University of Connecticut
Office of the President

Susan Herbst
President

TO: The Board of Trustees

FROM: Susan Herbst

DATE: June 28, 2012

I am writing to you to transmit the University administration's recommended budget for Fiscal Year 2013. This budget proposal is the result of extensive work accomplished at all levels of the University, most especially on the part of our Executive Vice President for Administration and Chief Financial Officer, Richard Gray, and his staff. It is a reflection of our strategic approach to the University's most vital goals and priorities as we fulfill our mission to our students, the state of Connecticut and its people.

There are several key areas that I would highlight:

- **Faculty hiring.** Over the next four years, our goal is to hire approximately 275 new tenure-track faculty members to help transform our institution by generating more research that has national and international impact, increasing our research productivity, building great graduate programs, providing excellent teaching and service to our undergraduate students and expanding course availability. Our goal is to hire 65 new faculty for this fall and 90 new faculty for the fall of 2013. This effort – which is unique in U.S. higher education in terms of magnitude – was made possible in large part thanks to the four-year tuition plan the board passed in December 2011; every net dollar of revenue generated by tuition increases over this period are being dedicated to faculty hiring.

- **Financial Aid.** Increases in tuition are matched by increases in the amount the University devotes to financial aid to our neediest students. About 86% of UConn students received financial aid in 2011 – including loans, grants, scholarships and student employment – that was both need-based and merit-based. This year, nearly 20 cents of every net tuition dollar will go to need-based financial aid for UConn students.

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- **Economic Development.** UConn's role in helping to drive Connecticut's economic development cannot be overstated. We continue to marshal the necessary resources to ensure that the University is doing all it can to create jobs and cultivate the state's economic future through the remarkable Bioscience Connecticut/Jackson Labs initiative as well as the Tech Park to be located in Storrs.

- **UCHC.** The UCHC Operating Budgeting for the coming fiscal year is breakeven. The budget includes funds to recruit clinical and research faculty. The legislature included in its block grant $500,000 to support recruitment of research faculty. The clinical operations of UCHC is budgeting an 11% increase in physician revenues resulting from this recruitment effort. In addition, the operating and capital budgets include amounts necessary to support the implementation of Bioscience Connecticut.

- **Campus Appearance:** The impression our physical campus leaves on potential students, faculty, staff and visitors is a lasting one. We must do all we can to ensure that UConn – and all of Connecticut – can take pride in the way our campus appears. Following an impressive report by campus stakeholders, the University is implementing several recommendations aimed at addressing appearance issues throughout the Storrs campus.

- **Space planning.** Planning for our future infrastructure must be undertaken with an eye not only on the next year, but the next century. The University is in the process of creating a campus master plan to help guide our construction, development and space allocation in both the near- and long-term. Our utilization of space must support and enhance the teaching and research activities of the many new faculty members that we will bring to the University over the next four years. Top faculty will justifiably require high-quality facilities in order for them to join this University and we are committed to providing the tools they will need to be productive here.

- **Integrated Facilities:** We continue to follow many of the recommendations made by McKinsey and Co. when it comes to streamlining and consolidating certain campus operations, most notably Facilities Operations, as a means of increasing efficiency and creating cost-savings. This process is an ongoing one that requires the University to change the way we do business as well as make investments now in the name of future savings.

- **Branding.** Last year, I charged leaders from across our community to join forces with the goal of pinpointing exactly what lies at the heart of our great University – put simply, our "brand." We recognize the important role that brand image plays in successfully competing for students, faculty and philanthropic support in Connecticut and beyond. Once complete, this group's work will help capture the attention of superb students, spark the imaginations of brilliant researchers, and make clear to the citizens of Connecticut the value our University brings to this entire region, well into the 21st century.

Like most public institutions in this still-struggling economy, the University continues to contend with financial challenges that do not, as yet, show any significant signs of abating. However, our priority, as always, is doing all that we can to secure our future as we grow and thrive as a University. The priorities I list above illustrate our focus on opportunity, achievement and success. I look forward to working with the Board as we proceed toward the coming fiscal year.

Highlights
Fiscal Year 2013
University Spending Plan

The FY13 budget is the first developed under the leadership of President Susan Herbst. This budget supports the President's four areas of focus: student success, strengthening research and economic development, focusing on philanthropy and communicating the University's message of excellence and ambition. The June 28th budget presentation to the Board of Trustees will focus on the spending plan for FY13 based on tuition and fee rates that were approved by the Board in December 2011 and April 2012.

BUDGET GOALS

Our budget goals at Storrs and the Regional campuses balance the economic reality of a decline in State operating support over time while maintaining robust academic, research and student service enterprises from which the University derives its long-standing reputation. This reputation along with proper stewardship of its assets has created a value proposition that drives continued increases in applications and paid deposits from in-state, out-of-state and international students.

At the Health Center, the goal in FY13 is to achieve a budgeted profit of $74,248. The first key to achieving this goal is expense control while providing patient safety, quality health care and adequate resources to fulfill our teaching and research missions. The second key will be to achieve patient volume goals in FY13. The positive outlook for the future of John Dempsey Hospital will enhance the Health Center's ability to recruit clinical faculty. This budget includes funds to recruit such faculty.

THE STATE BUDGET

Over the past several years we have been experiencing a decline in state operating support. Though it was a difficult process this budget maintains a commitment to meeting the needs of UConn students, patients and faculty.

Last year, Governor Malloy and the General Assembly acknowledged UConn's vital role in addressing the state's economic crisis in both the short and long term by providing funding for BioScience Connecticut and Tech Park. This investment will completely rebuild and expand the University of Connecticut Health Center and will allow for developing a state of the art technology park on the Storrs campus. The University gratefully acknowledges these new and substantial financial commitments and looks forward to an even closer and more productive partnership with state government in its economic development efforts. Given the current economic recession, this partnership will ensure the continued education of our high-achieving students, provide Connecticut with a highly qualified workforce, achieve the highest quality health care, and conduct research that serves as a catalyst for innovation, product development and job creation.

In early May 2012, the revised State budget for FY13 was passed by the legislature and signed into law. State appropriation levels reflect the continuing difficult fiscal environment. The State support for the University is as follows:

For FY13, the Storrs State allotment is $205.6 million (excluding year-end accounting accruals). This amount represents flat State funding as compared to the FY12 allotment. Fringe benefit support from the State for Storrs is estimated to be $85.6 million for FY13. The State's share of the Storrs-based operating budget, which stood at 50% in FY91 and 35.4% in FY06, is projected to be 27.8% for FY13. The Board approved tuition increase of 5.5% for FY13 was predicated on a 1% increase in the State appropriation. The final appropriation did not include a 1% increase. In addition, there was a reduction in the Connecticut Aid to Public College Students (CAPCS) financial aid program that was absorbed by the University as financial aid packages to students are sent well before the passage of the budget. For FY13 the University will offset the loss of these state funds with University funds. The approved faculty hiring plan, which included a 4 year tuition rate proposal, permitted the University to increase tuition an additional 1% if the State appropriation did not increase 1%. Please note that the University chose to manage the budget without increasing tuition.

For FY13, the Health Center's budget includes state funding for fringe benefits of $13.5 million for John Dempsey Hospital (JDH). This is in recognition of the fringe benefit differential between JDH and the average at other Connecticut hospitals. The allotment of $112.7 million for FY13 is an increase of $4.2 million compared to the FY12 appropriation. The increase is primarily related to faculty recruitment and Correctional Managed Health Care services. Fringe Benefit support from the State for the Health Center is estimated at $48.0 million for FY13. Total State support (including fringe benefits) for the Health Center is 21.1% of the operating budget for FY13.

SPENDING REDUCTIONS AND CONTROLS

Over the course of the last few years, the current and previous Governors have issued a number of directives to reduce state spending in response to revised State revenue projections. The University has instituted new procedures in keeping with these directives, including constraints on hiring personnel for both the Storrs-based program and the Health Center.

Also, we continue to seek immediate and long-term efficiencies where possible. The University hired McKinsey and Company, an internationally renowned management consulting firm, to work with the University to identify savings in non-academic areas. Though initially proposed by the Board of Trustees before the current budget challenges came into being, the McKinsey study is of great value. Even in a more positive fiscal climate, every dollar saved in administrative costs can be redirected to our core missions of teaching, research and student service, and that is a gain for all of us. Many faculty, administrators, staff and students met with the McKinsey team to discuss ideas. The Strategic Redesign Initiative report was issued on November 10, 2011. This report identified more than $50 million in potential savings and revenue opportunities over five years. The recommendations take into account the provision of the SEBAC agreement that provides job security for four years; 70 percent of savings would be generated through non-personnel costs. The report notes that 40 percent of UConn employees will be eligible to retire during the next four years, and it is likely that between 20 percent and 25 percent of those eligible will do so, allowing savings to be generated through attrition. The report's savings recommendations regarding the areas they reviewed include: standardizing and centralizing purchases; reorganizing Facilities Operations and establishing performance standards to assess end-user satisfaction; standardizing financial, HR, and IT services; and streamlining operational processes through greater reliance on IT services. Regarding additional revenue, McKinsey made several recommendations, including increasing parking and transportation fees, which are far lower than peer institutions; increasing the rates charged for high-demand rooms on campus; increasing Foundation fundraising; instituting variable ticket pricing for athletic events; expanding revenue-generating academic programs, including summer school; and increasing technology commercialization. The University has already begun implementing several recommendations.

At the Health Center, the "value analysis" process, a systematic look at ways to reduce costs and enhance operations, continues to produce savings in such areas as product standardization and scheduling improvements. In addition, the revenue cycle enhancement program is producing efficiencies. The Health Center is benefiting from UCONN 2000 in energy conservation efforts. Two major deferred maintenance projects (cooling coil and heating coil) are converting the original electric heat system to more energy efficient steam and hot water systems. The main cooling tower replacement is complete, and we continue to replace boilers and chillers with up-to-date energy efficient equipment.

<u>BUDGET PLAN AND PRIORITIES</u>

The Storrs-based program budgeted a net loss of $4.6 million for FY12; however, forecasted results reflect a net gain of $4.5 million. Overall, while revenues were close to budget, expenditures were much less than budgeted. Significant savings were experienced in personal services/fringe benefits due to limited hiring, energy due to favorable gas prices and a mild winter, and in the research arena due to less personal services expenses and commodity purchases.

The Storrs-based proposed spending plan for FY13 projects a net loss of $1.0 million. Over the years, the Research Fund balance for use by principal investigators, deans and department heads has grown. It is expected that $1.0 million of the prior years' accumulation of funds will be spent down in FY13. The flat State appropriation will be partially offset by tuition revenues based on the 5.5% rate increase and no collective bargaining unit increases due to the SEBAC agreement for all University employees.

The Health Center's FY12 forecasted operating loss of $4.8 million is due to lower than expected revenue for federal grants, lower auxiliary revenue from outside contracts, a reduction to the general fund appropriation, higher salary and fringe benefits costs, and an increase to drugs. On the positive side, expense savings for medical supplies, outside purchased services, repairs and maintenance and utilities are forecasted to be achieved or under budget.

The proposed budget for UCHC for FY13 is a profit of $74,248. This profit reflects an increase in tuition and fees; an increase in grant revenue related to the Cage

Processing Capital project; higher clinical revenues due to volume and rate; an increase in Auxiliary revenue due to the Connecticut Children's Medical Center contract; an increase in State support; and does not include any bargaining unit increases due to SEBAC.

	FY12 Actual ($m)	FY13 Budget ($m)
Storrs based	$1,024.4	$1,054.9 (3.0%)
Health Center*	795.5	825.0 (3.7%)
Total	$1,819.9	$1,879.9 (3.3%)

*Note that these numbers include the fringe benefit differential for John Dempsey Hospital.

(Detailed charts for the current funds budgets, and their revenue/expenditure components are found in Tabs 3 and 4 of the budget materials.)

The FY13 budget reflects the following:

- The state appropriation and estimates of state fringe benefit support;
- Efficiencies, cost-reductions and reallocations rolled out permanently into the base budget;
- Revenue enhancement/implementation of charges previously approved by the Board;
- Expenditures for quality: year 1 of the faculty hiring plan, course coverage and an enriched educational experience.

STORRS & REGIONAL CAMPUSES

Our strategic budgetary focus remains the faculty hiring plan, which is the key to realizing the Academic Plan's three interrelated objectives: improving undergraduate instruction, growing research productivity and enhancing the University's reputation as a center for scholarly endeavors. The University's plan to increase full-time faculty is designed to: enhance the quality of the student experience, further the state's economic growth through research and workforce development, solidify the University's national reputation, and maximize the investment of parents and all taxpayers by ensuring that students can graduate in four years.

At the December 19, 2011 Board of Trustees meeting, a new faculty hiring plan was presented by the President. The University's plan is to hire 290 new tenure-track faculty members over the next four years, with particular emphasis in the fields of genomics, education, health insurance and finance. Per President Susan Herbst, "Our goal is to dramatically expand our faculty ranks in strategic and meaningful ways to ensure we are the university we want to be in the future."

Revenue

The University relies heavily on its non-state revenue streams for fiscal stability, particularly in times when the State budget is under stress. These sources include tuition/room/board/fees as well as private support and research funding at Storrs and the regional campuses.

The proposed FY13 budget incorporates the implementation of rate increases approved in December 2011 and April 2012 for tuition, room, board and fees. Detailed breakouts are in Tab 4 of these materials. For FY13, the total in-state undergraduate student cost will be $22,502, an increase of 4.73% over FY12. For an out-of-state undergraduate, the cost will rise at approximately the same percentage, for a total student cost of $40,334. As described below, financial aid is budgeted to offset the impact to financially needy students and their families. UConn remains a tremendous value in comparison to our competitors—but it is a value only if the quality of education remains high.

FY13 tuition revenue growth, the combined effect of enrollment and tuition rate increases, is projected at a 4.3% increase over FY12. (Please see Tab 4 Current Funds chart.) Changes in room and board (in Auxiliary Enterprises) and fees drive an increase of 2.9% for FY13 over FY12 revenue. Please note that growth in these revenue streams is a function of rate changes and occupancy. Another major source of revenue for FY13 is state support of $292.5 million or 4.1% more than FY12. While the state appropriation is flat, fringe benefit support is projected to increase.

FY13 Funding Initiatives:

Current Services Needs

This budget respects the constraints of the current economic environment. A portion of the planned expenditures in the budget will support unavoidable inflationary increases in ongoing activities. The one area of expansion that serves as the primary exception to this general rule is financial aid as described below.

Faculty Hiring Plan

This is the first year of the Faculty Hiring Plan approved by the Board of Trustees in December 2011. The original goal for the first year was to hire 70 new faculty. Due to the timing of the approval of the Plan, not all searches could be initiated in order to have faculty on board by fall of 2012. Although it appears we have gotten off to a slow start, we fully expect to be back on track next year and hiring 290 faculty in four years.

Financial Aid

Financial aid represents an expenditure that while to some extent is discretionary is inextricably intertwined with the mission of the University and is therefore treated as a mandatory line item in the budget. When developing the budget, the goal is to provide an appropriate amount of financial aid to ensure that no UConn education is denied or hampered because of financial need. The FY12 financial aid budget was $5.8 million more than we originally intended due to a significant change in continuing student demand. While we had hoped to present a FY13 financial aid budget which was more in line with the University's historical practice of allocating need based awards, this budget includes additional aid to continuing students at a cost of $4.1 million. In addition, the University will off-set the $1.2 million reduction to the Connecticut Aid to Public College Students (CAPCS) Grant from the State with University funds.

This budget also includes increases to the Law School scholarship program of $500,000. These scholarships are to be awarded to in-state students attaining an LSAT score greater than 162. This aid is intended to position the Law School to become more competitive in recruiting high quality students.

For FY13, the University will earmark $401.1 million for all forms of financial aid, and $131.2 million (including tuition waivers) of that amount will be funded with tuition revenue. In other words, in this FY13 budget, 40.7% of the University's tuition revenue is dedicated to financial aid; 19.5% is dedicated to need-based aid. For FY12, more than 21,000 students received financial aid from all known sources (more than 17,500 were actually packaged with one or more funds controlled by Student Financial Aid Services) so this funding is very critical. This budget represents an increase of $17.5 million over FY12 total financial aid expenditures.

Equipment & Plant Renewal Program

UCONN 2000 includes project lines entitled "Equipment, Library Collections and Telecommunications," and "Deferred Maintenance/Code/ADA Renovation Lump Sum". In the recent past, we have discussed the importance of gradually shifting equipment and some deferred maintenance to operating dollars to ensure a stable funding stream for these activities. A steady phase-in of additional funding would free up UCONN 2000 dollars for reallocation to other capital expenses. The FY11 budget included $3.5 million for equipment and $2.5 million for a plant renewal program in the operating budget. Due to the budget constraints in FY12, this initiative was suspended. For FY13, the budget includes a modest set-aside of $1 million for equipment and $2 million for the plant renewal program. The expectation is to increase these operating budget amounts each year in order to relieve the pressure on other UCONN 2000 named projects.

Athletics

Due to various challenges within the Athletic program, the University increased central support to Athletics in FY12. This increased support will continue in FY13. During FY13, Athletics administration will work closely with central administration to determine an appropriate level of support in the out years. Of note, the University has selected SportsNet New York (SNY) to be its women's basketball regional television broadcast partner for the next four seasons. Beginning in FY13, this agreement is anticipated to provide a guaranteed rights fee of $4.55 million over the term of the contract. In addition, another $4.7 million of non-guaranteed revenue is possible from marketing partnerships, drop-in spots, web and promotional items, and specials and features. The new agreement with SNY will provide UConn with unique cross-promotional opportunities, as UConn's television packages for men's basketball, women's basketball, and football will be shown by the same carrier. SNY is currently the local television home for Husky football and men's basketball through rights granted by the BIG EAST Conference to ESPN Regional Television.

Economic Development

The Office of Economic Development was recently established by President Herbst to build new collaborations with industry and entrepreneurs and to expand the University's contribution to Connecticut's economy. Within the Office, the Tech-Knowledge Portal is UConn's front door for industry, acting as a liaison for companies and entrepreneurs who seek assistance and access to UConn's wide variety of technology, expertise, and resources. Increased support in FY13 will allow the Office to fulfill its mission.

Center for Excellence in Teaching and Learning (CETL)

The creation of the University's new CETL is the result of an integration of the Center for Continuing Studies (CCS) and the Institute for Teaching and Learning (ITL). While this is not a cost savings measure, the goal of this transformation is to marshal the expertise needed to develop and implement innovative new programs and teaching strategies as part of UConn's ambitious new faculty hiring initiative. CETL will provide enhanced support to UConn's ambitious online initiatives, build robust academic outreach programs, help schools and colleges develop new entrepreneurial efforts, and provide business services and marketing expertise to support these activities. CETL will allow the University to take full advantage of the capacity that currently resides in CCS and ITL, and refocus these resources to support the exciting opportunities we expect in the coming years. During the last several months, members of the Provost's staff have been working with CCS and ITL to develop a plan to restructure these units and integrate staff and resources into the new unit and across other units University-wide. We fully expect that CETL will be ready in time for the new academic year.

Reductions / Reallocations

The Storrs-based program has strategically enhanced revenues where possible and reduced expenditures within the FY13 budget.

- The stringent approval process for all hires and rehires will continue as well as the delay of any hire/re-hire through a vacancy management assessment.
- All procurement contracts are being reviewed for possible savings opportunities and revenue enhancements.
- The facilities area is aggressively pursuing operating efficiencies.
- Pressure to cultivate alternative sources of revenue such as an expanded summer session and utilization of private/grant funds will continue for all areas.
- Existing funding structures are still under review in order to move certain programs towards self-sufficiency.
- Utilization of existing designated fund balances is strongly encouraged when appropriate.
- Restructuring of the University's senior administrative leadership and elimination of two senior positions (Vice President/Chief Operating Officer & Vice President for Human Resources).

Detail for the Storrs-based spending plan is in Tab 4.

Information Technology Strategic Priorities

As the University has experienced reduced operating budgets related to infrastructure in recent years, basic foundational technology requirements have not been replaced, upgraded or properly maintained. This limits central information technology's (UITS) ability to be agile and meet the growing demands for new services while maintaining a stable, reliable, and available production environment. Although there are many initiatives that must be undertaken over the next several years to bring the central IT facility up to date, there are 7 priorities identified by UITS as being critical to avoid crisis situations and requiring immediate resources to remediate.

- Data Center Rescue
- Disaster Recovery
- Network Master Plan (wired)
- secureU
- End User Services
- Identity Management
- Decision Support System (Data Warehouse)

These 7 priorities would require an annual operating budget increase of $13.2 million and one-time capital funds over the next three years of $59.4 million. In the near term, University administration will work aggressively with the Provost and UITS to develop a funding plan for the future.

HEALTH CENTER

In FY12, there is a forecasted loss of $4.8 million. The proposed budget for FY13 is a profit of $74,248 million. The following is a summary of significant revenue and expense changes.

Revenue

The state appropriation for FY13 for the Health Center is $112.7 million. The Health Center expects State fringe benefit support of $48.0 million, along with $13.5 million for the John Dempsey Hospital fringe benefit differential. Of the Health Center's $825.0 million in revenue for FY13, sources other than the state appropriation account for an increase of $27.8 million. Clinical revenue is budgeted at $365.2 million, a 6.2% increase over FY12. Clinical revenues for JDH are budgeted to increase 4.2% over FY12. The revenue increase is due to a slight volume increase of 2.0% and the remaining portion is attributable to rate increases. For the UConn Medical Group (UMG), the overall increase to net patient revenue is 11.0% of which 2.9% is based on volume and the remainder is due to rate increases.

In FY13, we expect research revenue activity to increase by 3.9%. This increase is due to the $5.0 million Cage Processing capital project. Research revenue is budgeted at $84.9 million. Income related to the placement of interns and residents is $55.2 million, an increase of 2.7%. Tuition and fee revenue is $18.5 million, which reflects the rate increases approved by the Board. $85.6 million (on both the revenue and the expense side) reflects the contract with the Department of Correction for inmate health services.

Expenditures

Salaries and fringes are budgeted at $455.9 million (net of JDH fringe benefit allotment), an increase of 4.5% primarily related to new faculty hires in the specialties of Mohs, Neurosurgery, Gastroenterology, General Surgery, Cardiology and Psychiatry. The budget assumes no salary increases for bargaining unit employees based on the SEBAC agreement. The FY13 budget includes $500,000 of startup costs funded by the State appropriation. A 6.5% decrease in drugs is due to the reduction of the expense and revenue related to anticoag drug patients (this also occurred in FY12). Outside purchased services are budgeted to increase by 13.1% due to additional expenses necessary to meet our construction time tables, and to ensure success of Bioscience CT along with various information technology related expenses. Repairs and Maintenance is budgeted at $8.7million which is a $1.7 million increase. This increase is mainly due to an increase in contracted custodial services, clinical engineering maintenance agreements, operating room expenses related to DaVinici and skills simulator and cardiology outreach location. Depreciation is budgeted at $31.9 million which is a 7.6% increase due to the completion of the Banner and Nextgen projects.

Detail for the Health Center spending plan is in Tab 3.

FUND BALANCE

For the Storrs-based program, the FY12 year-end unrestricted current funds balance is forecasted to be $75.5 million. This unrestricted fund balance represents 8.2% of the FY13 unrestricted expenditure budget ($919.1 million) or, alternatively stated, 30 days' worth of operations.

The $75.5 million current funds balance represents the funds remaining in the following operating areas: the research fund (designated for research); the auxiliary operations (residential, dining, health, student activities and recreational services); and departmental generated (self-supporting fee-based instructional programs such as Continuing Studies and MBA).

The unrestricted current funds balance is our operating capital and support for programs and activities that generate revenue and are not supported by the State appropriation. We borrow from the fund balance to pay our bills when necessary. Additionally, in 2010 the Governor requested fund balances of $3 million and then another $5 million from us during the year. We were able to meet this obligation using existing fund balance. The fund balance allows us to manage these dislocations without disrupting the University's operations.

Fund balances may be held in a departmental account for start-up costs for new faculty conducting research. Additionally, under the provisions of UCONN 2000, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition; the fund balance serves this purpose under the Master Indenture. These balances also include inventory, prepaid expenses and encumbrances.

Throughout the year, when funds are available, we also set aside dollars in accounts for planned one-time expenditures, mostly capital. These accounts comprise our plant funds. These balances are primarily for Auxiliary Enterprise projects such as Residential Life, Dining Services, Student Health Services, Student Union and Athletics. The University has a policy that a departmentally funded construction project cannot begin unless the funding has been identified and transferred to plant funds. For Residential Life and Dining Services projects, the window of opportunity to actually complete many repairs, renovations and improvements is limited as some projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue. Another large project included in plant funds is the water reclamation project. The total cost of the project was budgeted at $29 million and the forecasted balance at fiscal year-end is expected to be $18 million. This project started at the beginning of June 2011 with substantial completion expected by fall 2012.

For Storrs, the FY12 forecasted unrestricted net assets of $177.3 million consists of $75.5 million current funds balance, $76.9 million in unexpended plant funds and $24.9 million in funds that are internally restricted for the retirement of indebtedness. Note that in FY12, there was a planned drawdown of debt reserves bringing the debt reserve to 1.25 times the annual debt payment. This is down from 1.76. This FY13 budget includes maintaining these debt reserves at 1.25 times our annual debt payments.

Finally, at the Health Center, the FY12 forecasted unrestricted operating fund balance of $50 million represents 6.2% of the FY13 unrestricted expenditure budget ($811.4 million) or, alternatively stated, 22.2 days' worth of operations