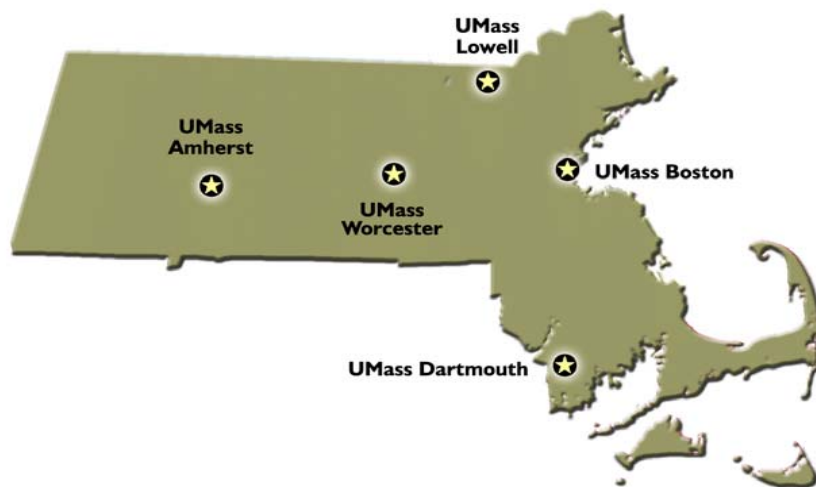




UMASS Performance Measurement System & Financial Indicator Report Summary



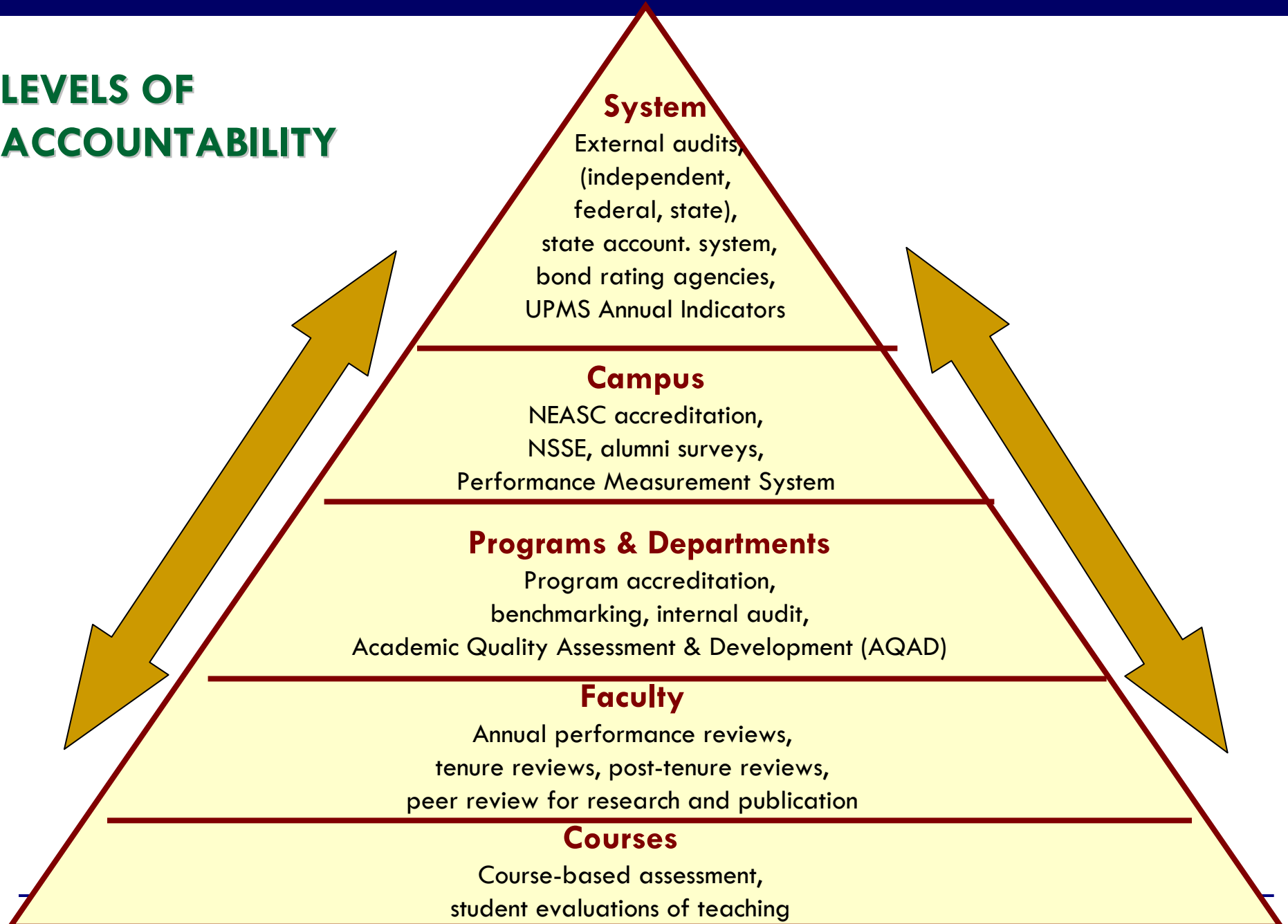
Presentation for
SHEEO Higher Education
Policy Conference
August, 2008

Performance Measurement at UMASS

- 1995 UMASS Trustees approved guidelines for assessing financial viability and selected 5 financial ratios to use on a regular basis:
 - Operating Margin, Financial Cushion, Current Ratio, Debt Service to Operations & Endowment per student.
 - 1996 First report on Financial indicators. Includes peer analysis and projections.
- 1996 Legislature passes a performance measurement requirement for public higher education.
- 1997 UMASS Trustees approve full University Performance Measurement System (UPMS) framework and revised list of campus peer institutions.
- 1998 first Annual UPMS Indicator Report.
- 1998 to present - UPMS and Financial Indicator Reports regularly reviewed and updated reflecting: GASB rule changes, changes to peer groups, better information and measurement tools.
- UPMS & Financial Indicator Reporting meet high level system & campus needs for accountability.



LEVELS OF ACCOUNTABILITY





University of Massachusetts

Amherst Boston Dartmouth Lowell Worcester UMassOnline

Accountability reporting -- 2005

Report	Frequency	State Comptroller	Legislature	Governor (incl. ANF & DCAM)	BHE	Trustees	Federal/ Other
1 State Budget Request	annual		House and Senate W&M Chairs, Education Cmt. Chairs, Higher Ed. Cmt. Chairs, Speaker and Senate President. Select Staff	Sec. ANF and Higher Ed Budget Analyst	Chancellor, Chairman, CFO	X	
2 Budget data Report/State Spending Plan	annual			X	X		
3 Performance Measurement System Report	annual		House and Senate W&M Chairs, Education Cmt. Chairs, Higher Ed. Cmt. Chairs, Speaker and Senate President. Select Staff	Sec. ANF and Higher Ed Budget Analyst	Chancellor, Chairman	X	
4 Operating Budget	annual		Staff -- House and Senate W&M , Education Cmt. , Higher Ed. Cmt.	X	X	X	
5 General Purpose Financial Statements/External Audit	annual	X	Staff -- House and Senate W&M , Education Cmt. , Higher Ed. Cmt.			X	
6 Preliminary Admissions and Enrollment Data	annual				X	X	
7 Capital Plan	annual		Joint Capital Planning & Debt Committee Chairs and Staff; Higher Ed Cmt. Chairs & Staff	Higher Ed Budget Analyst (FAD) and DCAM		X	
8 Financial Indicators Peer System Ratio Analysis	annual					X	
9 Financial Aid Report	annual					X	
10 MMARS - Revenue & Expenditure report for all non-appropriated funds	monthly	X					
11 MMARS -- Biweekly payroll for all state and non-state funded employees	biweekly	X					
12 Office of State Financial Assistance Audit	annual				X	X	
13 A-133 Report on Federal Financial Assistance	annual	X				X	X
14 IPEDS Institutional Characteristic	annual					UMASS Facts	X
15 IPEDS Completions	annual					Student profile	X
16 IPEDS Salaries and Staff	annual					Operating budget	X
17 IPEDS Enrollment	annual					Student profile	X
18 IPEDS Finance	annual					Financial Statements	X
19 IPEDS Student Financial Aid	annual					Financial Aid Rpt.	X
20 IPEDS Graduation Rates	annual					UPMS Rpt.	X
21 Dept. of Education eZ-Audit	annual & as required					individual audits	X



University of Massachusetts

Amherst Boston Dartmouth Lowell Worcester UMassOnline

Accountability reporting -- 2005

Report	Frequency	State Comptroller	Legislature	Governor (incl. ANF & DCAM)	BHE	Trustees	Federal/ Other	
21 Dept. of Education eZ-Audit	annual & as required					individual audits	X	
22 Annual HEFA Assurance Disclosure	annual		House & Senate W&M Chairs	Sec. of ANF				
23 Academic Quality Assurance and Development (AQAD)	annual					X		
24 Periodic Multi-year Review	annual					X		
25 Student Profile	annual					X		
26 Degrees Conferred Data File	annual				X	Student profile		
27 Fall Course File	annual				X	Student profile		
28 Fall Student File	annual				X	Student profile		
29 Fall Enrollment File	annual				X	Student profile		
30 Student Financial Aid File	annual				X	Financial Aid Rpt.		
31 UMASS Facts	annual					X		
32 NSF Research & Development Expenditures at Universities & Colleges	annual					UPMS Rpt.	X	
33 Annual HEFA Assurance Disclosure	annual		House & Senate W&M Chairs	Sec. of ANF				
34 Continuing Disclosure Documentation (Appendix A)	annual						Financial, Bond Rating & Banking Community	
35 EEO Affirmative Action Reporting	annual					X	X	
36 Chapter 647 Massachusetts Internal Control Law Reporting	monthly & as required	State Auditor				X		
37 State Auditor Activity	On-going	Since 2001, the State Auditor's Office has had 18 separate subject projects at the					X	
38 Internal Audits	On-going	Since 2000, the University's Internal Audit Department has issued 16 reports to the					X	
39 Federal Audits	On-going	Since 2000, federal agencies have issued 18 audit reports and determination letters.					X	X

UPMS has three major components:

1. The Report on Annual Indicators,
<http://media.umassp.edu/massedu/ir/PMS%202008%20FINAL%20DRAFT%20052808.pdf>
2. Periodic reports and studies (e.g. alumni surveys, K-12 outreach inventories)
3. AQUAD -- a system for ongoing academic program quality assessment and development

These three components as well as many other accountability reports, in combination and over time, address the performance objectives and strategic priorities of the Trustees and Commonwealth.

However, no one component can adequately address every objective because different methods of evaluation and measurement are appropriate to different objectives.



The [UPMS Report on Annual Indicators](#) includes measures that relate to five primary areas:

- ❑ *Academic Quality;*
- ❑ *Student Success and Satisfaction;*
- ❑ *Access and Affordability;*
- ❑ *Service to the Commonwealth; and*
- ❑ *Financial Health*

Contained within these 5 areas are the 9 strategic priorities of the University. The strategic priorities are:

- ❑ *Improve student learning experience;*
- ❑ *Strengthen research and development;*
- ❑ *Renew faculty;*
- ❑ *Continue a focus on diversity and positive climate;*
- ❑ *Maintain and improve access and affordability;*
- ❑ *Develop leadership role in public service;*
- ❑ *Increase endowment*
- ❑ *Improve administrative and IT services; and*
- ❑ *Develop first-rate infrastructure*

Dashboard Report and Balanced Scoreboard recently developed



<i>Legislative Priorities</i>		2008 Annual Indicators
<i>UMass Strategic Priorities</i>		
ACADEMIC QUALITY	<i>Improve student learning experience</i>	HS GPA of Freshmen
		SAT Scores of Freshmen
		Average GPA of Transfer Students
		MCAT Scores of Entering Students
		Licensure and Certification Pass Rates
		Satisfaction with Major/Education
		Number of Students Enrolled in For-Credit Internships
		Doctorates Awarded
		Postdoctoral Appointees
		Research Expenditures (Total and per Faculty)
	<i>Strengthen research and development</i>	Federal Research Support
		Rank in Total R&D (NSF)
		Sponsored Instruction/Outreach per Faculty
		Rank in NIH Funding Among Medical Schools
		US News Ranking in Primary Care Medicine
		Patent Applications
		License Income
	<i>Renew faculty</i>	New Tenured/Tenure-Track Faculty Hired
		Change in Tenured/Tenure-Track Faculty
		Change in Faculty FTE
		Faculty Awards
		National Academy Members



		2008 Annual Indicators	
<i>Legislative Priorities</i>		<i>UMass Strategic Priorities</i>	
ACCESS AND AFFORDABILITY	<i>Access and Affordability</i>	Tuition & Fees as Percent of Statewide Family Income	
		Percent Pell Grant Recipients	
		Percent of Need Met for Students Awarded Need-Based Aid	
		Tuition & Fees with Learning Contract	
		Percent Undergraduates from Massachusetts	
		Online Course Enrollments	
		Enrollments in Continuing/Corporate Education	
STUDENT SUCCESS AND SATISFACTION	<i>Diversity and positive climate</i>	Percent Undergraduates who are Students of Color	
		Percent Undergraduates who are First Generation in College	
		Percent Undergraduates who have English as Second Language	
		Freshman One-Year Retention Rate	
		Freshman Six-Year Graduation Rate	
		Transfer One-Year Retention Rate	
		Transfer Graduation Rate	
Match Rate/Choice of Residency			



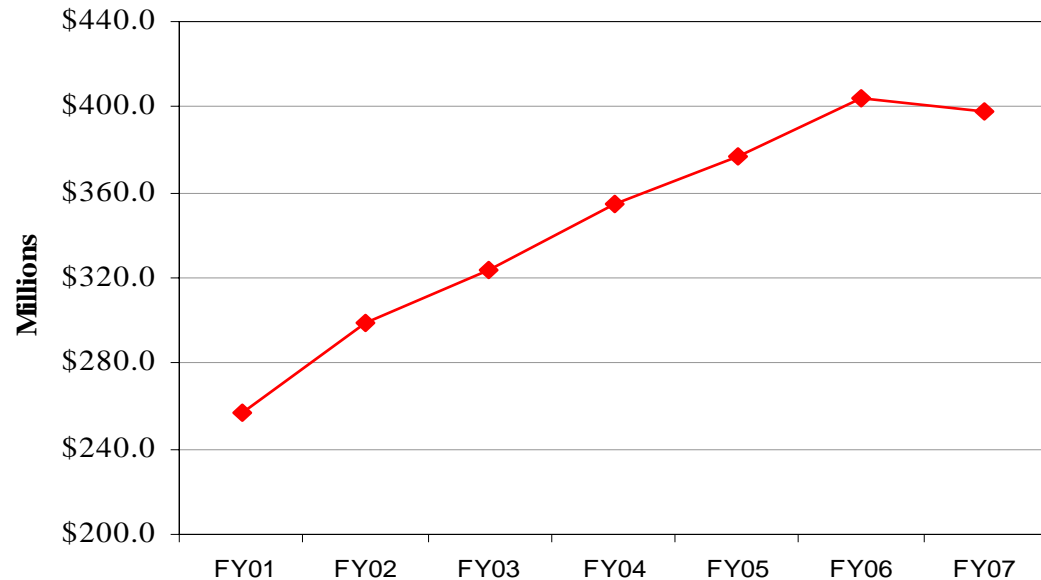
		2008 Annual Indicators
<i>Legislative Priorities</i>		
<i>UMass Strategic Priorities</i>		
SERVICE TO THE COMMONWEALTH	<i>Develop a leadership role in public service</i>	Percent Mass Residents Attending UMass
		In-State UG Enrollment by Region
		UMass Percent of all Massachusetts Degrees
		Percent Graduates who Remain in MA
		Enrollment in Science, Technology, Engineering, and Mathematics (STEM) Programs
		Degrees Awarded in STEM Fields
		MTEL Science & Math Test-Takers
		Regional Impact
		Service to State Agencies (\$)
FINANCIAL HEALTH	<i>Endowment</i>	Endowment and Endowment per Student
		Annual Growth in Endowment
		Private Funds Raised Annually
	<i>Administrative and IT services</i>	Return on Net Assets
		Financial Cushion
		Campus Safety
	<i>Infrastructure</i>	Debt Service to Operations
		Total Deferred Maintenance Cost



ACADEMIC QUALITY

Research Expenditures

Research and development expenditures is an indicator of an institution's research capacity. At UMass, R&D expenditures continue to grow. For FY 2007, the amount was \$397.5 million. Most of the University's R&D expenditures are in the science and engineering fields. Between FY 2001 and FY 2007, R&D expenditures grew by 57%.

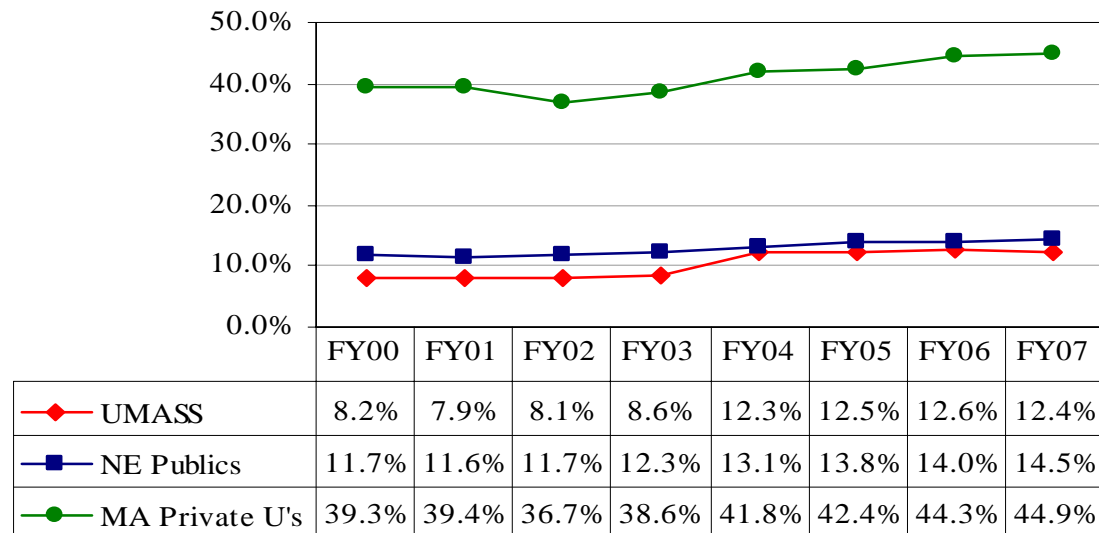




ACCESS AND AFFORDABILITY

Tuition and Fees as a Percentage of Family Income

UMass average tuition and fees remain affordable relative to median family income. UMass tuition and fees average 12.4% of statewide median family income, compared with an average of 44.9% for the state's private universities and 14.5% for other New England public universities.

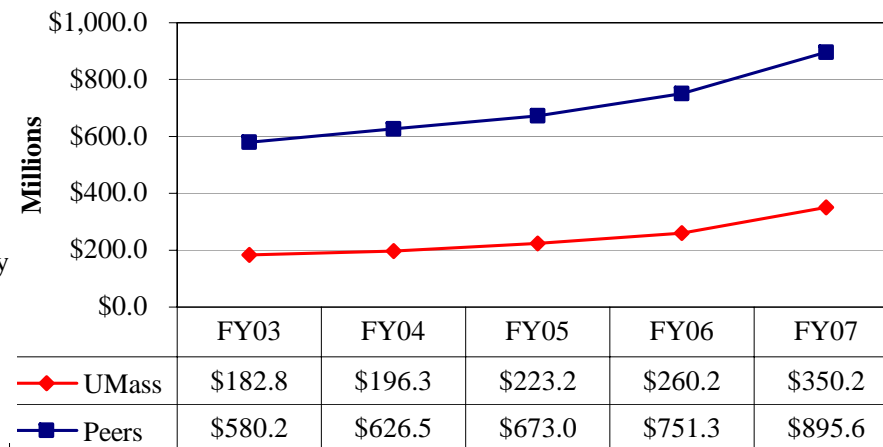




FINANCIAL HEALTH

Endowment Assets

Despite a relatively small overall endowment, the growth in the market value of the University's endowment has outpaced the average of the peer systems in most years. The rate of endowment growth for UMass more than doubled over the past two fiscal years, from nearly 17% (FY06) to over 34% (FY07).



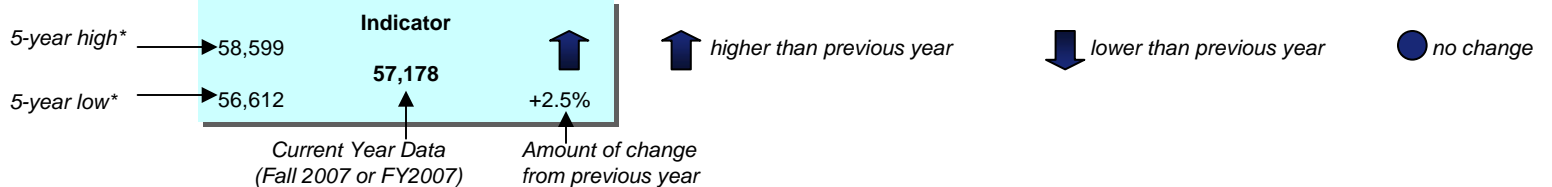
* Peers do not include University of California

Annual growth rate	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
UMass	0.3%	13.3%	7.4%	13.7%	16.6%	34.6%
Peers	-3.1%	10.7%	8.0%	7.4%	11.6%	19.2%



University of Massachusetts 2007-08 Dashboard

Admissions	Student/Enrollment	Research	Finance
Freshman Applications 43,688 43,688 29,543 +16.1%	Total Fall FTE 51,069 51,069 46,982 +3.9%	R&D Expenditures \$397.5M \$397.5M \$296.8M +7.8%	Total Revenues \$2.35B \$2.35B \$1.55B +10.2%
New Freshmen 8,226 8,226 7,099 +3.0%	Undergraduate Students of Color 22.9% 22.9% 20.6% +0.9% pts	R&D Growth Rate 10.5% 7.8% 5.5% +2.3% pts	Endowment \$350.2M \$350.2M \$182.8M +34.6%
Acceptance Rate 75.9% 64.3% 64.3% -5.0% pts	Percent of Need Met 92.0% 91.0% 89.3% +1.0% pts	License Revenue \$41.4M \$41.4M \$20.3M +52.2%	Private Funds Raised \$90.9M \$90.9M \$63.0M +7.1%
Yield Rate 32.4% 29.3% 29.3% -1.3% pts	Freshmen Retention Rate 80.1% 79.8% F2006 Cohort +1.0% pts	Invention Disclosures 194 174 121	Return on Net Assets 15.9% 15.9% 4.5% +11.4% pts
Transfer Applications 8,341 8,341 7,841 +1.0%	6-Year Graduation Rate 57.6% 57.1% F2001 Cohort +0.7% pts	Licenses Completed 78 78 37	Debt Service Ratio 3.8% 3.7%
New Transfers 3,891 3,891 3,588 +3.7%	UMassOnline Enrollment 28,543 28,543 11,978 +25.8%	Grant & Contract Revenues \$459.9M \$459.9M \$377.0M +1.6%	Financial Cushion 20.2% 20.2% 18.3% +1.9% pts



* 4-year high/4-year low for the following indicators: Return on Net Assets; Debt Service Ratio; Financial Cushion.



University of Massachusetts

Summary

FY 2007 Financial Ratios System Analysis and FY 2008-2013 Financial Indicators Projections Report

Purpose of Financial Indicators

- **Encourage the setting of financial targets to manage against for success**
- **Provide an objective position of financial condition**
- **Reflect campus expectations and priorities, strategic plans and financial goals**
- **Financial indicators are a useful management and planning tool. They provide a benchmark for day-to-day and long term financial performance as well as information about the potential impact of actions under consideration. In addition, they may be used to set a target for future performance against which actual results can be measured.**
- **Financial indicators are also used by reviewing parties, such as bond rating and government agencies, to assess the financial health of institutions that seek to borrow funds. The University's indicators will therefore have a direct impact on the interest rates we pay for capital projects.**

Presentation of Financial Indicators

- Incorporated into **University Performance Measurement System (UPMS)**
- **Combine historic experience & projections for the future**
- **Identify performance against campus & system peers for benchmarking**
- **Illustrate impact of key revenue & expenditure items**
- **Financial indicators are ratios that are designed to provide an indication of the financial health and stability of an institution.**
- **Some ratios focus on short-term financial conditions, others on long-term issues.**
- **FY2006 & 2007 actual; FY2008 anticipated; 5-year projection**
- **Recent changes include definitional, Facilities Indicators & CFI**



Anticipated Revenue and Expenditure Items 2008 Report

Revenue Impacts:

- Increased student fee revenue associated with modest inflation-based increases and campus' plans for enrollment growth
- Increased state support for operations and capital investments
- Modest increases in auxiliary service revenues
- Investments in faculty, equipment, and capital will lead to greater grant and contract activity
- Growth through Continuing Education and UMass Online
- Declining Investment Income due to use of unrestricted campus funds for capital investments
- Conservative revenue assumptions due to expiring service contracts

Expenditure Drivers:

- Faculty Recruitment
- Growth in Need-based Financial Aid
- Information Technology Projects and Equipment Upgrades
- Jumpstarting Fundraising efforts
- Student Services
- Clean Energy Initiatives
- Public Safety Investments
- Energy and Utility Costs
- Non-state-funded Personnel
- Capital Investments
 - Depreciation Expense
 - Interest Expense
 - Operations and Maintenance of Plant

Observations:

- **Peer systems data from financial statements show we are doing ok but don't have enough of a margin.**
- **New analysis shows that our unrestricted revenues are below peers and we are more dependent on state and student revenues.**
- **Balancing cost drivers and strategic priorities continues to be the challenge.**
- **Stability and continuity are vital.**

Revenue & Expense Context

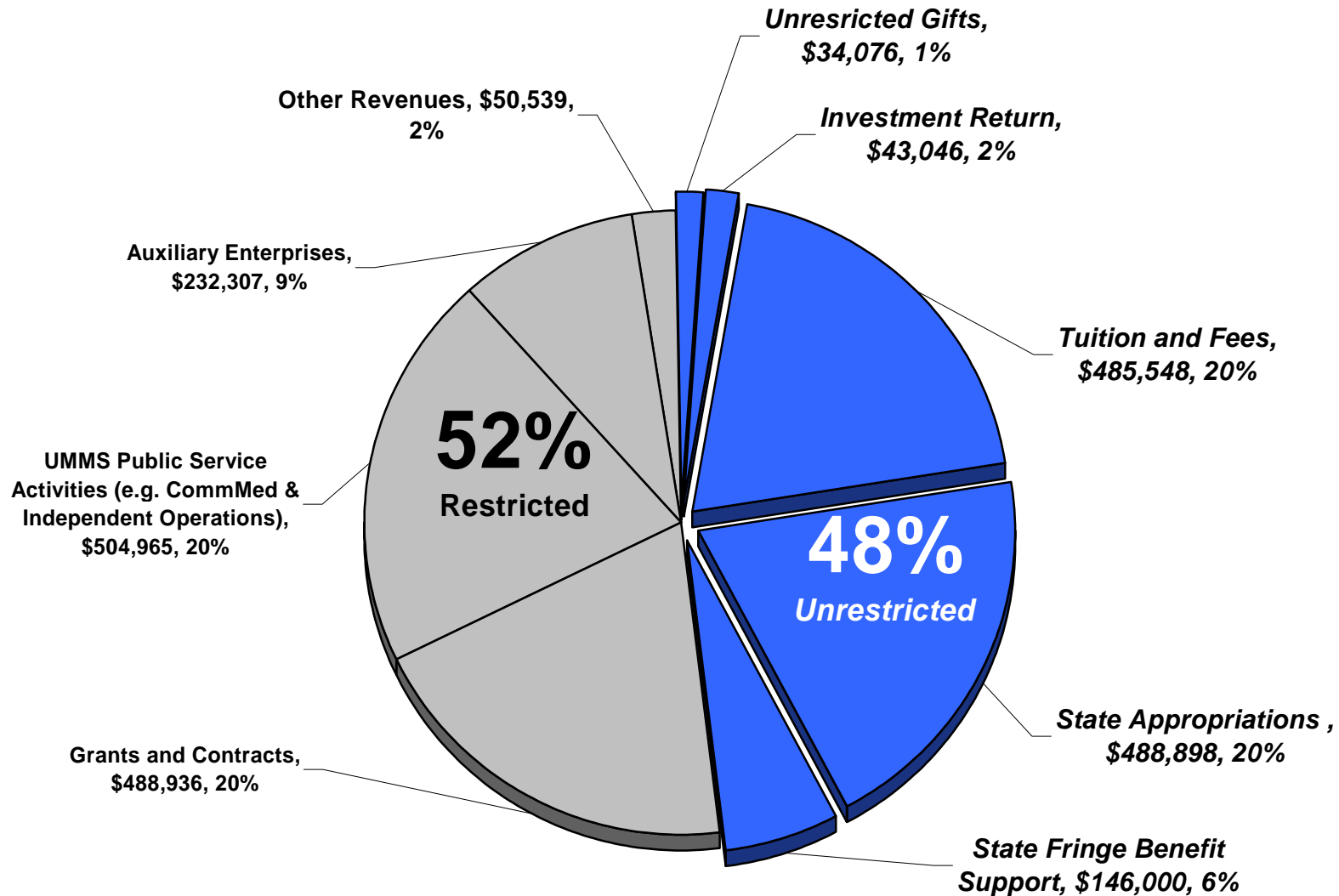
- **Financial Performance**
- **Revenue Sources/Available Resources**
- **Spending Priorities: Capital, Faculty, Financial Aid**
- **Cost Drivers: Debt, Salaries & Benefits, Utilities**
- **Student Charges & Financial Aid**



University of Massachusetts

Amherst Boston Dartmouth Lowell Worcester UMassOnline

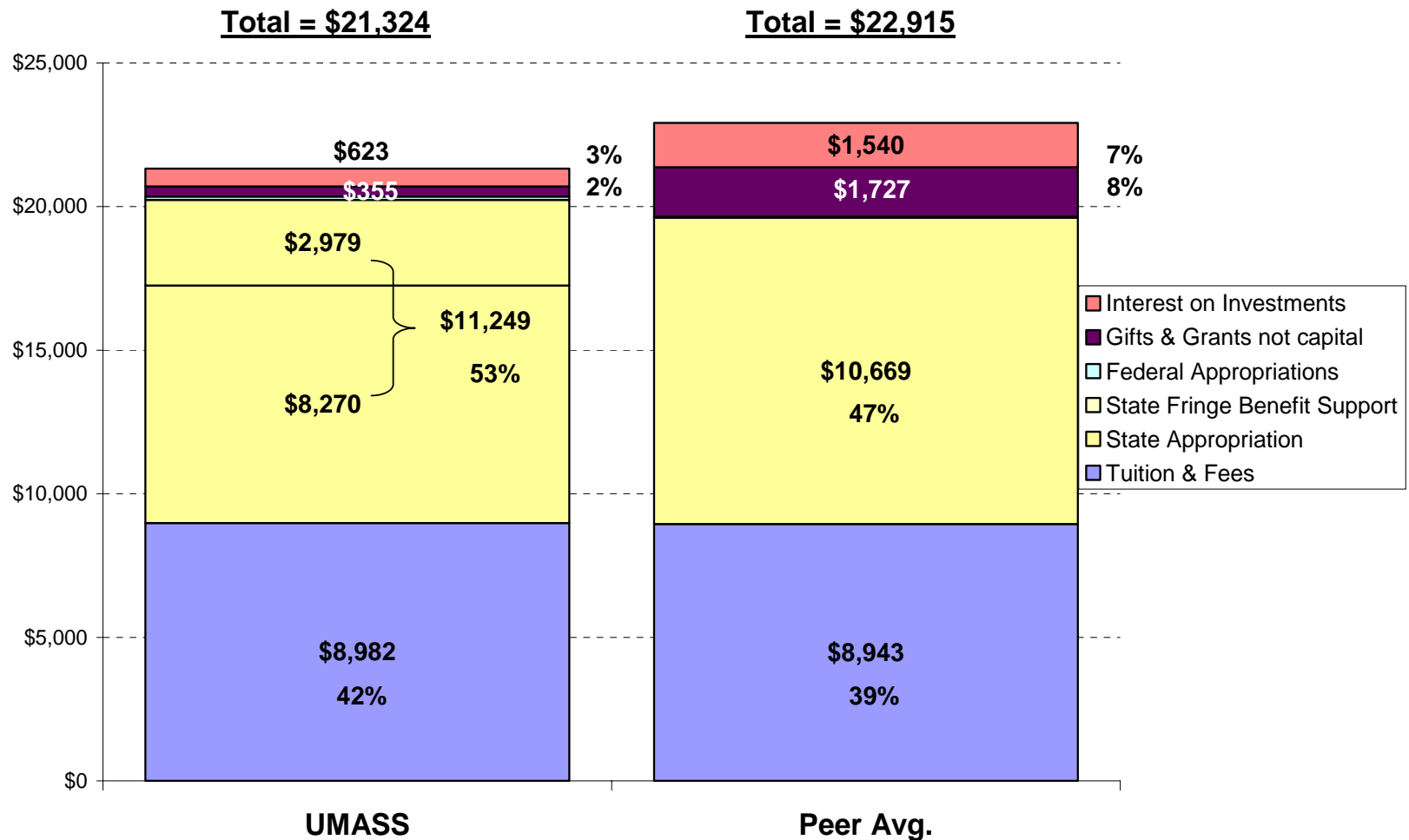
FY2009 Projected Revenues \$2.47B



Source: Operating Budget



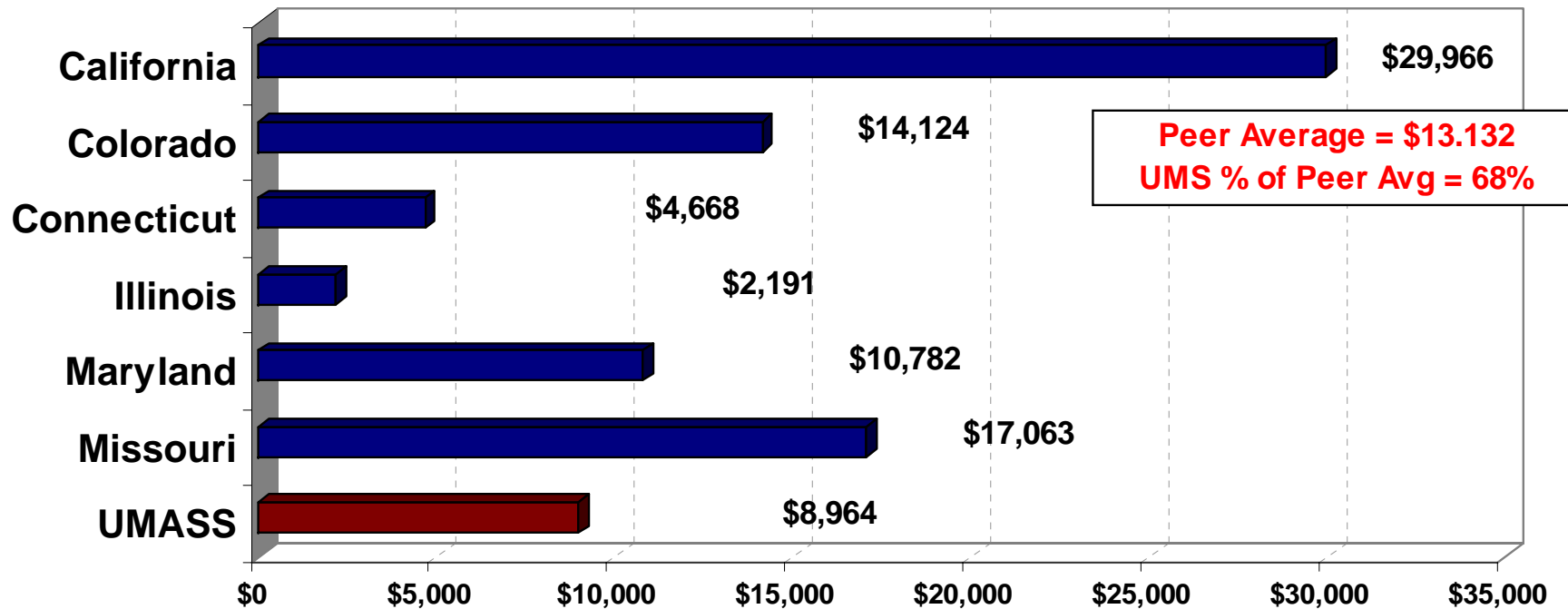
FY2007 Unrestricted Revenues per FTE student



Source: Financial Statements



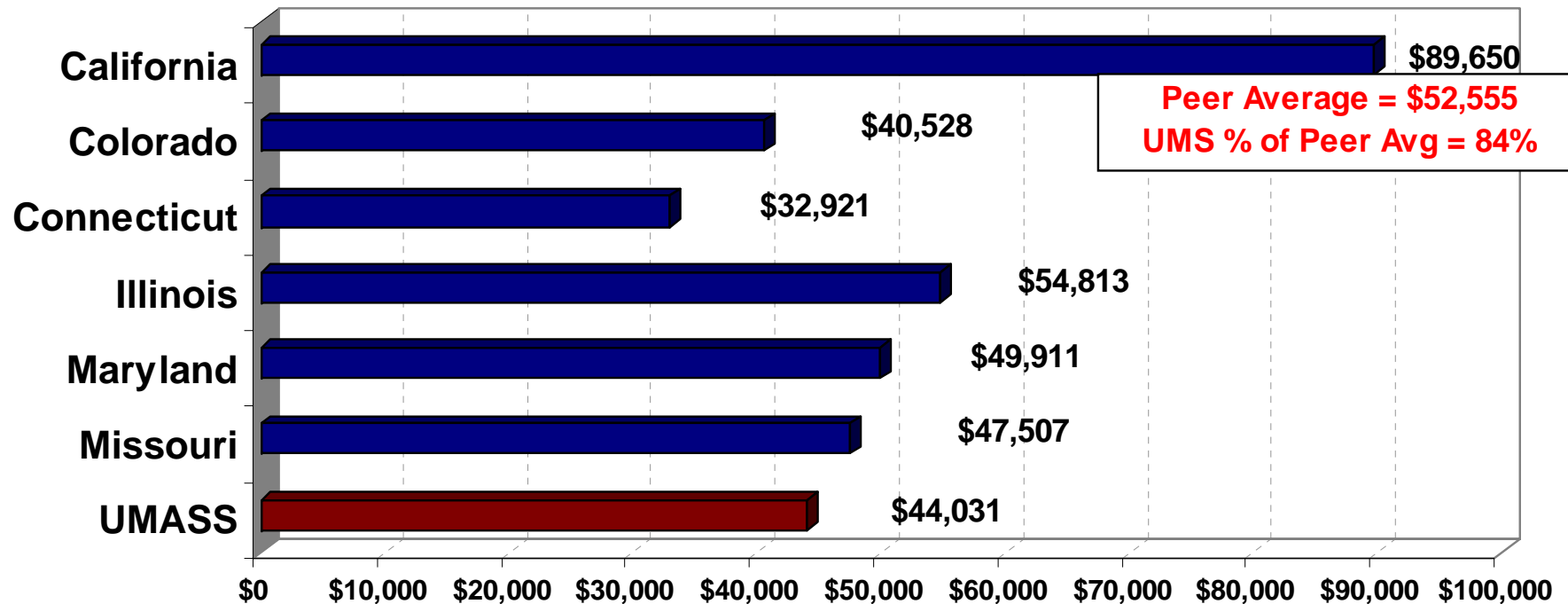
FY2007 Unrestricted Net Assets per FTE Student



FTE Data source: IPEDS 2006-2007 Academic Year



FY2007 Operating Expenditures per FTE Student



FTE Data source: IPEDS 2006-2007 Academic Year

Short-Term Financial Results

□ Return on Net Assets

(Increase/decrease in Net Assets divided by Total Net Assets at beginning of the Year)

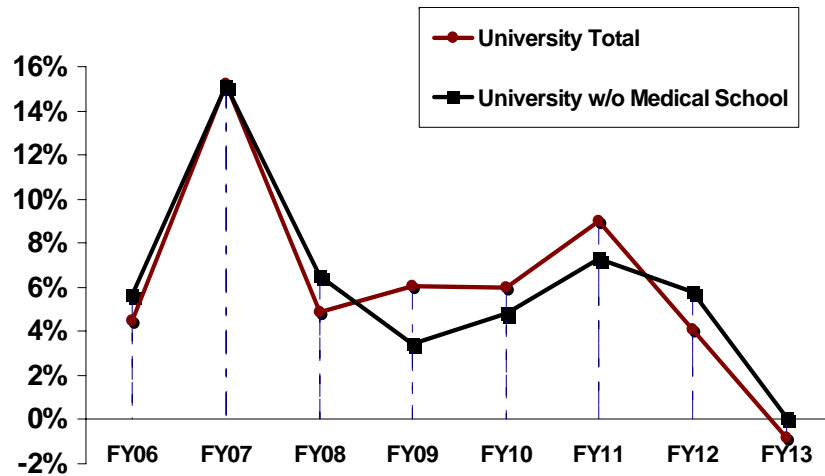
□ Operating Margin

Total operating revenues (including state and federal appropriations, gifts, and investment income) less total operating expenditures (including interest expense) divided by total operating revenues.

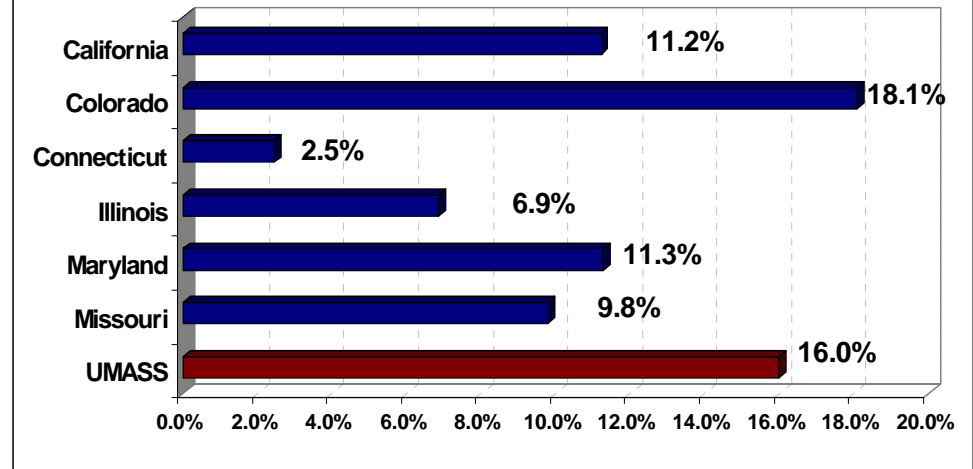


Return on Net Assets

University Projection, FY08-FY13*



FY2007



Return on Net Assets	Amherst	Boston	Dartmouth	Lowell	Worcester	UMASS Total
FY2007 Actual	17.2%	21.0%	3.4%	1.6%	15.3%	16.0%
Peer Average	7.8%	7.1%	6.5%	7.8%	N/A	9.9%
5-Campus Total						
FY2008 Anticipated	7.6%	1.3%	9.4%	6.0%	2.0%	4.9%
FY2013 Projection	-0.9%	-1.9%	9.1%	5.0%	-2.3%	-0.8%

*Projections do not include estimates for Central Administration or Related Organizations



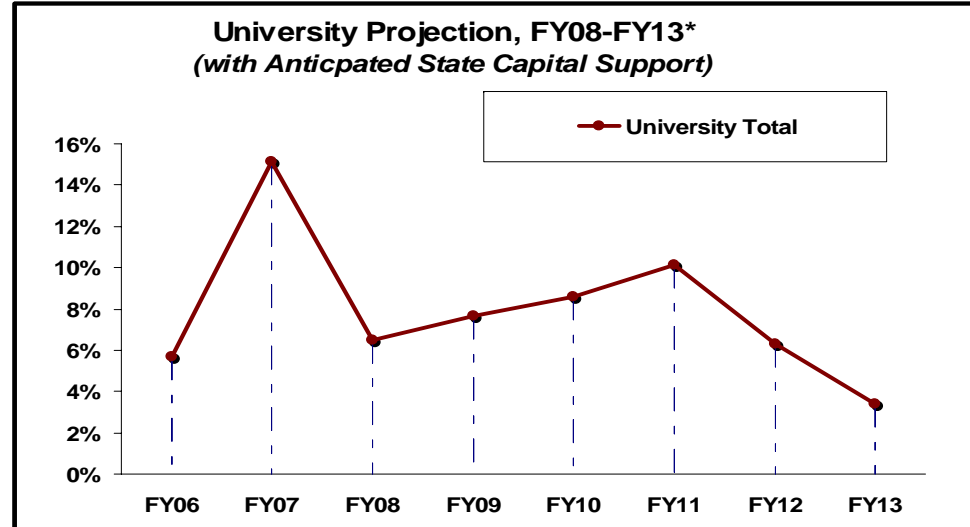
Return on Net Assets

University of Massachusetts

Amherst Boston Dartmouth Lowell Worcester UMassOnline

- Adjusted to reflect anticipated state support of capital initiatives-

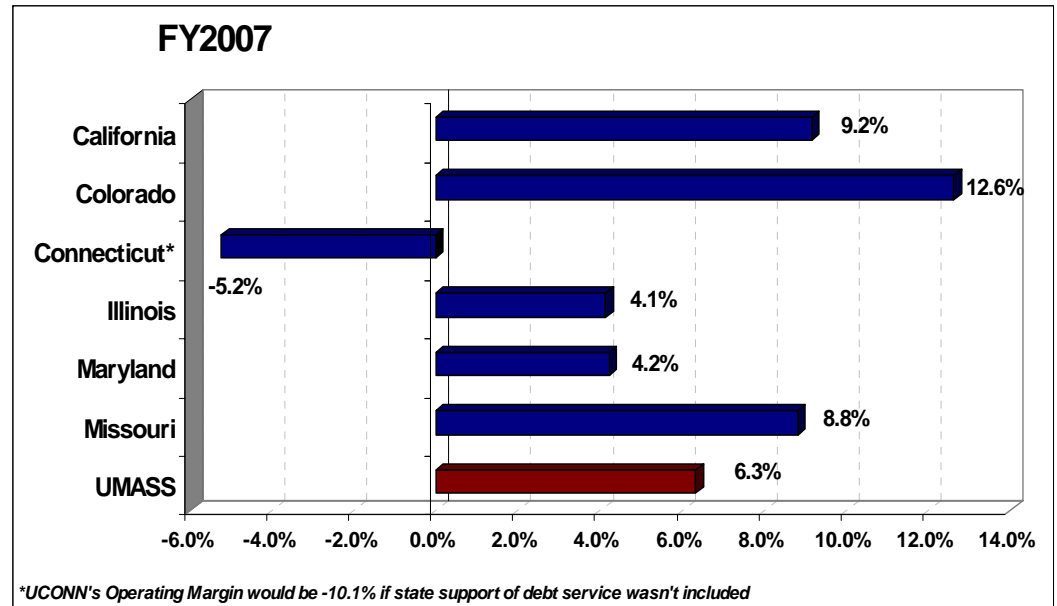
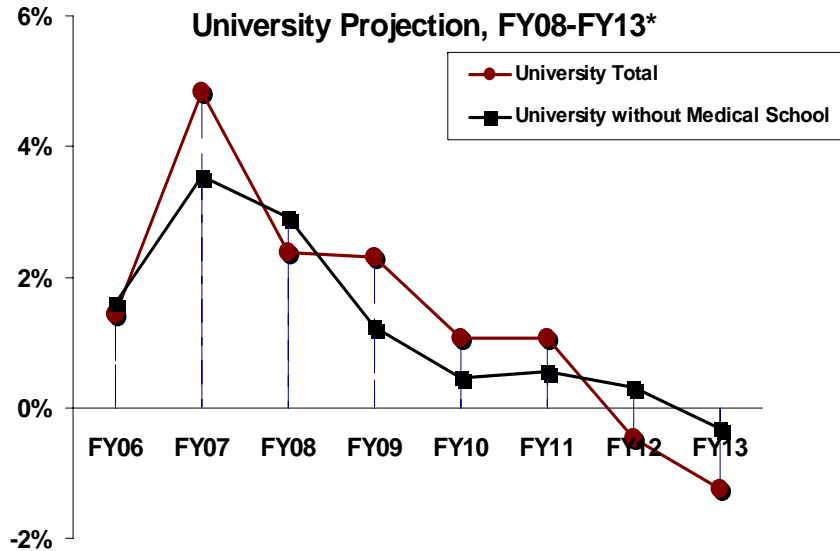
- It is expected that the FY09-13 Capital Plan being developed by the Executive Office for Administration & Finance will include \$575 million of capital funding for the University. \$125 million will be from the Life Sciences Bill and \$450 million will be from the Higher Education Bond Bill.
- The financial indicator reports submitted by the campuses include projections for only \$352 million of capital appropriations over the next five years. If we factor in the additional \$223 million expected during this time period, the University's Return on Net Assets will be significantly improved.



- However, the inclusion of the additional capital appropriations will not cover all of the declines expected in the Return on Net Assets Ratio.
- Capital Investments to be funded by the campuses negatively affect this ratio in several ways: Large annual increases in interest expense have to be handled. In addition, since some campuses will be utilizing a significant portion of their unrestricted assets to fund the capital work, less funding will be available for investing leading to lower investment returns.
- It should also be noted that as the new assets are brought on-line, there is an associated increase in operating and maintenance expenses. There will also be large increases in Depreciation Expense.



Operating Margin



Operating Margin	Amherst	Boston	Dartmouth	Lowell	Worcester	UMASS Total
FY2007 Actual	6.7%	0.8%	-1.6%	-0.8%	7.1%	6.3%
Peer Average	3.8%	-1.1%	1.5%	1.0%	N/A	5.6%
5-Campus Total						
FY2008 Anticipated	5.0%	0.1%	1.8%	-0.7%	1.3%	2.4%
FY2013 Projection	-0.8%	-2.3%	3.2%	1.0%	-3.1%	-1.3%

*Projections do not include estimates for Central Administration or Related Organizations

Long-Term Financial Results

- ❑ **Financial Cushion**

(Increase/decrease in Net Assets divided by Total Net Assets at beginning of the Year)

- ❑ **Debt Service to Operations Ratio**

Total operating revenues (including state and federal appropriations, gifts, and investment income) less total operating expenditures (including interest expense) divided by total operating revenues.

- ❑ **Private Funds Raised**

Includes restricted and unrestricted income from individuals, foundations, corporations, and other organizations. These amounts include private grant revenues, but not private contract revenues. Total for each year include cash (not in-kind) and asset additions made in that year.

- ❑ **Endowment per Student**

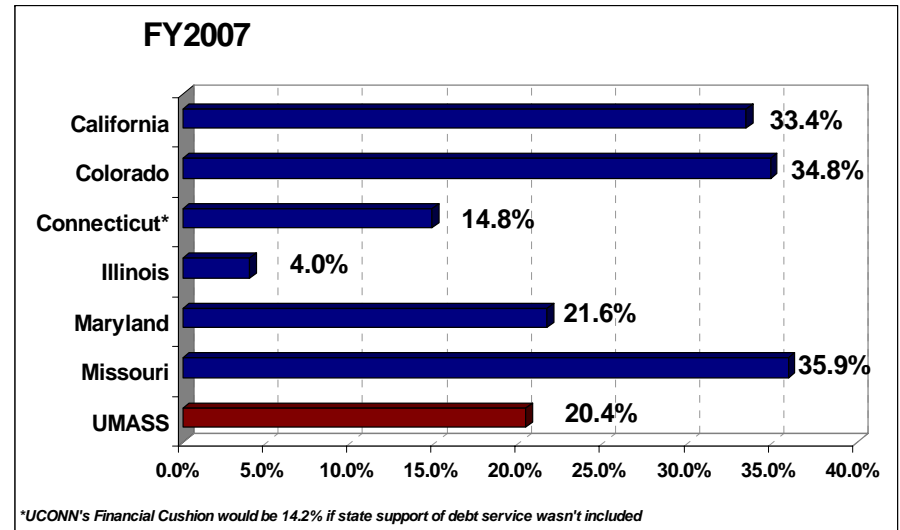
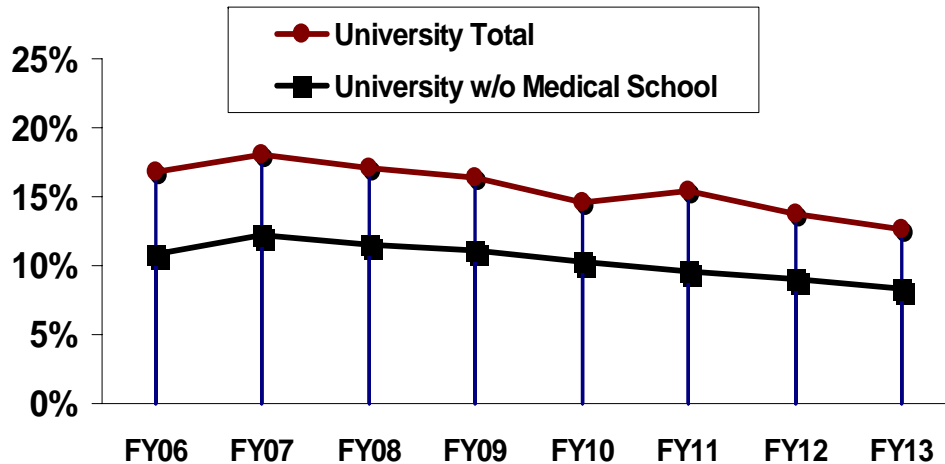
- ❑ **Composite Financial Index (CFI)**

This balanced scorecard methodology generates a single overall view of an institution's financial health. The CFI provides a measure of institutional strengths and weaknesses based on the strategic goals and financial objectives of the organization. The CFI approach for UMASS combines the results of four ratios; Primary Reserve, Return on Net Assets, Net Operating Revenues, and Debt Burden.



Financial Cushion

University Projection, FY08-FY13*



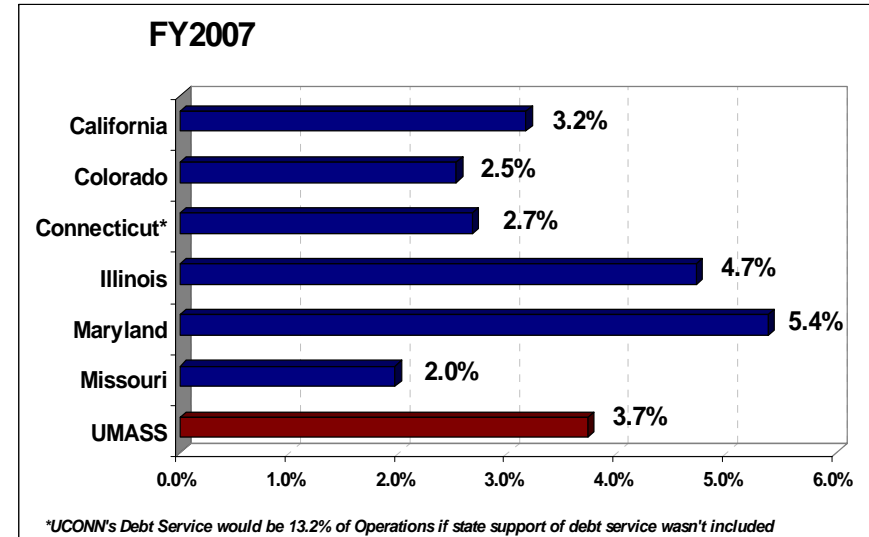
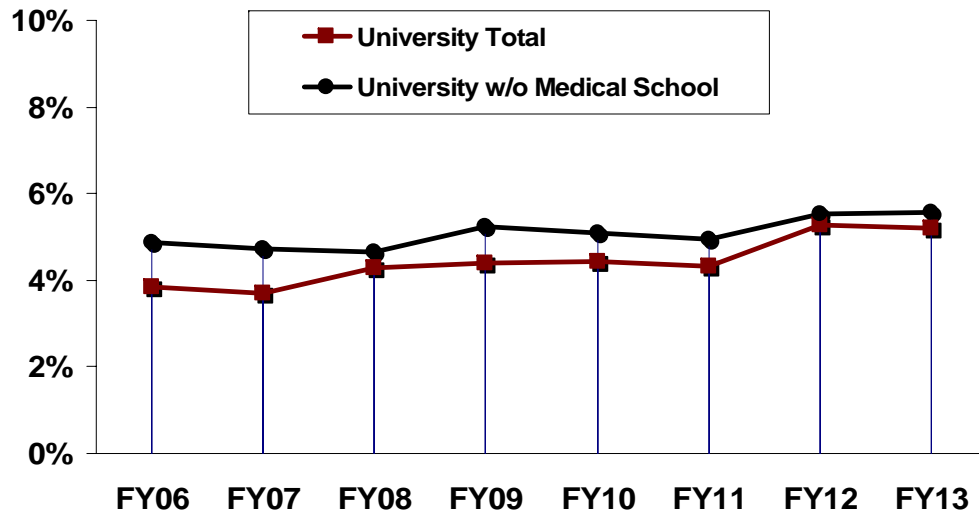
Financial Cushion	Amherst	Boston	Dartmouth	Lowell	Worcester	UMASS Total
FY2007 Actual	18.2%	10.0%	-0.4%	5.0%	28.7%	20.4%
Peer Average	25.6%	15.5%	11.9%	17.5%	N/A	24.1%
5-Campus Total						
FY2008 Anticipated	16.8%	10.0%	0.0%	4.3%	28.6%	17.1%
FY2013 Projection	11.0%	7.1%	1.2%	6.0%	21.0%	12.6%

*Projections do not include estimates for Central Administration or Related Organizations



Debt Service to Operations

University Projection, FY08- FY13*

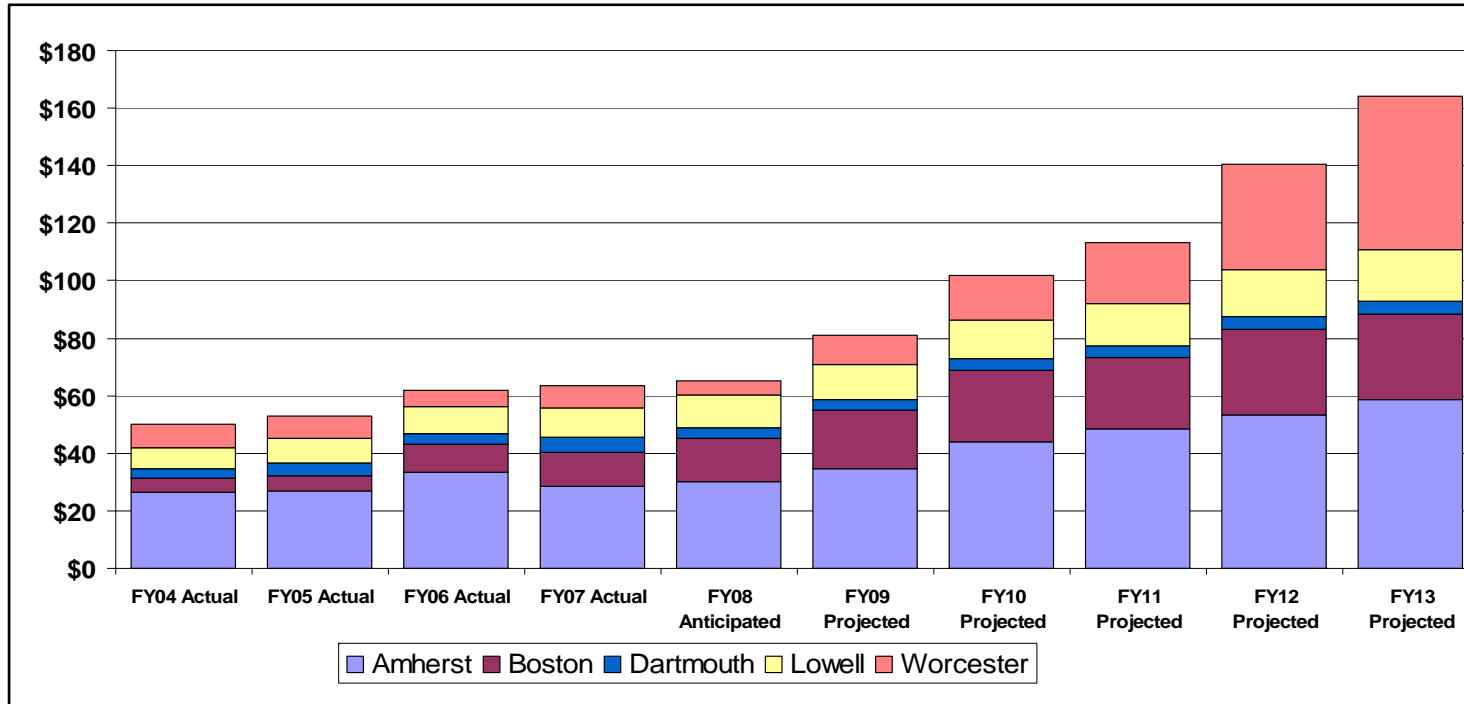


Debt Ratio	Amherst	Boston	Dartmouth	Lowell	Worcester	UMASS Total
FY2007 Actual	4.2%	5.2%	6.7%	4.2%	1.8%	3.7%
Peer Average	5.3%	4.0%	5.6%	3.2%	N/A	3.4%
5-Campus Total						
FY2008 Anticipated	4.2%	4.8%	7.0%	3.9%	3.6%	4.3%
FY2013 Projection	5.5%	6.4%	7.1%	3.4%	4.5%	5.2%

*Projections do not include estimates for Central Administration or Related Organizations



Private Funds Raised Annually



Private Funds Raised Annually (in thousands)

	Amherst	Boston	Dartmouth	Lowell	Worcester	5-Campus Total
FY2007 Actual	\$28,392	\$11,917	\$5,167	\$10,250	\$7,903	\$63,629,215
FY2008 Anticipated	\$30,300	\$15,000	\$3,474	\$11,360	\$5,000	\$65,134,000
FY2013 Projection	\$58,559	\$30,000	\$4,434	\$17,860	\$53,193	\$164,046,144

FY2008 to FY2013 Projected Average Annual Growth in Fundraising

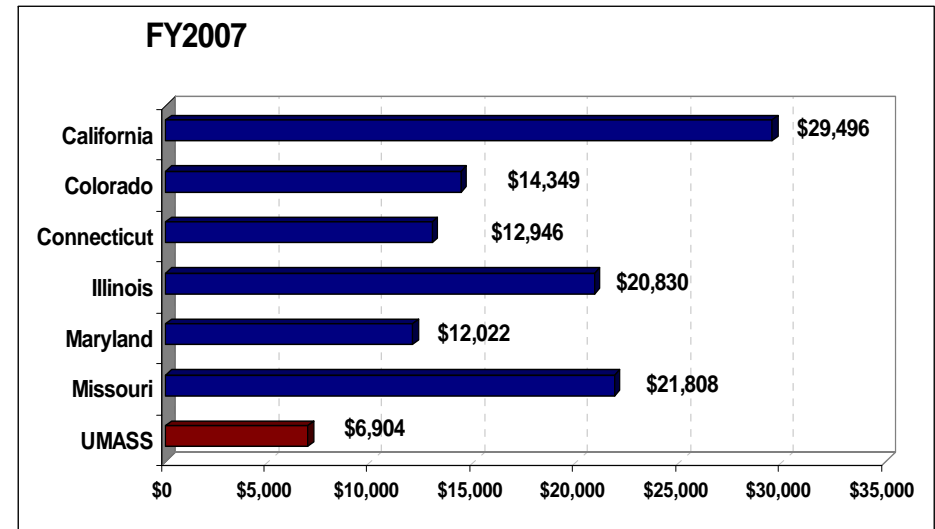
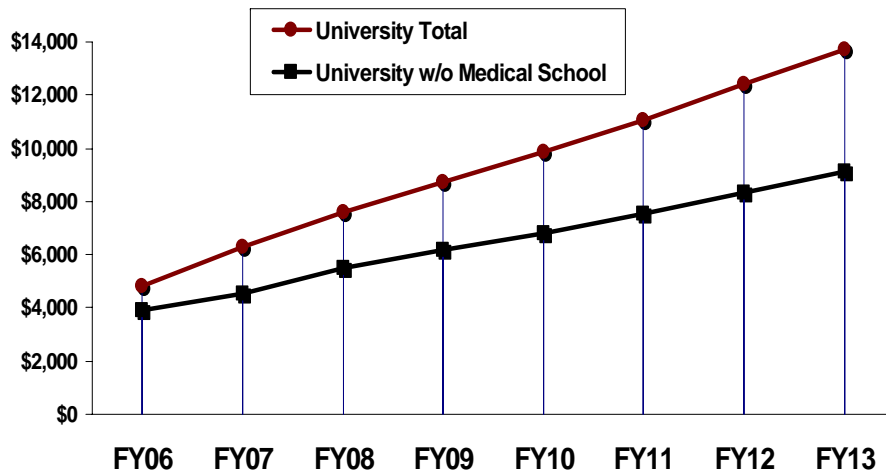
Amherst	Boston	Dartmouth	Lowell	Worcester	5-Campus Total
14%	16%	5%	9%	62%	20%

*Projections do not include estimates for Central Administration or Related Organizations



Endowment per Student

University Projection, FY08-FY13*



Endowment per Student	Amherst	Boston	Dartmouth	Lowell	Worcester	UMASS Total
FY2007 Actual	\$6,101	\$2,821	\$3,015	\$3,726	\$93,620	\$6,904
Peer Average	\$21,304	\$12,385	\$1,762	\$6,281	N/A	\$18,575
5-Campus Total						
FY2008 Anticipated	\$7,971	\$3,283	\$3,138	\$4,078	\$111,996	\$7,594
FY2013 Projection	\$15,418	\$5,102	\$3,584	\$5,475	\$261,384	\$13,736
FY2008 to 2013 Projected Average Annual Growth in Endowment						
	13%	12%	6%	9%	19%	14%

*Projections do not include estimates for Central Administration or Related Organizations



Facility Condition Indicators

❑ Deferred Maintenance

Includes deferred and other maintenance dollars needed to maintain the current function of the campus. This is the amount needed to address the deferred maintenance backlog plus the code work that would be mandated to allow the campus to continue to use the space once the repairs were complete.

❑ Equivalent Debt Burden

This ratio describes the borrowing resource that would be needed to correct the deferred maintenance needs. It measures the annual debt payment required to correct the DM problem as a percent of total operating expenses. Starting with your current debt burden, this indicator would illustrate the additional debt burden that would be incurred if your campus were to borrow funds to address the issue. The advantage of this indicator is that in addition to illustrating the magnitude of the issues it also connects the potential solutions with our existing financial indicators.

Equivalent Debt Burden Calculation

$$\frac{\text{Current Debt Service}^* + \text{Debt Service on Financed Backlog}^{**}}{\text{Total Institutional Operating Budget}^*}$$

**The financial information was provided by UMass and has not been qualified by Sightlines.*

***Annual debt service for financing of the Asset Reinvestment Backlog are calculated at 9%.*



Deferred Maintenance per GSF

University of Massachusetts 2008 Financial Indicators Report

Facility Condition Indicator - Deferred Maintenance

		>>>>>>>PROJECTED>>>>>>>					
	FY2007 Actual	FY2008 Anticipated	FY2009	FY2010	FY2011	FY2012	FY2013
Total Deferred Maintenance Cost	\$2,575,020,428	\$2,645,591,777	\$2,567,656,709	\$2,539,462,150	\$2,518,974,986	\$2,500,582,510	\$2,471,455,029
Campus Gross Square Feet	22,536,018	22,782,018	22,940,018	23,176,018	23,659,909	24,509,909	24,849,909
Deferred Maintenance per GSF	\$114	\$116	\$112	\$110	\$106	\$102	\$99



Equivalent Debt Burden

	Amherst	Boston	Dartmouth	Lowell	Worcester	Total
Current Debt Service	\$32.4	\$13.3	\$12.6	\$9.1	\$23.8	\$91.2
Asset Reinvestment Backlog	\$1,883.4	\$349.6	\$250.4	\$199.5	\$210.0	\$2,892.9
Annual Debt Payments with Financed Backlog	\$169.5	\$31.5	\$22.5	\$17.9	\$16.2	\$257.6
Total Institutional Operating Budget	\$761.9	\$255.7	\$188.2	\$218.0	\$843.4	\$2,267.2
Equivalent Debt Burden	26.5%	17.5%	18.7%	12.4%	4.7%	15.4%

Peers Hi/Low

3% to 15% 8% to 17% 8% to 17% 7% to 17% NA

Equivalent Debt Burden Calculation

$$\frac{\text{Current Debt Service}^* + \text{Debt Service on Financed Backlog}^{**}}{\text{Total Institutional Operating Budget}^*}$$

**The financial information was provided by UMass and has not been qualified by Sightlines.*

***Annual debt service for financing of the Asset Reinvestment Backlog are calculated at 9%.*



Introduction of the Composite Financial Index (CFI)

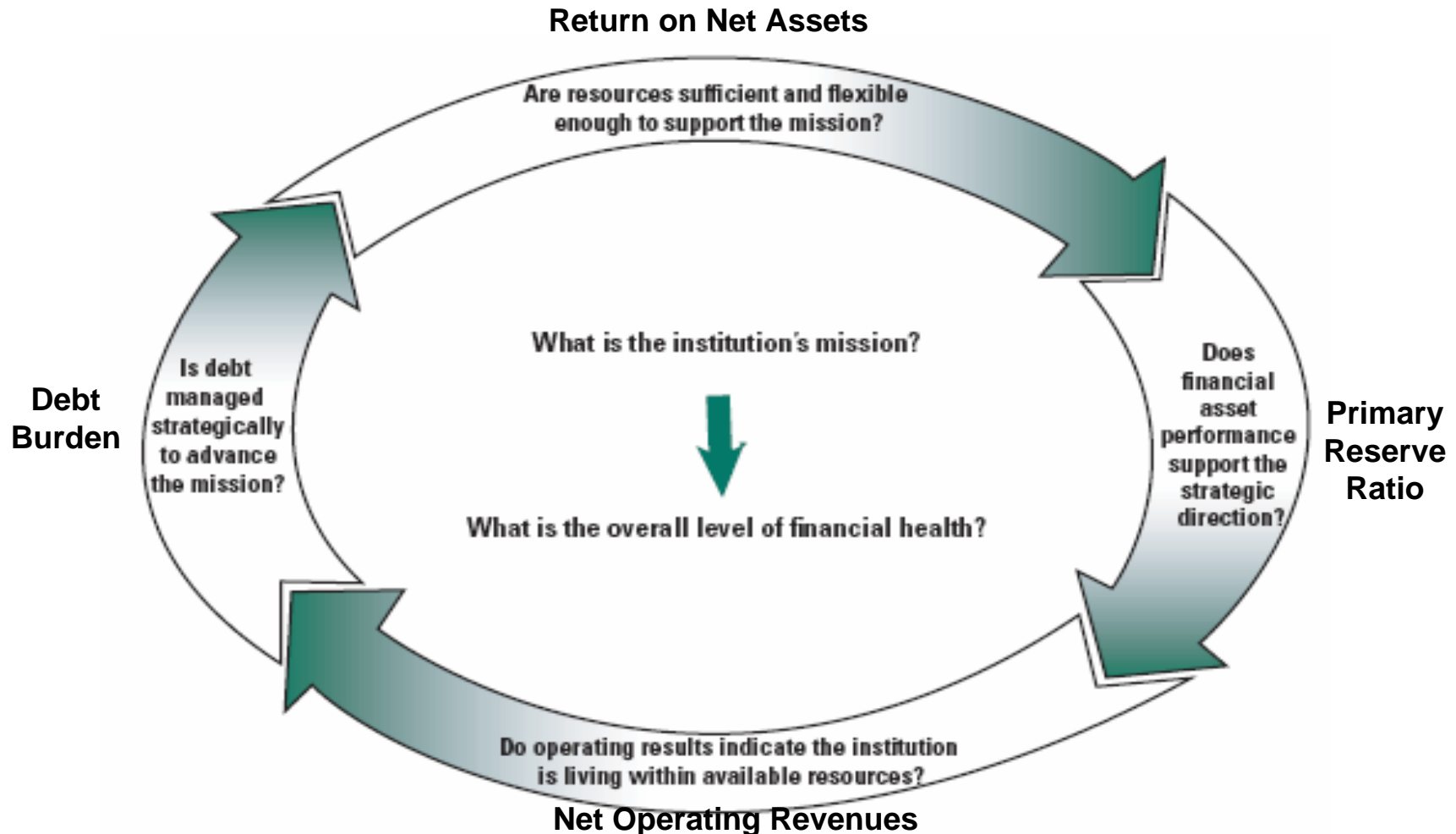
-Balanced Scorecard Approach-

- By focusing the assessment of the University's financial health on a core set of ratios, an improved understanding is possible. The goal is to establish key performance metrics that drive our mission and accurately assess performance.
- The Composite Financial Index (CFI) provides a methodology for generating a single overall measurement of an institution's financial health, which permits a weakness or strength in a specific ratio to be offset by another ratio result. The CFI for UMASS is generated by the results of four core ratios:
 - Primary Reserve Ratio (like Financial Cushion): Measures financial strength by indicating how long the University could function by using its expendable reserves to cover operations.
 - Return on Net Assets Ratio: Measures total economic return.
 - Net Operating Revenues Ratio (like Operating Margin): Indicates whether the University is living within available resources.
 - Debt Burden Ratio (like Debt Service Ratio): Illustrates capacity to respond to adverse conditions and flexibility to fund new initiatives, as well as the University's ability to attract capital from external sources.

The formulas for core ratio analysis and the development of the CFI were taken from "Strategic Financial Analysis for Higher Education – Sixth Edition" published by KPMG, BearingPoint, and Prager, Sealy & Co.

Role of Composite Financial Index (CFI)

After review of the relative strengths and weaknesses of each of the four ratios, the combination of the results into a single score allows for a more balanced approach to understanding the total financial health of the University.



CFI Calculation

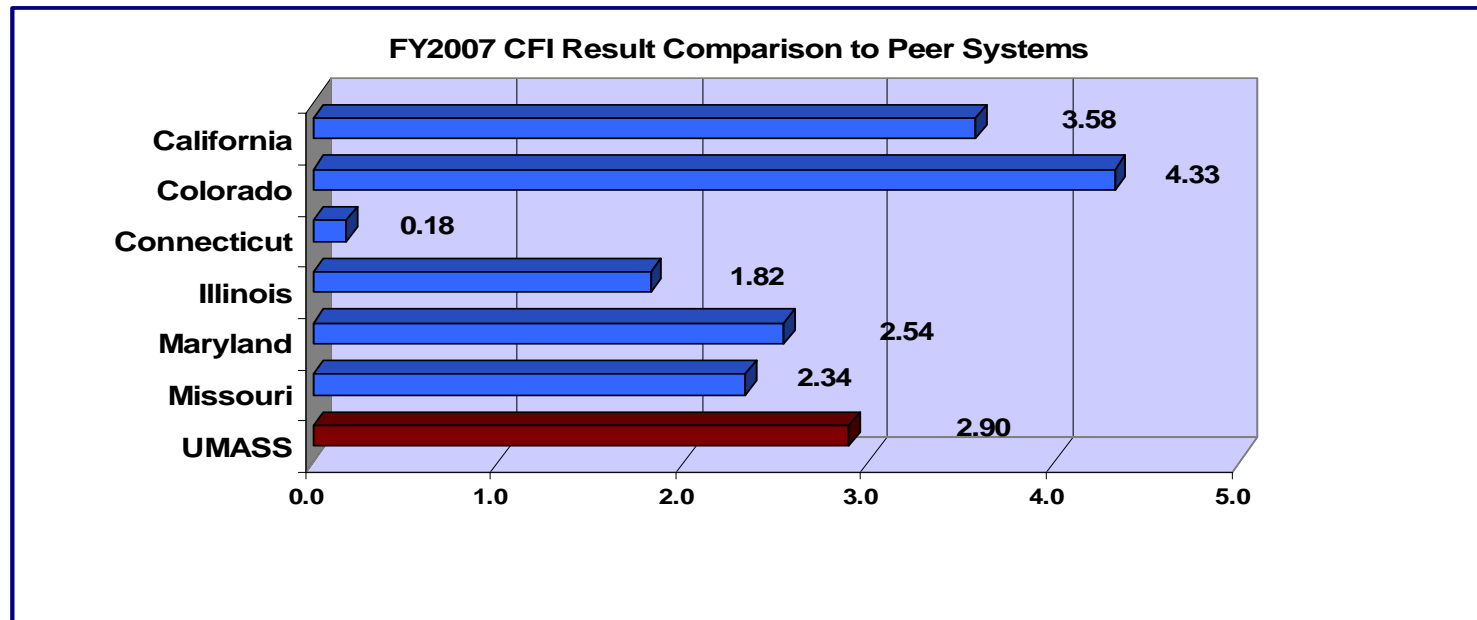
Fiscal Year	FY2004	FY2005	FY2006	FY2007
+Primary Reserve Ratio	29.3%	29.9%	28.2%	33.9%
<i>/ Strength Factor</i>	13.3%	13.3%	13.3%	13.3%
<i>x Weighting Factor</i>	20.0%	20.0%	20.0%	20.0%
Ratio Score	0.44	0.45	0.42	0.51
+Net Operating Revenues Ratio	6.1%	5.4%	2.6%	6.9%
<i>/ Strength Factor</i>	1.3%	1.3%	1.3%	1.3%
<i>x Weighting Factor</i>	10.0%	10.0%	10.0%	10.0%
Ratio Score	0.47	0.42	0.20	0.53
+Return on Net Assets Ratio	10.9%	10.8%	5.9%	16.0%
<i>/ Strength Factor</i>	6.0%	6.0%	6.0%	6.0%
<i>x Weighting Factor</i>	35.0%	35.0%	35.0%	35.0%
Ratio Score	0.64	0.63	0.34	0.93
+1 / Debt Burden Ratio	3.6%	3.4%	3.8%	3.8%
<i>x Strength Factor</i>	10.0%	10.0%	10.0%	10.0%
<i>x Weighting Factor</i>	35.0%	35.0%	35.0%	35.0%
Ratio Score	0.96	1.02	0.92	0.92
Composite Financial Index (CFI)	2.51	2.52	1.89	2.90

Universities with a CFI of 3 generally have enough wealth and access to capital resources to finance modest program improvements and to handle a modest financial challenge, but will struggle to implement major strategic initiatives. The scores presented are indicators of ranges of financial health that are meant to provide guidance on overall institutional well-being when combined with non-financial indicators.



Composite Financial Index (CFI)

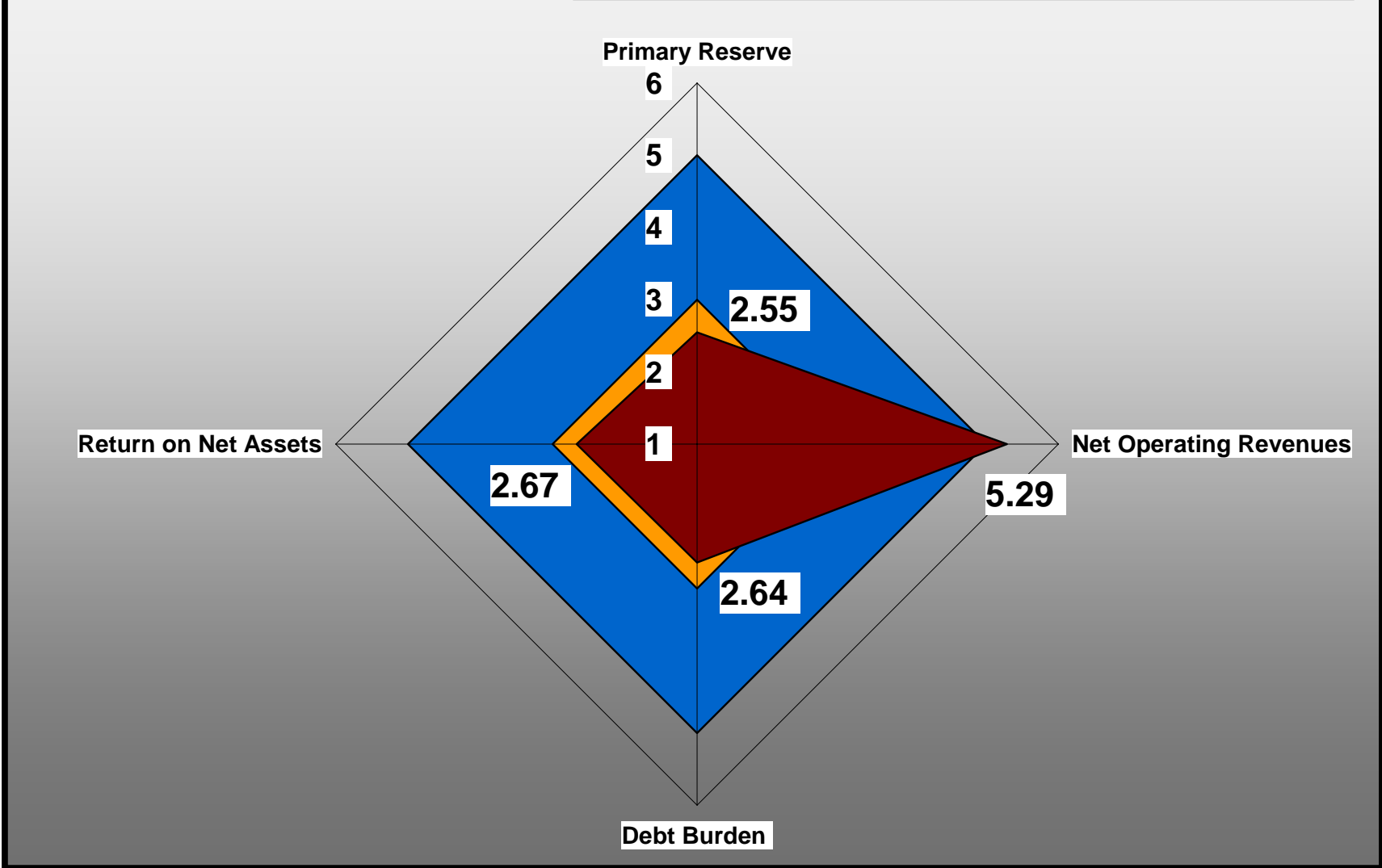
Ratios	FY2005	FY2006	FY2007
Primary Reserve	29.9%	28.2%	33.9%
Return on Net Assets	10.8%	5.9%	16.0%
Net Operating Revenues	5.4%	2.6%	6.9%
Debt Burden	3.4%	3.8%	3.8%
UMASS CFI Results	2.52	1.89	2.90





FY2007 UMASS Results

■ Target ■ Threshold ■ FY07 UMass Result



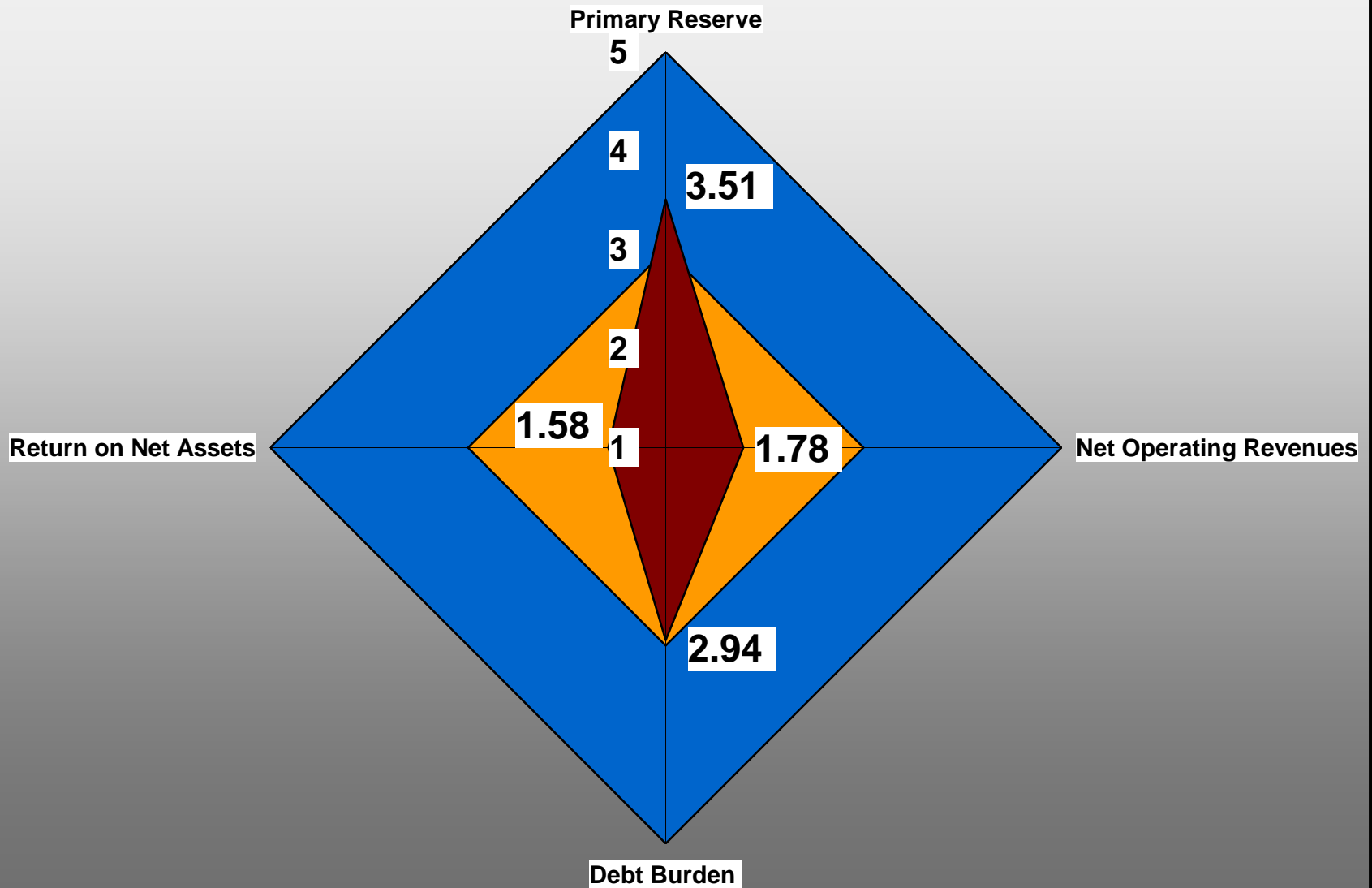


FY2007 Peer System Average

■ Target

■ Threshold

■ Peer Average





Amherst 2008 Financial Indicators Report



University of Massachusetts FY2008-FY2013 Financial Indicators Report

FY2007 Results - Projected to Actual & Comparison to Peers

AMHERST	Projected FY2007	Actual FY2007	Peers	Projected FY2013
Return on Net Assets	10.9%	17.2%	7.8%	-0.9%
Financial Cushion	16.0%	18.2%	25.6%	11.0%
Debt Service to Operations	4.8%	4.2%	5.3%	5.5%
Endowment per Student	\$6,341	\$6,101	\$21,304	\$15,418
Private Funds Raised Annually	\$31,169,000	\$28,392,215		\$58,559,342



Boston 2008

Financial Indicators Report



University of Massachusetts FY2008-FY2013 Financial Indicators Report

FY2007 Results - Projected to Actual & Comparison to Peers

<i>Boston</i>	Projected FY2007	Actual FY2007	Peers	Projected FY2013
Return on Net Assets	4.5%	21.0%	7.1%	-1.9%
Financial Cushion	7.3%	10.0%	15.5%	7.1%
Debt Service to Operations	5.4%	5.2%	4.0%	6.4%
Endowment per Student	\$2,638	\$2,821	\$12,385	\$5,102
Private Funds Raised Annually	\$11,500,000	\$11,917,000		\$30,000,000



Dartmouth 2008 Financial Indicators Report



University of Massachusetts FY2008-FY2013 Financial Indicators Report

FY2007 Results - Projected to Actual & Comparison to Peers

<i>Dartmouth</i>	Projected FY2007	Actual FY2007	Peers	Projected FY2013
Return on Net Assets	5.7%	3.4%	6.5%	9.1%
Financial Cushion	-0.6%	-0.4%	11.9%	1.2%
Debt Service to Operations	6.1%	6.7%	5.6%	7.1%
Endowment per Student	\$2,816	\$3,015	\$1,762	\$3,584
Private Funds Raised Annually	\$3,814,000	\$5,167,000		\$4,433,802



Lowell 2008 Financial Indicators Report



University of Massachusetts FY2008-FY2013 Financial Indicators Report

FY2007 Results - Projected to Actual & Comparison to Peers

<i>Lowell</i>	Projected FY2007	Actual FY2007	Peers	Projected FY2013
Return on Net Assets	-2.3%	1.6%	7.8%	5.0%
Financial Cushion	3.5%	5.0%	17.5%	6.0%
Debt Service to Operations	4.2%	4.2%	3.2%	3.4%
Endowment per Student	\$3,400	\$3,726	\$6,281	\$5,475
Private Funds Raised Annually	\$8,380,000	\$10,250,000		\$17,860,000



Worcester 2008 Financial Indicators Report



University of Massachusetts FY2008-FY2013 Financial Indicators Report

FY2007 Results - Projected to Actual & Comparison to Peers

<i>Worcester</i>	Projected FY2007	Actual FY2007	Projected FY2013
Return on Net Assets	12.9%	15.3%	-2.3%
Financial Cushion	29.2%	28.7%	21.0%
Debt Service to Operations	2.3%	1.8%	4.5%
Endowment per Student	\$88,598	\$93,620	\$261,384
Private Funds Raised Annually	\$10,040,000	\$7,903,000	\$53,193,000



**PRESENTATION OF FY2009 OPERATING BUDGET
&
STUDENT CHARGES**

For

**SHEEO Higher Education Policy Conference
August, 2008**

SECTION I

FY09 OPERATING BUDGET

FY09 FINANCIAL PLANNING TIMETABLE

	2007 Sept	Oct	Nov	Dec	2008 Jan	Feb	Mar	Apr	May	
FY08 Financial Forecasts			X			X			X	
Campuses prepare FY09 structural gap analysis	X									
Supplemental request submitted		15								
Multi-year planning			●	—————						●
Presidents' Council meets to discuss FY09 budget process & parameters				13						
Board of Trustee discussion of FY09 budget parameters					13-14					
Campuses prepare multiple budget scenarios with varying tuition rates and expense assumptions					●	—————		●		
Presidents review budgets with Chancellor							●	—————		●
							17	14		
Supplemental budget as legislated							31			
Presidents' Council review of consolidated budget									8	
Trustee Finance Committee reviews proposed budget & student charges									9	
Trustees approve budget & student charges for FY09									18-19	

This process determined the lowest tuition increase necessary to ensure quality and fund inflationary costs given FY09 appropriation

FY09 BUDGET DRIVERS

- ❖ Essentially flat appropriation excluding research funding
- ❖ Slight decline in enrollment
- ❖ Increases in compensation, benefits costs, GASB 45, and fuel above inflation
- ❖ Minimize student cost increases (In-State, undergraduate comprehensive cost increase of 8.3%)
 - ❖ Financial aid increases from planned sources of \$7.2 million (11.4%)
- ❖ In order to balance budget, substantial operating cost reductions of \$15.7 million (3% of operating costs) are planned across UMS
 - ❖ Every attempt has been made to minimize the impact on quality and program offerings

STATE APPROPRIATION

	FY08			FY09		
	<u>Total</u>	<u>Increase</u>	<u>%</u>	<u>Total</u>	<u>Increase</u>	<u>%</u>
Unrestricted E&G						
Biennium Appropriation as originally legislated	\$ 185.7	\$ 8.0	4.6%	\$189.1	\$ 3.4	1.8%
UMS Supplemental Request (add'l \$8.0 million)				\$197.1	\$ 11.4	6.1%
Supplemental Budget as legislated				\$186.0	\$ 0.3	0.2%
	FY08			FY09		
	<u>Total</u>	<u>Increase</u>	<u>%</u>	<u>Total</u>	<u>Increase</u>	<u>%</u>
MEIF - Research & Development						
Biennium Appropriation as legislated	\$ 13.7	\$ 1.5	12.4%	\$ 14.7	\$ 1.0	7.3%

FY09 OPERATING BUDGET

(Excluding Restricted)

	FY07 Actual		FY08 Forecast		FY09 Proposed Budget	
<u>Revenues</u>						
Tuition & Fees	\$199.0	41%	\$212.7	43%	\$232.6	46%
Dining & Residence	53.3	11%	58.2	12%	56.7	11%
Less: Waivers/Scholarships	(30.8)	(6%)	(34.5)	(7%)	(38.9)	(8%)
Net Student Charges Revenue	\$221.5	46%	\$236.4	48%	\$250.4	49%
State Appropriation (excludes MEIF)	177.8	37%	185.7	37%	186.0	36%
Interest Income/Gift Revenue	11.8	2%	2.5	1%	6.4	1%
Indirect Cost Recovery	13.6	3%	13.4	3%	12.3	3%
Other Sales/Services/Auxiliary	54.4	12%	55.2	11%	54.9	11%
Total Net Revenues	\$479.1	100%	\$493.2	100%	\$510.0	100%
<u>Expenses</u>						
Compensation & Benefits	\$305.1	65%	\$326.6	64%	\$344.0	66%
Utilities	26.7	6%	30.9	6%	32.0	6%
Interest	6.9	1%	9.0	2%	10.4	2%
Other Expenses/Depreciation	116.0	25%	121.1	24%	116.8	22%
Matches/Transfers	12.8	3%	20.0	4%	19.0	4%
Additional Reductions			-	-	(1.5)	-
Total Expenses	\$467.5	100%	\$507.6	100%	\$520.7	100%
Operating Increase/(Decrease*)	\$11.6		(\$14.4)		(\$10.7)	
<u>Cash Flow</u>						
Operating Increase/(Decrease)	\$11.6		(\$14.4)		(\$10.7)	
Plus Depreciation	21.3		23.5		25.8	
Less: Capital Expenditures	(9.4)		(11.4)		(6.1)	
Debt Service Principal	(7.8)		(8.2)		(9.0)	
Net Change	\$15.7		(\$10.5)		\$0.0	

*Depreciation only partially funded resulting in operating loss

FY09 OPERATING BUDGETS BY UNRESTRICTED FUND

(Excluding Restricted)

<u>Revenues</u>	<u>E&G</u>		<u>Auxiliary</u>		<u>Total</u>	
Tuition & Fees	\$232.6	55%	-	-	\$232.6	46%
Dining & Residence	-	-	\$56.7	65%	56.7	11%
Less: Waivers/Scholarships	(37.6)	(9%)	(1.3)	(2%)	(38.9)	(8%)
Net Student Charges Revenue	\$195.0	46%	\$55.4	63%	\$250.4	49%
State Appropriation (excludes MEIF)	186.0	44%	-	-	186.0	36%
Interest Income/Gift Revenue	6.4	2%	-	-	6.4	1%
Indirect Cost Recovery	12.3	3%	-	-	12.3	3%
Other Sales/Services/Auxiliary	22.9	5%	32.0	37%	54.9	11%
Total Net Revenues	\$422.6	100%	\$87.4	100%	\$510.0	100%
<u>Expenses</u>						
Compensation	\$320.4	74%	\$23.6	27%	\$344.0	66%
Utilities	22.4	5%	9.6	11%	32.0	6%
Interest	4.2	1%	6.2	7%	10.4	2%
Other/Depreciation	70.4	16%	46.4	53%	116.8	22%
Matches/Transfers	17.7	4%	1.3	2%	19.0	4%
Additional Reductions	(1.5)	-	-	-	(1.5)	-
Total Expenses	\$433.6	100%	\$87.1	100%	\$520.7	100%
Operating Increase/(Decrease*)	<u>(\$11.0)</u>		<u>\$0.3</u>		<u>(\$10.7)</u>	
<u>Cash Flow</u>						
Operating Increase(Decrease)	(\$11.0)		\$0.3		(\$10.7)	
Plus Depreciation	20.9		4.9		25.8	
Less: Capital Expenditures	(4.7)		(1.4)		(6.1)	
Debt Service Principal	(5.5)		(3.5)		(9.0)	
Net Change	<u>(\$0.3)</u>		<u>\$0.3</u>		<u>\$0.0</u>	

*Depreciation only partially funded resulting in operating loss

FY09 OPERATING BUDGETS BY CAMPUS

(Excluding Restricted)

	<u>UM</u>	<u>UMA</u>	<u>UMF</u>	<u>UMFK</u>	<u>UMM</u>	<u>UMPI</u>	<u>USM</u>	<u>SWS</u>	<u>Total</u>
<u>Revenues</u>									
Tuition & Fees	\$105.0	\$19.4	\$18.9	\$7.7	\$5.2	\$7.8	\$68.6	-	\$232.6
Dining & Residence	31.1	0.0	7.9	1.4	1.7	1.8	12.8	-	56.7
Less: Waivers/Scholarships	(24.2)	(2.0)	(2.8)	(1.0)	(1.0)	(1.1)	(6.8)	-	(38.9)
Net Student Charges Revenue	\$111.9	\$17.4	\$24.0	\$8.1	\$5.9	\$8.5	\$74.6	-	\$250.4
State Appropriation	88.7	14.6	10.9	4.5	4.5	6.8	44.0	\$12.0	186.0
Other Income	43.7	2.8	1.9	0.8	0.4	1.0	17.5	5.5	73.6
Total Net Revenues	\$244.3	\$34.8	\$36.8	\$13.4	\$10.8	\$16.3	\$136.1	\$17.5	\$510.0
<u>Expenses</u>									
Compensation & Benefits	\$149.7	\$25.9	\$25.9	\$8.9	\$7.2	\$11.9	\$101.3	\$13.2	\$344.0
Utilities	17.5	1.4	2.6	1.0	1.1	1.4	5.8	1.2	32.0
Other/Depreciation	81.7	8.2	9.2	3.8	2.9	3.7	32.1	4.6	146.2
Additional Reductions	-	-	-	-	-	-	(1.5)	-	(1.5)
Total Expenses	\$248.9	\$35.5	\$37.7	\$13.7	\$11.2	\$17.0	\$137.7	\$19.0	\$520.7
Operating Loss*	(\$4.6)	(\$0.7)	(\$0.9)	(\$0.3)	(\$0.4)	(\$0.7)	(\$1.6)	(\$1.5)	(\$10.7)
<u>Cash Flow</u>									
Operating Loss	(\$4.6)	(\$0.7)	(\$0.9)	(\$0.3)	(\$0.4)	(\$0.7)	(\$1.6)	(\$1.5)	(\$10.7)
Plus Depreciation	13.6	1.0	1.4	0.5	0.5	0.8	5.5	2.5	25.8
Less: Capital Expenditures	(3.9)	(0.2)	(0.5)	(0.1)	(0.1)	(0.1)	(0.8)	(0.4)	(6.1)
Debt Service Principal	(4.8)	(0.1)	(0.4)	(0.1)	(0.1)	-	(2.9)	(0.6)	(9.0)
Net Change	\$ 0.3	\$ -	\$ (0.4)	\$ -	(\$0.1)	\$ -	\$ 0.2	\$ -	\$0.0

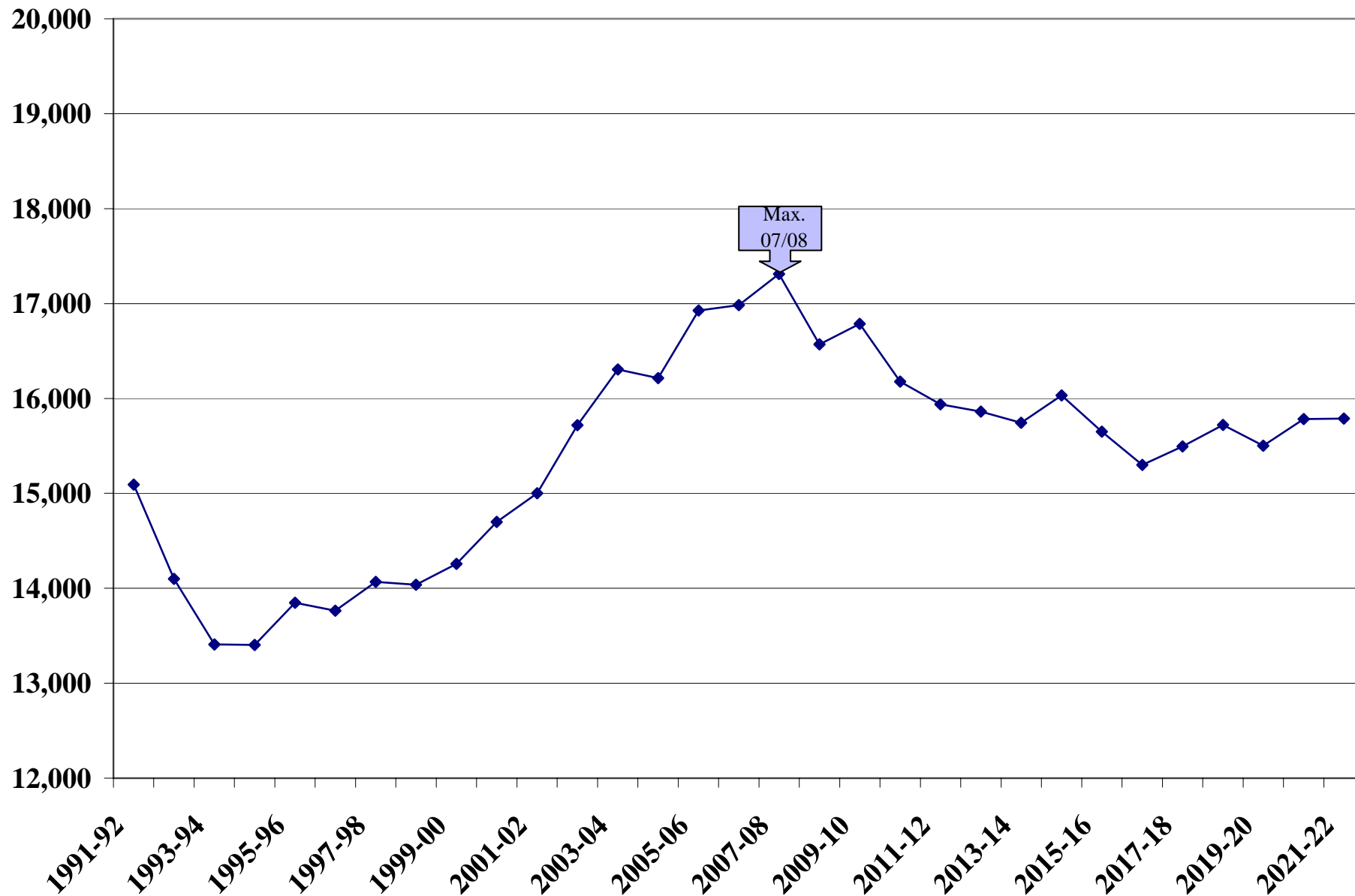
*Depreciation only partially funded resulting in operating loss

SECTION II

ENROLLMENT AND PROPOSED STUDENT CHARGES

(See Appendix for Detailed Student Charges)

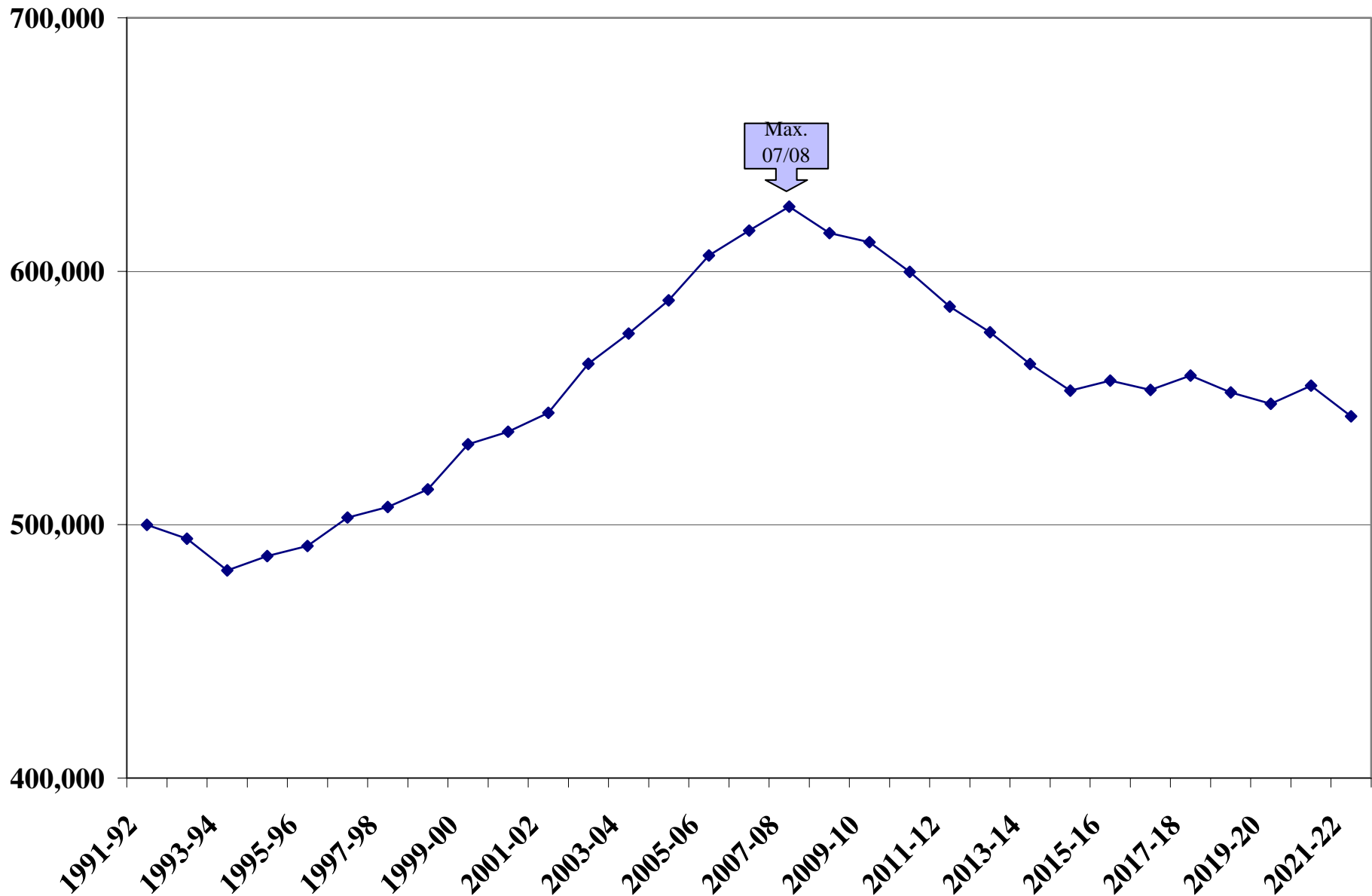
PROJECTED MAINE HIGH SCHOOL GRADUATES



Source: Western Interstate Commission for Higher Education, 2008

PROJECTED HIGH SCHOOL GRADUATES - NORTHEAST

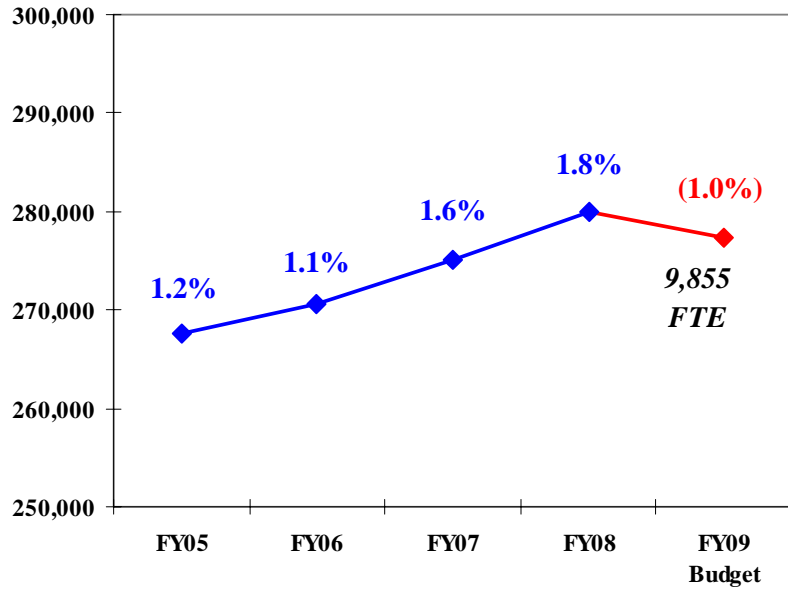
(includes CT, ME, MA, NH, RI, VT, NY, NJ, PA)



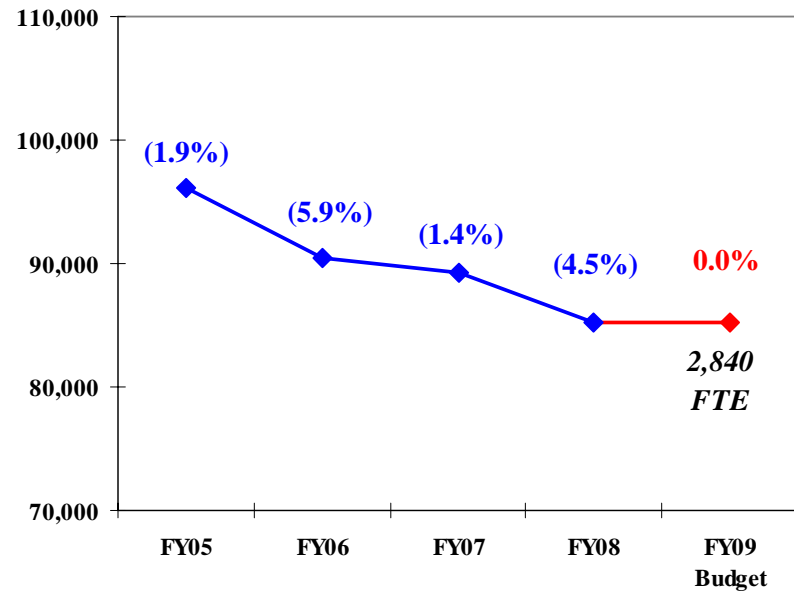
Source: Western Interstate Commission for Higher Education, 2008

UMS ENROLLMENT - ANNUAL CREDIT HOURS

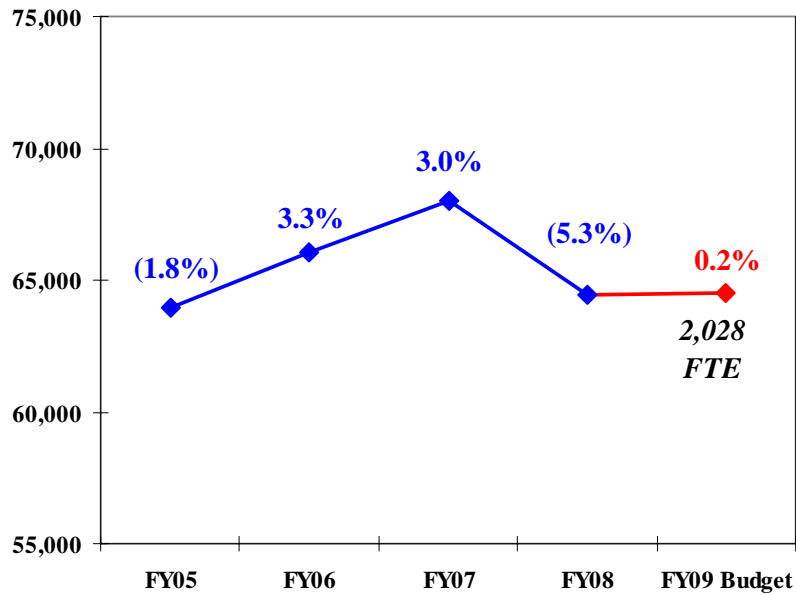
UM



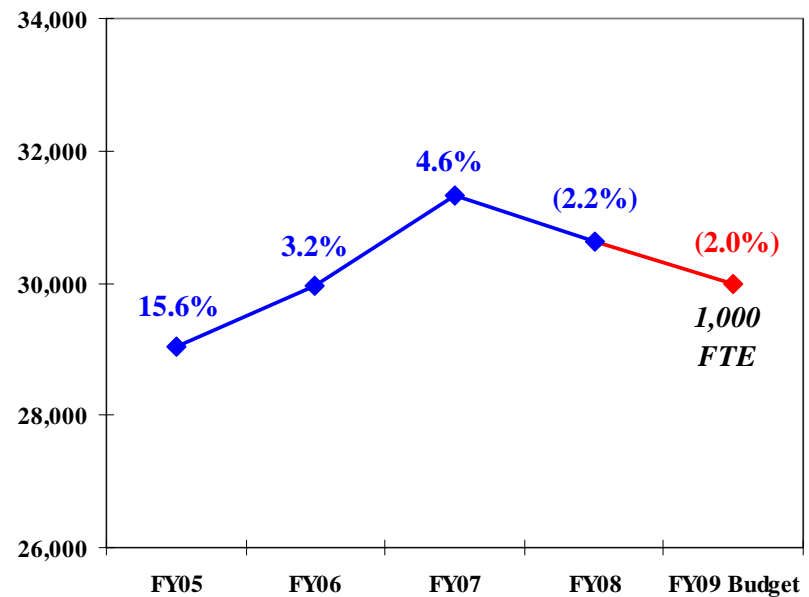
UMA



UMF

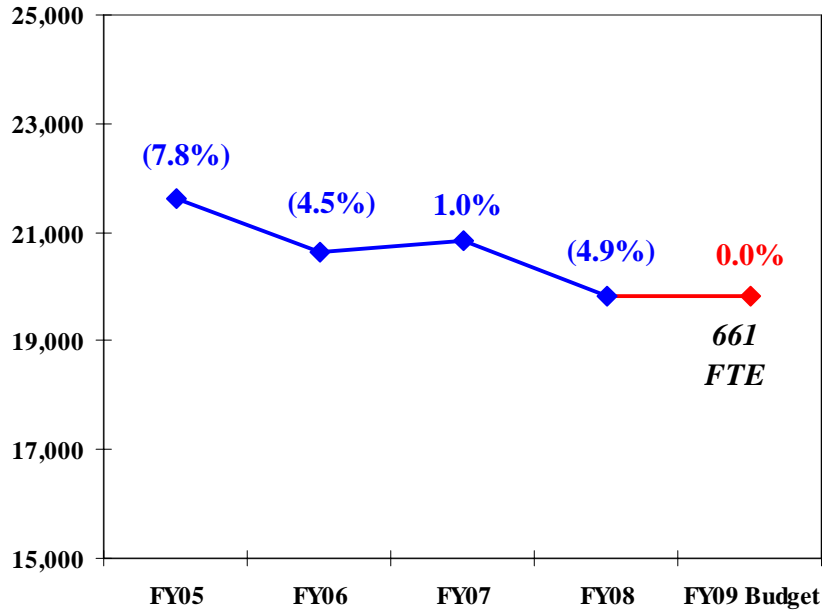


UMFK

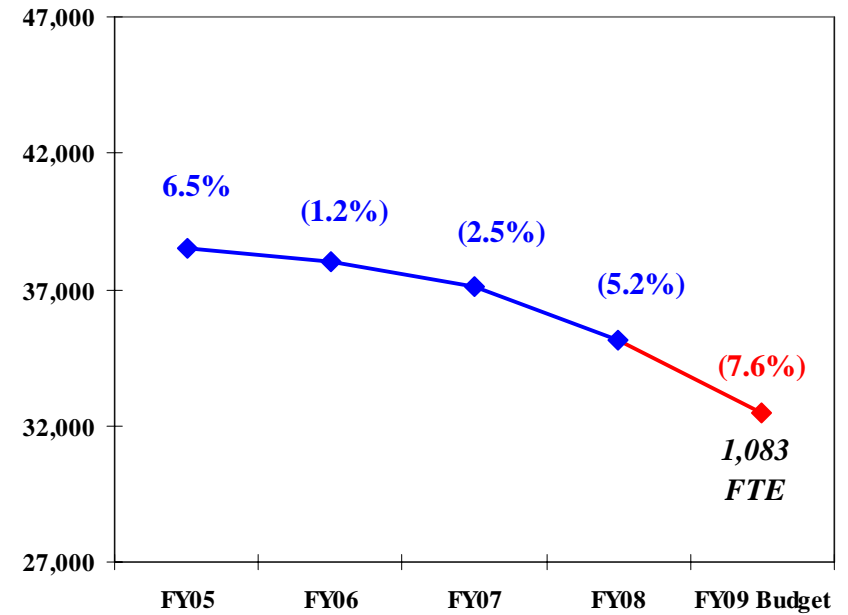


UMS ENROLLMENT - ANNUAL CREDIT HOURS

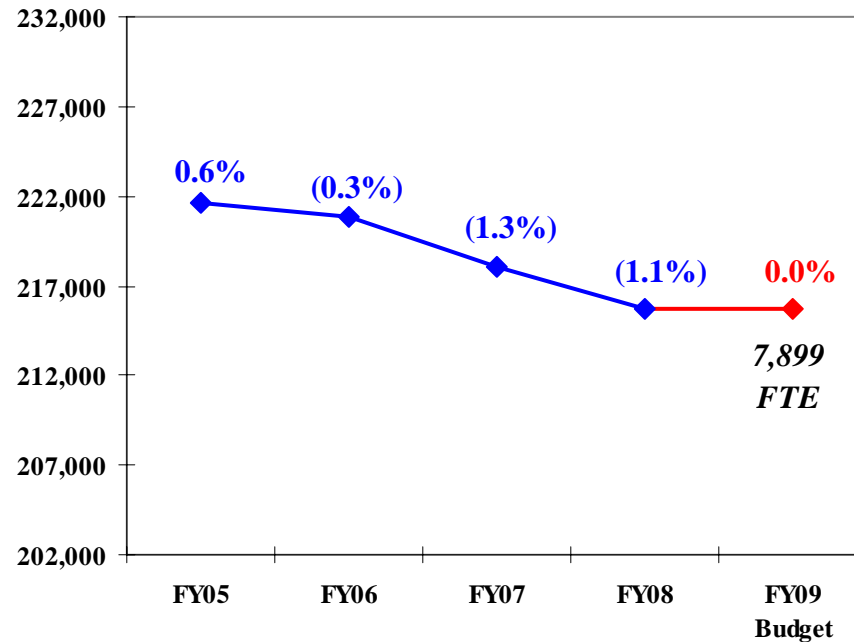
UMM



UMPI

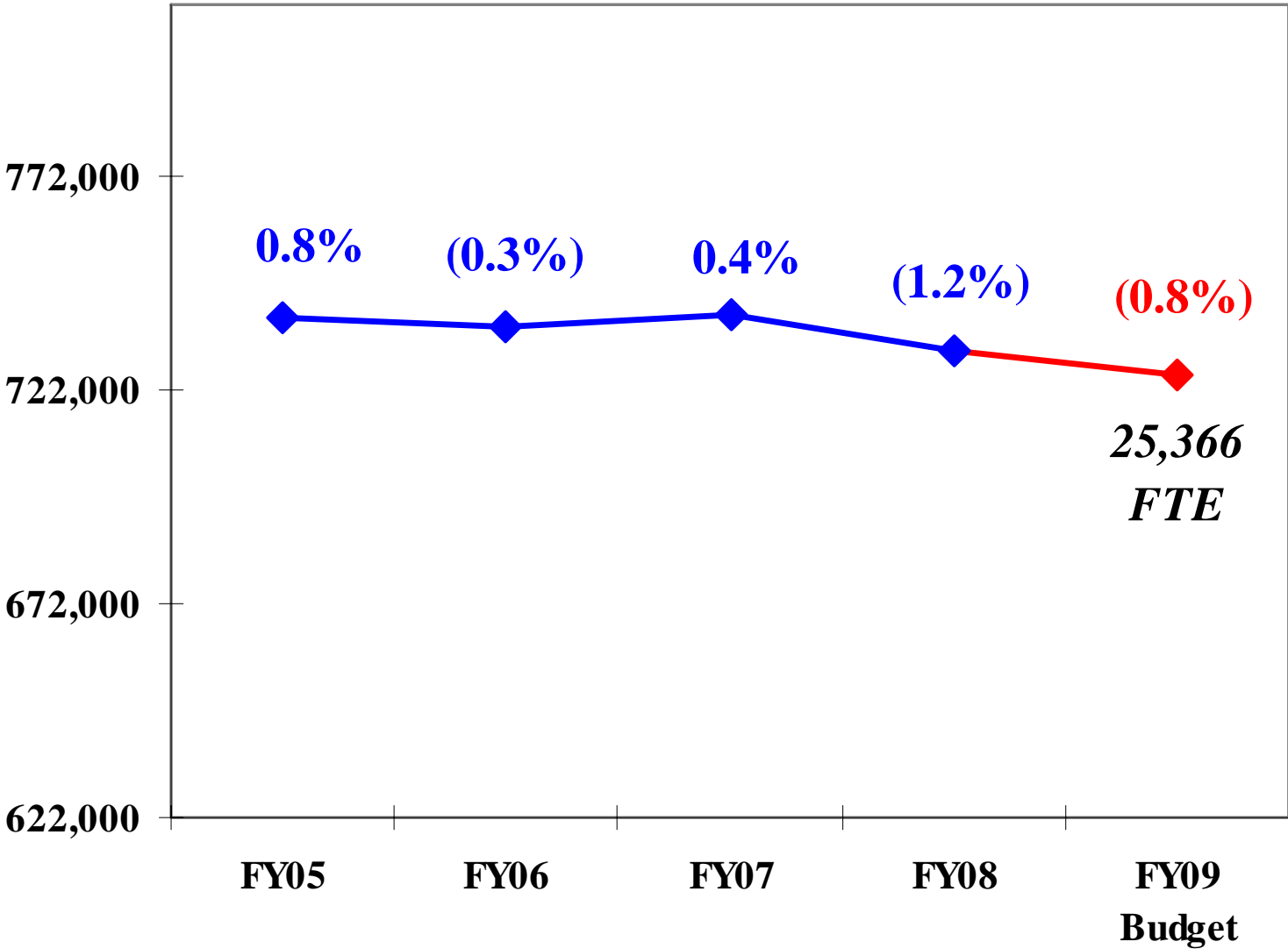


USM



UMS ENROLLMENT - ANNUAL CREDIT HOURS

SYSTEM TOTAL

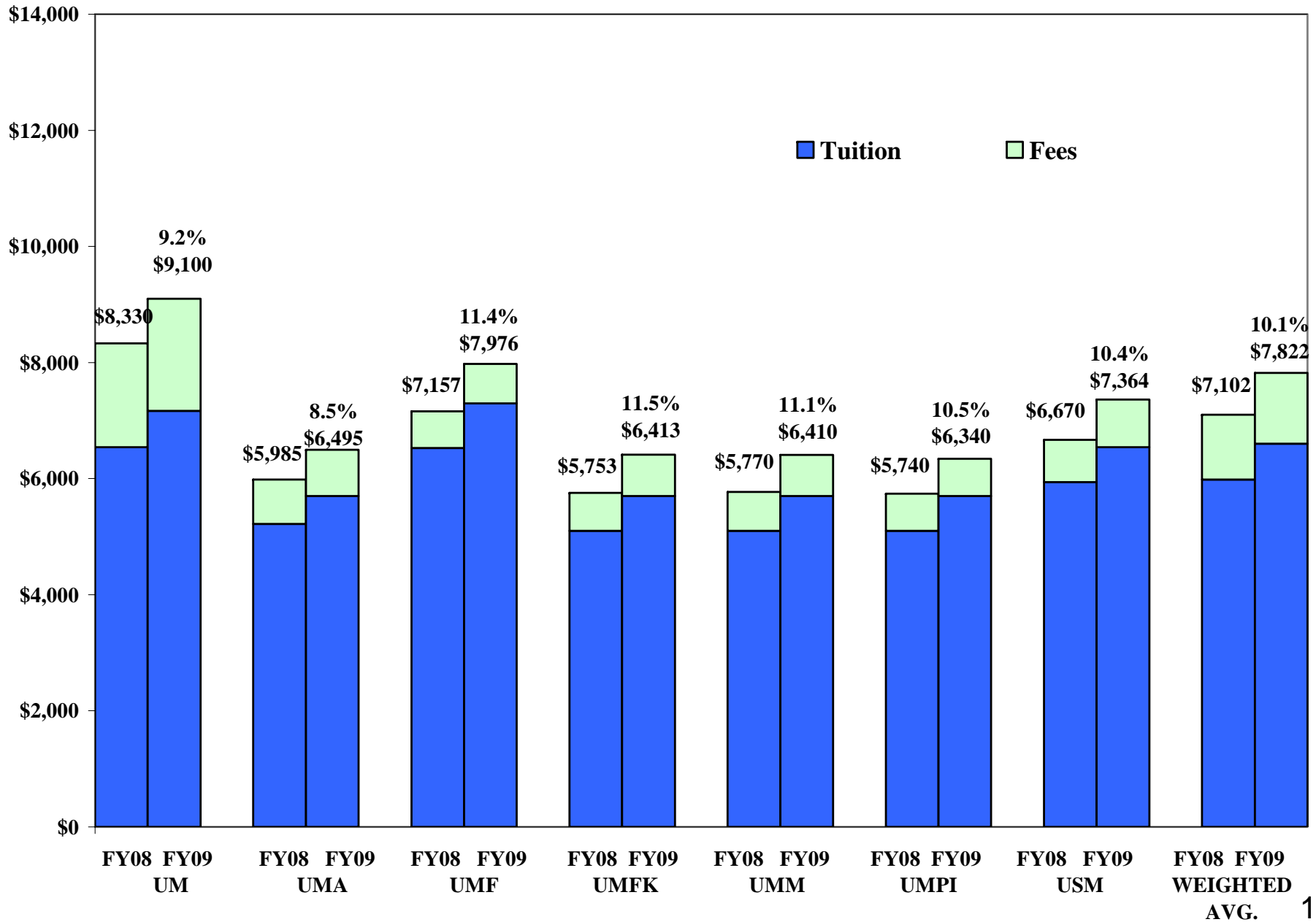


FY09 ANNUAL TUITION INCREASES

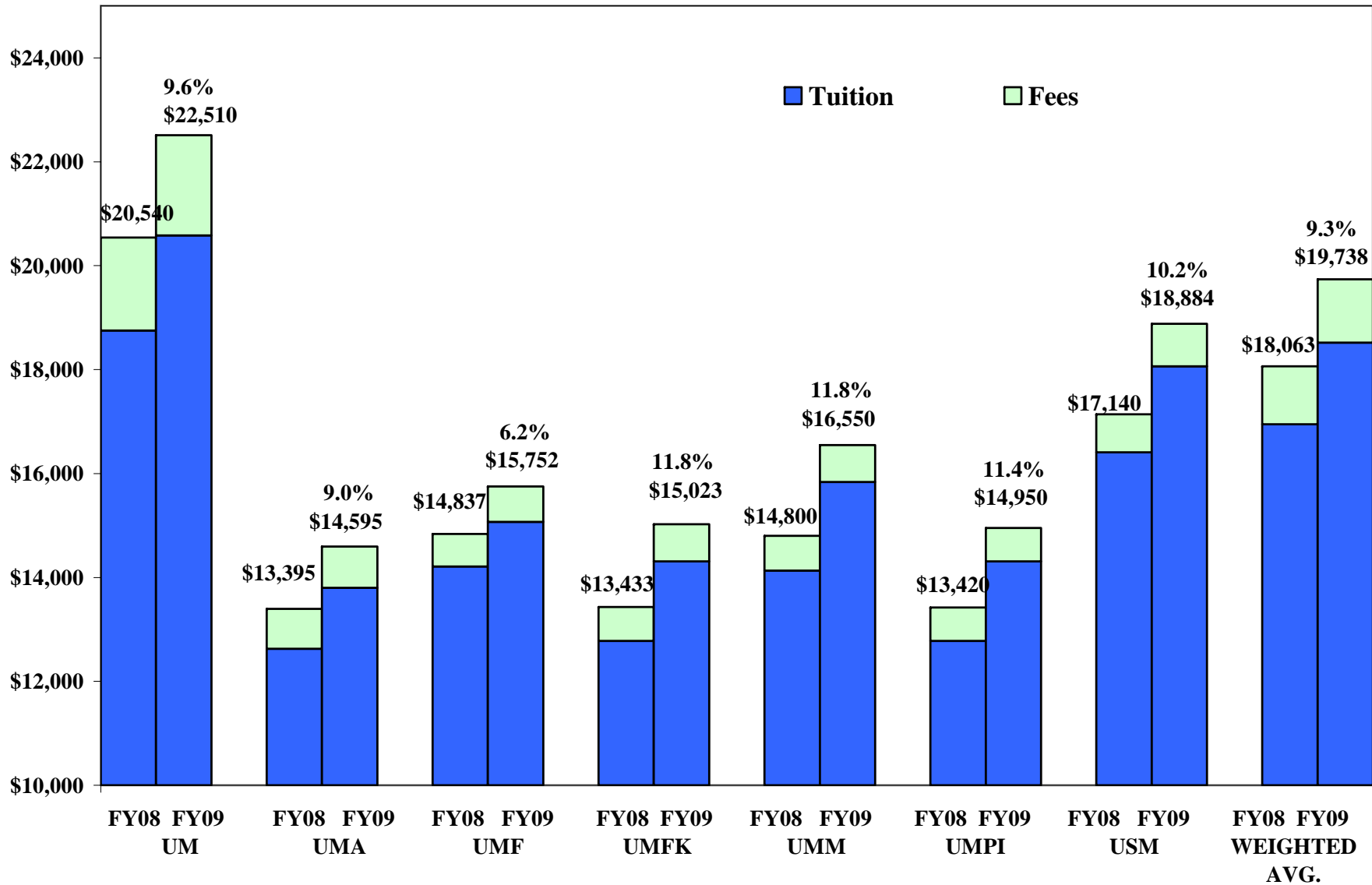
	<u>IN-STATE</u>				<u>OUT-OF-STATE</u>			
	<u>FY08 Annual Tuition</u>	<u>FY09 Annual Tuition</u>	<u>Annual Increase</u>		<u>FY08 Annual Tuition</u>	<u>FY09 Annual Tuition</u>	<u>Annual Increase</u>	
			<u>\$</u>	<u>%</u>			<u>\$</u>	<u>%</u>
<u>UNDERGRADUATE</u>								
UM	\$6,540	\$7,170	\$630	9.6	\$18,750	\$20,580	\$1,830	9.8
UMA	5,220	5,700	480	9.2	12,630	13,800	1,170	9.3
UMF	6,528	7,296	768	11.8	14,208	15,072	864	6.1
UMFK	5,100	5,700	600	11.8	12,780	14,310	1,530	12.0
UMM	5,100	5,700	600	11.8	14,130	15,840	1,710	12.1
UMPI	5,100	5,700	600	11.8	12,780	14,310	1,530	12.0
USM	5,940	6,540	600	10.1	16,410	18,060	1,650	10.1
<u>GRADUATE</u>								
UM	\$5,850	\$6,426	\$576	9.8	\$16,848	\$18,504	\$1,656	9.8
UMF	-	5,886	-	-	-	-	-	-
USM	5,346	5,886	540	10.1	15,192	16,722	1,530	10.1
<u>LAW</u>	\$17,400	\$18,360	\$960	5.5	\$27,480	\$28,860	\$1,380	5.0
<i>Weighted Avg.</i>				<i>10.0%</i>				<i>9.8%</i>

Note: Undergraduate & Law annual tuition based on 30 credit hours (32 credit hours at UMF). Graduate annual tuition based on 18 credit hours.

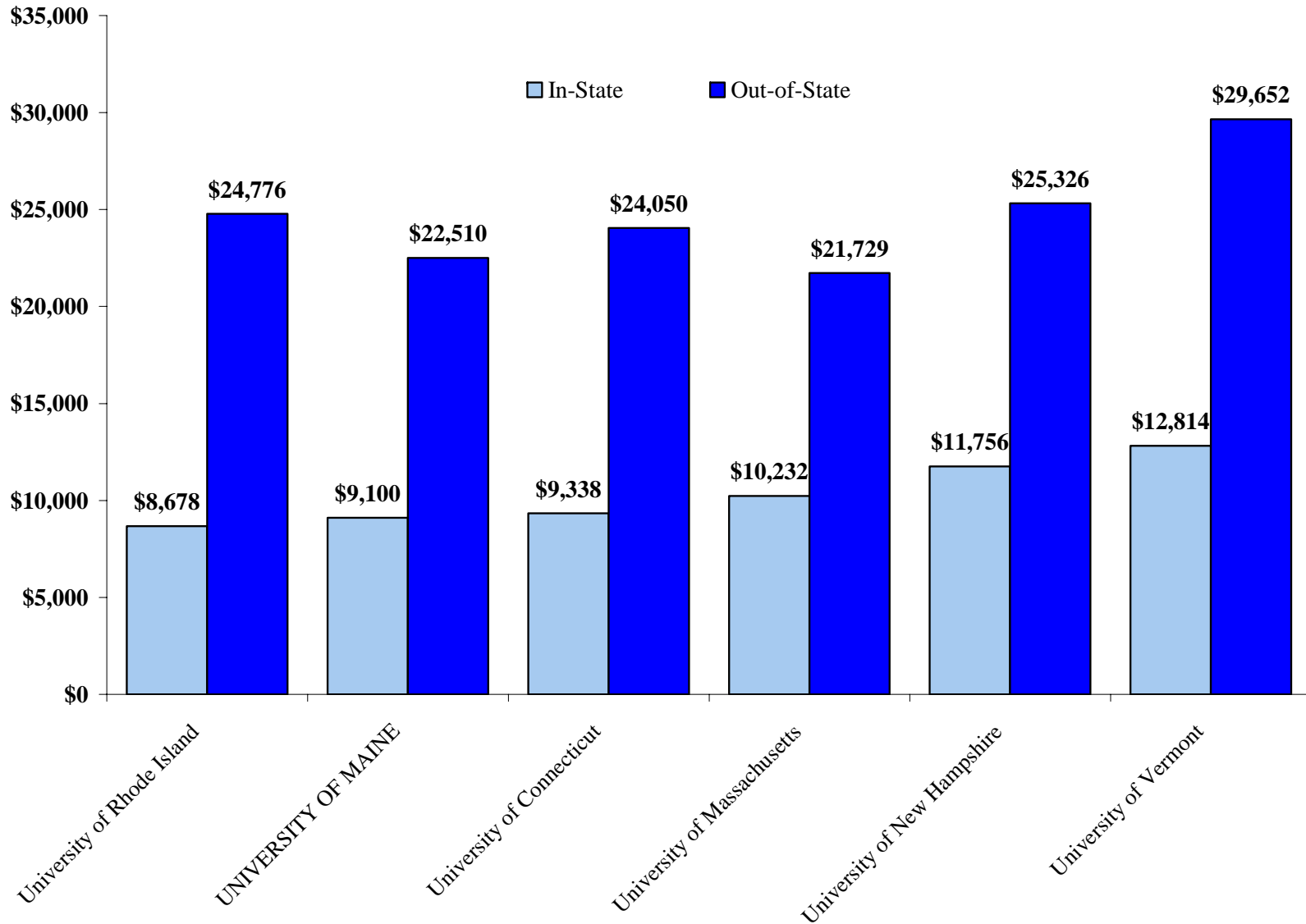
IN-STATE, UNDERGRADUATE, FULL-TIME TUITION & MANDATORY FEES COMPARISON



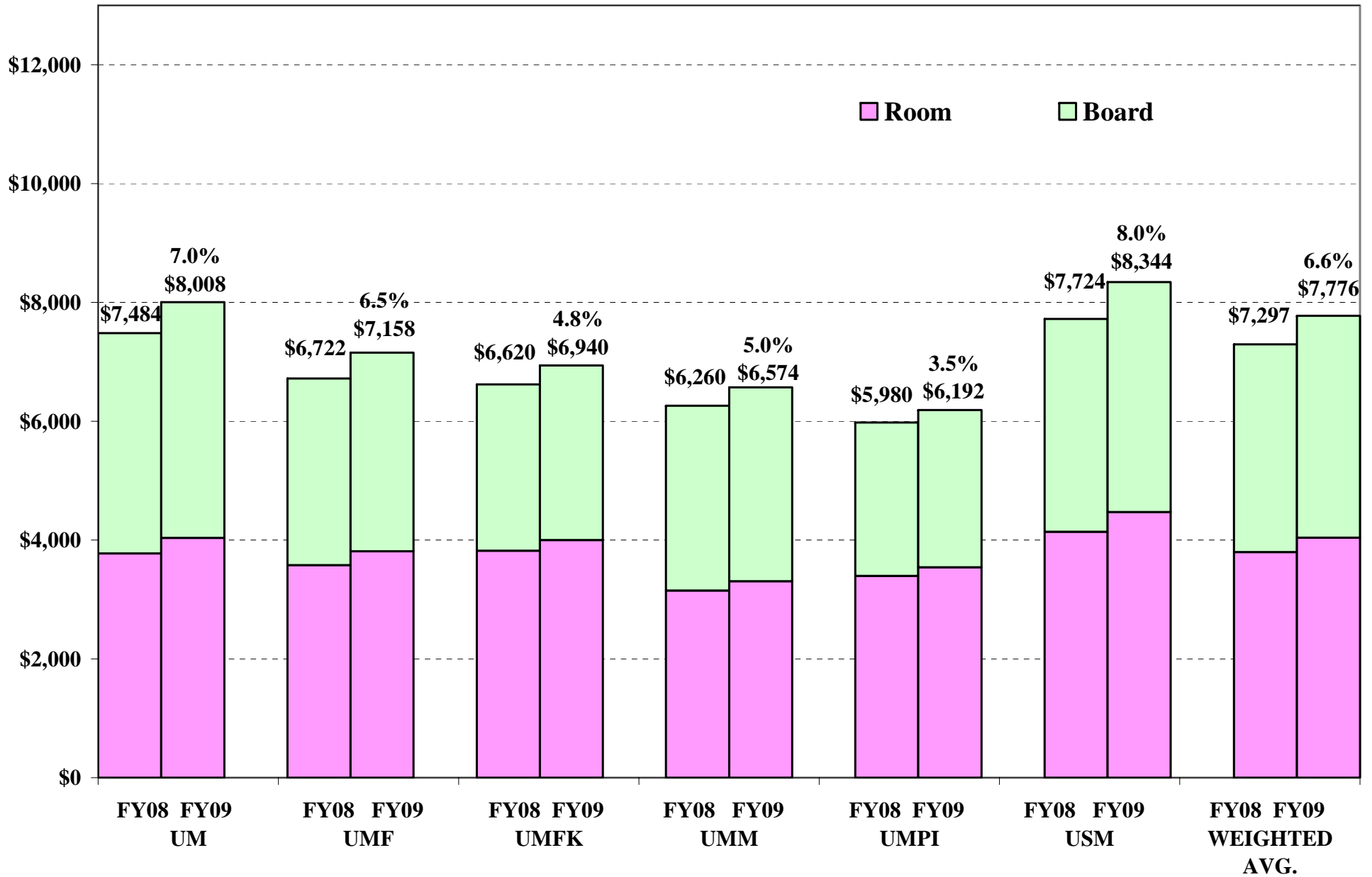
OUT-OF-STATE, UNDERGRADUATE, FULL-TIME TUITION & MANDATORY FEES COMPARISON



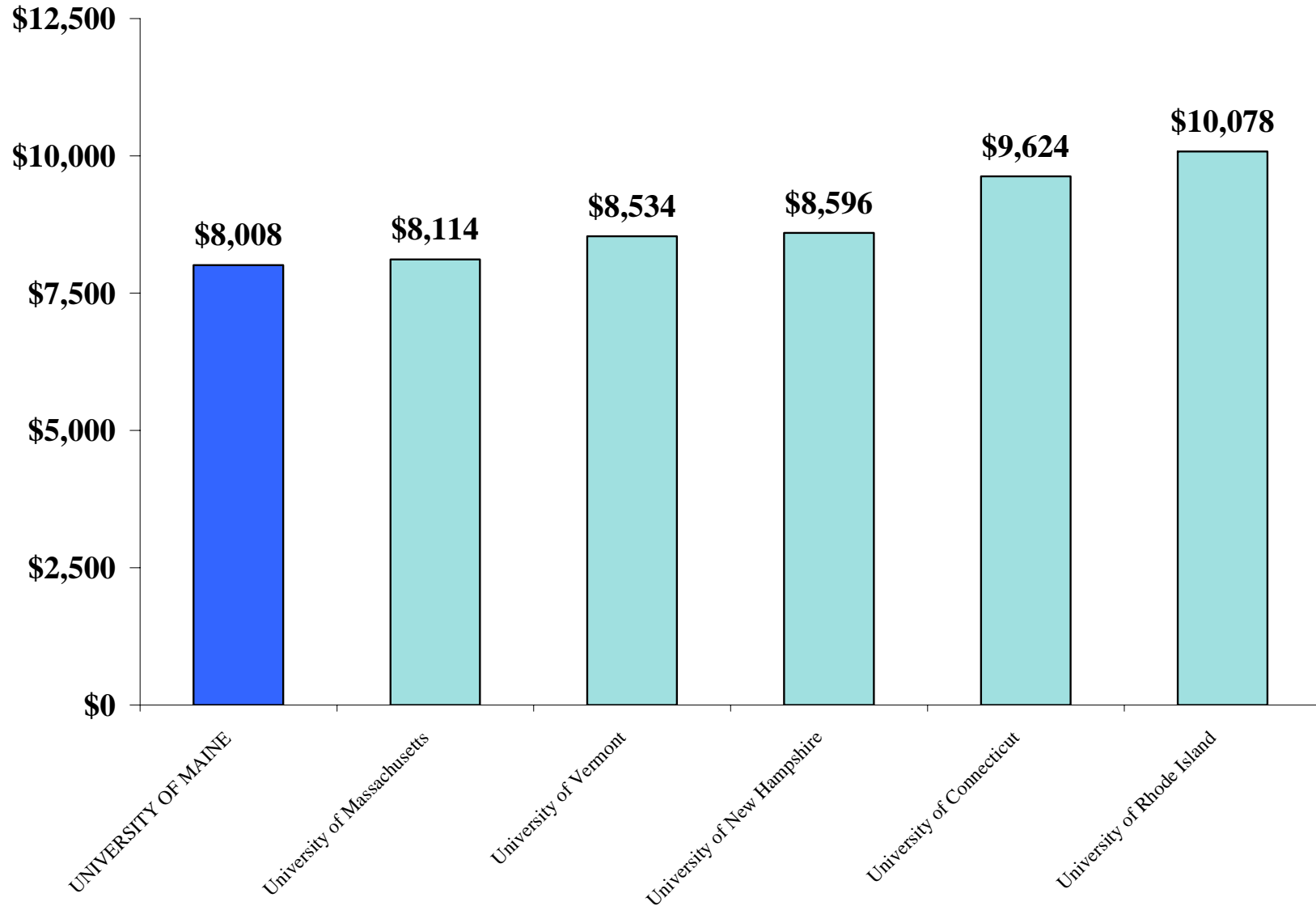
***NEW ENGLAND LAND-GRANT UNIVERSITIES
ESTIMATED FULL-TIME UNDERGRADUATE TUITION & MANDATORY FEES
FY09***



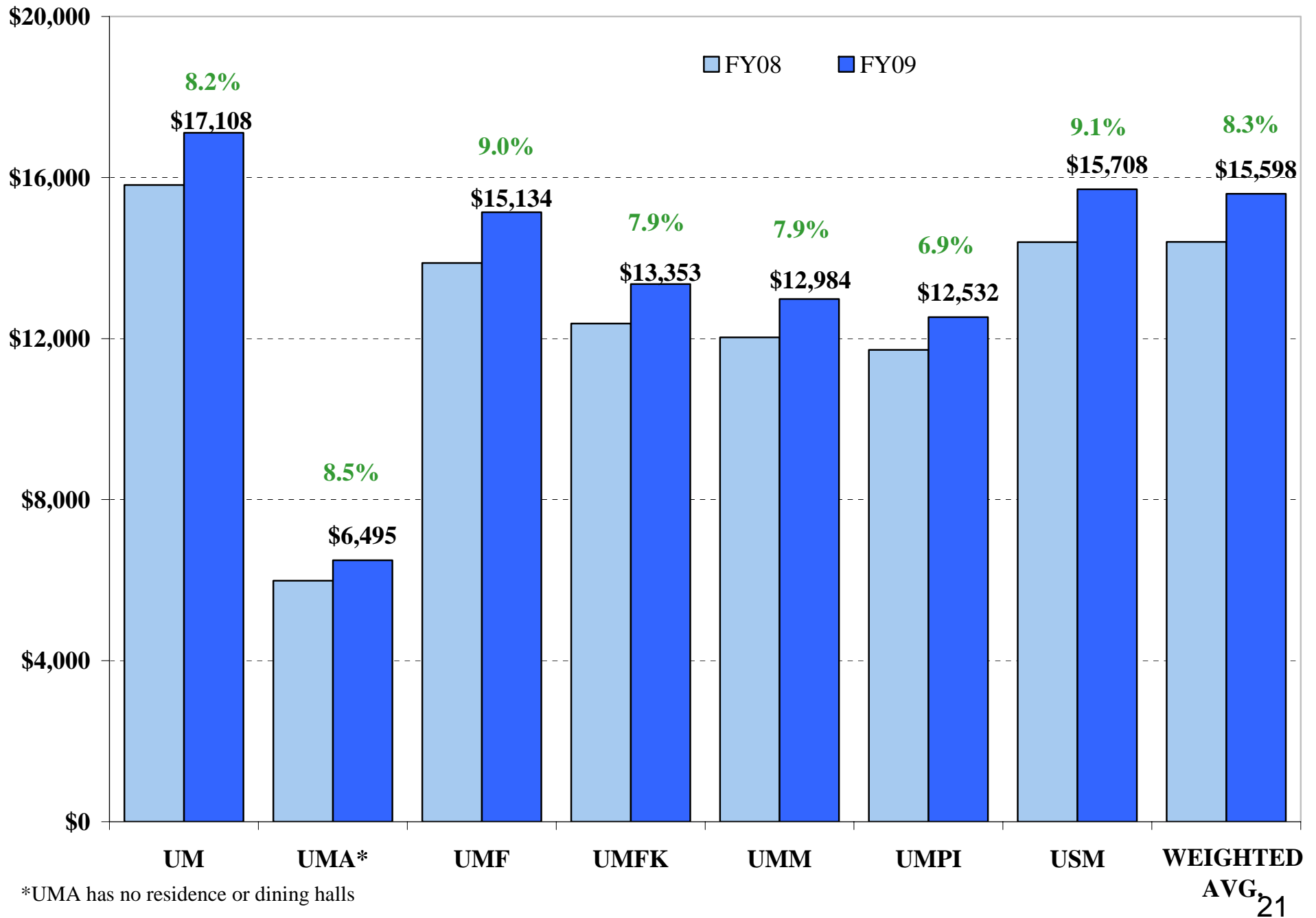
FY09 PROPOSED ROOM & BOARD RATE INCREASES



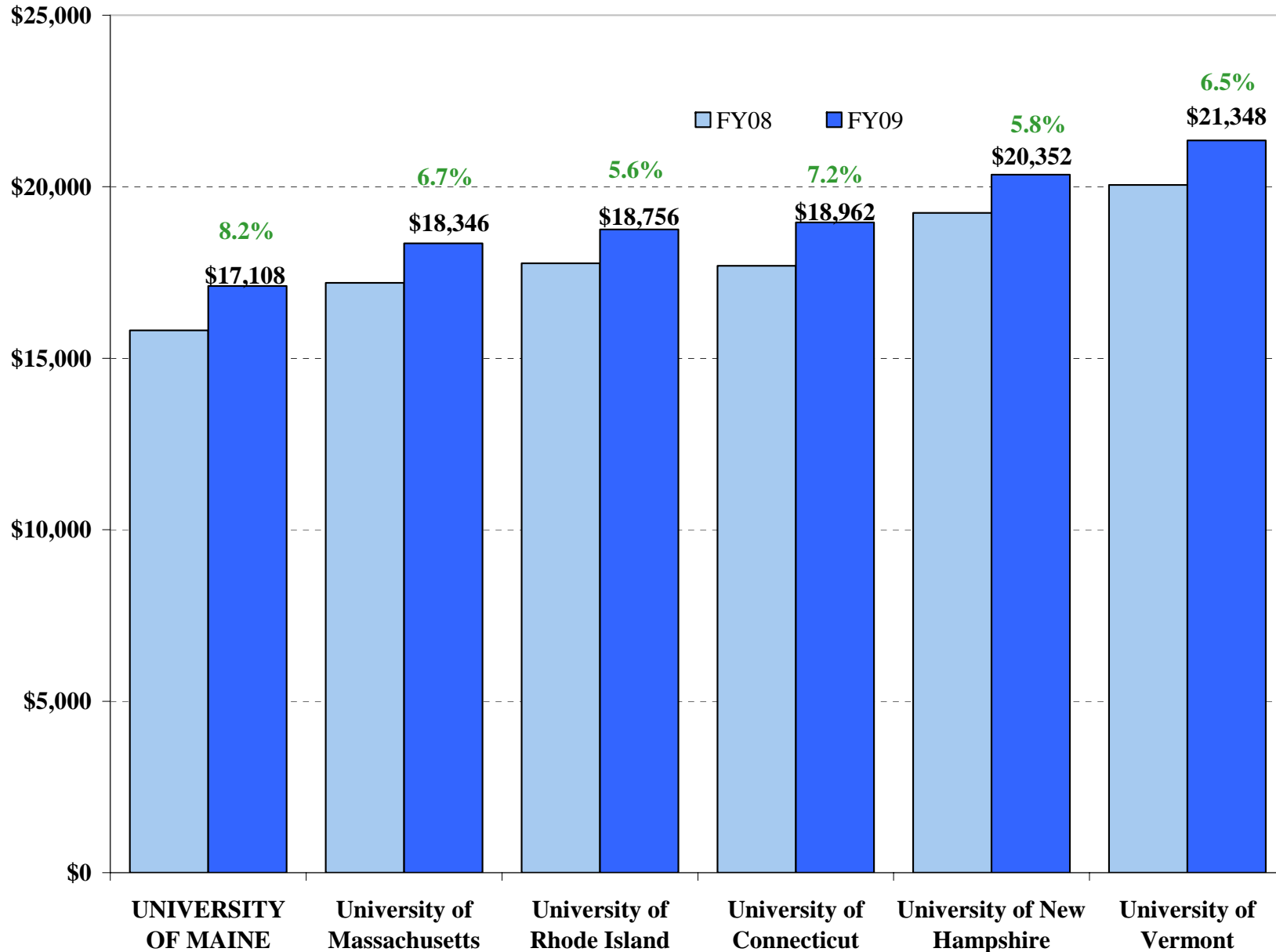
NEW ENGLAND LAND-GRANT UNIVERSITIES ESTIMATED ROOM & BOARD FY09



UMS IN-STATE UNDERGRADUATE COMPREHENSIVE STUDENT COST OF EDUCATION
(Tuition, Mandatory Fees, Room & Board)



NEW ENGLAND LAND-GRANT UNIVERSITIES
ESTIMATED IN-STATE UNDERGRADUATE COMPREHENSIVE STUDENT COST OF EDUCATION
(Tuition, Mandatory Fees, Room & Board)



Source: Telephone calls & websites

SECTION III

FINANCIAL AID

UMS WAIVERS

- ❖ *Total UMS waivers increase by approximately \$500K annually*
- ❖ *Approximately 45% of waiver costs are state mandated*

		(\$ in Millions)				
<u>Mandated by:</u>		<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08 Forecast</u>	<u>FY09 Budget</u>
State	Foster Care	\$0.2	\$0.1	\$0.2	\$0.2	\$0.2
State/UMS	High School Aspirations	0.4	0.5	0.7	0.8	0.8
UMS	North American Indian*	2.2	2.5	2.6	2.8	3.1
UMS	Senior Citizens	0.1	0.1	0.1	0.2	0.2
State	Veteran's Dependent	<u>1.1</u>	<u>1.2</u>	<u>1.4</u>	<u>1.5</u>	<u>1.7</u>
TOTALS		<u><u>\$4.0</u></u>	<u><u>\$4.4</u></u>	<u><u>\$5.0</u></u>	<u><u>\$5.5</u></u>	<u><u>\$6.0</u></u>

*In addition to the waiver, room & board scholarships for eligible North American Indian students who live on campus total approximately \$750,000 annually

PLANNED FINANCIAL AID INCREASES

- ❖ UMS unrestricted waivers & scholarships increasing from \$34.5 to \$38.9 million
- ❖ UMS endowed scholarships increasing from \$2.9 to \$3.2 million
- ❖ Pell Grants maximum award increasing from \$4,310 to \$4,731 (+\$421)
- ❖ Racino scholarship funding increasing from \$600K to \$700K in FY09

	<u>FY09 Budget</u>	<u>FY09 Estimated Increase</u>	
		<u>\$ in millions</u>	<u>%</u>
Planned Financial Aid Increases:			
Unrestricted Waivers & Scholarships	\$38.9	\$4.4	12.6%
Endowed Scholarships	3.2	0.3	9.4%
PELL Grants	27.4	2.4	9.8%
Racino Scholarships	<u>0.7</u>	<u>0.1</u>	16.7%
Total Planned Financial Aid Increase	\$70.2	\$7.2	11.4%

SECTION IV
OPERATING EXPENSES
&
EMPLOYEE FTE'S

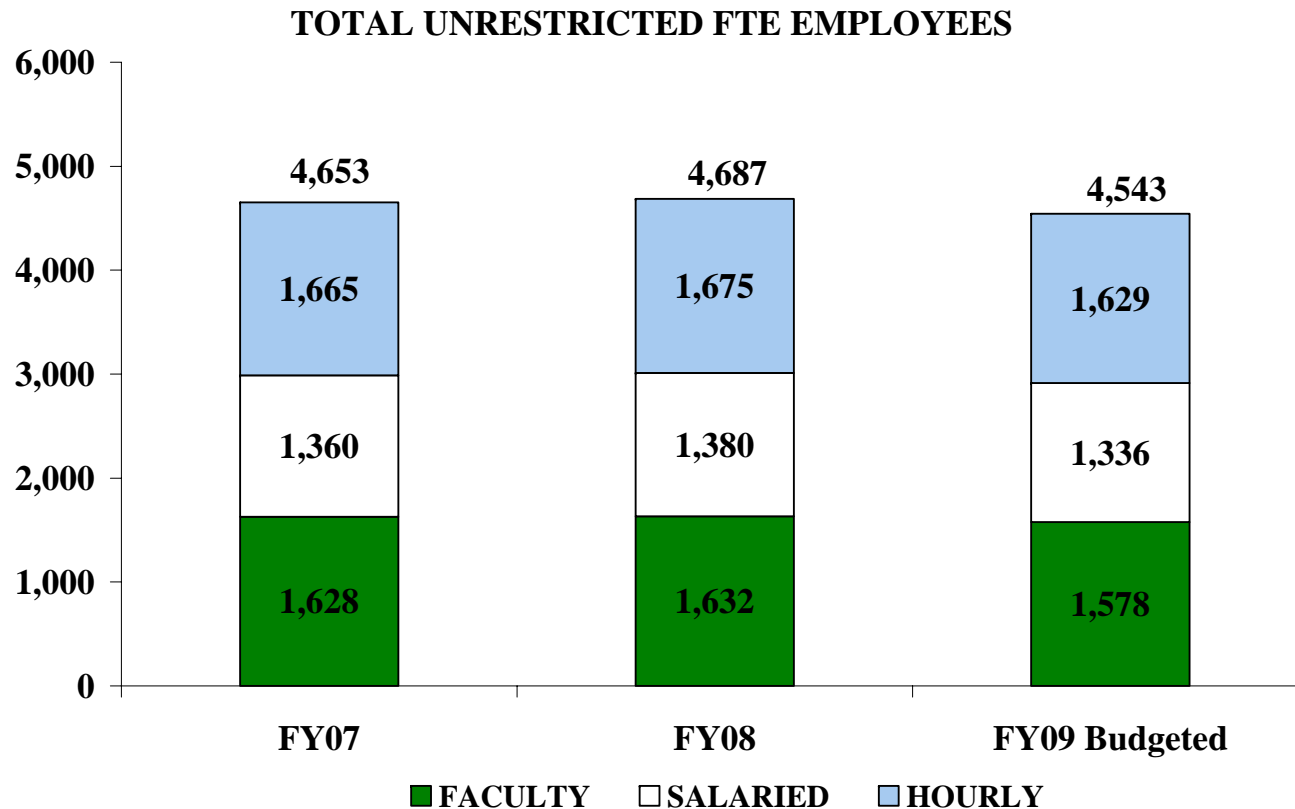
OPERATING EXPENSES

(\$ in millions)

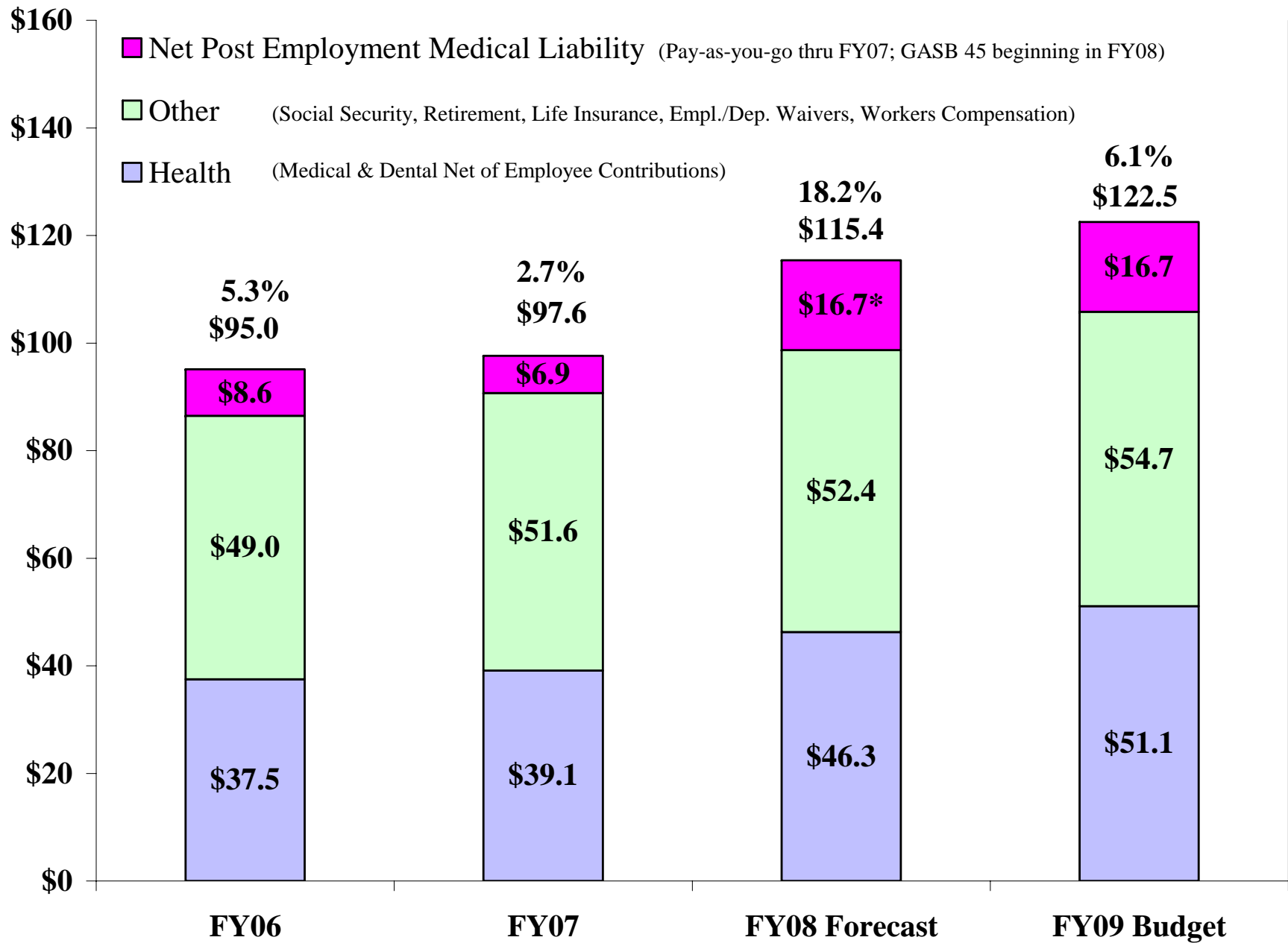
	FY07	FY08	FY08	FY09	FY09 BUDGET TO:		
	ACTUALS	BUDGET	FORECAST	BUDGET	FY08 BUDGET	FORECAST	
Compensation & Benefits	\$298.1	\$314.2	\$309.9	\$327.3	4.1%	5.6%	Negotiated compensation increases and increased benefit costs.
Health Insurance - Retirees	7.0	13.0	16.7	16.7	28.5%	-	Funding retiree medical
Utilities	26.7	29.2	30.9	32.0	9.7%	3.7%	Energy increases
Interest Expense	6.9	10.0	9.0	10.4	4.2%	14.9%	Revenue bond financing
Other Expenses	116.0	113.5	121.1	116.8	2.9%	(3.5%)	Primarily USM aligning budgets more closely to prior year actuals
Restricted Fund Matches/Transfers	12.8	18.9	20.0	19.0	0.8%	(5.0%)	Primarily UM's funding of Maine Agricultural and Forest Experimental Station & Cooperative Extension Services
USM Additional Reductions	-	-	-	(1.5)	-	-	USM has identified \$6 million in cost reductions. Need to identify another \$1.5 million
Total	<u>\$467.5</u>	<u>\$498.7</u>	<u>\$507.6</u>	<u>\$520.7</u>	4.4%	2.6%	

WORKFORCE MANAGEMENT

- ❖ Workforce reductions necessary to balance budget
 - Every effort made to maintain quality of academic programs & institutional missions
- ❖ An estimated 139 positions to be eliminated system-wide – both vacancies and lay offs
- ❖ Eliminated salary increase for senior administrators across the System totaling \$300,000



ANNUAL % CHANGE IN EMPLOYEE BENEFITS



*Budgeted GASB 45 at \$13 million in FY08

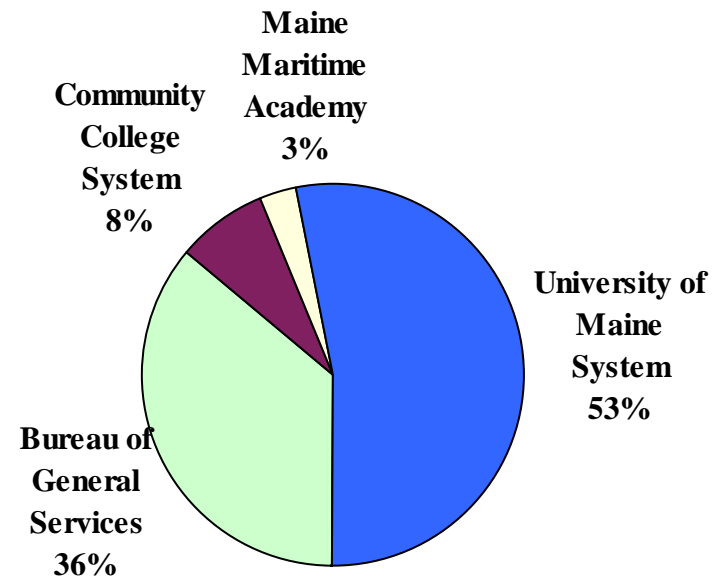
SECTION V

CAPITAL BUDGETING

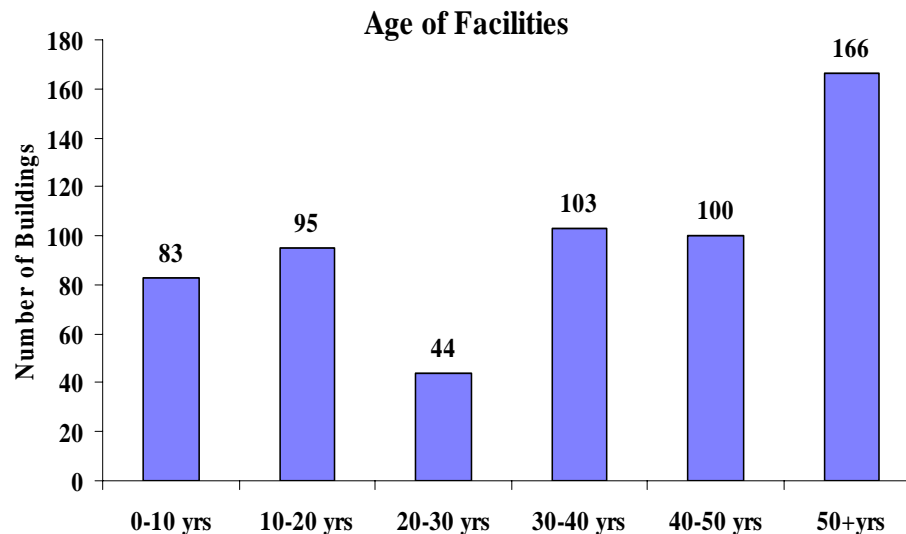
FACILITIES OVERVIEW

- ❖ 7 Universities
- ❖ 11 major campus locations
- ❖ 10 University College Centers
- ❖ 7 major research facilities
- ❖ Buildings – 9.6 million sq. ft.
- ❖ Land >13,500 acres (2,300 developed)
- ❖ \$2 billion value

Replacement Value Comparison



Source: Maine Risk Management Property Insurance Compilation Survey FY2008



DEPRECIATION & DEFERRED MAINTENANCE

Depreciation

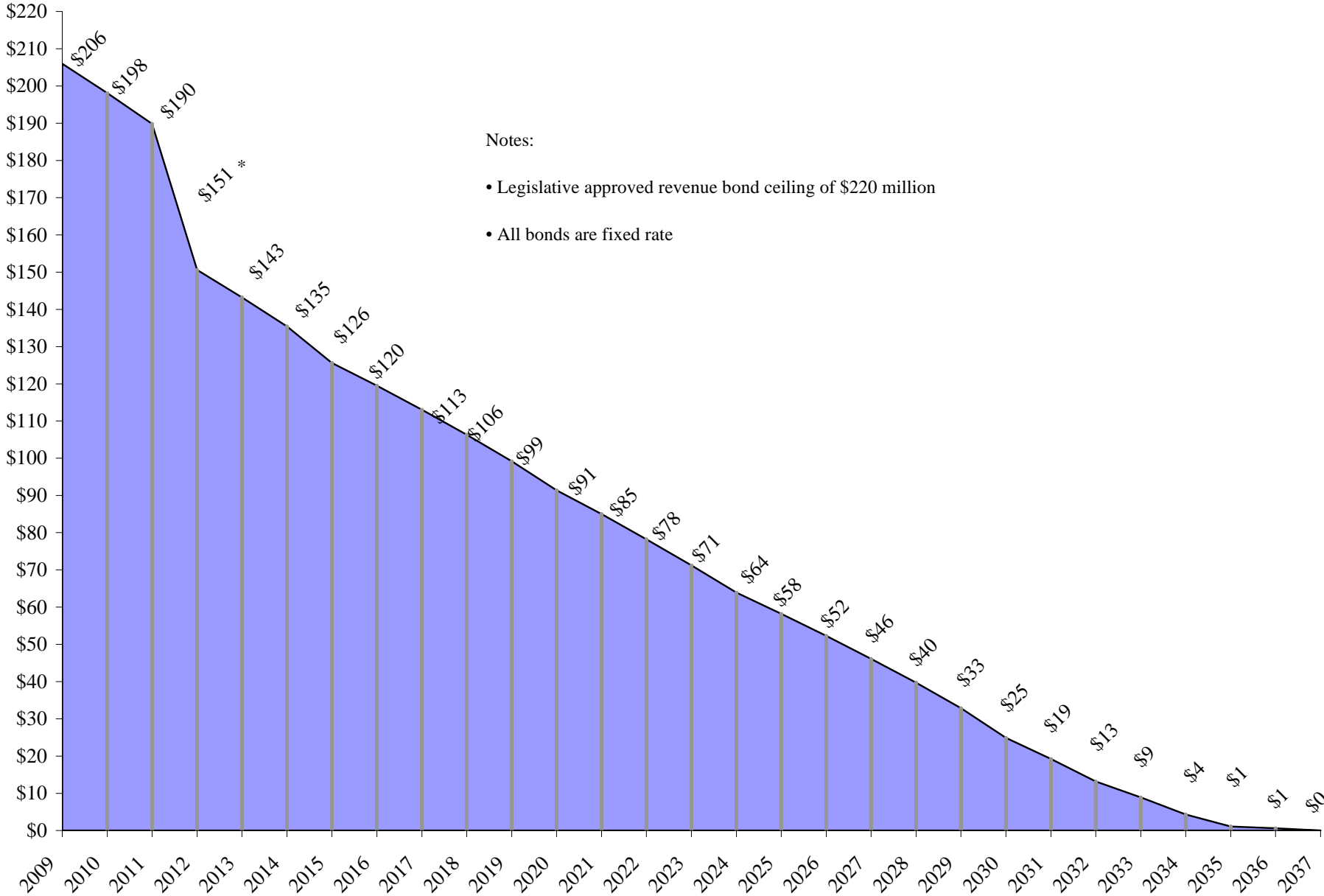
- ❖ Depreciation is the cost of allocating capital asset to expense over the determined useful life of the asset
- ❖ Goal in place to fully fund depreciation by 2017
 - Budgeted capital expenditures plus debt service principal will equal depreciation expense
 - Helps ensure future major replacement needs are funded
- ❖ Funding depreciation, however, does not fund the deferred maintenance/capital renewal needs in excess of \$500 million

Impact of Deferring Maintenance

- ❖ Negative image due to poor building appearance
- ❖ High risk of building system failures
- ❖ Increase in emergency reactive repairs
- ❖ Significant increase in operating cost
- ❖ Adverse learning environment

OUTSTANDING UMS REVENUE BONDS AS OF JUNE 30

(\$ in Millions)



Notes:

- Legislative approved revenue bond ceiling of \$220 million
- All bonds are fixed rate

* Balloon payment which will be refinanced in 2012.

MAJOR PROJECTS IN PROGRESS

Campus	Project	Budget Cost	Estimated Completion (Fiscal Year)
UM	Dining Hall Renovations - Wells	\$12.3	2008
	Laboratory for Surface Science Technology	2.0	2009
	Stodder Hall Renovations	4.3	2009
	Residential Hall Renovations	2.8	2010
	Student Recreation Center Tennis Courts	1.0	2008
	Hutchinson Center	4.0	2009
	Maine Center for the Arts - Phase I	11.0	2009
	Colvin Hall Renovation	2.3	2009
	Heat Plant Backpressure Turbine	1.0	2009
	Energy Infrastructure Projects	1.1	2010
	Jeness Facade Recon	1.2	2009
	Aubert Hall Building Renovations*	6.0	2010
	Fogler Library Climate Control*	1.5	2010
	Coburn Hall Renovation	0.9	2009
	Building Renovations/Classroom Upgrades*	3.0	2011
Athletic Field Turf Projects	2.2	2009	
	Sub-Total	\$56.4	

*Pending Board Approval

MAJOR PROJECTS IN PROGRESS

<u>Campus</u>	<u>Project</u>	<u>Budget Cost</u>	<u>Estimated Completion (Fiscal Year)</u>
UMA	Library Renovation Bangor	\$1.5	2009
	Jewitt Hall Addition - Augusta*	1.0	2010
UMF	Preble/Ricker Science Facility	2.6	2010
	Emery Arts Center	5.7	2010
	Stone Hall Renovation	0.9	2009
	Merrill Hall Renovation	0.4	2009
UMFK	Powell Hall Renovations*	2.0	2010
UMM	Renovation Torry Hall/Science Building	2.3	2009
USM	Lewiston-Auburn Classrooms and Library Renovations*	2.0	2010
	University Commons	33.2	2009
UMPI	Folsom-Pullen Renovation - Phase 1	2.6	2009
	Wind Power Project	2.0	2009
SYS	Regional Optical Network	4.9	2009
	Maine Street Peoplesoft Implementation	5.9	2010
	Sub-Total	<u>\$67.0</u>	
TOTAL		<u><u>\$123.4</u></u>	

*Pending Board Approval

FUNDING FOR MAJOR PROJECTS IN PROGRESS

	<u>\$ IN MILLIONS</u>
STATE BONDS AND APPROPRIATIONS	\$32.7
UMS REVENUE BONDS - ISSUED	31.6
FUNDRAISING/INSTITUTIONAL CAPITAL FUNDS	59.1
TOTAL MAJOR CAPITAL PROJECTS	<u><u>\$123.4</u></u>

SECTION VI
AGENDA FOR ACTION

MULTI-YEAR FINANCIAL PLANNING PROCESS

- ❖ Agenda for Action Goal for Financial Sustainability: “UMS will continue to be a financially stable enterprise over the long run, addressing the key issues and challenges of the future through a multi-year planning process that embraces prudent financial controls, transparency, cost containment, revenue enhancement, and optimal sizing of the institutions, functions, and activities.”

- ❖ Summer 2008, in readiness for the FY10/11 biennium request, the UMS will complete its multi-year financial planning exercise (currently in progress for the next two bienniums) giving consideration to:
 - Tuition strategy and affordability
 - Historical state support (operational, capital, and MEIF)
 - Capital renewal needs
 - Market-based total compensation (salary & benefits)
 - Energy costs and conservation
 - Declining demographics
 - Multi-year efficiency strategies
 - Overall achievement of financial sustainability outcomes

FINANCIAL SUSTAINABILITY OUTCOMES

	STATUS
❖ Hold annual cost increases to the Higher Education Price Index (HEPI)	FY02 to FY07 – annual average increase of 4%
❖ Fund retiree healthcare annual costs by 2012	On Track
❖ Fully fund annual capital depreciation by 2017	On Track but significant deferred maintenance backlog
❖ Maintain healthcare premium rates for active employees at no more than the New England healthcare cost trend average	Current year claims are challenging our ability to achieve this goal
❖ Monitor and achieve goals for selected financial indicators	
- Operating results – break even or slightly positive net change annually	Break even budget for FY09
- Debt service coverage ratio – strive for operational cash flow to be 2 times debt service	3 times in FY07
- Unrestricted net assets to debt – strive for unrestricted net assets to be one-third of debt	.3 in FY07
- Annual debt service shall not exceed 5% of annual expenses	2.4% in FY07
- Maintain or increase instructional and academic support expenditures – as a percentage of total operations	38% in FY02 40% in FY07