

MEMORANDUM

TO: Finance Committee, Board of Trustees

CC: President's Cabinet
University Budget Advisory Council

SUBJECT: Summary of fiscal year 2022 budget-balancing measures.

DATE: June 7, 2021

Reminders since the third-quarter meeting. Recall that at its spring meeting, the Board of Trustees approved a tentative fiscal year 2022 operating budget for the University of San Francisco. This budget featured an \$18.15 million “negative plug” in order to show a balance between planned expenses and planned revenues. Effectively, by approving this budget with its negative plug, the Board granted the university’s management leave to identify expense budget reductions and additional revenues in the last quarter of fiscal year 2021. The purpose of this memorandum is to provide the Finance Committee of the Board of Trustees, as well as other stakeholders, with a summary of those efforts.

Process. Because of the idiosyncratic nature of the university’s pandemic-related revenue shortfalls, as well as the particular ways in which management viewed the university as being likely to transition out of the pandemic, the fiscal year 2022 budget-building process (as well as related balancing measures) were strongly directed by the Continuity of Operations Working Group. The Continuity of Operations Working Group is one of the COVID-19 working groups established by the President’s Cabinet, and is chaired by Vice President Charlie Cross. Its membership includes Vice Provost Jeff Hamrick, Vice President Opinder Bawa, Vice President Ellen Ryder, Vice President Donna Davis, Assistant Vice President David Philpott, and Interim Provost Tyrone Cannon.

The Continuity of Operations Working Group identified some “top-of-the-line” measures (e.g., raising the domestic first-year first-time matriculant target by 100 headcount) and also requested that specific units agree to higher revenue targets (e.g., additional housing revenues from post-pandemic re-densification) or lower expense budgets (e.g., for semester-long study abroad programs). After these efforts totaling \$16.23 million were approved by the President’s Cabinet, \$1.93 million in additional revenues and/or expense budget reductions still needed to be identified. At the same time, during this review period additional funding needs totaling \$4.44 million were also identified in expense increases (e.g. full-time faculty rank and step levels base funded at their FY20 levels) as well as revenue reductions (i.e. non-housing auxiliary revenue reductions). The President’s Cabinet agreed to a 2/3-1/3 split of the combined \$6.37 million amount between those units rolling up to the Provost and those units not rolling up to the Provost, respectively. The Provost then subsequently identified cuts from the Provost Pass-Through Unit and asked each of his vice provosts to identify cuts that they could make to their

expense budgets that would not unduly impinge services or threaten stakeholder success. Over the course of two meetings in May 2021, the remaining amount (approximately \$1.73 million) was then divided up between the deans of the schools, College of Arts and Sciences, and Gleeson Library.

Caveats and notes. Note that after the Board's approval of the fiscal year 2022 operating budget, the President's Cabinet approved a number of additional incremental expenses or reduced revenues – thus growing the initial \$18.15 million by \$4.44 million. Those additional adjustments included the following:

- Non-Law full-time faculty rank and step levels base funded at their FY20 levels (\$2.35 million).
- Budget for the establishment of a new vice provost position, as well as general operating budget and student worker compensation budget for an office associated with that position (\$323 thousand).
- Additional one-time revenue write-downs from the Division of Student Life, which was unable to submit these proposed one-time reductions in advance of the Board's third-quarter meeting (\$1.01 million). For example, the Division of Student Life requested that its revenue budget for parking permits be substantially reduced for fiscal year 2022, under the assumption that many employees would work entirely remotely or only purchase a 2-day-a-week parking permit (which is cheaper than a 5-day-a-week permit).
- Explicitly funding, outside of a previously-planned application of fiscal year 2022 operating reserves, phase two of the university's planned web site redesign (\$760 thousand).

Note that units were asked to turn in a mix of 50% one-time cuts and 50% base cuts. Many units did so, though some did not. Because many of the top-of-the-line measures set forth by the Continuity of Operations Working Group were one-time in nature, the overall mix of credits is strongly one-time in nature. This outcome raises the possibility that the base gap between planned fiscal year 2023 revenues and expenses may be quite large.

Highlights. In general, the fiscal year 2022 budget-balancing process resulted in some adjustments – already mentioned previously in this memorandum – that reflect the fluidity of management's understanding as to how the university will transition out of the pandemic:

- The planned application of \$9.45 million from the third round of COVID-19-related federal stimulus as a revenue credit.
- Given admission levels, and early indications of interest from admitted students, the President's Cabinet felt comfortable adding 100 head count to the fall 2021 domestic first-year first-time matriculation target. This decision added planned net tuition (\$2.45 million).
- Similarly, Student Housing and Residential Education (SHaRE) agreed that it was not likely that the San Francisco Department of Public Health would require the creation of

a 46-bed quarantine and isolation unit. These beds are now planned to be returned to revenue-generating status (\$1.27 million), helping the university balance its fiscal year 2022 budget.

- Students will find it challenging to some study abroad locations in fiscal year 2022, and interest in semester-long study abroad programs may temporarily wane in light of the pandemic. Hence, the Center for Global Education agreed to a significant \$1.1 million one-time cut to related expense budgets.

The Division of Business and Finance also agreed to recommend temporary changes to certain university policies, resulting in savings that helped achieve a balanced budget:

- A one-year modification to the 37.5% full-time employee interdepartmental benefits chargeback rate to 37.0% (\$709 thousand).
- A two-year increase to the formulas governing payouts from the endowment; namely, an increase from 4.5% to 5.0% in the payout of endowment balances as measured over a three-year trailing moving average (\$1.25 million).

Other highlights include:

- Per the recent amendment to the 2016-20204 USF Faculty Association Collective Bargaining Agreement, Faculty Development Funds will be cut by 33% in the fiscal year 2022 one-time sense, yielding savings of \$620 thousand.
- Similarly, the entire pre-sabbatical support and post-sabbatical merit award pools were cut in the fiscal year 2022 sense, yielding savings of \$115,000.
- The Office of Strategic Enrollment Management eliminated \$500,000 in travel and event budgets in light of reduced opportunities – in the aftermath of the pandemic – for both activities.
- The Office of Additional Campuses began recognizing savings as part of the transition of the Pleasanton Campus to a “partnerships model” rather than a model involving the lease of commercial office space, yielding savings of approximately \$178,000.

Notably, unit managers overwhelmingly leaned on reductions in general operating budgets – rather than one-time or base eliminations of faculty or staff position budgets – in order to achieve their fiscal year 2022 savings targets.

Nonetheless, some units effected one-time or base eliminations in position budgets. Please note that no layoffs occurred directly on account of the fiscal year 2022 budget-balancing process, i.e., position budget eliminations were traced to vacancies, attrition, departures, or retirements. Unit managers eliminated 3.17 FTE in the base sense, and another 6.34 FTE in the one-time sense.

Appendices. In the following pages, please find five appendices that help summarize the outcomes of the fiscal year 2022 budget balancing and savings identification process.

- Appendix A: Budget-Balancing Measures by Group and Type (i.e., One-Time or Base)
- Appendix B: Budget-Balancing Measures by Account Category and Type
- Appendix C: Savings by Group and Type with Percent Totals
- Appendix D: Savings by Account Category and Type with Percent Totals
- Appendix E: Position Savings

**FY22 Budget Balancing Efforts
Appendix A**

Budget Balancing Group	Effort	Budget Type		
		Base	One-time	Grand Total
"Top of the Line" Savings	Endowment payout increase		(1,250,000)	(1,250,000)
	Fall 2021 matriculation improvement	(2,446,976)		(2,446,976)
	Federal stimulus		(9,450,000)	(9,450,000)
	FT benefit rate reduction		(708,975)	(708,975)
	Housing revenue increases	(1,270,885)		(1,270,885)
	Study Abroad one-time giveback		(1,100,000)	(1,100,000)
"Top of the Line" Savings Total		(3,717,861)	(12,508,975)	(16,226,836)
Additional Funding Needs	FT faculty steps to FY20 rates	2,347,000		2,347,000
	Non-housing auxiliary revenue reductions		1,009,714	1,009,714
	Vice Provost office	323,249		323,249
	Web site design phase two		760,000	760,000
Additional Funding Needs Total		2,670,249	1,769,714	4,439,963
Unit Savings	21 - ARTS AND SCIENCES	(650,712)	(509,178)	(1,159,890)
	23 - SCHOOL OF MANAGEMENT	(222,583)	(222,583)	(445,166)
	25 - EDUCATION	(60,585)	(60,582)	(121,167)
	27 - NURSING AND HEALTH PROFESSIONS	(40,590)	(40,600)	(81,190)
	31 - PROVOST	(500,000)	(21,600)	(521,600)
	32 - PROVOST PASS THROUGH	(761,867)	(761,620)	(1,523,487)
	33 - ENROLLMENT MANAGEMENT	(200,000)	(500,000)	(700,000)
	35 - GLEESON LIBRARY	(27,508)	(35,004)	(62,512)
	38 - ACADEMIC & INTERNATIONAL ACTIVITIES		(118,420)	(118,420)
	3A - ADDITIONAL CAMPUSES		(173,901)	(173,901)
	3B - DIVERSITY AND COMMUNITY OUTREACH		(15,840)	(15,840)
	41 - VP DEVELOPMENT	(100,000)	(100,000)	(200,000)
	44 - VP MARKETING COMMUNICATIONS		(15,000)	(15,000)
	45 - ATHLETICS	(100,000)		(100,000)
	51 - VP BUSINESS & FINANCE	(105,000)		(105,000)
	52 - ACCOUNTING AND BUSINESS SERVICES	(75,000)		(75,000)
	55 - FACILITIES MANAGEMENT	(320,000)		(320,000)
	57 - FINANCE AND TREASURY	(100,000)		(100,000)
	61 - VP STUDENT LIFE		(150,000)	(150,000)
	71 - CHIEF INFORMATION OFFICER	(100,000)	(335,000)	(435,000)
Unit Savings Total		(3,363,845)	(3,059,328)	(6,423,173)
Grand Total		(4,411,457)	(13,798,589)	(18,210,046)

FY22 Budget Balancing Efforts
Appendix B

Budget Balancing Category	Budget Type		Grand Total
	Base	One-time	
5A - Tuition	(5,018,012)		(5,018,012)
5C - Fees		32,752	32,752
5V - Auxiliary Revenue	(1,372,170)	859,462	(512,708)
5Z - Other Revenue	(100,000)	(9,332,500)	(9,432,500)
61 - Full-Time Faculty	1,112,377	(546,907)	565,470
62 - Part-Time Faculty	(619,404)	(115,000)	(734,404)
65 - Full Time Staff	(259,976)	(130,044)	(390,020)
67 - Other Staff		(5,907)	(5,907)
68 - Student Staff	(49,114)	(123,156)	(172,270)
69 - Benefits	230,239	(1,002,035)	(771,796)
71 - General Operating	(856,308)	(2,185,254)	(3,041,562)
73 - Scholarships	2,585,796	(1,250,000)	1,335,796
74 - Facilities Expenses	(101,100)		(101,100)
79 - Capital & Depreciation Expense	(3,600)		(3,600)
7A - Reserves	39,815		39,815
Grand Total	(4,411,457)	(13,798,589)	(18,210,046)
*Note: Other Revenue One-time adjustment includes \$9,450,000 in Federal Stimulus			

**FY22 Budget Balancing Efforts
Appendix C**

Budget Savings		Budget Type					
Savings Group	Effort	Base	% Total	One-time	% Total	Grand Total	% Total
"Top of the Line" Savings	Endowment payout increase			(1,250,000)	8.0%	(1,250,000)	5.5%
	Fall 2021 matriculation improvement	(2,446,976)	34.6%			(2,446,976)	10.8%
	Federal stimulus			(9,450,000)	60.7%	(9,450,000)	41.7%
	FT benefit rate reduction			(708,975)	4.6%	(708,975)	3.1%
	Housing revenue increases	(1,270,885)	17.9%			(1,270,885)	5.6%
	Study Abroad one-time giveback			(1,100,000)	7.1%	(1,100,000)	4.9%
"Top of the Line" Savings Total		(3,717,861)	52.5%	(12,508,975)	80.3%	(16,226,836)	71.6%
Unit Savings	21 - ARTS AND SCIENCES	(650,712)	9.2%	(509,178)	3.3%	(1,159,890)	5.1%
	23 - SCHOOL OF MANAGEMENT	(222,583)	3.1%	(222,583)	1.4%	(445,166)	2.0%
	25 - EDUCATION	(60,585)	0.9%	(60,582)	0.4%	(121,167)	0.5%
	27 - NURSING AND HEALTH PROFESSIONS	(40,590)	0.6%	(40,600)	0.3%	(81,190)	0.4%
	31 - PROVOST	(500,000)	7.1%	(21,600)	0.1%	(521,600)	2.3%
	32 - PROVOST PASS THROUGH	(761,867)	10.8%	(761,620)	4.9%	(1,523,487)	6.7%
	33 - ENROLLMENT MANAGEMENT	(200,000)	2.8%	(500,000)	3.2%	(700,000)	3.1%
	35 - GLEESON LIBRARY	(27,508)	0.4%	(35,004)	0.2%	(62,512)	0.3%
	38 - ACADEMIC & INTERNATIONAL ACTIVITIES			(118,420)	0.8%	(118,420)	0.5%
	3A - ADDITIONAL CAMPUSES			(173,901)	1.1%	(173,901)	0.8%
	3B - DIVERSITY AND COMMUNITY OUTREACH			(15,840)	0.1%	(15,840)	0.1%
	41 - VP DEVELOPMENT	(100,000)	1.4%	(100,000)	0.6%	(200,000)	0.9%
	44 - VP MARKETING COMMUNICATIONS			(15,000)	0.1%	(15,000)	0.1%
	45 - ATHLETICS	(100,000)	1.4%			(100,000)	0.4%
	51 - VP BUSINESS & FINANCE	(105,000)	1.5%			(105,000)	0.5%
	52 - ACCOUNTING AND BUSINESS SERVICES	(75,000)	1.1%			(75,000)	0.3%
	55 - FACILITIES MANAGEMENT	(320,000)	4.5%			(320,000)	1.4%
	57 - FINANCE AND TREASURY	(100,000)	1.4%			(100,000)	0.4%
	61 - VP STUDENT LIFE			(150,000)	1.0%	(150,000)	0.7%
	71 - CHIEF INFORMATION OFFICER	(100,000)	1.4%	(335,000)	2.2%	(435,000)	1.9%
Unit Savings Total		(3,363,845)	47.5%	(3,059,328)	19.7%	(6,423,173)	28.4%
Grand Total		(7,081,706)	100.0%	(15,568,303)	100.0%	(22,650,009)	100.0%

**FY22 Budget Balancing Efforts
Appendix D**

Budget Savings Category	Budget Type				Grand Total	% Total
	Base	% Total	One-time	% Total		
5A - Tuition	(5,018,012)	70.9%			(5,018,012)	22.2%
5V - Auxiliary Revenue	(1,372,170)	19.4%			(1,372,170)	6.1%
5Z - Other Revenue	(100,000)	1.4%	(9,450,000)	60.7%	(9,550,000)	42.2%
61 - Full-Time Faculty	(594,532)	8.4%	(546,907)	3.5%	(1,141,439)	5.0%
62 - Part-Time Faculty	(619,404)	8.7%	(115,000)	0.7%	(734,404)	3.2%
65 - Full Time Staff	(473,248)	6.7%	(130,044)	0.8%	(603,292)	2.7%
67 - Other Staff			(5,907)	0.0%	(5,907)	0.0%
68 - Student Staff	(58,043)	0.8%	(123,156)	0.8%	(181,199)	0.8%
69 - Benefits	(490,900)	6.9%	(1,002,035)	6.4%	(1,492,935)	6.6%
71 - General Operating	(876,308)	12.4%	(2,945,254)	18.9%	(3,821,562)	16.9%
73 - Scholarships	2,585,796	-36.5%	(1,250,000)	8.0%	1,335,796	-5.9%
74 - Facilities Expenses	(101,100)	1.4%			(101,100)	0.4%
79 - Capital & Depreciation Expense	(3,600)	0.1%			(3,600)	0.0%
7A - Reserves	39,815	-0.6%			39,815	-0.2%
Grand Total	(7,081,706)	100.0%	(15,568,303)	100.0%	(22,650,009)	100.0%
*Note: Other Revenue One-time adjustment includes \$9,450,000 in Federal Stimulus						

**FY22 Budget Balancing Efforts
Appendix E**

Position Savings						FT Equivalent	
Unit	Group	Position number	Title	Employee Status	Base	One-time	
Academic & International Activities	OPE	DD3899-00-20378973	Program Assistant	Vacant		1.00	
Additional Campuses	Exempt	G99903-00-20310214	Office Manager- Pleasanton	Vacant		0.49	
Provost	Exempt	GG3199-00-20377191	Senior Director Leo T McCarthy Center	Vacant		0.12	
Diversity and Community Outreach	Exempt	L99966-00-20152296	Vice Provost	Departure		0.06	
SOM	Faculty	A99789-00-20343818	Associate Professor	Non-renewal		1.00	
SOM	Faculty	A99523-00-11019654	Term Assistant Professor	Non-renewal		0.23	
SOM	Faculty	A99523-00-11019654	Term Assistant Professor	Non-renewal	0.77		
SOM	Faculty	A99511-00-11217876	Instructor	Non-renewal		0.06	
SOM	Faculty	A99511-00-11217876	Instructor	Non-renewal	0.94		
SOM	Faculty	A99861-00-10860013	Professor Step 8	Early retirement		0.03	
Gleeson Library	OPE	DD3593-00-20520590	Library Assistant V-Interlibrary Loan	Vacant		0.22	
Gleeson Library	Librarian	V99984	Librarian - USFFA	Vacant		0.36	
SOE	Faculty	A99774-00-10863308	Professor	Vacant	1.00		
CAS	Exempt	LF9958-00-10859310	Interim Dean, College of Arts & Sciences	Vacant (8/1/2021)	0.46		
CAS	Faculty	A99898-00-20241806	Term Assistant Professor	Vacant		1.00	
CAS	Faculty	A99811-00-20274776	Associate Professor	Vacant		1.00	
CAS	Faculty	A99831-00-10858796	Professor	Vacant		0.76	
					3.17	6.34	