

UNIVERSITY PLANNING COMMITTEE
Meeting Minutes
 December 14, 2022

Attendees

Jay Brewster (Chair)	Connie Horton	Phil Phillips
Sean Burnett	Sara Jackson	Steven Potts
Dean Paul Caron	Lee Kats	James Priege
Lauren Cosentino	Interim Dean Farzin Madjidi	Greg Ramirez
Dean Deborah Crown	Gary Mangiofoco	Jeffrey Rohde
Dean Michael Feltner	Tim Perrin	Dean Mark Roosa
President James Gash	Dean Pete Peterson	Nicolle Taylor
Jaye Goosby Smith		

Absent

Ebony Cain	Gary Hanson	Marilyn Misch
Rick Cupp		

Observers

Seta Khajarian	Jonathan See	Nicole Singer
Petra Rickertsen	Jody Semerau	

Guest Presenters

Phil Cho	Brad Dudley	Brittany Skinner
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I. Call to Order and Devotional

Provost Brewster called the University Planning Committee meeting to order at 8:30 a.m. via Zoom. Dean Mark Roosa presented devotional thoughts.

Dean Feltner and Dean Roosa moved and seconded approval of the October 19, 2022 meeting minutes which were adopted.

II. FY24 Budget Process Timeline and Tuition Analysis

Nicole Singer reviewed the budget process timeline. Pricing and tuition distribution were presented. Shifting focus from revenue drivers to expenses, and final submission to the Board of Regents in July were noted. Tuition increase differential compared to CPI was presented and negative differentials were attributed to high inflation rates. Tuition distribution by school was presented. Fluctuations in PGBS and GSEP were attributed to online program growth. Local and Pepperdine rental price changes were presented, along with occupancy rates where fall 2022 budgeted and actual were described as in alignment. It was asked and explained that CPI is used as a benchmark as it takes into account inflation, eliminates food and energy volatility, and is more frequent. It was clarified that the drop was anticipated and allowed for in housing.

III. Core Revenue Landscape

Deans presented their school's existing market conditions and revenue strategies that support proposed fiscal 2024 tuition pricing.

Dean Paul Caron presented for the Caruso School of Law. Law school challenges were presented and U.S. News rankings reviewed. JD application decline was noted as below the national decline. The ranking increase was attributed to the falling acceptance rate. The JD median LSAT and UGPA were both presented to have risen, which is expected to hold. It was presented that a rise in ranking has allowed over-enrollment to help with the budget and that the target will be met this year despite enrollment decline. U.S. News ranking methodology was reviewed with Pepperdine's rank in each metric.

Non-JD enrollment as a percentage of total enrollment was presented with Pepperdine fifth of 200 law schools in diversifying enrollment. Tuition shift and Straus professional skills revenue were presented, noting professional skills' revenue doubling. Shift in graduate law online and on-ground program revenue and enrollment and units sold for fall were presented. Competitor pricing of annual tuition and mandatory fees was reviewed, noting that tuition has decreased when taking inflation into account. Reducing debt was noted as a priority and it was presented that this has decreased about \$27,000 in the past five years.

CSOL's recommended 4% to 6% and suggested 5.95% increase was proposed.

Insight was requested and provided regarding the drop in applications at a rate beyond what other California schools are experiencing; Pepperdine's consultant suggests that the high undergraduate GPA discourages applications; other factors considered include a decline in ranking and the new application question about faith which may discourage some students from applying. A post-graduation employment status impact update was requested. It was commented that while expenditures are increasing the student loan debt is decreasing due to a Caruso gift and other fundraising which the law school viewed as a balance.

Dean Deborah Crown presented for the Graziadio Business School. Pricing model considerations were reviewed. National supply was presented, noting increasing competition. National graduate business school demand was presented and it was reported that last fall PGBS experienced a significantly larger decline than the national decline. Demand differences between international and domestic markets for U.S. graduate business schools were presented. Due to heavy reliance on China who still experiences COVID restrictions, the school reported seeking international recruiting market diversification. Methods and considerations were presented for expansion into Mexico, India, Korea, European regions (Vevey), Brazil, and Latin America.

Pricing's role in demand considerations were reviewed. The current program portfolio was presented. HEPI and CPI were presented as concerns for managing rising costs. It was reported that full-time programs historically performed well in economic downturns. Pepperdine's full-time MBA was presented close to median levels with competitors; an indicator that price may be able to

be increased at less risk for lowering demand. Graduates' salaries regarding the ROI ratio was reviewed and noted as a priority. International student enrollment was presented noting international market growth. Online portfolio competition was presented, reporting a rise in instructional costs. Incorporating a convenience fee to online tuition was presented. Programs' reactions to economic conditions were reviewed in conjunction with recruiting strategies.

PGBS' recommended average 4% increase was proposed and detailed by program with a 4% to 5% increase in full-time, 4% to 8% for online, and 0% to 2% in part-time and executive programs.

A member requested detail on whether the pricing model makes sense for net revenue. It was responded that pricing needs to be addressed, but the online market is declining and the hybrid market is growing, which is where the school is moving forward. Competitiveness was discussed.

Dean Michael Feltner presented for Seaver College. Seaver College historic tuition and fees data was provided. It was reported that Seaver is entering a period of higher than normal increases. Discount rates and challenges were presented. An environmental scan was provided, reviewing tuition compared with the U.S. News top 100. It was clarified that this number includes the wellness fee. It was reported that Pepperdine has the fifth largest tuition plus fee price percent increase AY22 to AY23 of the U.S. News top 100. Compared to peer and competitor tuition and fees, Pepperdine was reported at third highest in price and first highest in tuition increase. A peer and competitor tuition and fees forecast with the median at a 3.2% increase was reported. Inflation and employment increases and financial aid spending were presented. Spending was reported to increase significantly due to COVID and implications were discussed. Seaver's decision to decrease aid spending, factors influencing this decision, and consequences were reported.

Seaver's recommended 4% to 5.95% and suggested 5.78% increase was proposed. Influential factors and outcomes were reviewed. It was asked and responded that though data was not readily available on how price increases affect retention and there was not a correlation from the data in hand, this does affect student perception of Pepperdine.

Interim Dean Farzin Madjidi presented for the Graduate School of Education and Psychology. Programs were reviewed noting price elasticities and their effect. Enrollment was reviewed, reporting growth attributed to the 2U partnership which is leveling. Price bands and completions were presented as a competitive analysis with fellow institutions. Relationships between markets, demand, GSEP execution, and other factors were described. It was noted that the EdD programs are in a super-competitive market, particularly against USC who offers the program fully online. Tuition per unit was reported as where it is wanted to be, and lower than the other schools; yet the overall cost is higher. Enrollment expectations compared with the current year were provided. The Clinical Psychology program was described as GSEP's bread and butter. External factors were described. Product mix was noted as critical to attract the same number of students and increase tuition. Internal strengths were presented. New programs were announced. Average private college tuition inflation was presented. It was reported that direct competitors are predicted to increase tuition five to six percent, low unemployment and unfilled jobs indicate that

higher salaries and raises are needed, and targeted mitigating strategies are required to balance the increase. Tuition increase, merit pool, inflation, and discount rate were reviewed.

GSEP's recommended 5.95% to 6.95% increase, 4.5% to 5.5% merit pool increase, and discount rate of 8% was proposed. Targeted mitigating strategies were reviewed. A member asked why PsyD enrollment is artificially kept low given demand and suggested making the program bigger.

Dean Pete Peterson presented for the School of Public Policy. Enrollment was reviewed, reporting the drop as being addressed. Incoming class details were reviewed. An endowment and scholarship review and changes to improve recruitment were presented. The top 20 schools on tuition were presented, reporting Pepperdine at thirteenth nationally and third in state. A tuition picture with peers was presented, reporting Pepperdine at the second highest increase last year.

SPP's recommended 4.75% increase was proposed.

IV. Room and Board Rate Trends and Rate Projections

Connie Horton and Brittany Skinner presented room and board rate projections and goals. Room and board as a percentage of total revenue; undergraduate tuition, budget, and cost; Seaver double-room rate increases; and Seaver-required board plan increases were reviewed. Pepperdine room and board increases were compared with national private, highlighting Pepperdine's higher increase. It was reported that Seaver room and board is the second highest, with room at the highest and board at the lowest compared to eleven benchmarking schools. Housing types were reviewed. Off-campus market observations were presented, noting off-campus single occupancy apartment rates as higher, and double occupancy suites and bedroom apartments as lower. On-campus costs compared to local competitors were presented. Amenities for on-campus and off-campus housing were reviewed with pricing. It was reported that in the first year areas there are student and parent complaints attributed to the age and difference in building amenities.

Student Affairs' recommended 3.13% to 5.19% and suggested 4% room increase was proposed and reasoning presented. It was noted that if students share a bedroom, splitting off-campus costs remains significantly more affordable. Student Affairs' recommended 5% board increase was proposed. A 3.6% increase in room and board was reported for an FY24 first-year student.

The wellness fee was reviewed, highlighting the positive parent and student response. Budget implications were presented, noting plans to continue the mandatory model, and a potential increase reported. It was asked and confirmed that increases to board are passed on directly to the external vendor with detail provided. A member added that when the University transitioned from Bon Appetit, the University subsidized the difference from Sodexo.

V. Adjournment

The meeting adjourned at 10:42 a.m. The next University Planning Committee meeting will convene at 8:30 a.m. on January 18, 2023 in the Seaver Board Room.