

August 28, 2013

Members of the University community,

University of the Pacific is in a secure financial position, owing to more than 15 years of wise, conservative budgeting. We are witnessing a time of great change in higher education. It has had a significant impact on universities across the country, and right here at our own McGeorge School of Law. I am confident, however, that if we develop as an institution in ways that enhance our excellence and best serve students, make hard choices about where to focus, and keep stewarding our resources sensibly, Pacific will continue to thrive in the years ahead.

Pamela A. Eibeck, PhD
President

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This letter discusses University of the Pacific's financial performance in fiscal year 13 (2012-13); budget for fiscal year 14 (2013-14); and outlook for fiscal year 2015 (2014-15). I am committed to sharing budget information transparently with the members of our community, and working with you to help you understand and shape Pacific's revenues and expenditures.

Note that I will be holding an **All-University Town Hall on Pacific's Future** on **Thursday, August 29**, from 12-1:30 in Grace Covell Hall on the Stockton campus. It will be webcast at go.Pacific.edu/webcast.

FY 2013 (July 1, 2012 – June 30, 2013)

I am pleased to report that the University finished the 2013 fiscal year with an operating surplus for the sixteenth year in a row. I have provided a high-level overview of the University's FY 13 budget on [my webpage](#). In FY 13, the University's total expenses were approximately \$305.1 million. The following expenditures were made:

- 29% Instructional** (\$87.1 million)
- 6% Academic Support** (\$19.9 million)
- 4% Student Services** (\$13.8 million)
- 20% Financial Aid** (\$62.5 million)
- 3% General Administration¹** (\$9.3 million)
- 14% Staff Benefits** (\$41.7 million)
- 13% General Institutional²** (\$38.8 million)
- 5% Physical Plant** (\$16.3 million)
- 1% Student Aid – Gift and Endowment Funded** (\$2.9 million)
- 3% Educational & General Debt Service** (\$7.9 million)
- 1% Contribution to/from Auxiliaries³** (\$2.6 million)

¹ General Administration includes expenditures such as Offices of the President and Chief Business Officer, Controller, Internal Audit, and Student Accounts.

² General Institutional includes expenditures such as Development, External Relations, Insurance, Public Safety, Office of Information Technology, Human Resources, and Legal Services.

³ Auxiliaries include Housing & Food Service, Bookstore, and Athletics.

Revenues in FY13, including those from tuition, donations, sales and services, and fees were sufficient to support these expenditures and to result in positive net revenue from operations of \$2.5 million.

As you know, in 2013-14, the University is **“Focusing on Our Future.”** The Cabinet and managers of administrative units across the University are currently reviewing administrative programs to ensure that they are as effective and efficient as possible. The academic units will soon begin to review academic programs for impact and quality, as part of the schools’ and College’s strategic planning processes. The goal will be to focus our efforts around our mission and our priorities, as outlined in *Pacific 2020*.

To assist with these reviews, centrally developed FY 13 financial data was given to all units and programs. This budget and cost data will be part of a comprehensive Focusing on Our Future website released on August 30. The snapshot of the University budget on my webpage will help to provide a holistic context as you review financial data for individual units and programs.

FY 2014 (July 1, 2013 – June 30, 2014)

The Board of Regents approved my recommendations for a FY 14 budget at its meeting in April 2013. The annual budget is crafted with key input from our Institutional Priorities Committee ([IPC](#)), the University’s primary budget advisory group, which includes faculty, staff, students and administrators from across the University.

The [President’s webpage](#) features a high-level overview of anticipated spending in FY14, the current fiscal year. The total projected expenses this year are \$307.1 million. At this point, our anticipated expenditures are:

28%	Instructional (\$85.9 million)
7%	Academic Support (\$20.1 million)
4%	Student Services (\$13.9 million)
20%	Financial Aid (\$62.5 million)
3%	General Administration (\$9.3 million)
14%	Staff Benefits (\$42.7 million)
13%	General Institutional (\$40.2 million)
6%	Physical Plant (\$17.1 million)
1%	Student Aid – Gift and Endowment Funded (\$2.9 million)
2%	Educational & General Debt Service (\$7.8 million)
1%	Contribution to/from Auxiliaries (\$1.7 million)

We anticipate a 1% operating reserve of \$3.0 million.

For 2013-2014, Pacific’s tuition increase was 3.9%, the lowest percent increase at the University in 12 years. Following the IPC’s recommendations, we have invested increases in revenue from tuition and enrollment increases over last year in expenditures such as employee salary and benefit increases; legal fees; leases, library materials and licenses; and \$500,000 for the Strategic Investment Fund.

Revenues projected for the FY 14 budget remain close to the original estimates in my budget recommendation to the Board in April, except in the case of the law school. While our Fall 2013 freshman undergraduate class is projected to be larger than initial projections, transfer student enrollments are down, offsetting those gains. Enrollments of entering students at the Law School have fallen even faster than anticipated. Accordingly, I will be recommending an adjustment to the McGeorge FY 14 budget at the Board's meeting in October.

FY 2015 (July 1, 2014 – June 30, 2015)

This fall and spring, we will develop the budget for our next fiscal year, FY15. The IPC will recommend tuition increases, merit raises and other institutional-wide budgetary decisions. Because we expect another modest tuition increase in FY 2015 and ongoing budget challenges at McGeorge, we do not expect that the projected increases in revenues for FY15 will be significant, and that most of these revenues will be needed to address institution-wide issues.

Hence, similar to last year, we will not seek proposals from the Divisions for funding new projects or to address needs since any remaining incremental revenues after covering institutional obligations (such as merit increases) are likely to be insignificant. The IPC will consider institutional-wide uses for any remaining incremental funds, including the option of adding them to the Strategic Investment Fund.

Strategic Investment Fund

The resources in the Strategic Investment Fund will be the primary funds available for new projects. The **Strategic Investment Fund (SIF)**, targeted to grow to \$15 million over three years through new budget allocations and institutional reallocations of existing budgets, will help pay for investments in new initiatives associated with our strategic directions. The fund currently has \$1 million in base funds, and \$1.4 million in one-time funds, for investments.

Because of its extensive work in the development of the *Pacific 2020* strategic plan, the Strategic Planning Committee (SPC), in partnership with the Cabinet, is best positioned to develop a process by which the SIF allocations can be targeted to strategic initiatives with the strongest promise. This process will include both vetting proposals for initiatives identified by leadership as critical, and seeking proposals from throughout the University Community in focused areas of strategic importance. I anticipate that the SIF allocation process will be completed and shared with the University Community later this fall.

Key institutional priorities that University leadership has identified for FY 14 and 15, closely aligned with *Pacific 2020*, will guide the early investments of the SIF resources:

1. Focus and align our programs: By reviewing and prioritizing our programs, we will be able to focus on activities that will have the greatest impact on our future.
2. Launch new academic programs: We will develop new academic programs that will build our reputation and attract new students, especially those seeking professional advancement, due to their relevance and quality.

3. Improve student success: We must significantly improve the success of our undergraduate students as defined by both their rate of degree completion and their outcomes upon graduation.
4. Advance through philanthropy: The extraordinary Powell Gift will not only dramatically increase our endowment, but will build energy and momentum for the upcoming University Campaign through a major matching campaign.

Thus, as we enter the season to develop the University's budget priorities for next year and beyond, we will be relying on the SPC to develop and manage the process for the allocation of the Strategic Investment Fund, while the IPC continues its role to provide general review, oversight, and recommendations of the University's regular, unrestricted budget. I expect there will be regular communication between these groups as they develop recommendations for my consideration.

I will elaborate on each of these priorities in my first **All-University Town Hall** of the academic year on **August 29, 12 pm in Grace Covell Hall**.

University Endowment

The University's endowment grew \$17 million in FY 13, from \$200,466,830 to \$217,813,644. Bob and Jeannette Powell's extraordinary estate gift will be transferred to the University in the coming weeks, transforming the endowment to at least \$335,208,431.

Bob and Jeannette were deeply committed to the power of education to change lives, and to improving access to education. In honor of their wishes, much of the Powell gift will endow scholarships. In the fall I will announce an exciting matching opportunity for donors that will double the impact of their Campaign gifts, allowing more talented students to afford Pacific, and providing exciting opportunities for academic program support as well. It will be exciting to leverage the Powell Gift to advance the University's mission and the Powells' legacy. The remarkable leadership and friendship Bob and Jeannette showed to Pacific will enhance the University in perpetuity, touching generations of students and faculty.

I embrace and share the Powells' faith in University of the Pacific and the education we provide. We have a history of strength and innovation, a compelling vision for the future, and a talented University community that can get us there. Thank you for your commitment to Pacific, our students and our future.

I look forward to working with you this academic year to increase Pacific's strength and enhance our students' futures.

Sincerely,

A handwritten signature in black ink, appearing to read "Pamela A. Eibeck". The signature is fluid and cursive, with a large initial "P" and "E".

Pamela A. Eibeck, PhD
President