FY21 Operating Budget

University of Missouri Board of Curators
Finance Committee
June 18 - 19, 2020
FY 21 Planning Process

- Grounded in Financial Performance and Accountability Framework
- Preserves financial resources in short-term
- Allows for the permanent structural changes to sustain the mission and fund strategic actions to occur
- Budgets are based on campuses being open in the fall with some contingencies for disruption of revenue
- Continue to update spending plans on a quarterly basis to respond to unforeseen changes in financial performance
- Five-year financial plans and performance targets will be reset this fall
The University Hit Targeted Financial Performance Prior to the Pandemic

Consolidated Operating Margin

- 2015: 5.2%
- 2016: 5.6%
- 2017: 5.4%
- 2018: 6.0%
- 2019: 4.8%
- 2020: 1.8%

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June 18-19, 2020
Budgets for FY 21 Hit Target on a Consolidated Basis, with Improvement at Each Unit

<table>
<thead>
<tr>
<th>Unit</th>
<th>2020 Projection</th>
<th>2021 Budget</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated</td>
<td>1.8%</td>
<td>5.1%</td>
<td>5.0%</td>
</tr>
<tr>
<td>MU</td>
<td>(2.1)%</td>
<td>3.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>UMKC</td>
<td>(2.6)%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>S&amp;T</td>
<td>(1.1)%</td>
<td>2.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>UMSL</td>
<td>(2.5)%</td>
<td>1.9%</td>
<td>3.0%</td>
</tr>
<tr>
<td>MUHC</td>
<td>4.3%</td>
<td>5.4%</td>
<td>8.0%</td>
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</tbody>
</table>
MU and MU Health Account for Over 70% of the Total Budget

<table>
<thead>
<tr>
<th>FY 2021 Revenue Budget</th>
<th>MU Healthcare</th>
<th>UMKC</th>
<th>MO S&amp;T</th>
<th>UMSL</th>
<th>UM System</th>
<th>University Wide Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Tuition &amp; Fees</td>
<td>$275.8</td>
<td>$ -</td>
<td>$146.9</td>
<td>$72.8</td>
<td>$88.1</td>
<td>(0.2)</td>
<td>$583.4</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>217.8</td>
<td>-</td>
<td>73.9</td>
<td>50.2</td>
<td>55.9</td>
<td>12.3</td>
<td>419.6</td>
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<tr>
<td>Grants &amp; Contracts</td>
<td>215.1</td>
<td>0.1</td>
<td>44.1</td>
<td>36.1</td>
<td>29.8</td>
<td>-</td>
<td>325.2</td>
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<tr>
<td>Auxiliary Revenues</td>
<td>269.7</td>
<td>23.9</td>
<td>40.6</td>
<td>19.8</td>
<td>18.2</td>
<td>22.7</td>
<td>394.9</td>
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<tr>
<td>Patient Revenues</td>
<td>262.2</td>
<td>1,080.9</td>
<td>40.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,383.1</td>
</tr>
<tr>
<td>Private Gift Revenues</td>
<td>22.7</td>
<td>1.3</td>
<td>11.2</td>
<td>6.6</td>
<td>11.3</td>
<td>0.1</td>
<td>53.2</td>
</tr>
<tr>
<td>Endowment &amp; Investment</td>
<td>93.3</td>
<td>-</td>
<td>13.2</td>
<td>15.6</td>
<td>9.7</td>
<td>21.9</td>
<td>215.0</td>
</tr>
<tr>
<td>Other Income</td>
<td>51.0</td>
<td>-</td>
<td>13.9</td>
<td>4.4</td>
<td>2.8</td>
<td>3.5</td>
<td>84.9</td>
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<tr>
<td>Revenue Contingency</td>
<td>(50.2)</td>
<td>-</td>
<td>(15.5)</td>
<td>(7.6)</td>
<td>(7.3)</td>
<td>(1.0)</td>
<td>(81.6)</td>
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<tr>
<td>Total Revenue</td>
<td>$1,357.4</td>
<td>$1,106.2</td>
<td>$368.3</td>
<td>$197.9</td>
<td>$208.5</td>
<td>$59.3</td>
<td>$3,377.7</td>
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</tbody>
</table>
Compensation Drives the Majority of Spending

FY21 All Funds Budget

$3.3 Billion

Expenses

Salary & Wages, 47%
Benefits, 16%
Depreciation, 6%
Other Expenses, 30%
Interest Expense, 1%
The University is Down 443 Full-time Staff Since 2015

- Office & Admin Support: -562
- Maintenance & Transportation: -117
- Service: -110
- Business Ops & Management: -22
- Other: -4
- IT/Engineering/Science: 7
- Community Service & Arts: 61
- Instructional Support: 149
- Healthcare Practitioners: 151

June 18-19, 2020
And is down by an Additional 141 Full-time Faculty
Continued Declines in Revenue will Impact Research and Academic Excellence

[Graph showing the relationship between resources per student and research per student for various universities, with points labeled KSU, NE, MU, ISU, OSU, AR, KY, IA, TN, IL, OU.]
No Single Action Sustains Excellence

**Academic Excellence**
- Program Review and Rationalization
- Degree/Certificate Market Analysis
- Academic Productivity

**Future Academy**
- Research & Creative Works
- Outreach & Engagement
- Student Success

**Resource Utilization**
- Data Driven Allocation Models
- Reserve Practices & Policies
- Implement 5 Year Financial Plan

**Revenue Enhancement**
- Pricing flexibility
- Long-term Enrollment Strategy
- Auxiliary Operation Rationalization
- Development Opportunities

**Operational Excellence**
- Expansion of Enterprise Services
- Organizational Consolidation
- Streamline Process through Functional Efficiency

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We Have Made Progress But Much Work Remains

- Continue strategic reallocations
- Identify permanent solutions to reduce cost
- Improve operational efficiency and effectiveness
- Evaluate benefit costs and structures
- Accelerate efforts to improve space utilization
- Leverage these efforts improve the academic mission and generate top-line revenue growth
Challenge to the University Remains

**GROW REVENUE!**

- We can’t cut our way to greatness
  - But we can spend our way to bankruptcy if revenues don’t change
  - Necessary cuts are a result of the paradigm shift in revenues

- Past growth strategies will not work
  - State revenues will remain challenged, even with significant support we enjoy
  - Traditional tuition rates and enrollments subject to market forces

- New, paying students/learners and programs to serve them are the key to our future

- Focus on productivity while growing… if we want the best faculty we need the paying students to support them
Financial Accountability Framework Underpins Revenue Growth

- Focus on the Accountability Framework preserves the resources to manage the organization
  - Operating Margin ensures resources are available to invest
  - Cash to Operations ensures resources are available to weather a storm (like pandemic)
  - Cash to Debt ensures appropriate use of debt to grow operations
  - And Revenue Growth is the underpinning of all financial success – with real revenue growth resources GROW.

- Financial plans focus on the generation of operating margin and revenue growth
  - Revenue growth and operating margin are difficult to obtain without academic excellence. We need to find academic excellence in ways the market will pay the University (whether that be students, government, funding agencies, etc.)
  - Strategic plans should drive revenue and margin
What is the Board’s role?

- Hold the President, Chancellors, and CFO accountable for performance
  - Support the decisions they make to course correct to achieve targets

- Focus on the strategic level and use accountability as the lever for action
  - See the Financial Performance and Accountability Policy

- Focus time on challenging the organization to grow and to achieve excellence