UMKC Financial Status Update
Higher Education Funding Environment
State Support is Changing Significantly

Only drop without preceding recession

Shaded portions represent economic recession

State Appropriations $
Tuition Replaces State Support as Primary Revenue Source

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- First time in U. history where both tuition and state support saw a 3 yr. drop
Real Resources per Student has Changed in Proportion and is Declining

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Missouri Ranks Last in Revenue per FTE Student Growth Since the Great Recession (through 2017)

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Source: SHEEO
UMKC Financial Status Update
UMKC’s Financial Status Eroded Over last Decade
improved FY19 with $25M capital gift

- A CFI of 3 is generally considered healthy
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Increasing Debt, Negative Margins

UMKC Outstanding Debt

UMKC Operating Margin

Actuals

Target
Enrollment grew until 2015, graduation rates improved from 2009-2014, then flattened.
Balance sheet remains weaker than peers, cash improved with capital gift
Operating Expenses Growing while Revenues Flatten

Operating Revenue Growth

- Compensation
- Supplies Services & Other
- Depreciation & Interest

% increase 2010-2019

Operating Revenues vs. Operating Expenses

$ in 000's


%
The Changing Role of System Administration
Historical Role of System in Resource Allocation

▪ Responsible for allocation of state appropriations
  ○ In a growing resource environment, this ensured resources went to the highest priorities in the system
  ○ The last time this process occurred was 2015

▪ Provide University-wide Services at scale (payroll, benefits, etc)

▪ Manages the Central Bank (investments & debt) and the related revenues and resources
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  ○ Investment of working capital to distribute and generate resources

▪ Each University manages all other sources of funds and related uses (Tuition, Grants, Gifts, Auxiliaries).
Historical Change in State Appropriations

- Appropriations are becoming a smaller part of revenues
- Cuts have been allocated as a pro rata share over the course of history, increases based on priority
- The last three budget years experienced the following reductions:
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The allocations to UM lag other four years in the state

- Advocacy as a single institution has not been effective since at least 2010
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System Also Allocates Credit & Investment Earnings

- Board approves any debt funding as a part of the capital investment process, UM System Manages the debt portfolio
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UM System provides scale to lower cost

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University of Missouri System
COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS
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UMSL Financial Status Update
Higher Education Funding Environment
State Support is Changing Significantly

![Graph showing state support appropriations over time, with shaded portions representing economic recessions. The graph indicates a significant increase in appropriations, with drops during recessions.]
Tuition Replaces State Support as Primary Revenue Source

First time in U. history where both tuition and state support 3 yr. drop

- Tuition
- Appropriations

Shaded portions represent economic recession

- State Investment + Enrollment Growth
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- State Slow Decline + Enrollment Growth
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Source: SHEEO
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UMSL’s Composite Financial Index trended below the “healthy” level over the past 5 years.

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Operating Expenses Outpace Revenue Growth

Operating Revenue and Expense Growth

$140,000 $160,000 $180,000 $200,000 $220,000 $240,000
$'s in 000's


Compensation Supplies Services & Other Depreciation & Interest

% increase 2010-2019

Operating Revenue Growth

University of Missouri System
COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS
Increasing Debt, margin trends below breakeven

**UMSL Outstanding Debt**

- $40,000
- $60,000
- $80,000
- $100,000
- $120,000
- $140,000
- $160,000


**UMSL Operating Margin**

- -15.0%
- -10.0%
- -5.0%
- 0.0%
- 5.0%
- 10.0%
- 15.0%


- Actuals
- Target
Graduation Improves while Enrollment Declines

Undergraduate Metrics

- 6-Year Graduation Rate - Undergraduates
- Retention Rate - Undergraduates

Full-time Equivalent Enrollment

- Undergraduate
- Graduate (non-professional)
- Graduate (professional)
Balance sheet leverage increases on increasing debt, giving grows moderately

**Spendable Cash Metrics**

- Spendable Cash & Investments to Debt
- Spendable Cash & Investments to Operations
- Target Spendable Cash & Investments to Debt
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**Giving**

- Private Gifts
- Permanently Endowed Gifts
- Capital Gifts
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MU Financial Status Update
1

Higher Education Funding Environment
State Support is Changing Significantly

Appropriations

State Appropriations $

- 50,000,000
- 100,000,000
- 150,000,000
- 200,000,000
- 250,000,000
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- 450,000,000
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![Graph showing MU’s Composite Financial Index from 2010 to 2019, with CFI levels and decision points indicated.]
Debt grew, margins fell but hovered around 3%
Enrollment fell significantly, graduation rate trends upwards

Undergraduate Metrics

- 6-Year Graduation Rate - Undergraduates
- Retention Rate - Undergraduates

Full-time Equivalent Enrollment

- Undergraduate
- Graduate (non-professional)
- Graduate (professional)
Balance sheet power increased, giving continues upward trajectory.
Operating expenses grow in line with revenues
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S&T Financial Status Update
S&T’s Composite Financial Index Healthy Over Past Decade

- A CFI of 3 is generally considered healthy
- A CFI of 1-3 indicates that significant changes to the institution need to be made
- A CFI below 1 indicates the need to assess the institution’s viability
- A CFI below 1 begins a review by the University’s accreditation body (HLC)
  - If the CFI falls below 1 for two years in a row, the institution must undergo a panel review process
  - If the CFI falls below -1 in any one year the panel review process is triggered
Expense Growth in line with Revenues

Operating Revenue and Expense Growth

Operating Revenues and Expenses Growth

$'s in 000's

% increase 2010-2019

Operating Revenue and Expense Growth

Operating Revenue Growth
Increasing Debt, Positive Margins

S&T Outstanding Debt

S&T Operating Margin

Actuals

Target
Solid Balance Sheet Position, Stable Giving

Spendable Cash Metrics

- Spendable Cash & Investments to Debt
- Spendable Cash & Investments to Operations
- Target Spendable Cash & Investments to Debt
- Target Spendable Cash & Investments to Operations

Giving

- Private Gifts
- Permanently Endowed Gifts
- Capital Gifts
Enrollment grows until 2015, steady performance on graduation rates

Undergraduate Metrics

6-Year Graduation Rate - Undergraduates
Retention Rate - Undergraduates

Full-time Equivalent Enrollment

Undergraduate  Graduate (non-professional)
The Changing Role of System Administration
Historical Role of System in Resource Allocation

- Responsible for allocation of state appropriations
  - In a growing resource environment, this ensured resources went to the highest priorities in the system
  - The last time this process occurred was 2015

- Provide University-wide Services at scale (payroll, benefits, etc)

- Manages the Central Bank (investments & debt) and the related revenues and resources
  - Debt portfolio and access to external capital
  - Investment of working capital to distribute and generate resources

- Each University manages all other sources of funds and related uses (Tuition, Grants, Gifts, Auxiliaries)
Historical Change in State Appropriations

- Appropriations are becoming a smaller part of revenues
- Cuts have been allocated as a pro rata share over the course of history, increases based on priority
- The last three budget years experienced the following reductions:
  - FY2018: $36M in recurring cuts
  - FY2019: $11M in recurring cuts
  - FY2020: $10M increase before $52M withhold

Source: IPEDs, 2002-2004 extension adjusted from UM to MU to reflect change in IPEDS Reporting.
The allocations to UM lag other four years in the state

- Advocacy as a single institution has not been effective since at least 2010
- The gap continues to widen as UM is allocated a larger share of cuts
- Need to change our approach to change the outcome for the betterment of the four universities
System Also Allocates Credit & Investment Earnings

- Board approves any debt funding as a part of the capital investment process, UM System Manages the debt portfolio
- UM System also manages the general pool, which represents the investment of the University’s working capital. General pool income funds:
  - A portion of System Admin’s Operations
  - Interest on cash balances for business activities and capital
  - A dividend that funded a significant portion of the $260 Million in Missouri Compacts Investments
  - Detail of these allocations follows on the next slide.
Investment & Debt Proceeds are allocated to the campuses by UM

| Sources of System Admin funding for the compacts are not recurring in nature and represent drawdowns of prior reserve savings. |

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<table>
<thead>
<tr>
<th></th>
<th>MU</th>
<th>UMKC</th>
<th>S&amp;T</th>
<th>UMSL</th>
<th>UMSYS</th>
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<tbody>
<tr>
<td>Investment Earnings*</td>
<td>93,735</td>
<td>12,769</td>
<td>22,708</td>
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<td>Savings from Refinancings</td>
<td>33,474</td>
<td>1,864</td>
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<td>Prior Savings on System Budget</td>
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<td>Drawdown of Legacy Reserve</td>
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<td>-</td>
<td>-</td>
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<td><strong>Total Sources</strong></td>
<td><strong>127,209</strong></td>
<td><strong>14,633</strong></td>
<td><strong>24,708</strong></td>
<td><strong>14,772</strong></td>
<td><strong>49,474</strong></td>
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<td>Capital Projects</td>
<td>(32,200)</td>
<td>(9,891)</td>
<td>(7,334)</td>
<td>(9,900)</td>
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<td>Compact Scholarships</td>
<td>(11,240)</td>
<td>(10,000)</td>
<td>(1,368)</td>
<td>(2,895)</td>
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<td>Precision Health Building &amp; Equipment</td>
<td>(50,000)</td>
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<td>Research Funding</td>
<td>(30,151)</td>
<td>(5,284)</td>
<td>(10,010)</td>
<td>(3,171)</td>
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<td>eLearning</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(20,000)</td>
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<td>Other Programs</td>
<td>(2,854)</td>
<td>(5,604)</td>
<td>(8,371)</td>
<td>(1,104)</td>
<td>(9,419)</td>
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<td><strong>Total Uses</strong></td>
<td><strong>126,445</strong></td>
<td><strong>30,779</strong></td>
<td><strong>27,083</strong></td>
<td><strong>17,070</strong></td>
<td><strong>29,419</strong></td>
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<td>Net Unallocated</td>
<td>764</td>
<td>(16,146)</td>
<td>(2,375)</td>
<td>(2,298)</td>
<td>20,055</td>
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*Includes future sources
Central Bank Allocations Generally Track with Balances that Generated the Resources with Select Exceptions

FY 13 – FY 19*

(*Assumes unfunded commitments will be funded by campus resources generated at levels consistent with historical performance)
UM System provides scale to lower cost

- The System is not a source of revenue for the universities
  - State funds continue to drop; the single point of advocacy for the group strategy has failed over the past decade
  - The compacts program will spend the last portions of non-collateralized reserves at System Administration

- Scale can be leveraged to generate resources from investing and debt, but this can also be managed by distributing resources via each campus’s relative contribution

- System moves to a consolidation unit that only provides university wide administrative services, value proposition to lower administrative cost
Scale results in lower Admin Costs

Administration as a % of Total Spend

- Being part of the system provides scale to administration:
  - One payroll office instead of four
  - One accounts payable function
  - Shared administrative IT systems instead of four instances
  - One Treasury & Investments function
- This results in lower administrative resource consumption
Remaining Together Leverages Collective Strength and Generates Scale

The **University of Missouri System** bond rating is in the **TOP 11%** of higher education institutions as rated by Moody’s. *Without the combined strength of the System, three of the System’s campuses would be rated in the LOWEST 28% of higher education institutions.*