University of Colorado

VISION 2010 | ***Increasing Resources and Using them Wisely***

January 2003

Table of Contents

VISION, CHARGE, AND PROCESS

Vision

Vision CU 2010 is a bold, system-wide agenda intended to map the future of the University of Colorado (CU) for the next decade. CU 2010 consists of five action areas:

- A University Without Walls
- A Culture of Excellence
- Increasing Resources and Using Them Wisely
- Diversity
- An Integrated Infrastructure

Charge

Accomplishing the Vision will require building a strong resource base for the University, and utilizing those resources in a cost effective manner.

Process

The process for developing specific goals and strategies in this area differs from the process employed by other strategic planning groups. The President in developing Vision 2010 has already articulated many of the specific goals for Resource Planning and use. For example, in the area of fund raising, the Vision calls for increasing the University's endowment to a total of $5 billion by the year 2010. Likewise, by 2010, we should be raising half a billion dollars annually. Rather than creating a new University committee to create specific goals and strategies, this committee developed the goals and strategies within the existing administrative structure and then gave a draft of the resource strategies for review to the broader community for review and comment.

The Vice President for Budget and Finance and the Chief Investment Officer staffed this effort and worked with the Vice Chancellors for Finance and Administration from each of the campuses and senior leadership from the CU Foundation in drafting the goals and strategies, appropriate timelines for accomplishing the goals, and appropriate outcome measures with external benchmark data to determine if the University is indeed being successful in meeting each goal.

A second phase calls for a broad-based University review of these goals and strategies. To accomplish this, the committee is working with Faculty Council's budget committee chaired by Richard Blade from UCCS, the Intercampus Staff Council to receive staff input, and the Intercampus Student Forum to gain student input on the plan.

CONCEPTS FOR CONSIDERATION

Concepts	Short-term 2003-2004	Mid-term 2005-2007	Long-term 2008-2010	Comments
Foundation Goals				
Increase Endowment to $5 billion			X	
Increase annual gifts to $500 million			X	
Increase endowed chairs and professorships		X		
Increase endowments for financial aid		X		
Budget and Finance Goals				
Increase tuition rates in line with peers		X		4-Year proposal introduced FY 2003
Develop new capital funding strategies		X		COP legislation introduced 2003
Develop strategy for achieving enterprise status		X		Proposal introduced FY 2003
Develop strategies for increasing educational outreach			X	
Governmental Relations Goals				
Develop strategy for increasing State and Federal support	X			
Treasury Goals				
Continue to develop favorable debt strategies	X			
Continue to develop favorable cash management strategies	X			
Increase resources for Faculty Housing Program		X		

DISCUSSION POINTS

Foundation Goals

- Increasing Endowment to $5 Billion
    - Since establishment of the Long Term Investment Pool (LTIP) in 1984, the endowment has returned 11% annually on invested funds and achieved a 20% annual growth rate over the period.
    - Strategies to accomplish the $5 Billion goal include: continue to modify investment strategies to maximize investment return; building campus based development staff to address fund-raising opportunities with increased emphasis in the health sciences area; accelerate training and recruitment of development staff from the national marketplace; receive University contract support at enhanced levels to support goal commitments; accelerate coordination of development activities with CU faculty and other staff.

- Increasing annual gifts and pledges to $500 million and create the infrastructure to sustain this level of giving.
    - The Foundation has 4,500 accounts and has built a formidable fund-raising and development infrastructure since inception in 1967. These accounts require a complex matrix of processing, legal oversight, stewardship, valuation, investment, custodianship and audit to ensure donor wishes are appropriately served. Achieving Vision 2010 goals will require increases in all areas, most not yet budgeted.
    - Several strategies employed to achieve annual gifts and pledges of $500 million include: increasing FY 2003 budget 11% from FY 2002 and an annual increase of 15% to 20% during subsequent build up periods; enlist Board of Trustees and Board of Directors to engage in active networking partnerships; focus on building and sustaining relationships with donors and prospective donors; continue to enhance stewardship of donors and their gifts; and establishing the leadership annual giving program to create reliable discretionary cash flows.

- Increasing the number endowed chairs and professorships on each campus, according to their respective plans –anticipated to increase at least 100%.
    - Endowed faculty positions enhance both recruitment and retention of top faculty because of the prestige factor of holding named chairs and the fiscal stability provided. Endowed chairs funded through an independent, private foundation insulate budgets from state budget rescissions and allow responsible planning on the parts of deans and department chairs.
    - Suggested strategies to increase endowed chairs include: instituting target endowment campaigns, using University matches when possible; increasing the minimum requirements for naming endowed positions, so that the distributable income provides fuller support); and educate foundation trustees and other volunteers on the significance of endowed positions and mobilize them in engaging donors.

- Increasing endowments for financial aid at each campus.
    - Increasing scholarships and fellowships is a key priority on each campus, in order to recruit undergraduate and graduate students. Competition for graduate students and for highly qualified minority/first-generation students is especially intense. Successful competition requires generous financial aid resources, both for merit and for need.
    - Suggested strategies include: increasing targeted endowment campaign; direct current fund campaigns to certain areas, (e.g., Women in Engineering, CU-Boulder, Reach Your Peak, CU-Colorado Springs); challenge or matching funds; and energetic stewardship of existing donors.

Budget and Finance Goals

- Increasing tuition rates to be more in line with national trends
    - Since the passage of TABOR in 1992, higher education has been limited in its ability to raise tuition rates. In general, these constraints have resulted in resident tuition rates at or below inflation and non-resident tuition rates have increased slightly above inflation. As a result, the University's tuition rates are below the median of its academic peers. Given the constraints of increasing tuition under TABOR, it is important for the University to examine alternatives that will ensure tuition rates are in alignment with our academic peers.
    - Primary strategy under consideration for Boulder, Colorado Springs, and Denver campuses is the tuition proposal Quality for Colorado. This proposal would increase tuition above the rate of inflation for the next four years to bring each campuses tuition rate closer to the median of its peers. For the Health Sciences Center, the primary strategy is to increase tuition on a programmatic basis over the next four years to bring tuition in alignment with its peers.

- Developing new capital funding strategies
    - CU has been extremely successful in funding its capital construction program over the last six to eight years, see graph 1. However, with the current downturn in state resources, very little funding from capital construction can be expected from the State of Colorado over the next five-year period. Therefore, it is imperative that to work with the State to develop alternative funding strategies.
    - Strategies under consideration include: certificates of participation, facility fees, and introducing a referendum.

- Develop strategy for achieving enterprise status
    - Under the TABOR amendment, an enterprise is a government owned business with bonding authority that receives less than 10% of its funding from government revenues. Examples of enterprises within higher education include athletics, bookstores and student housing.
    - Strategies include a student directed grant proposal whereby students will be given grants to attend a Colorado public university. Under this proposal, the

majority of funding traditionally appropriated to institutions would be allocated as grants to students to spend as tuition at an institution. Under TABOR, these funds would no longer be considered state funding but rather tuition and CU would qualify as an enterprise.

- Develop strategies for increasing educational outreach.
  - This initiative is designed to expand outreach and collaborative endeavors beyond the University of Colorado system in order to generate new revenue streams and/or expand sharing of educational resources.
  - Strategies include: Engage faculty and educational leadership to think innovatively about enhancing educational revenues and/or course sharing opportunities beyond CU; provide faculty and program-based incentives to encourage educational revenue generation; ensure academic units have full understanding of legal intellectual property rights and necessary contracts; and pro-actively converse with audiences outside the University to identify markets for selling "cutting edge" courses and other inter-institutional sharing opportunities.

Governmental Relations Goals

- Develop strategy for increasing State and federal support
  - Continue promoting the University's interests at the State and Federal level including enhancing the understanding the role and value of CU. The Governmental relations office is working to achieve status as one of the top Governmental relations offices in comparison with our peers.
  - Strategies to achieve these goals include: Increased role/visibility at both the state and federal level; "Friend building" by top officers of the University with members of the General Assembly, Congressional delegation, and Executive branch of both the state and federal government; engaging the business community, Ambassadors, and Alumni to help lobby CU's state initiatives; request each campus to have federal earmarks (special projects) identified; continue lobbying the federal government for increases in federal research funding; and ongoing education of elected officials through contact with faculty and administrators on all four campuses.

Treasury Goals

- Continue to develop favorable debt strategies
  - The University is committed to maintaining access to effective debt-financing resources as investment capital to achieve institutional strategic goals and to continue to identify and make available new debt-financing options.
  - Strategies include: engaging external experts to evaluate all aspects of CU's debt utilization strategy and policy; ensuring that the methodology for the calculation of debt capacity is consistent over time; pro-actively converse with the rating agencies regarding the effect of various University debt-financing choices, decisions, and strategies on the rating agencies' assessment of the University's

financial strength, debt utilization and capacity; and serve a resource to the campus providing financing options and evaluation of those options.

- Continue to develop favorable cash management strategies
    - The University is committed to managing its financial assets wisely.
    - Strategies include: Develop and implement a short-term credit vehicle to buffer the uncertainty of the daily net flows in the University's concentration account; educating staff about the principals of cash management and tools available to assist in efforts to effectively manage their cash; identify improved processes and procedures for handing financial transactions and financial information; implement the fall 2002 recommendations from University Treasury Performance Audit; continue to emphasize automated electronic financial transaction options; and establish appropriate policies and procedures for asset management.

- Increasing resources for Faculty Housing Program
    - Continue to grow this program in appropriate amounts and with desirable terms that will support the recruiting and retention of excellent faculty at the four University of Colorado campuses.

NEXT STEPS

1. Introduce legislation in 2003 session to address Enterprise status, capital construction funding, and tuition rate increases.
2. Continue to work with the University Community at large to further develop long-term proposals.
3. Create action plans for those proposals that have not been initiated.

APPENDICES – WHITE PAPERS

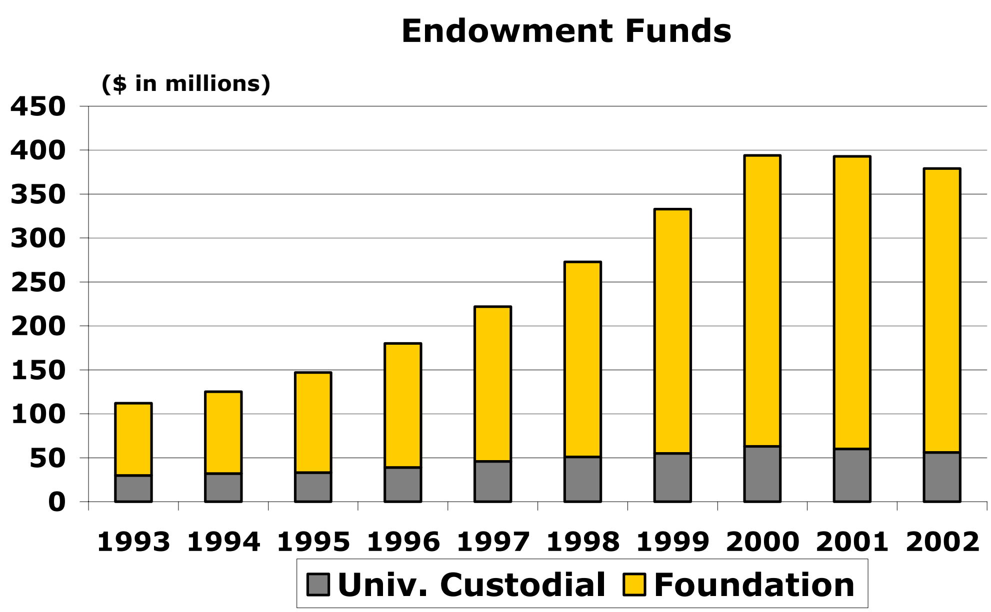
Appendix A: Increase Endowment to $5 Billion

Goal:

Achieve $5 billion in endowed funds at the University of Colorado Foundation held for the benefit of the University of Colorado.

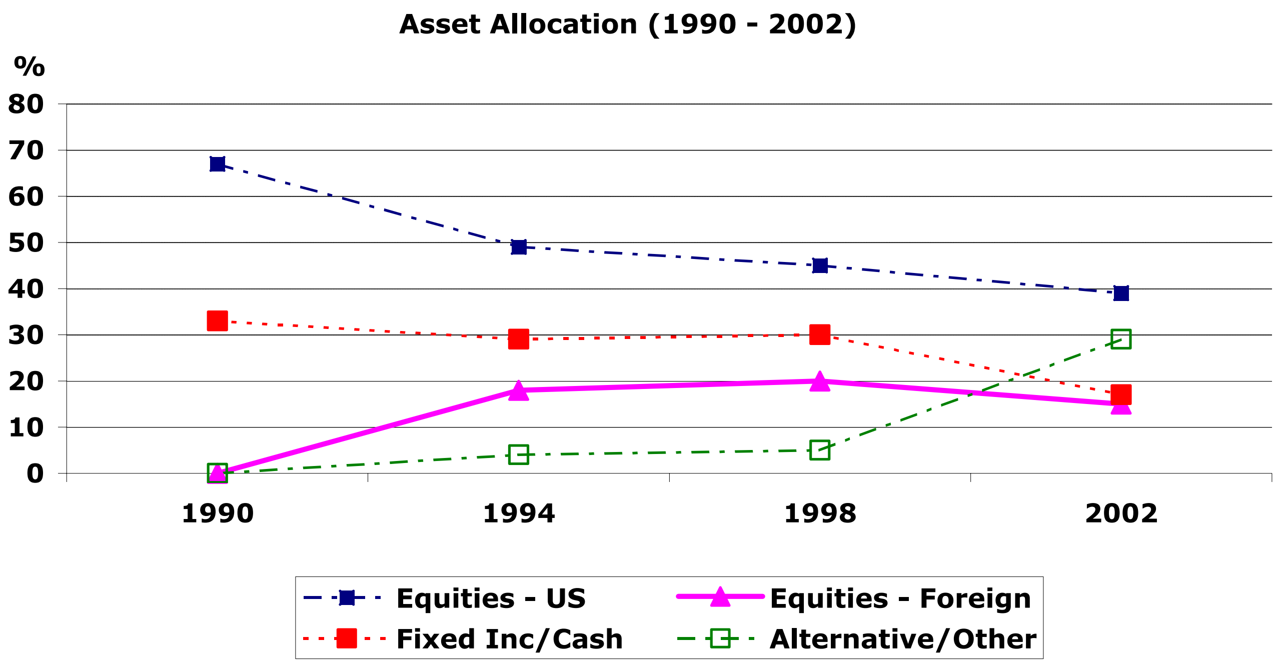
Background:

Since the establishment of the Long Term Investment Pool (LTIP) in 1984, the endowment has returned 11% annually on invested funds and achieved a 20% annual growth rate over the period. The graph below indicates the fund-raising and investment success during the past ten years, shown as of the June 30 fiscal year end. The totals include endowed funds held at the Foundation for the benefit of the University of Colorado plus the University Custodial Funds.



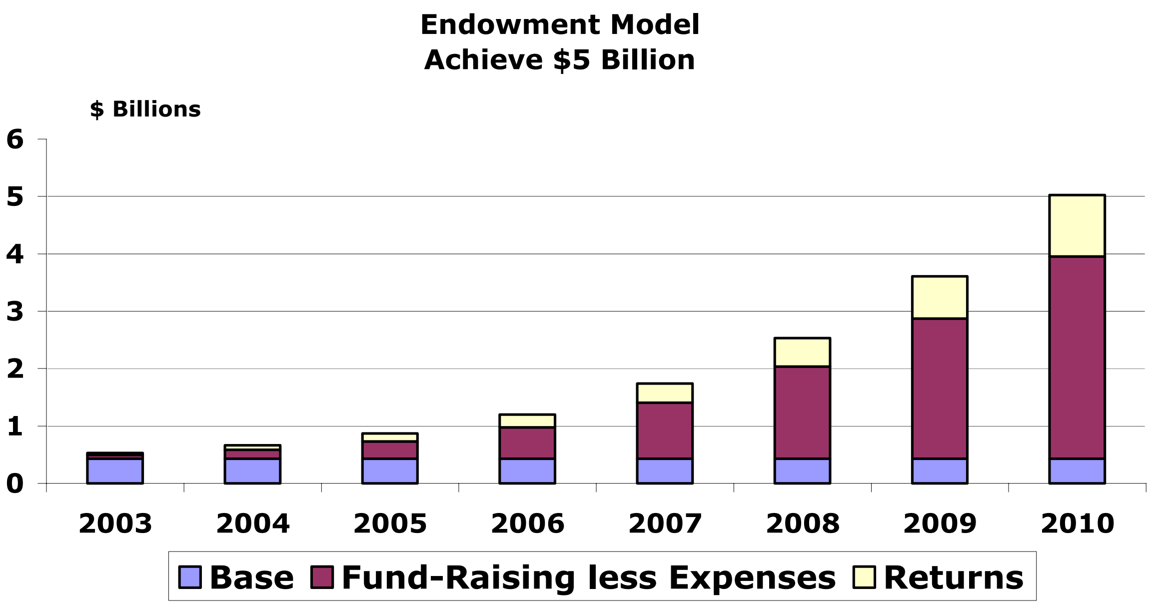
Distributions of gifted funds provide an ongoing stream of cash to the University. Based on the present 4.0 – 4.5% spending policy, FY ’02 endowment distributions totaled $18 million, monies which were used for program support, financial aid and faculty support.

Between 1998 and 2002, the Foundation’s investment asset allocation strategy has undergone notable change as indicated on the graph below. To better reflect the past portfolio success and to adjust to its present size and strength, increased emphasis has been placed on the Alternative Assets category causing a shift away from the traditional equity/fixed income model. This strategy change addresses the ten to twenty year investment horizon of the Foundation’s endowment fund goals, moving away from the more liquid near term strategy previously followed. The graph below describes these movements in the asset allocation strategy.



The above change in asset allocation is intended to yield improved investment returns on funds employed over the next ten years and beyond. Success in fund-raising and improved strength in the investment market will give the Foundation the best chance to achieve the targeted Vision 2010 goal of building the endowment to $5 billion. The Foundation's –5.7% investment return as of June 30, 2002 compared to the –8.2% benchmark was attributable to this change in investment strategy over the past five years. While negative for the period, the performance was favorable within the peer group.

A model of the years 2003 – 2010 is included below indicating the component growth necessary to reach the Vision 2010 goal assuming a 4.5% spending policy, 1.5% Investment Pool Fee, 8% investment return and development success as indicated.



Suggested Strategies and Requirements:

- Continue to adjust investment and asset allocation strategies to maximize investment return while managing investment risk to acceptable levels.
- Build campus based development staff to address fund-raising opportunities with increased emphasis in the health sciences area
- Accelerate training and recruitment of development staff from the national marketplace as well as formalize career ladders within the Foundation.
- Receive University contract support at enhanced levels to support goal commitments.
- Accelerate coordination of development activities with University of Colorado faculty and other staff to achieve Vision 2010 goals.

National Picture:

- Investment performance in comparable university and foundation equity based portfolios has been down year to year for the last three years.
- The US economy was weak before the present recession began in March 2001 with a dampening effect on fund-raising across the nonprofit sector.
- Spending rates at surveyed university foundations are generally in the 4% to 5.5%% range with most foundations indicating this range is of concern at the board level.
- University contract support for fund-raising plus fee-based support from the shrinking investment portfolio have both decreased, causing budget stress on development/fund-raising efforts.

- University of Colorado Foundation is one of only a few foundations now executing a $1 billion fund-raising campaign and is targeting successful completion in 2003.

Appendix B: Increase Annual Gifts to $500 Million

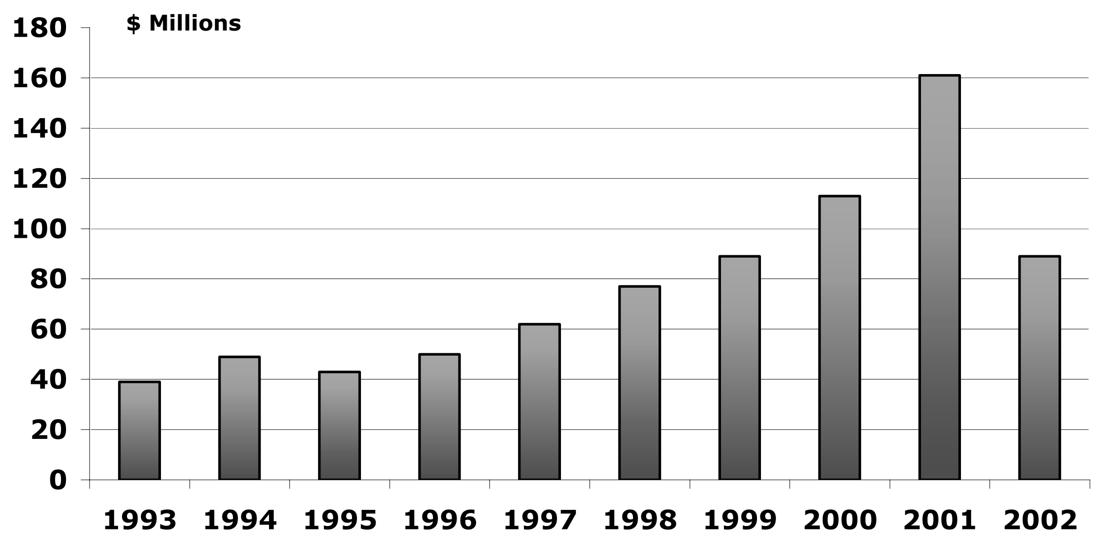
Goal:

Raise $500 million annually in gifts and pledges and create the infrastructure to sustain this level.

Background:

The level of gift growth is directly tied to the economic vitality of the marketplace, the numbers of staff and volunteers engaged in long-term development work, and most critically, the financial investment necessary to achieve this level of success. Gift growth over the past ten years is shown in the graph below.

GIFT RECEIPTS & PLEDGES

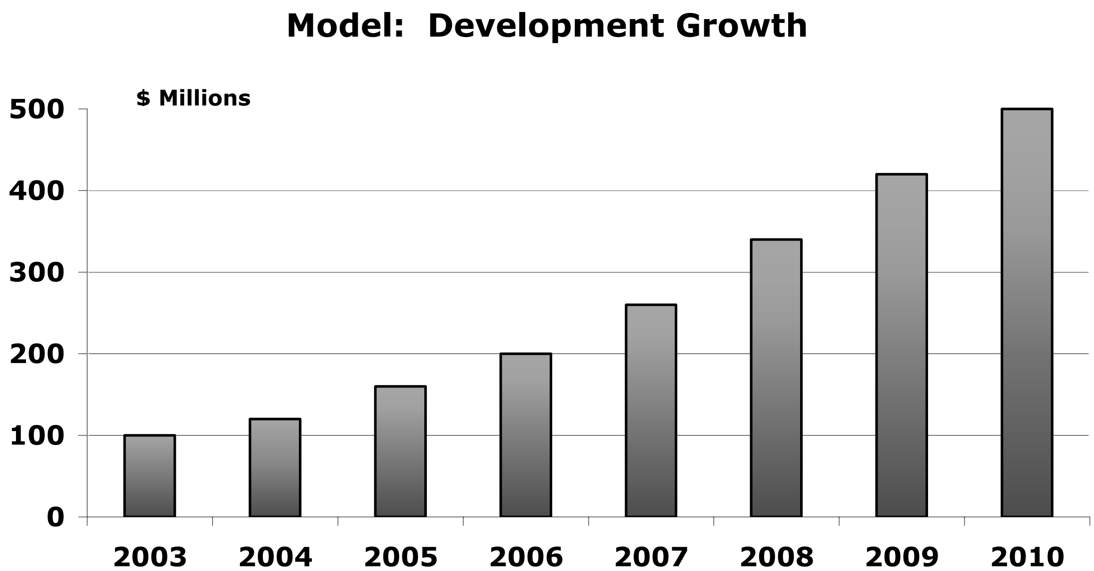


Not

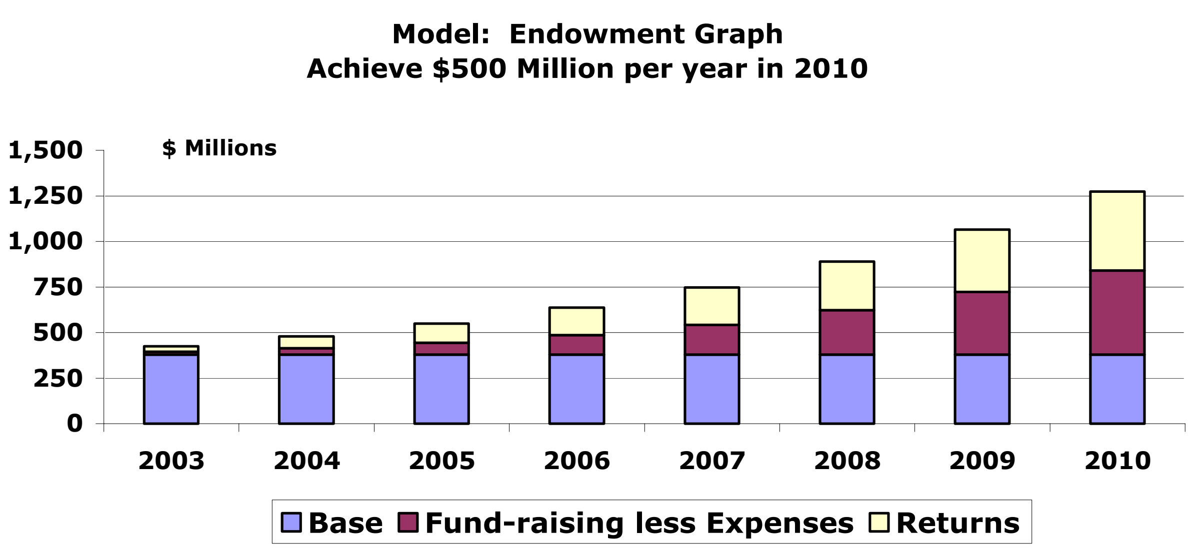
e: Pledges counted only 1996 and beyond

The success indicated in this graph reflects an organization that has built a formidable fund-raising and development infrastructure since inception in 1967. The 4,500 accounts representing these donor gifts require a complex matrix of processing, legal oversight, stewardship, valuation, investment, custodianship and audit to assure donor wishes are appropriately served. Each month, separate reports on each account are forwarded to the

fund managers on the appropriate University of Colorado campus for proper tracking and use. Achieving the Vision 2010 goals will require increases in all areas, most not yet budgeted. Conceptually speaking, however, a graph bridging past success to the Vision 2010 goal has been included on a pro-forma basis.



Note: Assuming achievement of the $500 million Vision 2010 goal in the model above, the following graph reflects the endowment in the year 2010 assuming an 8% investment return over the period and that 35% of funds raised are contributed to endowment accounts. It indicates that even with the achievement of the goal of raising $500 million in 2010, the goal of a $5 billion endowment has still not been reached.



Suggested Strategies:

- Increase FY 2003 budget 11% from FY 2002 and provide an annual increase of 15% to 20% during the subsequent build up periods.
- Enlist Board of Trustees and Board of Directors to engage in active networking partnerships focused on development to counter negative economic environment.
- Implement accountability measures to ensure mission focus and fund-raising productivity.
- Focus on building and sustaining relationships with donors and prospective donors in the down economy to build the groundwork for future giving when the economy improves.
- Continue to enhance stewardship of donors and their gifts: appropriate application of funds, active recognition, reliable communication.
- Enlist University leaders in identifying major academic initiatives and engage potential mega donors in their realization.
- Promote the "University without Walls" concept in stimulating private support opportunities.
- Streamline handling and administration of University of Colorado system gifts.
- Increase planned giving emphasis in that every major gift is "planned."
- Rebuild annual fund program to reach alumni, parent and friend audiences efficiently and effectively, focusing campus staffs on major gifts.
- Establish the leadership annual giving program to create reliable discretionary cash flows and build the pipeline for future major donors.
- Continue to seek out University programs that match major operating foundation priorities and corporate agendas.
- Continue emphasis on leveraging new data base capabilities to improve effectiveness of development staff time usage.

National Picture:

- Fund-raising is down in all segments of the national market.
- Pledges are being fulfilled although new pledges are down.
- Stock gifts are down due to lack of share appreciation in individual, family and operating foundation, and corporate portfolios.
- Numbers of individual gifts have increased although the average gift size is down from year to year.

Measures of Success:

- Meet dollar goals.
- Increase number of viable proposals submitted to individuals and organizations.
- Increase bequests by at least 100%.

- Achieve 95% pledge fulfillment.
- Meet particular support goals as defined by campuses and system.

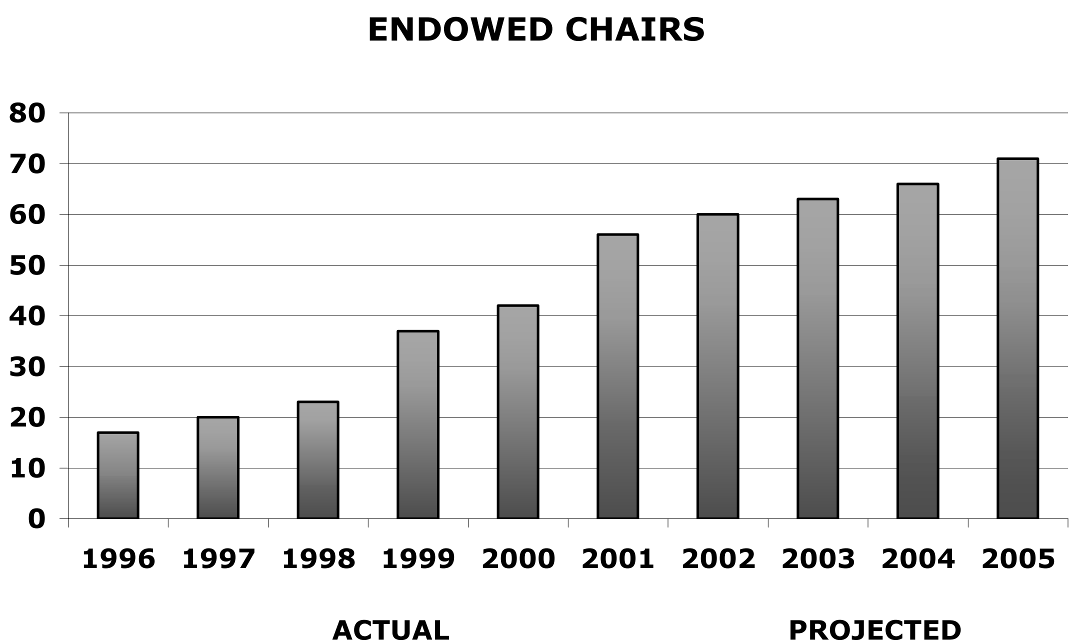
Appendix C: Increase Endowed Chairs and Professorships

Goal:

Increase the number of endowed chairs and professorships on each campus, according to their respective plans—anticipated to be at least 100% increase. Details of these targets will be defined in the campus and campaign planning processes.

Background:

Endowed faculty positions enhance both recruitment and retention of top faculty because of the prestige factor of holding named chairs and the fiscal stability provided. Endowed chairs funded through an independent, private foundation insulate budgets from state budget rescissions and allow responsible planning on the parts of deans and department chairs.



National Picture:

State legislative authorities in more than half the United States have implemented programs for matching gifts to faculty endowments. These challenge programs have been highly successful in attracting private support to institutions of higher education. The outlook for this type of program in Colorado now seems remote. However, the efficacy of such challenge matching programs as evidenced by the success of the program implemented by the Chancellor of CU - Boulder should be aggressively evaluated and pursued where practicable.

Suggested Strategies:

- Institute targeted endowment campaigns, using University matches when possible.
- Increase minimums for naming endowed positions, so that distributable income provides fuller support (At the current minimum--$1.5 million—the annual distribution is approximately $60,000, which does not cover all costs for a position, especially at the senior levels).
- Educate Foundation Trustees and other volunteers on the significance of endowed positions and mobilize them in engaging donors.

Measures of Success:

- Number of chairs and professorships (specific numbers to be determined through working with campus based committees).
- Proper stewarding: application of the funds and communication with donors.

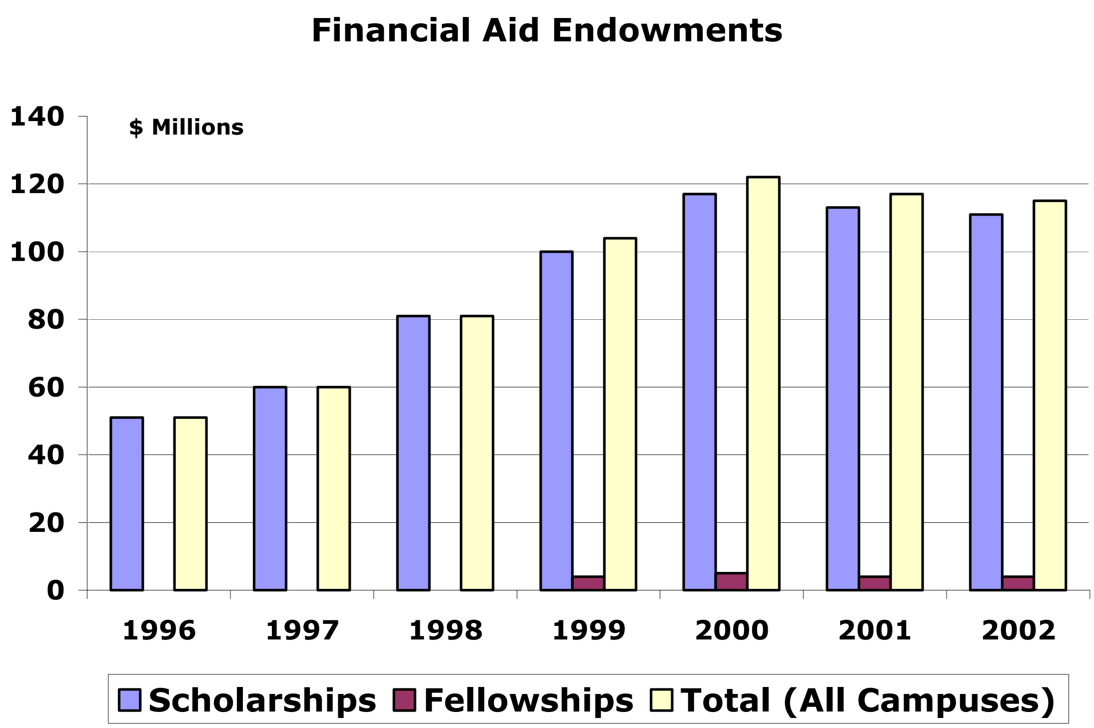
Appendix D: Increase Endowments for Financial Aid

Goal:

Multiply the amounts of financial aid funds, both current and endowed, according to the campuses' particular goals—to be determined in the planning processes.

Background and National Picture:

A university's excellence is measured by its students, as well as its faculty. Increasing scholarships and fellowships is a key priority on each campus, in order to recruit undergraduate and graduate students and to underpin their success in completing degrees. Competition for graduate students and for highly qualified minority/first-generation students is especially intense. Successful competition requires generous financial aid resources, both for merit and for need.



Suggested Strategies:

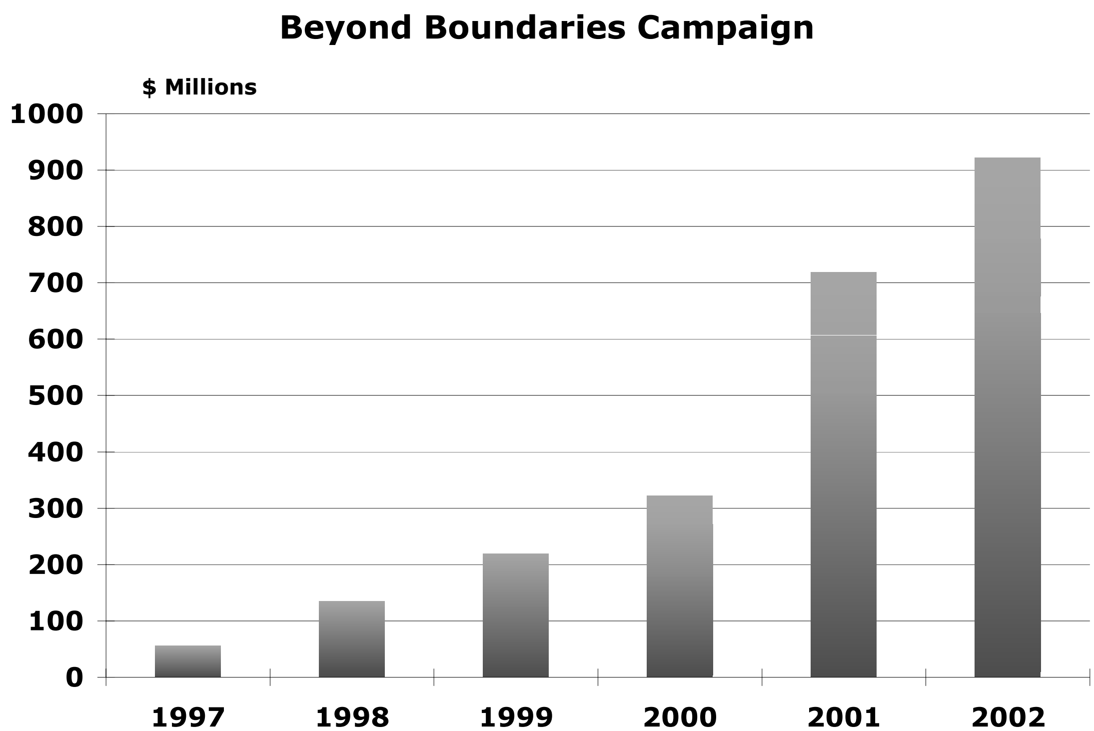
- Targeted endowment campaign.
- Segmented current fund campaigns (some new, some continued), e.g., Women in Engineering (CU - Boulder) and Reach Your Peak (CU – Colorado Springs).
- Challenge or matching funds.
- Energetic stewardship of existing donors.

Measures of Success:

- Achievement of dollar goals, as defined by campuses in strategic and campaign planning processes.
- All funds used optimally.
- Resolution of the complexities of administering systemwide scholarship funds.

V. Beyond Boundaries

The $1 billion Beyond Boundaries Campaign will conclude in 2003 with the achievement of the $1 billion goal! Fund-raising will continue thereafter at an accelerated pace, with targeted campaign planning commencing immediately. At the same time, analysis regarding the Beyond Boundaries Campaign experience to identify successes and areas for improvement going forward.


Beyond Boundaries Campaign
$ Millions
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1997
1998
1999
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Appendix E: Faculty Housing Assistance Program Strategy

Goal

To provide faculty housing assistance programs in appropriate amounts and with desirable terms that will support the recruiting and retention of excellent faculty at the four University of Colorado campuses.

Background Information

The first formal Faculty Housing Assistance Program was implemented by the University for the Fall 2001 faculty recruiting season. This was the result of a joint effort by the University and the University of Colorado Foundation to put in place a program that would assist the University with the attraction and retention of excellent faculty. It is first and foremost a financial-need based program, which permits strategic prioritization by the campus Chancellor.

On October 10, 2002, the Board of Regents authorized the Treasurer of the University, with the concurrence of the President, to invest up to $183 thousand in mortgages under the Faculty Housing Assistance Program. On February 20, 2003, the Board of Regents authorized the Treasurer, with the concurrence of the President, to invest up to an additional $200,000. These investments will supplement a $2 million financial commitment-to-date by the Foundation.

A committee is evaluating responses to an RFP to determine the future scope of services.

Suites of housing support and assistance programs are offered by many of the University's high-education competitors for faculty. Both private and public universities offer these programs. In high-cost housing areas they are a particularly important component of the recruiting process.

Six types of programs have been identified at other institutions. These are:

- Down Payment Assistance and/or Shared Equity Programs
- Long Term Ground Lease Programs/Communities
- Loan Guarantees
- Low Interest Loan Programs
- Low Cost Rental Housing
- Housing Allowance Programs

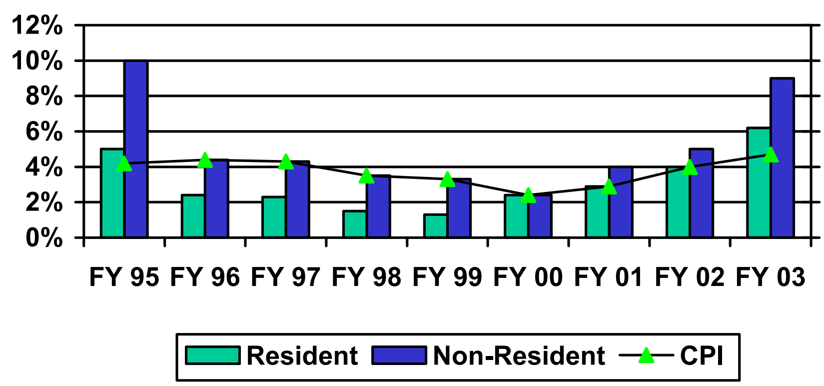
The current structure of the University's FHAP is permitted under state law. There may be legislative impediments to some of these other types of programs, or legislative authority may be required.

Appendix F: Tuition Rate Structure

Goal
To bring CU's tuition rate structure into alignment with leading public institutions of higher education.

Background Information
Since the passage of TABOR in 1992, higher education has been limited in its ability to raise tuition rates. Except for FY 2003, these constraints have resulted in resident tuition rates at or below inflation and non-resident tuition rates have increased slightly above inflation. As a result, the University's tuition rates are below the median of its academic peers. Given the constraints of increasing tuition under TABOR, it is important for the University to examine alternatives that will ensure tuition rates are in alignment with our academic peers.

Tuition Rate Increases vs CPI* *
(Boulder/Denver)



Suggested Strategies
- Benchmark resident tuition rates to the median of each campus' peers (For the HSC benchmarking would occur at the college or program level).
- Benchmark non-resident tuition rates to the top quartile of each campus' peers.
- A significant portion of the incremental tuition revenue above inflation will be dedicated to student financial aid to broaden access to low-income and first generational students.
- Examine feasibility of merging tuition and fees to streamline rate structure.

National Picture:
- A recent editorial in *USA Today* shows the average public college tuition in the U.S. in FY 2002 was $3,754. By comparison, CU's FY 2002 tuition for resident students was $2,615 at the CU-Boulder; $2,490 at CU – Colorado Springs; and $2,490 at CU-Denver.
- Nationally, since FY 1995, tuition has increased on average 6.3 % versus 3.3% for CU. During that same time period, CPI increased on average 3.7%.
- In FY 2003, tuition rates across the country are increasing dramatically with most rates increasing in the double digits.

- CU Boulder's tuition rates are in the lowest quartile of its peers - ranking 27th out of 32 similar U.S. public universities in the Association of American Universities.
- Average Tuition as a Percentage of Median Income
    - 4-Year Institutions—Colorado dropped from 3.82% to 3.66% over the past ten years. The national average is 5.51%
    - *Rank: From 40th ten years ago to 49th now*
- Total Support (tuition + appropriations) as a Percentage of Median Income
    - For Colorado, total support for 4-year institutions is equal to 9.63% of the state's median income. The national average is 15.34%.
    - *Rank: Colorado is 48th in the nation in total support for 4-year institutions as a percentage of median income.*
- Total Support (tuition + appropriations) per Student
    - The total support per student went from $6,247 ten years ago to $6,596 now (a 5.6% increase over ten years). The national average funding per student is $9,348.
    - *Rank: From 47th lowest ten years ago to 49th now for 4-year institutions*
- The Colorado Commission on Higher Education (CCHE) is committed to improving the quality of education and access. As a result, the CCHE has proposed in its FY 2002 Master Plan to "raise tuition at selected four-year institutions and cut tuition at selected community colleges." CU believes that the proposed FY 2003 higher education budgeted rate increases support this concept.

Financial Aid:

- From 1999 to 2001, *institutional* financial aid distributed to CU students increased 7.0%.
- In FY 2001, CU provided $30 million in institutional financial aid.
- With the additional tuition revenue in FY 2003, CU will invest nearly $0.6 million additional funding for need-based financial aid.
- Support for Low Income Students
    - Colorado distributed state-funded need based scholarships equal to 47% of the total Pell Grant dollars awarded in the state. Based on the time frame for these data, this predates all funding for the GOS program & all other need-based scholarships increases. The national average is 36.4%
    - *Rank: 14th highest in state-funded need-based scholarships compared to Pell Grant distributions.*

Campus Implementation Plans

- Quality for Colorado campus plans for reaching campus targeted levels by 2010 (see Appendix A for a summary of each campus' tuition plan)
    - This is a four-year investment partnership to improve the quality of the learning experience for students, and support academic and research programs of distinction
    - Invest in students and support the economic vitality of Colorado

    - Ultimate goal is to sustain the availability of a top-tier University to Colorado residents
    - This initiative would provide approximately $40 M of incremental revenue over a $300 M tuition base for the CU System at the conclusion of the four-year period.

- Tuition Rate increases to improve the quality of instruction include:

  Boulder
  - Proposal would increase tuition $300 per academic year for resident and non-resident students in each of the next four years.
  - At the conclusion of the four-year period, Boulder's resident tuition rates are projected to be at or near the average of their peers among the AAU publics.
  - This plan is projected to produce $30.8 million of additional annual revenue for the Boulder Campus at the conclusion of the four-year phase in, or $25 M of net revenue to the campus after deducting the projected increase in need-based financial aid.
  - Boulder will continue to implement a similar plan for the UCB Business School, which began in FY 2002.

  Colorado Springs

  - Proposal would increase tuition $100 per academic year for resident and non-resident students in each of the next four years.
  - At the conclusion of the four-year period, Colorado Springs' resident tuition rates are projected to be at or near the average tuition rates for its peer institutions.
  - This plan is projected to produce $2.4 M additional annual revenue at the conclusion of the four-year phase in.

  Denver

  - Denver – Proposal would increase tuition $200 per academic year for resident and non-resident students in each of the next three years.
  - At the conclusion of the four-year period, Denver's resident tuition rates are projected to be at or near the average tuition rates for its peer institutions.
  - This plan is projected to produce $7.2 M additional annual revenue at the conclusion of the four-year phase in.

  Health Sciences Center

  - Health Sciences Center – Proposed continuing with its four-year plan to increase tuition by 4 % above inflation in the Nursing Graduate Program, the Nursing Doctorate Program, the Medicine program, and the Physical Therapy program.

The four-year plan would also increase the Doctorate of Dental Surgery Program 6% above inflation.
- At the conclusion of the four-year period, the Health Sciences Center projects its resident tuition rates will be at or near the average tuition rates for its peer institutions.
- This plan is projected to produce $1.6 M additional annual revenue at the conclusion of the four-year phase in.

Measures of Success

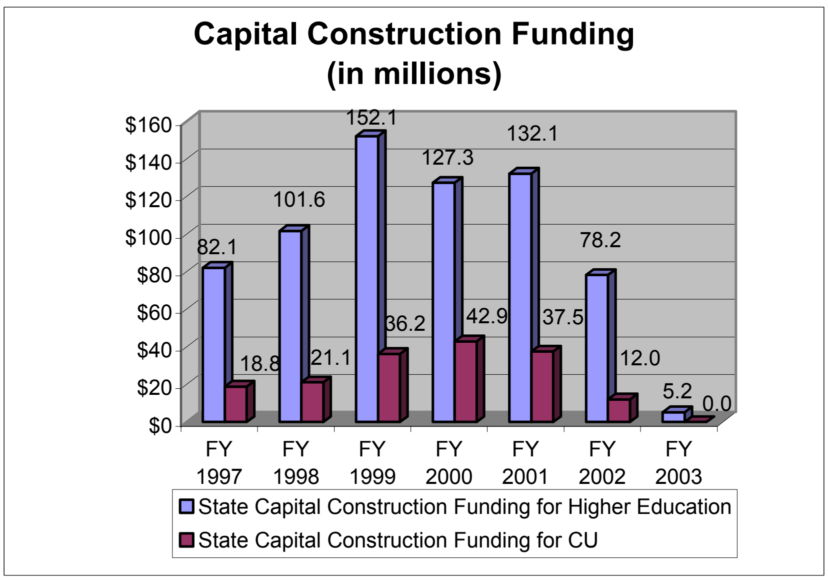
- Impact on Quality of Students Entering Programs
- Diversity Measures – Income and Ethnicity
- Financial Aid Measure

Appendix G: Capital Construction Funding Strategies

Goal
Develop alternative strategies for funding capital construction.

Background Information
CU has been extremely successful in funding its capital construction program over the last six to eight years, see graph 1. However, with the current downturn in state resources, very little funding from capital construction can be expected from the State of Colorado over the next five-year period. Therefore, it is imperative that the University work with the State of Colorado to develop alternative funding strategies.

Graph 1.



Since FY 1997, the State provided $679 million in funding for higher education capital construction and controlled maintenance. Of that amount, $169 million, or 25% of State capital construction funds were provided to the University of Colorado system.

Suggested Strategies:
- *Facility Fee.* Establish a facility fee, assessed to each student, to provide a consistent revenue stream to deal with capital construction needs. This fee could be combined with an annual legislative appropriation and private giving to provide a reliable long-term revenue stream for funding higher education facilities. In addition, it would be possible to use this revenue stream as the repayment source for a larger debt or certificate of participation strategy. Other states have implemented programs similar to this with success.
- *Ballot Option.* Introduce a ballot initiative similar to Referendum A, which passed in 1999, to finance state transportation project. This initiative could be structured to

exclude any money and interest borrowed by the University from the state's spending limits.

- *Certificates of Participation.* A financing option that would allow the state to issue certificates of participation for a project or projects. This is not considered debt and is issued at a slightly higher interest rate than revenue bonds. This option would be subject to the TABOR revenue limitations.
- *Create a more diverse stream of revenue to fund capital projects.*
  - If enterprise status were to be attained, this would allow tuition revenues to be pledged against bonds.
  - Develop a more flexible tuition and fee policy to allow institutions utilize these revenues for capital projects.

National Picture

California

- ***Bonds.*** California's public colleges have proposed a package of education bonds for the November 2002 ballot. A study has found a total of $22-billion in capital needs for the state's elementary and secondary schools as well as its public colleges. The higher-education portion of the bonds would total some $4.8-billion over four years, although college leaders say that wouldn't cover all their needs. The total amount of the bonds has yet to be determined, although some officials suspect that it will be divided between two election cycles in 2002 and 2004. The University of California at Berkeley also uses up 5% of non-resident tuition rates to help pay for the cost of construction of academic buildings.

- ***Fees.*** California's public colleges use student fees in a variety of ways to fund capital construction and controlled maintenance projects. For Example UCLA and UC-Santa Cruz us: uses fees to cover payments of capital loans for various student and athletic projects.

New Hampshire

- ***Tax credit -*** Legislation is expected that would give businesses a tax credit equal to their donations toward capital projects at any of the state's public colleges.

North Carolina

- ***Bonds -*** Higher Education Bond referendum approved – This Bond provides $3.1 billion in new borrowing to be spent both on the UNC system ($2.5 billion) and the state's community colleges, ($600 million).

Michigan

- ***Facility Fees*** **–** The University of Michigan charges a facility usage fee of $380 per student. These fees are used strictly for controlled maintenance projects. This fee generates approximately $10 M on an annual basis.

Oregon

- ***Fees.*** The building fee is the same for all Oregon institutions. The rate is $25 per term per student. This fee generates monies to finance the debt retirement for construction associated with student centers, health centers, and recreational facilities constructed through the issuance of Article XI-F(1) bonds. A pro rata fee is assessed on part-time students.

Virginia

- ***Fees*** **–** University of Virginia - Examining possibility of a $1-per-credit-hour fee to help pay debt service on the Building Virginia's Future capital fund program, the proposed bond project to fund capital construction in universities across the state.

Campus Implementation Plans

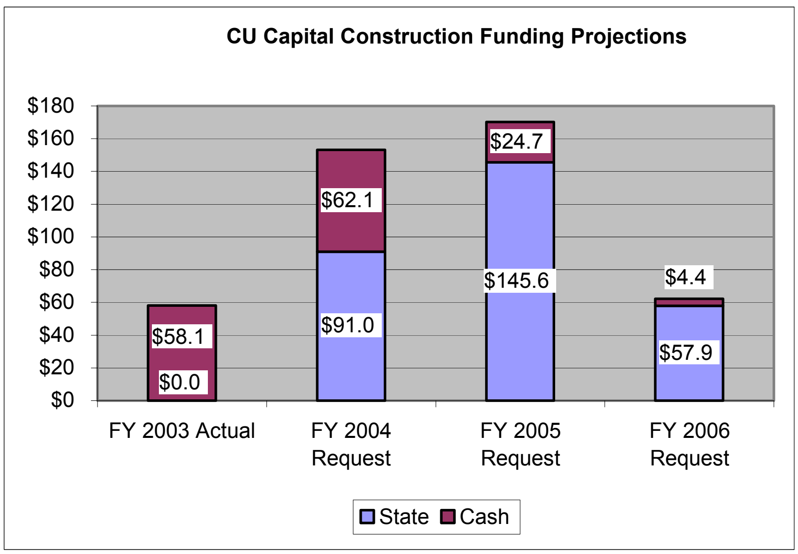
- Boulder
  - Will work with CCHE, the Blue Ribbon Panel and the General Assembly on alternative methods of funding capital construction.
  - Collaborate with the CU Foundation to provide financing structure to build new facilities or acquire existing facilities in the real estate market.
- Colorado Springs
  - Will work with CCHE, the Blue Ribbon Panel and the General Assembly on alternative methods of funding capital construction.
  - Collaborate with the CU Foundation to provide financing structure to build new facilities or acquire existing facilities in the real estate market.
- Denver
  - The Denver Campus capital construction request would be developed in conjunction with Auraria Higher Education Center, Metro State University and the Community College of Denver.
  - Collaborate with the CU Foundation to provide financing structure to build new facilities or acquire existing facilities in the real estate market.
- Health Sciences Center
  - The Health Sciences Center is responding with a request for the State of Colorado to issue Certificates of Participation (C.O.P.) to fund the State's portion of the UCHSC development at Fitzsimons.

Measures of Success

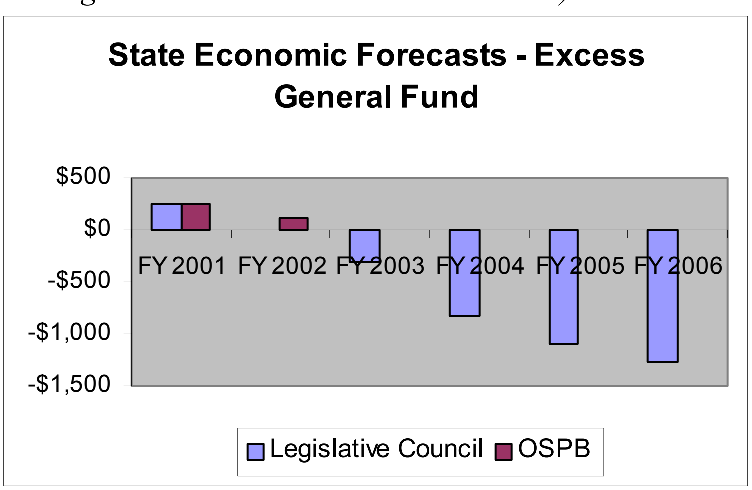
- Decrease transition time and total construction cost for the HSC move to the Fitzsimons Campus to ensure the campus has completed its transition by 2010.
- Reduce backlog of Systemwide controlled maintenance.
- Improved infrastructure for all campuses.
- State legislation which allows for new funding strategies

The following graphs illustrate the future-funding dilemma for the University. While, the University is projecting it will need $295 million in state funding through FY 2006, the State is projecting it will not have any funding available for any state projects.

Graph 2. CU Capital Construction Funding Projections – State vs. Cash Funding



Graph 3. State Economic Projections for availability of State Capital Construction Funding *(Source: Legislative Council June 2002 Forecast)*



Appendix H: Achieving Enterprise Status Under TABOR

Goal
Achieve enterprise status under TABOR.

Background Information on TABOR (Taxpayer Bill of Rights)

- Constitutional amendment adopted by Colorado voters in 1992.
- Limits the growth of state and local government revenue.
- Restricts state government revenue base to changes in population plus inflation (Denver, Boulder CPI).
- Requires votes to approve tax increases.

Definition of Enterprise under TABOR

- An enterprise is a government owned business with bonding authority that receives less than 10% of its funding from government revenues.
- Examples of enterprises within higher education include athletics, bookstores and student housing.

Suggested Strategies
Two alternative strategies for achieving enterprise status have emerged:

A. Under a proposed amendment to GASB Statement No. 14, due to be implemented in FY 2004, the University's financial reporting entity may be expanded to include many of its affiliated organizations as *component units*. Entities that are legally separate, tax-exempt organizations that are affiliated with the University of Colorado, and that meet *all* of the following criteria would be included as discretely presented *component units* within the University's financial statements[1].

   1. The economic resources received or held by the separate organization entirely or almost entirely for the direct benefit the University of Colorado, its component units, or its constituents,
   2. The University, or its component units, are entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate affiliated organization, and
   3. The economic resources received or held by an individual organization that the University, or its component units, is entitled to, or has the ability to otherwise access, are significant to the University.

   Affiliated organizations that might be shown as discretely presented component units on the University's financial statements include the University of Colorado Foundation, Inc.,

[1] From the May 2002 amendment to the Governmental Accounting Standards Board Statement No. 14.

Coleman Colorado Foundation, University Physicians, Inc., the University of Colorado Hospital Authority, and the Auraria Higher Education Center.

The effect of this reporting entity may change the basis of the size of the University to be included in the Enterprise calculation. Currently, senior management and legal counsel are reviewing the impact on the Enterprise calculation.

B. The second strategy is being explored by the Governor's Blue Ribbon Panel on Higher Education for the 21st Century under the title of "A Colorado Higher Education Savings Account *Voucher* Program."[2]

"The savings account concept would dramatically change the way undergraduate, resident instruction in the state would be subsidized by Colorado taxpayers. The concept being considered is that each resident would receive a "savings account" of funds that can be applied to a fixed amount of credit hours of undergraduate instruction at any state-supported institution of higher education in the state. The savings account amount per credit hour would be determined annually by the General Assembly when the budget is set in the state's long appropriations bill. State General Funds (GF) could be appropriated centrally to CCHE (like the current system of state-funded financial aid) and CCHE could use a "clearinghouse" such as the Colorado Student Loan Program (CSLP), the Colorado Student Obligation Bond Authority (CSOBA), or other entity to administer the accounts and track student, residency and financial information. The clearinghouse could establish a syndicate of banks or financial institutions that it would work with to transfer savings account funds to eligible students to assist in the payment of their full tuition bills.

Through such a system, state funds would be placed into the student's "hands," earmarked for use only at a state-supported two-year or four-year educational institution. Thus, when the student pays the tuition bill from the institution, he or she would use a combination of the state savings accounts funds in addition to personal, loaned funds, or other sources of funding."

Funding models, currently run by CCHE and the chief financial officers representing higher education's governing boards, show the University of Colorado's direct grant provided by the State of Colorado reduced from its present level of 16% to a range of 10-11% for undergraduate grants and 7-8% if graduate students are also included (see attachment).

Measures of Success

- Tuition and other cash revenues out from under TABOR.
- Greater flexibility with setting tuition rates and additional delegation of authority.
- Possible additional bonding authority for academic facilities.

[2] From a staff paper prepared by CCHE, September 6, 2002.

Appendix I: Educational Outreach – Revenue Enhancement Strategy

Goal

To expand outreach and collaborative endeavors beyond the University of Colorado system towards the goal of *generating new revenue streams to enhance education* and/or *expanded sharing of educational resources.*

Background Information

The University of Colorado has unique academic programs that are nationally recognized for excellence in education. In context of the projected nation-wide and recent State of Colorado decreased funding support available for education, the academic units and/or educational programs will be encouraged to innovatively explore options with other academic institutions to work collaboratively together to: 1) generate new revenue streams and/or 2) to share resources to enhance educational opportunities.

Although the primary goal of this initiative will be to expand existing outreach and to foster enhanced collaboration with other academic institutions as part of the "University without Walls" distance learning objectives, a primary emphasis within the action area for "Using Resources Wisely" will be placed upon developing new external revenue streams to augment existing University of Colorado education funding support and/or sharing of educational resources to enhance the existing academic offerings available to University of Colorado students.

This strategy, therefore, targets coordinating course with audiences outside of the University of Colorado and State of Colorado, to expand beyond the current system – to share CU educational innovations with other academic programs at major universities, industry, and/or professional societies. Capitalizing upon current technological capabilities for distance learning, therefore, University of Colorado courses may be offered to students at other academic institutions (e.g., using an inter-institutional affiliation sharing agreement or the other institution's students registering directly with their home institution's pre-approval to receive transfer credit).

Finanically viable partnerships with other academic programs at major universities, industry sponsors, and/or professional societies will be fostered to build win/win strategies to meet future academic/training needs using existing courses at the University of Colorado. These educational outreach courses may be offered using a combination of education approaches (e.g., using fiber-optic classrooms and/or online course materials designed to promote distance learning).

Most recently, the University of Colorado's administrative policy statement (APS related to copyright requirements for intellectual property of educational materials) is awaiting final Board of Regent review and approval. This new APS for intellectual property of educational materials provides the basis for educational programs and their academic units to appropriately coordinate the copyright release approvals for educational materials with their respective faculty. As University of Colorado will have legal template agreements for release of copyright for educational materials forthcoming soon, any outstanding challenges related to ownership of educational materials may be addressed appropriately. Pending appropriate release of copyright, therefore, program-based initiatives for outreach to other academic centers can be effectively coordinated. Thus, the opportunity for program-based new revenue streams may be identified, as well as program course-sharing arrangements developed for audiences outside of the University of Colorado.

One example strategy is UCHSC's proposal to take the Graduate School's Clinical Science (CLSC) Ph.D. Program coursework (that meets Accreditation Council for Graduate Medical Education requirements for research-related clinician training) forward to share with other academic medical center clinical training programs. For smaller clinical training programs, it would be possible for them to purchase this set of UCHSC courses for their clinical trainees with participation facilitated using distance-learning techniques. For the larger clinical training programs, graduate coursework might be "traded' – where their students might participate in the UCHSC CLSC graduate courses in exchange for a UCHSC students participating in another program's graduate courses.

If structured properly, the goal would be to eliminate/minimize duplication for clinical training programs related to course development/implementation by sharing these UCHSC CLSC innovative courses with others. Adequate new educational revenue would be generated to cover the marginal costs involved for course expansion and ongoing maintenance, as well as to provide start-up funding for future new course development endeavors.

Suggested Strategies

1. Across campuses, engage faculty and educational program leadership to think innovatively about enhancing educational revenues and/or course sharing opportunities beyond the University of Colorado

2. Provide faculty and program-based incentives to encourage educational revenue generation (e.g., competitive application for small grant start-up funding for new educational outreach initiatives)

3. Ensure that programs and academic units fully understand and meet any legal copyright requirements as well as University of Colorado APS requirements related to intellectual property of educational materials, as well as provide legal templates for written contracts required

4. Pro-actively converse with the audiences outside of the University to identify markets for selling "cutting edge" courses (either individual courses and/or sets of courses packaged together)

5. Pro-actively converse with major universities identify the possibilities for inter-institutionally sharing of courses with a focus on exchanging educational innovations to benefit University of Colorado students

6. Coordinate legal "templates" for inter-institutional academic training program partnership agreements with language provided related to course sharing and revenue transfer

7. Ensure that the faculty, programs, and administrative infrastructure costs for educational outreach are covered by the fee structures planned in the longer-term

8. Coordinate a new review/approval process for educational outreach initiatives in a systematic, uniform manner for the University of Colorado (while being sure to streamline any new administrative review/approval processes involved)

Measures of Success

1. Monitor and evaluate success of new outreach efforts funded based upon performance metrics (such as the number of inter-institutional course sharing agreements implemented with other major universities)

2. Monitor that the marginal costs of sharing courses beyond University of Colorado is covered by either the marginal revenues gained and/or the complementary course set is comparably expanded (e.g., augments the University of Colorado's existing course offerings)

Appendix J: State and Federal Support

Goals

- Promote the University's interests at the State and Federal level.
- Enhance the understanding of the role and value of CU.
- Achieve status as one of the top Governmental relations offices in comparison with our peers.

Background Information

President Hoffman has made both state and federal relations a priority during her administration. Because of lobbying efforts at the state and federal level, CU has become a significant player both in the policy arena and in obtaining state and federal dollars. On the state side, it is expected that both general and capital funds will be in short supply for the foreseeable future. However, the legislature is now focusing its efforts on updating the role and mission and revising the funding formula for Colorado's higher education institutions. On the federal level important legislative policy initiatives are surfacing such as the Reauthorization of the Higher Education Act. In times of state economic crisis more and more state institutions of Higher Education are turning to the federal government for resources. On June 1, 2002, the offices of State and Federal Government relations were merged to create maximum efficiency. This merger furthers the goal of a "University without Walls" as outlined in CU 2010 by more representation across the four campuses and at the state and federal level.

Suggested Strategies

1) Increased role/visibility at both the state and federal level through legislative/congressional tours, Outreach events, CU Capital Conference, CU Smart Lunches, Allard Capital Conference, Legislative Alumni party, Football, research symposiums, media relations campaigns, etc.
2) "Friend building" by President, Chancellors and designated officers of the University with members of the General Assembly, Congressional delegation, and Executive branch of both the state and federal government.
3) Engage Business Community, Ambassadors, Alumni to help lobby CU's state initiatives of Enterprise Status, Quality for Colorado and Certificates of Participation for Fitzsimons and federal initiatives of increased research budgets and special projects.
4) Request for each campus to have federal earmarks (special projects) identified as UCB/ Center for Excellence in Micro and Nano Systems for Medical Applications, UCD/Center for Domestic Violence, UCCS/Network, Information, and Space Security Center, and UCHSC/Fitzsimons campus.
5) Continue to lobby the federal government for increases in federal research funding in order for CU to maintain its ranking in the top five public universities for federal research funding. The following agencies are the primary sources of funding to CU: NSF, HHS, NASA, Department of Defense, and Department of Commerce.
6) Ongoing education of elected officials through contact with faculty and administrators on all four campuses. Increase number of federal hill visits and increase contact with state policy makers (testifying in committee).

UNIVERSITY OF COLORADO
Vision 2010
Increasing Resources and Using Them Wisely

National Picture:

National trends indicate top 10 public higher education research institutions are investing increased resources in state and federal government relations. These institutions have made conscious efforts to increase their visibility and implement communication mechanisms that enhance the understanding of the importance of a Research institution. The hope is that elected officials will call upon the Institutions of learning for to play leadership roles, initiate policy ideas, perform community service, provide education and discovery, and train our nation's workforce.

Measures of Success

- Familiarize all 100 members of the General Assembly and Colorado Congressional delegation with President Hoffman's Vision 2010.
- Provide ongoing information to campuses on legislative and administrative activities at the State and federal level.
- Continue to receive special project funding for Fitzsimons and UCCS while adding federal funding for UCD special project.
- Achieve Enterprise Status, Quality for Colorado and Certificates of Participation at state level.

Appendix K: Debt-Financing Strategy

Goal
To maintain access to effective debt-financing resources as investment capital to achieve institutional strategic goals; and to continue to identify and make available new debt-financing options.

Background Information
Since 1993, the University of Colorado has established itself, in both the national and local investment community, as a knowledgeable and prudent issuer of public debt.

The credit structure of the University's borrowings has been redesigned and enhanced, with the assistance of new legislation, to provide a much stronger and more resilient net revenue pledge to investors. The previously free-standing auxiliary credit and the research building revolving fund credit have been merged into a single combined enterprise system credit for CU. The credit-rating of the University's enterprise system debt is up a notch or more from the ratings of the prior credit structure.

The Regents adopted a Debt Utilization and Management Policy to provide guidelines for issuing and using debt. The Regents have adopted a Debt Capacity Policy to help ensure that access to debt grows as the institution grows and to maintain debt at a prudent level.

For fiscal year-end 2002, outstanding external obligations were $447 million, increased from $194 million in 1996. By the end of fiscal 2001, essentially all of the free-standing credit debt issued prior to 1995 has either been paid off or refunded to take advantage of the new lower-cost combined enterprise system credit structure and the lower interest rate environment. The debt capacity ratio stood at 4.1% at fiscal year-end 2002; the assumption of debt-financing for projects included in the Five Year Capital Plans increased the debt capacity ratio to 6.5% in the peak year of 2005. The 2002 ratio for research building revolving fund debt is about 2.3%.

The cost of debt and the structure of the repayment are major determinants of debt utilization.

The overall Regent debt capacity limitation is that maximum future annual debt service payments may not exceed 7% of the sum of unrestricted current fund expenditures and mandatory transfers. State statute imposes two limits. The state statutory limit for enterprise system debt is 10%; this ratio is calculated the same way as the Regent debt capacity limitation described in the prior sentence. The second state statutory limit is 6% for research building revolving fund debt. This ratio is measured by dividing the maximum future annual debt service for all research revenue bonds by the average annual restricted research revenues for the previous three fiscal years.

Because of limitations on borrowings by government entities, imposed by the Colorado constitution, state law and federal law, all University capital construction projects do not qualify for access to external tax-exempt debt-financing. Only very limited sources of debt-financing are available for working capital needs. Sources of financing that may be available, depending on the facts related to the project, are: taxable debt-financing, certificates of participation, operating leases, ground leases or land sales to third-party developers, and internal loans from the University Pooled Treasury.

The Policy limit for internal loans from the University Pooled Treasury is _15% of the prior year-end Treasury Pool invested balance. The rate on each loan is set at a taxable rate for the requested length of the loan, which is the estimated opportunity cost for the Treasury Pool.

One example of a strategy that the Treasurer's Office actively supports is UCHSC's proposal for the State to issue certificates of participation to finance the construction of academic facilities at the new Fitzsimons campus. The proposal is for these obligations to be repaid by the State over the life of the facilities, enabling the State to fund these projects now rather than at some future time when sufficient cash funds are available to fund the estimated $200 million of capital construction. Certificates of participation are lease obligations that are subject to annual appropriation. If structured properly, they are not considered "debt" under the law of the state of Colorado. The State has used these obligations in the past to finance major capital construction projects.

Suggested Strategies

1. Engage external experts to evaluate all aspects of CU's debt utilization strategy and policy.
2. Ensure that the methodology for the calculation of debt capacity is measured over time to provide a consistent basis for comparison to the applicable debt capacity policy limitations.
3. Pro-actively converse with the rating agencies regarding the effect of various University debt-financing choices and decisions and debt management strategies on the rating agencies' assessment of the University's financial strength, debt utilization and capacity.
4. Serve as resource to the campuses providing them with a range of options, including off-credit third party financing alternatives, and evaluations of these options as they relate to the campuses' and university's institutional objectives.

Measures of Success

1. Maintain rating agency credit ratings at AA- and Aa3, respectively, from Standard and Poor's and Moody's Investors Service.
2. Make uninterrupted payment of all debt service, or lease obligations, including payments related to revenue bonds, certificates of participation, internal loans, according to established schedules.
3. Maintain cost of borrowing compared to MMD Scale for institutions with CU's credit rating.
4. Maintain a readily accessible pool of funding for internal loans.

Appendix L: Financial Asset Management Strategy

Goal
To manage institutional financial assets wisely.

Background Information
Since 1995, when the University of Colorado Investment Advisory Committee was established, the University has developed and implemented new investment strategies, processes and procedures for the various categories of financial assets that are held in the care and custody of the Regents. This Committee has provided advice on investment issues for these new investment strategies. Along with the growth of the University, invested assets have increased since 1995, providing an opportunity to consider asset classes not used previously. The Committee makes recommendations on issues, such as, asset allocation, benchmarking investment performance for each asset class, and investment manager selection.

Since 1995, the University has developed a more proactive relationship with financial institution partners, and now utilizes state-of-the-art products and services, as appropriate. This stronger relationship enables better and more service to the campuses, which are the primary generators of financial transactions.

In 1998, the University implemented a new treasury management information system. Because of continued expansion of the utilization of this system, and the number and complexity of campus-generated transactions, this system is now limited in its ability to provide substantial additional growth capacity to meet the University's future information and data management needs.

Although financial flows are predictable, generally, it is impossible to predict with complete accuracy the daily net flows in the University's concentration account given the uncertainty of State appropriations and the unpredictability of enrollment on the campuses.

The world-wide trend towards greater use of automated electronic financial transactions continues. The federal government has contributed to this trend by issuing requirements for automated electronic financial transactions when dealing with the federal government. The University has implemented many new processing options that have increased the number and proportion of automated electronic payments and receipts, such as procurement cards, automated deposit of payroll, and automated collection of retiree insurance premiums. The cost of automated electronic payments and receipts is lower and the ease of use and predictability are greater, while providing improved information flows.

The University is the owner of some mining claims, having received donations of total or partial ownership in these properties which had historically been assumed to be illiquid and thus to have little or no economic value. Recently, the Treasurer's Office initiated an effort to determine if these mining claims are marketable. To date, thirteen of the mining claims have been sold or negotiations are under way. Another twenty-three are offered for sale.

Suggested Strategies

1. Develop and implement a short-term credit vehicle to buffer the uncertainty of the daily net flows in the University's concentration account.
2. Provide educational program to campus and system staff about the principals of cash management and tools available to assist them in their efforts to manage cash more effectively and efficiently.
3. Work with the campuses to identify improved processes and procedures for handing financial transactions and financial information.
4. Implement recommendations from University Treasury Performance Audit, presented in the fall of 2002.
5. Continue to emphasize automated electronic financial transaction options, including both adding new options and converting old processes to more effective ones.
6. Establish appropriate policies and procedures for asset management, including cash management, investment management and endowment and gift stewardship.

Measures of Success

5. Reduce uninvested balances in University's concentration account.
6. Identify and implement additional cost-effective cash management products and services to improve effectiveness and efficiency of cash management across the University.
7. Implement recommendations from University Treasury Performance Audit.
8. Increase the number, total dollar value, and proportion of automated electronic financial transactions.