

University Budget Advisory Council
Action Minutes
Mar 28, 2024

Members present: Johnathan Cromwell, Michael Harrington, Opinder Bawa, Elisabeth Merkel, Sonia Caamano (substituting for Julie Orio), Shannon Burchard, Kurt Keilhacker, Tim Redmond, Brian Young, Sarah Blackburn, David Ferguson, Laura Hannemann, Angelica Martinez, Isabelle Sholes, Nathan Nkemere, Lindsey McClenahan, Otgo Erhemjants.

Members absent and excused: Bhavesh Ram

1. Welcome & Overview

- Motion to approve February 2022 minutes: Shannon Burchard (Sarah Blackburn seconds)
- Minutes approved via Zoom poll

2. Office of Budget & Planning Reports and Updates (Michael Harrington)

- Michael Harrington discussed several reports that were recently completed and presented to the Board of Trustees. He highlighted that some of these reports were requested by the board and others by different stakeholders within the university, including undergraduate and faculty representatives. He emphasized the quarterly meetings of the board where they review the operating forecasts and consider the approval of the university's tuition & fees and operating budget.
- Michael explained the role of the Finance Committee, which involves summarizing their meetings for the full board and presenting the university's financial forecasts, tuition & fees and operating budget. This committee, along with senior members of the administration, plays a crucial role in detailing the financial workings to the board, including special resolutions like borrowing or endowment actions.
- [FY24 Operating Forecast](#)
 - He detailed the process of forecasting revenues and expenses, which the Finance Committee reviews and seeks any clarifications. He shared insights into the preparation of the year-end forecast, which involves collaboration with various administrators and financial officers. Michael also discussed the methodology of forecasting, which adjusts throughout the year based on actual activities and enrollment figures that significantly impact the university's revenue due to its tuition-dependent nature.
 - Michael highlighted specific revenue categories like Food Service Revenue and Auxiliary Revenue, explaining their significance and how they are managed. He noted variances in expected versus actual figures, particularly relating to the number of students on campus, which affects meal plan revenues and housing.
 - Michael Harrington discussed the current financial status of the university, highlighting a negative variance of \$13.3 million against the board's revenue

budget, net of scholarships. This shortfall is attributed primarily to lower than expected net tuition, housing (auxiliary) and meal plan revenues.

- Harrington reviewed expense categories, noting that full-time faculty, part-time faculty, and student compensation expenses are slightly under budget. However, other staff is over-budget, which include overtime and part-time staff.
- Q (Shannon): Is the forecast considered changes in how work-study was handled, noting an unusual 100% work-study allocation in the first half of the year, as opposed to the typical 60/40 split? Michael was unaware of this and committed to investigating the matter.
- Michael provided additional details on various revenue and expense categories, explaining the variances observed and the methods used for forecasting. He also noted that, in addition to general operating / facilities / capital expenditures, insurance and bad debt are significant expenditures, while emphasizing the university's strategy of using reserves to offset revenue shortfalls.
- Q (David): Requested a repetition of details about the forecasted deficit. Michael clarified that the university is forecasting a modest operating deficit for the first time in years, where past surpluses have been available to fund capital improvements.
- Q (Isabelle): asked for clarification on the reasons behind the operating deficit. Michael explained that the deficit is due to revenue shortfalls from fewer students on campus which is offset by compensation coming under budget, alongside strategic use of contingency budgets. Opinder, on behalf of the university cabinet, expressed commitment to closing the year without a deficit, appreciating the forecast's role in helping manage the budget effectively.
- Michael concluded by discussing how the forecast serves to alert management to potential financial issues early enough to make necessary adjustments, comparing the institution's financial management to steering a ship, which requires time and foresight to change course effectively.
- [FY25 Operating Budget](#) and [Presentation Slide Deck](#)
 - Overview of Operating Budget: Michael Harrington provided an extensive overview of the university's operating budget, emphasizing its historical context and the balancing efforts made in recent years. He detailed the components of the operating budget, including tuition and fee recommendations, enrollment changes, and the critical factors of net tuition and discounting.
 - Financial Challenges and Adjustments: Harrington highlighted a significant challenge of identifying \$58 million in savings to balance the budget, describing the measures taken, including approved budget assist requests and contractual increases. He discussed various revenue and expense categories, pointing out the importance of scholarship as a contra revenue in financial presentations to the board.
 - Enrollment and Tuition Adjustments: In completing the operating budget, he explained that we update the enrollment projections for spring census and finalized tuition fee recommendations. Harrington also explained the adjustments

in net tuition due to enrollment changes and the necessity of combining our tuition income with various discount rates.

- Division Contributions and Savings: Harrington elaborated on the contributions from different university divisions towards balancing the budget, including specific savings identified and the roles of these divisions in managing their budgets.
 - Detailed Revenue and Expense Management: He provided a breakdown of the university's revenue by category and expenses across various departments, focusing on the significant portion of the budget devoted to compensation. Harrington also touched upon the strategic management of reserves and the importance of flexibility in using endowment distributions.
 - Q (Bawa): Inquired about the presentation of revenue figures and the classification of scholarship as a contra revenue. Harrington explained that the financial presentation to the board typically includes scholarships as contra revenues, which aligns with how the board is accustomed to seeing financial reports. This method helps in clearly understanding the net impact of scholarships on the university's finances.
 - In conclusion, Harrington reassured the council members about the proactive measures taken to ensure financial stability and addressed any potential concerns about the budget's impact on the university's operations moving forward. He invited further questions to clarify any aspects of the budget before moving on to other topics in the meeting.
- [March 2024 Inflation Report](#)
 - Overview of Inflation Report: Michael Harrington discussed the inflation report, which is reviewed three times a year and includes data from the Bureau of Labor Statistics, forecasts from Wells Fargo, and a higher education price index. He explained that these sources help the university align its financial planning with the fiscal year rather than the calendar year. The report suggests that inflation is expected to moderate, and the university adjusts this information to fit its fiscal year operations.
 - Q (Shannon): Asked if the inflation data used by the university is comparable to what the city uses for establishing increases to their minimum wage ordinance. Michael confirmed that the university uses the Consumer Price Index (CPI) for San Francisco, Oakland, and Hayward, which he believes is also used by San Francisco for adjusting minimum wage. He noted that the typical adjustments are observed in July, although Shannon mentioned that the new rates are already posted and will take effect in the summer.
 - Additional Information on Inflation and Contracts: Michael elaborated that the university also tracks the December annual change in the Bay Area CPI for its labor contracts. He reassured that all source information for the forecasts, including those from the Bureau of Labor Statistics and Wells Fargo, are provided for transparency and accuracy in reporting and planning.
 - [FY19-FY23 Spendable Endowment Summary](#)
 - Endowment Spending Overview: Michael Harrington provided a detailed overview of the university's spendable endowment summary, which he compiled

in response to a request from a previous meeting. He highlighted the distributions and actual spending across various fiscal years, illustrating how funds are allocated and spent within the university, particularly within academic affairs and other divisions. He noted the fluctuation in spending where in some years the spending exceeded the distributions and in others it was less.

- Operational Budget Management: Harrington emphasized the nature of the operational budget as a plan for the current year's operations, which does not roll over unspent balances like a savings bank. Instead, it resets annually. In contrast, he described how endowment distributions are managed more flexibly, allowing unspent funds to roll over to subsequent years. This flexibility supports long-term financial planning and the fulfillment of specific endowment purposes.
- Endowment Spend Roll-Over: He further explained that the balances of the university's restricted funds, which are largely managed by academic affairs, can roll over from one fiscal year to the next, either positively or negatively. This rollover allows for adjustments in spending in future fiscal years based on the availability of funds and the needs of the university.
- [Endowment: 5 Year Value & Gifts](#)
 - Endowment and Gift Fund Overview: Michael Harrington provided an overview of the university's endowment and gift funds over the past year, highlighting contributions from various donors and the market performance of these funds. He explained that there is a vesting period for new gifts, which means they are not immediately available for spending. This vesting period ensures that the funds are securely integrated into the endowment and can withstand market fluctuations without jeopardizing their principal value.
 - Market Performance and Fund Utilization: Harrington detailed how the endowment funds have benefited from positive market returns this year, which has helped increase the total value of the endowment. He also discussed how the funds are allocated and spent across different university divisions, with a particular focus on academic affairs, which manages a significant portion of these funds.
 - Discussion on Inflation and Gift Utilization: In addition to discussing the endowment, Harrington touched upon the university's approach to managing inflation impacts, utilizing various financial indices to adjust the fiscal planning accordingly. He related this to how adjustments are made for salary scales in relation to the minimum wage adjustments based on the Consumer Price Index.
 - Q (Tim): inquired if the increase in the endowment value included investment earnings apart from the gifts. Harrington affirmed that the increase could be attributed partly to investment earnings, indicating a successful financial year for the endowment funds.
 - Q (Nathan): asked about the timing of returns on new gifts to the endowment fund, wondering if the returns would be reflected in the current or the next fiscal year. Harrington clarified that there is typically a vesting period before new funds are fully integrated into the spendable endowment, suggesting it might take a couple of years before these funds can influence the endowment's spendable

income. He expressed his intent to provide more detailed information about this policy in future discussions.

- [FY17 to FY24 Institutional Financial Aid \(Athletic and Non-Athletic\) by Student Level](#)
 - Overview of Financial Aid Distribution: Michael Harrington provided a detailed explanation of the distribution of financial aid at the university, highlighting the breakdown between non-athletic and athletic aid, both unrestricted (from the university's tuition) and restricted (annual giving and endowment). He explained the percentages and dollar amounts associated with each type of aid for all student levels, including some graduate athletes.
 - Specifics of Aid Allocation: He further detailed how the aid is allocated between undergraduate and graduate students, emphasizing the university's support for tuition through these funds. Harrington clarified the distribution percentages and how they relate to the total aid provided, ensuring a clear understanding of how financial resources are allocated across different student groups.
 - Undergraduate and Graduate Aid Focus: Harrington broke down the aid into specific categories, showing how non-athletic and athletic aid is distributed among undergraduate and graduate students. He noted that while there is some graduate athletic aid, it is relatively minimal compared to other categories.

3. Communications Presentation (Johnathan Cromwell)

- Johnathan Cromwell led the latter part of the meeting with a comprehensive review of a new communication deck designed for the USF community. He started by expressing gratitude to various team members for their contributions, highlighting the collaborative effort involved in refining the presentation materials. Cromwell detailed the goal of the session: to secure final approval for the presentation materials and the plan for their dissemination. He emphasized the importance of enhancing communication and transparency regarding the university's budgetary processes.
- Presentation Overview: He discussed the upcoming plans to share the presentation with the USF community, aiming to increase understanding and facilitate broader discussions about the budget.
- Content of the Deck: Cromwell described the deck's contents, which included clarifications on budget formation, expense allocation, and revenue sources. He emphasized the deck's role in making complex budgetary information accessible and engaging to various stakeholders.
- Engagement Plans: Cromwell outlined strategies for engaging the community, including hosting Q&A sessions and creating FAQ documents to address common questions and concerns.
- Q (Shannon): What are the expenses and contributions from the law school? Cromwell and Michael Harrington clarified these points, ensuring the presentation accurately represented financial data.
- Suggestions for Improvement: Suggestions were made to enhance the presentation's clarity regarding external contributions and gifts, which are significant but not fully

captured in the operational budget. Cromwell agreed to refine the presentation to include these aspects.

- Approval and Next Steps: Cromwell proposed a plan to vote on the presentation and dissemination strategy via email, allowing members to review the materials and provide final feedback asynchronously.
- Cromwell wrapped up the meeting by reiterating the importance of the communication deck in fostering a deeper understanding of the budget process within the USF community. He highlighted the ongoing need to adapt the presentation to reflect the evolving discussions and concerns around the university's budgeting practices.