

Good Morning

Thank you for the opportunity to present the strategies and action plans that demonstrate the Carolina Campus of the University of Puerto Rico is in compliance with the Middle States requirements of Affiliation 11 and Standard VI. Our educational institution has an evidence-based budget that clearly demonstrates we are in compliance.

First, I would like to emphasize that UPR Carolina has complied with the Affiliation 11 requirement. We submitted audited financial statements for fiscal year 16-17 on January as well as required single audits. The audited financial statement for fiscal year 17-18 will be submitted by the Central Administration on the stipulated deadline.

UPR Carolina is the only one of the 11 UPR campuses that has a quarter-term system that allows students to complete their degrees in a shorter amount of time. Our institution is the most cost-effective and profitable campus in the university system. Proportionally, we generate more profit than the budget earmarked for our operating expenses because of our quarter-term system.

Over the past ten years, the budget of the University of Puerto Rico at Carolina has comprised about 2.73% of the total budget of the UPR system's general fund, which amounts to over 25 million dollars. The impact of the cut in

government revenue that is allocated to the university system and projected in the fiscal plan prepared by the Financial Oversight and Management Board for Puerto Rico and the UPR Governing Board was adjusted by an increase in tuition and fees approved by the Governing Board. In addition, we have implemented and projected a series of initiatives and cost-control measures at the campus level that seek to close the budget gap to ensure we continue to provide quality services to students consistent with our mission and vision.

According to a five-year projection submitted in our January report, these plans will provide the needed resources to achieve balanced budgets. It was projected that for Fiscal Years 19-20 and 20-21, the reduction of the operating funds will amount to \$2.7 and \$1.9 million, respectively. The projected budget reduction for Fiscal year 20 will be absorbed by the Extended University, which provides college level courses in a non-traditional format, and our Division of Continuing Education. These funds are already reserved in our institutional accounts.

Second, UPR-Carolina has a reliable financial record structure that was approved and is used to keep statements of all accounting transactions. Monthly bank reconciliation statements are prepared, as well as payroll processes, account balances and other financial information. The Central Administration has the

support of consultants that assist us in preparing the information required by external auditors. Moreover, UPR Carolina has reinforced its financial office staff with three more employees. The Campus fully complies with processes to safeguard institutional assets, ensuring the achievement of UPR mission.

Third, UPR-Carolina has a strict budgeting and planning procedure that specifies the steps for fund allocation as established by the UPR Governing Board. The consolidated budget for Fiscal Year 18-19 totals \$44.5 million, which includes special allocations, the general budget fund, and federal funds. The Carolina Campus provides the information required by external auditors yearly. I am pleased to inform you that no deficiencies were detected in UPR Carolina procedures for the fiscal year that ended on June 30, 2017.

Regarding the Middle States' contention that UPR Carolina is not in compliance with Standard VI requirements, the institution has adopted initiatives that have strengthened its budget.

The UPR Board of Governors approved a tuition increase for academic year 18-19. Revenues for the previous Fiscal year 17-18 were \$5.9 million. Revenues for the first two quarter-terms of academic year 18-19 were \$7.6 million, and this amount will reach \$10.3 million by the end of the academic year. When compared

with the previous academic year, the current number represents a 43% increase in additional tuition income, despite a small reduction in enrollment.

As part of the strategies to increase tuition revenues, UPR Carolina's academic leadership has focused on maximizing academic offerings through its Extended University. The initiative has resulted in an increase of about 10% in the academic offerings for the first and second quarter-terms of 18-19 that brought in \$646 thousand dollars in additional income.

One of the strategies to increase revenues and to reduce indirect costs is to strengthen distance-learning courses. To achieve this goal, the institution has increased its online academic offering from 42 courses in the second quarter-term of 17-18 to 60 courses in the current term.

UPR Carolina is one of the campuses that strongly believes in public-private partnerships and alliances with the private sector. Our Campus has AutoLube, an automotive practice center for our Department of Engineering Technologies students that provides automobile services to the public. This service is currently undergoing expansion. New equipment to increase vehicle maintenance services is already in the purchasing process. The expansion phase intends to maximize our resources and generate additional revenue. We plan to hire three automotive

technicians to extend service hours. Revenue from our automotive service center is projected to reach \$150 thousand dollars for the next fiscal year.

UPR-Carolina also has a five-year renewable agreement for the installation of a telecommunications tower that will represent \$148 thousand dollars in income for the first five-year period. Mobile phone companies will lease the tower to broaden their cell phone signal coverage.

On the other hand, our Medical Services Office provides services at no charge to the campus' community. Approximately 250 patients are served by this facility every month. To raise additional funds, we have begun the process to bill the health insurance companies. This initiative will bring about \$90 thousand dollars annually.

As part of an agreement between the UPR and the government of Puerto Rico, the UPR system will be providing training to workers at different public agencies for an approximate total cost of \$10 million in the current fiscal year and another \$10 million for next fiscal year. UPR Carolina is slated to receive about \$369 thousand dollars for the training for the remainder of the fiscal year and about \$740 thousand dollars for the next fiscal year. In addition, as part of other revenue-generating efforts, we will be signing a collaboration agreement with the Tourism Company of the Government of Puerto Rico, for \$650,000, to offer

training to the tourism industry. Our Continuing Education and Professional Education Division, has joined efforts with the academic departments to begin trainings for private companies. At this time, UPR Carolina has billed a local packaging company the amount of \$38 thousand dollars to train 11 employees in areas of instrumentation and process control.

The last summer session, pre-basic and additional courses offered by the Continuing Education Division brought in additional revenue to UPR-Carolina. For the first quarter-term 2017-18, this division yielded over \$69 thousand dollars in tuition revenue, in comparison to the first quarter-term 18-19, which exceeded \$450 thousand dollars in revenues.

As part of our efforts to increase revenues by forming alliances with the private sector, a private company, *Cooperativa de Servicios Integrales Turísticos*, submitted a proposal to UPR Carolina for the construction of a hotel at no cost to the institution. Campus space to be rented has already been identified for the construction site. This initiative could offer students the opportunity for on-campus housing. In addition, the hotel will be a practice center for our business administration and hotel and restaurant administration students. UPR Carolina estimates an annual income of \$100 thousand dollars once construction is completed.

UPR Carolina has also implemented a series of cost reduction measures to absorb the impact of the reduction of its resources. One of these is in the area of personnel attrition. Reduction in salary expenditures and related fringe benefits based on attrition are incorporated into the annual projected budget, particularly, for fiscal years 17-18 and 18-19. The savings achieved for Fiscal year 18-19 for eight teaching positions amounted to over \$762 thousand dollars, and in the case of six non-teaching positions, our savings reached \$352 thousand dollars, including salaries and benefits. Our campus has hired part-time faculty members to fill these teaching positions. Student/faculty ratio for academic year 2017-2018 is 24 to one.

We have also achieved major savings in our electric utility bill. In 2014, UPR Carolina launched a plan to reduce the consumption of electricity called the Energy Efficiency Plan, which consists of Energy Auditing and Retrofitting.

The Energy Audit identifies the available areas of opportunity to reduce energy consumption with or without minimum investment by adjusting the temperature of air conditioners in classrooms and administrative offices; through the installation of time sensors (timers) in air conditioners; and the implementation of On/Off protocol for buildings with chiller air conditioning systems. These

measures comply with the American Society of Heating, Refrigerating and Air-Conditioning Engineers code.

The retrofitting portion of the plan entails identifying different areas of opportunity to reduce energy consumption by adding, adapting or changing to new technology, requiring an investment. All these measures resulted in \$300 thousand dollars in savings on energy costs. The last 10 weeks there has been a reduction of over \$61 thousand dollars.

The UPR Carolina campus is also embarking in the use of renewables for its energy needs. We recently installed new air conditioning units that use renewable energy in one of our buildings, resulting in an annual energy reduction of approximately \$75 thousand dollars. These units are slated to be installed in other campus structures for an annual total reduction of \$500 thousand dollars in our energy bill.

Another initiative that is expected to help our institution save about \$25 thousand dollars a year consists of a contract with a nearby mall that will provide maintenance to our campus streets and parking facilities. The initiative should allow UPR-Carolina to reassign human and financial resources to the maintenance of other physical facilities on campus.

Regarding the **Middle States Visiting Team recommendations**, UPR Carolina supports the Central Administration accounting procedures to improve annual closing processes and ensure the proper training of accounting personnel.

UPR Carolina currently prepares quarterly budget expenditure analyses and projections to ensure that expenses do not exceed allocated resources. The Campus also monitors the progress of activities on a regular basis to ensure that projected goals are achieved.

In the event the Central Administration opts to decentralize financial reporting and preparation of annual audits, UPR Carolina is prepared to assume this responsibility.

In addition, UPR Carolina believes that empowering campuses is the best alternative to achieve financial self-sustainability and to operate as autonomous units. However, our campus will abide by any decision to that effect made by university system officials.

In conclusion, I would like to offer some remarks describing our Campus and some of what we have achieved during our existence. UPR Carolina is conveniently located on prime sites that are easily accessible for international and local students and from nearby municipalities located in the northeast part of the island.

Our unique academic programs are important and relevant to the financial development efforts of our Island and particularly the Municipality of Carolina, with which we have carried out collaborative academic and business initiatives. Cultural Tourism, Hotel and Restaurant Administration, Automotive Engineering, and Criminal Justice are just some of the unique programs of high interest for students and those seeking to attain excellent academic development. These programs not only have a high demand among private companies and state and municipal agencies involved in those professional fields, but they also allow students to join the business world. The University contributes to the island's social development by accepting students from low-income areas.

As I mentioned before, our quarter-term system gives students the opportunity to earn their degrees in a shorter amount of time and is of fiscal benefit to the UPR administration because it makes the acquisition of greater income feasible. UPR Carolina is the most cost-effective unit within the system.

UPR Carolina began operations 45 years ago. Since then, its academic leadership stands out by the contributions made by our students and alumni in important positions and activities:

- Chief of staff at the Governor's office
- Chief executive positions in government agencies

- Members of the Chamber of Commerce of Puerto Rico
- Executive positions in the hospitality industry
- Prominent athletes of the Olympic Committee of Puerto Rico
- Internationally awarded student choir
- National College Championship 2019
- Barcelona 2018 Chorus Venue

Among the distinguished faculty members at UPR Carolina are:

- A Supreme Court Judge
- Members of the Puerto Rico Senate and House of Representatives
- An internationally renowned sculptor and many other professionals

Education is the engine that will strengthen financial efforts to pull the island out of its economic crisis. Withdrawal of UPR Carolina and the entire UPR system of its Middle States accreditation will have a spiral negative effect on the economic recovery of Puerto Rico and will also leave thousands of students without the opportunity to receive an affordable college education. As a consequence, poverty will increase in a U.S. jurisdiction that is already below the national poverty threshold. According to the U.S. Census, 44.4 percent of Puerto Ricans are living below the poverty line. This is more than double the number of citizens in some states in mainland.

Finally, I would like to reiterate that UPR Carolina will end the next fiscal years with a balanced budget. Revenue generated from our financial initiatives will

cover budget cuts for fiscal years through 20-23. As mentioned throughout my presentation these initiatives are:

- Tuition increase
- Distance learning
- Continuing Education offerings (summer session and nontraditional courses)
- Public – private partnerships and alliances (AutoLube), telecommunications tower and campus hotel)
- Medical Insurance Billing
- Government Staff Training
- Personnel Attrition
- Energy Efficiency Plan
- Campus Facilities Agreement

As demonstrated before, our budget trends illustrate that UPR Carolina has been is and will be operational in the upcoming years. Our Campus has attained full compliance with Requirement of Affiliation 11 and Standard of Accreditation VI. Therefore, it should maintain its' accreditation with the Middle States.

We appreciate this opportunity and we are ready to answer your questions.