



**STANDARD VI:**  
**PLANNING, RESOURCES &**  
**INSTITUTIONAL IMPROVEMENT**



# Standard VI: Planning, Resources and Institutional Improvement

## Addresses Requirements of Affiliation #10, 11

*The institution's planning processes, resources, and structures are aligned with each other and are sufficient to fulfill its mission and goals, to continuously assess and improve its programs and services, and to respond effectively to opportunities and challenges.*

**Criterion 1:** *Institutional objectives, both institution wide and for individual units, that are clearly stated, assessed appropriately, linked to mission and goal achievement, reflect conclusions drawn from assessment results, and are used for planning and resource allocation.*

Our financial planning, infrastructure planning, and resource allocation processes are aligned with our mission and strategic priorities.

Senior administrative staff, including vice presidents and deans, annually define unit goals that align with UD's strategic plan. In addition to goals directly aimed at our five strategic priorities, goals may also include reducing inefficiency and achieving savings through reorganization or process re-engineering, re-imagining the cost and value of instruction, and re-evaluating our pricing models. That is, the articulation of goals for each unit requires a focus on both our strategic plan and on the principle of operational excellence.

One- and five-year milestones are identified and tracked using quantitative and qualitative measures. Although historically, this tracking has been conducted by the units themselves, the University is working to implement a robust, campus-wide reporting system that will include department-level metrics reports. These annual reports will enable UD to share multi-year data with departments, colleges and non-college units in order to facilitate common reporting of progress toward shared goals.

Initiated in 2018, the central analytics platform aims to strengthen UD's capacity for strategy, planning and analysis by unifying measures and documenting progress. Data access is designed to support the implementation of our budget model, a stronger integration of enrollment management planning with resource allocation and the accreditation process. Currently, the platform contains thousands of measures that can be combined into a variety of dashboards supporting administrative functions across the University. Connecting this analytics platform to our new budget system, Axiom, will enable the University to transition to a complimentary and automated budget and reporting system. Coordinating these systems has been a cooperative effort between multiple offices over several years. This coordination and cooperation will continue as these platforms are rolled-out for use by the broader campus community.

**Criterion 2:** *Clearly documented and communicated planning and improvement processes that provide for constituent participation, and incorporate the use of assessment results.*

The University of Delaware is committed to progressive planning and continuous assessment. Our institutional strategic plan is a living document, developed with input from the entire UD community of students, faculty and staff and emerging from prior planning documents: *Delaware Will Shine* (May 2015) and the *Path to Prominence* (May 2008). Our current plan, developed in 2019, reflects the University's vision for the future and the five strategic priorities (or "pillars"), communicated frequently, that guide the University's work: (a) enhancing the success of our students; (b) fostering a spirit of innovation and entrepreneurship; (c) building an environment of inclusive excellence; (d)

strengthening interdisciplinary and global programs; and (e) investing in our intellectual and physical capital.

These priorities exist to facilitate the mission of the University to cultivate learning, develop knowledge, and foster the free exchange of ideas.

As the University and the world emerge from the recent pandemic, a comprehensive planning process has been launched in spring 2021 to update the plan and chart the University's path forward. This review will engage the University community in conversations that help further define UD's strategic response to changes in higher education trends and external factors and may result in UD's repositioning of our priorities to address new challenges and new opportunities.

**Criterion 3:** *A financial planning and budgeting process that is aligned with the institution's mission and goals, evidence-based, and clearly linked to the institution's and units' strategic plans/objectives.*

The University conducts integrated financial planning and budgeting processes on multiple levels. This includes long-term capital and financial planning with a multi-year time horizon and year-to-year budget allocation planning for all units across the University.

At the macro level, the institution relies upon a ten-year financial plan which is updated annually. The current ten-year plan was developed by the Budget Office in partnership with the VP for Finance and was presented to the Executive Committee of the Board at its spring 2018 meeting. This long-term plan is designed to inform both the Board and senior leadership regarding the anticipated evolution of University resources and progress toward strategic goals and to indicate risk and reward in decision making. The financial model underlying this plan incorporates key budgetary drivers such as enrollment, tuition rates, and capital expenditures, to allow for a financial sensitivity analysis and to assist senior leadership and the Board in resource allocation decision making

regarding strategic initiatives. This ten-year plan was provided to external rating agencies as they considered the allocation of \$200 million in bonds; this was a critical component in obtaining a successful issuance.

At the next level, annual operating and capital budgets are approved by the Board each spring. In tandem, progress toward strategic goals is reviewed to ensure financial decisions and strategic decisions are aligned. These annual budgets are driven by the UD Budget Model, which is designed to ensure that revenue is sufficient to cover new and existing expenses and to provide funding that may be deployed strategically by senior leadership in pursuit of strategic goals.

The UD Budget Model is implemented through an annual cycle of planning and budgeting involving all units across campus. The model is a hybrid model, incorporating features of both Responsibility Centered Management models and fully centralized models. For academic units, annual allocations are the sum of a predictable base allocation, set at FY 2017 actual expenditures, and incremental revenue based upon growth in activity in undergraduate and graduate education, and sponsored research. Incremental revenue is allocated entirely through metrics such as student credit hours or student headcount.

In addition to the predictable base allocation and the activity-based allocations, the UD Budget Model also contains a strategic pool and strategic pool allocations. This pool is created through a tax on revenue generated through increased activity over FY 2017 levels, and this pool is allocated at the discretion of the President and Provost.

Non-college units are allocated a zero-based budget annually which ensures that units are only allocated the resources needed to operate during the fiscal year. In instances where budget dollars are not fully expended, funds are recovered centrally and are not retained by the unit. Increases to non-college unit budgets,

such as contractually obligated salary increases, are funded from strategic pool resources. Requests for additional funding for non-college units must be presented during annual budget presentations. These requests are reviewed in detail by the president’s office, provost’s office, executive vice president–chief operating officer’s office, human resources, and budget office with input from the unit requesting the new hire. It is expected that in general, new non-faculty or compliance personnel are funded from current, available funds within the unit’s budget by implementing cost savings strategies or by reimagining or repurposing existing positions.

**Criterion 4:** *Fiscal and human resources as well as the physical and technical infrastructure adequate to support its operations.*

**Fiscal Resources**

The University’s financial profile is very strong with a solid balance sheet as evidenced by Moody’s rating of Aa1 and Standard & Poor’s rating of AA+. On June 30, 2020, total operating investments, unspent bond proceeds and endowment funds totaled \$1.97 billion, approximately \$1 billion of which could be liquidated within 30 days.

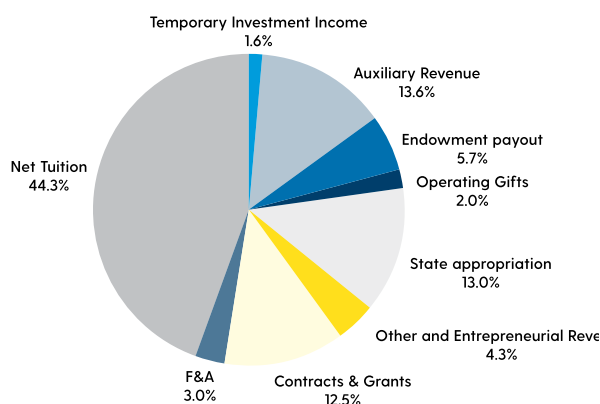
According to the NACUBO-TIAA 2020 Endowment survey, the University’s endowment totals \$1.4 billion and ranks 75th. A strong endowment allows the University to fund initiatives that will have a lasting impact on the student experience and the overall institution. In recent years, the endowment’s role in supporting

the University has become more important as funding from the State of Delaware has been relatively flat, while UD’s commitment to access and student financial aid has increased. State appropriations support approximately 11% of the University’s annual operating expenditures.

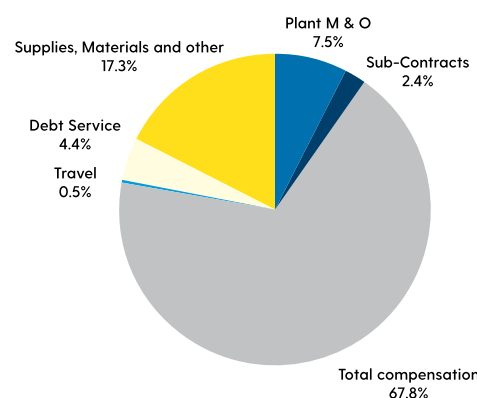
Although the University has significant assets, it also has significant liabilities. On June 30, 2020, the University had \$709 million in long-term debt and capital leases and \$570 million in post-employment benefit obligations. While significant, both liabilities will be funded over the next 30 years.

For years, source data surrounding UD’s financial resources has been available publicly in various institutional documents, including the University’s audited financial statements, IRS Form 990, and through reports generated by the Investments Office, the Office of Institutional Research and Effectiveness, the Research Office, Facilities and others. Within the past fiscal year, UD developed a publicly facing webpage to provide greater context and clarity surrounding UD’s financial management, personnel and relevant matters associated with financial data reporting.

Every year, more than 30,000 alumni, parents, friends, faculty, staff and students give back to UD through philanthropic efforts, led by UD’s Office of Development and Alumni Relations (DAR). These dedicated donors help to empower students, transform campus, recruit and retain faculty and build a lasting legacy at the University. Launched in 2017, *Delaware First:*



**Figure 6.1: FY21 Budgeted Revenue**



**Figure 6.2: FY21 Budgeted Expenses**

*The Campaign for the University of Delaware*, a comprehensive engagement and fundraising campaign, unites Blue Hens across the nation to accelerate UD's mission of cultivating tomorrow's leaders, creating solutions to grand challenges, inspiring innovations and transforming lives. The united effort will help create an extraordinary student experience at UD and extend its impact on the region and the world. As of March 2021, the campaign has raised over \$840 million.

### **Human Resources**

Currently, UD has nearly 4,700 full-time faculty and staff supported by the Office of Human Resources (HR) in areas of talent solutions, compensation and benefits, payroll, employee and labor relations and HR information systems. HR has put a variety of initiatives in place to support enhanced and streamlined service delivery, allowing it to invest less time in manual processes and more time in developing, maintaining and supporting strategic partnerships. For example, the 2018 transition to TIAA as the single administrative service provider of the retirement program included an online platform that allows participants to make account updates instantly, eliminating paper forms and processing times. We also implemented Talent Link, a new applicant tracking system, which streamlines and simplifies the recruitment cycle for all users. This system enables us to easily measure operational efficiencies, such as time to hire, and to monitor progress toward affirmative action plans. The talent planning toolkit gives managers the necessary resources for talent planning and the ability to see succession planning at the University level.

### **Physical Infrastructure**

The University facilities consist of 460 buildings containing approximately 9,640,000 gross square feet. Included in this total are 256 classroom/laboratory buildings and 149 residence, dining and student activity facilities. Since 2010, the University has invested over \$1.1 billion dollars in new construction and major renovations, additions and deferred maintenance. UD's

capital resources have focused on enhancing the student experience through building and renovating 2,100 undergraduate beds and decommissioning more than 2,000 beds in outdated facilities. A new 1,100-seat dining hall was opened in 2016 and a 400-seat dining hall was renovated in 2017.

The University has significant real estate holdings, one of which is the 272-acre STAR Campus. Acquired in 2009, the property is a former Chrysler manufacturing plant and a designated brownfield site. Although we call the area the STAR Campus, it is part of our main campus in Newark. This parcel is being developed as a 24/7/365 mixed-use research community formed through partnerships with private industry. UD's objective is to utilize ground leases and public-private partnership ownership structures (commonly referred to as P3s) to transfer operating risk and capital requirements to collaborating third parties while securing the income necessary to maintain the property and ownership.

Although the University views the STAR Campus as a long-term development project that will take more than 50 years to complete, by the end of 2020, there were approximately one million square feet of repurposed industrial and new contemporary laboratories, offices, manufacturing, amenities and incubation space with nearly 2,100 paid jobs already developed. The STAR Campus is an integral part of the student experience where connectivity, community engagement, experiential learning and sustainable growth are possible through a development strategy that includes vertical density—a live/work/learn environment including green and convening spaces. The capital investment to date is approximately \$530 million for four buildings, a park, 2.25 miles of roads and in excess of 2,000 surface parking spaces, site preparation and brownfield reuse commitments.

The University has made key investments in facilities that support research and academics. This includes the 194,000-square-foot Patrick T. Harker Interdisciplinary Science and Engineering

Laboratory (ISE Lab) that serves as a hub for teaching and research on campus. Completed in 2013, the facility brings together students and faculty from various disciplines to teach, learn and conduct research in a collaborative environment. In 2020, the University also completed the 200,000-square-foot Ammon Pinizzotto Biopharmaceutical Innovation Center. The \$165 million center on the STAR Campus houses a \$435 million investment in biopharmaceuticals via the National Institute for Innovation in Manufacturing Biopharmaceuticals (NIIMBL), a Manufacturing USA Institute sponsored by the U.S. Department of Commerce, representing over 120 universities, community colleges, corporations, government agencies and nonprofits. NIIMBL optimizes the manufacture of revolutionary life-saving medicines produced from living cells and prepares the future workforce. In addition to NIIMBL headquarters, the center houses the Delaware Biotechnology Institute (DBI) and UD's Biomedical Engineering program.

### **Information Technology Resources**

UD's Information Technologies (UDIT) provides essential support for the University's operational, research and academic goals. It performs these functions by optimizing IT resources; managing technology; promoting data security and accuracy; providing streamlined processes for business and student learning and success; managing operational and infrastructure needs; and aligning technology oversight, innovation and investment. UDIT uses Information Technology Services Management (ITSM) principles as a framework for aligning IT services with the needs of the University to deliver value across UD through the effective analysis and management of physical, financial and human resources.

In support of research and scholarship, UDIT ensures that current and emerging needs related to data creation, transfer, archival storage and analysis do not outpace bandwidth capacity. Recent enhancements include the creation of a network capable of transferring information at a rate of 100 gigabits per second (Gbps) and ScienceDMZ (demilitarized zone). In addition,

UDIT has dramatically expanded UD's high-performance computing (HPC) via clusters that maximize the speed and secure transfer of shared datasets as well as on-premises computation.

UD invests in technology to improve student learning and success. Investments include those in physical and virtual learning spaces as well as instructional quality, web accessibility, and faculty development. UDIT continues to partner with faculty, the Registrar's Office, and colleges in the enhancement of classroom technologies. One hundred and thirty-three (133) classrooms have been upgraded to new technologies with additional upgrades occurring at a rate of approximately 30 classrooms per year. Other systems implemented and available for student learning and success include an enterprise learning management system (Canvas), video conferencing platforms (Zoom and Microsoft Teams), a video management platform (UDCapture) and student engagement tools.

In support of administrative capabilities, and in addition to the data analytics platform and the new budget system, UD has deployed a travel management system (Concur), time management system (UD Workforce) and a talent acquisition tool (PageUp). New faculty appraisal and promotion and tenure systems have also been deployed. In advance of a planned and major enterprise resource planning (ERP) transition, UD has upgraded to the latest versions of ERP capabilities, PeopleSoft, to include finance, human resources, research and the student information system.

UDIT has established a comprehensive, campus-wide information security program to safeguard critical and protected data. Security challenges are met through information security policies, procedures, training and awareness initiatives designed to protect University information resources, limit liability, and prevent legal and regulatory violations. A data incident response procedure is in place and has been tested.



**Criterion 5:** *Well-defined decision-making processes and clear assignment of responsibility and accountability.*

The charter of the University of Delaware describes the composition, selection, term, and vacancies as well as the powers of the Board of Trustees. The Bylaws of the University of Delaware specifies the faculty and officers of the University. The President of the University, appointed by the Board, is the chief executive officer of the University and has the responsibility, subject to confirmation by the Board, to appoint the Provost, the Executive Vice President and Treasurer, the Vice President and University Secretary, the Vice Presidents and other officers of the University, and subject to the recommendation by the Provost and confirmation by the Trustees, the Deans of the ten colleges.

Shared governance is enacted through the Faculty Senate, formed by the University Faculty and governed by its constitution. The Faculty Senate serves as the standing executive committee of the University faculty and has the responsibility to formulate and administer the academic and educational policies of the University in accordance with the Charter, on behalf of the faculty as a whole.

Major academic and educational policies and regulations are contained in the Faculty Handbook which is maintained jointly by the Faculty Senate and the Provost's Office. The Faculty Handbook specifies the organization of academic programs, the roles of academic officers, and the roles of administrative councils, caucuses, program and policy boards, committees and commissions.

Goals of the vice presidents and deans are approved annually by the President, Provost, Executive Vice President and Chief Operating Officer, and the Executive Committee of the Board of Trustees and are the basis for the development of the annual operating and capital budgets, as well as unit budgets. Measures are associated with each goal, with aspirations to

be cited at or greater than the median of UD's peers in key areas. Annually, progress toward these goals is reviewed. Goals are revised for subsequent years to maintain the appropriate trajectory toward or to adjust expectations, as well as to pivot to embrace new opportunities or mitigate threat.

**Criterion 6:** *Comprehensive planning for facilities, infrastructure, and technology that includes consideration of sustainability and deferred maintenance and is linked to the institution's strategic and financial planning processes.*

**Facilities Planning**

The University's capital investments are guided by our strategic and master plans. These include The Campus Master Plan (2019), the Campus Framework Plan (2017), the STAR Campus Master Plan (2015), the Residence Life Master Plan (2018), Space Utilization Plan (2014), Facilities Condition Assessment Report (2017), and the Facilities Strategic Plan (2018).

The University continues to make significant, ongoing investments in facilities and infrastructure via its Capital Projects and Deferred Maintenance programs. Funding originates from operating capital and gift budget sources. On an average basis, the University Capital Projects program spends approximately \$100M annually. Very little annual funding for capital projects comes from the State of Delaware: During the past five years, the University has received an average of \$7.4 million annually for capital improvements. Following the completion of a Facilities Condition Report (2017), the Board of Trustees approved a ten-year, \$360M plan to increase the Deferred Maintenance program for the repair and replacement of such items as underground utilities, building enclosures (replacement of roofs, windows, etc.), and major building infrastructure (heating and cooling systems). This program is currently active, though due to the impact of the COVID-19 virus on the University's operations, funding was reduced in FY21 to \$9M.

All University capital projects are required minimally to meet LEED-Silver equivalent sustainability goals with many projects exceeding this requirement.

The Facilities, Real Estate and Auxiliary Services Department is the steward of the University's physical and operational foundations and has begun implementation of a more holistic planning function to provide a predictable and achievable outcome that supports UD's strategic, financial, research and educational goals.

### **Information Technology Planning**

UD's IT Strategic Plan addresses challenges and establishes the strategic direction for technology-related institutional planning and improvement. It supports growth in research and innovation, enables academic excellence, improves the student experience, and achieves greater operational excellence.

IT Governance at the University of Delaware, initiated in 2019, establishes the decision-making process necessary to ensure innovative, reliable, and robust information technology for the University. As the University emerges from the pandemic and moves forward, IT Governance will be reviewed and adapted to ensure alignment with the mission and goals of the institution.

In support of technology planning and approved technology projects, UDIT's project management office seeks to improve existing IT services, promote trust in University-wide IT services, ensure the efficient and cost-effective completion of IT projects, and provide a consistent service experience for UD communities.

***Criterion 7:** An annual independent audit confirming financial viability with evidence of follow up on any concerns cited in the audit's accompanying management letter.*

In accordance with its charter, the Audit Visiting Committee of the Board of Trustees recommends engagement of the independent auditors, currently KPMG, to the Executive Committee of the Board of Trustees, which

makes the appointment. The Audit Visiting Committee reviews the annual audit reports of the independent auditor as well as all critical accounting policies and practices. The committee also reviews material adjustments to the financial statements and comments from the independent auditors about UD's internal accounting controls. UD Administration implements recommendations of the independent auditors as applicable. The last management letter from KPMG with recommendations was issued over three years ago and those suggestions have been implemented.

Audit reports are available on the VP of Finance website.

***Criterion 8:** Strategies to measure and assess the adequacy and efficient utilization of institutional resources required to support the institution's mission and goals.*

The University of Delaware's Budget Model is designed to provide mechanisms for budget planning and measurement, allowing for an ongoing, continual assessment of the utilization of institutional resources. With predictability for academic units built into base allocations, and incremental revenue distributed through activity-based metrics, academic leadership has the ability to adjust spending to align with resources. The model also informs decisions at a higher level, driving decisions around enrollment targets and tuition and fee increases.

The alignment of resources with institutional goals and mission is also enacted through the measurement of performance metrics associated with the institution's strategic plan. As discussed above, key performance indicators associated with strategic goals are tracked and disseminated. Together, budget metrics and strategic metrics allow for continual monitoring of the use and adequacy of resources.

### **Assessment of Human Resources**

Non-academic units have typically engaged external consultants to facilitate reviews of their adequacy and efficiency. For example,



in 2017, the University partnered with Aon Hewitt to complete an in-depth analysis and assessment of the HR office, that identified several opportunities for improvement in the areas of strategy, organizational structure, processes and technology, and communication and program delivery. An evaluation of HR was conducted, and several changes were made to heighten service delivery to internal and external customers. Recruiting and onboarding were merged to create a more seamless process for new hires, and new hire turnaround time was reduced by 50%. To drive more unified, talent-centric services to the University, recruitment was merged with learning and development to create a new functional unit, Talent Solutions, that includes talent acquisition, engagement and development. This unit focuses on the employee life cycle: from recruitment and onboarding to employee engagement, development, and workforce planning. Additionally, an Associate Vice President of Human Resources was hired to focus on strategic operations, increase collaboration among functions and streamline processes. Finally, college HR managers were realigned to report to the University HR office to promote consistency, enhance compliance and streamline HR service delivery.

With the realignment of HR managers, an assessment plan was established to measure effectiveness and obtain feedback for optimal service delivery. Meetings with internal and external customers and focus groups were conducted to collect data that provided feedback on workflow and business demands. The aggregate data will be shared with stakeholders to identify and improve business practices and achieve greater consistency. To further support and sustain this realignment, we are planning an HR Solutions Center where members of the campus community may consult with subject matter experts on a variety of human resources topics.

UD's compensation system ensures equity, fairness and market competitiveness, enabling us to recruit and retain the best talent and advance

key strategic initiatives. To maintain market competitiveness, UD participates in several salary surveys annually in higher education and general industry. In addition, every three to five years, a full internal salary evaluation is conducted based on market data. The FY 2019 review resulted in a 3% salary structure adjustment.

All benefits are reviewed annually to ensure they meet the diverse needs of our faculty and staff, while remaining fiscally responsible. We benchmark our benefit plans, participate in various surveys, and conduct annual reviews to remain abreast of benefit trends and costs. For FY 2020, we were able to hold rates flat and saw a nearly \$0.5 million dollar reduction in rates across several benefit lines (dental, long-term disability) through our bidding and negotiation process.

Through focus groups and interdisciplinary work teams, we continue to evaluate and improve our processes. For example, currently, we are evaluating our paid time off programs for competitiveness and efficiency. Based on in-depth benchmarking, data analysis, budget modeling and forecasting, we were able to implement an eight-week paid parental leave policy for our staff in July 2019.

### **Assessment of Information Technology**

An organizational assessment of UDIT was conducted by the Huron Consulting Group and completed in early 2017. That assessment guided direction of the newly hired CIO and acted as a foundational document for the development of UD's IT Strategic Plan. In June 2018, UDIT conducted group and one-on-one interviews with campus leaders and the University's IT Technology Steering Committee. The purpose of these interviews was to obtain feedback that would help UDIT understand how it serves the technology needs of the University and to identify optimal improvements. As a result of broad input across the University, UD's Information Technology Strategic Plan serves as a road map for future planning and development. The plan guides and informs organizational priorities, goals, strategies, and initiatives, which

will in turn guide and inform UDIT's annual operational plans, respective department plans, and UDIT's annual reports, including the documentation of progress on goals.

**Criterion 9:** *Periodic assessment of the effectiveness of planning, resource allocation, institutional renewal processes, and availability of resources.*

The Office of Institutional Research and Effectiveness (IRE) engages in research and analysis to assess institutional effectiveness, inform decision-making, facilitate policies and practices and prepares benchmarking data from national databases and targeted surveys of peer institutions. The office helps to ensure the University follows government regulations and accreditation standards and responds to federal, state, and established ranking and ratings data collections.

IRE conducts a robust and complete research program for UD. The office uses data definitions and standards to facilitate the comparison of UD with a standard set of institutions using data from IPEDS to visualize UD's position in comparison to a fixed peer group over time. UD has enacted data quality, assurance, and control processes related to human resource records, student information system records, student accounts, expenditures in the general ledger, budget and planning, as well as research to facilitate analysis, and reporting. These data sources are used to provide a complete assessment of institutional progress related to its mission and priorities discussed elsewhere in this document.

These data sources are migrated to a cloud-based database (AWS Redshift) where they can be accessed by data visualization tools (Tableau) and data analysis tools. This centralized platform facilitates the use of identical data sources, the centralized documentation of data definitions (Github), and the establishment of reporting schedules based on data migration, cleaning, and reporting timeline. This centralized platform fosters institutional learning in collaboration with the University community to achieve strategic milestones and build institutional memory. Enrollment data including credit hours, student counts and course data is used to inform and support new faculty hires. These data sources are used for frozen reports (e.g., Key Performance Indicators for the Board of Trustees), live reports (e.g., deposits to date), and data views used for reporting (e.g., fall enrollment, human resources, completions).

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### Opportunities for Improvement and Innovation

- Improve data management and systems integration, data access and data use across the University for decision-making, assessment and policy formation.
- Continue to make progress on strategic initiatives including the Campus Master Plan and Information Technology Strategic Plan, development of the STAR Campus, and Operational Excellence initiatives to move toward stated goals in alignment with the University's strategic plan.

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## Financial Overview

The following is an all funds<sup>1</sup>, multiyear financial schedule depicting annual operating and capital budgets and related impact on liquidity over the period FY17 to FY22 at the University of Delaware. This range of years begins when President Dennis Assanis joined the University and continues to the current year. Although much of the source data has already been available publicly in other institutional documents, including the University [audited financial statements](#) and the [IRS Form 990](#)<sup>2</sup>, we are looking to increase clarity by combining data from multiple sources into a one page financial summary<sup>3</sup>.

While a one-page schedule is convenient, we recognize additional detail is helpful in certain key areas, including research, personnel, and capital projects and deferred maintenance. Supplemental schedules providing this information have been created.

## Operating Budget

The University develops its operating budget (lines 20-53) on a sources and uses basis. This budget is approved annually by the Board of Trustees. The operating revenues that are generated fund the related operating expenses. To the extent operating revenues exceed operating expenses, this surplus is available to fund capital expenses. To the extent expenses exceed revenues in a fiscal year, the university must utilize existing operating investments (line 6).

It is important to note that the operating revenue (line 36) has grown every year since FY16, and the University has generated operating surpluses (line 53) every year, until FY20. FY21 is the first year operating revenue has dropped below \$1B since FY17 (line 36). FY22 Budget assumptions, which includes 4,400 incoming freshman class and return to on-campus activities, resulted in total operating revenue topping \$1B again. FY22 Projection with Fall enrollments indicates the University is trending to reach \$1B in total operating revenue but with challenges. FY22 Fall incoming freshman enrollments yielded 4,276 enrollments which is short of the 4,400 budget target. However, more significant is the projected lower net tuition revenue as a result of increased financial aid (line 24). Financial need continues to increase as

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<sup>1</sup> The All Funds Basis of reporting is presented as sources and uses and is the principal reporting format utilized throughout the University to manage operations. As such capital expenditures, proceeds from issuance of debt, principal payments on debt are reflected as an expenditure. In the financial statements presented in accordance with Generally Accepted Accounting Principles capital expenditures are capitalized and depreciation is reflected in the statement of activities as an expense. Bond proceeds and principal payments are reflected on the balance sheet and statement of cash flows.

<sup>2</sup> On an annual basis the University files a Form 990 with the IRS. Form 990 is intended to provide the government and interested members of the public with a snapshot of the organization's activities for that year. Differences between Form 990 Part I, line 19, Revenue less Expenses are attributable primarily to the IRS including as revenue realized gains in the pooled portfolio and revenue for endowment and capital. In the GAAP financial statements these items are excluded from the Change in Net Assets from Operations as they are not eligible to be used to support operations. The pooled portfolio supports operation via the annual endowment distribution that is approved by the Board of Trustees. In any given year through reallocation of investments the pooled portfolio could experience significant gains, however these gains are reinvested in new investments

<sup>3</sup> This summary is not meant to replace any of the source documents. It should also be noted there will always be differences in numbers between sources for valid reasons, including different methodologies of national agencies to whom we report.



families continue to be impacted financially by COVID. Student Financial Services is seeing a number of families that are falling into a lower income bracket triggering continuing students needing repackaging of financial aid. Additionally, as part of the Higher Education Emergency Relief Fund guidelines, the University is required to educate families on how to appeal financial aid decisions therefore we are seeing increased appeals for financial aid.

Operating expenses include *Total Salaries & Wages* of \$520M (line 44) in the initial FY22 budget, which includes faculty, professionals and staff<sup>4</sup>, as well as graduate student and S-contract salaries and benefits. From the personnel schedule, it can be seen that faculty compensation has grown by \$26M since FY17, associated with contractual salary and benefits rate increases, as well as a net increase in faculty FTE of about 126 from June 2017 to June 2021; professionals and staff compensation has grown by \$37M since FY17, associated with salary and benefit rate increases. As the financial schedule depicts all funds growth, the growth of professionals and staff has been across funds, with hires in research institutes like NIIMBL, as well as strategic investments in student success and wellness, including investments in student life and diversity, student health, academic advisors, athletics staff in recreation and supporting compliance efforts, and in development and alumni relations to support the campaign. Importantly, UD's FT Staff to FT Faculty ratio using fall 2020 data, prior to retirements or other personnel actions, is still one of the lowest among our peers, while the headcount of UD full-time staff members also appear to be in the normal range based on student enrollment.

*Supplies, Materials and Other* expenses (line 49) have grown every year, with more material increases in FY18 and FY19 due to increased start-up expenses for new faculty, and other expenses for system upgrades related to budgeting, purchasing and data warehouse, including Jaggaer, e-procurement, Helio-Campus, and Axiom. It is important to note that the FY20 & FY21 expenses are intentionally reduced to partially mitigate COVID revenue losses, but also because events and other expenses were eliminated due to remote operations and shuttered campus. However, FY22 Budgeted Supplies, Materials and Other expenses are increasing \$17.5M due to sponsored activity, which has offsetting increased sponsored revenue and approximately \$10M for systems support, unforeseen COVID expenditures and ramp up of on-campus activities.

### **Capital Budget: Funding New Buildings and Addressing Deferred Maintenance**

Annually a capital budget, consisting of both new projects, renovations, and deferred maintenance, is developed by the Administration and approved by the Board of Trustees. Capital expenditures are funded by operating surpluses, bond proceeds, state bond appropriation and gifts for capital. The accumulated operating surpluses, as well as the bond issuance, were targeted to fund the strategic plan that included major capital projects (line 62), including the Carol Ammon and Marie Pinizzotto Biopharmaceutical Innovation Building, Worrilow Hall renovation, South Academy Residence Hall, Whitney Athletics Center, as well as the McKinly Building replacement. Also, part of the plan was doubling deferred maintenance spend from \$18M to \$36M annually (line 65) in order to reduce a deferred maintenance backlog of almost \$500M as of FY16, and to improve the Facilities Condition Index (FCI) of our existing buildings. However, due to the pandemic and as part of COVID mitigation, deferred maintenance was reduced to \$9M in FY21 and \$18M in FY22. Funding sources have included a

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<sup>4</sup> Employees categories are per FLSA definitions: Professional employees are exempt and: are not eligible for overtime pay; this group includes wide variety of titles--postdocs, academic advisors, development officers, administrators. Staff employees are non-exempt and are eligible for overtime pay.

combination of operating investments as well as donor funds. State funding for capital has amounted to about \$6M/year, increasing to \$10M/year in the most recent years; the accumulated funding will continue to be spent on the addition/renovation of Drake Labs and other projects in FY22. The balance that must be funded from operating investments in FY22, approximately \$13M (line 68), represents encumbered funding of committed expenses for projects near completion, with bills that need to be paid in FY22.

In the foreseeable horizon, UD will continue to pursue new capital projects, but these will be funded through state bond appropriation, philanthropic support and external funding received through public-private partnerships.

### **The Endowment and the Pooled Portfolio: Ensuring Stability for the Next 275 Years**

The University endowment consists of approximately 1,315 individual funds totaling about \$1.9B (line 11) which were established for a variety of purposes and are intended to provide perpetual funding to support the University's educational goals. The endowment is comprised of approximately \$1.4B in donor restricted funds which must be utilized in accordance with donor intent and \$483M of board-designated funds which may be used for purposes of the University, as determined by the Board of Trustees. The ongoing generosity of our alumni and friends has helped to ensure the long-term financial health of the University through the establishment of endowed gifts and the University has an obligation to ensure those gifts support the University for many years to come. A strong endowment allows the University to fund initiatives that will have a lasting impact on the student experience and the overall institution.

In recent years, the Endowment's role in supporting the University has become more important as funding from the State of Delaware has been relatively flat, while our commitment to access and student financial aid has increased. This support is likely to become even more important in the coming years given the challenges facing higher education today.

To ensure that the endowment funds are available in perpetuity, the University's Board of Trustees, Investment Visiting Committee, and Administration have a shared mission to maximize the Endowment's total return consistent with the University's prudent investment risk constraints and preserving real value for future generations. This mission requires an expected long-term return that exceeds the inflation-adjusted annual spending rate. The target spending rate for the Endowment is 4% to 5% of the three-year average market value as determined annually by the University's Board of Trustees. In Fiscal 2021, the spending distribution from the Endowment was \$53M (line 32), providing financial support and flexibility to the University's operating budget.

Over the past 20 years, the University has taken approximately \$200M in unrestricted operating funds and invested them with the endowment funds to create the Pooled Investment Portfolio. The combined endowment and pooled investment portfolio equal \$2.1B at the beginning of FY22 (lines 5 & 11). As mentioned previously, the University had projected to liquidate approximately \$100M of operating funds in the pooled Investment Portfolio to support the strategic financial plan, sacrificing a return to operating funds of at least \$5M in perpetuity. While further utilization of any unrestricted endowment funds or increasing the payout on permanent endowments to fund COVID impacts would provide short-term budget relief, this would create a structural funding gap that would need to be covered by tuition increases or increased State appropriations, both of which would be extremely difficult in these challenging times.

University of Delaware \$ in millions	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Budget 4400 freshman; 2% tuition increase	FY22 Projection with Fall enrollments	Sources/Comments/Scenario Adjustments
<b>Financial Resources:</b>								
Cash and cash equivalents	51	85	111	130	125	125	125	Audited financial statements - Balance Sheet
Operating investments-bond portfolio	312	317	177	162	151	123	111	Audited financial statements - Balance Sheet
Operating investments in pooled portfolio	243	250	248	227	278	278	278	Audited financial statements - Liquidity Footnote
Total operating investments	606	652	536	519	554	526	514	Target of 90 days cash on hand (approx \$250M), minimum cash on hand 60 days (approx \$170M)
Unspent bond proceeds for capital	21	176	191	67	62	50	50	Audited financial statements - Restricted Deposits Footnote; FY18 includes \$200M taxable bond issuance and FY19 includes restricted deposits related to bond refinancing
<b>Total operating investments and unspent bond proceeds</b>	<b>627</b>	<b>828</b>	<b>727</b>	<b>586</b>	<b>616</b>	<b>576</b>	<b>564</b>	
<b>Change</b>	<b>14</b>	<b>201</b>	<b>(101)</b>	<b>(141)</b>	<b>30</b>	<b>(40)</b>	<b>(52)</b>	Ties to the change in operating investments and unspent bond proceeds per audited financial statements (line 74)
<b>Endowment funds market value, net</b>	<b>1,290</b>	<b>1,336</b>	<b>1,387</b>	<b>1,376</b>	<b>1,864</b>	<b>1,864</b>	<b>1,864</b>	Audited financial statements - Endowment Footnote, \$1.4B in donor restricted funds plus \$483M in board designated funds which generated ~\$53M in annual endowment distribution
<b>Long-Term Liabilities:</b>								
Long-term debt and finance leases, net	524	733	719	709	697	685	685	Audited financial statements - Balance Sheet and Long-Term Debt and Finance Leases Footnote
Postemployment benefit obligations	550	498	506	570	582	582	582	Audited financial statements - Balance Sheet and Employee Benefit Plans Footnote; Represents retiree medical and faculty retirement obligations
<b>Long-Term Liabilities</b>	<b>1,074</b>	<b>1,231</b>	<b>1,225</b>	<b>1,279</b>	<b>1,279</b>	<b>1,267</b>	<b>1,267</b>	
<b>Operating Statement of Activities, All Funds Basis</b>								
<b>Operating Revenue:</b>								
Undergraduate Tuition & Fees	443	467	482	494	470	499	501	Published FY22 base Graduate tuition rates reduced from \$1,898 to \$950, which aligns with Actual price paid vs. sticker price; Expected to drive higher demand for Graduate programs
Graduate Tuition & Fees	93	101	106	102	97	67	65	Includes differential fee, comprehensive and recreation fee; FY22 Budget assumptions included all student cohorts of differential fee, final increment of previously approved comprehensive fee increase and return to normal Study Abroad/World Scholar and English Language Institute programs
Other Tuition & Fees	44	46	56	55	50	79	67	Estimated change in demographic and increased cost for same yield; FY22 Budgeted UG discount rate was 26.1%; multiple factors impacting actual UG financial aid needs is resulting in a projected discount rate of 30%
Undergraduate Financial Aid	(94)	(103)	(113)	(120)	(133)	(131)	(151)	Includes tuition scholarship for doctoral students; Graduate Aid adjusted for FY22 base Graduate tuition rates reduction from \$1,898 to \$950
Graduate Aid	(62)	(65)	(72)	(72)	(67)	(35)	(33)	
Net Tuition, UG and Grad	424	446	459	459	417	479	449	
Auxiliary Revenue	119	127	130	90	50	126	126	FY22 assumes normal Room & Board capacity
State Appropriation	121	119	122	125	125	126	127	
Contracts & Grants	142	145	165	171	181	174	174	Represents primarily cost reimbursable research agreements, public service, extension programs, federal, state and industry. Please note the shift of \$5M in FY20 Actual column from Contracts & Grants line to the HEERF relief reimbursements sub line directly below.
HEERF relief reimbursements				5	46		16	Collected \$46M of Higher Education Emergency Relief Fund (HEERF) in FY21; additional \$16M of HEERF will be collected in FY22.
Facilities and Administrative Cost Recoveries	36	37	40	41	44	44	44	Represents indirect costs funded by research agreements
Endowment Payout	51	51	52	52	53	56	56	Represents endowment distribution approved annually by Board of Trustees
Temporary Investment Income	18	20	23	20	16	15	15	Represents investment income on operating investments
Operating Gifts	31	29	28	24	29	33	33	Moderate scenario assumes operating gift projection increase
Other Revenue	47	51	51	46	35	50	50	Represents self-supporting and entrepreneurial activities; FY22 Budget assumes return to normal activities
<b>Total Operating Revenue</b>	<b>989</b>	<b>1,025</b>	<b>1,070</b>	<b>1,033</b>	<b>996</b>	<b>1,103</b>	<b>1,090</b>	
<b>Operating Expenses:</b>								
Faculty Salaries	151	159	169	177	178	177	177	Faculty net new count from June 2017 to June 2021 is 126 net new faculty. IPEDS definition may not match October snapshot, this is used to compare UD faculty & staff to peers
Professionals	151	162	173	185	184	192	192	Includes exempt employees; increases on all funds including sponsored, state and self-supporting
Staff & Other Wages	77	79	80	80	65	73	73	Includes non-exempt, miscellaneous wage and student employees
S-Contracts (Faculty and Professional)	23	24	24	26	21	27	27	
Graduate Student Salaries	42	45	50	51	52	51	51	
Total Salaries & Wages	444	469	496	519	500	520	520	
Fringe Benefits	167	175	184	192	190	204	204	Comprised primarily of medical, retiree medical, 403b, State pension contribution, FICA
Total Compensation	611	644	680	711	690	724	724	Includes sponsored and non-sponsored
Travel	27	29	31	25	3	25	25	Travel curtailed significantly during spring 2020 due to COVID-19; FY22 Budget assumes slower ramp up to pre-pandemic levels
Supplies, Materials and Other	130	145	176	149	121	181	180	FY22 set to FY20 actual spend adjusted for \$17.5M increased sponsored expense, offset by increased sponsored revenue, and approximately \$10M for systems support, COVID, and ramp-up of on campus activities.
Plant Maintenance and Operations	81	86	89	82	72	83	83	
Subcontracts - Sponsored Agreements	24	25	26	35	38	42	42	Represents sub-agreements to other institutions, primarily higher education, increase primarily due to National Institute for Innovation in Manufacturing Biopharmaceuticals (NIIMBL)
Debt Service	38	39	41	48	48	45	45	Represents principal and interest payments on long-term debt; debt service decline due to principal payment reduction
<b>Total Operating Expense</b>	<b>911</b>	<b>968</b>	<b>1,043</b>	<b>1,050</b>	<b>972</b>	<b>1,100</b>	<b>1,099</b>	
<b>Operating Surplus/(Deficit)</b>	<b>78</b>	<b>57</b>	<b>27</b>	<b>(17)</b>	<b>24</b>	<b>3</b>	<b>(9)</b>	
<b>Capital Activities</b>								
<b>Capital Funding:</b>								
Gifts for Capital	2	3	11	9	15	19	19	
Bond Proceeds	39	48	97	13	4	12	12	Bonds are drawn as expended on bond funded projects
State Bond Bill Appropriation	6	1	-	1	3	27	27	State funded projects accumulated from multiple years to fund larger projects;
Other Capital Funding	-	-	1	10	9	4	4	
<b>Total Capital Funding</b>	<b>47</b>	<b>52</b>	<b>109</b>	<b>33</b>	<b>31</b>	<b>62</b>	<b>62</b>	Rounding to whole numbers resulted in slight change to prior version
<b>Capital Expenditures:</b>								
Deferred Maintenance, budget	18	36	36	36	9	18	18	Strategic investment in deferred maintenance
Capital Projects	64	56	143	137	65	57	57	Capital Projects continue to be evaluated
<b>Total Capital Expenditures</b>	<b>82</b>	<b>92</b>	<b>179</b>	<b>173</b>	<b>74</b>	<b>75</b>	<b>75</b>	
<b>Capital activities funded by operations and operating investments</b>	<b>(35)</b>	<b>(40)</b>	<b>(70)</b>	<b>(140)</b>	<b>(43)</b>	<b>(13)</b>	<b>(13)</b>	Rounding to whole numbers resulted in slight change to prior version
<b>Change in fund balance from operating and capital activities</b>	<b>43</b>	<b>17</b>	<b>(43)</b>	<b>(157)</b>	<b>(19)</b>	<b>(10)</b>	<b>(22)</b>	
Accrual/prepaid differences	(46)	(22)	(64)	20	(24)	(30)	(30)	Adjustments to reconcile between All Funds and GAAP financial statements
Appreciation/(depreciation) operating investments in pooled portfolio	17	7	6	(4)	73	-	-	Adjustments to reconcile between All Funds and GAAP financial statements
2018 bond proceeds	-	199	-	-	-	-	-	
<b>Change in operating investments and unspent bond proceeds per audited financial statements</b>	<b>14</b>	<b>201</b>	<b>(101)</b>	<b>(141)</b>	<b>30</b>	<b>(40)</b>	<b>(52)</b>	Ties to the change on line 9
<b>Reconciliation of Operating Surplus/(Deficit) per All Funds to GAAP Basis:</b>								
<b>Operating Surplus/(Deficit)</b>	<b>78</b>	<b>57</b>	<b>27</b>	<b>(17)</b>	<b>24</b>			
Depreciation, amortization and loss on disposals	(71)	(84)	(99)	(78)	(88)			
Capitalized equipment, library and capitalized interest	27	34	44	40	37			
Principal payments	15	16	17	17	12			
GAAP accrual and deferral entries	(15)	(15)	(10)	1	-			
Transfers to/(from) endowment	-	(4)	4	-	(1)			
<b>Change in net assets from operating activities, GAAP Basis</b>	<b>34</b>	<b>4</b>	<b>(17)</b>	<b>(37)</b>	<b>(16)</b>			
<b>Reconciliation of change net assets from operating activities per GAAP Basis to Form 990:</b>								
<b>Change in net assets from operating activities, GAAP Basis</b>	<b>34</b>	<b>4</b>	<b>(17)</b>	<b>(37)</b>				
Realized gains, net of fees	56	80	75	58				Reinvested within pooled portfolio, recognized as revenue by IRS
Endowment payout	(51)	(51)	(52)	(52)				Elimination of appropriated income, not recognized by IRS
Contributions for endowment and capital	25	43	58	32				
State capital appropriations	6	1	0	1				
Reclassification of donor restricted revenue	(14)	(12)	(18)	(15)				Donor restricted net assets released from restriction
Other non-operating activities	0	(5)	8	(6)				Represents primarily real estate entities and realized gains on bond refinancing
<b>Revenue less expense per 990 (Part I Summary, Line 19)</b>	<b>56</b>	<b>60</b>	<b>54</b>	<b>(19)</b>				