

UNIVERSITY PLANNING COMMITTEE

20 November 2024

MINUTES**Attendees**

Jay Brewster (Chair)	Nelson Granados	Lila McDowell Carlsen
Sean Burnett	Jaye Goosby Smith	Tim Perrin
Paul Caron	Connie Horton	Pete Peterson
Lauren Cosentino	Sara Jackson	Phil Phillips
Deborah Crown	Matt Joyner	Greg Ramirez
Rick Cupp	Lee Kats	Jeffrey Rohde
Tanner Gardner	Seung Lee	Mark Roosa
President James Gash	Farzin Madjidi	

Absent

Michael Feltner	Dayea Oh	Nicolle Taylor
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Observers

Seta Khajarian, Petra Rickertsen, Jody Semerau, Nicole Singer

Guest Presenters

Phil Cho, Brad Dudley, Brittany Skinner

I. Call to Order and Devotional

Provost Brewster called the University Planning Committee meeting to order at 8:30 a.m. in the Seaver Board Room. Matt Joyner presented devotional thoughts.

Mark Roosa and Tim Perrin moved and seconded approval of the 16 October 2024 meeting minutes which were adopted.

II. FY26 Budget Process: Competitor Tuition and Room and Board Analysis

Historical housing occupancy rates were presented. Fall 2024 actual occupancy rate was reported at -4.6% from the budgeted occupancy rate, noting that creative solutions are being explored to address root challenges of graduate student melt and inability to backfill held on-campus rooms to meet housing budget. FY24 tuition distribution and competitor pricing by school were presented. It was commented that competitor schools to CSOL's JD program had tuition freezes in prior fiscal years, and PGBS kept their tuition flat, impacting their position.

III. Core Revenue Landscape and Discussion

Interim Dean Kats presented Seaver College data. Tuition and fees over 35 years, revenue and discount rate over 10 years, and AY24-25 tuition and fees compared with the U.S. News Top 100 private schools were reported. It was clarified that this data sources total enrollment. Pepperdine was described as standalone in its top 100 position, as it is above the average and median, and second-to-last in ranking in this scenario. It was remarked that two ways to change this matter are raising Pepperdine's rank or shrinking its total cost, and that Pepperdine's goal should be to raise in rank. AY25-26 forecast methodology factors include HEPI, top 100 peers' average tuition increase rates, and Seaver tuition increase rate. Based on this model, it was reported that the market expects Seaver College to increase 3.65-4.81%. A 4.25% increase is recommended.

Dean Peterson presented School of Public Policy data. Significant change this year, namely in unit and aid reduction, was reported to prompt SPP's proposal to reset tuition. SPP's endowment, goal to stay competitive, and new Strategic Plan were presented as supporting factors. The Office of Financial Planning was reported to encourage SPP to reduce unrestricted aid. The unique opportunity afforded by SPP's high endowed scholarship fund is proposed to be applied toward reducing tuition "sticker price". Reducing credit load from 50 to 48 credits supports alignment with peer institutions and makes possible the D.C. track program as an attractive program feature. It was clarified that scholarship outside the endowment is also provided. SPP's per year tuition, percent change, and 2024 U.S. News ranking were presented against peers and competitors.

Two scenarios were presented in response to SPP's tuition revenue analysis. Each option was described as assuming a fixed net tuition revenue target in FY26 and potential fall 2025 enrollment at 70 full-time students. Scenario one features a 13% sticker price reduction for three consecutive years, with gross tuition revenue and unfunded aid reducing by the same amount. Scenario two features a 16.7% sticker price reduction, with an included 2% tuition increase over the next three years and required two-student increase in enrollment. It was clarified that the proposals increase the proportion of student aid funded by donor scholarship. Scenario two is recommended. Timely approval is critical as this affects students currently being enrolled.

Due to current historic SPP enrollment increases, confidence in meeting the two student increases required in scenario two was reported. Members discussed maximum capacity, with 110 presented as the target. It was highlighted that with students participating in the D.C. program, capacity on the Malibu campus will increase. Full Board approval was presented as the necessary next step to implement scenario two. It was clarified that the additional degree programs proposed in SPP's Strategic Plan are not expected to affect pricing as there is no per unit fixed cost.

Dean Crown presented Graziadio Business School data. The school's context was described as competitive, with factors including the mature product environment, a nationwide increase in MBA applications, and price/tuition discounting affecting yield. MBA application year-to-year change was presented, featuring a positive change following two years of negative. AY25 tuition for

FTMBA and similarly ranked schools was presented, noting Pepperdine's standing above the median. Holding flat on the 2 year MBA and relaunching the 12-month MBA at a higher price is recommended. Changes to a relaunched 12-month FTMBA include reducing units, increasing price to match the 2-year MBA per unit price, and heavily targeting Seaver College and CCCU students. The reported goal is to stay competitive in the MBA market by adding a program option.

Realigning PTMBA and OLMBA pricing and scholarship spend is recommended. Proposed is to modestly increase the PTMBA and hold the OLMBA flat in FY26 and FY27. It was presented that this allows the OL and PT programs to have the same rate by FY27 without reducing pricing mid-program for continuing students, allocates scholarship spend across programs, and creates options for students. It was reported that the market suggests running these as one program with modality options is optimal. A large price differential between PGBS' BSM and competition median was highlighted. Holding the BSM Online and Executive Programs flat is recommended.

Decline in 2024 MS applications was reported and attributed to a large decline in students from China. The year-to-year change in domestic applications is positive, however, providing an opportunity to price to stay competitive in the domestic market. Reducing the MSAF price by 10% and holding the price steady for the other programs is recommended. It was presented this aligns with the McKinsey recommendation and would stand as a beta test for price recommendations to other PGBS programs. Data corroborating this recommendation includes that a one percent decrease in MSAF tuition would expect a four percent increase in enrollment, and that there is ease of implementation as a one-year program with no continuing students to be affected by price change; resulting in the school's optimism that revenue will increase with this change. The net tuition rate increase was described as effectively flat.

Members discussed implications of multiple schools considering a minimal-to-flat tuition increase, as Pepperdine is tuition-dependent. It was clarified that a full-scope review of expense trends is part of the University's annual budget discipline. Increasing fundraising was proposed and members were reminded that fundraising pays out over time rather than providing immediate support, and does not favorably impact operational budgets as donors often restrict funds. Price elasticity of demand was reported as another fluctuating factor, as although predictions are possible, they do not provide the same guarantee to elevate income as price increases.

Dean Madjidi presented Graduate School of Education and Psychology data. New and total student enrollment were presented, and members were reminded that lower recruitment years affect enrollment over time. General market trends report a negative change in the Education field. MFT and EDOL competitor pricing were presented. FY21-25 total headcounts were reported, highlighting the Psychology Online surplus for all years and the Education deficit the past three. Strategic pricing considerations were reviewed. Highlights include the highly competitive PsyD program which is ranked sixth in the country, and price elasticity for career ascension programs. It was reported that these allow for an increase to PsyD tuition, but faculty have expressed

opposition to this. Discount rate over time was reviewed. A weighted average tuition increase of 3.3-3.7%, 3% merit increase, and 11% discount rate are recommended.

Increasing PsyD program supply was discussed as an option to increase net tuition, noting that the maximum cohort size is 30, namely due to the clinical and practical training with supervision requirements. A member commented that if EDOL tuition was increased above the recommendation, GSEP would remain competitive with other schools. Members were reminded that EDOL is a very price sensitive program, enrollment has significantly declined, and this is why the school is instead exploring increasing Psychology tuition which is corroborated by 2U's competitive market data.

Dean Caron presented Caruso School of Law data. Maintaining the goal to rank as a top 50 law school was reported. FY26 challenges presented include ranking methodology changes and continual online graduate enrollment decline. Rankings now favor smaller class enrollment which limits CSOL's ability to increase JD program net tuition revenue. The ranking rise was attributed to decreasing the 1L class size and 25% tenure and tenure track faculty reduction. Balancing the need to decrease enrollment to increase ranking with the need to meet budget was described as challenging. It was reported that applications are up so enrolling a larger class size is possible. Ability to decrease discount rate was attributed to CSOL's high ranking. The tradeoff of this countering the University's Strategic Plan goal to decrease student debt was acknowledged. On-ground program enrollment decline was attributed to USC entering the Dispute Resolution market, as they offer more in scholarship than Pepperdine. Members were reminded that CSOL was one of the first to offer an online MLS, but now there are over 100 in the market, decreasing CSOL enrollment. Increasing professional training program revenue was a described goal. Competitor pricing was presented. A 3.35% tuition increase is recommended.

Student debt decline and maintenance when taking inflation into account was praised. CSOL's preparation for ABA accreditation in FY27 was reported.

IV. Room and Board Rate Trends and Rate Projections

Housing and food rate goals were presented, which include students' recognizing on-campus living as valuable and viable, and generating revenue. Room and Board revenue as a percentage of total revenue was presented, highlighting a 10-year average of 9.56%. Seaver's double housing rate for the academic year reported a 10-year average increase of 3.34%. The required meal plan's 10-year average increase is 3.73%. Peer comparisons were presented, highlighting housing and food total at the third highest, housing at the highest, and food at the lowest. It was clarified that data for benchmarking applied suite style (first year) housing rates. University-wide housing options were reviewed. It was highlighted that the cost per apartment or suite is only fully realized when capacity is met. This differs from off-campus options which are not capacity dependent. First year housing's lower rate than upper class offerings was attributed to older facilities and lack of a kitchen as cost is amenity based. Off-campus competitor pricing was presented. It was reported

that per month, Pepperdine is more competitive for single rooms and less competitive for doubles. Members were reminded that living on campus decreases commute and utility costs.

Commuter survey results were presented. Highlights include most commuting students living within 20 minutes of campus, 81% spending the same or less compared with Lovernich pricing, 49% reporting finances as the primary reason to live off campus, and 81% sharing “privacy and independence” as a reason. 60% of students reported believing off-campus housing is more affordable, and it was commented that this perception informs decisions. It was noted that though 97% reported satisfaction with living off campus, 46% reported a positive experience living on campus and this may present an opportunity for recapture. 50% reported that on-campus housing improvements, including elevated privacy options and lower cost, would afford reconsidering living on campus. A 2-3% housing increase rate is recommended. Though food falls under the senior vice president and chief operating officer now, a 3-5% increase is recommended based on data held.

The expanded wellness programming afforded by the wellness fee was reported to continue in positively impacting student experience. Members were reminded this fee was instated three years ago, and has allowed for additional staff offerings, eliminating many per-use service charges, and adding significant telehealth options. It was reported that 43% of telehealth visits occur after hours and counseling center resources and fitness facilities continue to experience high utilization, corroborating the importance of this effort. Budget implications and the financial model were reviewed, highlighting differences in full-time, part-time, Malibu, and non-Malibu students, and that UMC approved increasing this rate at the same rate as Seaver tuition.

Members discussed implications of the housing placement process on demand and supply. It was explained that a set amount of housing is reserved for graduate students, who commit to housing later than undergraduate students. As such, if graduate students do not fill the rooms due to under enrollment or otherwise, challenges arise in filling the rooms as Seaver students have already secured alternative housing. Members discussed an “all-you-can-eat” meal plan option.

V. Adjournment

The meeting adjourned at 10:48 a.m. The University Planning Committee will next convene at 8:30 a.m. on 18 December 2024 in the Seaver Board Room.