

Meeting Report  
UNIVERSITY OF HAWAI'I  
BOARD OF REGENTS'  
COMMITTEE ON BUDGET AND FINANCE  
AND  
COMMITTEE ON PLANNING AND FACILITIES

Date: Wednesday, September 2, 2015  
Time: 12:30 p.m.  
Place: University of Hawai'i at Mānoa  
Information Technology Building  
1st Floor Conference Room 105A/B  
2520 Correa Road  
Honolulu, Hawai'i 96822

The committee received and reviewed two items: 1. Fourth Quarter Financial Report for Fiscal Year Ending June 30, 2015; 2. An Approach for Supplemental Budget Proposals for the Operating Budget and Capital Improvement Projects; and discussed further the consideration of a Systemwide Master Plan for Academic Programs and Facilities.

Regarding the Fourth Quarter Financial Report for Fiscal Year Ending June 30, 2015 showed no fiscal imbalance for all revenues, with the exception of UHH that has a small modest imbalance where revenues were slightly less at \$300k for all revenue types. The ending balance relating to the operating budget and spending plan, based on this report, compared the 'actual' amount of ending balances versus when it was approved on forecasted balances, and the result is on slide 3 shows all campuses finished on the mark if not better, except UHM that was down by \$22k, which is not significant. UHH also missed the mark at under \$1M but has a substantial reserve. All other campuses were better than estimated.

Regarding revenues, primarily tuition, all campuses ended with higher than prior balances because of the increase in tuition and forecasts. Aggregated, the projected revenue was close to actuals, except at the system level, revenues were \$11M less than projected out of \$971M. Although there is no clear correlation between \$11M deficit and expenditure levels without a campus level review, UHM and System did not expend as much as forecasted which helped offset revenue short performance. UH Hilo and UH West O'ahu spent more, mostly because of general fund appropriations.

Performance on all revenue sources at the system level was at 3.4% across all, and a reduction of 2.74% systemwide. Campuses performed in alignment with projection, and the decline is waning if not improving, due to proactive management of expenditures. Looking forward, there is a need build reserves except UHH. The FY16 budget anticipates building reserves except that UHM is on a multiyear schedule beyond 2016. The reserves can only be funded with unrestricted funds, so other special and revolving funds are not included in the reserve and reported for each campuses by grouping of funds.

As of the last two reports, the financial condition is less than optimal but improving. With the start of FY16 Q1 report, it is expected to improve, but with some limitations on what can be provided. The financial systems will be upgraded and reflect in FY 2017 that is hoped to provide

more information such as nature of expenditures, and variance granularity, and deferrals of expenditures to determine actual savings and not impact quality. It is more of a trending report that compares current figures to what was allocated, with the goal to have an actual budget upon which to determine savings. UHM continues work on restructuring and internal allocation methodology to report in November with a goals to decrease and prioritize expenditures to move forward.

The committee is encouraged because the deficits have stopped and is very pleased with UHM's performance. The next step is to look to develop management tools to assess if management techniques are working and the level of impact on the operating budget, such as matching every expense category to the period budgeted. The committee recognized the dramatic shift from current practice, but FY16 approved budget is a step in direction and aligns with goals set by the Regents. The committee recognized the great strides and hard work of administration, and suggested consideration of a special agenda item, on the impact of cutting expenses on quality of education and human resources, and where it is occurring.

External agencies for bonds have noted declining performance on reserves, fiscal problems for flagship, industry trends in reduction in enrollment, affordability of industry with tuition increases, growing long term liabilities not addressed eg. Pension, fringe, long term debt, and diminishing state funding. UH has stronger than avg (30%) state support enviable across the nation, although the support has been declining over 5-10 years. Feedback received from rating agencies recognized that the historical decline has waned, but also sees a 5 year of decline and a one year is not an indicator. It appears that the UH is at status quo but are looking more optimistically at management, governance, Board support of direction. The rating is challenged because of UHM is the largest campus and has poor reserve performance. The University needs to execute on that to demonstrate improvement.

Regarding the Approach for Supplemental Budget Proposals on the Operating Budget and Capital Improvement Projects, Administration presented an update on process and precursor to the timeline in approving the submittal. FY 17 proposals may include some initiatives as new budget items and supportive of specific performance based funding initiatives. The schedule is targeting review over the next 2 weeks to validate and vet proposals and CIP requests. Generally, the approach is to continue to look to GO bonds as primary funding for new CRDM, and beyond FY 17 to consider diverse funding strategies to meet all needs as it will coincide with a new tuition schedule and a new biennium. It is anticipated to set an upcoming joint meeting for Sept 30, and then board approval at the Oct 15 Board meeting in order to submit the final proposal to the State B&F timely.

Regarding Consideration of Facilities planning in a Systemwide Master Plan for Academic Programs and Facilities, that was discussed at the P&F and AA. The committee tasked administration to assist in drafting a resolution to bring to the board for consideration that would encourage administration to embark on a holistic master plan that will both look at programs and physical facilities to not only be effective in reaching education segments of community, but to prioritize programs, utilize efficient use of human and physical resources. The plan would align all campuses LRDP. It was noted that when working on the UHWO master plan, there are more efficient and cost effective opportunities with a holistic plan to determine what each campus should and could provide to better utilize programming that drives facilities, and becoming one system than 10 separate campuses.