

**Provost's Advisory Council  
February 6, 2020 Meeting  
8:30-10am, Lynch Center, Fulton 515**

**In attendance:**

Sharon Beckman (Chair)	Gregory Kalscheur, S.J.	David Quigley
Anthony Annunziato	Thomas Kohler	Catherine Read
Mary Ellen Carter	Jonathan Laurence	Tracy Regan
Joseph Du Pont	John Mahoney	Ronnie Sadka
Kristin Flower	Mason Marek	Akua Sarr
Yonder Gillihan	Allison Marshall	Billy Soo
Stacy Grooters	Madeline McCullough	Thomas Stegman
Angela Harkins	Karen Muncaster	Sasha Tomic
Regine Jean-Charles	Claudia Pouravelis	Thomas Wall

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- 1. The summary of the December 9, 2019 meeting will be sent to the President's Office.** All summaries are posted on the Provost's Office website; members are encouraged to share them with colleagues.
  - 2. Annual Budget and Finance Update: Michael Lochhead, Executive Vice President and John Burke, Financial Vice President and Treasurer**

David Quigley introduced Michael Lochhead and John Burke to talk about the FY21 budget and financial overview.

John Burke began with an overview of BC enrollment, the University's finances, the Endowment, and Long-Range Financial Planning.

There are currently 9,370 undergraduate and 4,800 graduate students enrolled. The anticipated Fall 2020 first-year undergraduate enrollment is 2,300. There are 3,600 employees, which includes 878 Full-time faculty. BC is ranked 37<sup>th</sup> among National Universities by *US News & World Report*. The Endowment, as of May 2019, was \$2.5 billion. Plant assets total approximately \$1.7 billion.

John went over the FY20 balance sheet, noting that the most significant asset is the Endowment, which consists of both unrestricted and restricted funds. Unrestricted funds (\$912M) can be used for any purpose, while restricted funds (\$1.56B) have specific terms for their use. Plant assets, totaling \$1.7B, constitute the second the largest asset. Liabilities total \$1.35B, with bonds representing the largest liability.

The FY21 draft budget, which closely resembles the FY20 budget, will go before the Board of Trustees for approval in early March. Revenue has been very consistent over the past 10 years. BC is highly dependent on tuition, with approximately 60% of its revenue coming from Tuition and Fees. Auxiliary income, which includes Residential Life, Dining Services, Athletics, and smaller services like daycare, parking, event management, and the bookstore, accounts for 19%

of revenue. Endowment payout provides 10% with sponsored activities and gift accounts contributing 5% and 4%, respectively. With only 10% of the operating budget supported by the endowment, BC has historically been less affected by financial turmoil in the markets.

Michael Lochhead added that one of the biggest differences between BC and many higher-ranked schools is our endowment payout. Schools with larger endowments rely more heavily on the payout for their operating budgets.

A council member asked what the endowment percentage of the operating budget is for schools with larger endowments. Another council member asked what percentage of those school's revenue is tuition dependent.

Michael answered that some schools' endowments contribute as much as 40%, with their revenue contribution from tuition accounting for between 30-40% of the budget. John added that some schools have more significant online revenue as well.

John continued, discussing expenses next. The largest expense comes from Salaries and Fringe Benefits (46%). Tuition remission accounts for 19% of expenses, with undergraduate aid being 66% of that. Additional expenses include General Operating (17%), Use Allowance (12%), Sponsored Activities (4%), and Utilities (2%). He noted that the Use Allowance, which includes depreciation and interest, fluctuates with major capital projects; more construction leads to higher use allowance.

A council member noted that 2/3 of expenses are investments in people – faculty, staff, and students – and asked how that compares with higher ranked schools. Another council member asked how much of the tuition remission comes from gifts.

Michael responded that the percentages are likely similar, though the dollar amounts may be bigger. Tuition remission is approximately \$216M, and with an endowment payout of \$113M, much of it is not supported by gifts.

David added that when the next campaign launches, a significant focus could well be financial aid. There are specific events and initiatives that raise funding for financial aid, but there remains a large gap.

A council member asked about BC's discount rate.

John responded that the discount rate is about 30%, which is very low compared to some peers who have a discount rate approaching 60%. With a 60% discount rate, for every dollar of revenue, 60 cents go to financial aid. The average discount rate nationally is 43%.

John then provided an overview of the endowment. In 1972, the endowment was \$5 million. Thanks to successful campaigns and investment returns, it currently sits at \$2.5B. BC's investment portfolio is in the top quartile in terms of returns among endowments in the peer group.

Compared to the other 18 need-blind and full need universities, BC has the second lowest total endowment, as well as the third lowest endowment per FTE. For comparison, Princeton University has the highest endowment per FTE, at \$3.1 million, while BC's is \$187,000 per FTE. The schools with larger endowments are able to be more generous with their financial aid packages. BC cannot compete with Princeton, but can focus on where to make investments to maximize academic quality and student experience.

John then talked about our long-range financial planning framework and key drivers. Planning is done with a view of maintaining and improving the academic profile of the University through investments in academics, student formation, and infrastructure. The commitment to meeting demonstrated full financial need of undergraduate students remains a priority. The goal is to build a competitive and stable base, and pass along a healthy financial outlook to future generations.

The key drivers for BC's long-range planning include Tuition Growth Rate, Endowment Return, New Debt/Capital, Fundraising, and Operational Efficiencies/Cost Management. New debt causes strains on long-range planning. For new buildings, there is an assumed 10% operational hit once the building is opened. If the building is gift funded, that financial impact is reduced.

The University maintains a strong financial position and will continue to invest in initiatives identified in the Strategic Plan, most notably the Schiller Institute. The goal is to advance priorities and align investments with current and anticipated resources.

A council member asked about the priorities for graduate financial aid.

John responded that at the undergraduate level, it is about meeting full need; for graduate students, goals vary across and within schools, and we continue to review and assess market conditions.

A council member asked what portion of tuition and fees come from international students.

John responded that about 7% of undergraduate students are international. John Mahoney added that need-blind admission does not apply to International students.

Michael provided updates on recently completed, existing, and upcoming Major Capital Projects. Facilities are the second largest asset on the balance sheet, but they are a wasting asset that requires upkeep and continual investment.

Recently completed projects include:

- The Margot Connell Recreation Center: The Connell Center, formally dedicated last fall, is a 244,000 square-foot complex that includes a competition pool with diving capacity, four basketball courts, multi-use courts, tennis courts, and an indoor track. Membership has increased, with 150 additional student memberships and 139 additional faculty and staff memberships. Overall usage has increased by 20%.

- Pine Tree Preserve: The University had many years of conversations with the Massachusetts Water Resources Authority to use the land. The property is owned by the Commonwealth of Massachusetts as there is a water main for the city of Boston that runs underneath the property. The land was cleared of dead trees and brush, and new paths and lighting were installed to beautify the space. A large part of the project included a realignment of Campanella Way and creation of a new exit from lower campus.
- Heating Plant Upgrade and Expansion: A 9,000 square-foot addition was completed which provides space for two new boilers. These additional boilers will allow the existing machines to be replaced and ultimately provide increased capacity in the future. This was a necessary step to bringing Schiller on line.

Projects under construction include:

- The Schiller Institute for Integrated Science & Society: The Schiller Institute is the largest project currently under construction. The building will ultimately house nine classrooms, a large auditorium, a clean room, space for 22 Principal Investigators and their labs and staff, as well as the Shea Center for Entrepreneurship and the Computer Science Department. The construction is going well and the anticipated opening is December of 2021.
- The Flynn Recreation Complex: The building was taken down last summer and conversations are in process as to the layout of the green space that will replace it. There will be no net loss of parking spaces. The finished space will consist of green space and outdoor tennis and basketball courts.
- The Harrington Athletics Complex, Phase II: This building will provide indoor hitting cages, locker rooms, offices, and a hospitality area. The hitting cages will also be able to be converted to an indoor practice space. The building is on track to be completed later this year.
- Student Formation Spaces: The former data center on the 5<sup>th</sup> floor of the O'Neill Library was partially renovated to create study space. Temporary furniture was used initially to gauge interest and use. The space was immediately popular with students and additional work will be done to improve and increase both private and group study space, and increase soft seating.

Projects in planning or design include:

- Student Formation Space: Space on the Newton Campus is being explored to provide a “living room” type space where students and faculty can meet in a more informal setting.
- Other projects for discussion include lower campus planning, undergraduate housing, library storage, academic support space, additional student formation and study space, campus renewals and infrastructure.

A council member asked about accessibility concerns.

Michael responded that all new buildings are built to ADA standards. The older buildings represent a challenge and those are brought up to code as there is work done on them.

### 3. Provost's Report: David Quigley, Provost and Dean of Faculties

John Mahoney provided an update on the applicant pool for the class of 2024 as all application deadlines have passed. The transition from Early Action to Early Decision (ED) has been effective. This year there were 1700 ED1 and over 1000 ED2 applications. Decisions for both of those groups have been sent, and approximately 1000 students are expected to enroll from the ED pool. The quality of the ED pool is high. With the change to early decision, Regular Decision applications have increased, with about 26,000 this year, up from 19,000 last year. Approximately 1300 students will be enrolled from the Regular Decision pool.

John continued, discussing BC's new membership in the Questbridge Program. Questbridge, has been around for about 25 years and is an online platform that connects low-income applicants with top colleges and universities. The students who participate generally have a mean SAT of 1300 and ACT of 28, and the applicant pool contains about 12,000 students. Membership is by invitation only, and there are currently 42 partner institutions. BC was invited to join primarily because of its commitment to need-blind admissions and its very high Pell graduation rate (91%).

David added that several peer schools have indicated that Questbridge has been essential to their diversity and quality efforts in recent years. Membership will be a key complement to the move to Early Decision.

David continued with an update on the Koch Foundation proposal. Since the December update, there have been ongoing discussions, but a final decision has not been reached. He then opened the conversation to the group.

Jonathan Laurence noted that the conversations within the department have raised very good questions, and the planning committee has shown flexibility in accommodating the dissenting views.

A council member asked if there was an update on a University grant acceptance policy.

David responded that the topic remains a decision the Board of Trustees would make, noting that the Board currently reviews all proposed gifts and makes the decision on whether or not to accept them.

He then provided some brief updates.

- Fr. Keenan has been appointed Vice Provost for Global Engagement.
- The inaugural Seidner Executive Director of the Schiller Institute will be announced later today.
- The Faculty Forum with Fr. Leahy will be held on March 30<sup>th</sup>.