



GOVERNING BOARD
UNIVERSITY OF PUERTO RICO

CERTIFICATION NUMBER 78
2019-2020

I, Alan Rodríguez Pérez, Secretary of the Governing Board of the University of Puerto Rico, DO HEREBY CERTIFY THAT:

The Governing Board, in its ordinary meeting held on March 30, 2020, approved an updated version of the UNIVERSITY OF PUERTO RICO FISCAL PLAN, for years 2020-2024, approved by the Certification Number 103 (2018-2019).

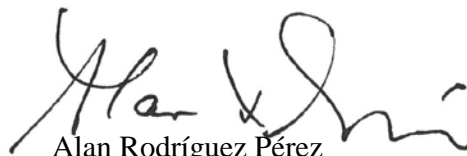
As a preamble to the Pension Reforms section, it was brought to the attention of the Governing Board that a recent bill directly impacting its efforts for transforming the pension system of the University of Puerto Rico was passed on Saturday March 28, 2020, and approved by both the Puerto Rico House of Representatives and the Senate. The bill is Joint Resolution of the House No. 655 of 2020, and states the following:

“To order the Governing Board of the University of Puerto Rico to maintain the current Defined Benefit Retirement Plan, including stopping any intention to increase the retirement age of public servants of the University system and stopping any intention to freeze the contributions from employees to the UPR Retirement Trust.”

Considering the rule of law under PROMESA, the bill now goes before the consideration of the Governor of Puerto Rico, Hon. Wanda Vazquez Garced, and, if signed, subsequently for certification before the FOMB. In deference to this pending proceedings and until further reliable information is received, at the ordinary meeting held on the 30th day of March, the Governing Board decided to refrain itself from voting on the two specific matters addressed in the bill, namely the freeze of the current defined benefit plan and the increase in retirement age. However, for the compelling reasons explained below, the Governing Board acknowledges that those are two key measures recommended by the Governing Board's Committee on Retirement System Affairs, which are critical and much needed for the financial sustainability of both the Retirement System and the University of Puerto Rico system itself. Notwithstanding, the Governing Board postponed the final approval of these two specific measures, but was able to move forward with the approval of the additional contribution to be made to the Retirement System for the current fiscal year, as stated in the present fiscal plan.

IN WITNESS WHEREOF, issued under the seal of the University of Puerto Rico,
this March 30, 2020.




Alan Rodríguez Pérez
Secretary



UNIVERSITY OF PUERTO RICO

Revised Fiscal Plan for 2020

Beyond the Fiscal

MARCH 30, 2020

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Within the process of developing this document, the UPR has had to rely upon preliminary information for 2019 and 2020, yet its formulation has been coupled and reinforced with audited financials for 2017 and 2018. As such, UPR has made certain assumptions that may materially change. The Parties do not owe or accept any duty or responsibility to any reader or recipient of this presentation, whether in contract or tort, and shall not be liable for or in respect of any loss, damage (including without limitation consequential damages or lost profits) or expense of whatsoever nature of such third party that may be caused by, or alleged to be caused by, the use of this presentation or that is otherwise consequent upon the gaining of access to this document by such third party.

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These factors can be very complex, may vary from one fiscal year to the next and are frequently the result of actions taken or omission of action thereof, not only by the UPR, but also by Financial Oversight and Management Board for Puerto Rico and other third-party entities, such as the Government of the United States.

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The projections set forth in this report are based on cash flow projections prepared by the University on or before February 14, 2020. On March 12, 2020, Governor Wanda Vázquez Garced declared a state of emergency for Puerto Rico in response to the worldwide COVID-19 outbreak. On March 15, 2020, the Governor signed an Executive Order of the Governor of Puerto Rico, Hon. Wanda Vázquez Garced, to Make Viable the Necessary Government and Private Closures to Fight the Effects of Coronavirus (COVID-19) and Control the Risk of Contagion on Our Island, Administrative Bulletin No. OE-2020-023 (the “Executive Order”). The Executive Order directed the closure of all businesses in Puerto Rico as of March 15 at 6:00 p.m. until April 12, 2020 (the “Emergency Period”), a date that may be extended by the Government considering the COVID-19 ongoing emergency situation. The Executive Order also imposed a curfew from 7:00 p.m. through 5:00 a.m. during which all residents of Puerto Rico must remain in their residences.

The projections presented herein do not take into account the COVID-19 crisis and its impact to residential, commercial and industrial customers of PREPA and therefore the cash flow budget is subject to material change. The UPR is in the process of preparing updated cash flow projections based on the ongoing situation, which projections are likely to vary materially from the projections provided herein. As a result, these projections, particularly of cash receipts, should not be relied upon.

1. Message from the President of the Governing Board	6
<hr/>	
2. Executive Summary	7
<hr/>	
3. Institutional Background	8
<hr/>	
3.1 <i>The University of Puerto Rico System</i>	8
3.2 <i>The University of Puerto Rico Campuses</i>	9
3.3 <i>University Component Units</i>	15
3.3.1 Desarrollos Universitarios, Inc.	15
3.3.2 Servicios Médicos Universitarios, Inc.	15
3.3.3 University of Puerto Rico Parking System, Inc.	15
3.3.4 Materials Characterization Center, Inc.	15
3.3.5 Molecular Science Research Center, Inc.	16
4. Strategic Plan for the University	17
<hr/>	
4.1 <i>Transformative Student Learning & Life Experience</i>	18
4.1.1 New Financial Assistance Model	18
4.1.2 UPR Fiscal Plan Grant Funds	19
4.1.3 Legislative Grant Funds	20
4.1.4 Other Funds	20
4.1.5 UPR Endowment Funds	20
4.1.6 Special Fund for Scholarships at the University of Puerto Rico (Law 44)	20
4.1.7 Commonwealth Scholarship Fund	20
4.2 <i>Investing in our Human Capital</i>	21
4.3 <i>Infrastructure Modernization and Resiliency</i>	22
4.4 <i>Adopt New Technology & Innovations</i>	24
4.5 <i>Ensuring a Sustainable Future</i>	25
4.5.1 Philanthropy	26
4.5.2 Federal & Research Funds	27
4.5.3 Trainings & Seminars Program	27
4.5.4 Registering a Property Technical Services	28
4.5.5 Trainings for Department of Education	29
4.5.6 Technical Services for Department of Corrections and Mental Health Assistance Trainings	30
4.6 <i>Unite Behind a Strong Brand</i>	30
4.6.1 Ranking	30

4.6.2	Institutional Accreditation	31
4.6.3	Improvements to Institutional Accreditation Processes	31
4.7	<i>Academic Research & Leadership</i>	33
4.7.1	The Molecular Sciences Research Building	33
4.7.2	The Puerto Rico Resource Center for Science and Engineering (“RCSE”)	34
4.7.3	The Established Program to Stimulate Competitive Research (“EPSCoR”) and the Institutional Development Award Program (“IDeA”)	34
4.7.4	Economic Resiliency Projects	35
4.7.5	Evaluation of New Offerings	35
4.8	<i>Fiscal Plan 2020</i>	36
4.8.1	From PROMESA to Today	37
5.	The Revised Fiscal Plan for 2020	39
<hr/>		
5.1	<i>Baseline Adjustments</i>	40
5.1.1	Adjustments to Student Enrollment Projections	43
5.1.2	Adjustments to Commonwealth Appropriations	44
5.2	<i>Fiscal Measures</i>	44
5.2.1	Tuition	44
5.2.2	Laboratory Schools Tuition	45
5.2.3	Historical Headcount Comparison	47
5.2.4	Employee Profile	48
5.2.5	Attrition	48
5.2.6	Medical Insurance	49
5.2.7	Procurement	50
5.3	<i>Fiscal Plan Results</i>	51
5.4	<i>Minimum Cash Analysis</i>	52
5.5	<i>Pension Reforms</i>	53
5.6	<i>Debt Sustainability</i>	58
5.7	<i>Reporting & Compliance</i>	59
5.7.1	Office of Institutional Transformation	61
5.8.1	Administrative Efficiencies	62
5.8.2	Academic Efficiencies	63
5.8.3	Data and Institutional Research Reform	63
5.8.4	Research Infrastructure Reform	65
5.8.5	Expansion of CFO Responsibilities	66

1. Message from the President of the Governing Board

To all University's Stakeholders,

We hereby present the *University of Puerto Rico Revised Fiscal Plan for 2020* to be submitted to the Financial Oversight and Management Board ("FOMB").

This, our fifth fiscal plan, traces the University's fiscal initiatives and results for the past three years. It also provides the guiding principles toward a new beginning at the University with *Beyond the Fiscal*, a sustainable, human and asset capital endeavor for the future of higher education in Puerto Rico.

We recognize the UPR is living in a new era of financial accountability. As you will read in the *UPR Revised Fiscal Plan for 2020*, UPR cannot afford every program or service we might wish to provide. For every decision we make, we must be fully informed about the financial implications. It is imperative we manage our resources wisely, develop diversified revenue streams to reduce dependence on Commonwealth appropriations, and align every resource with the University's broader strategic initiatives. In today's world of higher education, this is the job of every campus, department, and administrative unit at the UPR.

Over the past two fiscal years, the University's Governing Board has approved over 200 certifications that seek to provide the foundation for this transformation in the academic, financial, pensions, infrastructure, and institutional areas.

To our more than 70,000 direct stakeholders, students, employees and retirees, we thank you for your support and contribution during this transformational period. We assure you this *Revised Fiscal Plan for 2020* will provide guidelines and tools for a long-term sustainable future for the University of Puerto Rico.

New opportunities will no doubt emerge during the course of the *Revised Fiscal Plan*, offering us additional resources to build on our excellence and outstanding characteristics, allowing us to carry out our mission. We recognize the UPR cannot act upon all the recommendations at once, so this Fiscal Plan is a living document that will require constant adaptation as higher education continues to evolve.

Sincerely,



Professor Walter Alomar Jiménez, Esq.
President of the Governing Board of the University of Puerto Rico

2. Executive Summary

The UPR *Revised Fiscal Plan for 2020* provides an update on the current financial state of the University, as well as operational changes executed by management to meet projected reduction in Government appropriations.

The plan goes *Beyond the Fiscal* aspects of the University's strategic focus by including a Strategic Plan focused on the following areas: Transformative Student Learning & Life Experience, Investing in our Human Capital, Infrastructure Modernization and Resiliency, and Adopting New Technology and Innovation. This focus will strengthen the pillars critical to the future of the University. These pillars have been refined and articulated recently as University priorities, guiding the University's ambitions, continuous improvement efforts, and institutional investments. These include: Ensuring a Sustainable Future, Academic and Research Leadership, Unite Behind a Strong Brand, and Maintain Long-term Fiscal Health.

Since the enactment of PROMESA, the University has maintained accreditation for all its 11 campuses for an additional year, as it has showed full compliance with the Middle States Commission on Higher Education ("MSCHE") Standards.

From FY'17-FY'20, the University's Government Appropriations have been reduced by an accumulated \$333 million, or 40%. In order to mitigate the budget reduction, the University is implementing fiscal controls and revenue generating measures.

The University has executed measures that will have a total impact of \$1.5 billion from FY'19 to FY'25, with 88% of the target from the Revised Fiscal Plan for 2020. Measures already executed include but are not limited to increased tuition for undergraduate and graduate students, increased dues & fees, reduced full time employees ~1,200 from FY'18 to FY'20, and reduced marginal benefits, among others.

This *Revised Fiscal Plan* highlights the path forward by including additional revenue generation enhancements and expense control measures, while transforming the University's operational structure and restructuring the UPR's Pension System. Key aspects of the plan include:

1. New comprehensive plan that goes beyond a fiscal focus, based on a Strategic Plan that seeks to optimize, expand, and map the future sustainability of the University.
2. Adjusted FY'20 projections based on 8 months of actual performance.
3. Increased contribution to the pension plan for FY'20 totaling \$160 million, and subsequent annual contribution of \$120 million for the next five years.
4. Starting in FY'21, the University will receive its \$20 million, in Trainings and Seminars Central Government Appropriation, as unrestricted.
5. The *New Capital Expenditure Plan from the Commonwealth* will provide needed investment in the system's infrastructure while also providing relief to University's institutional funds.
6. New revenue-to-expense control enhancements for its Laboratory Schools maintenance and betterments.
7. New student-aid policies will limit exemptions to veterans, student representatives and graduate work and study program.
8. A new *Classification and Compensation Plan* will adjust non-faculty compensation and provide flexibility and renew current roles and responsibilities.

3. Institutional Background

The University of Puerto Rico (the “UPR”, or the “University”), founded in 1903, is a state supported university system created by Act No. 1 of January 20, 1966, “Law of the University of Puerto Rico” (“Act No. 1”), as amended, with the mission to serve the people of Puerto Rico and contribute to the development and enjoyment of the fundamental, ethical, and esthetic values of Puerto Rican culture, committed to the ideals of a democratic society. To advance its mission, the University strives to provide high quality education and create new knowledge in the Arts, Sciences, and Technology. The University is a public corporation of the Government of Puerto Rico (the “Government”, or the “Commonwealth”).

3.1 The University of Puerto Rico System

The University is the oldest and largest institution of higher education on the Island with a history of academic excellence and comprises 11 campuses located throughout the Island. For FY’20, the University has approximately 3,699 professors and researchers, 50,786 students, and thousands of alumni that honor the Island with their intellectual and professional contributions at the local and international level.

The University of Puerto Rico currently offers 31 associate degrees, 236 bachelor’s degrees, 114 master’s degrees, 12 graduate certificates, 6 professional level degrees, 34 doctoral degrees and many continuing education courses and programs. During the past decade, the University has focused on developing the graduate level; conferring over 700 PhD’s in the last five years, 50% of which are in Science and Technology.

The organizational structure includes a Governing Board, a University Board, a President, a Vice President of Academic Affairs, a Vice President of Student Affairs and a Vice President of Research. Each campus has a Chancellor, a Dean of Academic Affairs, a Dean of Students, a Dean of Administration, a Dean or Director for each college or school, and, in the case of the Río Piedras Campus, a Dean of Graduate Studies and Research. All units have institutional accreditation by the Middle States Commission on Higher Education (“MSCHE”) and the required program accreditations allowing students to continue graduate studies in the United States or in other countries. The University has an ample research agenda and professional exchange programs with over 120 institutions of higher education at the international level.

Since its formation, the University has educated much of the top leadership of Puerto Rico’s academic, business and government sectors and confers more than 9,000 degrees per year. During the FY’18, some 14,194 potential first-year students applied to the UPR, representing over 50% of all high school seniors on the Island. Of approximately 34,000 high school students that take the College Board Exam in Puerto Rico, 51% apply for admission to the UPR; 26% of the Island’s university students attend the UPR; and the UPR grants 17% of the University degrees on the Island. The UPR is the premier Hispanic serving institution in the United States with over 90% of its student body being of Hispanic origin. The UPR has the highest selectivity of all colleges and universities on the Island. During the academic year 2018-19, the average GPA of the new coming class, which comprised about 8,906 students, was 3.60. For the academic year 2019-20, some 33,117 undergraduates or 65% of the total student population received Federal Pell Grants.

3.2 The University of Puerto Rico Campuses

The University system includes all its campuses: Río Piedras, Mayagüez, Medical Sciences, Aguadilla, Arecibo, Bayamón, Carolina, Cayey, Humacao, Ponce, and Utuado, as well as its Central Administration.

Campus	Students	Faculty ¹	Non-Faculty ¹
UPR Río Piedras	13,944	792	1,386
UPR Mayagüez	12,665	704	1,606
Medical Science	2,565	1,037	1,242
UPR Aguadilla	2,630	99	184
UPR Arecibo	3,441	138	238
UPR Bayamón	3,737	174	234
UPR Carolina	2,882	166	194
UPR Cayey	2,787	134	282
UPR Humacao	3,093	227	297
UPR Ponce	2,427	165	214
UPR Utuado	615	52	131
Total / Average	50,786	3,688	6,008

Roster as of 01/31/20

The **Río Piedras Campus** (the “UPR-RP”) was established in 1903. It is a comprehensive doctoral institution and the oldest and most complex unit in the UPR system. Its academic offerings include 65 undergraduate programs. The graduate offering includes 41 master’s degrees, 15 PhDs, three Ed.D., and international programs in Law, at both Master of Laws (“LLM”) and Juris Doctor (“JD”) levels.

The UPR-RP serves over 13,944 students, of whom 2,980 are graduate students; comprises a faculty of 772 members, of which 75% hold the highest degrees conferred by universities all over the world and employs 1,315 non-faculty workers. It houses research centers on Material Sciences, Environmental Sciences, Nanotechnology, the Caribbean, HIV/AIDS Education and Prevention, History, Hispanic Studies, Social Sciences, Labor Relations, Cooperativism, Psychology, Math and Sciences, Business and Law, among others.

The UPR-RP has 75 professionally accredited programs, the most recently re-accredited were those of the Computer Science Program, Computer Information Systems, the School of Communication, and the Center for Pre-School Development. In the past four years, the UPR-RP has received over \$56 million in external funds, mainly for research, institutional development, and training.

The **Mayagüez Campus** (the “UPRM”) was established in 1911 as a land-grant institution committed to teach agriculture, military tactics and mechanic arts, as well as classical studies. The UPRM offers 104 academic programs: 54 bachelor’s degrees, 42 master’s degrees and 8 PhDs. It serves 12,665 students, of which 11,691 are enrolled in undergraduate programs; comprises a faculty of 765 professors and employs 1,562 non-faculty workers.

All six of its engineering bachelor’s degree programs are accredited by the Accreditation Board for Engineering and Technology (“ABET”). In addition, the UPRM offers a Teacher Preparation Program,

accredited by The National Council for Accreditation of Teacher Education (“NCATE”), now known as the Council for the Accreditation of Educator Preparation (“CAEP”). Students of this program consistently score among the highest grades in the teacher certification exams.

The **Medical Sciences Campus** (the “UPR-MS”) was established in 1924 as the School of Tropical Medicine affiliated with Columbia University. It comprises the Schools of Medicine, Dental Medicine, Public Health, Pharmacy, Nursing, and Health Professions, and has 61 academic offerings, including 9 associate and bachelor’s degrees, 5 professional doctoral degrees, 31 masters, 5 postgraduate certificates, and 11 doctoral programs. It serves 2,565 students.

The UPR-MS professional schools, programs, and hospital-based residencies hold profession-specific accreditations granted by the corresponding organizations. The numerous school and program accreditations guarantee institutional compliance with professional standards and maintain UPR-MS programs attuned to new knowledge and emerging trends in their respective fields.

The campus operates as a health sciences center with close ties to the community through an extensive network of public and private practice sites. It operates the University of Puerto Rico Hospital in Carolina and has numerous teaching and practice arrangements with hospitals in the Puerto Rico Medical Center and the nearby Veterans Administration Hospital, among others. It houses the School of Dental Medicine’s main practice site and sponsors several community-based service projects in low-income areas in which students participate. The Schools of Pharmacy, Public Health, Nursing, and Health Professions have extensive networks of sites that guarantee the quality of student practice experiences. The School of Medicine oversees a successful faculty practice plan that supplements faculty income, generates resources for the institution, and offers students and residents a wealth of clinical experiences under faculty supervision.

Besides teaching and service, the UPR-MS is also engaged in numerous research projects, many of which are funded by the National Institutes of Health (“NIH”) and its subdivisions. Over the past 10 years, this activity has continued to grow, fueled in part by seed money from infrastructure building programs such as the Minority Biomedical Research Support (“MBRS”) and the Research Centers in Minority Institutions (“RCMI”). Research projects address the areas of cancer, health disparities, HIV, malaria, dengue, neurosciences, mental health and behavioral problems, drug addiction, women’s health, oral health, industrial pharmacy, and translational research, among others.

The **Aguadilla Campus** (the “UPRag”) was founded in 1972 and offers 12 bachelor’s degrees, 2 associate degrees, and 26 articulated transfer programs to other UPR campuses. UPRag has embraced the Strategic Initiative that all programs and services subject to professional accreditation, should pursue accreditation. In 2010, the Elementary and English Education programs earned its certification by the Council for Accreditation of Educator Preparation (CAEP). In 2011 the Association of Collegiate Business Schools and Programs (ACBSP) accredited the Business Administration Program and the Office Systems Program. In 2012 the Electronic Technology Program was accredited by the Accreditation Board for Engineering and Technology (ABET). The International Association of Counselling Services (IACS) accredited the Counselling and Psychological Services Department in 2015. These professional evaluations and accreditations are substantial in helping us to improve continuously, enhance our assessment culture, strengthen program evaluation, and solidify our compliance with MSCHE standards.

The student body is 98% Hispanic and 54% female, with a five-year average time to degree. The UPRAg fully comply with its mission to provide an excellent academic and service alternative to disadvantage students from the northwest of Puerto Rico. For the first semester 2019-20, UPRAg served 2,762 students, eighty percent (80%) are from the northwest side of the island, eighty percent (80%) are seeking a Bachelor's degree, ninety-one percent (91%) of the student population is studying full-time, approximately eighty-seven percent (87%) received some form of financial aid, seventy-eight percent (78%) are from public schools. To serve our students the unit have 124 faculty members and 183 non-faculty employees.

The **Arecibo Campus** (the “UPRA”) was established in 1967 and it offers 17 programs conducive to a degree, 14 bachelor’s degrees, three associate degrees, a post-baccalaureate degree and seven articulated transfer programs. The academic programs stand out for being innovative, competitive and relevant. Courses are offered in several traditional and non-traditional modalities such as: experiential learning, learning communities, and distance education. Academic excellence is evidenced by thirteen programs accredited by specialized accreditations. Through its Division of Continuing Education and Professional Studies (DCEPS), it also offers professional development opportunities to the internal and external communities. For more than 50 years, UPR-Arecibo had graduated professionals that bring their knowledge and skills to the local and international industry. Graduates from the UPRA are regularly employed in industrial and governmental sectors. A 92% of the graduates reported being employed, in graduate school or engaged in long-term service within six months of graduation (Alumni Survey 2014-2016). Student enrollment at UPR-Arecibo for the spring semester of academic year 2019-2020 is 3,338 students. Although they come from all over the island, the majority are from the north-central region. Arecibo is one of the six municipalities in the north region with sustained population. UPR-Arecibo maintains constant first year and total enrollment trends. For the past three years, UPR-Arecibo has had an average of 755 first year students and 3,668 total enrollments. The number of graduates for the academic year 2018-2019 was 668. The students are served with 166 faculty members and 169 non-faculty employees.

The **Bayamón Campus** (the “UPRB”) was established in August 1971 as a community college and was part of the Regional Colleges Administration. In 1998, the UPRB became an autonomous campus within the UPR System. The university is located in the northeastern part of the Island, in an area that has maintained industrial and economic development. It is focused on the fulfillment of the growing academic needs of the region. The UPRB mostly serves students from the municipalities of Bayamón, Guaynabo, San Juan, Cataño, Dorado, Comerío, Naranjito, Toa Alta, Corozal, Toa Baja, and Vega Alta. (North-Central part of the island). The institution offers academic programs in technology, business, science, and education. Its four-year programs are: Accounting (BBA), Computer Science (BCS), Electronics Engineering Technology (BS), Finance (BBA), General Biology (BS), Human Biology (BS), Management (BBA), Marketing (BBA), Materials Management (BMM), Office Systems (BOS), Preschool and Elementary Education (BEd), Special and Elementary Physical Education (BEd). The UPRB also offers the following two-year programs: Automation, Instrumentation, and Control Systems Technology (AD), Civil Engineering Technology (AD), Construction, Surveying and Roads Engineering Technology (AD), Industrial Engineering Technology (AD).

Also, the UPRB offers coordinated articulated academic transfer programs in several academic disciplines, including the liberal arts, through agreements with other UPR campuses. The corresponding professional accreditation agencies accredit all of UPRB's academic programs susceptible to accreditation. These include the following: Accreditation Council for Business Schools and Programs (ACBSP), Applied and Natural Science Accreditation Commission of ABET (ANSAC), Association of College & Research Libraries (ACRL), Computing Accreditation Commission of ABET (CAC), Engineering Technology

Accreditation Commission of ABET (ETAC), Council for the Accreditation of Educator Preparation (CAEP). It is important to note that educational programs are recognized by the following agencies and that is a requirement of the accreditation of CAEP: Association for Childhood Education International (ACEI), National Association for the Education of Young Children (NAEYC), Society of Health and Physical Educators (SHAPE America).

Enrollment at the UPRB for Fall 2019 is 3,937 students (3,703 Full-Time Equivalency): 2,008 females and 1,929 males. All are Hispanic, with 31% of first-generation college students. The fact that 70% of UPRB students receive Pell Grants reflects a mostly low-income status population. The 2019 graduating class had 501 graduates. Applications and admissions for 2019-20 reflect a behavior similar to recent years, with 3,753 applications received, 1,096 admitted students, and 893 enrolled students, amounting to an enrollment conversion of over 81.5%. For the second semester 2019-20, the total enrollment is 3,536 students with the same characteristics observed in the first semester.

The **Carolina Campus** (the “UPRCA”) was founded in 1974. It serves 3,014 students with 2,231 full time students from different geographical areas of the Island and a small group of students from the Caribbean. The 80 % percentage of students received financial aid. It offers 13 undergraduate majors, 5 associate degrees, as well as 19 transfer programs. Three Professional Accredited programs in Office Systems, Business Administration, and Hotel and Restaurant Administration.

The UPRCA is the only campus within the UPR System that operates under a quarter term calendar system. Typically, students obtain their bachelor or associate degrees in a shorter period. The student body is served by a faculty of 107 professors and 193 non-faculty employees.

The **Cayey Campus** (the “UPR-Cayey”) was established in 1967 and offers 24 bachelor’s degrees in five academic areas: Teacher Preparation (11), the Natural Sciences (4), Social Sciences (4), Humanities (4), and Business Administration (4). It serves 2,787 undergraduate students with 149 faculty members and 271 non-faculty employees. UPR-Cayey provides an affordable and quality undergraduate education to the southeastern region of Puerto Rico and has one of the highest percentages of female enrollment, as well as a high number of students who are PELL recipients. Due to the high number of degrees awarded in science and social sciences, the Carnegie classifications changed from Diverse Field institution to an Arts and Science institution in 2015. Moreover, accreditation agencies constantly assess the quality and rigor of our teaching preparation programs by the Council for the Accreditation of Education Preparation (CAEP), and our business program by the Accreditation Council for Business Schools and Programs (ACBSP).

UPR-Cayey’s academic reputation appeals to many high school students with a high GPA, as well as high percentiles in the college admission test. The first time, first year student profiles influence the UPR-Cayey graduation rate, ranked one of the highest in the UPR system. In addition, UPR-Cayey is the third institution in Puerto Rico with the highest number of applicants to medical schools, ranked between third and fourth institution in Puerto Rico with the highest number of students that completes a PhD in Science, Technology, Engineering, and Mathematics (STEM) programs during the last decades. Moreover, UPR-Cayey follows UPR-Rio Piedras and UPR Medical Campus as the third UPR institutions with the highest amount of NIH funds, providing our students a competitive advantage when filing their graduate school applications. Every year an average of 60 students, participate in summer undergraduate research experiences in Puerto Rico, United States and Canada and at the UPR medical campus.

The **Humacao Campus** (the “UPRH”), founded in 1962, is a public undergraduate institution classified as a Bachelor/Diverse: Baccalaureate Colleges-Diverse Fields by the Carnegie Foundation for the Advancement of Teaching. It received and has maintained MSCHE accreditation since 1965. Eighty-eight percent of the total enrollment comes from 16 adjacent municipalities that constitute the target area, which is one of the most economically impoverished areas of PR according to the 2010 Federal Census. UPRH is the only UPR campus with a presence in the eastern region of PR. In 2018, UPRH provided service to 17% of the island’s population that extends beyond our target area, including the islands of Vieques and Culebra. Forty-eight percent of our students are below the poverty line that results in UPRH being a vital component in the economic and social development of the eastern region. Seventy-three percent of new student enrollments are graduates of public schools, which demonstrates the need for a public institution of higher education for students to continue their studies.

The UPRH offers 24 academic programs: 20 bachelor's degrees and four associate degrees. In addition, there are 12 articulated transfer programs that allow students to transfer to four other UPR campuses. The University reduced the number of articulated transfer programs based on the results of the Analysis of Effectiveness of Articulated Transfer Programs conducted by the Planning Office that evidenced that the articulated programs that were eliminated did not accomplish their academic and administrative purposes. Six bachelor’s degrees are unique in Puerto Rico: Wildlife Management, Coastal Marine Biology, Physics Applied to Electronics, Computational Mathematics, Social Sciences with Social Action Research, and Studies of Puerto Rico and the Caribbean. In addition, three programs are unique to the UPR system: International Commerce, Industrial Chemistry, and Occupational Therapy. The UPRH serves 3,093 students with 176 faculty members and 292 non-faculty employees.

The **Ponce Campus** (the “UPRP”) Established as Ponce Regional College in 1969 and first accredited by Middle States in 1970, UPR-Ponce was originally authorized to offer associate degrees and transfer programs but added several baccalaureate degree programs beginning in the 1980s. It is located in the city of Ponce in the southern coast of Puerto Rico, approximately 67 miles from the capital city of San Juan. At present, the institution offers twelve bachelor’s degrees, four associate degrees (technical programs), and 46 articulated transfer programs to other UPR campuses. These transfer programs give students the opportunity to study during their first two years in Ponce and then move to another unit from within the UPR System. Five of UPR-Ponce’s academic programs are unique in Puerto Rico: Athletic Therapy Sciences, Psychology and Mental Health, Forensic Psychology, Biomedicine, and Civil Engineering Technology in Architectural Delineation.

Total headcount enrollment for academic year 2019-2020 is 2,540. Ninety-four percent (94%) of the student population is full time. Approximately ninety-one percent (91%) receives financial aid, and fifty-eight percent (58%) is female. Eighty-one percent (81%) of the student body is enrolled in bachelor’s degree programs, six percent (6%) in technical programs, and eleven percent (11%) in transfer programs. The remainder was classified into other categories. For the academic year 2019-2020, the retention rate is eighty percent (80%). The first to second year retention rates for the last five years’ average eighty-one percent (81%). The institutional graduation rate average for the last five years has reached forty-three percent (43%), which is similar to those reported nationally and compare favorably to other UPR Units.

The institution has a legacy of almost 50 years in which more than 30,000 students have graduated. These students are now part of the labor force of Puerto Rico, United States, and many other countries around the world. Also, around forty percent (40%) of the students admitted at the institution during the last three

academic years are first-generation college students. UPR-Ponce graduated 459 students on academic year 2018-2019.

The student body is served by 204 faculty and 215 non-faculty staff members. On average, the student/faculty ratio is 12:01. The 2019-2020 faculty profile revealed that 74 of the 98 full-time faculty is tenured, which represents 76%. Fifty-three percent (53%) percent completed a doctoral degree. Nineteen percent (19%) of faculty held the rank of full professor, thirteen percent (13%) associate professor, thirty-five percent (35%) assistant professor, and thirty-three percent (33%) instructor. This institution has a strong culture of accreditation. The Middle States Commission on Higher Education (MSCHE) accredited the UPR-Ponce in 1970, reaccredited it in 1985 and 1995, and reaffirmed accreditation in 1980, 1990, 2000, 2005, 2011, 2016, and 2019. All of its academic programs susceptible to accreditation are accredited or in process of reaccreditation by the following agencies: Accreditation Council for Business Schools and Programs (ACBSP), Accreditation Board of Engineering Technology (ABET), American Physical Therapy Association (APTA), Commission on Accreditation in Physical Therapy Education (CAPTE), and the Council for the Accreditation of Educator Preparation (CAEP). The Adelina Coppin Library is certified by the Association of College and Research Libraries (ACRL). In addition, the Counseling and Psychological Services Department is accredited by the International Association of Counseling Services (IACS). Undoubtedly, these professional accreditations demonstrate the quality of UPR-Ponce's programs and services. It is crucial to mention that there is no other institution in the southern region that possesses all these professional accreditations. Also, our Teacher Preparation Program has been classified as "exemplary" by the Department of Education of Puerto Rico because of the results of the teachers' license passing rate. This passing rate has been 96.9 percent for the last five years.

The **Utua**do Campus was created in 1978 and it offers two-year agricultural programs. It offers 4 bachelor's degrees and 6 associate degrees. UPR-Utuado holds specialized accreditation by the National Council for Accreditation of Teacher Education (NCATE), the Accreditation Council for Business School and Programs (ACBSP). The campus also has a Learning Resource Center certified by the Association of College Research Libraries (ACRL) since 2008. Aligned with our institutional mission (see UPR-Utuado's Mission and Vision), UPR-Utuado has academic programs dedicated to the economic and cultural needs of the region. UPR-Utuado serves a high percentage of first-generation college students with low family incomes.

It serves 615 students, with a 35% of freshmen students are first generation, 72% have families with an annual income of 30,000 or less, and 92% receives financial aid. The demographics reveal that 92% of the student population are studying full time and 51% are female. Thirty-eight percent (38%) of the student body are enrolled in bachelor's degree programs, 56% in associate degree programs, 3% in transfer programs, and 3% in professional development and special permission. The student body is served by 71 faculty members and 129 non-faculty members. The 2019-2020 faculty profile reveals that 56% have a doctoral degree.

The campus milieu comprises 118 adjoining acres, the largest contiguous extension of all 11 system campuses, and a singular location valued for its Taíno Indian heritage. This presents an optimal and distinctive environment for study within an agricultural setting.

3.3 University Component Units

The University of Puerto Rico has several component units which are separate legal entities from the University. For each entity, the University appoints a majority of these organization's board members, can impose its will on those entities, or there is a financial benefit/burden situation with these entities. Among the active Component Units are the following:

3.3.1 Desarrollos Universitarios, Inc.

Desarrollos Universitarios, Inc. ("DUI") is a legally separate entity from the University and a nonstock corporation governed by a separate board. DUI was organized on January 22, 1997, under the laws of the Commonwealth of Puerto Rico as a not-for-profit organization. DUI was organized to develop, construct, and operate academic, residential, administrative, office, commercial, and maintenance facilities for the use of students and other persons or entities conducting business with the University. DUI developed Plaza Universitaria Project, which consists of a student housing facility, a multi-story parking building and an institution building to house administrative, student service and support functions, and, to a lesser extent, to lease commercial space. The financing for the Projects was provided by the issuance of \$86,735,000 in Educational Facilities Revenue Bonds through the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority ("AFICA") on December 20, 2000. In 2008, the University entered into a capital lease agreement with DUI for the Plaza Universitaria Project which was assigned to the AFICA bonds. DUI is fiscally dependent on the University and its debt is expected to be repaid entirely or almost entirely with resources of the University.

3.3.2 Servicios Médicos Universitarios, Inc.

Servicios Médicos Universitarios, Inc. (the "Hospital" or "SMU") is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. The Hospital is a not-for-profit acute care corporation, organized under the Laws of the Commonwealth of Puerto Rico, on February 11, 1998, to operate and administer healthcare units. The principal objectives of the Hospital are to constitute it as the principal medical education institution of the University and to offer healthcare services to the residents of Puerto Rico. The University appoints a voting majority to the Hospital board and is also financially accountable for the Hospital.

3.3.3 University of Puerto Rico Parking System, Inc.

University of Puerto Rico Parking System, Inc. ("UPRPS") is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. UPRPS was organized on May 5, 2000, under the laws of the Commonwealth of Puerto Rico, as a not-for-profit organization. UPRPS was organized to operate the parking facilities of the University system. UPRPS operates the parking facilities of the Medical Sciences and Rio Piedras campuses. The University appoints a voting majority of UPRPS board and is also financially accountable for UPRPS.

3.3.4 Materials Characterization Center, Inc.

Materials Characterization Center, Inc. ("MCC") is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. MCC was organized on April 15, 1999, under the laws of the Commonwealth of Puerto Rico, as a not-for-profit organization. MCC was organized to provide a much-needed accessible and reliable center to chemically and physically characterize materials from the pharmaceutical as well as other manufacturing endeavors. MCC is administrated in conjunction with the College of Natural Sciences of the Río Piedras Campus of the University. The University appoints a voting majority of MCC board and is also financially accountable for MCC.

3.3.5 Molecular Science Research Center, Inc.

Starting in in fiscal year 2020, the Molecular Sciences Research Center, Inc. (“MSRC”) functions as a separated component unit of the University. Previously, this component unit operated as a part of the University. MSRC is now a legally separate entity from the University and a nonstock corporation governed by a separate board. MSRC is a not-for-profit corporation, organized under the Laws of the Commonwealth of Puerto Rico, on March 23, 2011, to operate and administer the University’s Molecular Science Building (“MSB”). MSB is an advanced research facility of the University with laboratories conducting basic and translational biomedical research in the areas of protein structure and dynamics, molecular biology, genomics, proteomics, bio-imaging, pharmacogenetics, and neurosciences. The primary goal of the MSRC is to produce a significant increase in competitively funded forefront scientific research by scientists at the University. The MSRC is the University System’s first multidisciplinary environment, designed to meet the needs of cutting-edge research in Puerto Rico for the foreseeable future. This new research space design paradigm features standardization, flexibility and adaptability, systems integration, and ease of sharing equipment and human resources.

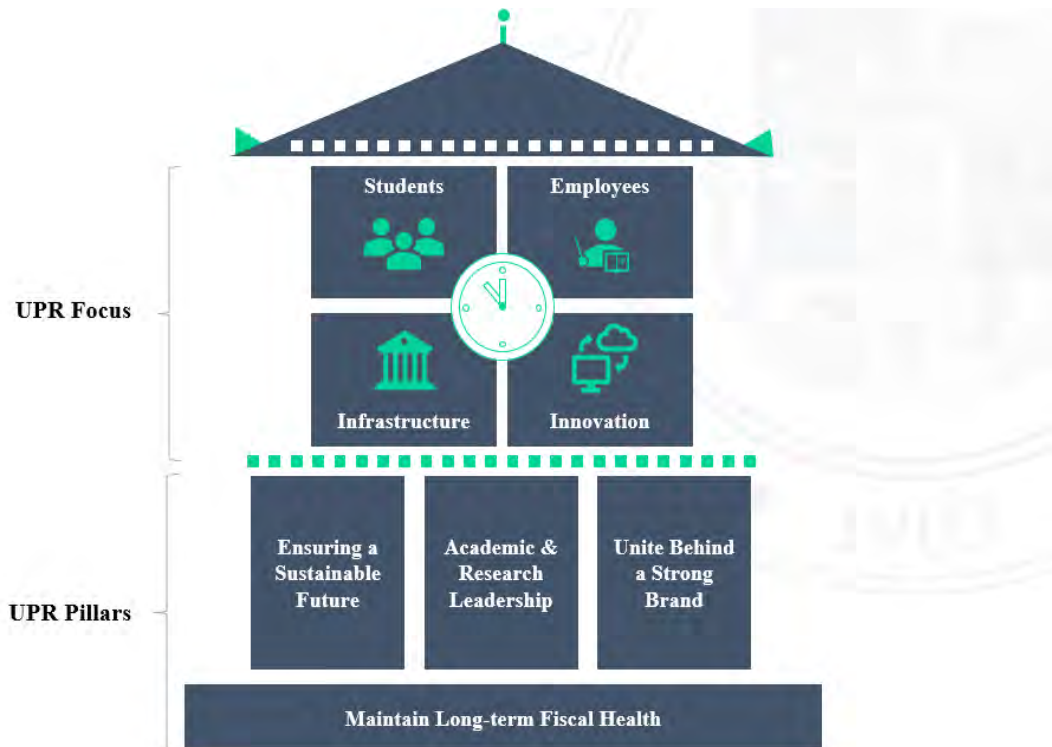
4. Strategic Plan for the University

The University's Strategic Plan focuses its strengths and resources on the most pressing issues the University is distinctively positioned to address. The structure of the plan encourages multidimensional approaches to achieving significant goals in four areas of focus:

- Transformative Student Learning & Life Experience. Our core mission is to provide a superior quality learning to our students, in both academic and life experience.
- Investing in our Human Capital. Significant investment in our largest and most important asset, our Human Capital.
- Infrastructure Modernization and Resiliency. Modernization of our campuses will provide a higher quality service to our stakeholders and a more resilient and stable operational support.
- Adopting New Technology and Innovation. We will embrace innovative technology that improves teaching, learning, research, and student life and enables the University to stay up to date with emerging trends.

This focus will strengthen the pillars critical to the University's future. These pillars have been refined and articulated more recently as University priorities, thus guiding its ambitions, continuous improvement efforts, and institutional investments. These include:

- Ensuring a Sustainable Future. Optimize and expand our current external revenues through federal and proprietary funds to diminish possible risks associated with revenue concentrations from Commonwealth inflows.
- Academic and Research Leadership. Nurture the innovation and transformation of academic endeavors, research and the creation of knowledge, as well as its technological structures.
- Unite Behind a Strong Brand. We will share UPR's story with the world by uniting behind a compelling brand, developing clear and consistent messaging and enabling stakeholders with the tools they need.
- Maintain Long-term Fiscal Health. We will remain financially stable and develop new resources so we can invest in and support the financial needs of the University's strategic goals.



4.1 Transformative Student Learning & Life Experience

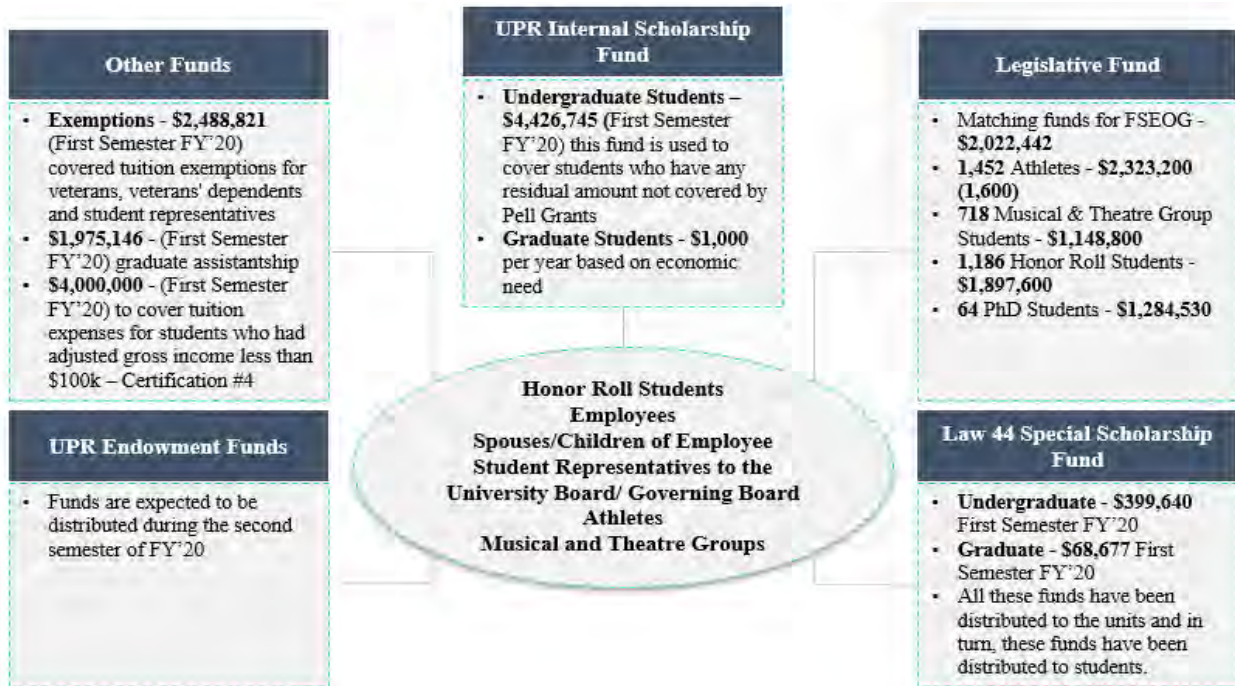
4.1.1 New Financial Assistance Model

The University of Puerto Rico has developed and implemented a new model for financial assistance for its student population. The Institutional Policy on the Grant of Economic Aid for Students in Eligible Categories at the University of Puerto Rico by means of Certification #4 (2019-2020) of the Board of Governors. This Certification sets forth the criteria for the award of financial aid to UPR students, in recognition of their academic excellence, contribution to academia, athletics, and the arts. In addition, it ensures uniformity in its application and objective administration, which promotes continuous evaluation and transparency in its awarding process.

The new model for financial assistance establishes criteria that will regulate the process of financial aid distribution. The eligible categories in this certification include:

- Students eligible for honor roll
- Employees
- Spouses and children, dependents of employee
- Student Representatives to the University Board
- Student Representatives to the Governing Board
- Athletes
- Musical and theatre groups (i.e. bands, choirs, among others)

During FY'20, the UPR grouped the different sources of financial assistance and created policies and regulations for the distribution of said funds. The total amount of funds for financial assistance is estimated at \$40.3 million. A description of the different sources of funds and regulations that apply follows:



For FY'21 the University has adjusted its student aid offering. It will focus on its core aid programs with additional support from the new CW Scholarship Fund.



4.1.2 UPR Fiscal Plan Grant Funds

The total amount of funds for the academic year 2019-2020 was \$10.4 million. These funds were distributed as follows: \$1,040,000 for graduate students and \$9,360,000 for undergraduate students.

The funds for graduate students were distributed to the three graduate campuses. With these funds, graduate students could receive up to \$1,000 per year based on economic need and according to the requirements in Certification #4 (2019-2020) of the Governing Board.

The funds for undergraduate students were used to cover the remaining cost of credits for students that had a tuition balance after applying the Pell Grant received by the student. In other words, this fund was used to help students that had a Pell Grant in an amount less than their total tuition. As mentioned, financial assistance does not cover laboratories or fees. Based on the reports by the units, for the first semester of the 2019-2020 academic year, 4,007 students received financial assistance in this category for a total of \$4,426,744.82.

4.1.3 Legislative Grant Funds

For the academic year 2019-2020, \$9.5 million were received. These funds were divided in categories in order to aid different student categories. Just over \$2 million were used as matching funds required by the US Department of Education for the Federal Work Study and the Federal Supplementary Educational Opportunity Grant (“FSEOG”). Approximately \$5.3 million were used to provide merit-based assistance for athletes, students in musical groups, and students who qualify for honor roll. Finally, approximately \$1.2 million were used as a scholarship for PhD students in STEM programs.

4.1.4 Other Funds

Funds were allocated to cover the tuition exemptions in the Fiscal Plan and those required by law, such as veterans, dependents of veterans and student representatives. Approximately \$2.5 million were used to cover the tuition exemptions for the first semester of the 2019-2020 academic year. Close to \$2 million were used to cover graduate assistantships. A total of \$4 million were used to cover tuition expenses for students who had an adjusted gross income less than \$100,000 and comply with all the requisites of Certification #4 (2019-2020) of the Board of Governors.

4.1.5 UPR Endowment Funds

For the 2019-2020 academic year, \$2.1 million are available to be distributed to students. At this moment, the evaluation process of candidates is underway. It is expected that this fund will be distributed to students during this semester.

4.1.6 Special Fund for Scholarships at the University of Puerto Rico (Law 44)

For the academic year 2019-2020, close to \$1.2 million were received. These funds were distributed to the units and in turn, these funds have been distributed to students.

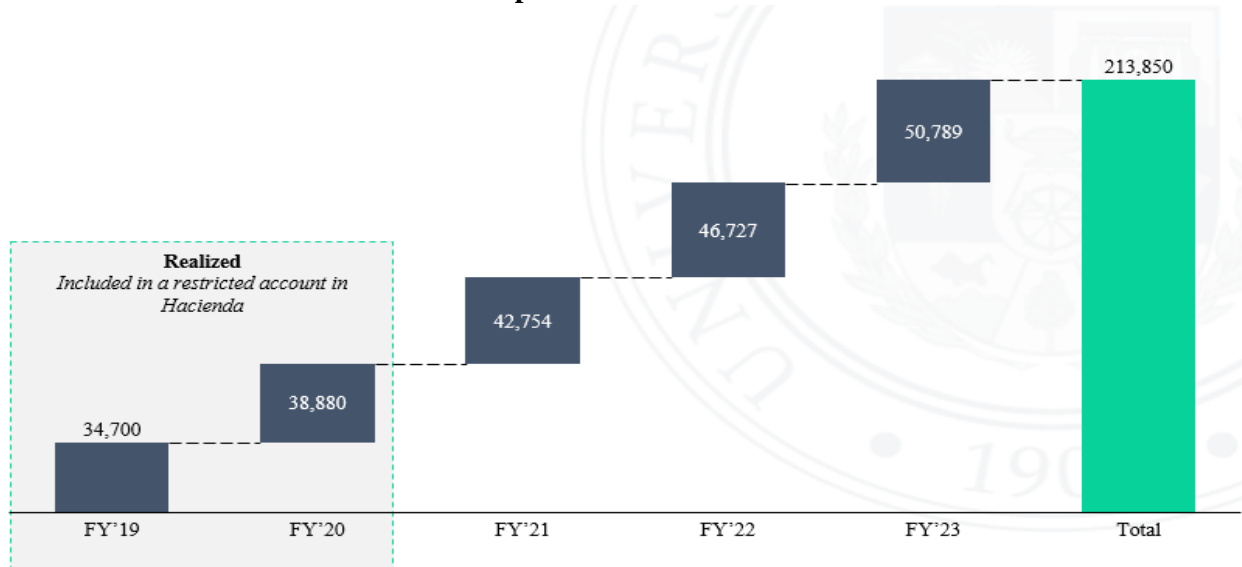
4.1.7 Commonwealth Scholarship Fund

FY’21 will see a new addition to the financial assistance available to students with the inclusion of the Commonwealth Scholarship Fund. The Central Government designed an endowment fund whereby annual interests are intended towards student scholarships. The funding schedule is as follows:

- FY’19: \$34.70 million
- FY’20: \$38.88 million
- FY’21: \$42.75 million
- FY’22: \$46.70 million
- FY’23: \$50.78 million

The endowment is expected to reach \$213 million by FY'23 in which \$10 million in annual interest (approximately 5%) will go towards students who don't qualify for Pell Grants or current student aid programs funded by the University.

Commonwealth Scholarship Fund – Endowment Fund FY'19 to FY'23



4.2 Investing in our Human Capital

The University is working to transform its human capital structure through the implementation of multiple initiatives to transform the employee classification model and refresh its compensation and benefits to be market competitive. The agenda includes an overhaul of the current employee classification model, an increase in non-faculty payroll, and annual allowances for new faculty hires. This strategy will enable the achievement of the UPR's strategic and operational objectives for its staff. A thorough compensation assessment is in the process of being carried out, while simultaneously developing the new classification model.

The UPR's employee classification model has not been updated since 1977. By continuing to use this outdated classification system, the University finds itself in a limited position when benchmarking its human capital compensation and administrative efficiency against external markets. Once the internal evaluation is completed, a new reclassification structure will be designed and implemented across all campuses. The evaluation process consists of the following:

- Gather staff feedback on current and desired classification and compensation system
- Obtain information on the market for staff talent through on-site focus groups
- Analyze job evaluations and updated placements of classifications into the salary structure
- Develop financial costs to determine impact on individual staff
- Establish administrative guidelines for management the new classification and compensation structure going forward

Once these steps have been completed and approved by management, an implementation timeline will provide short term milestones for the University to adopt changes being made. The UPR's goal is for the system to be in place by FY'22.

Even though the University is still in the process of restructuring its classification and compensation system, many of its employees will undergo salary increases. For FY'21, the UPR has raised its compensation for non-faculty employees to a minimum hourly wage of \$7.25. This translates to a monthly average increase of \$52.50 to all such employees. The economic impact of this increase in non-faculty compensation is \$4 million. This budget allocation ultimately ensures market-competitive rewards while achieving financial goals.

Since FY'18, the UPR has been undergoing higher than usual attrition levels. Out of the total personnel reduction of 1,160 between December 2017 and December 2019, some 800 were faculty members. As a result, the UPR's *Revised Fiscal Plan* from May 2019 aimed at increasing faculty employment in order to maintain the high level of instructional quality that characterizes the UPR. Therefore, it was determined a 3% annual increase in faculty payroll would be included in the budget as an allowance for new hires. Overall, the UPR will invest \$24.5 million in the next 5 years in its faculty, equivalent to 320 new recruits.

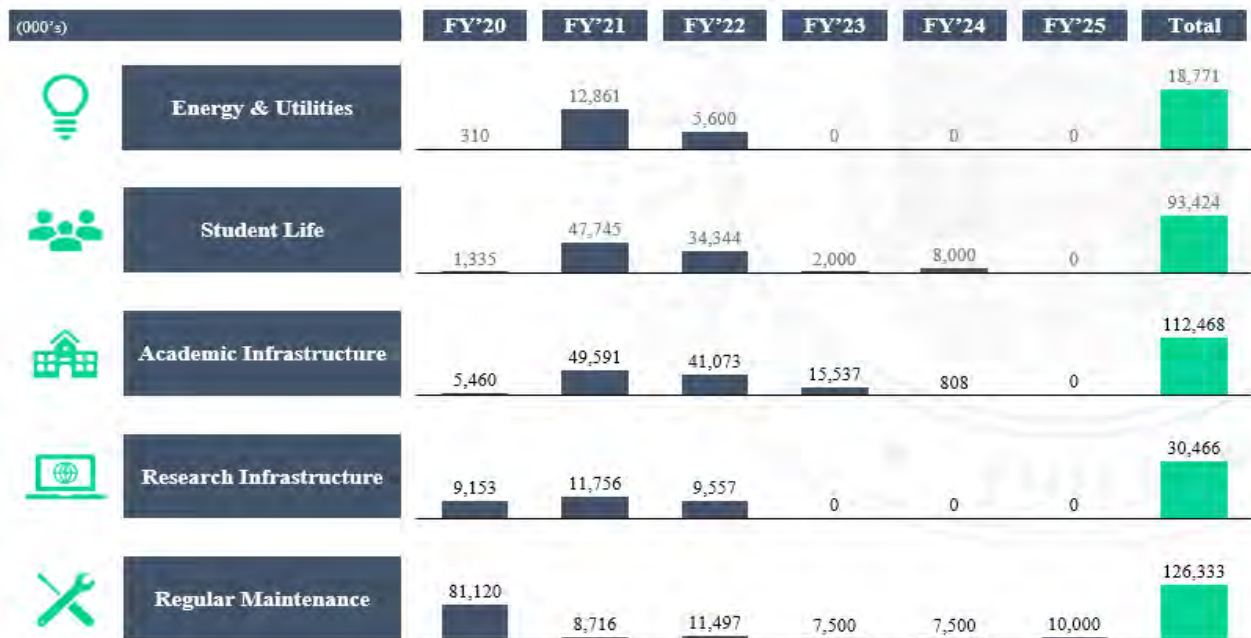
As a separate investment in its staff, the University will be infusing over to \$850 million in capital for its Pension Plan from FY'20 through FY'25. This includes employer contributions, additional capital injection to the System, medical insurance payments, and Commonwealth PayGo for employees of the Agricultural Extension Service and Agricultural Extension Station.

4.3 Infrastructure Modernization and Resiliency

The UPR is in a major physical investment phase, taking its annual capital outlays from \$40 million per year from FY'20 to FY'25 to more than \$381 million from FY'20 to FY'25. Contrary to past capital investment plans, which focused solely on general maintenance across campuses, this new plan brings modernization and infrastructure resiliency to the forefront of the UPR. These investments represent economic opportunities for the construction sector, creating jobs and tax revenues within the Island. They also support UPR's continued pursuit of excellence in educating students, serving and engaging with its local community, and conducting cutting-edge research. The total economic impact from UPR's capital investments is estimated at \$70.3 million in the next five years.

(000's)	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	Total
CW Appropriation	7,509	56,675	45,433	17,500	7,500	10,000	144,617
Institutional Funds	14,841	27,427	16,415	2,850	8,808	0	70,340
Federal Funds	2,589	25,719	19,288	0	0	0	47,596
Insurance Funds (non-FEMA)	1,482	16,000	8,713	4,687	0	0	30,882
FEMA Funds	80,031	4,000	3,268	0	0	0	87,299
Joint Resolution	0	728	0	0	0	0	728

The Infrastructure and Maintenance Program is composed of 5 segments, each encompassing the structural needs for quality infrastructure among all levels of university life. These segments are: Energy & Utilities, Student Life, Academic Infrastructure, Research Infrastructure, and Regular Maintenance. Many projects included in the Program are meant to update existing infrastructure that is either functionally obsolete or non-compliant with current construction and safety codes. Others are targeted at seeking efficiency in energy consumption or better space planning within student buildings. Energy and Utilities handles strategic projects aimed at energy efficiency through upgrades to outdated equipment. Water and electric system improvements for code compliance and the creation of sustainable platforms were possible. Student Life projects include upgrades to student centers through efficient space planning initiatives at Río Piedras, Mayagüez, and Cayey. Likewise, major student housing projects at Mayagüez and Humacao campuses are built into the Program. Academic Infrastructure centers its efforts around improvements to student centers in Río Piedras, Mayagüez, and Cayey campuses. Research Infrastructure manages specific needs among laboratories and research stations throughout UPR campuses. Finally, Regular Maintenance includes planned upkeep projects for adequate preservation of campus-wide facilities. Among these are the sports complex in Río Piedras, and various elevator repairs in Mayagüez and Carolina campuses.



The Program is sourced by a combination of Institutional Funds, Federal Funds, and Central Government Appropriations. The Institutional Funds total \$70.3 million over the upcoming 5 years and are slated to cover mostly academic infrastructure and deferred maintenance projects. Out of all precincts, the Río Piedras and Medical Science campuses have the most assigned Institutional Funds. Given the significance of the 49 projects assigned with these funds, the University proposes they be classified as restricted through FY'25.

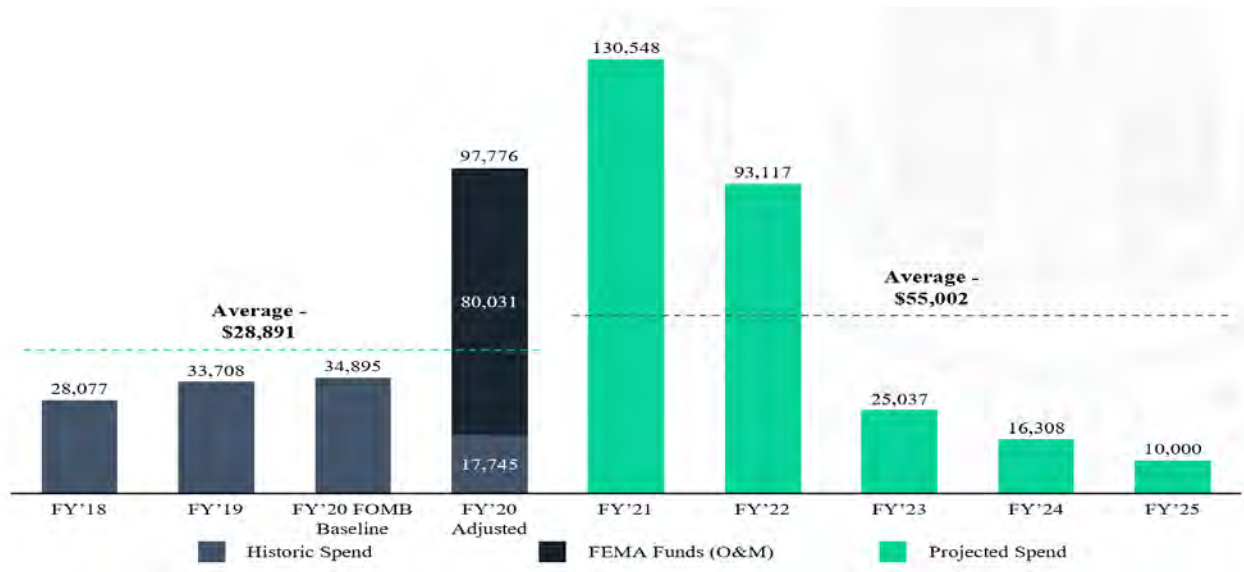
Another large source of funds within the Program are Federal Funds, which represent \$48 million or 15% of the total Program and cover projects ranging from research infrastructure to student life improvements. In addition to Federal Funds assistance, new allocations for FY'20 are \$144 million assigned from Commonwealth Appropriations. These funds account for almost half of the Program and are wholly

intended for new strategic projects and essential improvements not included under Institutional Funds. Innovative undertakings like the first Aeronautical and Aerospace Institute and the Ocean and Resiliency Institute are a few examples of groundbreaking projects dependent on these Commonwealth funds. In addition to the \$70.3 million, the UPR proposes annual investments in equipment with \$10 million allocated each Fiscal Year. These equipment purchases are primarily destined toward research equipment and technology investments.

The University has been assigned funds for Hurricane Maria related damage to its infrastructure from its insurance claims and the Federal Emergency Management Agency (“FEMA”) programs. Of these funds, the insurance claim payout represents 10% of the total Program with \$30.8 million. These funds are already assigned to 4 academic infrastructure projects within the Bayamón and Humacao campuses. The target dates for completion of these projects and use of insurance proceeds is December 2021. FEMA has provided a refunding approval of \$7.2 million to assist in the demolition and reconstruction of an academic building in the Bayamón campus. Said project is a joint venture with UPR funds and insurance claim proceeds. FEMA has also provided refunding approval for the University in the amount of \$80 million in funds destined for general repairs and maintenance projects following hurricane damage. Of these funds, approximately \$65 million correspond to Emergency Protective Measures and \$14.4 million to Buildings & Equipment. In all, the Infrastructure and Maintenance Plan is an ambitious move for the UPR that will help improve University life across all levels.

The UPR’s Infrastructure Committee will be reviewing and modernizing the Infrastructure Contract Guidelines in order to provide an agile and effective process to execute the Program.

Infrastructure Modernization – Expenditure Breakdown FY’20 through FY’25



4.4 Adopt New Technology & Innovations

The University is determined to embrace innovative technology that improves teaching, learning, research, and student life, while simultaneously enabling the University to stay with emerging trends.

The Office of Information Systems (“OIS”) oversees all critical processes in the production of student, financial, and human resources data for the UPR. All Information Systems offices (being Central

Administration or within each campus) need technological upgrades to allow its personnel efficient daily operations. Budgetary constraints from previous years impeded the hiring of essential personnel and acquire necessary hardware and software in order to correct long-standing deficiencies across OIS.

The proposed investment in technology is vital to the long-term sustainability of the UPR. The University has issued numerous certifications that will impact ongoing software and hardware projects requiring additional investments. The upgrades will serve to streamline all student, financial, and human resource databases across all campuses. Among the critical projects are:

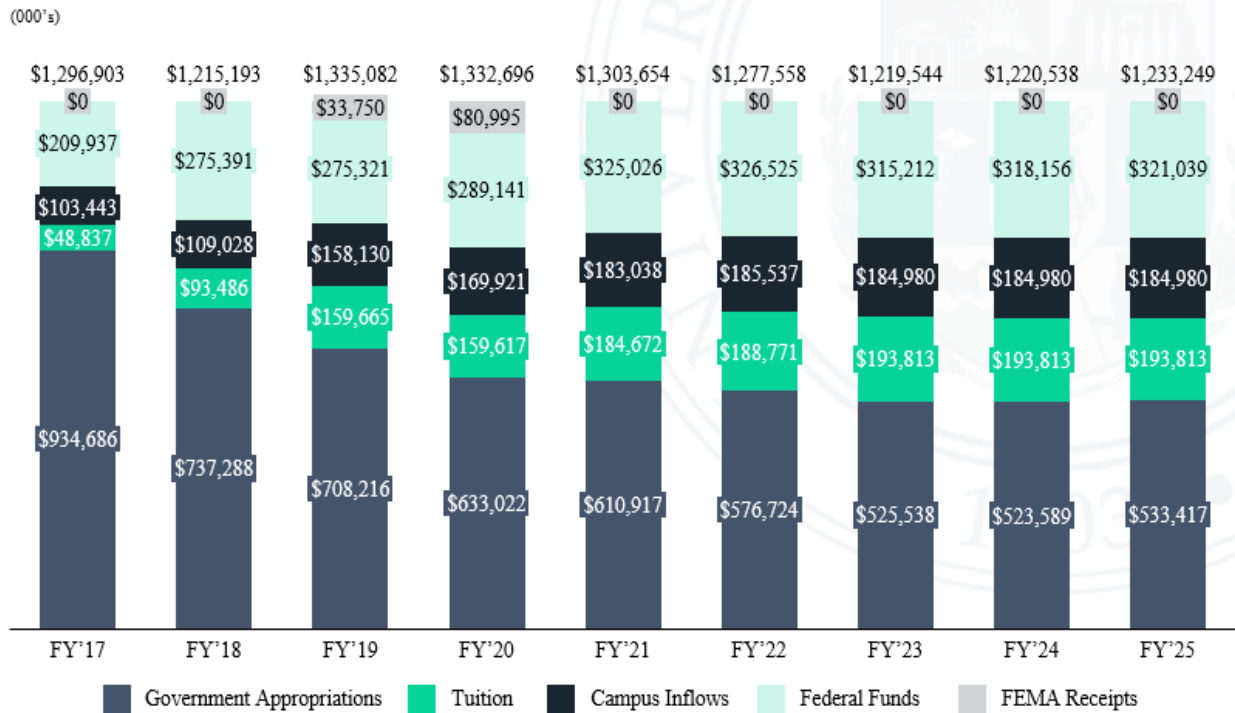
- Implementation of enhanced capabilities for the University's Information System ("UIS")
- End-user seamless integration and operability of information systems for and within the Finance, Human Resources, and Student Services modules
- Upgrade existing Hewlett Packard Integrity i2 servers in 9 campuses
- Employing necessary IT specialists to supervise and program pending software upgrades across UPR system

The UPR plans to invest approximately \$40 million over the next 5 years toward necessary equipment and replace much needed personnel to carry out upgrades across all information systems and streamline online services. Some of the auxiliary operational areas that will be positively impacted by these changes include the comptroller's office, disaster recovery, employee time/attendance, digitalization processes, and online educational platforms, among others.

4.5 Ensuring a Sustainable Future

Historically, the UPR has been largely dependent on Commonwealth appropriations to fund its annual operations. Recent fiscal challenges by the Commonwealth have driven a significant reduction in appropriations historically directed towards UPR's operations. Prior to the start of PROMESA law, the Commonwealth funded approximately \$833 million or 72% of the UPR's annual expenses. The remaining 30% was backed by the University's own revenues and federal funds. In contrast, the funding structure of most mainland public universities is based on a majority coming from tuition, federal funds, and self-produced revenues.

The University's Government Appropriations have been reduced by over \$330 million through FY'20. This has produced the shift of having less dependency on the Commonwealth, from 72% in FY'17 to 50% in FY'20 while maintaining total consolidated operational budget relatively constant.



The University has added several programs to develop new sources of revenue. Among them are its Philanthropy Program and Trainings & Seminars Fund.

4.5.1 Philanthropy

The philanthropic support from the people of Puerto Rico comes primarily from UPR alumni and generosity of individuals and corporations who appreciate the value of the University. As a result of fiscal constraints from Commonwealth Appropriations, the UPR has recurred to private funds as a revenue diversification strategy. University operations, academic programs, and educational experiences can become more self-sustaining with strong alternative sources of funds. The UPR's focus promotes philanthropy as a central activity to promote student success, innovation, and institutional transformation. With this mindset, the UPR establishes strong charitable relations inside and outside Puerto Rico in order to secure the resources to support institutional development projects and the university community overall.

This course of action will serve as necessary support to all components through campus-wide coordinated events which will facilitate donations. The program's goal is to serve as the main driver of new revenues for the University. At the core of the program are the targets and objectives of university philanthropy: collection of funds, alumni, project management, donors, and management. Outlined goals for philanthropic efforts include:

- Promote a philanthropic culture towards the University of Puerto Rico
- Obtain private donations as a fundamental strategy to secure additional resources for the institution
- Facilitate the processes of donation request, collection, and management with effective policies, norms, and procedures that follow best practices in the procurement of private donations
- Maximize the use of technology in support of management's efforts

The program’s goal through its Capital Campaign of 2018-2025 is to raise \$100 million in private funds and integrate collection efforts of all University components toward support of infrastructure, research, strategic projects, Scholarship Fund, and Annual Fund.”

4.5.2 Federal & Research Funds

Federal grants and funding for research and development has been (and remains) a critical source of funds for the University. It helps pave the way for groundbreaking scientific research and discoveries, which are at the core of UPR’s academic mission. The University has three “research-intensive” campuses: Río Piedras, Mayagüez, and Medical Sciences campuses. These have the highest annual research funds awarded from top federal foundations and agencies. During FY’19, these 3 campuses were awarded over \$43 million for 95 approved projects. Each year the UPR strives to increase federal research programs funding between \$10 and \$15 million in its pursuit of scientific and medical investigation. While FY’20 awards and grant funds are still under evaluation, over \$120 million in funds were requested among these 3 campuses.

4.5.3 Trainings & Seminars Program

One of the programs that will lead the UPR towards self-sufficiency is Trainings and Seminars of government employees. Its objective is to elevate the level of professionalism in public employees. This service is a joint effort with the Office of the Administration and Transformation of Human Resources (“OATRH”, for its Spanish acronym) to usher in government transformation through the individual’s professional development.

In February 2019 a wide offering of trainings was made available to government employees for their professional development. To date, the UPR offers a course catalogue of over 400 different trainings and seminars, and the offering continues to expand from custom training requests made directly from the government agencies. All UPR institutional as well as its administrative unit participate in this project.

FY’18 Results	
Fees received from central government	\$10 million (received last week of FY’18)
Number of trainings programs fulfilled	N/A
Hours of training provided	N/A
Number of trainees	N/A
FY’19 Results	
Fees received from central government	\$20 million
Number of trainings programs fulfilled	115
Hours of training provided	1,552
Number of trainees	2,279
FY’20 Results (as of Dec. 31, 2019)	
Fees received from central government	\$10 million ¹
Number of trainings programs fulfilled	549
Hours of training provided	2,267.5
Number of trainees	22,773

- The University is looking for reapportionments of the funds in order to assist multiple government agencies (Department of Justice-Property Registry, DCR, ASSMCA and the Department of Education) achieve fiscal measures of their own, while simultaneously utilizing Trainings & Seminars funds

Note: Results as of FY’20

¹\$10 million given last week of FY’18 funds must be consumed as received

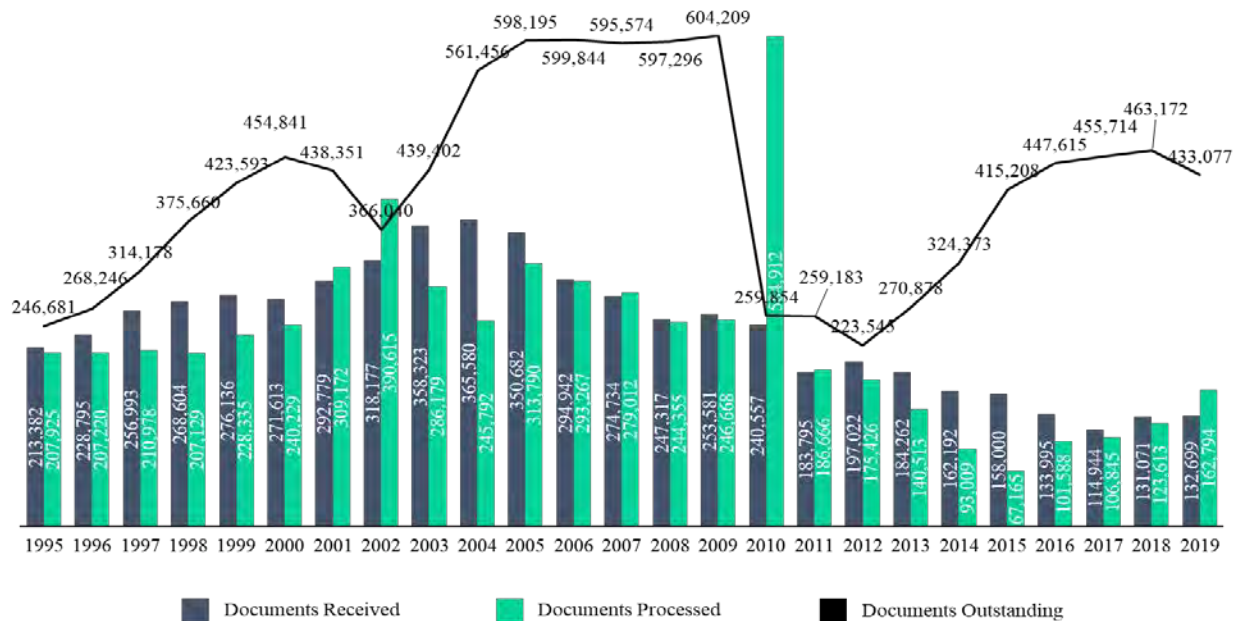
Two different types of trainings are offered: predetermined courses from the catalogue offering or custom trainings as petitioned by a government agency. Those trainings offered in the catalogue are structured based on preestablished needs presented by participating agencies and are published in the OATRH’s web portal. Government employees then enroll in the offered trainings and seminars that best suit their needs. Custom trainings respond to special petitions agencies when the course catalogue does not meet their specific needs. The OATRH is ultimately responsible for the advertising of their course catalogue and certification of employees’ enrollment in the courses offered.

One of the challenges the UPR has faced with this program is the low participation rate from government employees. Alternative ways of expanding the services offered to government employees have begun showing positive results. From February to June 2019, the UPR provided 125 trainings and seminars. From July to December 2019, however, the UPR saw a 43% increase in the trainings and seminars offered.

4.5.4 Registering a Property Technical Services

In December 2019, the UPR and Department of Justice (“DOJ”) united to formally request the FOMB to use \$386,100 from the Trainings and Seminars Funds in order to assist the Property Registration Program.

The Registry, which covers all 78 municipalities and is divided into 29 sections, currently has 310 employees, including Registry Technicians. They measure their tasks according to production goals also used to reassign employees to areas requiring the most assistance. As of November 1, 2019, the Registry has a pending document backlog of 414,576 documents.



The Registry is critical to the economic development of Puerto Rico, since the information it contains provides legal certainty to real estate transactions. The Property Registry is also an important source of income for Puerto Rico’s General Fund, bringing in \$60,753,618 in FY’19 for the General Fund. The collaboration between UPR and DOJ would directly impact the document backlog and in turn influence the Ease of Doing Business Reforms outlined in the Puerto Rico *Certified Fiscal Plan*. The Ease of Doing Business Reform’s objective is to promote economic activity and reduce the obstacles to starting and sustaining a business in Puerto Rico through comprehensive reform to improve ease of paying taxes,

registering property, and obtaining permits, thus resulting in better conditions for economic activity, job creation, and business vitality.

The University of Puerto Rico proposed to offer a work study program for its students to work in the Property Registry and help reduce this backlog. The estimated cost of \$386,100 for a 5-month period (from February 2020 to June 2020) is a fraction of the cost initially projected by the Property Registry. The University would be providing up to 130 students the chance to work on a part-time basis (equal to 65 full-time FTEs). Additionally, a 10% total cost allocation to management, oversight, and monitoring would be included as part of the initiative. The Program began on March 2020 with 165 contracts signed by UPR students and is expected to reduce the current backlog of documents from 13 years (to complete) to less than 4 years. Should this Program produce meaningful results, there are potential future collaborations between the UPR and other government agencies that would bring benefits.

4.5.5 Trainings for Department of Education

The Department of Education (“DE”) promotes the importance of continued education and professional development of its employees and teachers. The DE ultimately aims to optimize the quality of its teachers’ productivity, so it can be directly reflected in the classroom. The professional development of its employees is a priority of the DE. Therefore, on October 21, 2019, a joint effort between the UPR and the DE was formalized to help the training and retraining of its teachers.

The availability of these funds has allowed for several events to be held throughout the UPR campuses. The first event held on October 23, 2019 had over 17,000 teachers show up across all 11 UPR campuses. The model previously used by the DE was based on subcontracting different vendors to handle trainings for teachers. For this occasion, the UPR was the only “vendor” in charge of professional development and the event proved very successful. Subsequent programs were developed with a training model based on “academies”. These academies cover a period of trainings directed at a specific group of teachers. The UPR is currently offering academies for teachers in departments of health, libraries, and sign languages.

The collaboration between the UPR and the DE also aims to ensure compliance with applicable laws. For example, Law 56 of 2018 establishes the DE must incorporate courses on sign language at all educational levels. This alliance has allowed 250 public school teachers to be trained in sign language during the second semester of the academic year 2019-2020. The goal is to integrate these teachings into the academic curriculum and achieve compliance with Law 56, which has been in place since 2018.

Other types of trainings are also being offered to DE teachers, among them are symposiums and certifications in cutting edge academic topics. For example, with these funds, a symposium celebrating the works of author Rene Marqués was held for Spanish teachers. The conference included various presentations analyzing the author’s legacy and included the unveiling of a portrait of Rene Marqués by Antonio Martorell completed during the author’s lifetime.

At the closing of academic year 2019-2020, an ample offering of trainings and seminars will have been offered to DE teachers. Among them is an academy for school principals covering new perspectives on school management. Likewise, Spanish teachers will be certified on editorial arts along with a conference on theater, arts, and literature, among others.

Within a few years, the UPR has played a fundamental role in attending to the needs of professional development of the DE teachers. The UPR recognizes its role within the DE can be greater if allowed to impact other areas within the agency. For this reason, the UPR presented a petition to the FOMB to

authorize greater amount of services offered to the DE with assigned funds. The request included approval to allow the following services:

- Offer after-school tutoring services to students
- Cover cost of university-level courses to DE students
- Develop a program of trainings and seminars to all DE employees (non-teachers)
- Offer university credit courses to DE employees
- Provide consulting services and technical support to DE in order to optimize agency's output

4.5.6 Technical Services for Department of Corrections and Mental Health Assistance Trainings

In early January 2020, the UPR formally requested to the FOMB a reprogramming of the Trainings and Seminars funds in order to provide technical assistance to the Department of Corrections and Rehabilitation (“DCR”) and the Mental Service Administration for Health and Addiction (“ASSMCA”) in light of the natural catastrophes that occurred on the Island. Since the UPR is at the center of the Human Capital platform for the Commonwealth, it was ready and able to provide resources necessary to assist DCR and ASSMCA by providing engineers for facility inspections and formalize mental health assistance trainings. The total cost was not to exceed \$415,000 of the total Trainings and Seminars Program.

As part of the Joint Resolution approved for budget for FY’18, \$10 million (Joint Resolution #10), the University would be providing trainings, seminars, and technical services to Agencies and Instrumentalities of the Government of Puerto Rico. The University understands this language included in the Joint Resolutions is satisfactory for the use of funds for the proposed initiative. Additional funds may be requested as part of the FY’21 Budget, if the initiative continues beyond the FY’20 timeframe.

The DCR has requested the UPR technical assistance in inspecting and certifying several of its correctional facilities after the January earthquakes in the southern region of the Island. The services would be conducted by UPR’s current faculty. DCR currently has 51 independent facilities, of which approximately 20 needed technical services.

ASSMCA requested UPR technical assistance for trainings and seminars to approximately 690 mental health volunteers, for working with crisis management, and for services provided by UPR faculty on mental health matters directed at the general public. For the Trainings and Seminars Program, ASSMCA has presented four subject matters (Crisis Management, Community Planning, Mental Health First Aid and Earthquake First Response) divided into 5 groups of 30 volunteers. The price to be charged by seminar would be approximately \$200 per volunteer, similar to other seminars. Even though the Trainings and Seminars Program specifies services provided by the UPR need to be directed to public employees, the FOMB approved the funds available for ASSMCA volunteers.

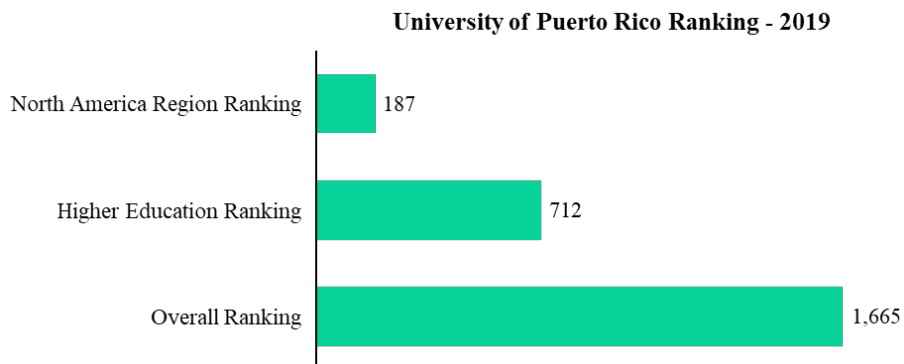
4.6 Unite Behind a Strong Brand

The University will share its story on a global platform by uniting behind a compelling brand, developing clear and consistent messaging and enabling stakeholders with the tools they need to set the University in the level it deserves.

4.6.1 Ranking

Each year, the SCimago Institutions Rankings (“SIR”) offers classifications of academic and research-based institutions ranked by a composite indicator that combines three different sets of indicators based on

research performance, innovation output, and social impact. During 2019, the University of Puerto Rico had an overall ranking of 1,665 out of 6,459 ranked institutions, and it is in the 74th percentile.



In the higher education category, which includes all regions and countries, the University of Puerto Rico ranked 712 out of 3,471 (80th percentile). Within Latin America, the UPR ranked much higher at 24 out of 400 institutions (94th percentile). The University has consistently proven itself as a prestigious institution against its peers. All efforts made in the fields of research and development, academic excellence, faculty and alumni profiles, and community participation have yielded global recognition. In addition to SIR annual rankings, the University of Puerto Rico occupies the 42nd position out of 1,000 Latin American universities, according to QS World University Rankings. This standing is determined by Quacquarelli Symonds—a system similar to SIR, but with higher inclinations towards brand recognition.

4.6.2 Institutional Accreditation

Since 1946, the UPR obtained and maintains institutional accreditation by the Middle States Commission on Higher Education (the “MSCHE” or the “Commission”) as its leading credential to validate and strengthen the quality and integrity of its endeavors in the framework of internationally recognized standards. On January 10, 2019, the eleven campuses of the University were placed in show cause status because of non-compliance with Standard VI (Planning, Resources, and Institutional Improvement), Requirements of Affiliation 11 and 14, and the Related Entities Policy. The MSCHE noted that each one of the eleven campuses of the University remained accredited while on show cause. On June 27, 2019, the MSCHE reaffirmed the accreditation of the eleven campuses of the University.

4.6.3 Improvements to Institutional Accreditation Processes

The University of Puerto Rico went through very difficult times when MSCHE placed its eleven campuses on a show cause status and asked for a “Teach-Out” Plan. From that moment, the University took on a proactive role to provide guidance related to accreditation processes.

In order to deal with the institutional accreditation processes, the Associated Vice Presidency of Accreditation and Assessment was created under the Vice Presidency of Academic Affairs and Research (“VPAAR”). Here the Associate Vice President oversees all the steps campuses must take to obtain and maintain their accreditation. This position was carefully shaped to be the official liaison with MSCHE and to avoid duplication of tasks and efforts.

Providing the necessary support and direction directly increases the chances of obtaining the MSCHE reaccreditation. The Associate Vice President (“AVP”) is the official liaison between UPR and MSCHE, and oversees keeping all Chancellors, Deans, and Accreditation Liaison Officers informed on all matters related to MSCHE compliance.

One of the main concerns that MSCHE has had in the past is related to UPR’s audited financial statements. That is why there are now regular status meetings between the AVP and the Finance Office Director to receive updates on the status of the audited financial statements and single audit.

Submitting UPR’s single audit and audited financial statements on time to all corresponding agencies is crucial for accreditation and compliance purposes. The University is continuously taking proactive measures to shorten its annual financial reporting time-to-issuance. Consequently, the potential impact of tardy reporting has diminished and management’s ability to make assessments and decisions based on better information and sound business practices has increased.

The University has continued to employ the following actions geared towards improved timeliness over financial reporting:

- Prepared a timeline for key milestones to monitor audit progress.
- Identified human, financial, and technological resources necessary to enable solutions focused approach
- Contracted professional services as an aid to manage, analyze, and process financial and qualitative information necessary for audit procedures.
- Established regular status meetings with the Finance Office Directors of all campuses to monitor progress, roadblocks, and find alternative courses of action.
- Placed permanent financial consultants at the three main campuses of the University to prompt timely resolution of issues
- Maintain close communication between management, auditors, component units, and consultants to seek a leaner overall process.

The University maintains a local consulting firm on board to assist in the books closing process, to perform pre-audit document assessment, analysis, and processing, and to serve as an audit support aid on behalf of management. Smaller firms have also been hired to assist in managing the functional and technical matters embedded within the audit process. A strategic and tactical approach in the usage of the University’s Internal Audit Office is also in place in order to assist the external auditors in their procedures to improve the audit process. As a result, a contractually agreed sum of up to 800 hours of the external audit budget has been used by the Internal Audit Office to augment efficiencies built upon personnel skills and knowledge of the core accounting system and University processes

The University began a recurring process to collect and validate financial data aimed at producing accurate monthly reporting. This effort helps management understand performance metrics that ultimately enhance its ability to measure financial accounting productivity, performance, and financial reporting. Some of the reports that are being produced are Cash Flow Statements, Liquidity Reporting, and Budget to Actual Reports. To this end, an external firm has been supporting the University over the last semester in gathering, processing, and developing financial models that summarize this information. Most recently, the University has hired one additional employee whose role is to transition and complete the knowledge transfer of the above-mentioned firm to internally and systematically produce the necessary financial reports.

All the above-mentioned initiatives have shown positive results, so it is important for UPR to keep investing in fiscal and human resources to keep complying with state and federal agencies as well as with the Middle States Commission on Higher Education. Institutional accreditation is of utmost priority for the UPR; its administration firmly believes in building a strong compliance culture to maintain UPR's reputation and prestige.

4.7 Academic Research & Leadership

The University has positioned itself as a leader in scientific research and development in the Caribbean. As such, it has undertaken multiple special projects to continuously break barriers in different fields of research and development. Below are a few of the largest upcoming programs currently in operation:

4.7.1 The Molecular Sciences Research Building

The Molecular Sciences Research Building (the "MSRB") is the most important and ambitious biomedical research project ever undertaken by the UPR. It is a 152,000 sq. ft. structure inaugurated in October 2012 and built following the most advanced architectural and organizational design to facilitate interdisciplinary collaborative work in areas such as basic, clinical, and translational research. Located midway between the Río Piedras and Medical Sciences campuses of the UPR, it contains research facilities for funded investigators from both campuses, and, as such, represents the ideal site to develop productive technological and clinically relevant collaborations. Presently, it houses 15 investigators from these two campuses, as well as over 250 students, technicians, and associate research personnel conducting basic and translational biomedical research in the areas of protein structure and dynamics, molecular biology, genomics, proteomics, bioimaging, pharmacogenetics, and neurosciences. The Laboratories and Centers in operation include advanced level technologies and services such as:

1. The Materials Characterization Center providing service to research and industry;
2. Genomics / Nucleic acids (DNA, RNA) sequencing laboratory;
3. Lipidomics, Metabolomics, Proteomics / Protein structure characterization and crystallization laboratory, in partnership with the biotechnology industry;
4. Clinical Bioreagents Center in association with NIH, CDI Laboratories (in Mayagüez), Amgen, Eli Lilly, and PRIDCO to study protein candidates for a vaccine against the HIV virus;
5. The Nikon Center of Excellence in Microscopy. In collaboration with Nikon, the UPR and the MSRB have created an imaging facility with a confocal and a multi-photon microscope to support the imaging needs of the researchers in the MSRB.
6. The Technology Transfer and Innovation Office to empower the UPR to become the main hub of the ecosystem for development of intellectual property, its licensing, creation of start-ups or spin-offs, and full entrepreneurial insertion and sustainability of a knowledge-based economy for Puerto Rico.

The primary goal of the MSRB is to produce a significant increase in competitively funded forefront scientific research by UPR scientists, thus generating the first multidisciplinary environment within the UPR System, designed to meet the needs of cutting-edge research in Puerto Rico for the next 25 years. Its mission is to accelerate the rate of scientific discovery and technology development in areas of cutting-edge scientific impact through internal research and external collaborations and/or partnerships with the

academic sector, federal and local agencies, as well as the private industry. To fulfill this mission, the MSRB was built as a state-of-the-art facility for advanced research and technology providing modern laboratory spaces with the latest instrumentation and the most advanced scientific expertise in the areas of chemistry, neurobiology, biochemistry, molecular biology, and nanotechnology. Through this multidisciplinary approach, this facility seeks to bridge basic research disciplines and clinical research to foster Translational Research and Technological Innovation.

4.7.2 The Puerto Rico Resource Center for Science and Engineering (“RCSE”)

The RCSE of the University was founded in 1980. The RCSE is a consortium of the Island's major institutions of higher education. Its mission is to assist Puerto Rico in forming an effective educational and research infrastructure that promotes human resource development, entrepreneurship, economic growth, and global competitiveness. Following a systemic approach, which envisions Puerto Rico’s educational system as a whole, the Resource Center promotes the transfer of knowledge among educational disciplines, fostering high quality science, mathematics, engineering, and technology education. The RCSE primarily deals with EPSCoR (as defined below) and jurisdiction proposals, such as: NSF EPSCoR RII Track-1, NSF PR-LSAMP, NSF Bridge-to-the-Doctorate programs, PR NASA EPSCoR, and NIH INBRE.

4.7.3 The Established Program to Stimulate Competitive Research (“EPSCoR”) and the Institutional Development Award Program (“IDeA”)

EPSCoR/IDeA are science and technology research and development projects sponsored by the following research agencies: (i) the National Science Foundation (“NSF”), (ii) the National Institute of Health (“NIH”), (iii) the National Aeronautics and Space Administration (“NASA”), (iv) the Department of Energy (“DoE”), and (v) the Department of Defense (“DoD”). In Puerto Rico, EPSCoR is an Island-wide program coordinated by the Puerto Rico EPSCoR State Committee in which the Resource Center for Science and Engineering performs pre-and post-award duties. These responsibilities promote research, innovation, and infrastructure development that improve the quality and capabilities of the jurisdiction to compete more effectively for external research funds. EPSCoR-sponsored research is performed primarily at the University's graduate centers at Río Piedras, Mayagüez, and Medical Sciences campuses with participation of various other four-year institutions. The Institute for Functional Nanomaterials (“IFN”) is currently sponsoring intercampus transdisciplinary research and innovation with 46 researchers and a budget of \$20 million over five years from NSF. The INBRE biomedical research center is financed by NIH under the IDeA program with a budget of \$18 million. With an annual budget of \$1.5 million, PR NASA EPSCoR runs a portfolio of projects that include:

- a) development of osmosis secondary treatment technology in microgravity conditions onboard the International Space Station;
- b) wastewater resource recovery for energy generation;
- c) carbon dioxide storage and sustained delivery by metal organic frameworks;
- d) land surface trends using satellite remote sensing in Puerto Rico;
- e) the Caribbean Aerosol Network: a coordinated effort for measurements of atmospheric particles in the Caribbean region; and
- f) improving cytotoxicity against cancer cells by chemo-photodynamic combined modalities.

DOE EPSCoR center develops energy-efficient devices, fuel cells, super-capacitors, and rechargeable batteries. Altogether, the EPSCoR centers generate 25% of the peer-reviewed publications in Puerto Rico and have produced 26 patents in the past three years.

Through direct sponsorship as well as co-sponsorship these (and many other) programs have contributed to the enhancement of research skills of UPR faculty and students throughout Puerto Rico. As an added benefit, students have received salaried employment opportunities and mentored research experiences inside funded research labs, and many others have received travel support funds to present the results of their work at national scientific meetings.

4.7.4 Economic Resiliency Projects

FY'21 will see the start of 2 groundbreaking research projects for the University which initiatives will positively impact industrial resiliency across various fields such as Tourism, Biotechnology, Agriculture, and the Ocean Economy.

The proposed Ocean Institute at Roosevelt Roads will establish an International Field Station Networking Hub to promote US Caribbean Marine assets for research and development. This project is the flagship project of the Ocean Economy Initiative in the Puerto Rico Economic Recovery Plan. From this facility, ocean researchers can access deep ocean depths not far from the site. The favorable climate proves ideal for conducting ocean-based research on a year-round basis. The Ocean Institute will also be a key testing facility for unmanned ocean vessels and airborne vehicles. The project has a total cost of \$16 million and is expected to create approximately 5,300 new direct and indirect jobs.

The Global Economic Ocean Financing Resiliency Institute (“GEOFRI”) is another project, which would position Puerto Rico among the global resiliency industry. GEOFRI is a program within EcoExploratorio, Inc which will serve as the science portal of Puerto Rico and as a tourist destination. The University recently signed a Memorandum of Understanding (“MOU”) with EcoExploratorio, Inc., which exemplifies the commitment to augment the impact GEOFRI would have towards the Island’s sustainability development engines. The project has a total cost of \$20 million and is expected to create approximately 1,500 direct and indirect jobs.

4.7.5 Evaluation of New Offerings

The UPR’s fiscal transformation is an opportunity to reexamine the academic offerings and determine their importance to the campus, the UPR system, and to the Commonwealth. The UPR is currently conducting a system-wide effort to evaluate and score all outstanding academic curriculums. The findings will provide the tools to better serve the student population while reducing redundant expenses.

Among the areas being evaluated and redeveloped are:

- Review current Academic Programs and Curriculum
- Develop new Academic Offer
- Develop Out-of-State Program
- Curriculum development
- Instructional scalability
- Faculty load and availability
- Course timing and frequency
- Competitive landscape

- Program offerings
- Application and enrollment process
- Market trends and demand assessment
- Career services and development opportunities

These initiatives reflect the emblematic pillars of the University’s Strategic Plan, where institutional innovation and student success work hand-in-hand. Institutional innovation promotes the creative effort directed toward increasing the quality of the existing offering. Student success is therefore direct result of the optimization of the academic offering. This can be achieved by ensuring the academic offering is in accordance with today’s labor market and implementing new technologies such as an online platform for e-learning.

4.8 Fiscal Plan 2020

The Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted on June 30, 2016 by the United States Congress to establish an oversight board, a process for restructuring debt, and expedited procedures for approving critical infrastructure projects in order to combat the Puerto Rican government-debt crisis.

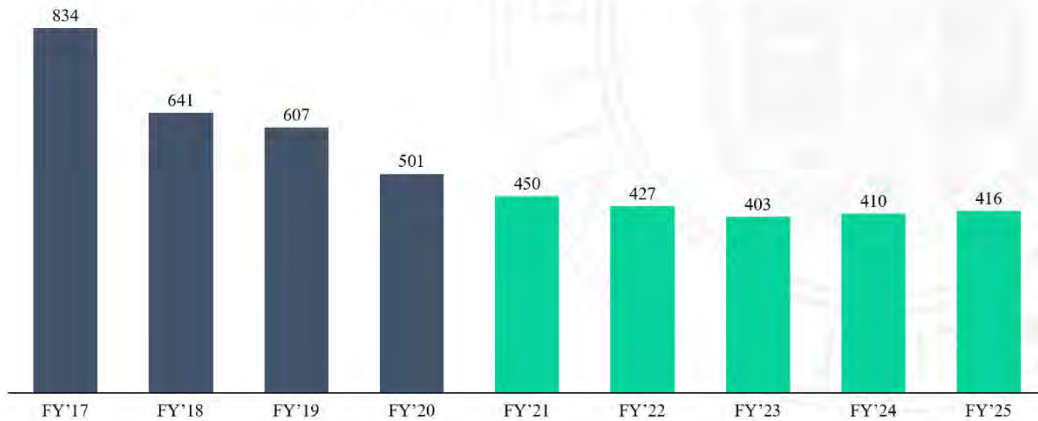
PROMESA enables the Puerto Rico Government to have a legal framework in order to have a restructuring process and halt any litigation in cases after a default. The establishment of the Financial Oversight and Management Board of Puerto Rico (“FOMB”, or “Oversight Board”) operates as an automatic stay of creditor actions to enforce claims against the Government of Puerto Rico. The Oversight Board facilitates negotiations, or, if this fails, brings about a court-supervised process similar to a bankruptcy.

PROMESA authorizes the Oversight Board to designate a territory or territorial instrumentality as a "covered entity". Once designated, the covered entity is subject to the terms of PROMESA. On September 30, 2016, the Oversight Board designated the Government of Puerto Rico and certain other territorial instrumentalities as covered entities under PROMESA; among these instrumentalities was the University of Puerto Rico. Following the UPR’s designation as a “covered entity”, the Oversight Board asked the University to prepare fiscal plans to address current budget deficits, pension reform, and achieve the fiscal goals necessary to improve the financial situation of the University.

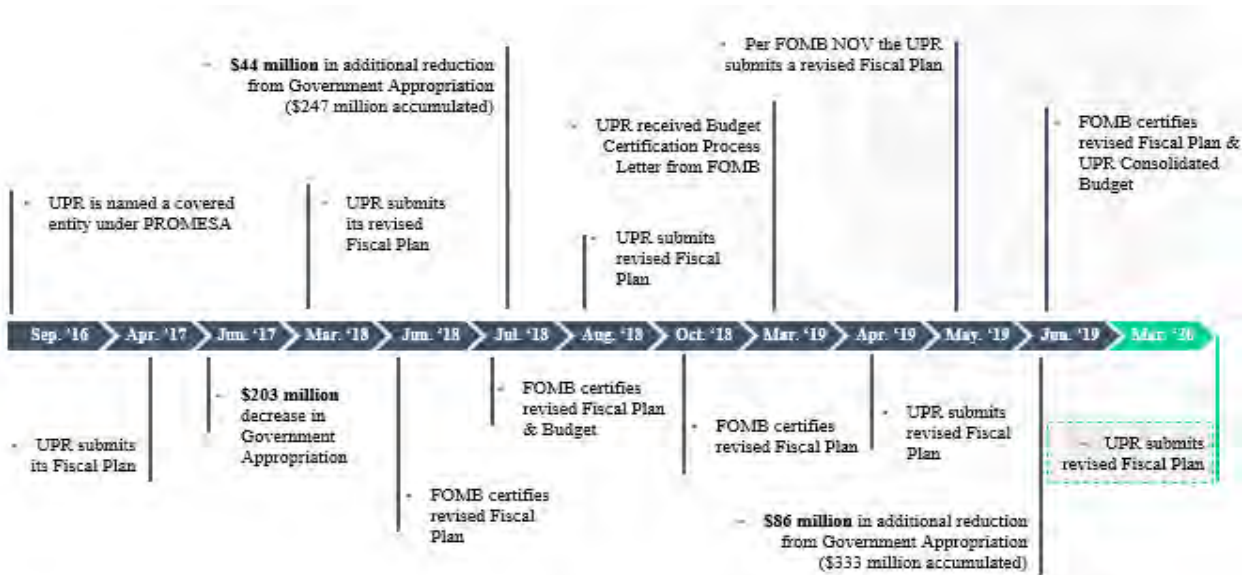
The central Government provides a range of appropriations to three main groups of recipients: The University of Puerto Rico, Puerto Rico’s 78 municipalities, and “other” recipients (typically private industry or non-profit institutions).

A reduction of the appropriation for UPR was determined in 2017 through a shared process with the FOMB to identify reasonable, sustainable reductions to the UPR appropriation that brought UPR closer to U.S. public university tuition and cost benchmarks.

Government Appropriations Assumptions on Fiscal Plan, (in millions)



The Oversight Board has certified four UPR Fiscal Plans since June 2018. Since then, the University has been aggressively implementing a system of reforms and measures across all aspects of the University in order to align itself with FOMB ideals and make itself more fiscally independent from the Commonwealth.



4.8.1 From PROMESA to Today

Out of 11 Fiscal Plan measures, 5 have been carried-out with 2 additional measures on an ongoing basis. These achieved measures have translated into total annual savings of \$234 million among the adopted measures are undergraduate and graduate tuition increases of 117% and 60%, respectively. Dues and fees have increased by 86% since FY'18, while a reduction in tuition exemptions have translated into additional \$25.6 million in revenues to-date. Measures pertaining to personnel cutbacks have rendered a headcount reduction of over 1,160 employees since December 31, 2017. Another ongoing measure showing promising results are savings achieved through procurement efficiencies.

A separate segment to the FOMB's Fiscal Plan for the UPR includes reforms aiming to balance and restructure various aspects of the University to allow more efficient management practices. The FOMB's

Fiscal Plan outlined 6 reforms, out of which 3 have already been achieved by the UPR and 2 are considered ongoing. Among those accomplished reforms is the creation of a Project Management Office, the successful accreditation of the University under MSCHE, and the reorganization of the Trainings and Seminars Program. The creation of the Office of Institutional Transformation allows the UPR to monitor all Fiscal Plan implementation and compliance. Regarding the Trainings and Seminars Program, the University now offers a catalogue of over 400 different courses and trainings to serve as continued education, and for UPR and government employees. Since FY'19, the UPR has successfully trained over 22,000 individuals.

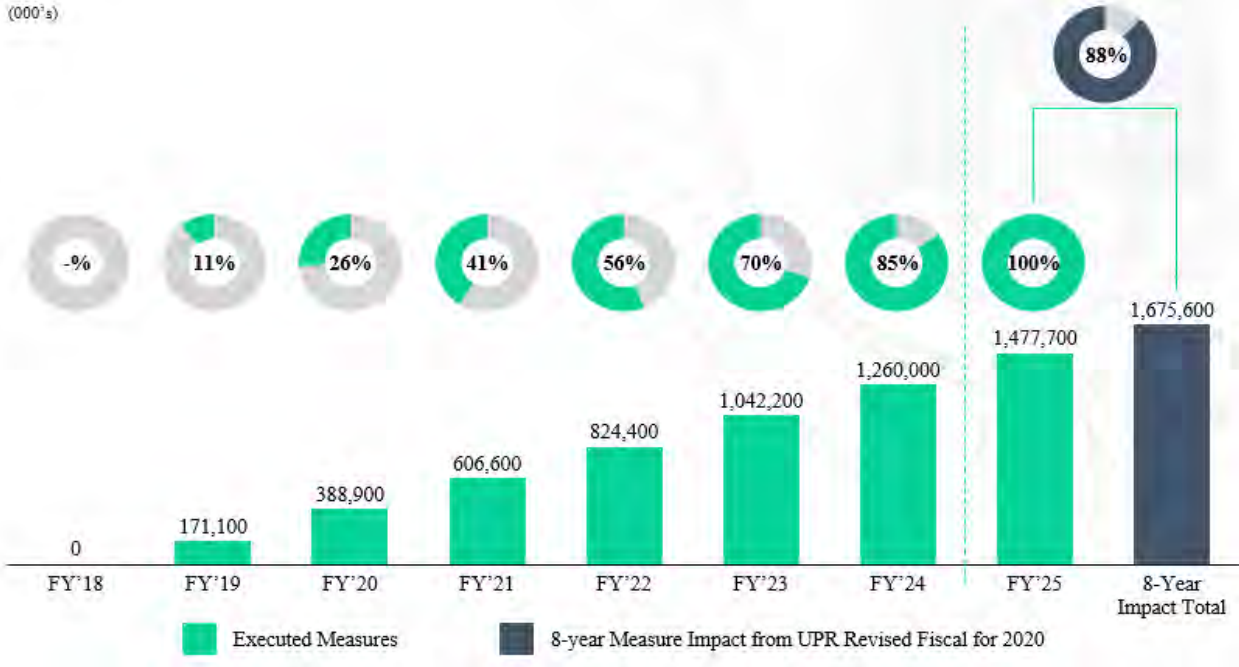
In addition to the various measures and reforms undertaken by the UPR since FY'18, several financial controls aimed at consistent and reliable reporting have been implemented. The UPR submits to the FOMB all financial and implementation reporting on a monthly and quarterly basis. The delivery time of the UPR's audited financial statements has improved significantly from previous years. It used to take the UPR over 600 days between its financial closing period and the publication of its audited financial statements. FY'19 audited financial statements were published within 74 days after its closing period—an improvement of 563 days from prior years.

The UPR Fiscal Plan sets forth a series of fiscal and structural reforms that should drive the UPR transformation from a highly subsidized model to a self-sustainable one. As part of the structural reforms driving impact in the UPR system, the UPR must obtain visibility over its budget, finance, and cash flow state, to ultimately gain control over the relevant levers.

These efforts to improve the operations of UPR will in turn allow the University to renew its operating model to provide the best outcomes for its students. These outcomes will include reduced time to degree, improved job placement, and higher standardized test scores, among others. A re-envisioned University, which focuses on areas of strengths and on improving outcomes for students, will ultimately prove to be a critical source of renewal for the Island, as it is a cornerstone of human capital development to propel growth in the economy.

The University has executed measures that will have a total impact of \$1.5 billion from FY'19 to FY'25 reaching 88% of the target of the Revised Fiscal Plan for 2020.

(000's)



5. The Revised Fiscal Plan for 2020

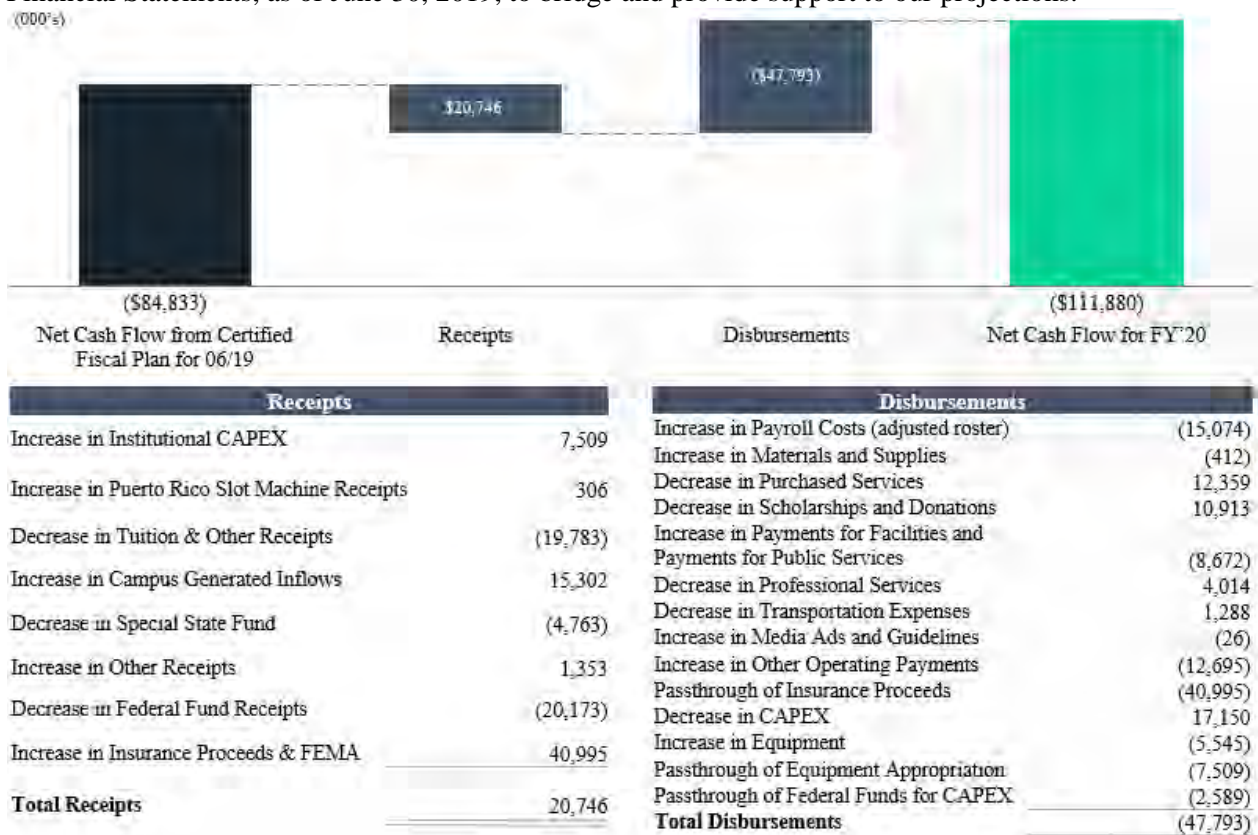
The University and its staff have prudently been executing the fiscal measures outlined on the past fiscal plans. Today, we highlight the most recent changes and new initiatives that will help transform the University to a stable future state. The University has made ample progress in order to bridge the gap between the UPR's proposed measures and FOMB's initiatives. Top changes include:

1. New comprehensive plan that exceeds a fiscal focus, based on a Strategic Plan that seeks to optimize, expand, and map the future sustainability of the University.

2. Adjusted FY'20 projections based on 8 months of actual performance.
3. Increased contribution to the pension plan for FY'20 totaling \$160 million, and subsequent annual contribution of \$120 million for the next five years.
4. Starting in FY'21, the University would receive its \$20 million in Trainings and Seminars Central Government Appropriation as unrestricted.
5. New Capital Expenditure Plan from the Commonwealth will provide needed investment in the System's infrastructure, while also providing relief to University's institutional funds.
6. New revenue enhancements for its Laboratory Schools.
7. New student-aid policies will limit exemptions to veterans, student representatives and graduate students work study program.
8. A new Classification and Compensation Plan will adjust non-faculty compensation and provide flexibility and renew current roles and responsibilities.

5.1 Baseline Adjustments

The University has been monitoring its monthly financial state, with its Budget to Actual and Liquidity Reports for FY'20. As of the date of this Fiscal Plan, we have actual performance as of February 2020. The University has also projected its fiscal year ending numbers using historical and cyclical data in order to project and adjust FY'20 Fiscal Plan and Budget. Additionally, we have used the most recent Audited Financial Statements, as of June 30, 2019, to bridge and provide support to our projections.



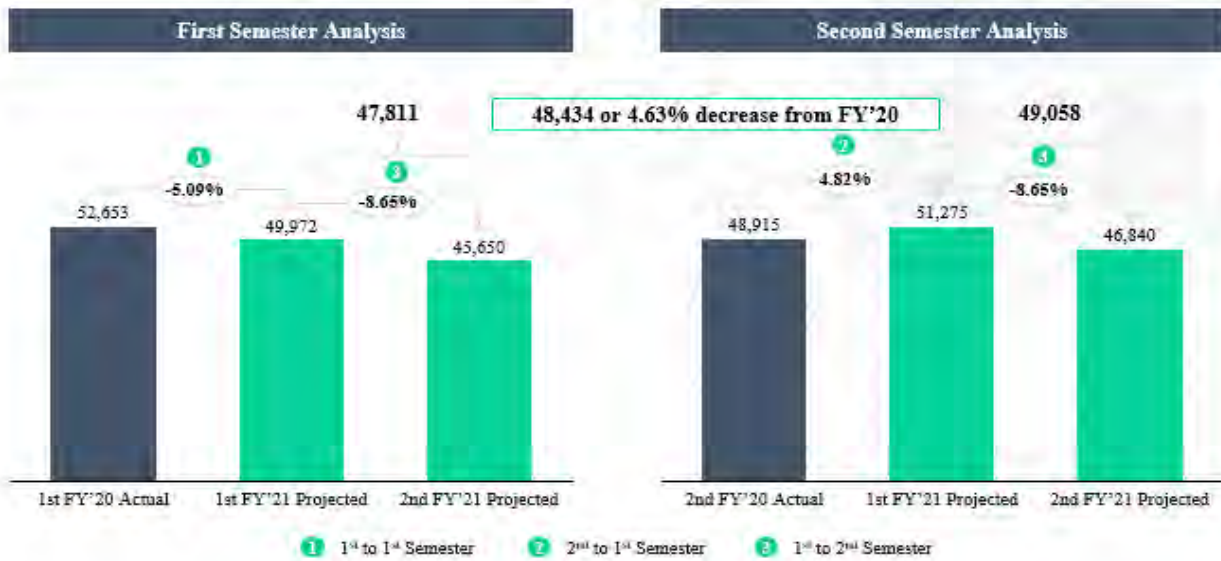
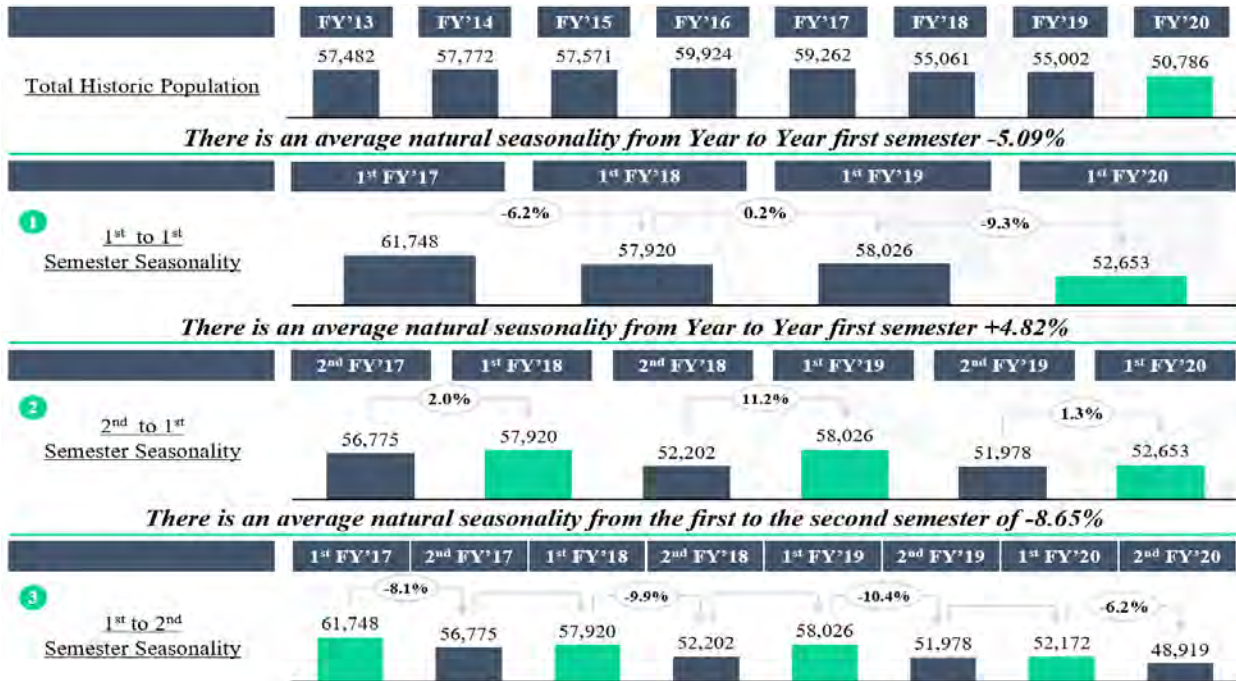
(000's)	FOMB FP 06/19	UPR Revised FP 03/20	FOMB FP 06/19 vs Revised 03/20
Total Central Government Appropriations	\$559,875	\$567,384	\$7,509
Total Operating Receipts	402,761	395,177	(7,584)
Total Intra-Government Receipts	309,314	289,141	(20,173)
<u>Disaster Relief Receipts</u>			
Insurance Proceeds	-	310	310
FEMA Receipts	40,000	80,685	40,685
Total Disaster Relief Receipts	40,000	80,995	40,995
Total Receipts	1,311,950	1,332,697	20,747
<u>Operating Disbursements:</u>			
Total Operating Disbursements	(1,101,183)	(1,109,488)	(8,305)
Total Disaster-related Disbursements	(40,000)	(80,995)	(40,995)
Capital Expenditures	(34,895)	(27,843)	7,052
Equipment	(11,553)	(17,098)	(5,545)
Total Disbursements	(1,187,631)	(1,235,424)	(47,793)
Net Cash Flow (before Pension Payment & DS)	124,319	97,273	(27,046)
Pensions Payment	(160,900)	(160,900)	-
Debt Payment	(48,252)	(48,252)	-
Net Cash Flow	(\$84,833)	(\$111,879)	(\$27,046)

UPR Revised Fiscal Plan Baseline with Adjustment

(000's)	FY'20 w/o Measures	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
Total Central Government Appropriations	\$559,875	\$567,384	\$545,585	\$511,343	\$459,410	\$455,883	\$464,723
Total Operating Receipts	402,761	395,177	386,118	377,753	370,418	371,995	372,984
Total Intra-Government Receipts	309,314	289,141	315,026	311,525	295,212	298,156	301,039
<u>Disaster Relief Receipts</u>							
Insurance Proceeds	-	310	-	-	-	-	-
FEMA Receipts	40,000	80,685	-	-	-	-	-
Total Disaster Relief Receipts	40,000	80,995	-	-	-	-	-
Total Receipts	1,311,950	1,332,697	1,246,729	1,200,621	1,125,040	1,126,034	1,138,746
<u>Operating Disbursements:</u>							
Total Operating Disbursements	(1,101,183)	(1,109,488)	(1,090,309)	(1,079,102)	(1,069,346)	(1,069,096)	(1,068,846)
Total Disaster-related Disbursements	(40,000)	(80,995)	-	-	-	-	-
Capital Expenditures	(34,895)	(27,843)	(92,394)	(69,721)	(22,500)	(12,500)	(15,000)
Equipment	(11,553)	(17,098)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Total Disbursements	(1,187,631)	(1,235,424)	(1,192,703)	(1,158,823)	(1,101,346)	(1,091,596)	(1,093,846)
Net Cash Flow (before Pension Payment & DS)	124,319	97,273	54,026	41,798	23,194	34,438	44,900
Pensions Payment	(160,900)	(160,900)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
Pension Payment (ERS)			(4,800)	(4,800)	(4,800)	(4,800)	(4,800)
Debt Payment	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)
Net Cash Flow	(\$84,833)	(\$111,879)	(\$119,026)	(\$131,254)	(\$149,858)	(\$138,614)	(\$128,152)

5.1.1 Adjustments to Student Enrollment Projections

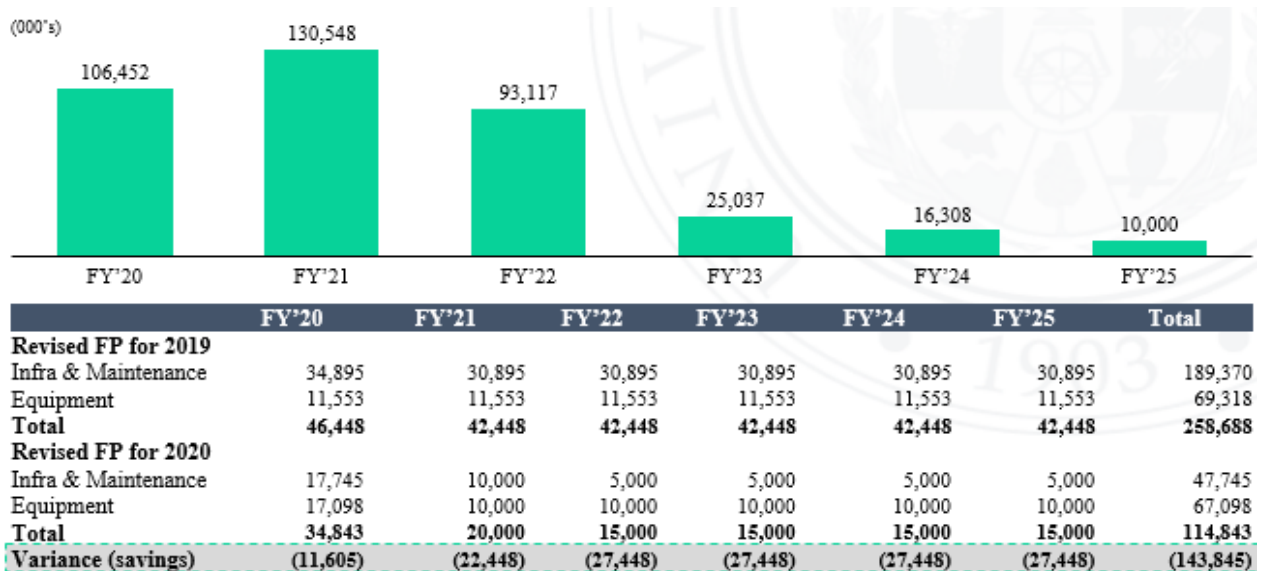
For the student enrollment projections, the University had a decrease 4.63% v. the Certified Fiscal Plan of 3.27%.



5.1.2 Adjustments to Commonwealth Appropriations

Through the submitted *Commonwealth Revised Fiscal Plan*, the Commonwealth will support the University with two additional appropriations that will help the University fund and execute on its Strategic Plan. First, the current Training and Seminars Program restricted appropriations of \$20 million will be included in the General Appropriations budget line item. This will help fund operational needs of the University while still providing the Trainings and Seminars Program over the next five years. The University has currently over \$40 million in restricted transfers for this Program, out of which annual disbursements are projected to be between \$5 million to \$10 million.

Additionally, the Commonwealth has included approximately \$145 million in capital expenditures for the next 5 years. This will provide between \$20 million to \$25 million to be reallocated to operational needs.



5.2 Fiscal Measures

5.2.1 Tuition

The University has already agreed on the Certified Fiscal Board’s targets for undergraduate tuition increase for FY’20. For graduate tuition, the University submitted an additional increase, but is still in disagreement with the Board on additional increases to certain graduate programs. Unlike undergraduate tuition, the cost levels of graduate tuition, including dues and fees, were already compatible with private universities. An additional increase, beyond the levels established in the past fiscal plan, would be detrimental to the University’s graduate programs and will certainly hinder student access to an affordable education.



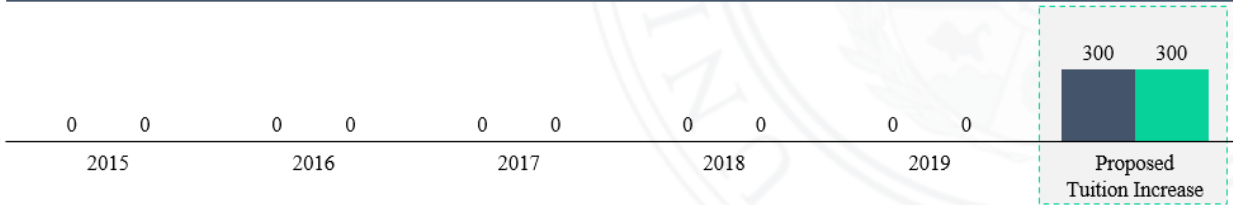
As part of the Tuition Revenues, the University has only included the Exemptions for Veterans and Work Study Graduate Students. No additional exemption program will be funded in this Fiscal Plan.

5.2.2 Laboratory Schools Tuition

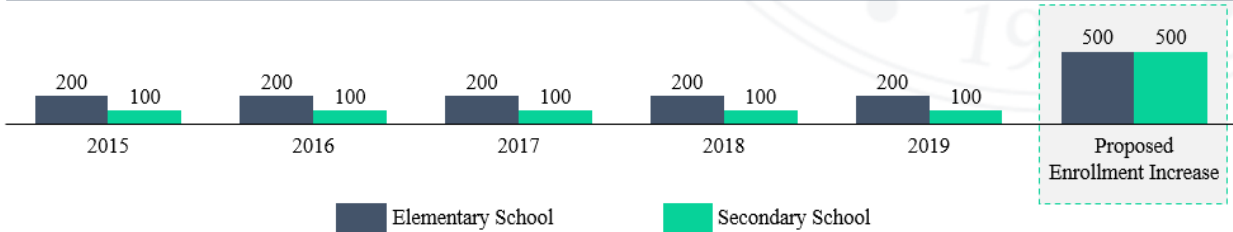
The UPR Laboratory Schools Program includes elementary and secondary schools located within the Río Piedras campus. Physically located inside the campus and working hand-in-hand with the University, they offer an atmosphere that promotes interests in higher education. Laboratory Schools have multiple advantages, such as smaller teacher-student ratios, tenured and highly educated faculty, and lower dropout rates. UPR Laboratory Schools are tuition-free and the enrollment fees are very low. The UPR has proposed an increase in both tuition and enrollment fees for the upcoming school year. The UPR has proposed a scholarship scenario which will increase monthly tuition to \$300 for both elementary and secondary school students. Enrollment fees will increase from \$200 to \$500 for elementary school students and from \$100 to \$500 for secondary school students. In addition to increased tuition and enrollment fees, the UPR Laboratory Schools are also considering an increase in elementary student enrollment of an additional 81 students, for a total Laboratory School enrollment of 790 students between both schools.

UPR Laboratory School Annual Revenues will increase from \$87,800 to \$2,765,000. This new revenue will provide a \$1,131,600 Scholarship Fund each year, which will be divided as follows: \$184,000 for Maintenance and Repairs of Laboratory Schools and \$948,000 for Laboratory School student scholarships. The total scholarships that can be awarded each year will be to 316 students or 40% of the student population Laboratory Schools in the long term should be able to maximize its potential and be self-sustain. That includes i. obtaining federal grants for STEM projects; ii. new income through summer camps; iii. philanthropy; iv. new income for professional services and teachers' certifications for the Puerto Rico Department of Education; v. students that may apply for financial aid to the Puerto Rico Department of Education, among others.

Monthly Tuition Payment for UPR Laboratory Schools



Enrollment Fees & Special Fees for UPR Laboratory Schools



1 – If a change in the current admissions regulations is authorized Laboratory Schools will be able to enroll 81 new Elementary School students

Proposed Fiscal Plan Revenue Measure

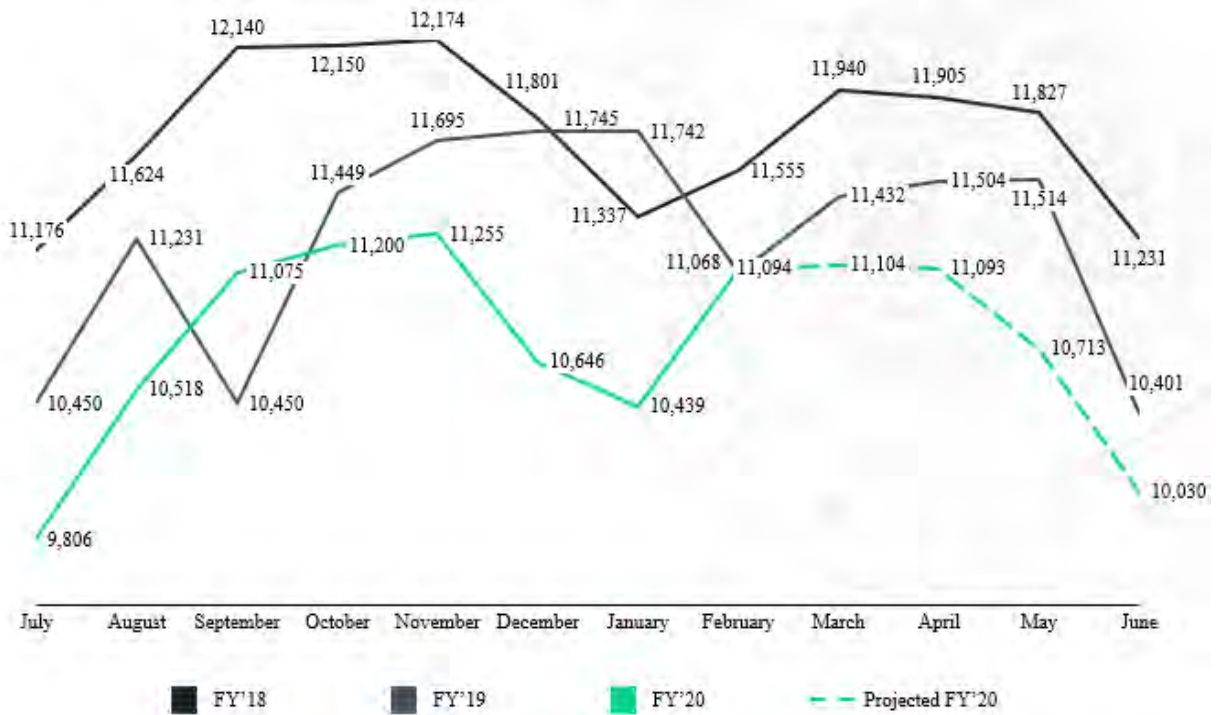
Elementary School Enrollment	169
Secondary School Enrollment	540
Increase in Elementary School Enrollment	81
Total Enrollment	790
<hr/>	
Proposed Cost for Elementary (Tuition)	\$300
Proposed Cost for Elementary (Enrollment Fees)	\$500
Proposed Cost for Secondary (Tuition)	\$300
Proposed Cost for Secondary (Enrollment Fees)	\$500
<hr/>	
Expected Revenue Elementary School	\$875,000
Expected Revenue Secondary School	\$1,890,000
Total	\$2,765,000



Annual Elementary Student Cost	\$3,500
Annual Secondary Student Cost	\$3,500
Average Annual Student Cost	\$3,500
Average Scholarship Coverage (100% exemption)	\$3,000
Total Students Fully Covered	316
	40% of total students

5.2.3 Historical Headcount Comparison

Estimated employee roster for FY'20 is 553 employees or 3.6% less than FY'19.



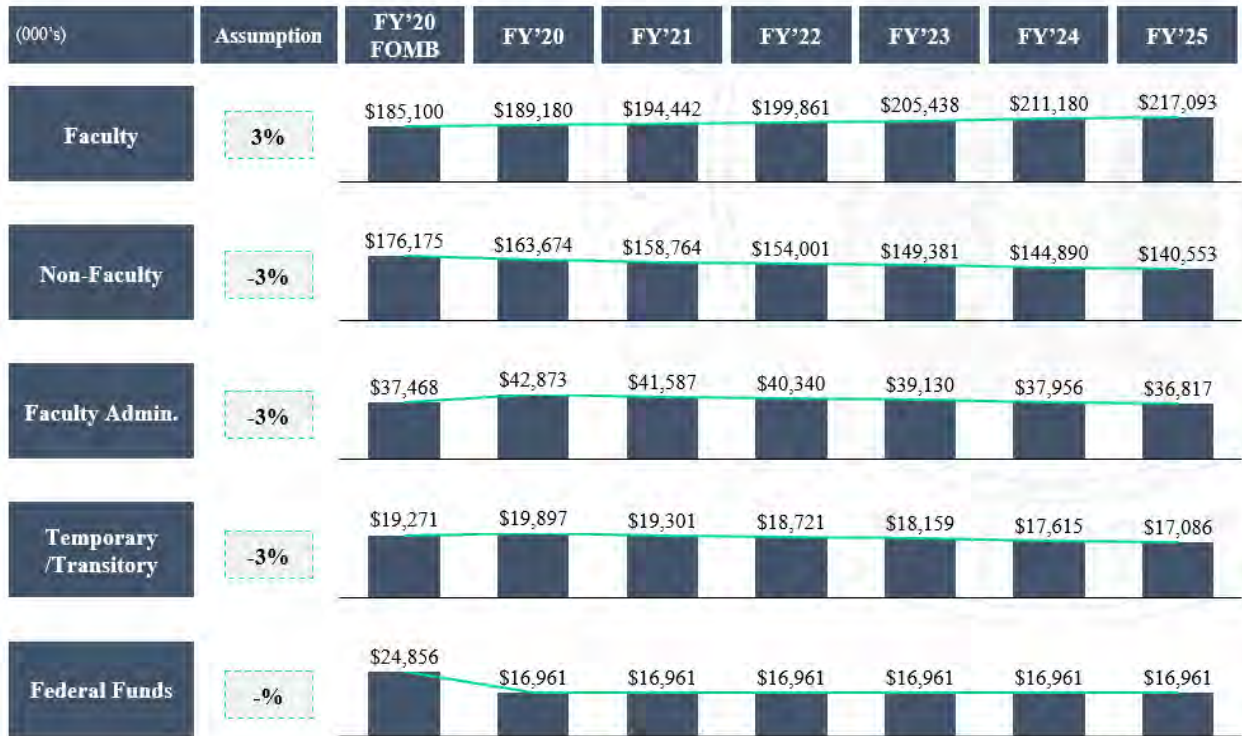
5.2.4 Employee Profile

The University has made a detailed analysis of its employee functions. It has developed and divided its employee profiles in 5 separate groups. This allows the University to analyze the optimal resources it would need for its future.

	Faculty	Non-Faculty	Faculty Admin.	Temporary /Transitory	Federal Funds
Number of Employees	3,173	5,957	571	509	348
Salary	60,086	27,469	75,078	39,085	48,225
Christmas Bonus	593	593	593	593	593
Overtime	270	289	384	290	297
Other Compensation	2,297	2,441	3,241	2,400	2,450
Liquidation	1	1	1	1	1
Incentives	368	392	520	395	396
Social Security	4,596	2,101	5,743	2,990	3,689
State Insurance Funds	658	699	928	700	710
Unemployment Insurance	25	27	36	27	27
Other Marginal Benefits	-	-	-	-	-
Other Subsidies to Employees	22	24	31	23	20
Average Compensation	68,916	34,036	86,555	36,504	56,408

5.2.5 Attrition

UPR is expected to reduce its overall headcount by 823 or 8% by FY'25. This reduction represents 163 faculty and 660 non-faculty. In order to maintain a high quality of instructional faculty, the UPR will increase its faculty budget slightly (no more than 3% per year) throughout FY'25. This increase in payroll expense will serve to offset the necessary faculty lost to attrition while attracting new faculty to teach in the UPR system. The main driver for this attrition is the retirement age of most employees, the consolidation and optimization of functions within the University system. The reduction in trust and senior administrative positions at campus-level similarly reflects a centralization of overall governance for the University's executive functions, reducing the need for campus-level overhead.

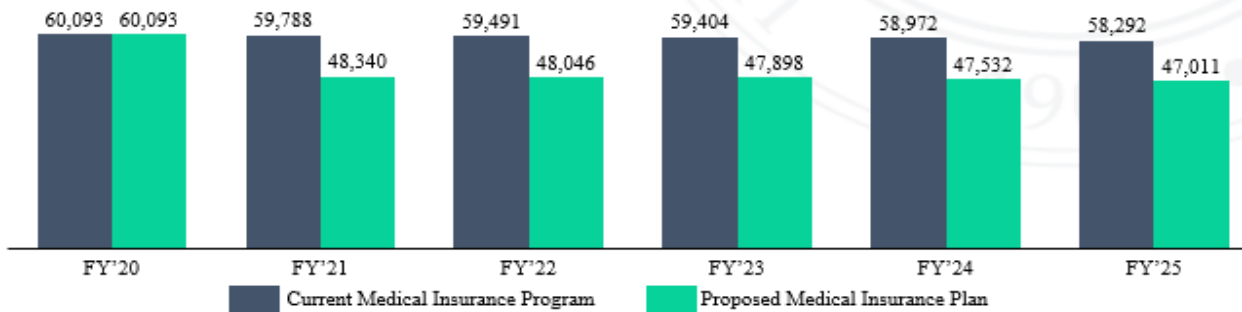


5.2.6 Medical Insurance

The University will implement a new medical insurance program starting in FY'21 with the employer contribution of \$500 per employee, per month. Historically, the UPR has invested over \$60 million annually in medical insurance. The employee breakdown has considered those employees with chronic illnesses at higher coverage rates of \$773 monthly, while staff without chronic illnesses ranging between \$125 and \$390 in monthly employer contributions, which results in a weighted average of \$617 per employee per month. Starting FY'21, the UPR will renegotiate its medical insurance premiums and place all employees at \$500 monthly. The revised annual medical insurance expense will decrease to \$48 million, a nearly 20% in annual savings.

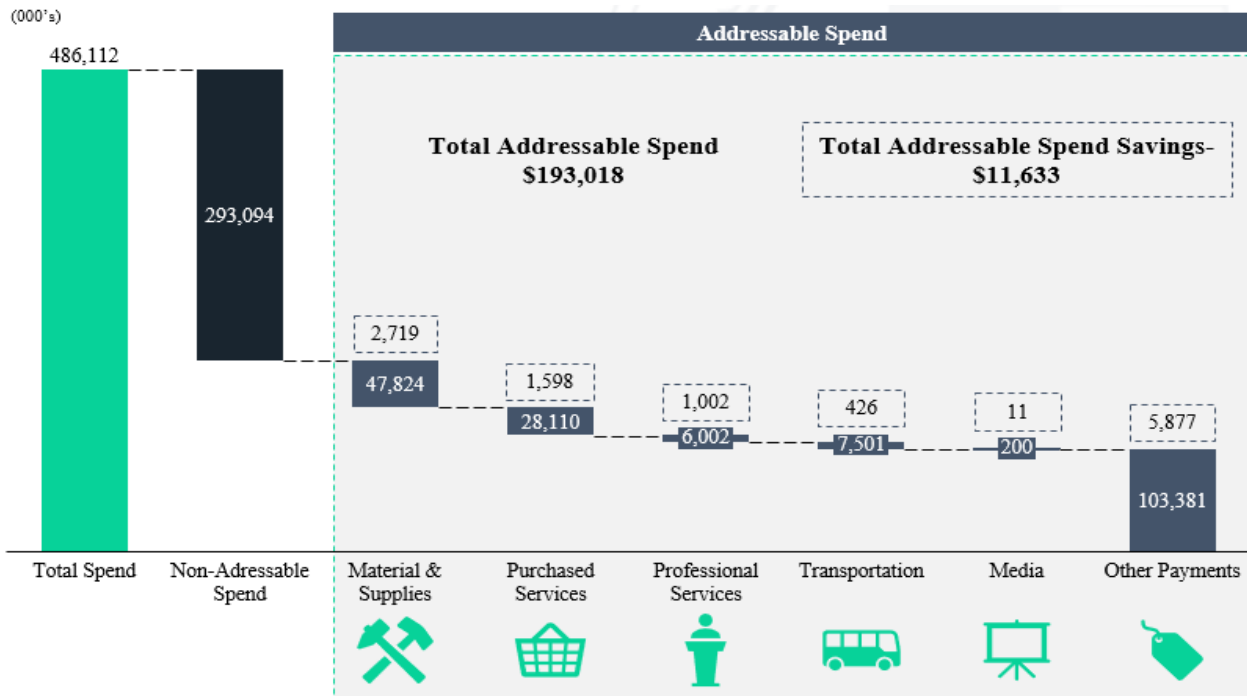
Illness	Members as of 10/31/19	Monthly Payment	Annualized Total
Chronic Illnesses	5,862	\$773	\$53,651,797
Non-Chronic Illnesses	Faculty – 966 Non-Faculty – 1,280	Faculty - \$390 Non-Faculty - \$125	\$6,440,180
Total	8,109	PEPM - \$617	\$60,091,978

- The UPR will publish an RFP on March 2020 for a new Medical Insurance Program which will have a capped PEPM of \$500 per month regardless of position or illness



5.2.7 Procurement

One of the key fiscal measures within the University’s Plan entails annual procurement savings of 5.65% FY’20. Procurement processes include addressable and non-addressable expenditures. Non-addressable spend includes scholarships and donations, utilities as well as expenses related to Joint Resolutions. Addressable expenses include materials and supplies, purchased services, transportation, advertising, and other operating payments. Procurement inefficiencies are rooted in its lack of centralization, since every campus operates independently without seeking optimizations in common expenses. In order to produce annual savings, the UPR began concentrating certain purchases across campuses in order to seek both, large scale economies, and as the most cost-effective option. Non-addressable spending has previously been the highest procurement category with FY’19 showing \$270 million. UPR anticipates approximately \$10.6 million in savings after improvements in the procurement process and with the revised paperless policy.



5.3 Fiscal Plan Results

The results of the Revised Fiscal Plan for 2020 include \$407 million in accumulated Revenue Enhancement Measures and \$54 million in accumulated Expense Controls over the next five years for a total of \$451 million accumulated.

(000's)	Measures	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
		v. FY'19 Baseline					
Revenue Enhancement				v. FY'20 Baseline			
	Adjustment to Undergraduate Student Tuition	\$60,424	\$32,099	\$43,580	\$55,054	\$55,054	\$55,054
	Adjustment to Graduate Student Tuition	17,323	1,709	2,740	4,390	4,390	4,390
	Adjustment to Laboratory Schools	-	1,633	1,633	1,633	1,633	1,633
	Increase in Federal Grants	(5,188)	10,000	15,000	20,000	20,000	20,000
	Adjustment to Dues & Fees	8,263	7,984	9,983	9,426	9,426	9,426
	Increase in Patent Monetization	-	1,500	2,000	2,000	2,000	2,000
	Total Revenue Enhancement Measures	80,823	54,925	74,936	92,503	92,503	92,503
Expense Controls							
	HR Optimization: Attrition	102,967	1,725	3,190	4,399	5,356	6,065
	HR Optimization: Adjustment in Marginal Benefits	(10,007)	11,447	11,445	11,506	11,440	11,281
	Centralized Procurement & Contract Renegotiation	41,897	10,631	10,631	10,631	10,631	10,631
	Increase of Minimum Salary & Classification Plan	-	(4,313)	(24,183)	(23,458)	(22,754)	(22,071)
	Plaza Universitaria Re-negotiation	-	2,000	2,000	2,000	2,000	2,000
	Total Expense Controls	134,856	21,490	3,083	5,078	6,673	7,906
	Plaza Universitaria Cash Recognition	2,000	2,000	2,000	2,000	2,000	2,000
	Total Measures Impact	\$217,679	\$78,415	\$80,019	\$99,581	\$101,177	\$102,409

The result of these measures provides a position Net Cash flow (excluding debt service) in the long term.

UPR Revised Fiscal Plan Baseline with Measures

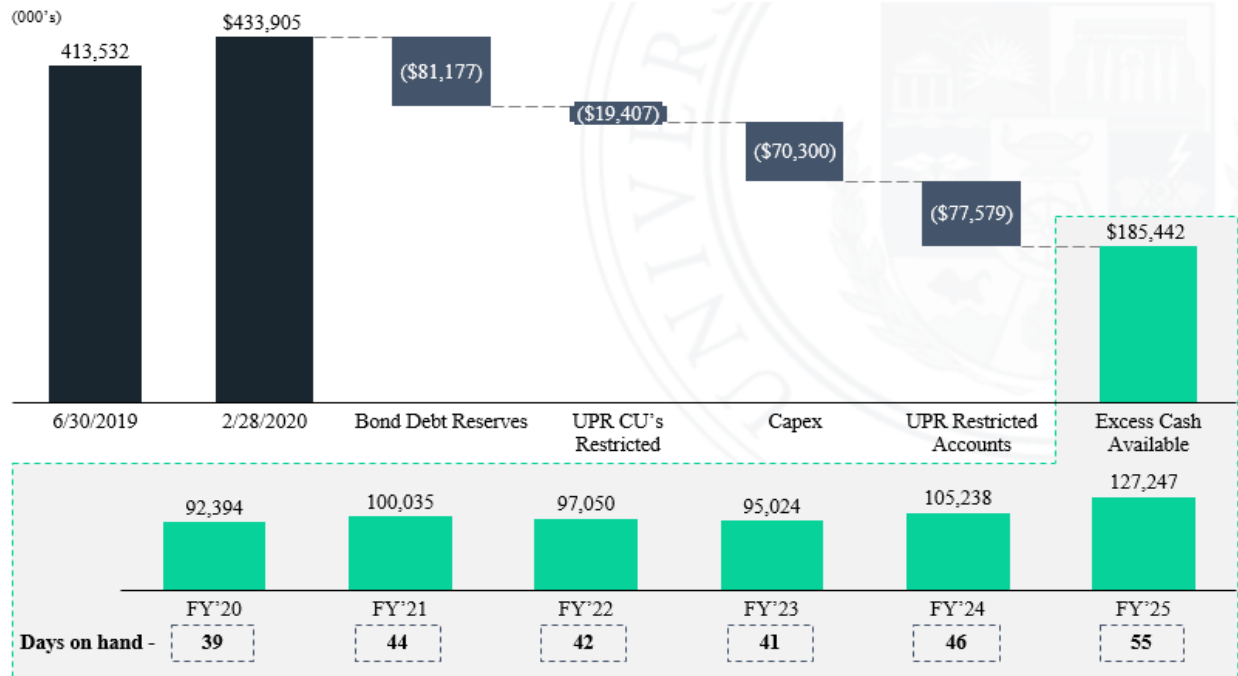
(000's)	FY'20 w/o Measures	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
Total Central Government Appropriations	\$559,875	\$567,384	\$545,585	\$511,343	\$459,410	\$455,883	\$464,723
Total Operating Receipts	402,761	395,177	433,043	439,690	444,921	446,499	447,488
Total Intra-Government Receipts	309,314	289,141	325,026	326,525	315,212	318,156	321,039
Disaster Relief Receipts							
Insurance Proceeds	-	310	-	-	-	-	-
FEMA Receipts	40,000	80,685	-	-	-	-	-
Total Disaster Relief Receipts	40,000	80,995	-	-	-	-	-
Total Receipts	1,311,950	1,332,697	1,303,654	1,277,558	1,219,543	1,220,538	1,233,249
Operating Disbursements:							
Total Operating Disbursements	(1,101,183)	(1,109,488)	(1,068,818)	(1,076,020)	(1,064,267)	(1,062,422)	(1,060,940)
Total Disaster-related Disbursements	(40,000)	(80,995)	-	-	-	-	-
Capital Expenditures	(34,895)	(27,843)	(92,394)	(69,721)	(22,500)	(12,500)	(15,000)
Equipment	(11,553)	(17,098)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Total Disbursements	(1,187,631)	(1,235,424)	(1,171,212)	(1,155,741)	(1,096,767)	(1,084,922)	(1,085,940)
Net Cash Flow (before Pension Payment & DS)	124,319	97,273	132,442	121,817	122,776	135,616	147,309
Pensions Payment	(160,900)	(160,900)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
Pension Payment (ERS)	-	-	(4,800)	(4,800)	(4,800)	(4,800)	(4,800)
Debt Payment	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)
Net Cash Flow	(\$84,833)	(\$111,879)	(\$40,610)	(\$51,235)	(\$50,276)	(\$37,436)	(\$25,743)

5.4 Minimum Cash Analysis

As of February 28, 2020, the Summary of Bank Account Balances for the Government of Puerto Rico and its Instrumentalities (published by FAFAA), the University, including its component units, had \$434 million. These accounts include operational accounts, restricted student loan accounts, restricted insurance proceeds and specific central government program accounts, component unit accounts, debt service reserve accounts, as well as capital expenditures destined amounts.

Internal analysis has been completed by University staff, and the non-restricted available cash as of February would be \$185 million.

While this amount may seem sufficient, it represents a small portion when compared to the recurring fixed obligations (i.e. average accounts payable and accrued liabilities range in \$90 million) of the University, only resulting in 72 days of cash availability. Stateside universities studied by the UPR show that internal policies for cash requirements range from 60 to 90 days on the lower range and can extend to well over 150 days.



Note – Projected Excess Cash Available excludes the payment of Debt Service

5.5 Pension Reforms

As a preamble to the Pension Reforms section, it was brought to the attention of the Governing Board that a recent bill directly impacting its efforts for transforming the pension system of the University of Puerto Rico was passed on Saturday March 28, 2020, and approved by both the Puerto Rico House of Representatives and the Senate. The bill is Joint Resolution of the House No. 655 of 2020, and states the following:

“To order the Governing Board of the University of Puerto Rico to maintain the current Defined Benefit Retirement Plan, including stopping any intention to increase the retirement age of public servants of the University system and stopping any intention to freeze the contributions from employees to the UPR Retirement Trust.”

Considering the rule of law under PROMESA, the bill now goes before the consideration of the Governor of Puerto Rico, Hon. Wanda Vazquez Garced, and, if signed, subsequently for certification before the FOMB. In deference to this pending proceedings and until further reliable information is received, at the ordinary meeting held on the 30th day of March, the Governing Board decided to refrain itself from voting on the two specific matters addressed in the bill, namely the freeze of the current defined benefit plan and the increase in retirement age. However, for the compelling reasons explained below, the Governing Board acknowledges that those are two key measures recommended by the Governing Board's Committee on Retirement System Affairs, which are critical and much needed for the financial sustainability of both the Retirement System and the University of Puerto Rico system itself. Notwithstanding, the Governing Board postponed the final approval of these two specific measures, but was able to move forward with the approval of the additional contribution to be made to the Retirement System for the current fiscal year, as stated in the present fiscal plan.

The *Certified Fiscal Plan* contains a broad picture of UPR finances, including finances related to the Retirement System. It notes that UPR “plays an essential role as the Island’s engine for economic and workforce development” and “[i]n many ways, the future of Puerto Rico depends on a vibrant and sustainable UPR.”¹ Regarding pension reform, the *Certified Fiscal Plan* states that the “[Certified] Fiscal Plan outlines reform measures that UPR and the Retirement System could take to ensure pension obligations can be paid without requiring significantly higher revenues or lower expenses, while still allowing the UPR to achieve operating surplus (pre-debt service) within the fiscal plan period.”² Finally, the *Certified Fiscal Plan* emphasizes the advantages of UPR’s cooperation with the FOMB:

The [FOMB] looks forward to partnering with the Government of Puerto Rico, the UPR Governing Board, and the UPR Administration in making the transition to a “new status quo” operating model—one that is both more efficient and effective—as seamless as possible for the students, faculty, staff, and communities who benefit from this vital institution.³

In the *Certified Fiscal Plan*, the FOMB proposed three options for reforming the Retirement System.

- **Option No. 1** would require no changes to Retirement System benefits but would involve substantially higher employer contributions.
- **Option No. 2** would require a hard freeze of the Retirement System (*i.e.*, no further accruals of benefits) and a move to a defined contribution plan, but no cuts to accrued benefits. Option No. 2 would also involve substantial increases in employer contributions, but relatively smaller than under Option No. 1.
- **Option No. 3** would require a hard freeze to the UPR’s current defined benefit plan and move to a defined contribution (“DC”) plan, while progressively reduce accrued benefits in a manner similar to ERS and TRS, while accounting for the higher funding ratio of the UPR plan. *Option No. 3* would require increased employer contributions, but not nearly as much as No. 1 and No. 2.⁴

FOMB indicated its preferred outcome by stating that; “The [FOMB] strongly believes that Option 3 is the most responsible course of action for UPR.”⁵ Such recommendation is confirmed in correspondence from its leading pension consultants, the United States actuarial firm of Foster & Foster Consulting Actuaries, Inc. (“Foster & Foster”):

After considering several alternatives, the [FOMB] ultimately decided the best course of action to achieve these goals, outlined below in Option 3, includes: (i) freezing the pension plan and replacing it with a defined contribution plan; and (ii) a reduction in benefits which will affect current retirees as well as those members who are still working.⁶

The Ernst & Young Audited Financial Statements and Report dated June 30, 2018 (the “EY Report”), shows a concerning picture that may drive ultimate decisions regarding the Retirement System’s design, operation,

¹ Certified Fiscal Plan, Executive Summary at page 3.

² *Id.*

³ Certified Fiscal Plan, Executive Summary at page 4.

⁴ Certified Fiscal Plan, Section 3.1: Reforms to UPR Retirement System at pages 25-27.

⁵ Certified Fiscal Plan, Section 3.1: Reforms to UPR Retirement System at page 27.

⁶ Foster & Foster Memorandum to FOMB’s Executive Director, Natalie Jaresko, dated Nov. 8, 2019 at page 1.

and funding. According to the EY Report, UPR is highly dependent on appropriations by the Government of Puerto Rico to finance its operations and lacks available funding alternatives at reasonable interest rates. Thus, the financial difficulties experienced by the Government of Puerto Rico have had and will continue to have a significant adverse impact on UPR's financial condition.

As per the EY Report, UPR has a limited ability to raise operating revenues due to the economic, demographic and political related challenges of maintaining enrollment and increasing tuition.⁷ The plain truth is that UPR's financial condition is progressively deteriorating. As of June 30, 2017, UPR had total assets of \$1.5 billion, total deferred outflows of resources of \$222.1 million, total liabilities of \$2.92 billion, total deferred inflows of resources of \$172.9 million, and a net deficit of \$1.37 billion. A year later, as of June 30, 2018, UPR total assets decreased to \$1.44 billion, total deferred outflows of resources increased to \$919.8 million, total liabilities increased to \$4.11 billion, total deferred inflows of resources were down to \$126.3 million, and its net deficit increased to \$1.87 billion.⁸ Those are the facts.

The most significant fluctuations in UPR's statements of net position came precisely from changes in its net pension liability, total other post-employment benefit ("OPEB") liability, and their related deferred outflows and inflows of resources. Net pension liability, which amounted to approximately \$2.97 billion and \$2.01 billion as of June 30, 2018 and 2017, respectively, increased by approximately \$961.5 million or 48% in FY'18. This increase mainly resulted from the decrease in the discount rates used to calculate the total pension liability, which changed from 5.89% in FY'17 to 3.92% in FY'18.⁹

UPR's net operating loss in FY'18 was primarily caused by an increase in its pension cost. Following Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* (GASB Statement No. 68), for FY'18 and FY'17, UPR recognized a pension cost of approximately \$304.7 million and \$42.7 million respectively.¹⁰ As a result of this, the finances of the University were in red.

According to the EY Report, UPR faces significant risks and uncertainties, including liquidity risk (*i.e.*, not having sufficient liquid financial resources to meet obligations when they come due). The risks and uncertainties facing UPR together with other factors described in the EY Report, "***have led EY to state that management concludes there is substantial doubt as to the ability of UPR to continue as a going concern in accordance with GASB Statement No. 56.***"¹¹

The dire circumstances of the Retirement System are well documented by, among others, the *Certified Fiscal Plan*, the Foster & Foster letter to the FOMB dated November 8, 2019,¹² the Ernst & Young UPR Audited Financial Statements and Report dated June 30, 2018,¹³ and the Cavanaugh Macdonald Actuarial Projection Results dated December 20, 2019 and January 29, 2020.¹⁴ In a nutshell, these authorities indicate that the Retirement System is severely underfunded and, without substantial increases in funding and/or

⁷ EY Report at page 50.

⁸ EY Report at page 6.

⁹ *Id.*

¹⁰ EY Report at page 7.

¹¹ EY Report at page 11.

¹² Attached as ***Exhibit No. 2*** is a copy of the F&F letter.

¹³ Attached as ***Exhibit No. 3*** is a copy of the E&Y 2018 Audit Report.

¹⁴ Attached as ***Exhibit No. 4*** and ***Exhibit No. 5*** are copies of the Cavanaugh Projection Results of December 20, 2019 and January 29, 2020, respectively.

wide-ranging benefit reductions, it is bound to become insolvent sometime within the next twenty years.¹⁵ For a host of reasons, such as Puerto Rico’s overall financial situation, the UPR’s historical dependence on appropriations by the local government, the UPR’s limited ability to raise additional operating revenues, the lack of funding alternatives at reasonable interest rates, and the Island’s demographics, it is highly unlikely, if not impossible, for UPR to substantially increase its contributions to the Retirement System.¹⁶ The need to transform it is imperative for the subsistence of both, the Retirement System and the UPR.

As per the Cavanaugh report, for 2018 the Retirement System was only 44% funded on an actuarial basis, whereas, as per the EY Report, on an accounting basis, the funding percentage was just 32%.¹⁷ Assuming annual contribution of \$120 million and no changes to the current benefits structure, the Retirement Plan will become insolvent somewhere between 2038 and 2043. Absent significant increases in funding and/or sweeping benefit reductions, a similar result applies under several of the scenarios considered by UPR and projected by Cavanaugh.

The Governing Board analyzed scenarios considering *any or a combination of* the following corrective cost-control measures to understand the impact on the unfunded actuarial liability and cash flow requirements for the Retirement System

1. *Extending Vesting Schedule*
2. *Postponing Current Retirement Age*
3. *Reducing Average Compensation*
4. *Increasing Employee Contributions*
5. *Capping Monthly Pensions*
6. *Implementing a Soft Freeze*
7. *Implementing a Hard Freeze*
8. *Modifying Current Benefits Formula*
9. *Adjusting Monthly Pensions*

To facilitate their quantification and evaluation, UPR officials grouped the aforementioned corrective cost-control measures into various scenarios, and commissioned Cavanaugh Macdonald Consulting, LLC (“Cavanaugh”) to prepare an actuarial study on the impact that those scenarios would have on, among others, the funded status, accrued liability, and cash flow needs of the Retirement System. The pension reforms that have been decided for this fiscal plan include the resulting understanding of such analysis.

The Retirement System is a mature system. Most of the actuarial accrued liability is already embedded in retirees and vested employees already qualifying for retirement (or \$2.71 billion, of the total actuarial liability of \$3.24 billion, per 2019 actuarial data, equivalent to 84%). Consequently, limiting the needed changes to active members would be inequitably detrimental because the adjustments required to this group would be substantial compared to the individual contributions they would be making. In other words, active members would be covering for cash flow deficiencies necessary to cover retiree payroll obligations and would not get a competitive long-term benefit in exchange of their contributions.

Recognizing all financial, operational and legal risks, the Governing Board of the UPR proposes a path forward towards improving the UPR’s risk profile in the long term, mitigating legal, financial and operational risks.

¹⁵ See, e.g., Certified Fiscal Plan at page 26 and Cavanaugh 2019 Projection Results at pages 48 and 58.

¹⁶ See E&Y 2019 Audit Report at page 14.

¹⁷ Cavanaugh Report at page 58 and EY Report at page 145.

Pension Policy Reform measures effective June 30, 2020

- A hard freeze of the defined benefit plan is required to start the de-risking of the UPR Balance Sheet

The net pension liability has increased due to changes to assumptions based on experience and GASB accounting rules. As in other public defined benefit plans, the members and retirees are living longer and the contributions that were calculated to finance long term benefits years ago were understated and have become obsolete. For the UPR to be able to stabilize its financial condition it has to implement a de-risking strategy to its Balance Sheet. By implementing a hard freeze on the defined benefit plan as a de-risking measure, the UPR reduces the risk of market uncertainties and longevity factors. As a result of this measure coupled with the proposed funding, the UPR seeks to improve its financial position in the long run. The frozen liability then would need to be paid through the life of the current and future retirees. This would be the first step toward improving the University's risk profile and ensuring the long-term financial stability and operational feasibility of the UPR. Any adjustments to accrued benefits in addition to the hard freeze will be analyzed through current legal frameworks on how changes would have to be done for vested active participants and retirees on a reasonable and equitable basis.

- Increase retirement age to 65 years for vested active participants not eligible to retire on the effective date. The following vested participants would fall under a grandfather clause: (i) 30 years of service; or (ii) 58 years of age and 10 years of service; or (iii) age 55 and 25 years of service, as of the effective date of the freeze.

The age extension would align the Retirement System to life and work expectancy in the current environment.

For instance, the full benefit age for federal Social Security (also called "normal retirement age") had been 65 for many years. However, beginning with people born in 1938 or later, that age gradually increases until it reaches 67 for people born after 1959. Early Social Security retirement benefits continue to be available at age 62, but at a reduced percentage.

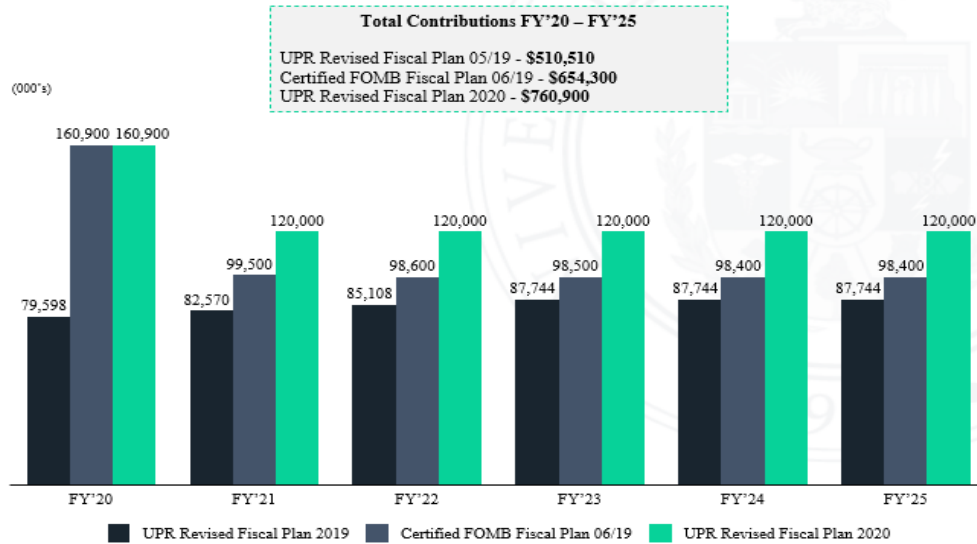
Currently average retirement age in the UPR is 62 years. However, those active members already meeting with the required years of services and age to retire would be grandfathered and, thus, this increase would not be applicable to them.

- A Defined Contribution Plan deployment for all employees so they can continue saving for retirement. The UPR would do an annual competitive matching.

Employees will have a competitive retirement tool that will allow them to continue to save for their retirement. The UPR would make a matching contribution to all individuals at a percentage yet to be determined.

- The Revised Fiscal Plan for FY'20 will include a total UPR contribution of \$160 million.

For the Revised Fiscal Plan, the University increased by \$80 million its budgeted contribution to the pension plan. By doing so, it included \$160 million as part of the *Certified Fiscal Plan* for FY'20 and has committed to transfer \$120 million over the next 5 years.



5.6 Debt Sustainability

UPR has \$422 million of outstanding bonds, including \$365.7 million of Series P and Q Revenue Bonds and \$56.4 million of AFICA Bonds, 2000 Series A. Both the Revenue Bonds and the AFICA Bonds are being paid current interest and principal.

- Payments on the Revenue Bonds are made pursuant to a Forbearance Agreement initially entered on August 31, 2017, and recently extended through May 2020.
- The AFICA Bonds are payable from lease payments derived from UPR to DUI with respect to the Plaza Universitaria Project.

On June 30, 2016, the Governor of Puerto Rico signed Executive Order No. OE-2016-030 (“EO 30”) and Executive Order No. OE-2016-031 (“EO 31”) which (i) declared the Government and several of its instrumentalities, including the University, to be in a state of emergency and announced the commencement of an emergency period (as such term is defined in Section 103 of the Act No. 21) for the Government and such instrumentalities, including the University, (ii) extended the state of emergency that had been previously declared for several of the Government’s instrumentalities, (iii) implemented a suspension on transfer obligations of the Government and certain of its instrumentalities, including the University, with respect to the transfer of funds to and from such entities (pursuant to Section 201 of Act No. 21), and (iv) implemented a suspension on the payment obligations of debt issued or guaranteed by the Government, as well as the payment obligations of certain of its instrumentalities, including the University. The measures were in place until January 29, 2017.

Specifically to the University, EO 31 established the following: (i) designated any of the University’s obligations, pursuant to the Trust Agreement, dated June 1, 1971, as amended, to transfer Pledged Revenues (as such term is defined in the Trust Agreement) to the Trustee as an enumerated obligation (as such term is defined in Section 103 of the Act No. 21); and suspended such obligations of the University to transfer Pledged Revenues to the Trustee, and (ii) designated any obligation of the University pursuant to the Lease Agreement with DUI, dated December 21, 2010, as a covered obligation (as such term is defined in Section 103 of the Act No. 21); and suspended the payment of such obligation of the University. EO 31 did not suspend the payment obligations of the University with respect to any other obligation.

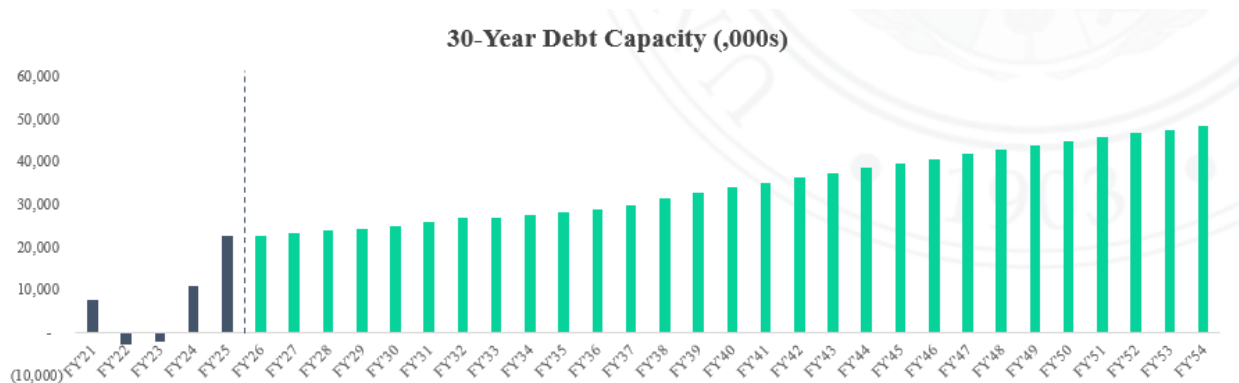
On June 29, 2017, the Trustee and the University, at the direction of FAFAA, entered into a letter agreement (the “Letter Agreement”) providing the University will transfer certain amounts in respect of pledged revenue, as defined in the Trust Agreement, to the Trustee, on condition—among others—that through August 31, 2017 (the Compliance Period) the Trustee will not institute, commence, or continue certain legal proceedings against the University, the Government or any other agency, instrumentality, or municipality thereof except in certain limited enumerated circumstances.

The Letter Agreement has been extended eleven times and the new Compliance Period is June 1, 2020. Pursuant to the Letter Agreement and the eleven standstill extension agreements, during the Compliance Period, holders of the majority in amount of the Revenue Bonds and the Trustee at the direction of the University’s bondholders will negotiate in good faith towards a restructuring of the Revenue Bonds. In addition, the trustee agreed not to institute or commence certain legal proceedings and the University agreed to transfer the following monthly payments of Pledged Revenues to the trustee to be applied in accordance with the Trust Agreement during the new Compliance Period.

Discussions with respect to a consensual restructuring of the Revenue Bonds are continuing. Presently, the University has complied with and has made all transfers due under the Letter Agreement, as extended. In addition, the Trustee of the University’s Revenue Bonds on behalf of the University has paid, as agreed, the scheduled principal and interest payments on its outstanding Series P and Q Bonds.

It is expected the revised plan will no longer allow for the payment in full of the Revenue and AFICA Bonds starting FY’21. UPR operating measures (focused on tuition increases and headcount reductions) have been successful to date; however, the University does not expect to have significant cash available for debt service until FY’25.

Based on forecasted cash flows, there will be sufficient cash available for debt service in FY’24 and beyond. However, the key challenge will be the ability to fund the cash shortfall during the first four years which is estimated to be a cumulative \$13.5 million.



5.7 Reporting & Compliance

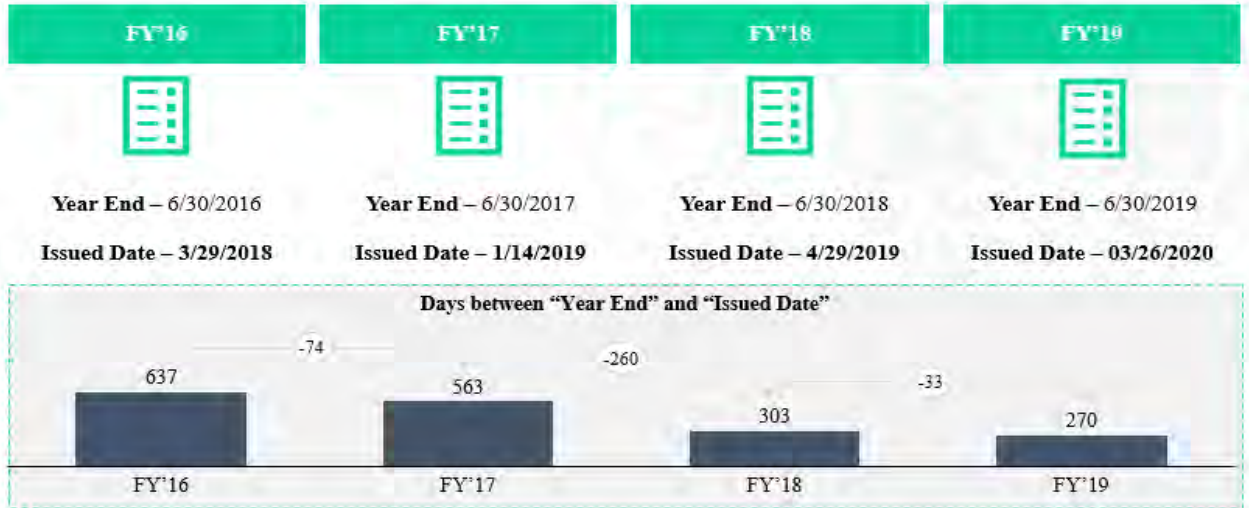
The UPR has long-faced challenges with its financial controls and reporting. Data limitations and disorganized HR / payroll systems across the 11 campuses have delayed compliance with FOMB requirements. As a result, the UPR missed federal deadlines for its FY’18 audited financial statements. Several steps have been outlined since FY’18 to tackle these problems and set a course for accurate and timely reporting.

The fiscal reforms described in this Fiscal Plan represent a significant and transformative effort across the 11 UPR campuses and component units. As such, now there are strict reporting requirements needed to ensure savings and revenue targets are being achieved on time, and to identify any major risks to reform in order to course correct at an early stage.

The reporting requirements detailed below are designed to enable both the UPR project management organization and the Oversight Board to monitor progress and react to roadblocks proactively. The UPR has significantly improved its reporting requirements with the FOMB and expects to submit the “Consolidation and Operating Model Update” in the upcoming months.

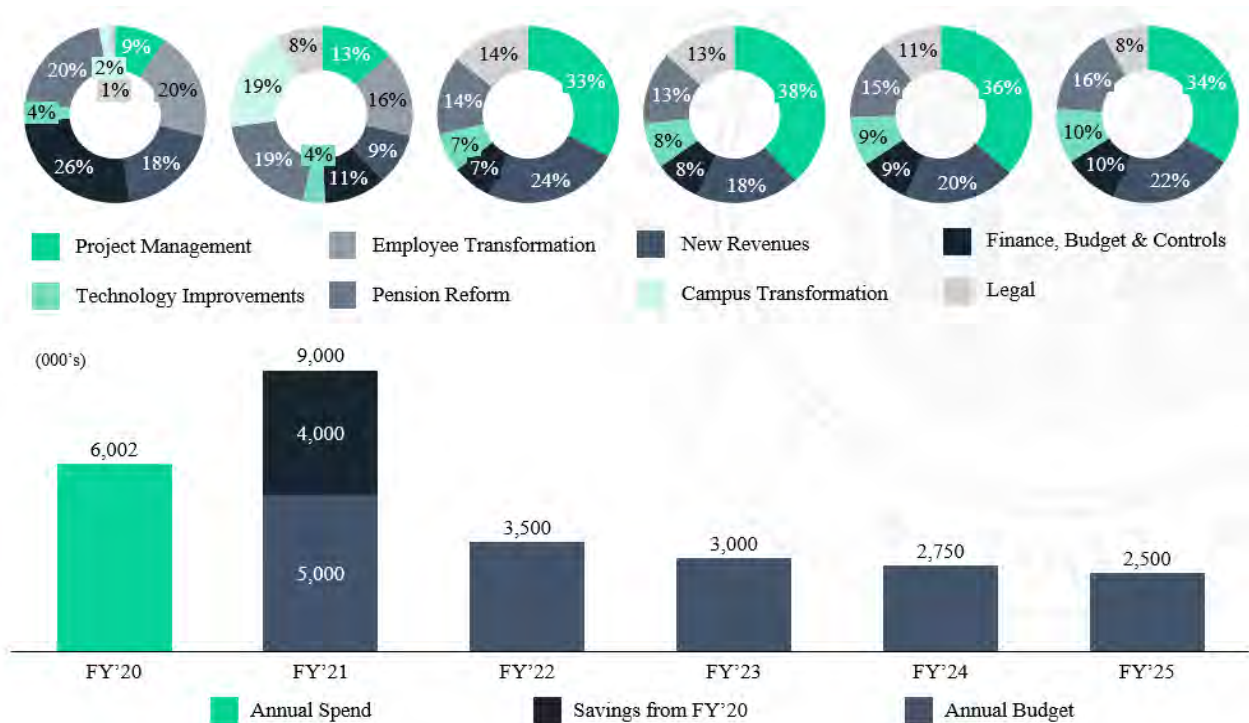
	Report	Recurrence	Status	Comments
1	Enrollment and tuition reporting	Semiannually	✓	Currently reporting every 15 th of the month
2	Consolidation and operating model update	Monthly	⚠	Pending
3	Implementation plan	Monthly	✓	Currently reporting every 15 th of the month
4	Monthly implementation status report	Monthly	✓	Currently reporting every 15 th of the month
5	Cash reserves	Monthly	✓	Currently reporting
6	Monthly Budget to Actuals	Monthly	⚠	Non-Complaint currently reporting 15 days late
7	Liquidity	Annually, reforecast quarterly and reporting monthly	✓	<ul style="list-style-type: none"> • Currently reporting following FOMB Certified Fiscal Plan • FY'19 Submitted (as of 12/31/19) • FY'20 Monthly Submission (as of 12/31/19)
8	Auxiliary Revenue	Monthly	✓	Currently Reporting
9	Quarterly Budget to Actuals	Quarterly	✓	FY'18 (as of 12/31/19) / FY'19 (as of 12/31/19)
10	1(C)Component unit report	Monthly	✓	Currently Reporting every 15 th of the month
11	1(E)Bank account summaries	Monthly	✓	Currently reporting every 15 th of the month
12	2(A)Budget to actuals	Monthly	✓	FY'18 (as of 12/31/2019) / FY'19 (as of 12/31/19)
13	2(B/C)Payroll and Headcount	Monthly	✓	Currently reporting every 15 th of the month

Since its first Fiscal Plan back in FY'18, the UPR has adhered to more sound financial controls and returned to a timelier publication of its Audited Financial Statements. The UPR has been successful in decreasing the amount of days between its financial closing period and its publication of Audited Financials.



5.7.1 Office of Institutional Transformation

On August 27, 2018, the UPR Governing Board approved the creation of the Office of Institutional Transformation (“OIT”) with a \$10 million budget for FY’19 and FY’20. The purpose of the OIT is to develop, execute, and monitor all initiatives and reforms related to the Fiscal Plan. The OIT is assigned to the UPR Governing Board, similar to the Audit office. The investment of the OIT office is projected to be \$20.75 million from FY’21 to FY’25.



5.8 *Transformational Reforms*

The Vice Presidency of Academic Affairs and Research has developed an aggressive Work Plan with significant reform and institutional transformation as its main objective. The Work Plan is divided by areas the UPR intends to impact, and each involves different reform initiatives. Its aim is to nurture the innovation and transformation of academic endeavors, research and the creation of knowledge, as well as its technological structures. As we seek to create a transformational experience for students, we must strengthen the connections between academic and co-curricular decision-making.

5.8.1 **Administrative Efficiencies**

The University of Puerto Rico is overdue for a proper review of its administrative process. The lack of effective process evaluation has created layers of bureaucracy which have hampered agility and administrative efficiency, while increasing operational costs. For that reason, the model for sustainable restructuring is based on the creation of efficiencies through a lean management operation. The first step is evaluating all administrative processes to identify those not adding value or delaying the work process. The Institutional Planning Director has been executing the first phase of his Work Plan during the FY'20. The areas being evaluated are student services, research-teaching, institutional support services, and community relations. This evaluation consists of existing data analysis, focus groups in the impacted areas, and review of regulations, policies, and certifications. The end of FY'20 should show structural recommendations for agility and administrative efficiency.

The implementation phase of the recommended measures is expected to begin FY'21. Similarly, the goal is to transform administrative processes to improve the working conditions of employees and enhance the services offered to students. Another goal is to establish a continuous evaluation process that allows an agile and efficient infrastructure throughout the University of Puerto Rico. The following are some specific initiatives that have been developed and will help UPR achieve administrative sustainability:

- implementation of a systemic energy saving policy,
- procurement process efficiencies,
- revision and enforcement of current paperless policy,
- reorganization of human resources processes,
- examination of billing and procurement procedures, and
- creation of an electronic signature policy

The implementation of these initiatives will create administrative efficiencies and reduce operational costs in two ways. First, the elimination of non-value generating steps and processes will allow better output efficiency. Second, these initiatives directly reduce operational costs. For example, reducing the electric utility expenses by 2.5% translates into nearly \$5 million in savings. Similarly, the UPR anticipates approximately \$10 million in savings after improvements in the procurement process and with the revised paperless policy.

As part of the administrative efficiency initiatives, the UPR will begin regular meetings with the Administrative Deans during March 2020. These meetings will establish an ongoing dialogue between deans on areas of administrative collaboration to reduce expenses, necessary trainings and support by Central Administration.

It is important to point out that all these initiatives are aligned to the University of Puerto Rico's Strategic Plan and to the President's Work Plan.

5.8.2 Academic Efficiencies

During the 2018-2019 academic year, the VPAAR updated and streamlined UPR's guidelines for the development of academic programs. In the Fall 2019 semester, the VPAAR completed an assessment of all 270 undergraduate academic programs in the UPR System. Trends of various parameters for the last ten years were examined, including: percentage of students who applied to the program as the first option, number of freshmen admitted, number of freshmen enrolled, total number of students enrolled, and retention and graduation rates. Once the assessment was completed, the VPAAR shared the information gathered with the eleven campuses. In addition, a review of graduate programs is being carried out at the Río Piedras and Mayagüez campuses. During this current Spring 2020 semester, each campus was tasked with identifying undergraduate programs that could be consolidated, placed in a moratorium, needing an improvement plan, or exhibiting best practices that could be modeled elsewhere. The goal of evaluating academic programs is that each campus updates its academic offerings and improve academic efficiency.

On the other hand, an evaluation of budget alignment per academic department was done taking into consideration enrollment and courses during the 2019-2020 academic year. The evaluation will be facilitated to the Budget Office in Central Administration and the Chancellors so it can be used in the 2020-2021 budget assignment and distribution.

Starting in FY'21, the University will implement a hybrid budget model that employs principles of a zero-based and an incentive-based budget approach. Through the zero-based budget approach, the UPR aims to implement SMART solutions. SMART stands for: Specific, Measurable, Achievable, Realistic and Time-bound goals. Likewise, with the zero-based budget approach, management is encouraged to prepare decision packages that include a clear description of activities, performance measures, benefits, and associated costs. This approach provides valuable information about different programs, units, and events. The UPR has witnessed decades of incremental budgeting usually followed by periods of budget reductions without clear outcomes. By contrast, this new budget approach provides campuses with greater responsibility for budget development and control, while allocating funding based on specific activities and metrics. This model closely ties funding to instructional activities and incentivizes increase in student recruitment, retention and graduation rates. Thereby helping the UPR fulfill and sustain its academic mission of excellence.

In this new model, allocation of funds is prioritized as follows:

- Top priority is to cover faculty and non-faculty personnel salaries and benefits following zero-based budget approach.
- Allocation to cover essential services, such as utilities (electricity, water, internet), insurance, and others.
- Any savings would be used by the campus to hire faculty based on their academic needs or to advance other academic activities of interest.
- As third priority, funds are used to cover tuition exemptions established by law, such as veterans, and support our internal scholarship programs.

Central Administration funds will be used to cover salaries and benefits, while simultaneously continuing to reduce unnecessary costs, increase efficiency, and implement metrics-based management. Central services will be in lieu of avoiding duplicate services at the campus level and thus reduce costs.

This new budget model incentivizes the types of activities that drive both student and financial success.

5.8.3 Data and Institutional Research Reform

The University of Puerto Rico needs to develop a culture of planning and decision making, based on accurate and timely information. The implementation of the model must be holistic, using business intelligence tools in harmony with all technology infrastructure.

Dealing with this challenge, the Institutional Research Office under the Vice-Presidency of Academic Affairs and Research is working in the development of some initiatives that will address the agenda of innovation and transformation and will result in a cost-effective administration.

The assumptions for all the initiatives are:

- Review regulations and policies
- Strength data warehousing initiatives
- Identify best practices (system-wide) using business intelligence tools
- Implement cost-effective tools
- Improve UPR technology infrastructure

With these assumptions in mind, the specific tasks and projects for the transformation of UPR data and institutional research are:

Data Inventory

A complete inventory of all data requests and available in the UPR needed to comply with all internal and external requirements.

Regulations

A revision of the Certification #108-98-99 (institutional research) currently in process with full integration of data needed, formats, dates, and people responsible.

Glossary

Development of a glossary with all definitions and statistics identified in the data inventory.

Institutional Research Instruments

A committee develops a model of input-process-results to align the questionnaires used in institutional research. The result is the development of new questionnaires by topics, which permit the gathering of comparable information system-wide, and the gathering of information needed for external and internal requirements.

Strategic Plan Metrics and Performance

The development of metrics for the goals presented in the Strategic Plan 2018-22 is fundamental for the plan's performance. The administration can evaluate the level of accomplishment in each goal of the plan. Also, this assesses guides the improvement in the performance of the plan.

Data Analysis Tools Using Business Intelligence

In this direction, we identified two indicators that will bring accurate and timely information for the UPR System.

- *UPR Cayey – Student Success Prediction System*
 - A system that gathers information about the academic performance of the students and predicts their level of success based on retention. All demographic information and academic indicators are presented visually. This tool will help with retention and provide direct monitoring of the students’ performance.
- *UPR Mayaguez – Electronic Data Book*
 - Includes statistics on applications, admissions, enrollment, retention, graduation, and transfers. Once implemented, it is an open source to all the university community and the external stakeholders.

Gathering New Data

Four areas have been identified as needing to gather information for the evaluation of their tasks: Donations to UPR, Federal External Resources, Formal Agreements with UPR, and Security. Using MS Share Point, these areas will collect the information needed to demonstrate their performance and level of achievement.

New Reporting Tools

Having correct and timely data is very important for effective governance. The development of visualization using MS Power BI will facilitate accessible information to all university community in all accessible devices.

All these initiatives will collaborate to tackle future challenges. Henceforth, the UPR is going to be a more competitive institution in all its performance indicators compared with other local universities.

5.8.4 Research Infrastructure Reform

The VPAAR wants to construct the necessary conditions to grow and maintain research, infrastructure, and creative labor sponsored projects started during FY’20. A systemwide working group identified solutions to the biggest challenges faced with during daily operations in order to push toward a successful execution of their projects. This group prioritized several regulations that needed to be updated to reduce administrative burden. At the request of the VPAAR, the campuses generated comprehensive research management plans and incentive programs to thrust the research endeavor at the UPR. These plans are available to the community at large providing a unique opportunity for the community to follow-up, update and prioritize the action items included in those plans. This also establishes transparency and stimulates accountability at the institution.

From the conversations with the UPR units, we concluded that administrative burdens are the most crucial aspect for accomplishing sponsored projects’ objectives. However, being a public institution, changing the regulatory framework is a delicate matter. There are requisites imposed by sponsors and the state. During FY’20, the UPR focused in updating the regulation that can be changed without a new legislation and in getting those regulations to tightly match sponsors requirements. Changes requiring legislation were identified to be addressed at the medium and long term. Since the most restrictive sponsors are federal entities, the UPR decided to use the federal regulation, specifically the 2CFR200, as the baseline for all prospective changes. Careful benchmarks were performed within government institutions to be able to identify precedents and validate the changes promulgated.

The research working group identified travel, purchasing, property, and sub-contracting policies were the most troublesome. A summary of the proposed changes in each policy is included:

- Travel policy – This policy relied on documentation and expense threshold not holding relation to current technology and costs. To address this issue, the recommended policy eliminated a multitude of low-dollar value transactions documentation, used the federal tables for reasonable costs, and streamlined the approval process on sponsored programs’ travels.
- Purchasing – The recommended changes for this policy include the use of federal threshold. These changes will improve both the cost and time for generating a purchase order that stands at around \$80 and 25 days, according an internal analysis performed. The proposed changes would represent an improvement of 20% in lead time and costs.
- Property – The UPR has a fixed assets policy that renders a big official inventory. Right now, the threshold for tagging stands at \$500 for computing equipment and \$1,000 for everything else. Whereas the capitalization threshold stands at \$5,000 (federal threshold). This difference generates a lot of confusion and complicates the analysis for Single Audits and federal monitoring. Therefore, we recommend this policy to match the capitalization threshold for the official systemwide UPR fixed asset inventory and allow for campuses to develop their own internal controls to prevent theft and waste.
- Subcontracting – One of the most common features of federal grants is the use of subrecipients. The contracting policy at the UPR calls for custom agreements in each case that generate a lot of delays. The UPR recommends a standard format contract developed using a template from the Federal Demonstration Partnership that will assure compliance with federal regulation. A careful assessment of local requirements was performed and included in the template language.

5.8.5 Expansion of CFO Responsibilities

This Revised Fiscal Plan allows the UPR to continue improving its operating model and optimize its fiscal governance capabilities. In order to continue to align itself with FOMB requirements, the UPR will:

- Strengthen its CFO functions to have direct reporting relationships with all campus financial leads: A CFO that oversees all finance departments will result in better monitoring of all campus-wide liquidity, asset management, accounting and finance reporting deadlines.
- Move towards integrated enterprise performance and financial management systems across all campuses, creating efficiencies, adequate reporting, and monitoring all campuses from a centralized unit.
- Implement budget vs. actual reporting at line-item level for each campus and component included in the consolidated UPR budget: Budget Director should ensure reporting is accurate and submitted on time.
- Combine finance and budget office under CFO.
- Create full and transparent listing and purpose for all bank accounts and place UPR tax ID under direct control of central CFO.
- Require central notification of all campus-level advancement and fundraising activities.
- Require campuses and component units to report to CFO all self-generated income and related expenditures above threshold amounts (e.g., \$10,000).
- Place CFO, alongside with other senior executives of the University’s institutional units, with direct responsibility for timely submission of independent audits as required by US Department of Education and accrediting bodies.
- Create team to assist with improving monitoring and reporting on all items outstanding with credit agencies, financial institutions, bondholders and auditors. This team should be primarily staffed by

existing employees to build institutional knowledge and capabilities. If external advisors are required on a temporary basis, these contracts should include provisions for capability building and requirements to transition work to UPR personnel within a defined timeline.