

MEMORANDUM

TO: Finance Committee, Board of Trustees, University of San Francisco
Board of Trustees, University of San Francisco

FROM: Jeff Hamrick, Vice Provost for Institutional Budget, Planning, and Analytics

SUBJECT: Revised Fiscal Year 2021 Operating Budget

DATE: October 12, 2020

Background and context. In the following memorandum, we present the salient features of a major revision to management's proposed fiscal year 2021 operating budget, as prepared for the Board of Trustees for its March 2020 meeting. We ask for this memorandum to be treated as an amendment to the Board budget documents submitted for that meeting.

Recall that the following decisions were made by the trustees at that March 2020 meeting, as the seriousness of the COVID-19 global pandemic became clearer:

- The trustees authorized the university's management to implement the placeholder fiscal year 2021 budget (and realize \$8.9 million in base savings necessary to balance that budget) in Banner Finance, even though the trustees were not formally approving that budget at that time (see Appendix 11);
- The trustees charged the university's management with implementing savings measures necessary to reduce anticipated fiscal year 2021 expenses to match the anticipated decline in fiscal year 2021 total net revenue; and
- The trustees asked the university's management to prepare a revision to the placeholder fiscal year 2021 operating budget that better reflected the impacts of COVID-19 on fiscal year 2021, with trustee review and approval to be scheduled for after the fall 2020 census.

The Continuity of Operations Working Group. As the global pandemic took shape, the President and his Cabinet organized a number of working groups to make recommendations concerning management of the university's financial, educational, and logistical response to the pandemic. Fr. Fitzgerald organized the Continuity of Operations Working Group, which is chaired by the Chief Financial Officer and Vice President for Business and Finance, Charlie Cross. Other members include: Tyrone Cannon, Interim Vice Provost and Vice President for Academic Affairs; Jeff Hamrick, Vice Provost for Institutional Budget, Planning, and Analytics; Donna Davis, Vice President and General Counsel; David Philpott, Assistant Vice President for Employee and Labor Relations; Ellen Ryder, Vice President for Marketing Communications; and Opinder Bawa, Chief Information Officer and Vice President for Information Technology Services.

Since this group was activated, it has made recommendations that have resulted in the defense of the university's fiscal year 2020 operating surplus; the conduct of conversations with several of the university's collective bargaining units; the implementation of furlough and salary reduction programs; and planning in support of the preparation of a revised fiscal year 2021 operating budget. The group continues to meet regularly as the current crisis persists.

Strategies and timelines. By late spring 2020, it was apparent that several large-scale (i.e., seven-figure or greater) savings measures would be necessary in order to mitigate the total net revenue shortfall for fiscal year 2021. Throughout the late spring and summer months, tracking forecasts suggested that the shortfall could easily be between \$40 and \$60 million. By mid-summer, when the San Francisco Department of Public Health made it clear that housing could only be offered to students with essential housing needs, it became clear that the shortfall would easily exceed \$50 million.

Of course, the fall 2020 post-census forecast of the total net revenue shortfall was not available during the middle of the summer to facilitate planning adjustments. The university's management nonetheless developed a two-pronged strategy for addressing the shortfall:

- **Centrally-coordinated savings measures** – such as cancellation of previously-planned pay increases, application of the fiscal year 2021 one-time budget for operating reserves, and salary reduction programs – that could not be implemented at the unit level but could realistically only be implemented at the level of the President's Cabinet.
- **Unit-driven savings measures** – such as targeted furloughs and layoffs, reductions in general operating or student worker compensation pools, and the cancellation (in the fiscal year 2021 one-time sense) of various faculty and staff position budgets – would also be necessary to address the shortfall.

The nature of the unit-driven savings process was unprecedented in the history of the university. Rather than develop quantitative models for allocating some aggregate savings target to the various units, the units were simply asked to reconsider their requirements for expense budgets in light of the university's remote learning and working conditions, as well as its pandemic-related declines in enrollment. The President asked for units to avoid identifying expense budget reductions related to three priorities:

1. The health, safety, and well-being of all the university's stakeholders;
2. Information technology investments necessary to assist the university's faculty and staff with delivering outstanding curricular and co-curricular experiences to its students; and
3. Marketing- and recruitment-related expenditures necessary to successfully meet the university's enrollment objectives for fiscal year 2021 and beyond.

The units responded in force to the request for additional fiscal year 2021 one-time savings, producing approximately \$25.906 million in such savings that ultimately lead to a balanced fiscal year 2021 one-time budget.

Conversations with collective bargaining units. The university's management understood by late spring 2020 that cancellation of previously-planned compensation increases or implementation of salary reduction programs would require coordination with one or more of its seven collective bargaining units.

Recall that the university's seven collective bargaining units are as follows: the USF Faculty Association (USFFA, i.e., for full-time faculty members outside of the School of Law), the USF Part-Time Faculty Association (PTFA), the Association of Law Professors (ALP), the Office and Professional Employees International Union (OPEIU) Local 29 (i.e., for its clerical workers), the Public Safety Officers Association (PSOA), the International Union of Operating Engineers (Stationary Local Number 39), and the United Service Workers West (i.e., its gardeners and laborers).

The university's management focused most of its negotiating efforts on the USF Faculty Association, the largest collective bargaining unit by full-time equivalent headcount. The bulk of the savings realized from the cancellation of previously-planned compensation increases, and the implementation of salary reduction programs, are attributable to the university's Leadership Team, its non-represented employees, members of the USF Faculty Association, and the PSOA. However, these groups were partially joined by the university's laborers and gardeners, who agreed to a freeze in compensation increases but not to enter into a salary reduction program.

The university's management chose not to pursue formal conversations with the Local 39, the OPEIU and the PTFA. Fiscal year 2021 savings associated with the first two of these groups are being realized through furloughs, retirements, and layoffs. Savings from the latter group are being realized through reduction in course section count. Conversations with the Association of Law Professors are currently ongoing.

From placeholder to revision: the university's fiscal year 2021 revenue budgets. As of the fall 2020 census, the university was short 151 and 60 first-time first-year domestic and international matriculants, respectively. It was additionally short by two domestic transfer matriculants and 15 international transfer matriculants.

Among rising sophomores, juniors, seniors, and super-seniors, the university was short 195 students of the headcount objectives established in the placeholder budget (see Appendix 11). Enrollments of new and continuing graduate students were, in aggregate, consistent with the objectives established prior to the onset of COVID-19.

These shortfalls in student headcount required at least one-time reductions in related net tuition budgets in the university's revised fiscal year 2021 operating budget. Arguably more painful, however, were one-time reductions in auxiliary revenue budgets, including those budgets capturing revenue activity connected to the operation of the university's residential facilities (see Appendix 3).

In Appendix 1, one can see that the university's management proposes a one-time reduction of \$21.677 million in the university's tuition budgets, with an attendant decrease of \$1.552 million in various fee budgets and an increase of approximately \$250,000 in tuition exception budgets. Investment income and realized gains/losses budgets – mostly driven by interest income from the university's cash balances – were reduced by \$945,000, primarily due to lower interest rates. Auxiliary revenue budgets are proposed to fall by approximately \$28 million, with approximately \$24 million of that drop associated with the skeletal nature of the university's fiscal year 2021 residential hall operations (see Appendix 4). Board revenue is planned to decline by approximately \$9.360 million. Other revenue budgets are slated to fall by approximately \$1.377 million. In aggregate, the proposed adjustments related to revenue (or contrarevenue budgets other than financial aid) total approximately \$63.148 million.

In Appendix 2, there is a breakdown of these adjustments to revenue budgets by unit. A similar breakdown is available at the divisional level in Appendix 3. Most of the adjustments related to tuition are captured in the schools and the College of Arts and Sciences, though large adjustments are also captured in Unit 53 (Food Services) and Unit 61 (Vice President for Student Life). Appendix 5 and Appendix 6 provide visualizations of the pre-adjustment (i.e., placeholder) and post-adjustment (i.e., revised) revenue and expense budgets by category and by unit, respectively. Appendix 8 illustrates how, in general, the proposed one-time adjustments to revenue budgets are strongly connected to management's post-census forecasts of revenue.

From placeholder to revision: the university's fiscal year 2021 expense budgets. Appendices 1 and 2 detail the outcomes of both fiscal year 2021 centrally-coordinated savings measures and unit-driven savings measures, but from two different points of view. In Appendix 1, the impacts of both centrally-coordinated savings as well as unit-driven savings are shown, as organized by expense category. In Appendix 2, the impacts of both types of savings efforts are shown, but are organized instead by unit.

So, for example, the \$7.3 million in full-time faculty salary savings in Appendix 1 are related to foregone previously-planned fiscal year 2021 salary increases and the salary reduction program agreed to by the USF Faculty Association in summer 2020 (see below for further details). However, the \$2.5 million in full-time faculty salary savings in the unit-driven savings column comes from deans giving up the one-time budgets in vacant full-time faculty lines. Some of these lines were already vacant at the close of fiscal year 2020; others became vacant in connection with early retirement buyouts implemented by the university's management in May 2020. Through both centrally-coordinated efforts and unit-driven efforts, and inclusive of benefits, the university's management now proposes to reduce employee compensation budgets by approximately \$33.242 million (again, in the fiscal year 2021 one-time sense).

Also, in Appendix 1, one can see that – mostly in light of reduced student headcount – the university's management is proposing a \$3.640 million reduction in the size of the unfunded financial aid budget. Between centrally-coordinated and unit-driven savings measures, the university's management is proposing to reduce general operating pools by \$8.415 million,

again in the fiscal year 2021 one-time sense. Facilities expenses are planned for a decrease of \$2.040 million, again in that same sense. Food service expenses are planned to decrease by \$8.510 million – partially, but not completely, offsetting the previously-mentioned \$9.360 million decrease in revenue budgets related to delivery of food services.

Management believes that during this period of unprecedented uncertainty, it would be prudent to implement a one-time increase in its expense budget for bad debt by \$300,000. The Division of Business and Finance proposes a slight decrease to the debt service budget as part of its unit-driven savings efforts, as well as a \$2.267 million decrease in capital and depreciation expense budgets. The fiscal year 2021 budget for the university's operating reserves sees an application of \$3.132 million, leaving \$4.682 million as a cushion for managing additional unexpected contingencies for the duration of fiscal year 2021.

As part of the submission of this amendment to the placeholder fiscal year 2021 budget (see Appendix 11), the university's management is proposing the release of \$2,000,000 in quasi-endowment to support the operating fund, and this release is shown as a transfer into the operating fund in Appendix 1. This quasi-endowment support, not being true revenue in the accounting sense, will not ultimately favorably support the university's fiscal year 2021 statement of activities.

Inclusive of this additional support from outside the operating fund, the university's management has identified \$63.148 million in one-time decreases to fiscal year 2021 expense budgets to match the revenue declines discussed in the previous section of this memorandum.

In Appendix 2, the same information about management's reductions in expense budgets is captured and broken out at the unit level (or, in Appendix 3, at the divisional level). It is clear that reductions in expense budgets were both broad and deep, impacting every unit at the university, and some units (e.g., Facilities, which understandably sees less activity when the campus is largely shuttered) bearing a proportionally larger share of the burden.

Again, Appendix 5 and Appendix 6 provide visualizations of the pre-adjustment (i.e., placeholder) and post-adjustment (i.e., revised) revenue and expense budgets by category and by unit, respectively. Not surprisingly, the service units (i.e., the units outside of the Division of Academic Affairs) bore a proportionately larger share of the burden of the COVID-19 supplemental savings identification process (see appendix 6). Also unsurprising is the growth (as a proportion of aggregated gross expense budgets) in the unfunded financial aid budget, since the President placed a high priority on the preservation of student financial aid packages. Appendix 8 illustrates how, in general, the proposed one-time adjustments to revenue budgets are strongly connected to management's post-census forecasts of revenue.

Appendix 7 organizes the information related to fiscal year 2021 expense cuts by broad categories, and provides an easy way to see how the university's management balanced the revised fiscal year 2021 budget. In total, \$34.2 million in savings came from reductions in employee compensation budget, followed in magnitude by \$11.836 million in savings from

general operating pools, facilities expense budgets, and capital expenditure and depreciation budgets. The financial aid received was subjected to a relatively modest decrease of \$3.597 million. Food service expense budgets were reduced by \$8.510 million, though these budgets stand in a (mostly) pass-through arrangement with their corresponding revenue budgets.

About the university's salary reduction programs. During the opening weeks of the global pandemic, Fr. Fitzgerald committed to taking a 20% reduction in his own planned fiscal year 2021 compensation (which is passed along directly to the Jesuit community at the University of San Francisco). Other members of the university's Leadership Team quickly followed suit, committing to 15% (or more) reductions in their own compensation for fiscal year 2021.

The USF Faculty Association effectively agreed to fund its own promotions and step increases for fiscal year 2021, vis-à-vis a 1.5% across-the-board reduction in every full-time faculty member's compensation. Following that 1.5% across-the-board reduction (and after implementation of promotions and steps for its members), the USF Faculty Association agreed to the following program of salary reduction for its members:

- USFFA members with an August 1, 2020 annual salary less than or equal to \$70,000 experienced no reduction;
- USFFA members with an August 1, 2020 annual salary strictly greater than \$70,000 but less than or equal to \$100,000 saw a reduction of 15% of the amount strictly greater than \$70,000;
- USFFA members with an August 1, 2020 annual salary strictly greater than \$100,000 but less than or equal to \$130,000 saw a reduction of 20% of the amount strictly greater than \$100,000, plus \$4,500;
- USFFA members with an August 1, 2020 annual salary strictly greater than \$130,000 will saw a reduction of 25% of the amount greater than \$130,000, plus \$10,500; and
- From the salary reduction program described above, no USFFA member will see an effective (i.e., overall, i.e., ignoring the 1.5% across-the-board reduction) further reduction of more than 10%.

For Faculty Association members, this program is equivalent to a marginal reduction of 0% on the first \$70,000 of annual salary (as of August 1, 2020), a marginal reduction of 15% on the next \$30,000 of annual salary (as of August 1, 2020), a marginal reduction of 20% on the next \$30,000 of annual salary (as of August 1, 2020), and a marginal reduction of 25% on any annual salary (as of August 1, 2020) in excess of \$130,000. The salary reduction program into which non-represented employees were entered was substantially similar, but with a higher (i.e., 15% instead of 10%) overall cap on the percentage reduction and no across-the-board reduction related to step increases (which are essentially unique to the Faculty Association):

- Employees with an August 1, 2020 annual salary less than or equal to \$70,000 will experience no reduction;

- Employees with an August 1, 2020 annual salary strictly greater than \$70,000 but less than or equal to \$100,000 will see a reduction of 15% of the amount strictly greater than \$70,000;
- Employees with an August 1, 2020 annual salary strictly greater than \$100,000 but less than or equal to \$130,000 will see a reduction of 20% of the amount strictly greater than \$100,000, plus \$4,500; and
- Employees with an August 1, 2020 annual salary strictly greater than \$130,000 will see a reduction of 25% of the amount greater than \$130,000, plus \$10,500.
- From the salary reduction program described here, no employee will see an effective (i.e., overall) reduction of more than 15%.

Though no university employee is happy about being entered into their salary reduction program, these programs are highly progressive. All employees receive the same protection for the first \$70,000 of their salaries, and then – progressively – higher levels of salary were reduced more aggressively.

“Cushioning” initiatives in place for the duration of fiscal year 2021. Note that aside from explicitly identifying expense budgets for one-time reductions, the Continuity of Operations Working Group has made recommendations to the President’s Cabinet concerning other measures designed to discourage expenditures not deemed essential to the university’s operations. These recommendations have included, but are not limited to, the following:

- A hiring freeze remains in place for all of the university’s units. Vice presidents may, in their discretion, unfreeze positions deemed critical to stakeholder health and safety, essential aspects of the university’s operations, and the enrollment of future cohorts of students.
- Until after the fall 2020 census, there was a general prohibition in place against the hiring of temporary employees or contractors. Exceptions were possible but required the approval of Fr. Fitzgerald. After the fall 2020 census, the prohibition was lifted. However, vice presidents are still being asked to carefully review and to personally approve all within-unit proposals to hire temporary workers and employees.
- Employees were asked to make greater use of their vacation balances, with an eye towards reducing those balances to 90 or fewer hours by December 31, 2020. Recently, this so-called “burn-down” mandate has been lifted, though the university will permanently reduce the maximum balance of vacation hours that can be rolled from one fiscal year to the next, starting on August 31, 2021.
- Unit managers have been discouraged (but not forbidden) from making any unnecessary expenditures from general operating pools, or from making additional pay assignments for either faculty or staff, until the abatement of the current crisis.

Taken together with the remaining and currently unapplied one-time balance in the university’s operating reserves, these measures should lock into place a modest fiscal year 2021 operating surplus – provided that fall-to-spring attrition is not much worse than anticipated. If that

attrition is worse than expected, trustees should expect to see a significant contraction in the forecasted fiscal year 2021 operating surplus.

Planning considerations for fiscal year 2022 and beyond. Multi-year budget and planning efforts are challenging even in a fairly predictable environment. The uncertainties present in the current context will make forming the fiscal year 2022 budget difficult, to say the least. Key questions on the mind of the university's decision-makers include the following:

- How many continuing students who did not return for fall 2020 will return in spring 2021 or fall 2021? Or, will these students not ever return to the university?
- How will long-standing planning assumptions around the rising sophomore and rising junior return rates need to be modified in light of current conditions?
- How should tuition rates be set, given current conditions?
- Should the university seek to restore employee salaries, effective May 31, 2020, or should it plan on seeking to make permanent the salary reduction programs put into place for fiscal year 2021?
- How will the university's philosophy and practices concerning employee compensation increases need to change, given the current circumstances?
- Is there any way to mitigate the likely increase in competition on the basis of net price, i.e., rising discount rates?
- What investments of operating budget does the university need to make to better position itself for a post-COVID-19 world, e.g., investments in HyFlex classrooms?
- How will other institutions of higher learning – and, in particular, our competitors – respond both tactically and strategically to the current environment?

Appendix 1: FY21 Board Budget by Category

	Placeholder w/o Savings	Base Savings	Placeholder w Savings	COVID Response				Management Adjustments	FY21 Board Budget
				Revenue Adjustments	Central Savings	Unit-driven Savings	COVID Total		
Account Level									
5A - Tuition	(439,677,002)	-	(439,677,002)	21,677,432	-	-	21,677,432	-	(417,999,570)
5B - Tuition Exceptions	3,024,451	-	3,024,451	249,999	-	-	249,999	-	3,274,450
5C - Fees	(3,839,103)	-	(3,839,103)	1,552,402	-	-	1,552,402	75,000	(2,211,701)
5H - Grants & Contracts	-	-	-	(28,000)	-	-	(28,000)	-	(28,000)
5J - Gifts & Contributions	(1,502,500)	-	(1,502,500)	-	-	-	-	-	(1,502,500)
5M - Investment Income	(2,314,311)	-	(2,314,311)	1,175,000	-	-	1,175,000	-	(1,139,311)
5P - Realized Gains & Losses	230,000	-	230,000	(230,000)	-	-	(230,000)	-	-
5V - Auxiliary Revenue	(32,442,055)	(170,900)	(32,612,955)	28,014,818	-	-	28,014,818	(47,000)	(4,645,137)
5W - Board Revenue	(10,400,000)	-	(10,400,000)	9,360,000	-	-	9,360,000	-	(1,040,000)
5Z - Other Revenue	(1,932,009)	-	(1,932,009)	1,377,000	-	-	1,377,000	-	(555,009)
Revenue	(488,852,529)	(170,900)	(489,023,429)	63,148,651	-	-	63,148,651	28,000	(425,846,778)
61 - Full-Time Faculty	67,254,167	(1,068,408)	66,185,759	-	(7,373,724)	(2,505,894)	(9,879,618)	(230,081)	56,076,060
62 - Part-Time Faculty	23,849,236	(1,539,074)	22,310,162	-	-	(619,074)	(619,074)	(243,868)	21,447,220
65 - Full Time Staff	87,101,561	(943,302)	86,158,259	-	(5,347,607)	(5,508,099)	(10,855,706)	(107,818)	75,194,735
67 - Other Staff	2,295,845	(9,644)	2,286,201	-	1,172,894	(333,103)	839,791	(151,090)	2,974,902
68 - Student Staff	8,469,988	(338,899)	8,131,089	-	(3,420,897)	(1,124,412)	(4,545,309)	(7,759)	3,578,021
69 - Benefits	65,108,334	(1,143,015)	63,965,319	-	(4,915,990)	(3,266,553)	(8,182,543)	(217,182)	55,565,594
71 - General Operating	46,087,994	6,937,675	53,025,669	-	(373,945)	(8,041,410)	(8,415,355)	1,105,955	45,716,269
73 - Scholarships	124,381,212	(20,000)	124,361,212	(2,675,343)	(965,580)	-	(3,640,923)	43,600	120,763,889
74 - Facilities Expenses	15,666,923	(1,300,000)	14,366,923	-	-	(2,040,124)	(2,040,124)	(3,800)	12,322,999
75 - Food Service	10,550,000	-	10,550,000	-	(8,510,000)	-	(8,510,000)	-	2,040,000
76 - Ins/Coll/Bad Debt/Loans	3,324,777	-	3,324,777	300,000	-	-	300,000	65	3,624,842
78 - Debt Service	16,626,578	-	16,626,578	-	-	(200,000)	(200,000)	-	16,426,578
79 - Capital & Depreciation Expense	10,639,784	(404,433)	10,235,351	-	-	(2,267,297)	(2,267,297)	(216,022)	7,752,032
7A - Reserves	7,815,036	-	7,815,036	(60,773,308)	31,734,849	25,905,966	(3,132,493)	-	4,682,543
82 - Transfers In	(318,906)	-	(318,906)	-	(2,000,000)	-	(2,000,000)	-	(2,318,906)
Expense & Transfers	488,852,529	170,900	489,023,429	(63,148,651)	-	-	(63,148,651)	(28,000)	425,846,778
Grand Total	-	-	-	-	-	-	-	-	-

Appendix 2: FY21 Board Budget by Unit

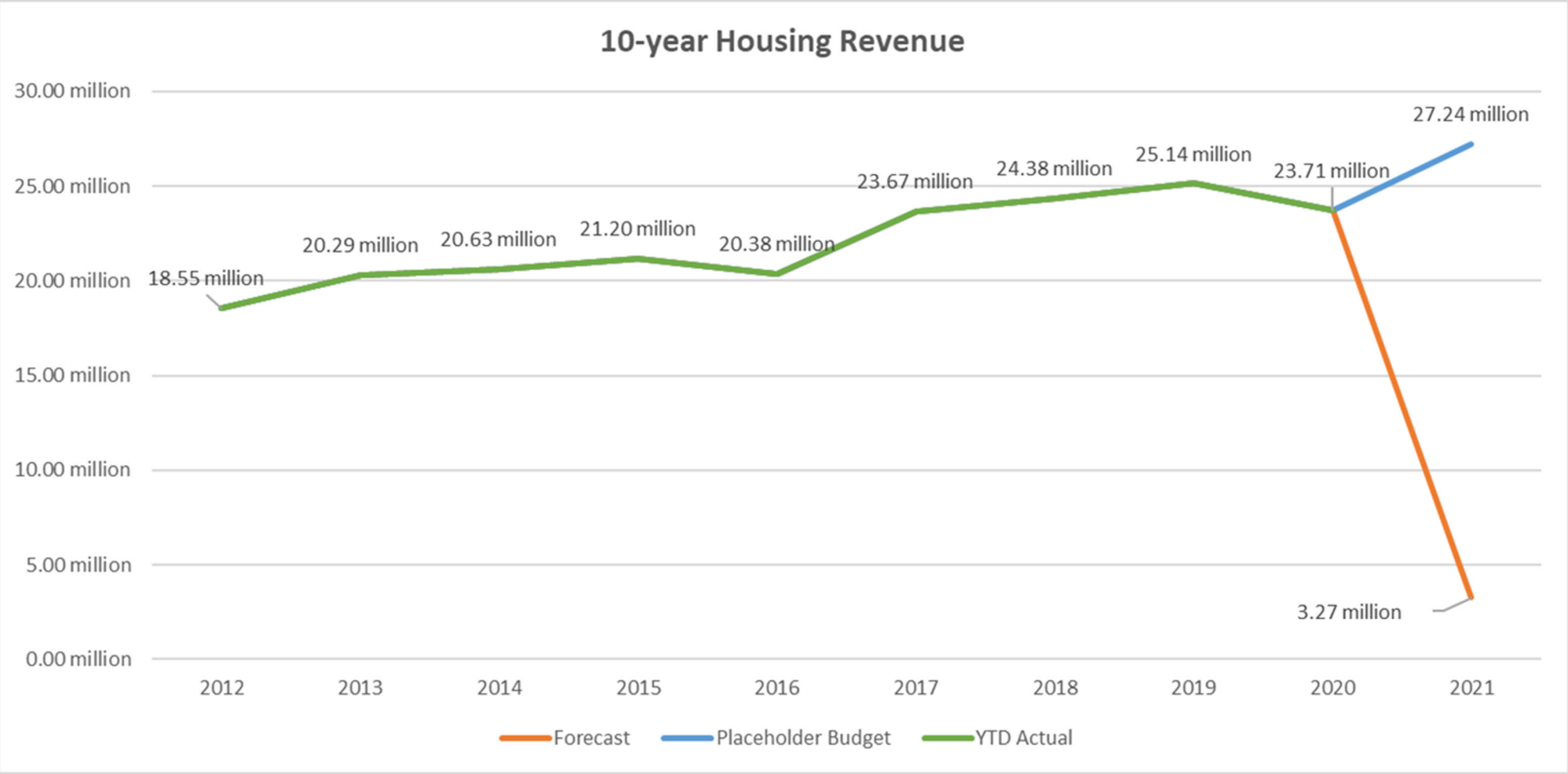
	Placeholder		Placeholder	COVID Response				Management	FY21 Board Budget
	w/o Savings	Base Savings	w Savings	Revenue Adjustments	Central Savings	Unit-driven Savings	COVID Total	Adjustments	
Unit Level									
11 - PRESIDENT	3,166,127	(157,000)	3,009,127	50,700	(265,313)	(316,320)	(530,933)	202,340	2,680,534
15 - GENERAL COUNSEL	1,530,711	(5,000)	1,525,711	-	(113,722)	(82,332)	(196,054)	54,383	1,384,040
21 - ARTS AND SCIENCES	(197,678,982)	(590,938)	(198,269,920)	17,825,518	(6,024,900)	(3,245,114)	8,555,504	1,839,677	(187,874,739)
23 - SCHOOL OF MANAGEMENT	(40,947,943)	(585,000)	(41,532,943)	3,848,350	(1,612,740)	(999,912)	1,235,698	408,496	(39,888,749)
25 - EDUCATION	(10,804,578)	(302,009)	(11,106,587)	(1,106,139)	(766,027)	(349,554)	(2,221,720)	473,194	(12,855,113)
26 - LAW	-	-	-	235,993	9,455	(2,437,621)	(2,192,173)		(2,192,173)
27 - NURSING AND HEALTH PROFESSIONS	(40,891,809)	(383,000)	(41,274,809)	125,384	(868,843)	(864,137)	(1,607,596)	738,360	(42,144,045)
31 - PROVOST	5,202,405	(100,000)	5,102,405	132,000	(32,748)	(531,690)	(432,438)	(897,461)	3,772,506
32 - PROVOST PASS THROUGH	32,376,138	(1,893,062)	30,483,076	-	(3,099,093)	(2,413,550)	(5,512,643)	(2,855,719)	22,114,714
33 - ENROLLMENT MANAGEMENT	13,445,529	(428,000)	13,017,529	6,946	(420,547)	(1,502,808)	(1,916,409)	46,437	11,147,557
34 - FINANCIAL AID SCHOLARSHIPS	102,635,744	-	102,635,744	(1,529,695)	-	-	(1,529,695)		101,106,049
35 - GLEESON LIBRARY	8,417,865	(281,000)	8,136,865	-	(318,111)	(471,731)	(789,842)	183,752	7,530,775
36 - INSTIT PLANNING AND EFFECTIVENESS	2,476,124	-	2,476,124	-	(175,866)	(335,770)	(511,636)	(654)	1,963,834
38 - ACADEMIC & INTERNATIONAL ACTIVITIES	7,208,412	(172,000)	7,036,412	346,623	(161,408)	(1,264,358)	(1,079,143)	8,091	5,965,360
3A - ADDITIONAL CAMPUSES	3,087,646	(205,000)	2,882,646	-	(31,565)	(565,322)	(596,887)	(1,367)	2,284,392
3B - DIVERSITY AND COMMUNITY OUTREACH	501,696	(22,000)	479,696	-	(47,053)	(96,474)	(143,527)	858	337,027
41 - VP DEVELOPMENT	11,786,895	(371,000)	11,415,895	-	(536,639)	(1,025,000)	(1,561,639)	93,546	9,947,802
44 - VP MARKETING COMMUNICATIONS	5,721,294	(275,000)	5,446,294	-	(266,662)	(61,979)	(328,641)	4,705	5,122,358
45 - ATHLETICS	15,599,708	-	15,599,708	1,968,470	(175,149)	(765,805)	1,027,516	9,935	16,637,159
51 - VP BUSINESS & FINANCE	3,976,770	-	3,976,770	419,332	(395,468)	(389,628)	(365,764)	212,445	3,823,451
52 - ACCOUNTING AND BUSINESS SERVICES	2,045,697	(32,000)	2,013,697	714,370	(2,225,839)	(120,000)	(1,631,469)	11,113	393,341
53 - FOOD SERVICES	(64,733)	-	(64,733)	9,360,000	(8,510,000)	-	850,000		785,267
54 - HUMAN RESOURCES	2,169,666	(175,000)	1,994,666	-	(123,215)	(17,000)	(140,215)	307	1,854,758
55 - FACILITIES MANAGEMENT	26,938,409	(1,500,000)	25,438,409	4,120	(188,949)	(3,159,352)	(3,344,181)	(188,641)	21,905,587
56 - PURCHASING	681,854	-	681,854	-	(57,799)	(75,001)	(132,800)	3,797	552,851
57 - FINANCE AND TREASURY	15,945,282	-	15,945,282	945,000	(15,105)	(200,000)	729,895		16,675,177
61 - VP STUDENT LIFE	(6,609,346)	(583,037)	(7,192,383)	26,389,945	(2,907,351)	(2,358,039)	21,124,555	(132,949)	13,799,223
62 - STUDENT DEVELOPMENT	2,959,324	(46,300)	2,913,024	28,091	(78,910)	(169,536)	(220,355)	8,459	2,701,128
63 - STUDENT ENGAGEMENT	1,835,760	(79,210)	1,756,550	5,000	(49,644)	(214,593)	(259,237)	11,730	1,509,043
64 - STUDENT ACADEMIC ACHIEVEMENT	4,259,830	(82,500)	4,177,330	-	(191,618)	(116,325)	(307,943)	271,450	4,140,837
71 - CHIEF INFORMATION OFFICER	26,755,609	(691,000)	26,064,609	-	(783,493)	(1,757,015)	(2,540,508)	119,570	23,643,671
91 - UNIVERSITY	(3,727,104)	8,959,056	5,231,952	(59,770,008)	30,434,322	25,905,966	(3,429,720)	(625,854)	1,176,378
Grand Total	-	-	-	-	-	-	-	-	-

Appendix 3: FY21 Board Budget by Division

	Placeholder		Placeholder	COVID Response				Management	FY21 Board Budget
	w/o Savings	Base Savings	w Savings					Adjustments	
Division Level				Revenue Adjustments	Central Savings	Unit-driven Savings	COVID Total		
10 - PRESIDENT	3,166,127	(157,000)	3,009,127	50,700	(265,313)	(316,320)	(530,933)	202,340	2,680,534
14 - GENERAL COUNSEL DIVISION	3,700,377	(180,000)	3,520,377	-	(236,937)	(99,332)	(336,269)	54,690	3,238,798
20 - PROVOST DIVISION	(290,323,312)	(1,860,947)	(292,184,259)	20,929,106	(9,263,055)	(7,896,338)	3,769,713	3,459,727	(284,954,819)
30 - PROVOST DIVISION-NON SCHOOLS	175,351,559	(3,101,062)	172,250,497	(1,044,126)	(4,286,391)	(7,181,703)	(12,512,220)	(3,516,063)	156,222,214
40 - DEVELOPMENT DIVISION	11,786,895	(371,000)	11,415,895	-	(536,639)	(1,025,000)	(1,561,639)	93,546	9,947,802
43 - MARKETING COMMUNICATIONS DIV	5,721,294	(275,000)	5,446,294	-	(266,662)	(61,979)	(328,641)	4,705	5,122,358
50 - BUSINESS & FINANCE DIVISION	49,523,279	(1,532,000)	47,991,279	11,442,822	(11,393,160)	(3,943,981)	(3,894,319)	38,714	44,135,674
58 - ATHLETICS	15,599,708	-	15,599,708	1,968,470	(175,149)	(765,805)	1,027,516	9,935	16,637,159
60 - STUDENT LIFE DIVISION	2,445,568	(791,047)	1,654,521	26,423,036	(3,227,523)	(2,858,493)	20,337,020	158,690	22,150,231
70 - INFORMATION TECHNOLOGY SERVICES DIV	26,755,609	(691,000)	26,064,609	-	(783,493)	(1,757,015)	(2,540,508)	119,570	23,643,671
90 - UNIVERSITY	(3,727,104)	8,959,056	5,231,952	(59,770,008)	30,434,322	25,905,966	(3,429,720)	(625,854)	1,176,378
Grand Total	-	-	-	-	-	-	-	-	-

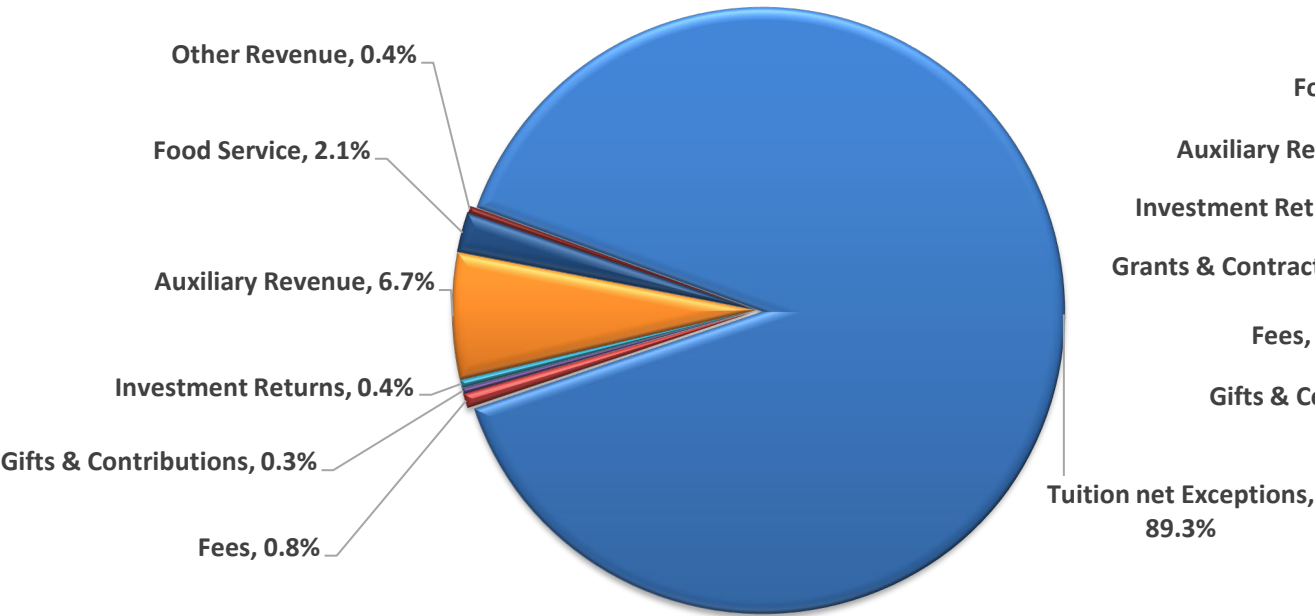
Appendix 4

10-year Housing Revenue

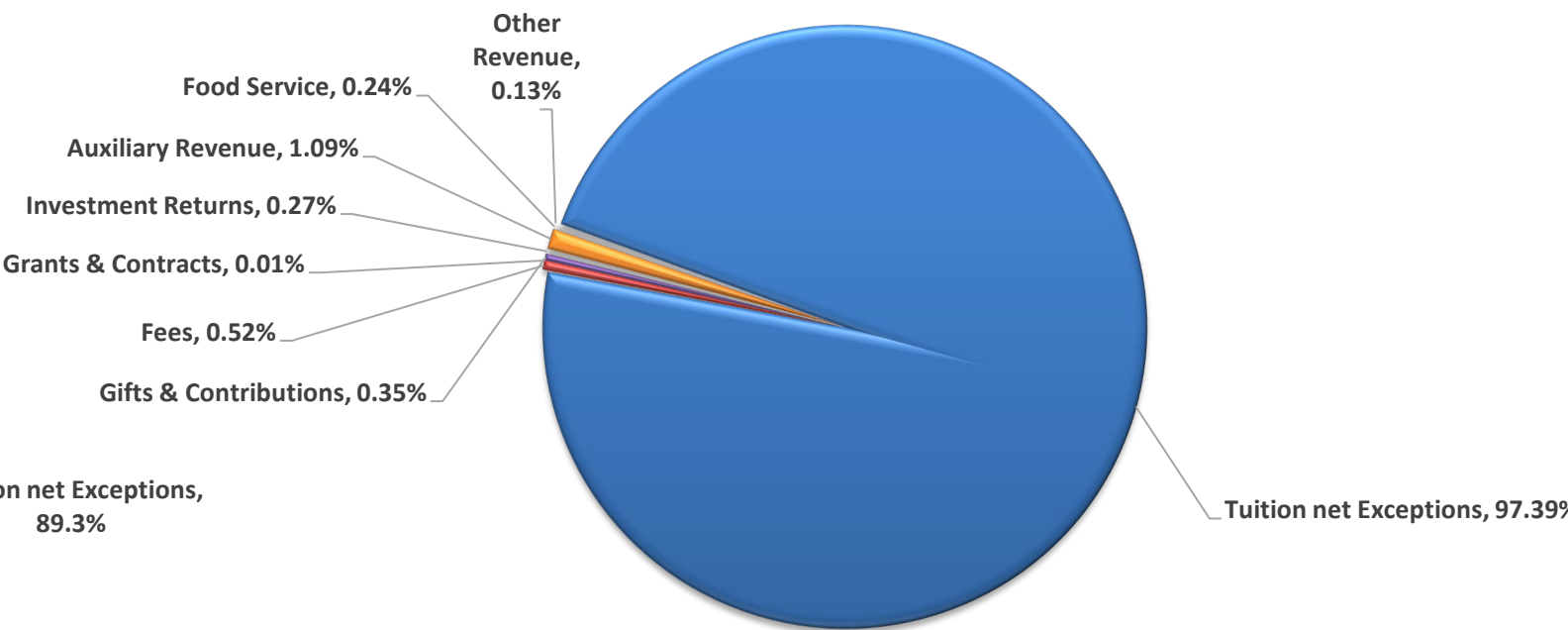


Appendix 5

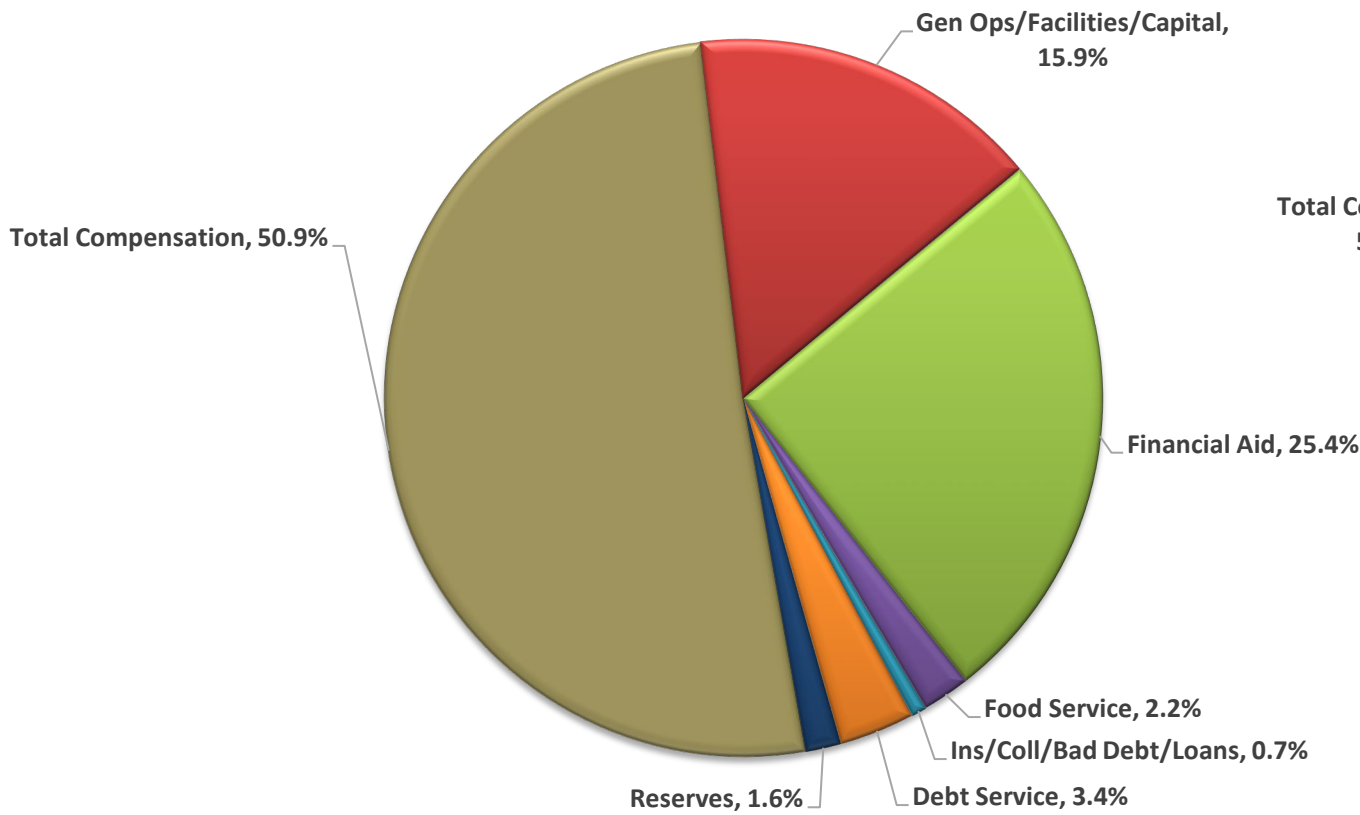
FY21 (Placeholder w Savings) Revenue by Category



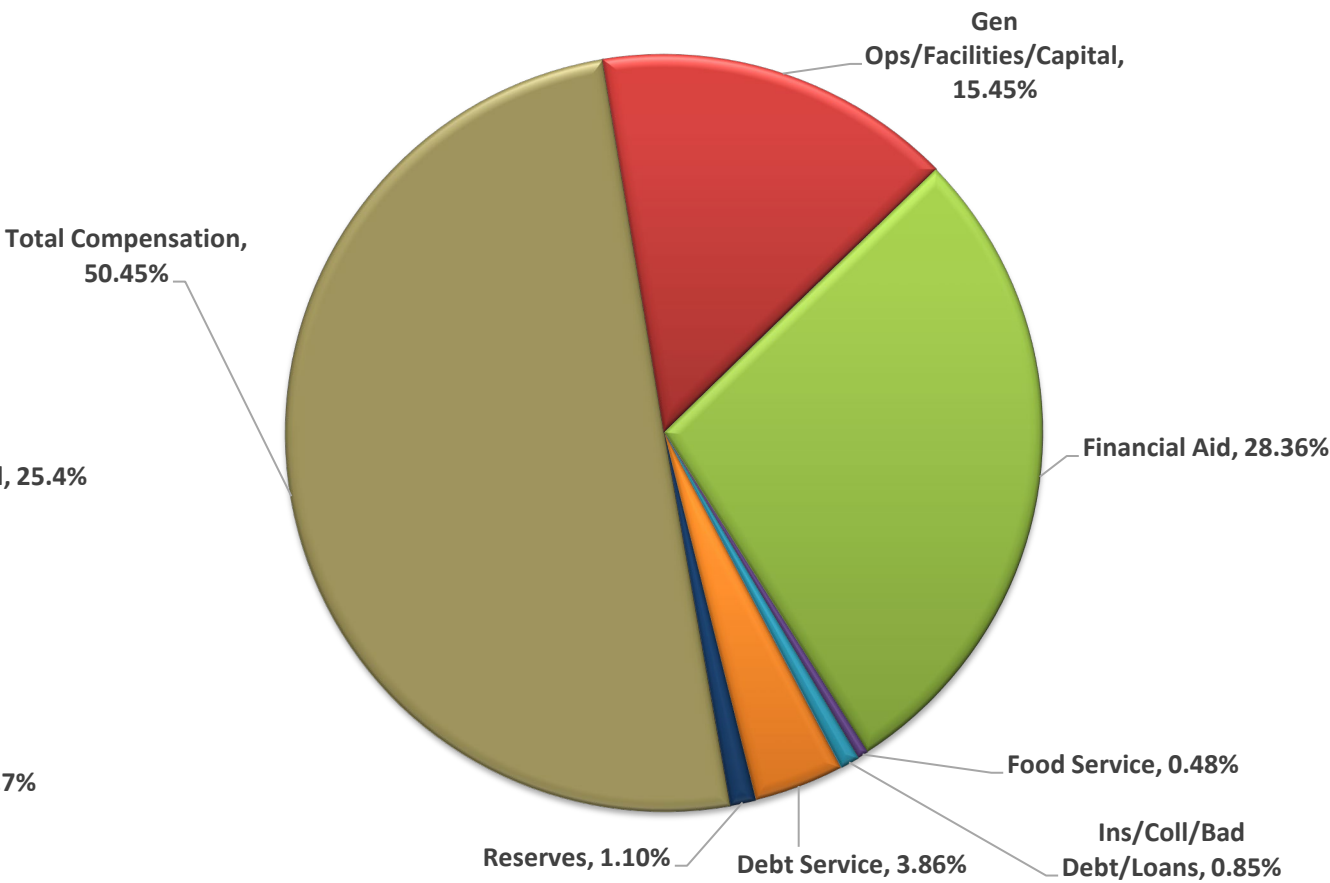
FY 2021 Board Budget Revenue by Category



FY 2020 (Placeholder w Savings) Expense by Category

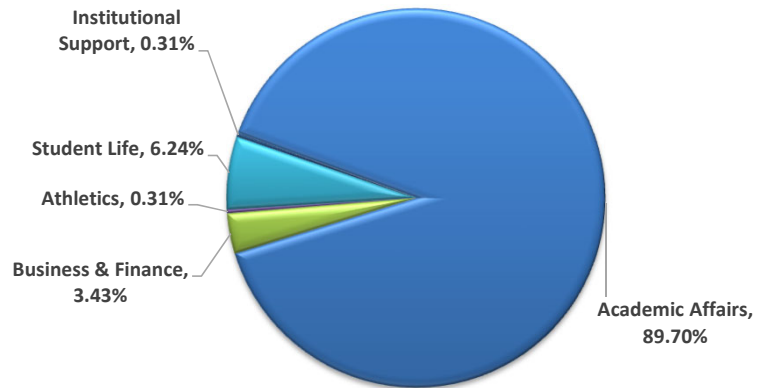


FY 2021 Board Budget Expense by Category

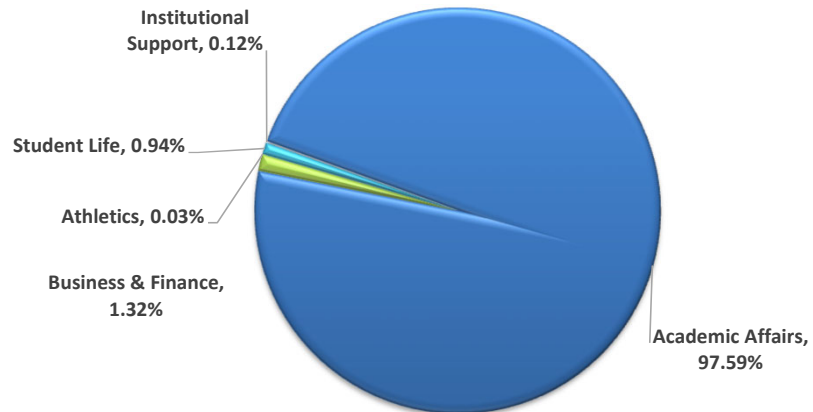


Appendix 6

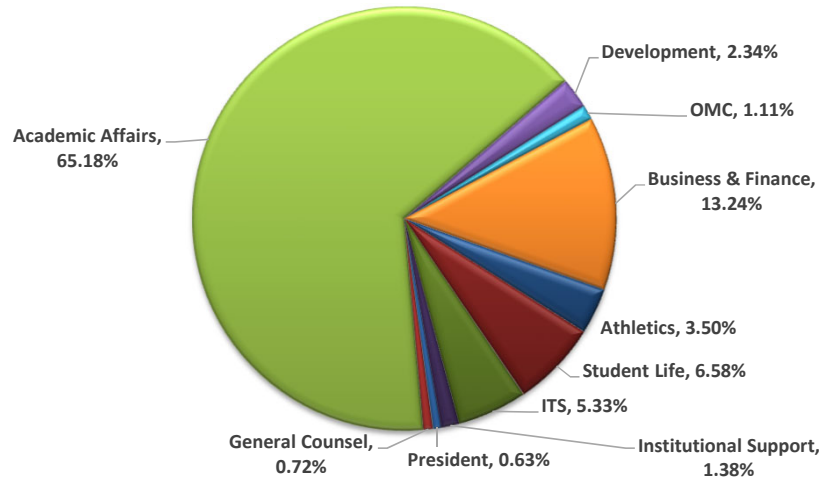
FY21 (Placeholder w Savings) Revenue by Primary Functional Areas



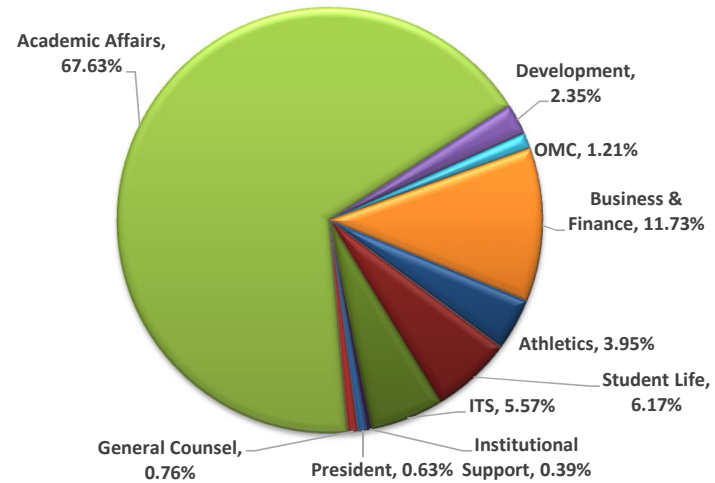
FY21 Board Budget Revenue by Primary Functional Areas



FY21 (Placeholder w Savings) Expense by Primary Functional Areas

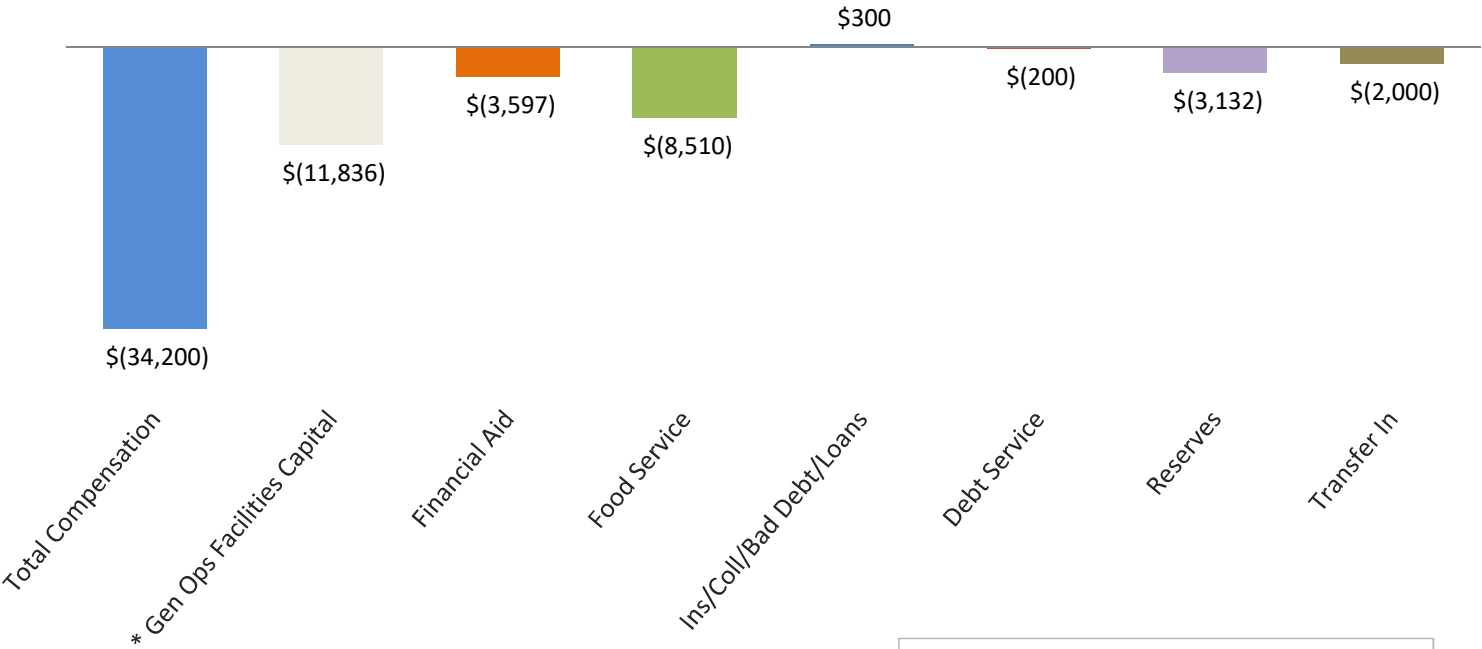


FY21 Board Budget Expense by Primary Functional Areas



Appendix 7

FY21 Change in Expense Budgets



All figures in \$1,000's

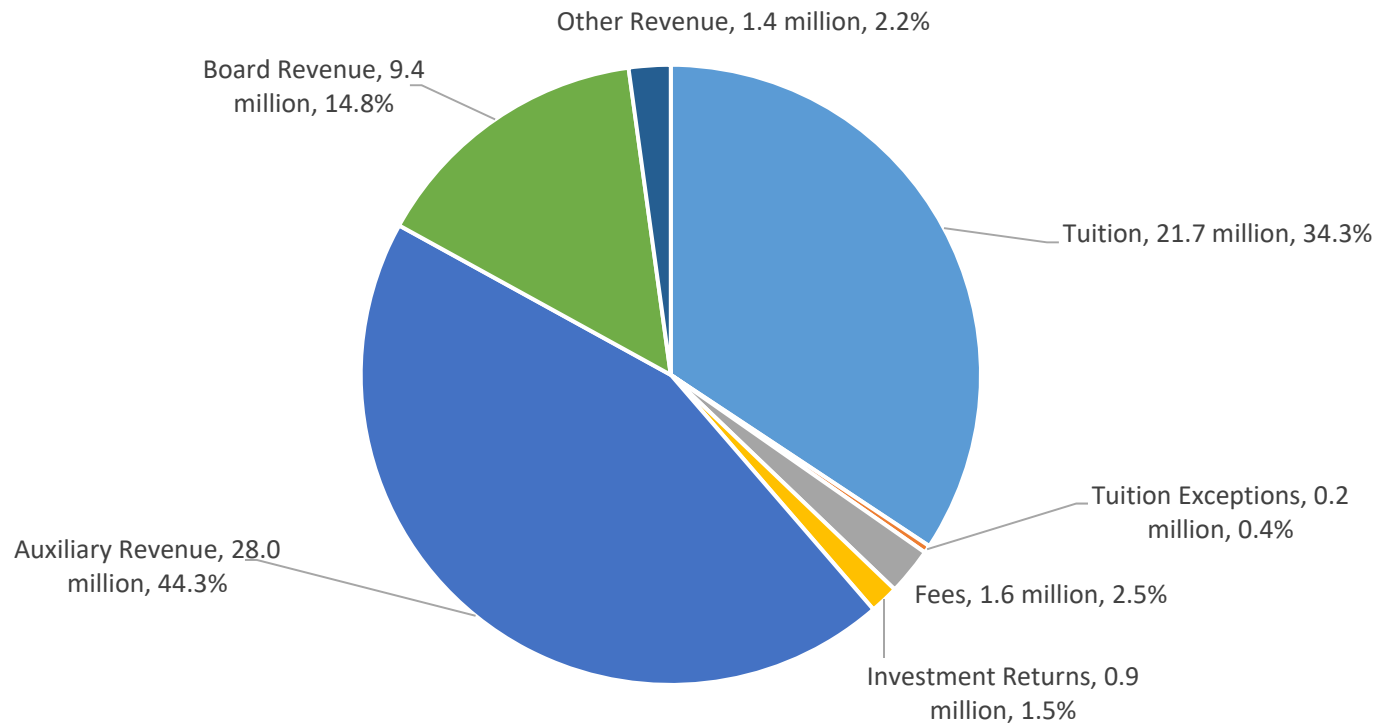
Appendix 8

	FY21 Placeholder w Savings	FY21 Forecast*	FY21 Revised Board Budget
Revenue			
Tuition net Exceptions	436,653	414,725	414,725
Fees	3,839	2,212	2,212
Grants & Contracts	-	28	28
Gifts & Contributions	1,503	1,503	1,503
Investment Returns	2,084	1,139	1,139
Auxiliary Revenue	32,613	4,645	4,645
Board Revenue	10,400	1,040	1,040
Other Revenue	1,932	555	555
Total Revenue	489,023	425,848	425,847
Expense			
FT Faculty Salary & Benefits	91,005	77,145	77,105
PT Faculty Salary & Benefits	27,441	26,380	26,487
Total Staff Salary & Benefits	130,590	110,876	111,245
Gen Ops/Facilities/Capital	77,628	65,792	65,790
Scholarships	124,361	120,764	120,764
Food Service	10,550	2,040	2,040
Ins/Coll/Bad Debt/Loans	3,325	3,625	3,625
Debt Service	16,627	16,427	16,427
Reserves	7,815	5,120	4,683
Transfer In	(319)	(2,319)	(2,319)
Total Expense	489,023	425,848	425,847
Net Balance	-	-	-

* August Fiscal Period Operating Forecast

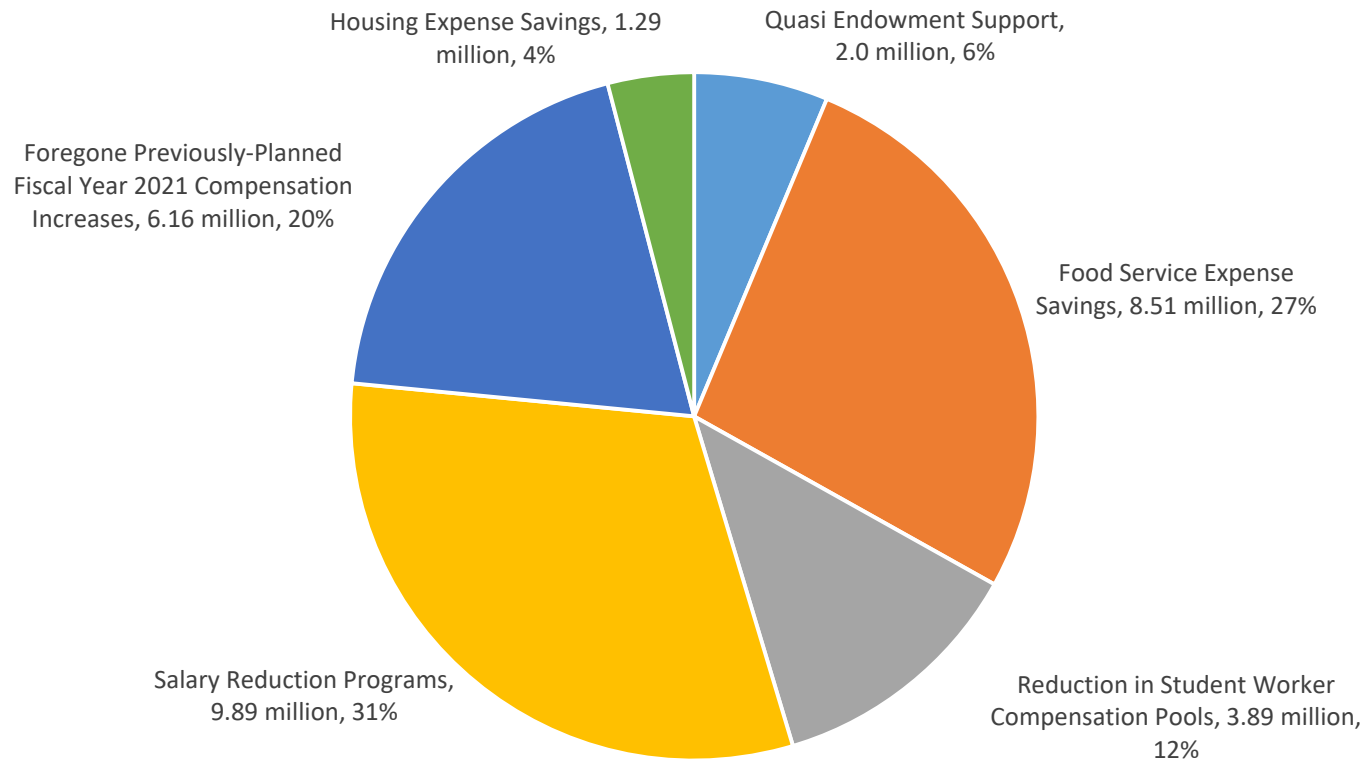
Appendix 9

Revenue Shortfalls



Appendix 10

Centrally-Coordinated Savings Measures



Appendix 11



Operating Budget for Fiscal Year 2021

For Consideration by the Board of Trustees
March 27, 2020

Executive Overview

Purpose of Report

The purpose of this report is to review the fiscal year 2021 operating budget of the University of San Francisco and to recommend its approval by the Board of Trustees. The Center for Institutional Planning and Effectiveness (CIPE) prepared this report and the budget therein in consultation with the executive officers of the University, its Leadership Team, and the recently-established University Budget Advisory Council (UBAC).

The report outlines budgeted revenue and expense categories and details the spending plan for fiscal year 2021 using updated enrollment targets and projections (as of March 3, 2020) and revenue forecasts, along with the Board's approved tuition and fee rates.

Recommendation

The proposed fiscal year 2021 unrestricted operating budget was approved by the President on March 2, 2020. The President recommends that the Board of Trustees approves the proposed fiscal year 2021 unrestricted operating budget.

Process

Vice presidents approve unit plans, contractual increases, and planned reductions or changes, which are presented for discussion and prioritization at the University Budget Advisory Council, Leadership Team and Cabinet meetings. The President makes final funding decisions in consultation with the Provost.

The School of Law develops its own budget, which is reviewed by Law faculty and administrators under separate funding policies. The Provost also reviews this budget. The School of Law budget is included in this report as it is incorporated into the University's overall proposed fiscal year 2021 (FY 2021) operating plan.

FY 2021 Operating Budget Highlights

Tuition, room, and board increases

- Traditional undergraduate tuition increases by 4.4% (with tuition, fees, room and board, the typical traditional undergraduate student cost of education increase is 4.2%).
- The tuition increase for graduate programs varies by program. Generally, Arts & Sciences, Nursing & Health Professions, and Management graduate tuition increases by 3.4%. The Master of Global Entrepreneurial Management program's tuition will increase by 2.6%, and the Master of Nonprofit Administration program's tuition will increase by 1.9%. Both the Master of Science in Information Systems and Master of Public Administration programs will see tuition increases of 1.9%.
- Tuition rate increases for the School of Education and the School of Law will be 1.9%.
- Residence hall rates, and meal plan rates, increase by 4.4% and 2.4%, respectively.

Enrollment projections of 10,464 student headcount and 282,187 student credit hours (SCHs)

- A decrease of 11,631 SCHs (a 4.0% decrease) from the FY 2020 budget and a decrease of 8,154 SCHs (a 2.8% decrease) from FY 2020 actuals (as of March 3, 2020).
- The enrollment projections include the following two new master's programs beginning in FY 2021: Master of Science in Marketing Intelligence (Management), Master of Public Health in Orange County (Nursing), and a new Bachelor of Science in Engineering (Arts & Sciences).

FY 2021 total operating budget is \$488.9 million

- The tuition (net of exceptions) budget of \$436.7 million decreases by \$0.707 million, or 0.2%, from the FY 2020 Board budget and increases \$3.9 million, or 0.9%, from FY 2020 forecasted actuals (as of March 3, 2020).
- The financial aid budget of \$124.4 million decreases \$2.8 million, or 2.2%, from the FY 2020 Board budget and decreases \$1.2 million, or 0.9%, from FY 2020 forecasted actuals. The University's overall discount rate decreases to 28.5% — down from 29.1% in the FY 2020 Board budget and down from 29.0% with respect to FY 2020 forecasted actuals.
- The net tuition budget of \$312.3 million increases by \$2.1 million, or 0.7%, from the FY 2020 Board budget and increases \$5.1 million, or 1.7%, from FY 2020 forecasted actuals.
- The proposed FY21 budget includes anticipated unit savings of approximately \$9.0 million. These cuts are being identified by management and will be implemented by the start of FY 2021.

FY 2021 University Non-Law planning priorities include:

<u>Division</u>	<u>Revenue</u>	<u>Compensation</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Total</u>	<u>Description</u>
Business & Finance Division						
	\$ -	\$ -	-	\$ 146,874	\$ 146,874	Electric Utility Increase
	\$ -	\$ -	-	\$ 19,297	\$ 19,297	Facilities Annual Contracts Increase
	\$ -	\$ -	-	\$ 8,090	\$ 8,090	Facilities Supplies Increase - Soap, Paper & Liners
	\$ -	\$ -	-	\$ 11,066	\$ 11,066	Cogen Maintenance Increase
	\$ -	\$ -	-	\$ 112,859	\$ 112,859	Gas Utility Increase
	\$ -	\$ -	-	\$ 158,912	\$ 158,912	Janitorial Contract Increase- Annual Contract Increase
	\$ -	\$ -	-	\$ 84,540	\$ 84,540	Water Utilities Increase
	\$ -	\$ -	-	\$ 350,000	\$ 350,000	Lone Mountain Dining Commons - Facilities Related Expenses (one-time)
	\$ -	\$ 257,044	5.0	\$ 157,000	\$ 414,044	Lone Mountain East Housing - Facilities Related Expenses (one-time)
Subtotal	\$ -	\$ 257,044	5.0	\$ 1,048,638	\$ 1,305,682	
Development Division						
	\$ -	\$ -	-	\$ 90,000	\$ 90,000	Non-Discretionary/Contractual Increases
Subtotal	\$ -	\$ -	-	\$ 90,000	\$ 90,000	
Information Technology Services Division						
	\$ -	\$ -	-	\$ 1,570,000	\$ 1,570,000	Infrastructure Technology Replacement Capital Fund
	\$ -	\$ -	-	\$ 319,310	\$ 319,310	Contractual Hardware/Software/Services Maintenance Increase (Existing Contractual Increase)
	\$ -	\$ -	-	\$ 272,772	\$ 272,772	Hardware/Software/Services Maintenance Increase (Non-Discretionary)
Subtotal	\$ -	\$ -	-	\$ 2,162,082	\$ 2,162,082	
Marketing Communications						
	-	-	-	85,000	85,000	Non-Discretionary/ Contractual Increases
Subtotal	\$ -	\$ -	-	\$ 85,000	\$ 85,000	

FY 2021 University Non-Law planning priorities (continued):

<u>Division</u>	<u>Revenue</u>	<u>Compensation</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Total</u>	<u>Description</u>
Provost Division						
	\$ -	\$ -	-	\$ 51,500	\$ 51,500	Terra Dotta Database for ISSS - Annual License
	\$ -	\$ 73,562	-	\$ 127,079	\$ 200,641	Engineering Summer Zero
	\$ (280,000)	\$ -	-	\$ (25,000)	\$ 255,000	Reverse Commencement Fee
	\$ -	\$ -	-	\$ 148,071	\$ 148,071	Gleeson Library Periodicals & Databases - Contractual Increases
	\$ -	\$ -	-	\$ 21,000	\$ 21,000	OCLC/Innovative and Other Library Systems Contractual Increases
	\$ -	\$ 5,540,646	-	\$ -	\$ 5,540,646	Faculty Compensation Increase Pool
Subtotal	\$ (280,000)	\$ 5,614,207	-	\$ 322,650	\$ 6,216,857	
Student Life Division						
	\$ -	\$ 188,571	1.0	\$ -	\$ 188,571	Black Achievement Success and Engagement (BASE) Program Staff and Faculty Support
	\$ -	\$ 100,375	1.0	\$ -	\$ 100,375	Disability Specialist Position - Student Disability Services
Subtotal	\$ -	\$ 288,946	2.0	\$ -	\$ 288,946	
University						
	\$ -	\$ -	-	\$ 962,633	\$ 962,633	University Reserves Increase
	\$ -	\$ (1,000,002)	-	\$ -	\$ (1,000,002)	Increase Staff Compensation Contraexpense Pool
	\$ -	\$ 3,879,310	-	\$ -	\$ 3,879,310	Staff Compensation Increase Pool
Subtotal	\$ -	\$ 2,879,308	-	\$ 962,633	\$ 3,841,941	
Grand Total	\$ (280,000)	\$ 9,039,505	7.0	\$ 4,671,003	\$ 13,990,508	

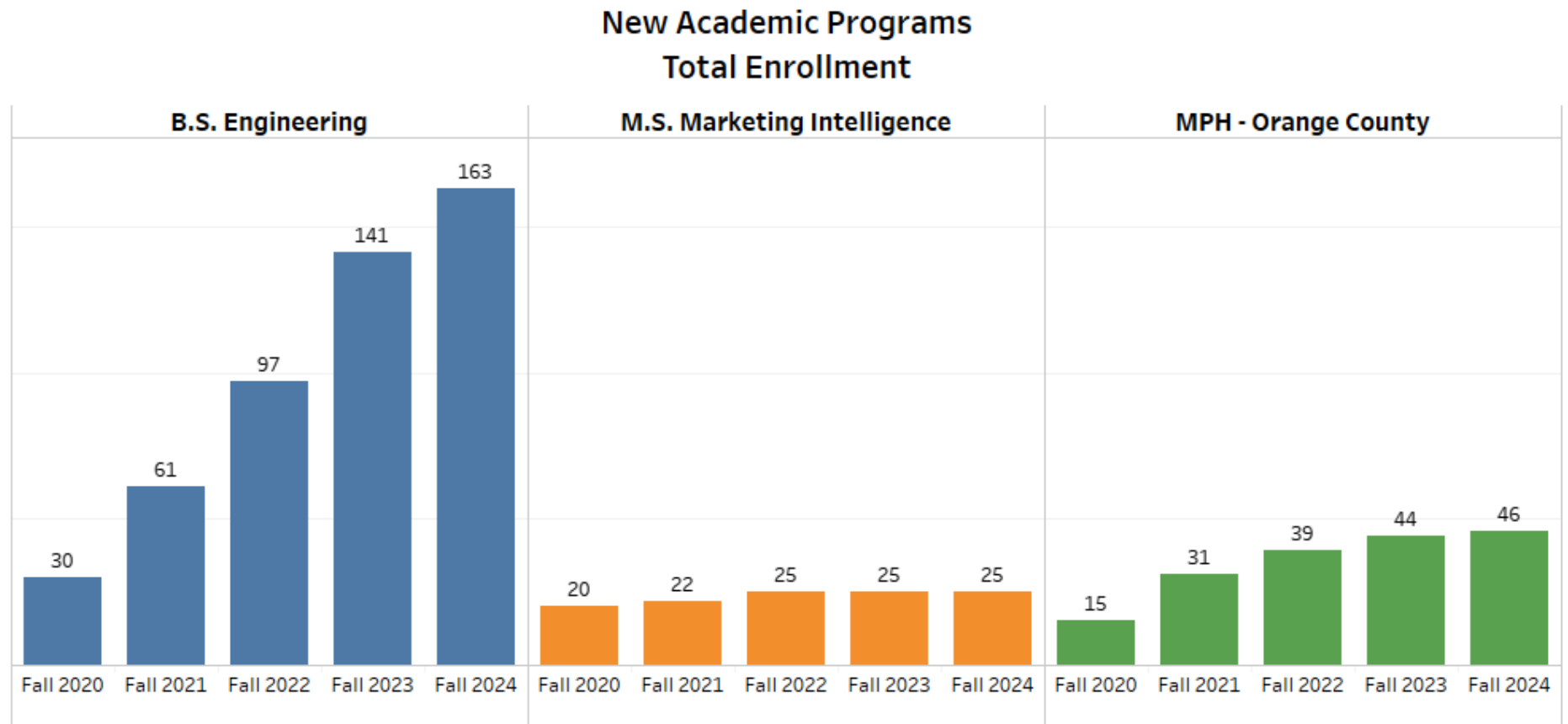
New and Continuing Academic Programs:

New and Continuing Academic Programs	Salary & Benefit	Faculty FTE	Staff FTE	Expenditure	Total
CS Bridge	580	-	-	12,500	\$ 13,080
MAUPA (MAUA+MOPA)	(11,128)	-	-	(10,000)	\$ (21,128)
MS Computer Science	2,929	-	-	(26,250)	\$ (23,321)
MS Applied Economics	10,416	-	-	(17,500)	\$ (7,084)
PSM Biotech	57,560	-	0.5	(12,765)	\$ 44,795
BS Engineering	23,431	-	-	25,000	\$ 48,431
MA Public Leadership	155,194	1.0	-	49,461	\$ 204,655
MA Migration Studies	(103,365)	(1.0)	-	-	\$ (103,365)
MS Energy Systems	(129,918)	(1.0)	-	-	\$ (129,918)
MS Marketing Intelligence	313,763	1.0	1.0	46,000	\$ 359,763
MS Public Administration Online	(178,001)	(1.0)	-	-	\$ (178,001)
BSN Sacramento	168,174	1.0	-	-	\$ 168,174
Master in Public Health - Sacramento Campus	2,161	-	-	4,000	\$ 6,161
MS Nursing Online	33,057	1.0	-	44,300	\$ 77,357
Executive Leadership DNP	-	-	-	338,461	\$ 338,461
Grand Total	\$ 344,852	1.0	1.5	\$ 453,207	\$ 798,058

- The continuing and new academic programs are projected to contribute \$8,084,496 in net tuition (tuition net scholarships, and also net any Pearson Embanet revenue share).
- Law revenues increase by \$1,175,754. Its net expenses decrease \$181,245. FY 2021 now sees a balance of Law operating revenues and its direct operating expenses.
- Student housing revenue increases by \$1,146,745, with accompanying expense increases of \$460,220. Dedicated reserves for student housing revenue are budgeted at \$815,861 (3.0% of student housing revenue), an increase of \$34,402 over its adopted budget of \$781,459 in FY 2020.
- For FY21, the incremental expense budgets enumerated in the table above will be funded by reallocation of budgetary resources within the Division of Academic Affairs rather than through the creation of new expense budgets.
- Reallocation will be achieved by cleaning up budgets associated with programs or cohorts that have been suspended or that have seen material declines in enrollment.

New Academic Program Development

The following table presents enrollment headcount projections for the University's new academic programs starting in fiscal year 2021.



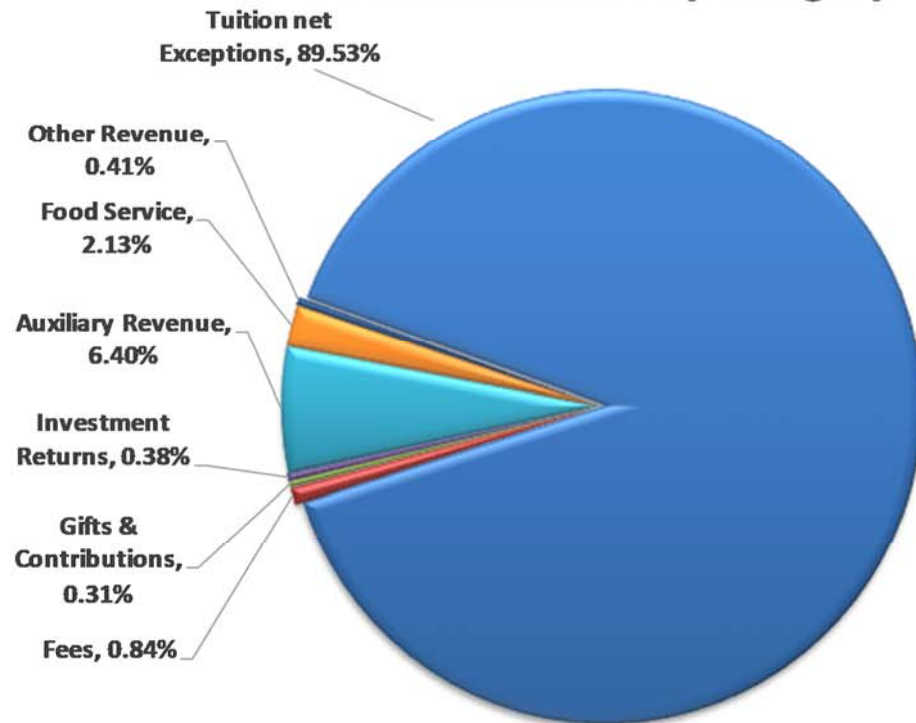
FY21 Unrestricted Operating Budget Creation Process Goal

The primary goals of the budget creation process are (1) to align college-, school-, and division-level goals and activities with the vision, mission, and strategic priorities of the University and (2) to promote innovation that is reflected in both new academic programs and enrollment growth in existing academic offerings. While collecting and reviewing requests for new budget allocations, we strongly encourage academic and service units to fund reconfigured programs and required new costs through budget reallocation.

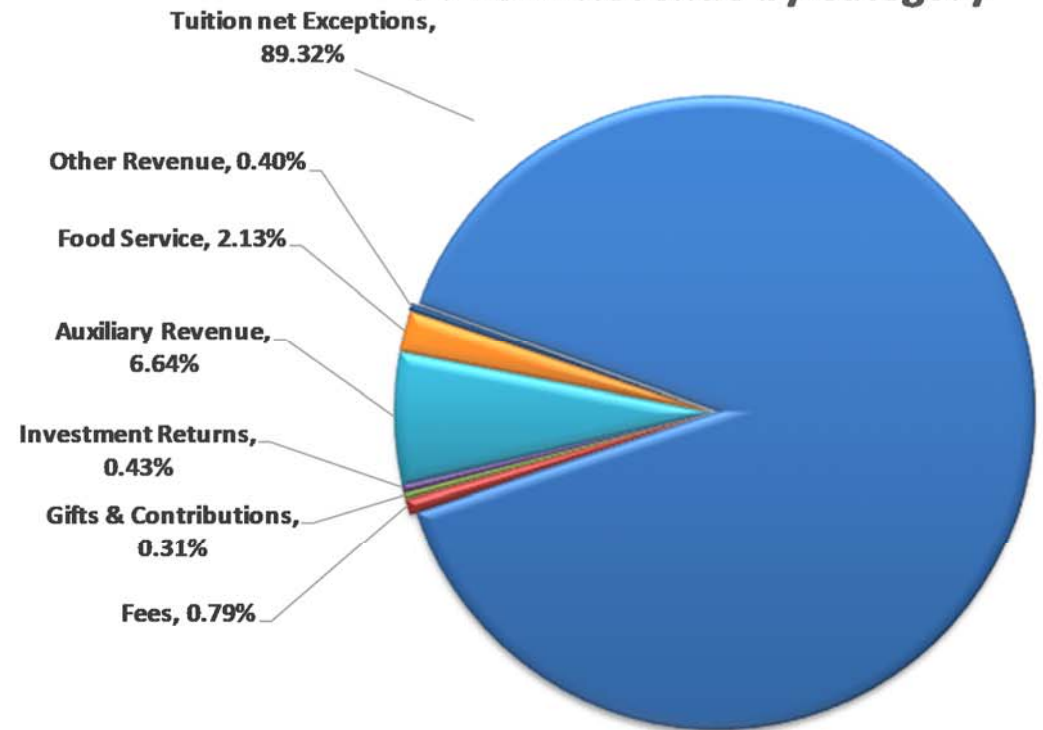
FY21 Unrestricted Operating Budget Creation Process Highlights

- Non-tuition revenue items were identified by the responsible managers and reviewed by the vice presidents, Leadership Team, Cabinet, the Provost, and the President.
- Additional revenue and expense budget requests were submitted through the University's online tool, Budget Assist, for consideration by unit and division leaders, as well as the University Budget Advisory Council, with ultimate funding decisions made by the President and the Provost.
- New capital requests were reviewed by the University Budget Advisory Council, Cabinet members, the Provost, and the President.
- Employee compensation increases were based on contractual (or forecasted contractual) obligations with bargaining units, as well as the President's directives concerning the size of the merit compensation increase pool for exempt staff and executives.
- Tuition revenue budgets were based on enrollment targets and projections (supplied by the Division of Academic Affairs), as well as Board-approved tuition rates. The Board of Trustees also approved the aforementioned enrollment targets and projections at its winter meeting.
- Institutional financial aid expenses were based on a combination of historical, forecasted, and targeted discount rates.

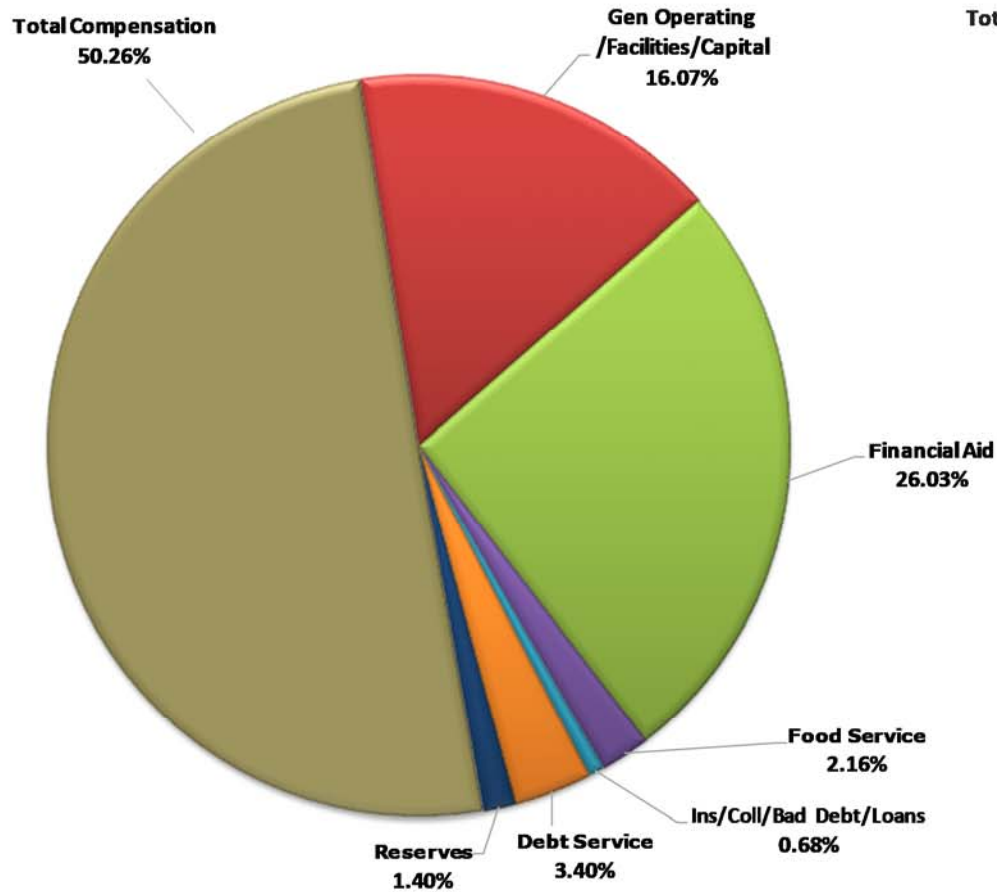
FY 2020 Revenue by Category



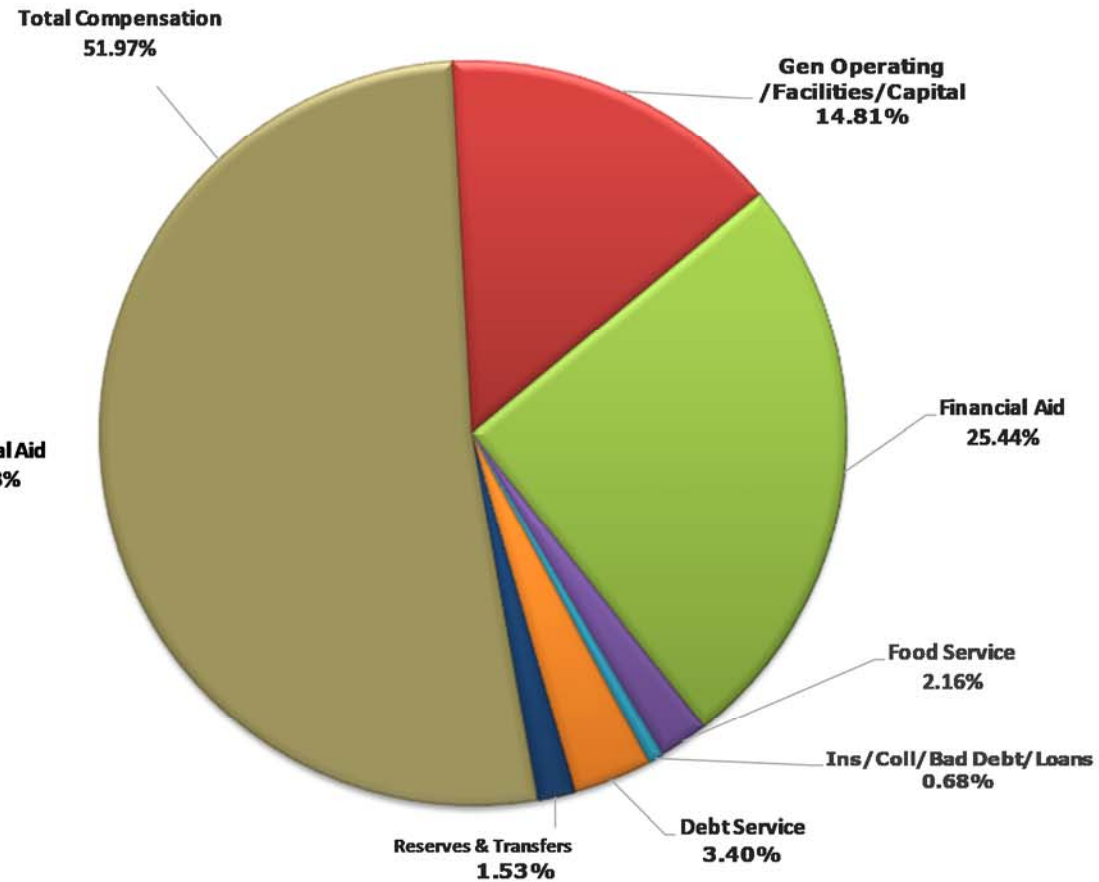
FY 2021 Revenue by Category



FY 2020 Expense by Category



FY 2021 Expense by Category



FY 2021 Proposed Operating Budget by Category

Across the University

The \$488.9 million operating budget for FY 2021 is based on the University's plan to welcome 10,464 continuing and new students across all of its campuses. Compared to the current fiscal year's adopted budget (as well as savings identified in order to balance the current fiscal year's adopted budget), FY 2021 revenue is expected to increase \$0.343 million from FY 2020 revenue due to enrollment composition, rate increases associated with tuition and housing, and adjustments to fees, investment returns, auxiliary and other revenue budgets.

Revenue

Tuition revenue (net of tuition exceptions) is budgeted to decrease by \$0.707 million. Fee revenue budgets reflect the removal of commencement participation fees. The current investment returns budget increases on account of greater anticipated income from the University's quasi-endowments. Planned changes to auxiliary revenue reflects a 4.4% room rate increase. Food service revenue is planned to be flat due to a volume adjustment. Decreases to other revenues include adjustments from the University's Housing, Alumni Engagement and Career Services functions.

Financial Aid Expense

Institutional financial aid is a combination of merit awards and need-based aid. Unfunded financial aid budgets will decrease, in aggregate, by 2.2%. This decrease will account for the University's recent and planned enrollment composition, as well as reduced discounting of fall 2019 Hilltop matriculating undergraduates.

Other Expenses

General operating, facilities, and capital expenditure budgets will collectively see a decrease in their levels. Transfers In includes an adjustment for Law's planned support from their restricted resources; see pages 17 and 18 for details.

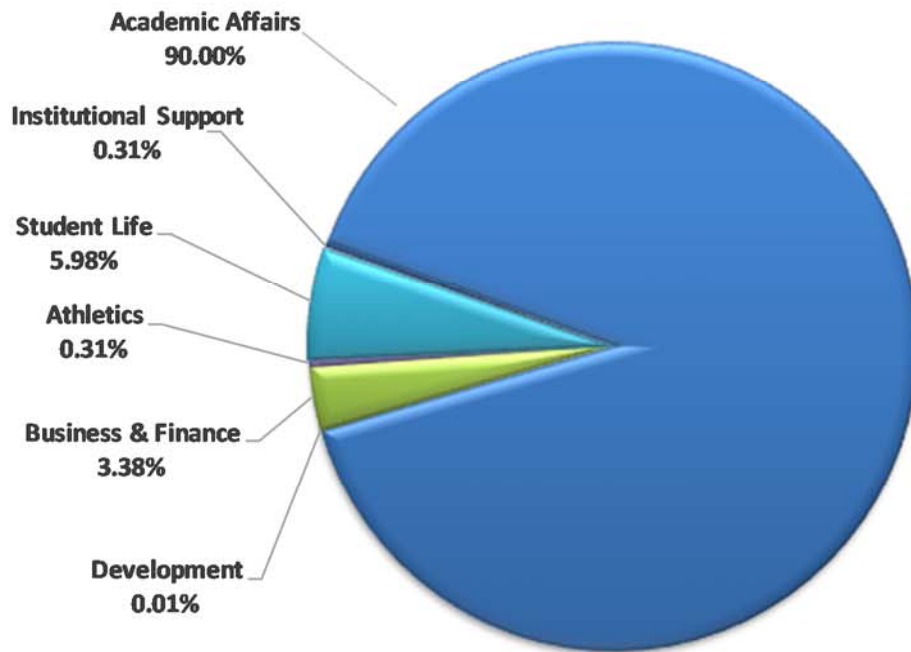
University Reserves and Transfers

University Reserves increases a net \$997,000 to \$7.8 million, or 1.6% of operating revenue budgets.

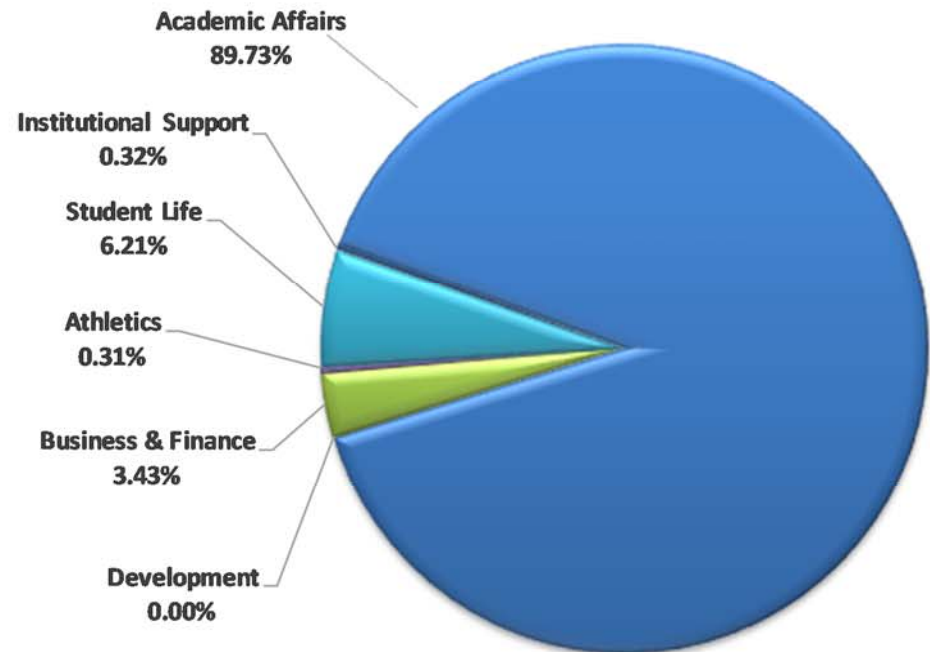
FY 2021 Budget Creation (in \$1,000's)

Revenue	FY 2020 Budget	FY 2021 Budget	Change	Change %
Tuition net Exceptions	437,359	436,653	(707)	-0.2%
Fees	4,120	3,839	(281)	-6.8%
Gifts & Contributions	1,503	1,503	-	0.0%
Investment Returns	1,845	2,084	239	13.0%
Auxiliary Revenue	31,274	32,442	1,168	3.7%
Food Service	10,400	10,400	-	0.0%
Other Revenue	2,009	1,932	(77)	-3.8%
Total Revenue	488,510	488,853	343	0.1%
Expense				
Total Compensation	245,519	254,079	8,560	3.5%
Gen Ops/Facilities/Capital	78,502	72,395	(6,107)	-7.8%
Financial Aid	127,169	124,381	(2,788)	-2.2%
Food Service	10,550	10,550	-	0.0%
Ins/Coll/Bad Debt/Loans	3,325	3,325	(0)	0.0%
Debt Service	16,627	16,627	(0)	0.0%
Reserves	6,818	7,815	997	14.6%
Transfer In	-	(319)	(319)	N/A
Total Expense	488,510	488,853	343	0.1%
Net Balance	-	-	-	-

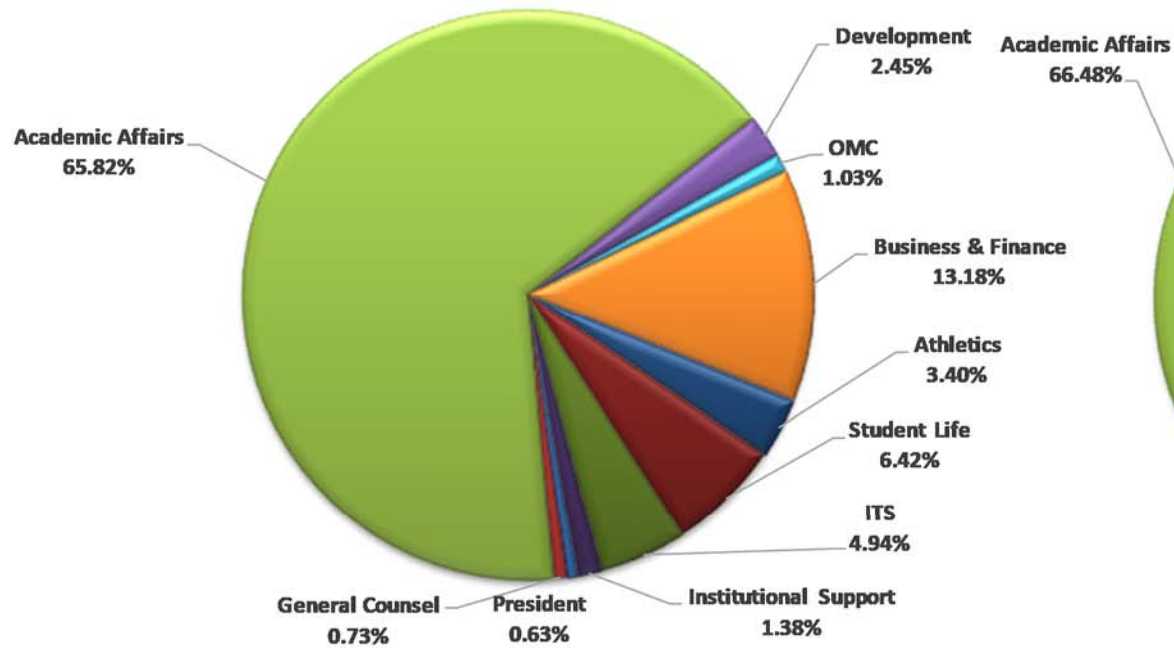
FY 2020 Revenue by Primary Functional Areas



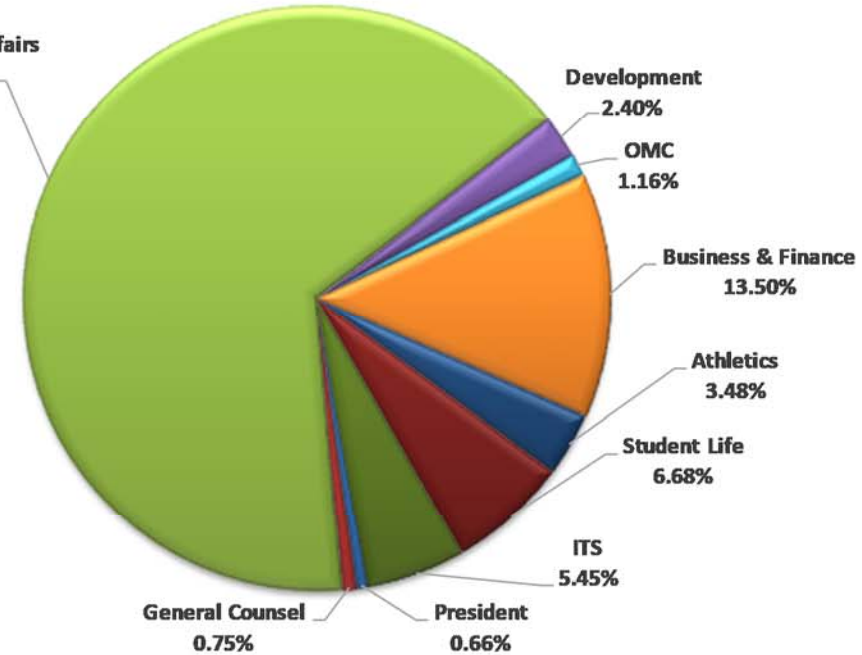
FY 2021 Revenue by Primary Functional Areas



FY 2020 Expense by Primary Functional Areas



FY 2021 Expense by Primary Functional Areas



* Excludes Institutional Support due to contra value

FY 2021 Proposed Operating Budget by Primary Functional Areas

Highlighted changes are from the University's current FY 2020 Board budget. While we highlight proposed changes to the FY 2021 budget resulting from planning efforts, changes from the FY 2020 Board budget also include management adjustments made within the fiscal year.

Revenue Changes

- Academic Affairs decrease is due to enrollment projections as of March 3, 2020, adjusted by tuition increases approved by the Board of Trustees in December 2019. These projections include enrollments in new programs (see page six). The Office of the Registrar sees a small decrease due to the removal of a previously planned commencement fee.
- The Business & Finance increase is due to increased distributions from the university's quasi-endowments.
- The Student Life increase is due to a student housing revenue increase.

Expense Changes

- Expense budgets in functional areas see changes due to compensation increases, as well as planning priorities and new/continuing academic programs.
- The Academic Affairs net increase includes Law budget adjustments, as well as additional funds for faculty compensation increases and library subscription increases.
- Development budgets include the removal of one-time campaign support. Both Development and the Office of Marketing Communications include non-discretionary and contractual increases.
- The Business and Finance net increase includes custodial and utility contractual increases, as well as new housing and dining facilities support budgets.
- The Athletics net increase includes an increase to financial aid.
- The Student Life net increase includes additional funding for student housing, a disability specialist, as well as staff and faculty support for the Black Achievement, Success and Engagement Program.
- The Information Technology Services net increase includes hardware and software maintenance contractual increases, as well as capital support for infrastructure replacement.
- Institutional Support includes staff compensation increases, an increase to the University's operating reserves, as well as a holding budget for approximately \$9.0 million anticipated savings.

FY 2021 Proposed Budget (in \$1,000's)

Revenue	FY20 Budget	FY21 Budget	Change	Change %
Academic Affairs	439,643	438,646	(997)	-0.2%
Development	41	6	(35)	-85.4%
Business & Finance	16,533	16,777	244	1.5%
Athletics	1,504	1,502	(2)	-0.1%
Student Life	29,227	30,359	1,132	3.9%
ITS	1	1	-	0.0%
Institutional Support	1,500	1,500	-	0.0%
Total Revenue	488,510	488,853	343	0.1%
Expense				
President	3,091	3,227	136	4.4%
General Counsel	3,589	3,700	111	3.1%
Academic Affairs	321,554	323,675	2,121	0.7%
Development	11,975	11,793	(182)	-1.5%
OMC	5,023	5,721	698	13.9%
Business & Finance	64,390	66,301	1,911	3.0%
Athletics	16,627	17,102	475	2.9%
Student Life	31,372	32,805	1,433	4.6%
ITS	24,152	26,757	2,605	10.8%
Institutional Support	6,738	(2,227)	(8,965)	-133.1%
Total Expense	488,510	488,853	343	0.1%
Net Balance	-	-	-	-

Enrollment Projections (as of March 3, 2020)

(HC = Head Count; SCHs = Student Credit Hours)

	FY 2019 Actual		FY 2020 Actual		FY 2021 Budget		FY 2022 Budget	
Undergraduate	Fall HC	SCH	Fall HC	SCH	Fall HC	SCH	Fall HC	SCH
Arts & Sciences	3,912	160,932	3,948	157,854	3,818	152,296	3,765	149,604
Management	1,894	33,204	1,717	31,081	1,606	29,169	1,553	28,046
Nursing	867	17,372	845	17,361	811	16,631	853	17,047
Undergraduate Total	6,673	211,508	6,510	206,296	6,235	198,096	6,171	194,697
Graduate								
Arts & Sciences	1,029	17,840	1,048	18,231	1,056	18,110	1,067	17,775
Management	616	13,480	617	13,316	629	13,536	614	13,710
Nursing	798	19,810	811	19,392	888	19,798	921	20,879
Education	1,060	20,802	1,078	20,754	1,081	20,532	1,086	20,869
Law	502	11,772	510	12,352	490	12,115	513	12,485
Graduate Total	4,005	83,704	4,064	84,045	4,144	84,091	4,201	85,718
Non-Degree-Seeking	81		98		85		80	
University Total	10,759	295,212	10,672	290,341	10,464	282,187	10,452	280,415

Enrollment, Revenue, and Expense: FY 2020 Actuals Versus FY 2021 Budget

Undergraduate Enrollment

New undergraduate student enrollment is planned to increase from 1,667 in fall 2019 to 1,731 in fall 2020. The undergraduate continuing student population is planned to decrease from 4,843 in fall 2019 to 4,504 in fall 2020. Overall, undergraduate student enrollment is planned to decrease from 6,510 in fall 2019 to 6,235 in fall 2020.

Graduate and Professional Studies Enrollment

Arts and Sciences graduate student enrollment for FY 2020 is planned to decrease from 18,231 SCHs in FY 2020 to 18,110 SCHs in FY 2021.

Management projected graduate SCHs are planned to increase from 13,316 in FY 2020 to 13,536 in FY 2021.

Nursing graduate SHCs are planned to increase from 19,392 SCHs in FY 2020 to 19,798 in FY 2021.

Education total enrollment, as measured by SCHs, is planned to decrease from 20,754 in FY 2020 to 20,532 in FY 2021.

Law total enrollment, as measured by SCHs, is planned to decrease from 12,352 in FY 2020 to 12,115 in FY 2021.

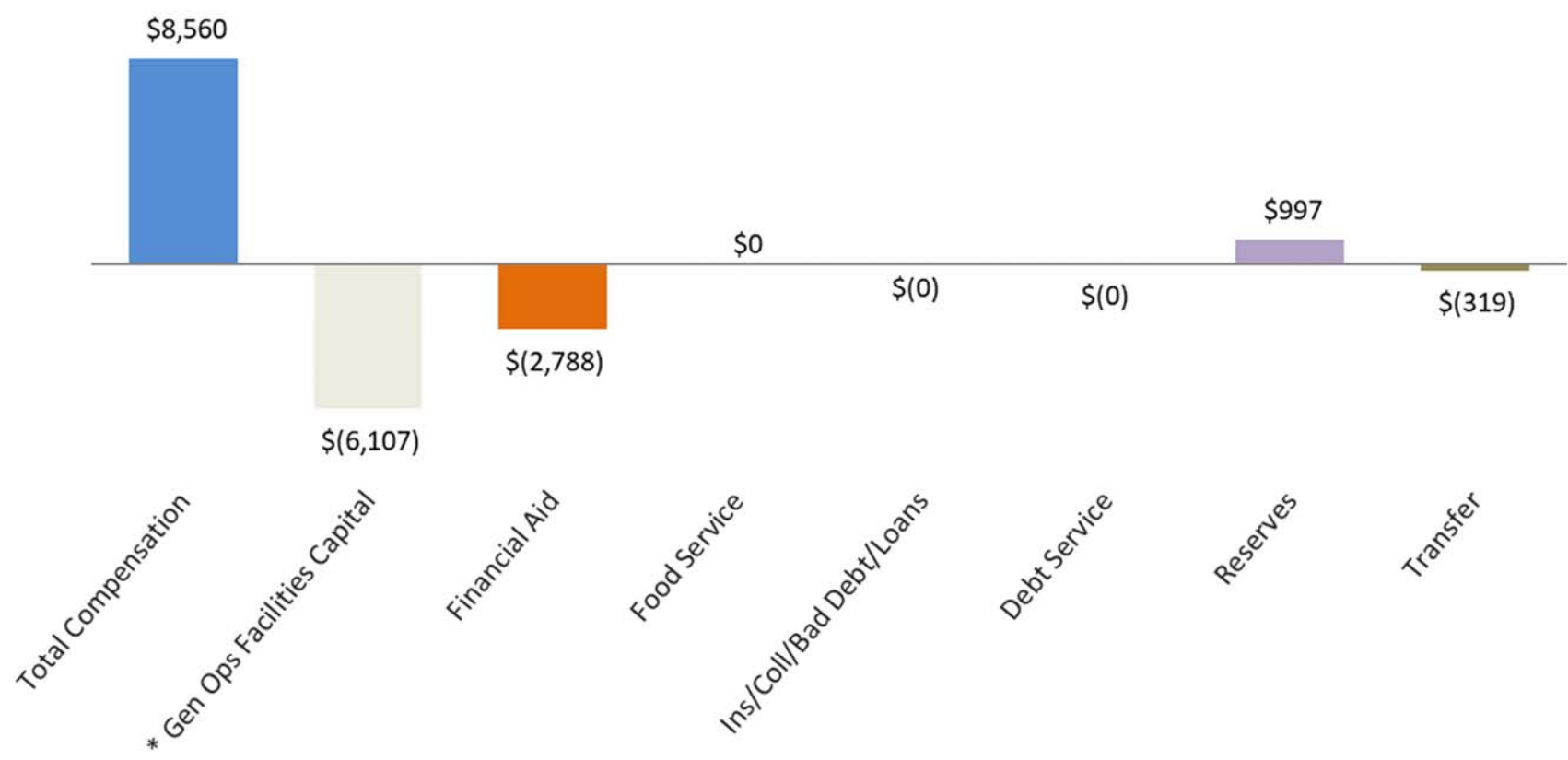
FY 2021 Budgeted Revenue & Expense by College

The table lists revenue budgets by teaching college, along with direct expense budgets. These budgets include new enrollments, approved plans, and related expenses, as well as estimated allocations for full-time faculty compensation increases, part-time faculty compensation, financial aid, and tuition share budget.

	FY 2021 Budget	Revenue	Expense
Arts & Sciences	\$ 271,285	\$ 175,975	
Management	\$ 65,017	\$ 40,126	
Education	\$ 22,606	\$ 15,182	
Law	\$ 21,712	\$ 21,712	
Nursing	\$ 57,544	\$ 33,588	
	<u>\$ 438,163</u>	<u>\$ 286,583</u>	

*All figures in \$1,000's

FY21 Change in Expense Budgets



*Note: Gen Ops Facilities Capital includes a decrease for anticipated savings of \$8.956 million.

Changes in Expense Budgets

Highlighted changes are from the University's current FY 2020 Board budget. While we highlight proposed changes to the FY 2021 operating budget resulting from planning efforts, changes from the FY 2020 Board Budget also include management adjustments made within the fiscal year.

Total Compensation

Employee compensation constitutes approximately 52.0% of budgeted expenses in FY 2021. This category includes salaries for executive, professional and administrative staff; full- and part-time faculty; student employees; and statutory and employee benefit expenses, such as retirement savings contributions, tuition remission, health insurance, etc. Changes by category of compensation are on the next page and include both continuing and new academic program plans, as well as compensation increases. The non-Law staff compensation increase pool is within the unit of Institutional Support. The non-Law faculty compensation increase pool is within the Division of Academic Affairs.

General Operating/Facilities/Capital

This category includes office supplies and equipment, leases, consumable goods and services, building operational costs, janitorial and utility charges, furniture, library holdings, and most scientific equipment. The net decrease of \$6.1 million includes a decrease for anticipated savings of \$9.0 million, increases for planning priorities of \$3.7 million, decreased revenue share payments of \$625K, a \$500K decrease for one-time FY 2020 funding needs, a net \$418K from management's internal reallocations, housing increases of \$373K, a net decrease of \$345K for Academic Affairs internal funding of new and continuing academic programs, and a net decrease of \$170K for additional campuses lease adjustments.

Financial Aid

The \$2.8 million decrease in financial aid accounts for the decreased discounting of Hilltop undergraduate matriculants and budgets for current financial aid practices that respond to our challenging net tuition environment. Law maintains its current level of financial aid funding.

Food Service, Insurance/Collections/Bad Debt/Loans and Debt Service

Food Service remains at its current budget due to a volume adjustment. Both Debt Service as well as the Insurance/Collections/Bad Debt/Loans category remain at their current level of funding.

Reserves and Transfers In

Reserves are designated for unexpected variations in revenues or expenses. The University will increase its operating reserves by approximately \$1.0 million. The resulting level will represent approximately 1.6% of operating revenue budgets. Law's budget adds a Transfers In target from restricted resources of \$319K.

Changes in Compensation Budgets

Faculty

Tenured, probationary, and term full-time faculty salaries for FY 2021 reflect the addition of two lines for continuing and new academic programs (see page five), movement of a line to endowed funding, reductions made within the School of Law, as well as compensation increases. Part-time faculty salary budget includes compensation increases, an increased budget for the School of Law, and incremental support for continuing and new academic programs.

Staff

Staff salaries for FY 2021 reflect allocations for compensation increases. New and continuing academic program adjustments include an additional 1.5 FTE staff support position. Planning priorities result in the funding of an additional seven in staff positions. These include five half-year positions to support new dining and housing facilities coming online in FY 2021: a gardener, a laborer, and three facilities engineers. Two additional positions for new planning priorities include a disability specialist, as well as a program coordinator for the Black Achievement, Success and Engagement Program.

Student Staff

Student employment provides an opportunity for students to gain work experience and earn wages to support the cost of attending the University. It is also viewed as an effective use of University resources. For FY 2021, student worker compensation pools see increases due to wage laws, as well as planned incremental activity in new or continuing academic programs. Law plans a reduction in student worker compensation.

Benefits

Benefits are budgeted at supporting rates for the University's differing salary categories for employees. Adjustments to benefits budgets are made in proportion to budget changes taking place in different salary categories.

<u>Compensation</u>	<u>FY 2020 Budget</u>	<u>FY 2021 Budget</u>	<u>Change</u>
Full-Time Faculty	63,769	67,254	3,486
Part-Time Faculty	24,223	23,849	(373)
Staff	86,689	89,397	2,709
Student Staff	8,023	8,470	447
Benefits	62,817	65,108	2,292
Total Compensation	245,519	254,079	8,560

* All figures in \$1,000's

FY 2020 Board Budget & Forecast Versus FY 2021 Board Budget

	FY20 Budget	FY20 Forecast ^	FY21 Budget *
Revenue			
Tuition net Exceptions	437,359	432,723	436,652
Fees	4,120	3,438	3,839
Gifts & Contributions	1,503	1,225	1,503
Investment Returns	1,845	2,145	2,084
Auxiliary Revenue	31,274	30,031	32,442
Board Revenue	10,400	9,159	10,400
Other Revenue	2,009	2,888	1,932
Total Revenue	488,510	481,610	488,852
Expense			
FT Faculty Salary & Benefits	87,682	84,886	92,474
PT Faculty Salary & Benefits	29,794	26,666	29,454
Total Staff Salary & Benefits	128,043	125,766	132,149
Gen Ops/Facilities/Capital	78,502	84,639	72,396
Scholarships	127,169	125,558	124,381
Food Service	10,550	9,159	10,550
Ins/Coll/Bad Debt/Loans	3,325	3,325	3,325
Debt Service	16,627	16,627	16,627
Reserves, Transfers & Internal Bank	6,818	4,983	7,496
Total Expense	488,510	481,610	488,852
Net Balance	-	-	-

^ February Fiscal Period Operating Forecast

* This amount included a general operating reduction for anticipated savings of \$8.956 million which will be allocated across other expense categories with management's inputs by June 1, 2020.

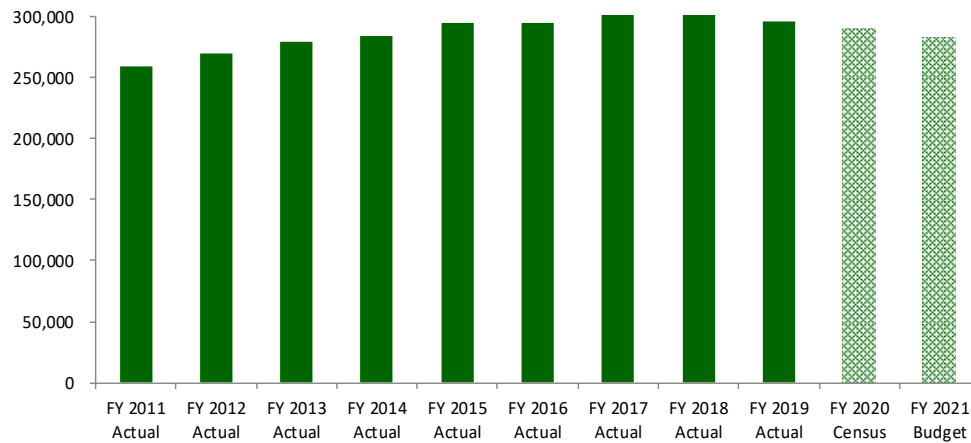
(All figures in \$1,000's)

Appendix: Historical Analysis

Revenue

Tuition and fees make up 90.1% of the revenue in the FY 2021 operating budget. What follows is a review of the three main factors that influence the University's revenue: enrollment, tuition rates and financial aid.

Enrollment in Student Credit Hours (FY 2011 - FY 2021)



Year	Total SCH	% Change	10-year % Change
FY 2011 Actual	259,499	6.8%	
FY 2012 Actual	269,454	3.8%	
FY 2013 Actual	278,528	3.4%	
FY 2014 Actual	283,286	1.7%	
FY 2015 Actual	294,499	4.0%	
FY 2016 Actual	294,223	-0.1%	
FY 2017 Actual	301,323	2.4%	
FY 2018 Actual	301,090	-0.1%	
FY 2019 Actual	295,212	-2.0%	
FY 2020 Census	290,341	-1.7%	
FY 2021 Budget	282,187	-2.8%	8.7%

Tuition and Fee Income

Planned tuition and fee revenue increases because enrollment projections and/or tuition rates increase. The FY 2021 budget anticipates that tuition (net of tuition exceptions) and fee revenue will increase by 1.0%. Tuition and fees constitute 90.1% of the FY 2021 revenue budget.

Financial Aid

Over the ten-year analysis period, expenditures for University-funded financial aid have increased 122.6%, in contrast with a tuition and fee cumulative increase of 51.3%. As a percentage of tuition, aggregate financial aid has grown from 19.5% to a budgeted 28.5% during this same ten-year period.

The pressure to increase funding for financial aid comes from reduced support from government sources, as well as from the institution's attempt to use financial aid to recruit students for their academic ability, athletic talent, and ethnic and economic diversity. Financial aid awarded is now a balance of merit- and need-based aid.

There is \$124.4 million in aggregate unrestricted financial aid in the FY 2021 operating budget.

FY 2011 - FY 2021 Unrestricted Operating Budget

Tuition & Fee Income/Percent of Total Revenue

(in thousands of dollars)

Year	Tuition* & Fees	Total Revenue	% of Total	T&F % Change	10-Year % Change
FY 2011 Actual	\$291,144	\$323,777	89.9%	10.7%	
FY 2012 Actual	\$309,816	\$343,962	90.1%	6.4%	
FY 2013 Actual	\$332,441	\$369,546	90.0%	7.3%	
FY 2014 Actual	\$349,938	\$386,866	90.5%	5.3%	
FY 2015 Actual	\$367,352	\$406,540	90.4%	5.0%	
FY 2016 Actual	\$378,743	\$418,237	90.6%	3.1%	
FY 2017 Actual	\$402,253	\$446,220	90.1%	6.2%	
FY 2018 Actual	\$420,181	\$465,098	90.3%	4.5%	
FY 2019 Actual	\$425,283	\$472,420	90.0%	1.2%	
FY 2020 Forecast	\$436,162	\$481,310	90.6%	2.6%	
FY 2021 Budget	\$440,492	\$488,853	90.1%	1.0%	51.3%

FY 2011 - FY 2021 Unrestricted Operating Budget

Financial Aid/Percent of Tuition

(in thousands of dollars)

Year	Financial Aid	Tuition*	% of Tuition	Fin Aid % Change	10-Year % Change
FY 2011 Actual	\$55,876	\$286,385	19.5%	7.8%	
FY 2012 Actual	\$60,478	\$304,166	19.9%	8.2%	
FY 2013 Actual	\$65,702	\$325,849	20.2%	8.6%	
FY 2014 Actual	\$69,061	\$340,894	20.3%	5.1%	
FY 2015 Actual	\$75,007	\$364,473	20.6%	8.6%	
FY 2016 Actual	\$82,966	\$375,814	22.1%	10.6%	
FY 2017 Actual	\$93,447	\$398,673	23.4%	12.6%	
FY 2018 Actual	\$108,926	\$416,295	26.2%	16.6%	
FY 2019 Actual	\$116,394	\$421,587	27.6%	6.9%	
FY 2020 Forecast	\$125,558	\$432,723	29.0%	7.9%	
FY 2021 Budget	\$124,381	\$436,653	28.5%	-0.9%	122.6%

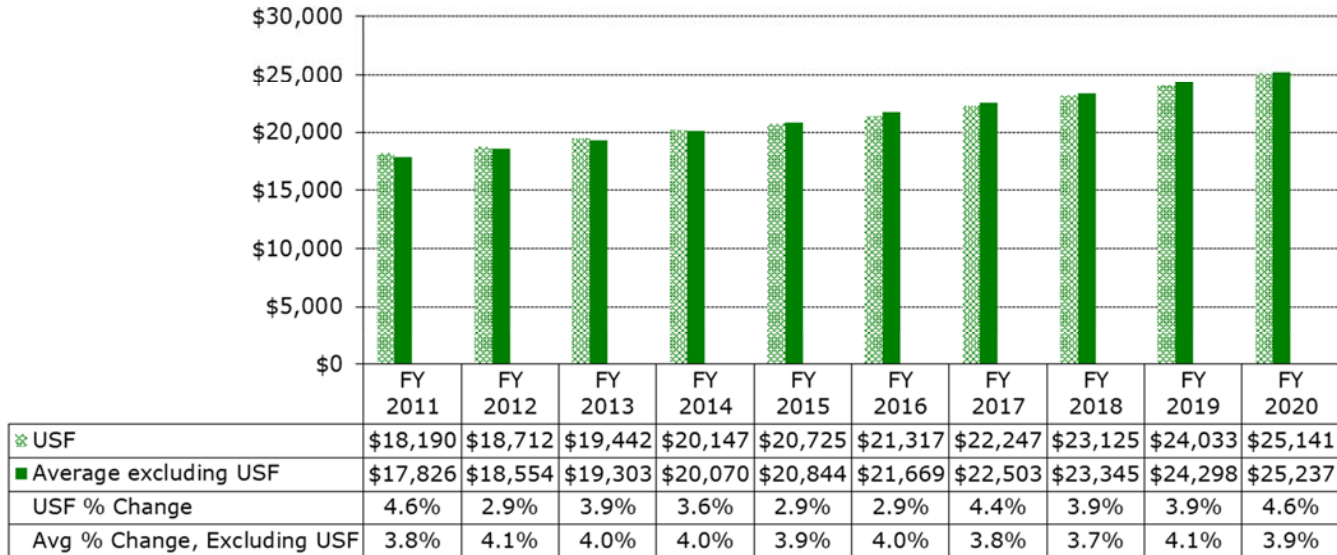
Tuition* = Tuition + Tuition Exceptions

Tuition and Fee Rates

Our pricing strategy of generally lower-than-average tuition increases is in response to an important shift in demographics and has been amplified by the so-called “Great Recession” of 2007-2010. This changing economic context provides us with an opportunity to adapt and strengthen the University in a way that is consistent with our mission and long-term aspirations, as expressed in USF 2028. As a result, we are making far-reaching structural adjustments — which include enhancing faculty and staff productivity — so that we may continue to offer a high-quality Jesuit education.

Looking at the University’s ten-year tuition and fee history, rates have increased within a range of 2.9% to 4.6% per year over the last ten years. Consistent with private higher education trends, tuition rates have historically increased several percentage points above inflation rates. We are striving to maintain quality in our programs, while keeping our tuition charges at levels consistent with our cross-applicant competitor set of schools. There is strong political and social pressure to control the growth of higher education costs. The University is responding to this pressure by systemically reviewing new initiatives in the context of new and reallocated funds. Reacting to limited tuition rate increases has led to targeted efforts to reallocate budget to meet emerging needs.

West Coast Conference Tuition & Fees per Semester Rate (FY 2011-FY 2020)



Tuition and Fee Comparison

The University competes with other schools for students, and prospective students pay attention to tuition and fee rates. The table below reflects the historical cost of undergraduate tuition and fees at our peer institutions, and the University's relative position in the list. Recommendations for tuition rates are prepared after examining the University's relative price position with comparable institutions, its projected enrollment, and the impact of alternative rate increases on the entire University operating budget. In our comparison of tuition and fees, the average undergraduate tuition and fees per semester for West Coast Conference colleges and universities increased by 3.9% in FY 2020. USF increased undergraduate tuition and fees by 4.6% in FY 2020.

Undergraduate Semester

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
WCC Schools										
Pepperdine University	\$19,540	\$20,376	\$21,386	\$22,451	\$23,346	\$24,171	\$25,011	\$25,996	\$26,966	\$27,946
Santa Clara University	\$18,827	\$19,667	\$20,431	\$21,223	\$22,054	\$22,798	\$23,704	\$24,769	\$25,693	\$26,643
University of San Diego	\$18,686	\$19,291	\$19,985	\$20,696	\$21,414	\$22,293	\$23,070	\$23,861	\$24,679	\$25,593
Loyola Marymount University	\$18,357	\$18,950	\$19,609	\$20,177	\$20,849	\$21,806	\$22,642	\$23,261	\$24,329	\$25,417
USF	\$18,190	\$18,712	\$19,442	\$20,147	\$20,725	\$21,317	\$22,247	\$23,125	\$24,033	\$25,141
Saint Mary's College	\$17,715	\$18,575	\$19,225	\$19,945	\$20,690	\$21,465	\$22,180	\$22,843	\$23,855	\$24,594
University of Portland	\$16,165	\$16,890	\$17,630	\$18,435	\$19,260	\$20,125	\$21,007	\$22,013	\$22,952	\$23,909
Gonzaga University	\$15,493	\$16,133	\$16,853	\$17,560	\$18,295	\$19,028	\$19,910	\$20,673	\$21,613	\$22,555
 Average including USF	 \$17,871	 \$18,574	 \$19,320	 \$20,079	 \$20,829	 \$21,625	 \$22,471	 \$23,318	 \$24,265	 \$25,225
Average excluding USF	\$17,826	\$18,554	\$19,303	\$20,070	\$20,844	\$21,669	\$22,503	\$23,345	\$24,298	\$25,237
USF % Change	4.6%	2.9%	3.9%	3.6%	2.9%	2.9%	4.4%	3.9%	3.9%	4.6%
Avg % Change, Excluding USF	3.8%	4.1%	4.0%	4.0%	3.9%	4.0%	3.8%	3.7%	4.1%	3.9%

Five-Year Undergraduate Tuition and Fees Trend

The FY 2020 average (excluding USF) annual undergraduate tuition and fees is \$50,862, and the average rate of increase over the past five years has been 3.8% per annum. The average annual USF increase over the past five years has been 4.2%. Over the entire five-year period, the average tuition and fee level (excluding USF) increased 16.0%, while USF's tuition and fees increased 17.9%.

							% change in	Average % change	
WCC		School	2015~2016	2016~2017	2017~2018	2018~2019	2019~2020	5 yrs (B)	per yr (C)
	CA	University of Southern California	51,372	52,567	54,573	56,676	58,645	14.2%	3.4%
X	CA	Pepperdine University	48,342	50,022	51,992	53,932	55,892	15.6%	3.7%
	NY	Fordham University	46,902	48,654	50,986	52,687	54,411	16.0%	3.8%
X	Bay	Santa Clara University	45,595	47,407	49,538	51,386	53,285	16.9%	4.0%
X	CA	University of San Diego	44,586	46,140	47,722	49,358	51,186	14.8%	3.5%
X	CA	Loyola Marymount University	43,611	45,284	46,522	48,658	50,833	16.6%	3.9%
X	Bay	USF	42,634	44,494	46,250	48,066	50,282	17.9%	4.2%
X	Bay	Saint Mary's College	42,930	44,360	45,686	47,710	49,188	14.6%	3.5%
X	OR	University of Portland	40,250	42,014	44,026	45,904	47,818	18.8%	4.4%
	WA	Seattle University	39,920	41,495	43,428	45,145	47,090	18.0%	4.2%
	IL	Loyola University of Chicago	40,772	42,382	43,115	44,158	46,028	12.9%	3.1%
X	WA	Gonzaga University	38,055	39,820	41,345	43,225	45,110	18.5%	4.3%
Average			43,747	45,387	47,099	48,909	50,814	16.2%	3.8%
Average excluding USF			43,849	45,468	47,176	48,985	50,862	16.0%	3.8%

Notes:

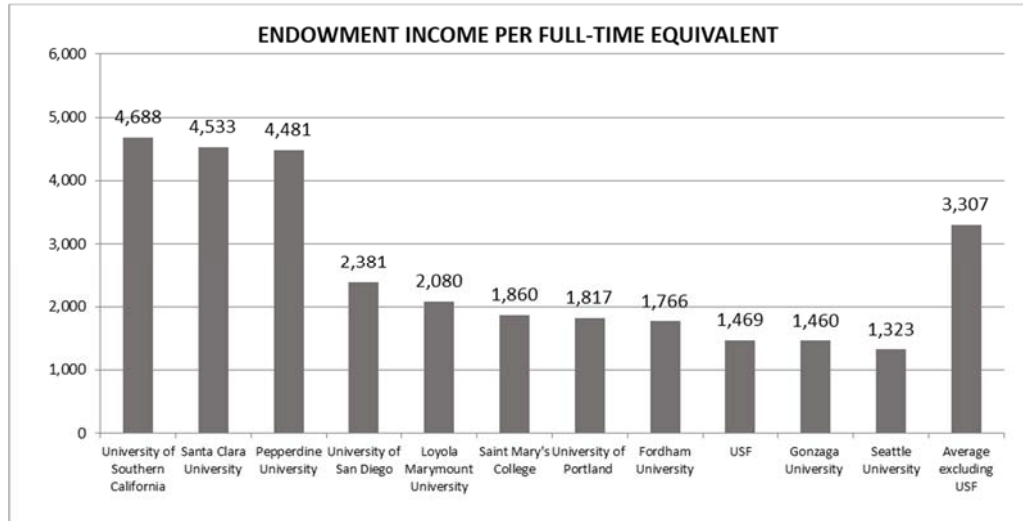
(A) Schools are sorted by 2019/2020 Tuition and Fees column.

(B) The '% change in 5 yrs' is the growth from FY16 to FY20.

(C) The 'Average % change per yr' is an average of the % changes from FY16 to FY20.

Endowment (FY 2018)

Among other support, a healthy endowment provides a source of funding for university scholarships. In fiscal year 2018 (the latest available data), the average (excluding USF) endowment income (EI) per enrolled full-time equivalent (FTE) of the universities included in the comparison below was \$3,307. USF's EI/FTE is below this average at \$1,469.



			2018 Total	4% Endowment	2018 Total	2018 Total	
			Endowment	Income FY 18 (EI)	Enrollment	Enrollment	2018 Total Enrollment
WCC	School		(TE) (000)2	(000)	(FTE)3	TE/FTE	EI/FTE
	CA	University of Southern California	5,544,267	221,771	47,310	117,190	4,688
X	Bay	Santa Clara University	979,248	39,170	8,642	113,313	4,533
X	CA	Pepperdine University	891,846	35,674	7,961	112,027	4,481
X	CA	University of San Diego	529,997	21,200	8,905	59,517	2,381
X	CA	Loyola Marymount University	471,841	18,874	9,073	52,005	2,080
X	Bay	Saint Mary's College	180,474	7,219	3,881	46,502	1,860
X	OR	University of Portland	194,396	7,776	4,280	45,420	1,817
	NY	Fordham University	729,179	29,167	16,515	44,153	1,766
X	Bay	USF	393,399	15,736	10,713	36,722	1,469
	WA	Gonzaga University	275,958	11,038	7,563	36,488	1,460
	WA	Seattle University	241,184	9,647	7,291	33,080	1,323
		Average	948,344	37,934	12,012	78,949	3,158
		Average excluding USF	1,003,839	40,154	12,142	82,674	3,307

Expenses

The following appendices address the major areas of the University's expense budget, including employee compensation.

Compensation

The Office of the Provost and the deans track the balance between full- and part-time faculty members; faculty teaching, research, and service workloads; and faculty-to-student ratios.

The University is continually making a concerted effort to focus its personnel costs on areas that provide consistently high levels of academic excellence and service quality. In concert with institutional planning, and through the annual budgeting process, new and reallocated funds are directed towards these activities.

Benefits Expense

Benefits are shown in relation to University salary expense and total expense. USF charges benefits to departments based on salary expense.

Year	Benefits	Salaries	Total Expense	Benefits			Salaries	
				% of Salaries	% of Total Expense	Annual % Change	10-year % Change	10-year % Change
FY 2011 Actual	\$41,397	\$120,001	\$323,035	34.5%	12.8%	7.9%		
FY 2012 Actual	\$45,376	\$128,582	\$344,180	35.3%	13.2%	9.6%		
FY 2013 Actual	\$47,925	\$138,516	\$364,866	34.6%	13.1%	5.6%		
FY 2014 Actual	\$48,136	\$148,551	\$377,882	32.4%	12.7%	0.4%		
FY 2015 Actual	\$54,371	\$158,978	\$405,906	34.2%	13.4%	13.0%		
FY 2016 Actual	\$57,935	\$168,247	\$418,237	34.4%	13.9%	6.6%		
FY 2017 Actual	\$60,366	\$174,210	\$446,220	34.7%	13.5%	4.2%		
FY 2018 Actual	\$61,674	\$177,955	\$465,098	34.7%	13.3%	2.2%		
FY 2019 Actual	\$60,461	\$174,828	\$472,110	34.6%	12.8%	-2.0%		
FY 2020 Forecast	\$60,687	\$176,633	\$481,610	34.4%	12.6%	0.4%		
FY 2021 Budget	\$65,108	\$188,971	\$488,853	34.5%	13.3%	7.3%	57.3%	57.5%

USF Five-Year Revenues & Expenses by Category

The following report is a summary of all University historical actual revenues and expenses and unrestricted base budgets as organized by general revenue and expense categories. This analysis, and other budget-focused analyses are available from the Office of Planning and Budget's web site at <http://myusf.usfca.edu/planning-budget/office-reports>.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
YTD Activity	Actual	Actual	Actual	Forecast	Budget
Tuition & Fees	(402,253)	(420,181)	(425,283)	(436,162)	(440,491)
Gifts	(1,127)	(1,301)	(1,736)	(1,225)	(1,503)
Auxiliary & Other Revenues	(42,839)	(43,617)	(45,401)	(44,223)	(46,858)
Revenue Total	(446,220)	(465,098)	(472,420)	(481,610)	(488,852)
Full-Time Faculty	62,810	64,531	62,176	61,736	67,254
Part-Time Faculty	22,769	22,839	22,053	21,680	23,849
Staff	81,446	83,400	83,138	84,713	89,397
Student Staff	7,185	7,185	7,462	8,504	8,470
Benefits	60,366	61,674	60,461	60,687	65,108
Gen Ops/Facilities/Capital	85,154	80,560	81,369	84,639	72,395
Financial Aid	93,447	108,926	116,394	125,558	124,381
Food Service	10,311	10,277	10,056	9,159	10,550
Debt & Other Expense	18,984	19,419	19,681	19,951	19,950
Reserves & Transfers In/Out	3,749	6,288	9,320	4,983	7,496
Expense Total	446,220	465,098	472,110	481,610	488,852
Grand Total	0	0	(310)	0	0

Note: Revenues are represented within parentheses. All figures are in thousands.