

10 de septiembre de 2018

A TODA LA COMUNIDAD UNIVERSITARIA



Jorge Haddock

PLAN FISCAL DE LA UNIVERSIDAD DE PUERTO RICO REVISADO



Reciban un cordial saludo. El pasado viernes, la Junta de Gobierno de la Universidad de Puerto Rico remitió a la Junta de Supervisión Fiscal (JSF) una versión revisada del Plan Fiscal que aprobó para la institución, junto a una carta en la que explica varias discrepancias señaladas por dicho organismo el 30 de agosto de 2018.

Les adelanto que la Junta de Gobierno defendió la permanencia de las exenciones de matrícula, el bono de navidad y la cuantía de la aportación por concepto de plan médico, según fue establecido en el Plan Fiscal aprobado el 21 de marzo de 2018. Como es de su conocimiento, la JSF exige la eliminación de todas las exenciones, excepto las que se otorgan por concepto de matrícula de honor. La Junta de Gobierno mantuvo el cien por ciento (100%) de exención en las categorías de matrícula de honor, ayudantías graduadas y representación estudiantil ante la Junta Universitaria y la Junta de Gobierno. Asimismo, se mantiene en su totalidad la exención otorgada por virtud de legislación federal a los hijos de veteranos. Las demás categorías permanecen en cincuenta por ciento (50%). De otra parte, tal y como fue solicitado por la JSF, se incluyó un leve aumento en el crédito a nivel graduado. Comparto con ustedes ambos documentos para que tengan la oportunidad de revisar los cambios y aclaraciones directamente.

Es un hecho que la Junta de Gobierno lleva aproximadamente un año y medio negociando sobre las medidas exigidas por la JSF para ajustar las finanzas de la institución. Por lo que resulta difícil detener dicho trámite. Sin embargo, les garantizo que trabajaré con gran ahínco para mitigar el impacto de dichas medidas sobre nuestros estudiantes y personal. Un plan fiscal no se escribe en piedra; es un documento abierto a enmiendas. En la medida en que logremos implementar nuestro plan de trabajo y demostramos la sostenibilidad de las finanzas de la institución, tendremos una verdadera autonomía y lo exigido por la JSF no será necesario. Por ello, y cónsono con la encomienda de la Junta de Gobierno, implementaremos un plan de trabajo que tenga como resultado una Universidad más eficiente y menos burocrática, una institución financieramente sólida y que siga siendo la opción más accesible para cursar estudios universitarios de excelencia en Puerto Rico.

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A TODA LA COMUNIDAD UNIVERSITARIA

Página 2

10 de septiembre de 2018

Tengo la confianza de que puedo contar con los distintos sectores de la comunidad universitaria para poner en vigor mi abarcador plan de trabajo. La apertura y disposición que he percibido durante las reuniones que he sostenido con estudiantes, profesores y personal no docente durante mi primera semana en funciones así me lo hacen sentir. Sé que ustedes, igual que yo, desean el bienestar de la Universidad que por 115 años ha sido uno de los pilares de nuestra isla.

Respeto el derecho de aquellos que han optado por manifestarse en contra de las medidas que quiere imponer la JSF. Les pido tiempo y cooperación para ejecutar la agenda de trabajo que he compartido con ustedes. Les reitero que sus ideas y alternativas son bien recibidas. Tenemos una misión en común, que la Universidad de Puerto Rico siga siendo el primer centro docente en la isla.

Anejos



GOVERNING BOARD
UNIVERSITY OF PUERTO RICO

VIA ELECTRONIC MAIL

September 7, 2018

Mrs. Natalie Jaresko
Executive Director
Financial Oversight and Management Board for Puerto Rico
PO Box 192018
San Juan, Puerto Rico 00919-2018

Re: Reply to Notice of Violation - UPR

Dear Mrs. Jaresko:

On August 30, 2018, we received a copy of your letter (the "Letter"), setting forth a list of alleged violations in the University of Puerto Rico's (the "UPR") August 20, 2018 Fiscal Plan Update (the "Plan") and requesting a revised version with the suggested amendments¹.

As a result of said Letter, the UPR reviewed the individual recommendations and elaborated an updated version of the Plan for submission. Although this version does not include all of the recommendations included in your most recent communication, it is a well thought out position to meet the Board's fiscal targets while allowing the UPR to meet its institutional goals and policies within its own governance structure (e.g. pension reform, further tuition increases, and healthcare insurance adjustments).

The UPR is a driver of economic growth and a critical component of our society. It is our duty to set up the UPR to succeed in its mission to deliver high quality, and accessible, higher education to its citizenship. At present, the UPR is not only working on the Plan, but also on meeting MSCHE's standards to avoid further negative action against eight (8) of the eleven (11) campuses that already face accreditation risk under MSCHE Standards, and executing a special project to deliver Audited Financials for Fiscal Year 2016-17 on or before December 31, 2018.

Although the UPR disagrees with the Board on its statement that the submitted fiscal plan fails to achieve structural balance over a five-year period, we have carefully reviewed the Board's recommendations and requests for additional information.

UPR is fully aware of the challenges it faces and, accordingly, it has taken concrete positive steps to improve its overall financial condition and management, to wit:

- i. Significantly reduced tuition exemptions and established caps for our current academic year

¹ This Letter was deemed a Notice of Violation pursuant to Section 203(c)(3)(B) of PROMESA on behalf of the Financial Oversight and Management Board (the "FOMB").

- ii. Increased revenues stemming from higher tuition costs for graduates and undergraduates, as well as other charges
- iii. Hired new President, Dr. Jorge Haddock, with a clear vision and focus on bringing in, on an ongoing basis, new sources of revenue and improving the University' fiscal condition. Dr. Haddock began his five year term on September 4, 2018
- iv. Named new Chief Financial Officer ("CFO") in charge of financial reporting
- v. Created a Project Management Office (PMO) to ensure Fiscal Plan implementation
- vi. Preliminary actual results demonstrate a lower expenditure rate versus the forecasted amounts in important items such as payroll expense.

These are just some of the concrete measures that have taken place and that set the foundation for the UPR's transformation. In order to address all the items in the Letter, we will discuss each alleged violation separately for ease of reference:

Baseline

Commonwealth Appropriations

The latest submittal of UPR's Fiscal Plan includes Commonwealth Appropriations, Other Appropriations and Slot Machine Revenue projections that are aligned with the latest Commonwealth's Fiscal Plan.

Student Population

As of August 24, 2018, total enrolled students in the UPR was 55,060; 48,830 undergraduate and 6,230 graduate students. Note that to this date, Carolina Campus had not finished its registration process because it started in August 21, 2018, and all other Campuses had late registration underway.

Revenue measures

Tuition exemptions

For FY19, the UPR modified its tuition exemption program as follows: (i) full scholarship exclusively for honor and graduate research students; (ii) 50% exemption to employees, athletes and others; and, (iii) reduced and capped the amount of exemptions granted to student athletes to 2,000 participants (previously 3,124). Moreover, the new policy specifies that a student shall only benefit from one type of tuition exemption.

Excluding honor student and veterans' exemptions, the total cost to the UPR system associated with this new policy amounts to \$9.3 million. Newly generated income amounts to \$14.9 million. In sum, for FY19 there has been a 45% reduction in exemptions costs.

The UPR does not agree with the across-the-board termination of all exemptions suggested by the Board for a variety of reasons. For example, eliminating all athletes' exemptions will undoubtedly hinder the ability of the UPR to attract donors, private funds, sponsors as well as its ability to

market itself to attract more out-of-state students. It must be noted that, overall, student-athletes have better graduation rates than the regular student population.

On the other hand, as part of the advancement of their intrinsic mission, state universities have scholarship's programs for talented students in sports, performing arts, and other areas. It is part of the University's mission to provide to the student community such programs that will enhance the students' academic experience and development as valuable members of our society.

In addition, research universities in the mainland invest heavily in graduate student recruitment. This is indeed a key part of the equation for success in bringing external funding. Recruiting top students is a competitive endeavor, thus requiring institutional investment to attract prospective candidates. In the absence of formal institutional seed money opportunities, graduate assistantships become a necessity to allow researchers to support new students that will work to generate data that will be used to support proposal submissions. Tuition exemptions and stipends are meant to incentivize research and obtaining external funds.

We must underscore that the Middle States Commission on Higher Education ("MSCHE") takes this into account in its evaluations for accreditation, and that currently the UPR system has eight (8) campuses under probation status. The adoption of this and other suggestions made by the Board in its Letter may jeopardize the UPR's ability to recuperate its accreditation fully and throughout the entire system.

With UPR's new tuition structure we achieve the sought out balance of being fiscally responsible, while providing access to a quality higher education, and maintaining the prestige and our rightful standing to better promote our UPR system under the new leadership.

Graduate tuition increase

Upon additional consideration, the UPR Governing Board has determined to further increase graduate tuition by 2021.

Federal Grants

The reduction of \$4.3 million from federal grant procurement is related to actual performance in FY17 and FY18. The University's newly appointed President has emphasized on the importance for the University to access additional federal and private funds. Obtaining additional federal funds has been identified as one of the key projects for the newly established PMO. For FY20 the University is confident it will achieve and surpass the \$5 million incremental revenues included on the submitted Fiscal Plan.

Plaza Universitaria

Desarrollos Universitarios, Inc. ("DUI"), is a UPR component unit. The two additional revenue line items related to Plaza Universitaria were identified in the audited financial statements of FY17, but had not included on the University's original budget. For the most recent fiscal plan the

University included, \$12.3 million that had been transferred from DUI up to FY17, and \$2 million for recurring annual revenue to be transferred from DUI beginning FY19.

Expenditure measures

Attrition/headcount reduction

For FY19 the UPR modified personnel expense forecasts, mainly due to actual headcount reduction year over year and actual personnel expense for FY18. This adjustment results in alignment with FOMB's total personnel expense of \$684.9 million for FY19, excluding healthcare costs.

That notwithstanding, the UPR recognizes that it must transition to a leaner operational structure. A reduction in headcount will certainly be part of this process. The UPR Board has recommended redefining non-teaching responsibilities to maximize efficiency. Also, the slight decrease in enrollment will organically require fewer faculty and non-faculty personnel, and controls are in place to avoid backfilling said vacated positions.

As stated in previous discussions, involuntary terminations of UPR personnel could have adverse effects on Puerto Rico's economy and UPR's mission. Moreover, litigation expenses will likely offset any savings from involuntary personnel reduction.

Christmas Bonus

As said above, the UPR has achieved FOMB's total personnel expense recommendation, while maintaining this marginal benefit during FY 19 pursuant to UPR's policy-making authority.

Mayaguez Hub – Agriculture Center

UPR Mayagüez Campus has two agriculture components: the Agricultural Extension Service (SEA) and the Agricultural Experimental Station (EEA). Both components are starting to implement a leaner administrative structure and consolidating offices. For FY19, said components achieved \$2M in savings. The Fiscal Plan projects savings of \$10M through FY19-FY23.

Specific measures include consolidation and reorganization of the 54 offices around the island. Thus, lowering overhead and utilities costs and driving personnel attrition. Other measures include generating more federal funds through research grants and more income through certification and courses.

Uniform healthcare

The UPR has a current agreement with MCS for medical plan coverage that runs through June 30, 2019. Funds are allocated in the current budget to cover said expense. Any decision on coverage or amendments to the covenants would have to go through a participative process that includes input from an existing Medical Plan Committee, and an RFP process.

At this moment, the UPR's forecasts contemplates actual medical expenditure per beneficiary rate. However, that does not preclude the UPR from taking additional steps to lower the medical contribution costs to the system by either renegotiating existing terms of the agreement; restructuring the beneficiary's medical contribution structure (i.e. gradual reduction of the UPR's expense contribution); or voluntarily joining the central government's medical plan group through the Act 95 process, all of them under consideration.

Pensions

The UPR is committed to undertake the necessary reforms to its pension system and intends to so in a collaborative effort with the Board and other University work groups. Several analyses have been performed as directed by the Retirement Committee of the UPR Governing Board and by the Retirement System.

Contrary to other Puerto Rico defined benefit plans, the UPR's has a funding ratio of over 40% as per the actuarial report for the year ended June 30, 2018. This peculiarity may allow for implementation of measurements that will increase its funding to a level in which it could then be advisable to proceed with the freeze and conversion measurement required by the Board in a less costly way, and within the five year timeline.

A local firm has been already engaged to carry and independent evaluation of several alternatives under consideration, including but not limited to the one suggested by the Board. The firm will serve as liaison between the Board of Trustees and the Retirement System of the UPR to attain the most feasible reform of the Pension Plan. A sixteen-week work plan has been developed to undertake a thorough evaluation of certain studies performed and to oversee other operational, administrative and cash flow aspects of the UPR's Pension System; all leading towards the most responsible reform of the Pension System. The UPR expects to have a defined action plan by the end of 2018, and have the UPR's Governing Board vote on the final report on the meeting of December 2018. Some corrective measures may be taken prior to the final report.

Procurement Savings

As part of the newly established PMO, the University will dedicate specialized resources to transform its procurement process and infrastructure, similar to the procurement initiatives being conducted in the Commonwealth. For FY19, the University is expected to realize approximately \$7.2 million in savings, or 50% of the targeted savings. The University is confident that it can achieve these savings for FY19, as initial results for FY18 indicate.

PMO implementation

On August 27, 2018, the UPR Governing Board approved the creation of a PMO structure with a \$10MM budget. Due to the initial stages of this office, the UPR understands that the \$10MM increase suggested by the Board over its current approved budget is excessive, inappropriate and not aligned with fiscal prudence in the context of the University existing reality.

In the near term, the UPR Board will manage administrative matters to set up the PMO, including office space, equipment, personnel hires and any external advisor engagements that may be required to achieve fully operational status.

We look forward to working with the FOMB and its advisors to reach reasonable consensus on the extent or impact of the proposed measures.

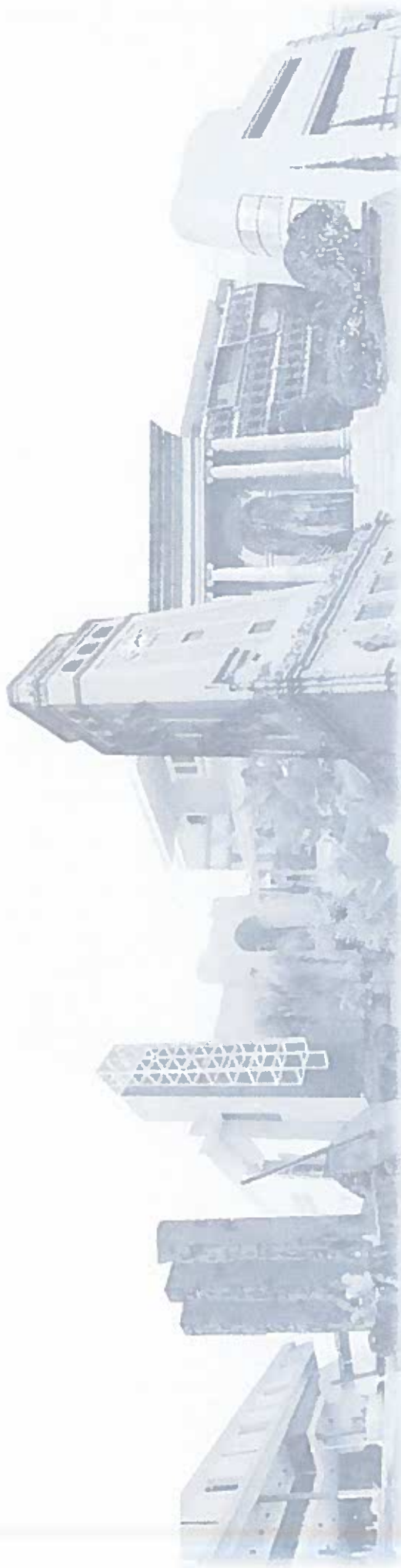
Sincerely,

A handwritten signature in black ink, appearing to read "W. Alomar", with a long horizontal flourish extending to the right.

Walter Alomar, Esq.
Chairman, UPR Board of Governors



UPRR
Universidad de Puerto Rico
TU UNIVERSIDAD



University of Puerto Rico

Revised Fiscal Plan Summary

San Juan, Puerto Rico
September 7, 2018

Guiding Principles of the UPR Fiscal Plan

1. Seeks to meet the fiduciary responsibility of the University with Puerto Rico while maintaining institutional integrity and financial stability.
2. Protects the necessary human, financial, technical, and capital resources needed to support the sustained achievement of the UPR mission, considering the UPR provides an essential service.
3. Centers on the strengthening of the diversity and uniqueness that characterizes the UPR System for the successful attainment of the UPR 2017-2022 Strategic Plan.
4. Recognizes the complexities of the external environment aiming to position itself as a key contributor to the development of local economies.
5. Aims to champion social, cultural, and economic growth in alignment with the needs and priorities of the private and public sectors while strengthening the academic experience.
6. Commits to its fiscal responsibility with specific revenues and expenditures measures to support the achievement of its strategic sustainable management goal.
7. Nurtures the innovation and transformation of academic endeavors, research and the creation of knowledge, as well as its technological structures.
8. Reinforces institutional capacities without affecting access, social responsibility, quality of services and professional and vocational success of its constituents.
9. Prioritizes administrative and academic transformations that are guided by efficiency and effectiveness criteria.
10. Allows for the development of capacity and creativity among teaching and non-teaching personnel to implement the necessary changes.



Summary of Modifications of the Revised Fiscal Plan

■ Positive / Increase
■ Negative / Decrease

(\$'000's)

Net Cash Flow FP 2.0 (UPR Board)	Net Cash Flow for FY'19 with measures
Government Appropriations	1 Lower Government Appropriation in approved FY'19 budget
Government Pass Throughs	2 Increase in \$1.6MM as part of the Red Sismica pass-through
Slot Machine Revenue	3 Increase in Slot Machine Revenue in approved FY'19 Budget
Other Government Appropriations	4 Two \$15MM appropriations considered in past Fiscal Plan
Indirect Costs (Federal Funds)	5 Lower amount of federal funds, based on actual performance
Exemptions Adj.	6 Revised Exemption parameters approved by UPR Board
Graduate tuition adj.	7 Revised Graduate tuition adjustment approved by UPR Board
Adj. Roster based on actual	8 Adjusted based on actual personnel expense from FY18
Delay Medical Insurance Ajd.	9 Adjusted based on actual medical insurance from FY18
Plaza Universitaria Budget Adj.	10 Non-budgetary (one-time) inflows from Plaza Universitaria
Plaza Universitaria Budget Adj.	11 Non-budgetary (recurring) inflows from Plaza Universitaria
Scholarship Fund	12 Adjustment in Scholarship Fund as approved in FY'19 budget
PMO Implementation Cost	13 PMO expense based on \$10MM annual expense (first two years)
Debt Service schedule	14 Revised debt service schedule - non-negotiation adjustment
Dues & Charges	15 Reduction based on changes in student population
Baseline Adj.	16 Reduction based on additional baseline adjustment
Total Adjustments	

Adjustment Net Cash Flow FP 3.0 ■ **4,554**



Student Enrollment

Campus:	FY'18			Actuals as of 08.20.18 FY'19		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
Rio Piedras	12,020	3,087	15,107	11,719	3,272	14,991
Mayaguez	12,427	983	13,410	12,330	900	13,230
Ciencias Médicas	300	1,973	2,273	343	2,058	2,401
Cayey	3,430	-	3,430	3,098	-	3,098
Humacao	3,825	-	3,825	3,319	-	3,319
Aguadilla	3,323	-	3,323	3,140	-	3,140
Arecibo	3,769	-	3,769	3,660	-	3,660
Bayamón	4,528	-	4,528	4,185	-	4,185
Carolina	3,851	-	3,851	3,368	-	3,368
Ponce	3,149	-	3,149	2,827	-	2,827
Utuaado	1,155	-	1,155	841	-	841
TOTAL	51,777	6,043	57,820	48,830	6,230	55,060



UPR Fiscal Plan Baseline

	FY'18 - Base	FY'18 - Maria Adj	FY'19	FY'20	FY'21	FY'22	FY'23
Total Central Government Appropriations	\$708,369	\$708,321	\$645,909	\$559,875	\$488,850	\$465,861	\$441,861
Total Operating Receipts	\$301,808	\$253,672	\$269,505	\$263,533	\$257,729	\$252,090	\$246,612
Total Intra-Government Receipts	\$285,814	\$242,942	\$285,814	\$285,814	\$285,814	\$285,814	\$285,814
<u>Disaster Relief Receipts</u>							
Insurance Proceeds	-	\$15,000	\$65,000	\$20,000	-	-	-
FEMA Receipts	-	-	-	20,000	-	-	-
Total Disaster Relief Receipts	-	-	-	-	-	-	-
Total Receipts	\$1,295,991	\$1,219,934	\$1,266,228	\$1,149,222	\$1,032,393	\$1,003,765	\$974,287
<u>Operating Disbursements:</u>							
Total Operating Disbursements	(\$1,160,063)	(\$1,115,825)	(\$1,151,655)	(\$1,145,629)	(\$1,139,783)	(\$1,134,113)	(\$1,134,113)
Total Disaster-related Disbursements	-	(\$15,000)	(\$65,000)	(\$40,000)	-	-	-
Capital Expenditures	(61,790)	(28,077)	(30,895)	(30,895)	(30,895)	(30,895)	(30,895)
Equipment	(11,553)	(11,553)	(11,553)	(11,553)	(11,553)	(11,553)	(11,553)
Total Disbursements	(\$1,233,406)	(\$1,170,455)	(\$1,259,103)	(\$1,228,077)	(\$1,182,231)	(\$1,176,561)	(\$1,176,561)
Net Cash Flow (before Pension Payment & DS)	\$62,585	\$49,479	\$7,125	(\$78,855)	(\$149,838)	(\$172,795)	(\$202,274)
Pensions Payment	(\$66,329)	(\$66,329)	(\$76,376)	(\$79,598)	(\$82,570)	(\$85,108)	(\$87,744)
Debt Payment	(\$64,415)	(\$64,415)	(\$48,252)	(\$48,252)	(\$48,252)	(\$48,252)	(\$48,252)
Net Cash Flow	(\$68,159)	(\$81,265)	(\$117,503)	(\$206,705)	(\$280,660)	(\$306,155)	(\$338,271)



UPR Fiscal Plan Summary of Measures

(\$000's)	Measure	FY'19	FY'20	FY'21	FY'22	FY'23
Revenue Enhancement						
	Adjustment to Undergraduate Student Tuition	53,555	56,427	59,078	65,733	67,848
	Adjustment to Graduate Student Tuition	7,874	14,379	16,675	17,986	17,442
	Increase in Federal Grants	(4,290)	5,000	10,000	15,000	20,000
	Adjustment to Dues & Charges	6,064	8,464	10,447	12,743	12,361
	Increase in Patent Monetization	500	1,000	1,500	2,000	2,000
	Implementation Expense on Training & Tutoring	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)
	Total Revenue Enhancement Measures	55,702	77,270	89,700	105,462	111,651
Expense Controls						
	HR Optimization: Attrition	35,941	50,116	62,740	71,067	71,067
	HR Optimization: Adjustment in Marginal Benefits	-	26,000	25,653	25,312	25,312
	Centralized Procurement & Contract Renegotiation	9,168	16,336	16,336	16,336	16,336
	Adjustment to Tuition Exemptions	14,905	15,059	15,189	15,863	15,935
	Total Expense Controls	60,015	107,511	119,919	128,579	128,651
	Mayaguez Campus Hub – Agriculture Center	2,000	4,200	6,200	9,200	12,200
	Plaza Universitaria Revenue Recognition	14,342	2,000	2,000	2,000	2,000
	Transformation Plan Implementation Expense	(10,001)	(10,016)	(5,016)	(5,016)	(3,346)
	Total Measures Impact	122,057	180,964	212,802	240,224	251,155



UPR Fiscal Plan considering Measures

	FY'18 - Base	FY'18 - Maria Adj	FY'19	FY'20	FY'21	FY'22	FY'23
Total Central Government Appropriations	\$708,369	\$708,321	\$645,909	\$559,875	\$488,850	\$465,861	\$441,861
Total Operating Receipts	\$301,808	\$253,672	\$366,745	\$360,861	\$362,618	\$368,415	\$364,198
Total Intra-Government Receipts	\$285,814	\$242,942	\$281,524	\$290,814	\$295,814	\$300,814	\$305,814
<u>Disaster Relief Receipts</u>							
Insurance Proceeds	-	\$15,000	\$65,000	\$20,000	-	-	-
FEMA Receipts	-	-	-	20,000	-	-	-
Total Disaster Relief Receipts	-	-	-	-	-	-	-
Total Receipts	\$1,295,991	\$1,219,934	\$1,359,177	\$1,251,550	\$1,147,282	\$1,135,090	\$1,111,873
<u>Operating Disbursements:</u>							
Total Operating Disbursements	(\$1,160,063)	(\$1,115,825)	(\$1,122,547)	(\$1,066,992)	(\$1,041,869)	(\$1,025,213)	(\$1,020,543)
Total Disaster-related Disbursements	-	(\$15,000)	(\$65,000)	(\$40,000)	-	-	-
Capital Expenditures	(61,790)	(28,077)	(30,895)	(30,895)	(30,895)	(30,895)	(30,895)
Equipment	(11,553)	(11,553)	(11,553)	(11,553)	(11,553)	(11,553)	(11,553)
Total Disbursements	(\$1,233,406)	(\$1,170,455)	(\$1,229,995)	(\$1,149,440)	(\$1,084,317)	(\$1,067,661)	(\$1,062,991)
Net Cash Flow (before Pension Payment & DS)	\$62,585	\$49,479	\$129,183	\$102,109	\$62,965	\$67,429	\$48,881
Pensions Payment	(\$66,329)	(\$66,329)	(\$76,376)	(\$79,598)	(\$82,570)	(\$85,108)	(\$87,744)
Debt Payment	(\$64,415)	(\$64,415)	(\$48,252)	(\$48,252)	(\$48,252)	(\$48,252)	(\$48,252)
Net Cash Flow	(\$68,159)	(\$81,265)	\$4,554	(\$25,741)	(\$67,858)	(\$65,931)	(\$87,115)



UPR Fiscal Plan Summary of Tuition Adjustment

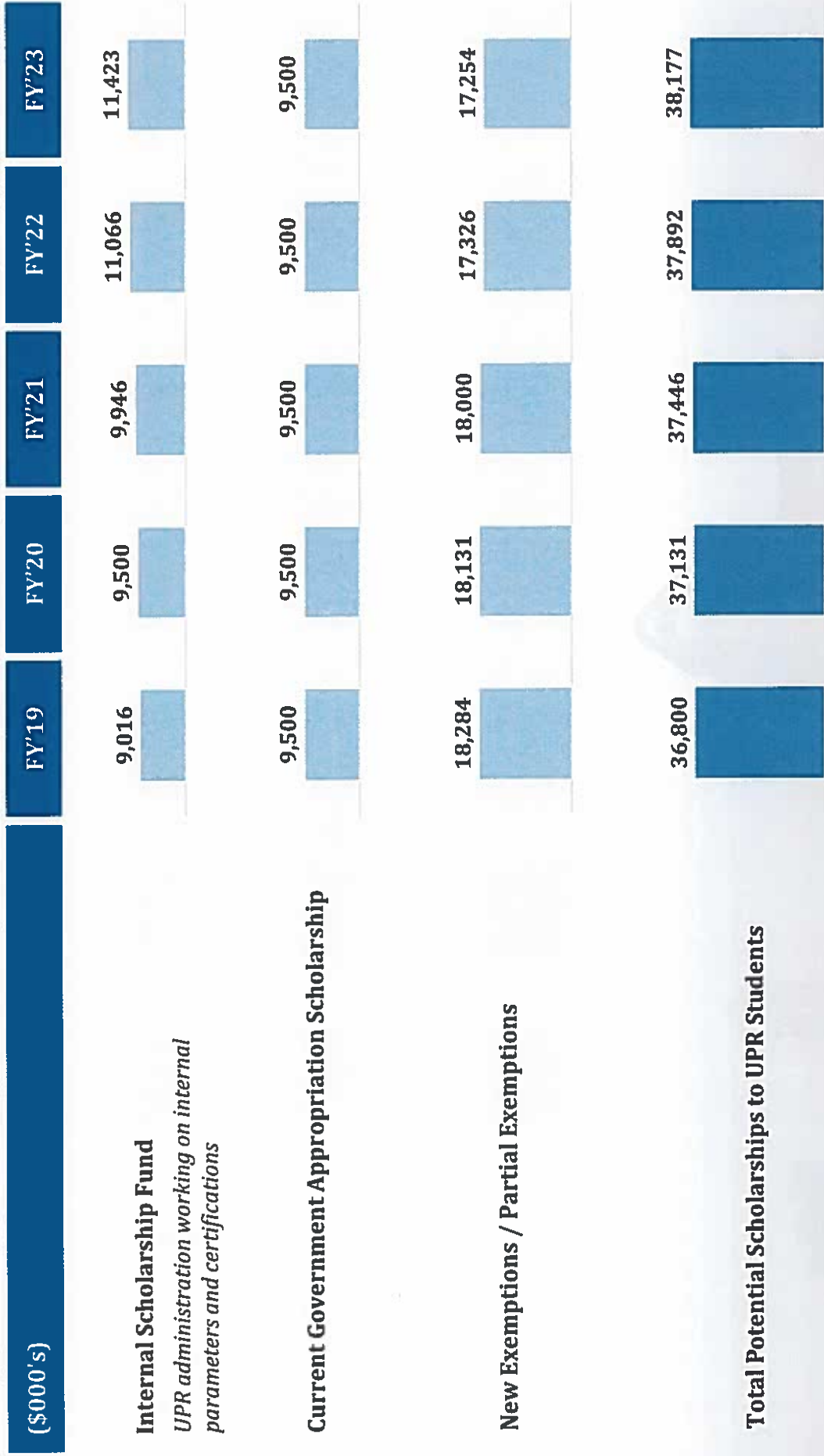
	FY'19	FY'20	FY'21	FY'22	FY'23
Student Population					
<u>Undergraduate</u> Population	57,820	47,365	45,944	44,566	43,229
<u>Graduate</u> Population	6,043	6,043	5,862	8,686	5,515
Total Student Population	57,820	53,408	51,806	50,252	48,744

Tuition Credit Adjustment

	Current	<i>Gross - excludes new means-based Scholarship Fund</i>				
<u>Undergraduate</u> Students Cost per Credit	57	115	120	125	135	140
<u>Graduate</u> Students Average Annual Tuition	3,699	4,967	5,898	6,289	6,540	6,617



UPR Fiscal Plan Summary of Tuition Adjustment – Scholarship Funds



Additionally, as part of the UPR Transformation, the revamped UPR Endowment Fund is expected to provide greater monetary support to UPR students



Conglomerate Transformation – Leaner Administrative Structure

	FY'19	FY'20	FY'21	FY'22	FY'23
Attrition Analysis					
1 Attrition on Federal Funds Personnel	0%	0%	0%	0%	0%
2 Attrition on Transitory / Temporary Personnel	20%	25%	25%	0%	0%
3 Attrition on Faculty Personnel	3.7%	0%	0%	0%	0%
4 Attrition on Faculty - Administrative Personnel	5.15%	2%	2%	2%	0%
5 Attrition on Non-Faculty	5.15%	2%	2%	2%	0%
	FP 2.0				
Total Headcount	11,937	11,452	11,056	10,919	10,919
Total Savings (\$000's)	\$35,941	\$50,116	\$62,740	\$71,067	\$71,067

Active employees as of August 20, 2018 decreased by 983 employees over a one year period

Attrition Mechanisms

- 1 General Attrition based on historical average of over 3.0% net attrition
- 2 New University-wide Conglomerate Structure
- 3 Possible Voluntary Leave Program on Satellite Campuses



Conglomerate Transformation – Personnel Expense Adjustment for FY'19

Active Roster as of 08/15/17	Active Roster as of 08/20/18	Variance	Estimated savings annualized for FY'19	Actual Expense in FY'18	Adjusted Expense for FY'19
11,350	10,367	-983	-\$12.5MM or 25% of total annual potential impact	\$697.4MM	\$684.9MM

Active roster does not include all open positions

UPR Administration & Board will be actively monitoring monthly cash flow reporting for personnel expense to ensure compliance with the Revised Fiscal Plan and, if necessary, execute any preemptive measures to meet FY'19 personnel target

	Actuals (as of 06/30/18)	UPR April Fiscal Plan	FOMB Fiscal Plan	UPR Revised Fiscal Plan
Payroll	\$408,746	\$702,927	\$684,901	\$684,948

Payroll Discount (includes pension payment)	\$288,684	Combined with Payroll	Combined with Payroll	Combined with Payroll
Total Personnel Expense (excl. Medical Plan)	\$697,429	\$702,927	\$684,901	\$684,948
Medical Plan	\$67,923	\$47,093	\$45,408	\$67,923
Total Personnel Expense	\$765,352	\$750,020	\$730,308	\$752,871



Debt Sustainability

The current Fiscal Plan indicates that there is no capacity to sustain any debt during the Fiscal Plan period

- Cash flows available for debt service (post capex and pension payments) are projected to be negative through the projection period

As of July 2018, UPR had ~\$451 million in outstanding indebtedness composed of \$389 million of Revenue Bonds and \$62 million of AFICA Bonds

- Average weighted interest rate of 5.00% for the Revenue Bonds and 5.25% for the AFICA bonds

UPR financial summary post measures (\$ in millions)

	FY'19	FY'20	FY'21	FY'22	FY'23	Total
Central Government Appropriations	\$645,909	\$559,875	\$488,850	\$465,861	\$441,861	\$2,602,356
Operating Receipts	366,745	360,861	362,618	368,415	364,198	1,822,836
Federal Fund Receipts	281,524	290,814	295,814	300,814	305,814	1,474,780
Disaster Relief Receipts	65,000	40,000	-	-	-	105,000
Total Revenue	\$1,359,177	\$1,251,550	\$1,147,282	\$1,135,090	\$1,111,873	\$6,004,972
Operating Disbursements	(\$1,122,547)	(\$1,066,992)	(\$1,041,869)	(\$1,025,213)	(\$1,020,543)	(\$5,277,165)
Disaster Relief Disbursements	(65,000)	(40,000)	-	-	-	(105,000)
Total Expenses	(\$1,187,547)	(\$1,106,992)	(\$1,041,869)	(\$1,025,213)	(\$1,020,543)	(\$5,382,165)
Operating Cash Flow	\$171,631	\$144,557	\$105,413	\$109,877	\$91,329	\$622,806
CAPEX	(30,895)	(30,895)	(30,895)	(30,895)	(30,895)	(154,475)
Equipment	(11,553)	(11,553)	(11,553)	(11,553)	(11,553)	(57,765)
Pension Payments	(76,376)	(79,598)	(82,570)	(85,108)	(87,744)	(411,397)
Net CF available for Debt Service	\$52,806	\$22,511	(\$19,606)	(\$17,679)	(\$38,863)	(\$831)
Beginning Cash Balance	\$225,895	\$230,450	\$204,709	\$136,851	\$70,920	\$868,825
Ending Cash Balance	\$230,450	\$204,709	\$136,851	\$70,920	(\$16,195)	\$626,734

Note: As indicated on the Fiscal Plan, debt sustainability analysis is creditor agnostic, i.e. it does not take into account the rights and interests of creditors or allocate value of them.

