FOUR CAMPUSES UNITED

ALL FOUR:COLORADO

University Finances

A Report on University Reserves in FY 2018

November 9, 2018

University of Colorado

Boulder | Colorado Springs | Denver | Anschutz Medical Campus

Improved Financial Reporting

- The university implemented an Administrative Policy Statement (APS) outlining the reporting requirements regarding variances, carry-forwards, transfers, and fund balances.
- In addition to the items above, the Composite Financial Index (CFI) is used to monitor the financial health of the system and campuses.
- Each campus developed fund balance policies in 2014 that include information on the appropriate use of fund balances and transfers. Highlights include:
  - Fund Balances must have a spending plan in place.
  - Transfers of unspent operating funds to plant funds are held there until approved for spending.

New This Year

- **Emergency Tuition Stabilization Plan**
  - As directed by the Board of Regents as part of the CU Metrics. The goal for this metric is to avoid large tuition fluctuations during economic downturn.
- **Adoption of GASB Statement No. 75**
  - Mandated a new calculation for the Other Post-Employment Benefits (OPEB) liability for CU's employees. This nearly doubled our liability on paper.
  - Included in our "Compensated Absences and Post-Employment Benefits" category.

Fund Balances: Unobligated Funds

- Unobligated Funds are available for campus use. Funds are held in general categories based on intended use. Unobligated Fund categories include:
  - Auxiliary Facilities – Nonpledged
  - Unobligated Capital Reserves (Funds available to campus)
  - General Programmatic Reserves
  - Campus Designated Capital

Fund Balances: Obligated Funds

- Obligated Funds are obligated to specific projects, are required to be held by external agencies (i.e., bond covenant requirements), are held for contractual payments (such as faculty start-up), or are unavailable by their nature (i.e., inventory and prepaid expenses). Obligated Fund categories include:
  - Obligated Capital In Progress
  - Service Centers
  - University Risk Management (URM)
  - Risk Financing Activities - Professional Risk Management
  - Faculty Startup and Research Initiatives

SB18-200 PERA Reform Legislation

- CU's PERA's liability will be reduced from $2.2 billion to approximately $1.1 billion at FYE 2018-19.
- Fitch affirmed our AA+ rating and "Stable Outlook." Moody's rating remains Aa1.
- Fitch cited the passage of SB18-200 in their ratings statement, saying SB 18-200:

"will provide meaningful long-term relief to defined benefit pension plan liabilities."

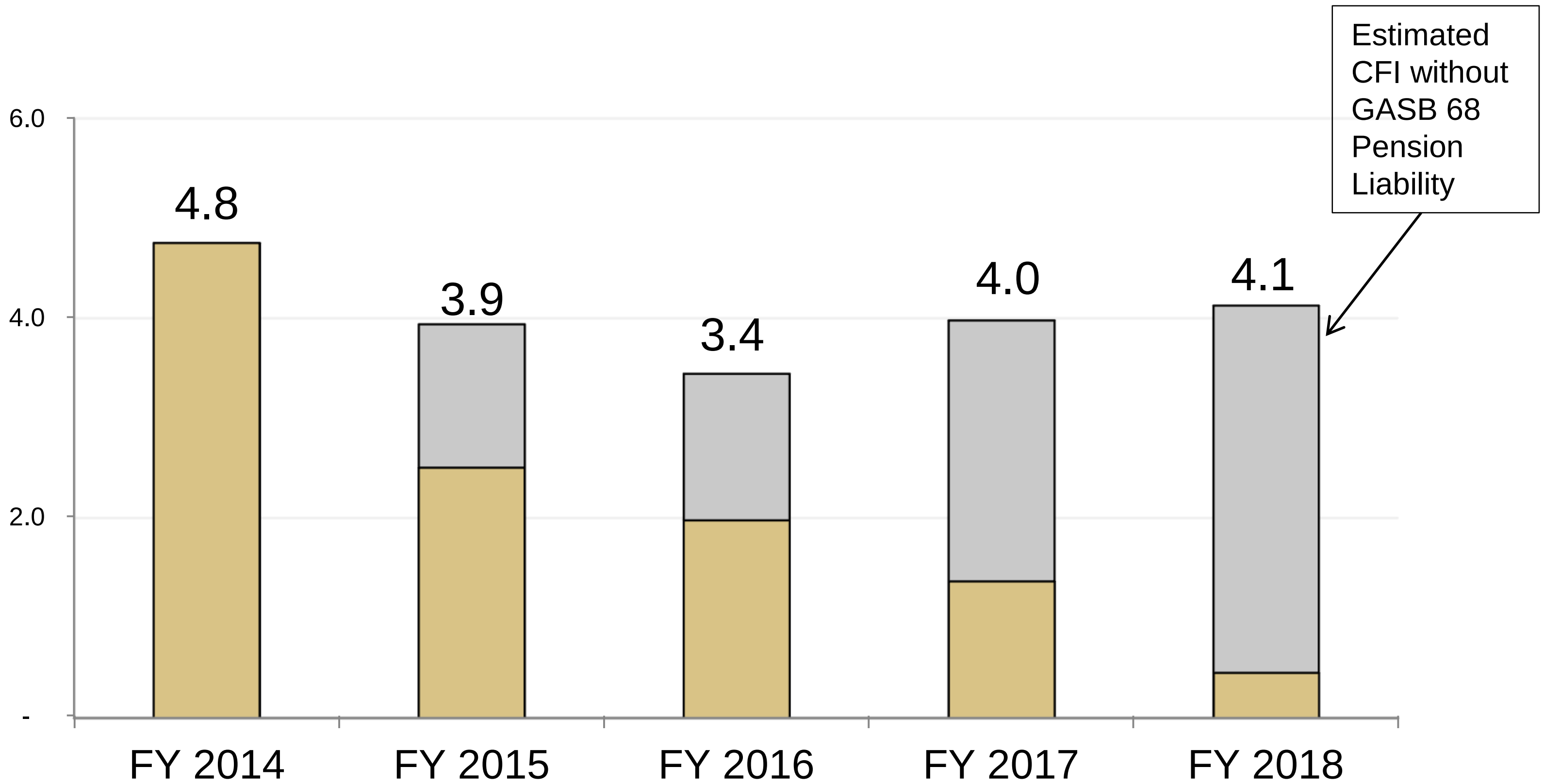
CU Metrics – Proposed Stabilization Plan Ratio

- Each campus identified resources available to move toward a 4% Emergency Tuition Stabilization Plan Ratio.
- Status and progress will be reported annually to Regents at summer retreat.

Stabilization Plan Ratio
(Percent of E&G Revenues)

	FY 2018 BASELINE	GOAL
BOULDER	3.4%	4.0%
UCCS	4.0%	4.0%
DENVER	2.9%	4.0%
ANSCHUTZ	4.0%	4.0%

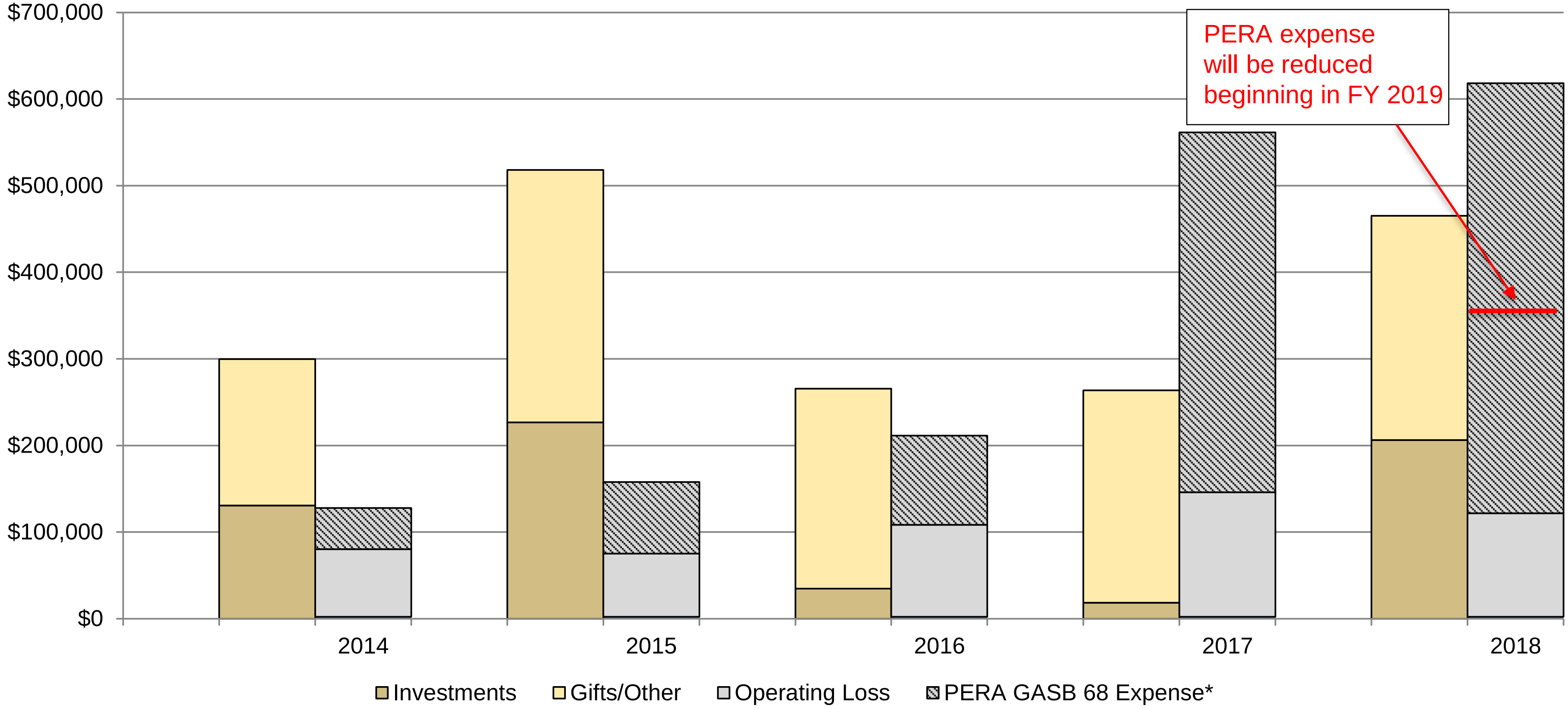
Financial Health, CU System-wide
Composite Financial Index (CFI)



Includes the Foundation. Estimated CFI without Pension Liability does not match financial statements.

Operating Loss Over Time

Investments, Gifts, and Other Revenue typically covers CU's operating loss, but GASB 68 expenses related to PERA more than offset Investment gains.



*Operating Loss includes PERA expense

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Boulder

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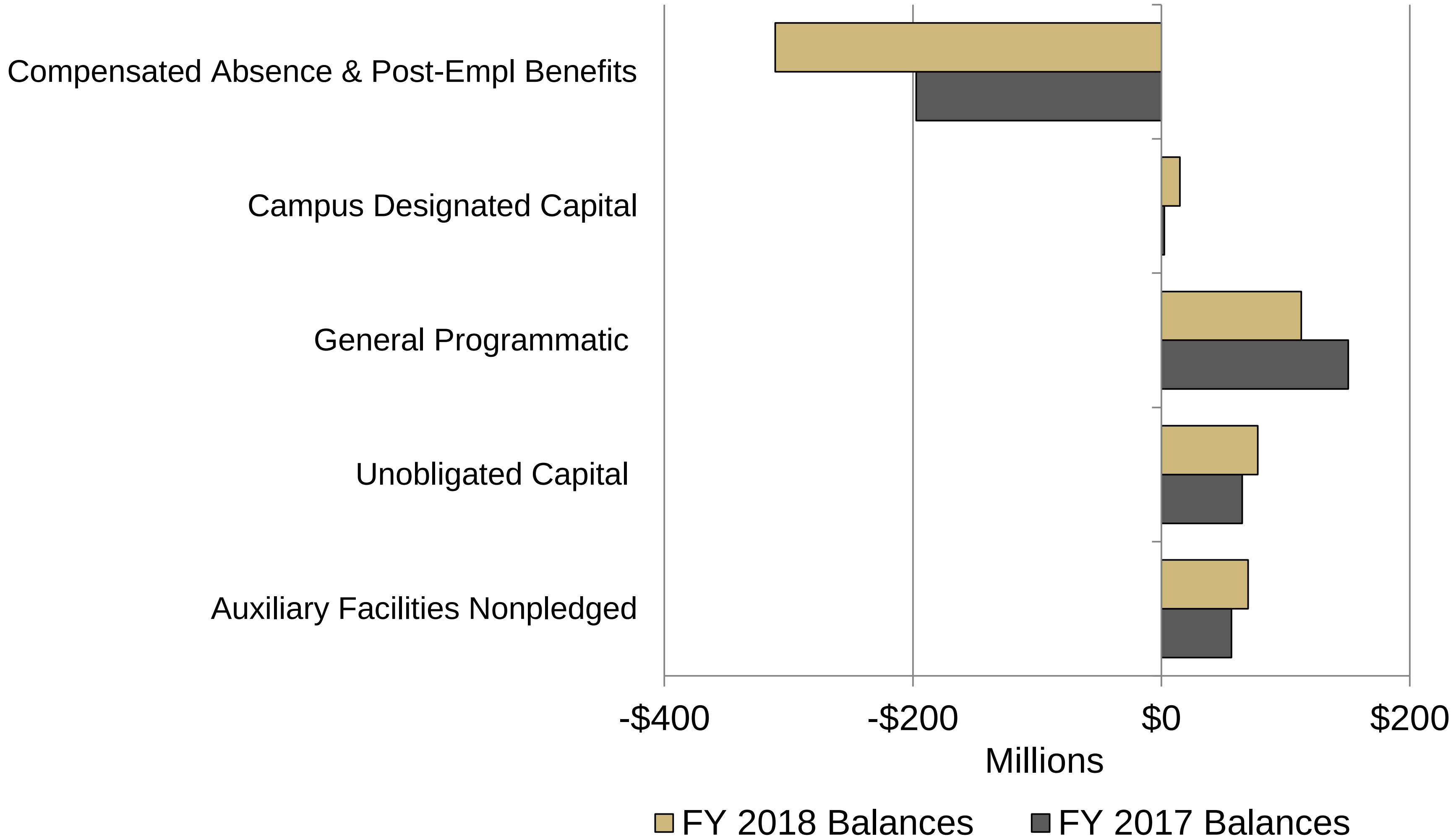
Overview of Fund Balances, Boulder



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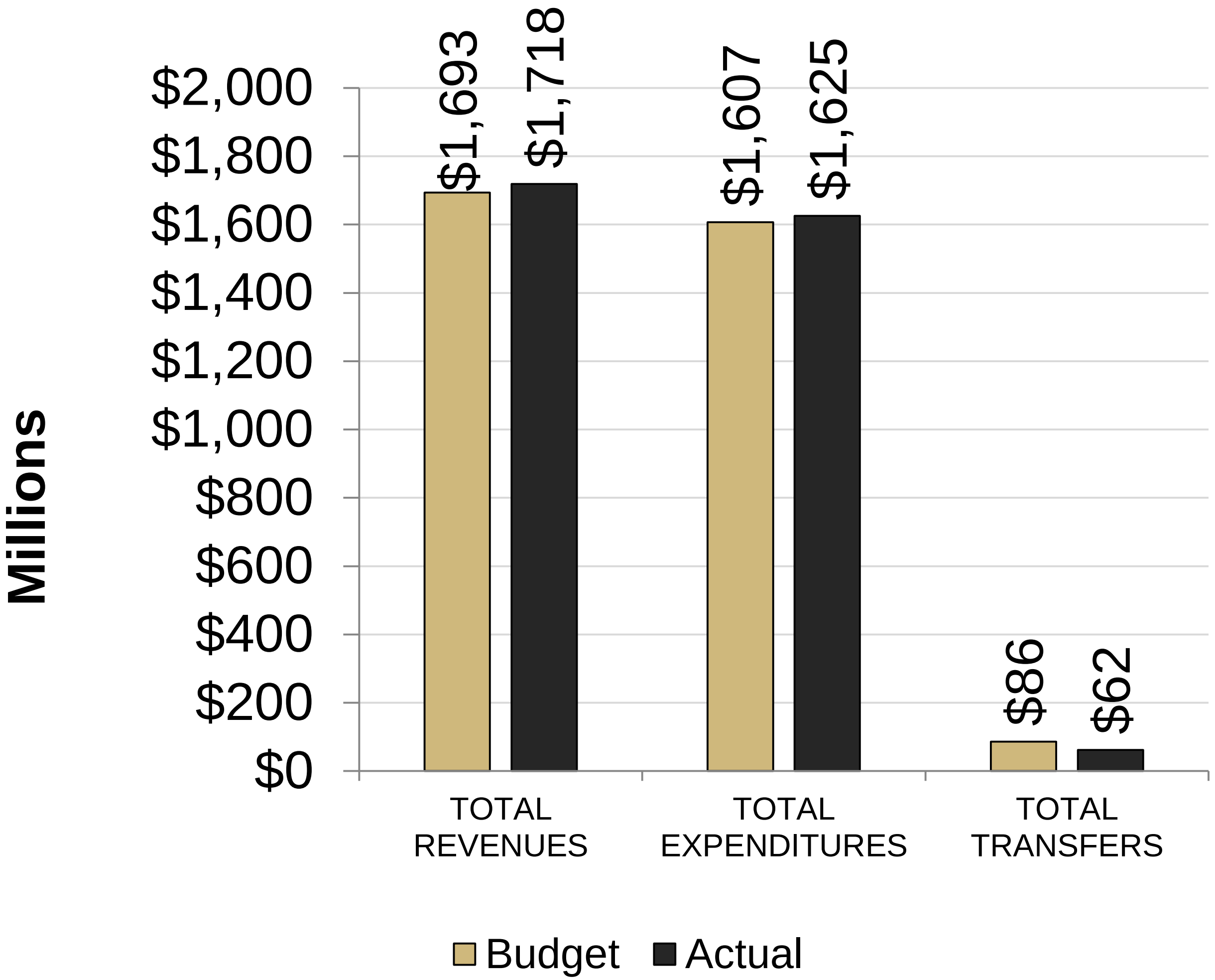
Overview of Fund Balances, Boulder

- Compensated Absence and Post Employment Benefits liability increased due to adoption of GASB Statement No. 75 requiring institutions to record their estimate of future benefits liability using a prescribed discount rate.
- Campus Designated Capital is up due to funds set aside for the Business and Engineering School expansion, and the Education renovation.
- General Programmatic is down due to a shift in funds to unobligated capital for use on deferred maintenance, as well as spending on general programmatic and infrastructure needs.
- Unobligated Capital is up mainly due to the shift of deferred maintenance funds, as well as increases to the repair and replacement reserves across campus.

Revenues vs. Expenditures, Boulder



Revenues exceeded budget due to higher federal and private research growth, and strong enrollment

Expenditures exceeded the budget primarily due to increased research activity and instructional costs

Transfers include all debt payments, activity to and from System and intradepartmental activity

Planning Highlights, Boulder

Significant expenditures planned from reserves include:

- $21.8 million – Ramaley Biology Renovation
- $9.0 million – Business-Engineering Expansion
- $6.7 million – Imig Music building Renovation and Expansion
- $6.0 million – Aerospace Engineering Sciences North Wing Addition
- $6.0 million – Education Renovation
- $2.4 million – Fleming Renovation

Emergency Tuition Stabilization Plan, Boulder

Metric Calculation	
FY 2018 E&G Budgeted Revenues	$823,834,590
Identified Resources	$27,905,215
Target Resources	$32,953,384
Percentage of FY 2018 E&G Revenues	3.4%
Target	4.0%

Denver | Anschutz

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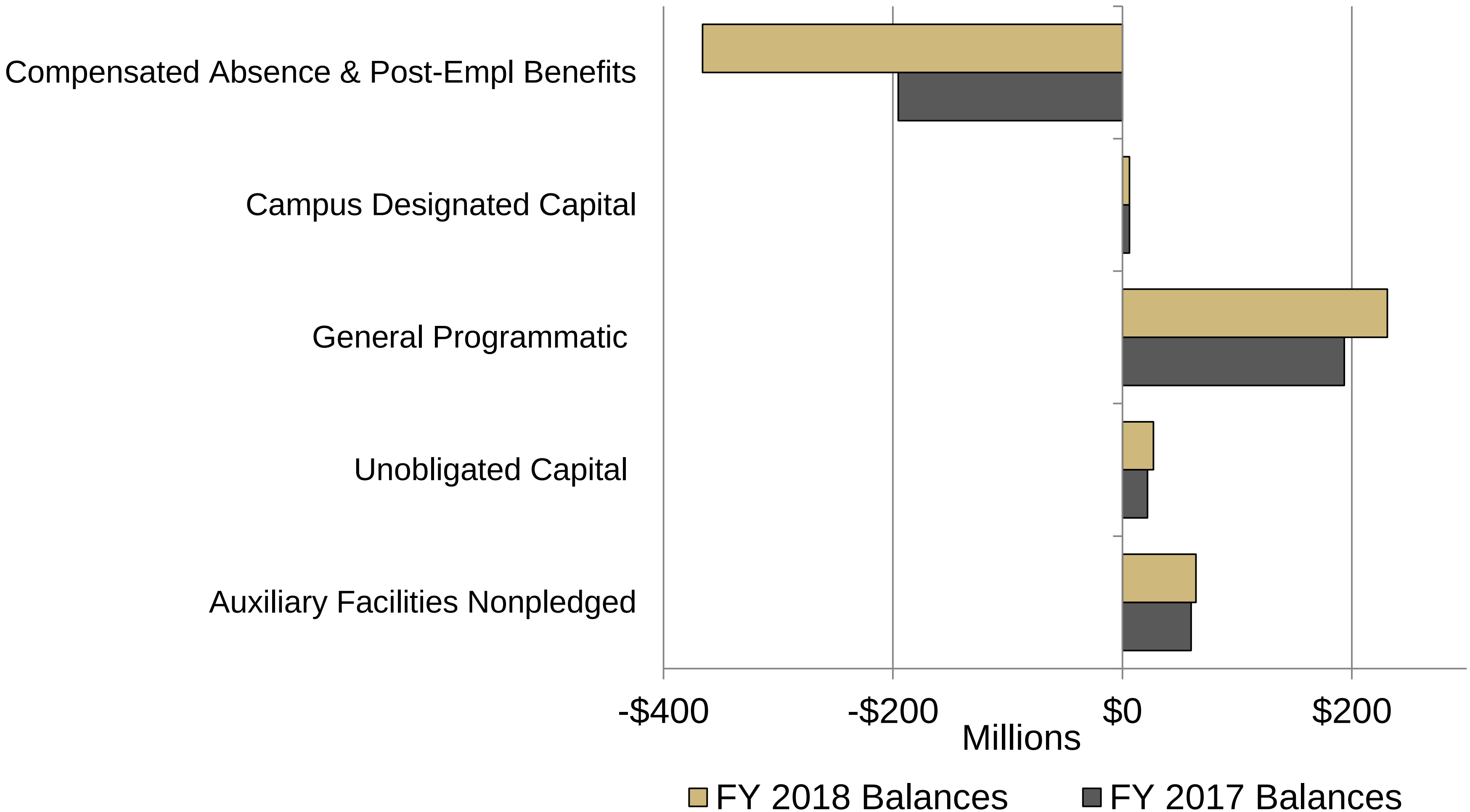
Overview of Fund Balances, Denver | Anschutz



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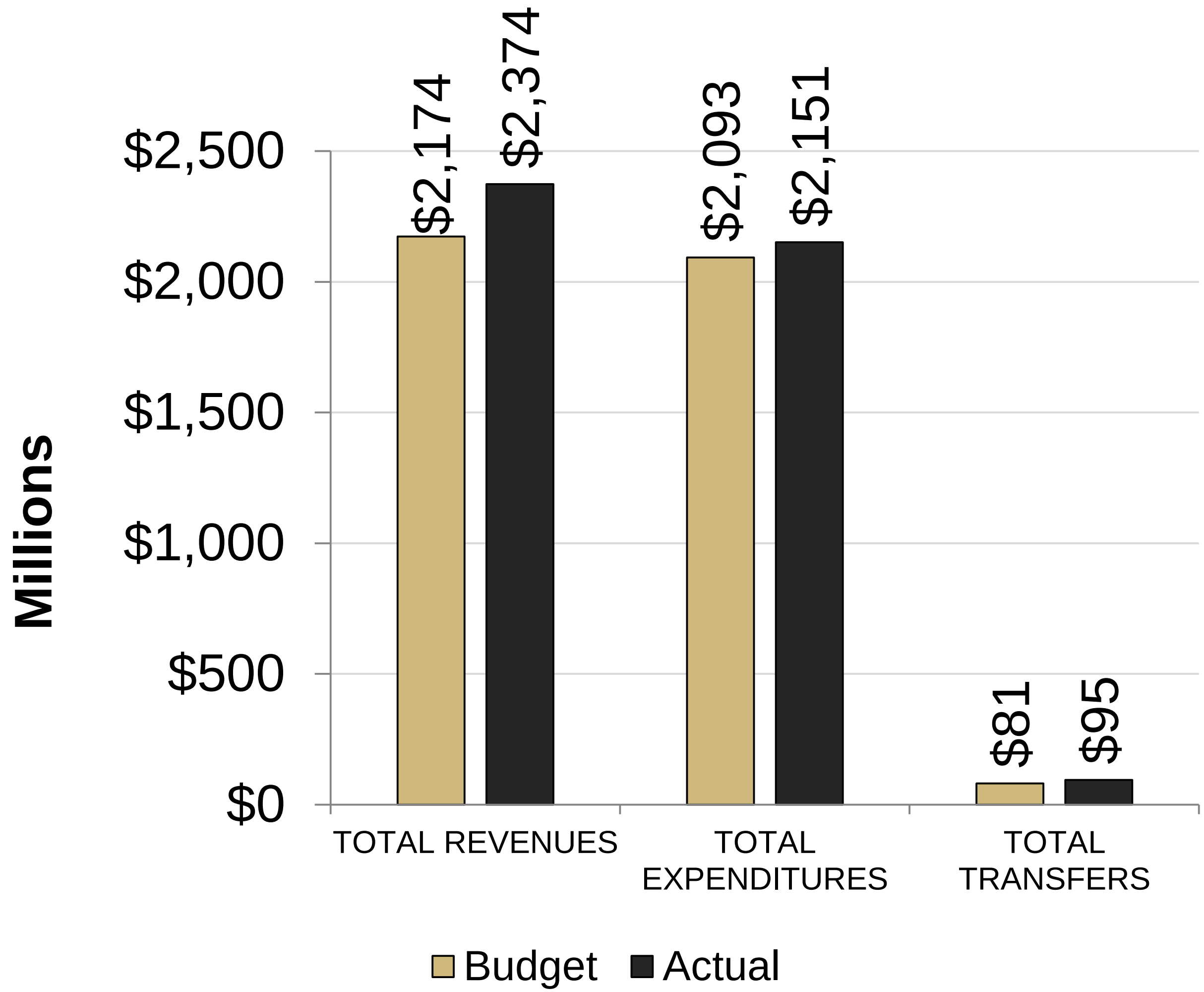
Overview of Fund Balances, Denver | Anschutz

- Total Net Position change of -$241.8 million due to adoption of GASB Statement No. 75 requiring institutions to record their estimate of future benefits liability using a prescribed discount rate.
- General Programmatic Reserves increased $37.5 million due to:
  - Higher indirect cost recovery at Anschutz
  - Higher tuition revenues at Denver
  - Strategic efforts to build enrollment contingency at Denver
  - Strategic efforts to build Technology Transfer Office reserve at Anschutz
- Unobligated Capital Reserves increased $5.1 million due to strategic efforts to build balances for deferred maintenance at Denver and Vivarium needs at Anschutz.

Revenues vs. Expenditures, Denver|Anschutz



Revenues exceeded budget due to:

- CU Medicine revenue greater than planned
- Reserch revenue greater than planned
- Royalty revenue greater than planned

Expenses exceeded the budget primarily due to CU Medicine.

Large transfers include:

- Debt (Mandatory)
- Indirect Cost Recovery
- Tech Transfer

Planning Highlights, Denver Campus

Significant expenditures planned from reserves include:

- Business School renovation/infill project
- Facilities-approved deferred maintenance projects
- Start-up packages and research initiatives
- Equipment, maintenance and replacement

Planning Highlights, Anschutz Medical Campus

Significant expenditures planned from reserves include:

- Construction of the Anschutz Health Sciences Building
- Vivarium renewal and replacement projects
- Building 500 space renovations
- CU Online program development
- Faculty recruitment, start-up packages and research initiatives
- Facilities approved deferred maintenance projects
- Technology maintenance, renewal, and replacement

Emergency Tuition Stabilization Plan, Denver Campus

Metric Calculation	
FY 2018 E&G Budgeted Revenues	$206.2M
Identified Resources	$6.0M
Target Resources	$8.2M
Percentage of FY 2018 E&G Revenues	2.9%
Target	4.0%

Emergency Tuition Stabilization Plan, Anschutz Campus

Metric Calculation	
FY 2018 E&G Budgeted Revenues	$282.8M
Identified Resources	$11.3M
Target Resources	$11.3M
Percentage of FY 2018 E&G Revenues	4.0%
Target	4.0%

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Colorado Springs

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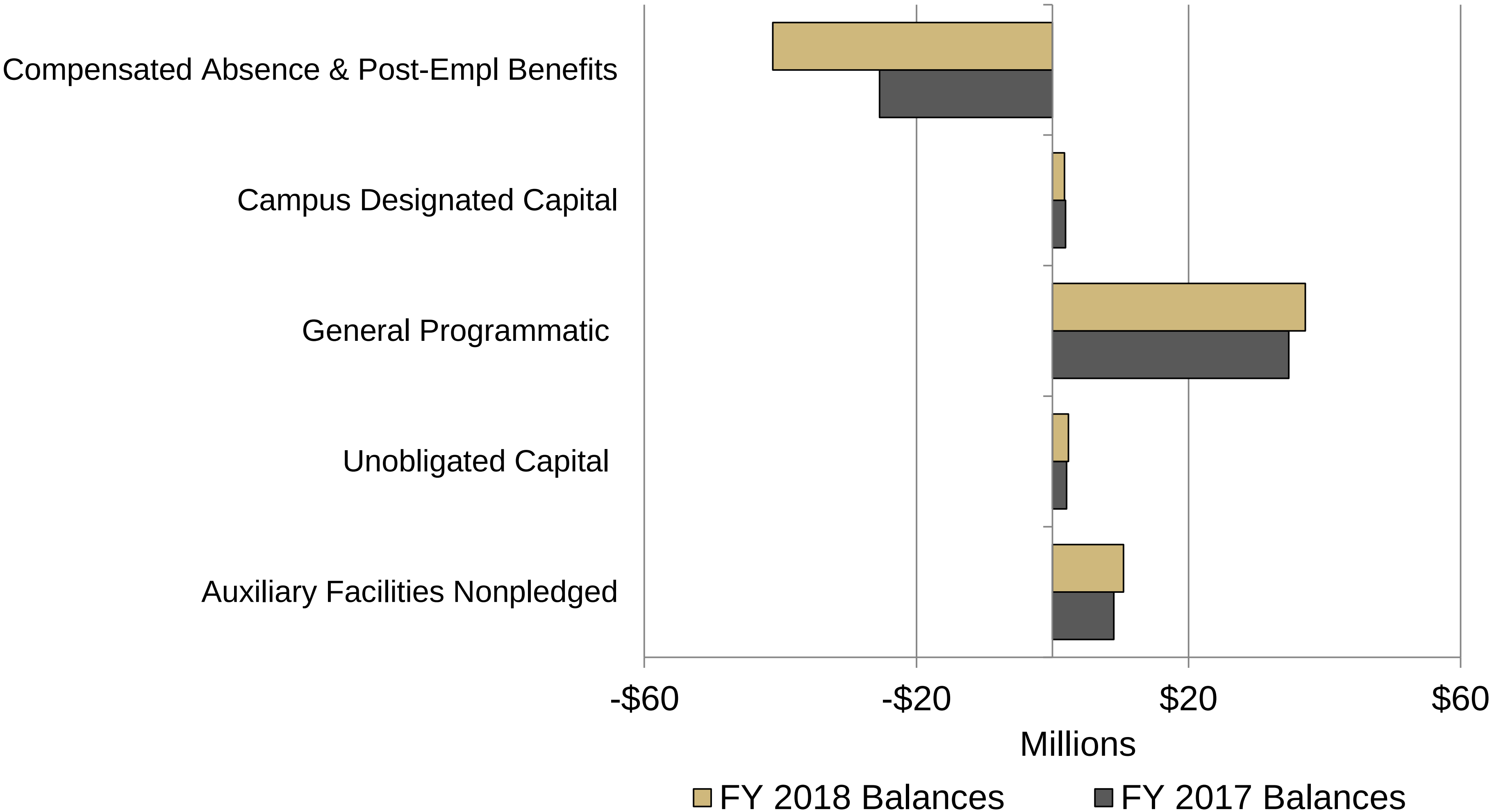
Overview of Fund Balances, Colorado Springs



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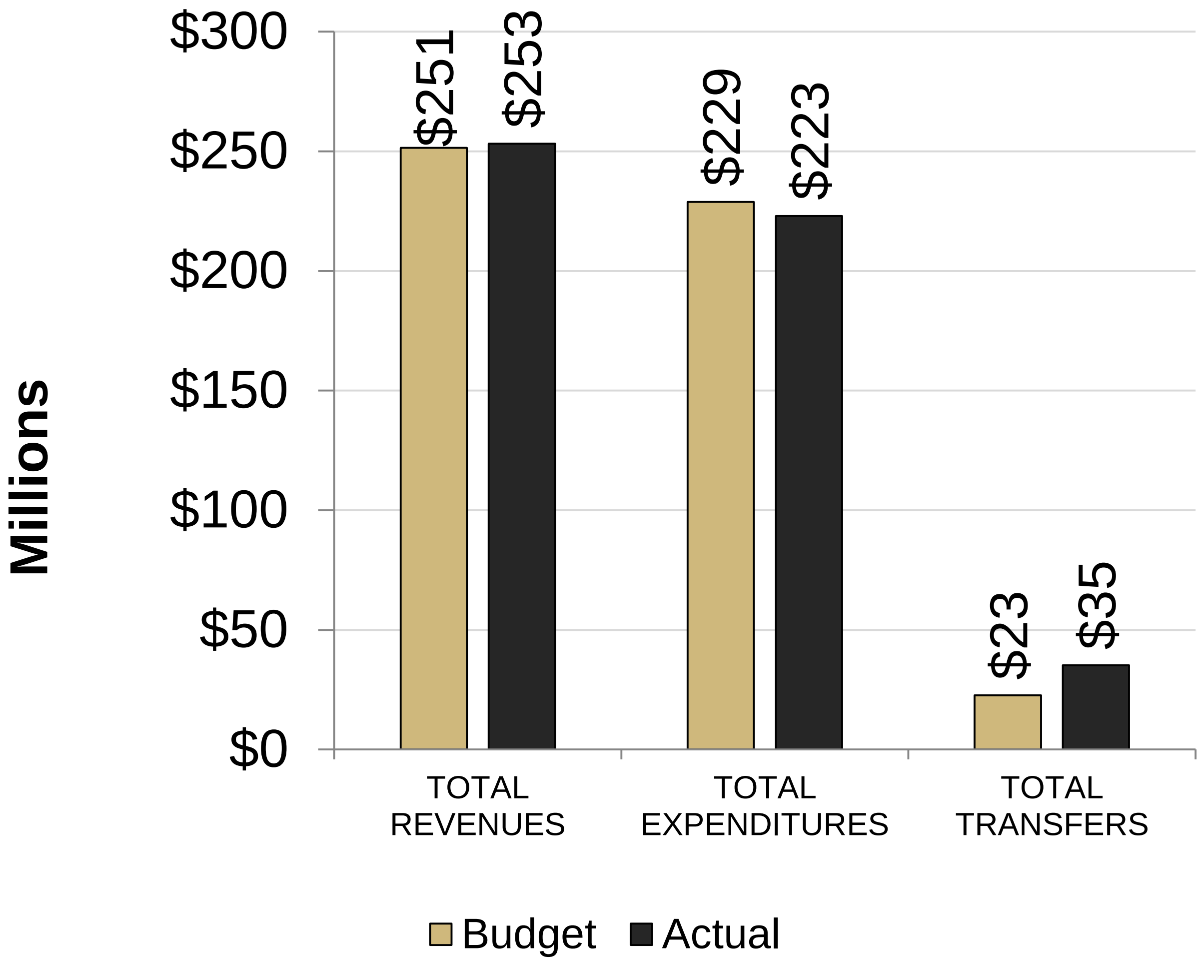
Overview of Fund Balances, Colorado Springs

- Compensated Absence & Post-Employment Benefits” increase of \$11.4 million due to adoption of GASB Statement No. 75 requiring institutions to record their estimate of future benefits liability using a prescribed discount rate
- Growth in “General Programmatic” is primarily due to increases in reserves for all schools and colleges.
- Slight increase in “Auxiliary Facilities Non-pledged” can be traced to campus-wide extended studies efforts.

Revenues vs. Expenditures, Colorado Springs



Revenues exceeded budget due to departmental miscellaneous revenues in the General Fund, Auxiliary health services, and increased private sponsorships and gifts.

Expenditures were less than budgeted primarily due to conservative spending and planned savings for use in future years.

Transfers include debt service payments and departmental savings.

Planning Highlights, Colorado Springs

- With the recent changes in top leadership positions, UCCS has taken this opportunity to review the current needs of the campus as well as the path moving forward.
- Opening of the Ent Center for the Arts released limited space in other areas on campus. Space and programmatic needs being reviewed and a portion of reserves will be spent on the renovation of current spaces for pedagogical needs.
- Working with city to develop an interior campus road to connect the main campus with the Lane Center for Academic Health Sciences and the Hybl Sports Medicine and Performance Center.

Emergency Tuition Stabilization Plan, Colorado Springs

Metric Calculation	
FY 2018 E&G Budgeted Revenues	$152,638,812
Identified Resources	$6,105,552
Target Resources	$6,105,552
Percentage of FY 2018 E&G Revenues	4.0%
Target	4.0%

System Administration

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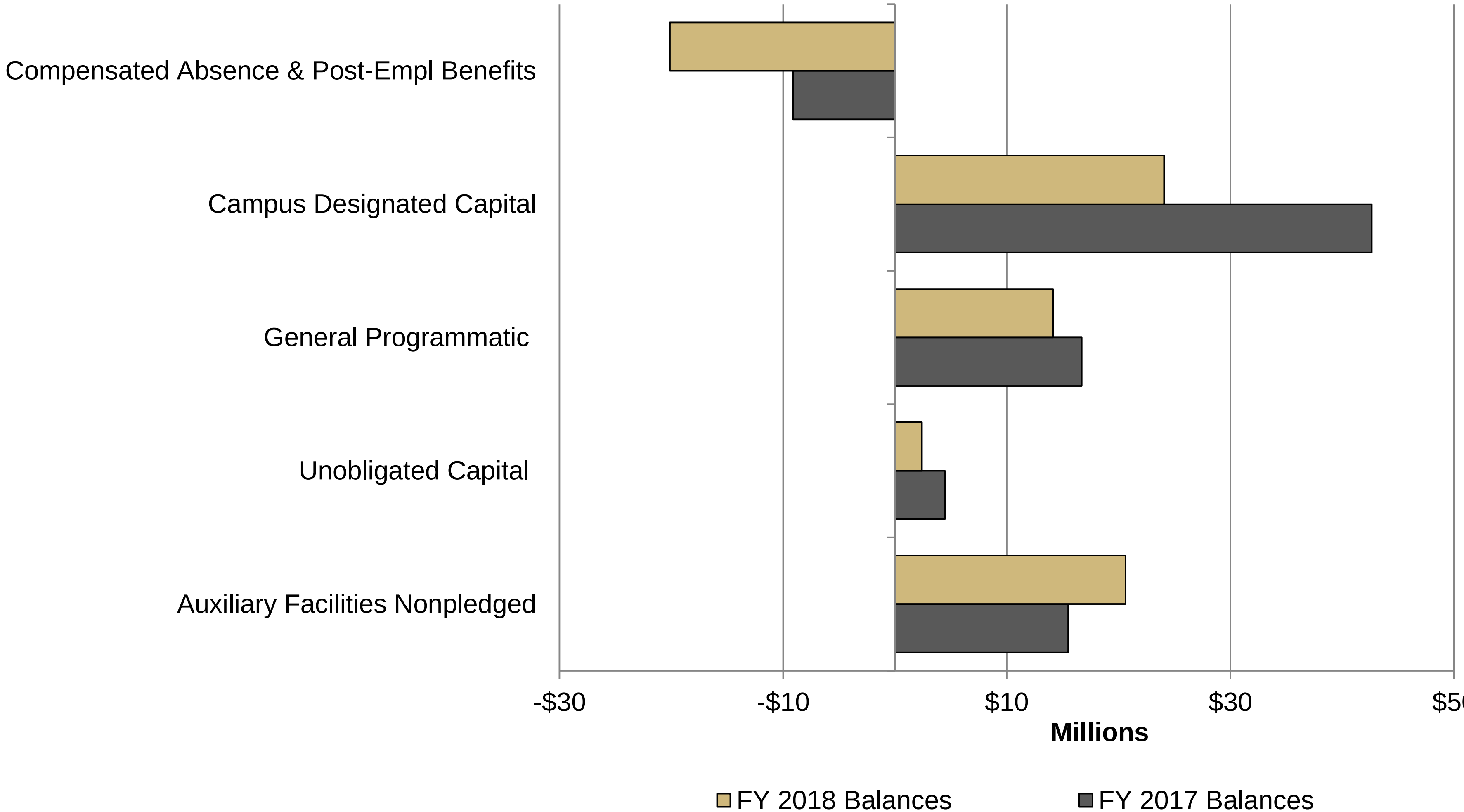
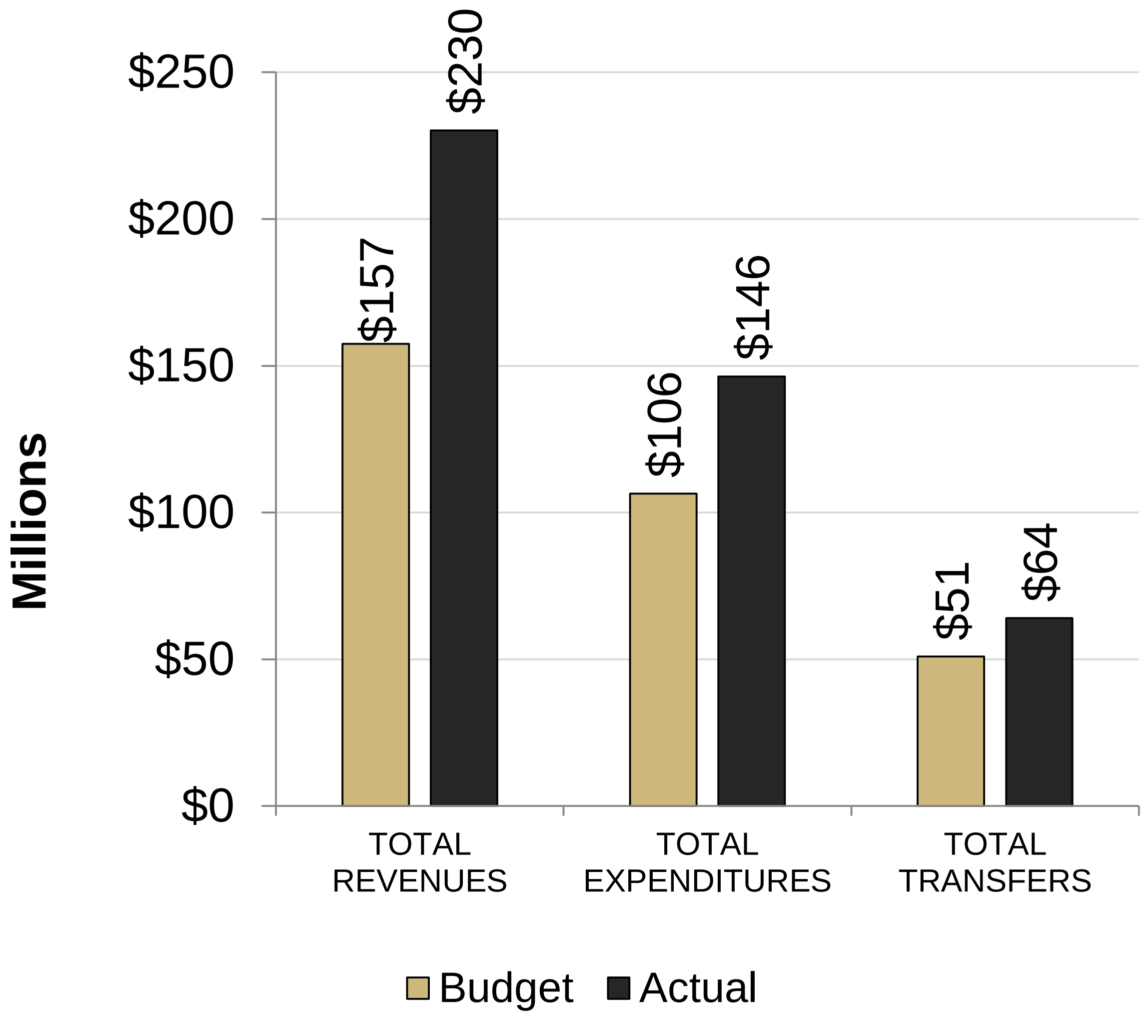
Overview of Fund Balances, System Administration



Overview of Fund Balances, System Administration

- Compensated Absence and Post Employment Benefits liability increased due to adoption of GASB Statement No. 75 requiring institutions to record their estimate of future benefits liability using a prescribed discount rate.
- Decrease in Campus Designated Capital reflects planned spending of prior year roll-forward funds, including payment for the FRA property purchase
- Increase in General Programmatic balances are result of System efforts to build a contingency fund over time in order to maintain programs and service levels in the event of an economic downturn.
- Auxiliary Facility Nonpledged balances have also been strategically increased to preserve the program continuity should the funding sources decrease unexpectedly.
- Unobligated Capital balances reflect the amount budgeted to complete business system IT optimization projects.

Revenues vs. Expenditures, System Administration



Revenues exceeded budget primarily due to Treasury Investments.

Expenditures exceeded the budget primarily due to accounting entries related to recording FRA land purchase debt.

Transfers include campus support from President's Initiative funds, and transfers for Advancement operations.

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Planning Highlights, System Administration

Significant expenditures planned from reserves include:

- $12.0 million Campus Online Funding (Year 1 of 3)
- $ 3.0 million Shared Online Technology Infrastructure
- $3.0 million Continued CU Systemwide Advertising Campaign