

University Budget Advisory Council
Action Minutes
June 15, 2023

Members present: Shannon Burchard, Sarah Blackburn, Johnathan Cromwell, Otgo Erhemjamts, Michael Goldman, Laura Hanneman, Michael Harrington, Jeff Lefkoff, Lindsey McClenahan, Elizabeth Merkel, Julie Orio, Spencer Rangitsch, Julia Schulte, John Zarobell

Members absent and excused: Opinder Bawa, Thao Khuong, Ethan Lee-Bellows

Announcements

Incoming Faculty Tri-chair will be Jonathan Cromwell
Staff elections completed
FY25 Budget timeline updated
Zarobell summarized UBAC's year and will be posted on the website. Comments welcome.

Approval of Action Minutes: May 9, 2023

Motion/2nd: Zarobell/Goldman **Vote:** 12 **Abstain:**

Board Reports June 2023 and UBAC Fiscal Year 2024 Calendar

Harrington highlighted areas in the FY23 Operating Forecast, noting it is still a forecast even though the fiscal year calendar has ended. The month of June begins preparations for a July audit.

- In September we reported that we would under perform in tuition. With a bit of help in savings from financial aid, the overall net tuition is forecasted to be under budgeted by about \$4.5M.
- The University continues to forecast 3-5% compensation salvage savings. Generally, all full-time positions are fully base budgeted. Due to our savings environment, some units have held off filling their positions, adding to the compensation salvage of close to \$10M.
- Management may move available budget within the fiscal year to better reflect spending needs and while staying within budget.
- The Reserves forecast uses the current available budget. If not needed, it becomes part of the operating surplus which is used to repay our Internal Bank.

FY24 Operating Budget FY24 UBAC Presentation

FY24 sources of expenses

- The largest expense is compensation, followed by unfunded financial aid (FA) budgets. Unfunded financial aid results in the university using its own resources, funded FA comes from gifts and endowments.
- Last six years have seen a decreasing headcount and student credit hours with an increasing aggregate discount rate, resulting in a challenging budget environment.
- Gross tuition increases over this time; however, our net tuition is relatively flat due to the increasing unfunded discount rate. Increasing expenses include inflationary and contract increases. We haven't been able to rely upon the growth of net tuition to fund our strategic initiatives.

FY24 sources of revenue

- Net Housing will increase \$1.2M
- Net tuition model results in a \$4.25M drop in net tuition for 2023-2024

- Law contribution will increase by \$600,000

Balancing the budget

- Sources of expense results in net balancing requirement of \$39,566,316 which was separated into two phases.
- Budget Balancing includes division compensation and division operating savings as well as centrally identified additional revenues and expense savings.
- Systemic challenges moving forward include enrollment growth, retention of existing students, and the management of discount rate all to grow net tuition.

Questions/comments

Referencing FY24 Budget Balancing by Source slide, is this a combination of Phase 1 and Phase 2 and the first two lines is essentially everything in Phase 1, correct? Generally speaking, yes.

Why are some of the numbers different from the Phase 2 document? This is a combination of both phases. e.g., debt service savings include both Phase 1 and 2 efforts..

There have been conversations about admitting students with additional scholarship when we have space. What impact does this have if we bring additional students at a higher discount rate? We want to do all that is possible to realize net revenue expectations. In the face of a likely shortfall, it makes sense to pursue additional net tuition enrollments. At the same time, we have to be careful about not adding additional classes or other expenses.

While offering students with increased financial support, students come for more than one year. We might find two years down the road, it might not be so advantageous as we will have to carry over the discount rate. Yes, but we'd also recognize the revenue over time.

Almost always feel frustrated that the amount of FA is always going up. It isn't the ideal planned enrollment strategy, but a response to the higher education environment and our under-enrollment of lower discounted students.

Did we anticipate a surplus? Yes.

Understand things change as we race towards the end. The communication over the last two months have been cut and more cuts, but now we land with a surplus. There is an approximate \$10M in unspent compensation. When units have budget and don't spend it, it's a different conversation.

How can we arrive at a more accurate sense of what we actually spend? Recommendation of UBAC for cuts to be base would be a helpful direction for the university moving forward. Having a budget that is base realigned to the university's current operating reality would be helpful.

One reason we see a large compensation salvage is because the cuts have been one-time. If those were to come more in line with base budgeting, we may have less of a discrepancy. Due to the psychology of year after year cutting, people may be more cautious in filling vacancies.

Surplus at end of year, the forecast has a reduction in reserves. Between 4th quarter forecast and year end close, what further adjustments are made? A lot of year end spending takes place in May and we need to generate a forecast in April. With the passage of time, each period forecast is likely to change.

When the first forecast comes out in fall 2024, will we see where we end up? Yes.

Orio commented that we still need to matriculate the student body. We are managing it through summer until the fall census. We are seeing melt look different, as students are depositing at multiple institutions. Zarobell added Berkeley and UCLA went “hard” to their waitlist. Students are also deciding not to attend college, cost for education is viewed differently post Covid. This will have a continued impact on universities like ours.

At what point did the Cabinet or President decide we use university wide measures to resolve Phase 2? Can't speak to the discussions, but with the passage of time we have benefited from the delay of the Blood Bank opening and a Kaiser lease termination.

In a normal year, when would Cabinet consider the use of university wide measures? In the draft budget timeline, it seems February is when discussions would/should take place. The Provost attended the March meeting and responded with a “no” to the question if any university wide measures would be considered. Calls into question the accuracy of the gap amount. Hope we get back to the usual cycle next year. The order of operations should be these decisions should be made earlier. The fact that the effort was divided into two phases, may represent the awareness that some university level savings would assist with Phase 2.

Orio added throughout the entire process, Cabinet was always looking at university wide savings. Some things did happen later in the cycle, e.g., Pedro Housing. This effort is an experiment, which is why these are one-time savings.

As far as the draft timeline, when UBAC meets in March, will the budget gap be discussed? If we return to a March budget presentation for the Board, we will have started the effort in January/February.

How to ensure these conversations at Cabinet are in dialogue with UBAC?

Harrington reviewed the FY25 Budget Draft Timeline with UBAC maintaining monthly meetings and will work with the faculty and staff Tri-chairs to review schedule and meetings as needed.

When top of line measures can be identified to reduce the budget gap, when BA requests are approved, at what point do people consider if the requests should be amended? Bringing online a new building like the Blood Bank is not something we will do annually. The termination lease of Pedro Arrupe is also an exceptional occurrence.

General discussion

Zarobell shared his reflections on shared governance, acceptance of UBAC's role as an advisory council, and the future of UBAC. Shared governance implies shared decision making and the implicit limitation has to have someone in charge. Fr. Paul as president, bears responsibility for decisions. It sometimes appears UBAC is not consulted. The role of UBAC is closer to how the Board consults on and approves university functions and budget. All have a stake in USF and the ability to bring concerns in order to give administration feedback that will make their decisions more responsive to the needs of the campus

community. UBAC did send out its recommendations re: base savings. This is one way UBAC can make contributions, but not executive function.

Rangitsch agrees with Zarobell's comments and encourages continued dialogue with Cabinet representatives, more engagement and communication so UBAC's work can be more in line with what Cabinet is considering.

Cromwell added this is the right topic to think about for next year, how can UBAC be useful in planning, operation and decision making related to budget. What information does Cabinet rely on, what information is missing, how can UBAC help with messaging to the university community? Actively pitching and framing UBAC as a resource in decisions and communications and would be valuable in this role.

Burchard commented it is helpful to hear how cuts from units are achieved, larger pain points that might trickle down; e.g., changes to IT has an impact on other units. There is opportunity in this space to see how decisions of one unit impacts another.

Rangitsch reminded UBAC that in prior years we had a series of presentations on savings allocations given by units. UBAC added additional meetings for Q&A based on cut plans which has been beneficial to the process.

Lefkoff added it is useful to think about this council as a mirror image of the board finance committee, and is a model for how this council can be most effective. Responsibility ultimately rests with the president. UBAC and Finance Committee want to help the president be successful in financial decisions. There is a significant difference, president reports to the Board which has a fiducial responsibility. UBAC can help through the education process, distribute information, not easily disseminated through other needs.

Good of the Order

Rangitsch reminded UBAC that one of the recommended educational workshops to be prioritized for when the committee returns in Fall is on enrollment projections and the correlations to our operating budget preparation and budget timeline.

Another consideration for UBAC to think about in the Fall is whether these UBAC Educational workshops will be open to the campus community at large.

Farewell to Jeff Lefkoff and UBAC Members transitioning off.

Good of the order

Adjourned 1:30 p.m.

