (CAPRA)
Minutes of Meeting
September 15, 2020

Pursuant to call, the Committee on Academic Planning and Resource Allocation met at 9:00 am on September 15, 2020, via Zoom. Chair Patricia LiWang presiding.

- I. Chair's Report
 - A. Chair LiWang welcomed new and returning members and asked them to review the guide to Senate committee membership and executive session that is posted on the Senate website.
 - B. Members were reminded that throughout the year, the committee would be reviewing campus and systemwide review items. One lead reviewer from the committee will be assigned per item.
 - C. Update from September 4 Divisional Council meeting
 - i. EVC/Provost Camfield stated that furloughs are likely to be implemented. The campus is trying to remain hopeful that additional relief funds will come to the state from the federal government.
 - ii. Chancellor Muñoz discussed reaching R1 status, specifically the importance of research and the importance of serving our student population.
 - iii. EVC/Provost Camfield asked Divisional Council members for input (solicited prior to the meeting) on how to conduct spring semester instruction assuming there is no coronavirus vaccine available. Other colleges and universities across the country who reopened for in-person instruction are facing virus outbreaks and have had to close.
 - iv. Divisional Council members discussed their respective committees' goals for AY 20-21. FWAf drafted COVID-19 mitigation guidelines that would assist faculty experiencing family care challenges. Divisional Council is reviewing the guidelines.

CAPRA consultant APAPB Schnier stated that the campus is in phase II of academic planning which will conclude at the end of September. CAPRA will review and comment on the Schools' and Divisions' draft plans. In the spring, CAPRA will review the final plans and make recommendations to the EVC/Provost. APAPB Schnier also announced that his office has launched their website: apb.ucmerced.edu. That website will contain updated academic planning information.

- II. Consent Calendar
 - A. Today's agenda

Action: the Consent Calendar was approved as presented.

- III. Periodic Review Oversight Committee (PROC)

The Senate Vice Chair, who is a member of CAPRA, also serves as the co-chair of PROC. CAPRA is invited to send a second representative to PROC.

After a brief discussion, CAPRA agreed not to send a second representative to PROC. The Senate Vice Chair will keep CAPRA informed of PROC business throughout the year.

Action: The committee analyst will inform PROC staff that CAPRA will not identify a second representative to serve on PROC.

IV. Consultation with APAPB Schnier and AVC for Financial Planning & Analysis Khanona

APAPB Schnier and AVC Khanona presented to CAPRA their financial simulation model for the campus to aid with budget strategies. This model includes the campus's revenue sources, cost structure and debt service.

APAPB Schnier provided an overview of campus revenues and expenditures, an overview of the approach being developed to model the financial impacts of COVID-19, and illustrated the pre-and-post pandemic financials and the debt structure. APAPB Schnier pointed out that the campus has a number of positive actions (e.g. revenue generation) that it can take to mitigate the impacts of the pandemic. Taking such actions can reduce the need for cost cutting measures, i.e. payroll reductions and non-salary reductions.

APAPB Schnier briefly summarized the campus's general revenue sources: state appropriations (~39%), tuition and fees (~34%), auxiliaries (~17%), contracts and grants (~7.5%), indirect costs (~1.5%), and other sources (~1%).

He then shared the campus's general expenditures: EVC/Provost (37.9%), External Relations (2%), VC CFO (14.3%), VC COO (10.2%), VCR (1.5%), VC Student Affairs (19.1%), debt service (12.4%), Chancellor's organization (1.6%), and campus wide programs (1.1%).

The general academic expenditures are: Information Technology (10.5%), Undergraduate Division (6.9%), Graduate Division (6.1%), EVC/Provost and VPF (7.1%), SoE (18.7%), SNS (23.3%), SSHA (27%), and Extension (.05%). APAPB Schnier pointed out that faculty salaries and TA support are embedded in the Schools' expenditures. The total academic expenditures are approximately \$130 million. The total for the campus, when contracts and grants are added, is between \$360-380 million. AVC Khanona confirmed that the total expenditures between the Schools, contracts and grants, and the EVC/Provost's organization is \$151.7 million. A CAPRA member asked for a mapping between revenues and expenditures. APAPB Schnier and AVC Khanona replied that they will develop this schematic and provide it to CAPRA.

APAPB Schnier the presented to CAPRA his and AVC Khanona's financial simulation modeling approach:

- Campus Long-Range Revenue and Cost Model
 - 10-year simulation of campus' finances
- Revenue Projections

- 8 different “modules” – 1st year enrollment, undergraduate tuition, summer session, auxiliaries, state appropriations, contracts and grants (indirect cost return revenue), graduate student enrollment, and “other” revenue.
- Cost Projections
 - 2 main components – 19 different cost categories
 - Salary – payroll data – YTD (~66% of costs, ~75% net out FA)
 - Non-Salary – general ledger (operational expenses, debt, etc.)

APAPB Schnier stated that the financial simulation model will be continually updated as new information becomes available for the campus.

APAPB Schnier informed CAPRA members that the campus had a structural deficit before the COVID-19 pandemic and the pandemic has exacerbated it. Given the growth capacity for the campus, there are ways to use revenue generation to mitigate the impacts including enrollment increases, student success (i.e. retention), new programs (primarily at the undergraduate level), and cohort tuition. Mitigation will require cost-conscious behavior.

Fiscal year 2021 budget projection:

- State appropriations reduction of 3.6% relative to fiscal year 2020
- Enrollment flat and retention rates unchanged
 - Includes revised enrollment numbers
- Includes increase in total payroll of 8.6% (~17.8 million)
- Auxiliaries are at 15% capacity (~500 students on campus)
 - Assumes flexing of auxiliary costs:
 - Payroll reduction of 17%
 - Non-payroll reduction of 31%
- Includes debt for Alpha Financials
- Annual interest and principle payments for the \$64 million loan received from OP at the end of fiscal year 2019 start fiscal year 2021 (~9.81 million).

APAPB Schnier and AVC Khanona stated that UC Merced’s biggest financial loss as a result of the pandemic was in auxiliary services, however, the campus did not sustain the significant budget losses experienced by the other UC campuses, particularly those with medical centers. UC Merced has to be very thoughtful about how to use the money we are borrowing. APAPB Schnier reiterated that enrollment is the main factor that can change the campus’s budget outlook. A CAPRA member asked about the possibility of retiring some of the campus debt. APAPB Schnier responded that the campus would have to renegotiate the terms.

There being no further business, the meeting was adjourned at 10:30 am.

Attest: Patti LiWang, CAPRA chair