Thinking Strategically About UCLA’s Resources

UCLA Senate Budget Seminar #4

December 6, 2013
Threats from the External Environment

- Reduced state funding
- Increasing mandatory costs
- Limits to generating non-state revenue
- Reduced federal research support
- Affordable Care Act
Supporting the Mission and Values

<table>
<thead>
<tr>
<th>Elements of UCLA’s Mission</th>
<th>Selected Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advancing knowledge through scholarship and research, especially high-impact research.</td>
<td>Public service/responsibility.</td>
</tr>
<tr>
<td>Educating citizens and scholars through the efficient and effective delivery of relevant skills and knowledge.</td>
<td>Diversity and access.</td>
</tr>
<tr>
<td>Providing or expanding opportunity for students.</td>
<td>Excellence.</td>
</tr>
<tr>
<td>Serving our communities by transferring new knowledge to society.</td>
<td>Relevance to our mission and to the public.</td>
</tr>
<tr>
<td>Being public engaged in Los Angeles, California, the nation, and the world.</td>
<td></td>
</tr>
<tr>
<td>Providing the high quality health care and other clinical services.</td>
<td></td>
</tr>
</tbody>
</table>
Strategic Goals and Investments

Strategic Goals

- Recruit and support a highly engaged student body distinguished by its academic quality and diversity.
- Hire and retain faculty who are among the best in their fields.
- Maintain global reputation for high quality innovated undergraduate education.
- Focus support for graduate education and research programs that build on our strengths.
- Serve the public good by broadening our reach and relevance locally and globally.
- Recruit, train, and invest in high quality workforce.
- Provide technology and facilities to needed for excellence.

Strategic Investments

- Faculty, student, program, and research support.
- Undergraduate teaching, strategic enrollment management, on-line course and classroom infrastructure.
- Administrative systems to streamline work processes.
- Seismic and life safety improvements.
- Deferred maintenance.
- Student housing and other student facilities and support programs.
- Expanded health systems capacity.
- Centennial Campaign infrastructure.
Making Choices: 
Five Questions for Each Academic Program

The Questions

- Does the program contribute toward the institution’s mission in a clear, compelling, and measurable way?
- Does the program contribute to, or detract from, the institution’s financial goals?
- Does the program build on the institution’s key strengths?
- Is the program well aligned with academic, political, social, and external trends, such as enrollment demand, extramural funding, donor interest, or state initiatives?
- Is program funding strategically aligned? i.e., is it the best use of core resources?

Who Must Ask These Questions

- The Regents
- UCOP
- Campus Executive Leadership
- Campus Managers & Supervisors
- Academic Leadership
- Students
- Parents
- Alumni
- Donors
Strategic Financial Analysis

Four Sets of Tools for Measuring Financial Well-Being
Strategies for Improving Financial Performance
Liquidity

Does the institution have adequate resources and access to sufficient funds to meet current and future operating and capital requirements?

<table>
<thead>
<tr>
<th>Primary Metrics</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Reserve Ratio</td>
<td>Increase cash generated from operations</td>
</tr>
<tr>
<td></td>
<td>Reduce unfunded pension liabilities</td>
</tr>
<tr>
<td></td>
<td>Reduce unfunded retiree health benefit liabilities</td>
</tr>
</tbody>
</table>
Debt Management

Has the financial burden of debt outweighed its strategic usefulness to achieve mission?

Primary Metrics

- Viability Ratio
- Debt Burden Ratio
- Debt Service Coverage Ratio
- Interest Burden Ratio
- Portfolio Principal Duration Metric

Strategies

- Establish debt management policies
- Manage within overall debt capacity
- Debt Restructuring
  - Principal maturity dates
  - Mix of fixed vs. variable.
  - Mix of taxable vs. tax exempt
Asset Performance and Management

Are past investments providing adequate returns?

Primary Metrics

- Return on Net Assets
- Physical Asset Reinvestment Ratio
- Age of Facilities Ratio
- Deferred Maintenance Ratio

Strategies

- Improve utilization of existing buildings
- Optimize mix of owned and leased facilities
- Maintain adequate investment in deferred maintenance
- Consider full ownership cost when making new capital investment
- Improve investment return from working capital.
- Improve investment return from endowment.
# Measuring Operating Results

Are operations generating sufficient resources to support liquidity and reinvestment?

## Primary Metrics

- Net Operating Revenues Ratio
- Cash Income Ratio
- Net Tuition & Fee Contribution Ratio
- Net Tuition Dependency Ratio
- Demand Ratios

## Strategies

- Target adverse revenue and expense trends for improvement
- Develop and grow new revenue sources
- Improve operational productivity
- Reduce tuition dependency, i.e. build endowment
- Reduce state funds dependency, i.e. build endowment