

BUDGET ADVISORY COMMITTEE

OCTOBER 7, 2011

**Whitman College Budget Advisory Committee
2011 - Future Meeting Topics and Proposed Dates
2:00 PM to 3:00 PM**

Meeting 1 – Friday, October 7 (1 hour) MEM 324

Opening comments and introductionsPeter Harvey, Treasurer

Discussion of the role of the committee
in recommending a budget..... Peter Harvey, Treasurer

Overview of budget.....Peter Harvey, Treasurer

Benchmark reports Walter Froese, Controller

General discussion All

Meeting 2 – Friday, October 14 (1 hour) MEM 324

Priorities for the College..... George Bridges, President

Compensation for faculty and staff..... Tim Kaufman-Osborn, Provost and DOF
and Peter Harvey, Treasurer

General discussion All

Meeting 3 – Friday, October 28 (1 hour) MEM 324

Review of 2010 – 2011 budget resultsPeter Harvey, Treasurer

2011-2012 Forecast and budget modeling..... Walter Froese, Controller

Discussion of budget planning assumptions to
recommend to trustees.....Peter Harvey, Treasurer

Meeting 4 – Friday, November 11 ** Two Hour Meeting MEM 324**

Presentation of budget priorities by budget officers.....

ASWC priorities..... Matt Dittrich, '12, ASWC President

Meeting 5 – Friday, December 9 ** Two Hour Meeting**

MEM 324

Committee discussion of priorities

Meeting 6 – TBD

Review final budget and rationale with committee

MEMORANDUM

TO: Budget Advisory Committee
CC: George Bridges

FROM: Peter Harvey

RE: 2011 - 2012 Committee Work

After consulting with members of the administration, faculty, staff, students and trustees, we are making a number of changes to the Budget Advisory Committee process. The changes are meant to improve the sharing of information with committee members, enhance communication between the committee and the governing boards, and increase the effectiveness of the process for all. The following changes are being made:

- A trustee has been added to the membership of the Budget Advisory Committee
- The Chair of the Faculty will attend the trustee Budget Review Committee to assist in the sharing of information between the Budget Advisory Committee and the trustee Budget Review Committee
- Discuss the Charge to the committee and clarify the roles of the different participants who help create the budget
- Share Budget officer strategic priorities with committee prior to reviewing specific budget proposals
- The Budget Advisory Committee will provide input on key budget planning assumptions (potential ranges in tuition increases, enrollment levels, salary pools, etc.) prior to making recommendations to the governing boards at their November meeting. The committee will also provide input on the final budget recommended to the Trustees at their February meeting.
- Review the final budget and rationale for decisions with the committee at the end of the process

It is believed these enhancements to the process will significantly improve the effectiveness of the decisions made in adopting the College budget. The College will continue to review the work of the committee and make other adjustments as warranted.

PRESIDENT'S BUDGET ADVISORY COMMITTEE

The President has established the Budget Advisory Committee to advise the College in developing a budget that reflects the College's top priorities. Whitman College's budget is a reflection of the College's strategic planning and links financial resources with the top priorities of the College.

The President's Budget Advisory Committee is charged with giving feedback on budget requests and on the top priorities of the College. In addition to considering requests for funding new initiatives the Committee will advise the President on tuition increases, the level of financial aid awarded, compensation, and fringe benefits pools for faculty and staff. The Committee is asked to provide feedback on maintaining a balance between keeping tuition affordable and providing the resources needed to continue to strengthen the College's programs and services.

The President's Budget Advisory Committee is composed of the following members:

Treasurer and Chief Financial Officer, Chair

Provost and Dean of the Faculty

Four Faculty: The Chair of the Faculty and the three Division Chairs. The Chair of the Faculty will also attend the governing board's Budget Review Committee meetings as a liaison with the Budget Advisory Committee.

Four Staff: Anyone may nominate a staff member to serve on the Committee. Staff may nominate themselves as well. The Treasurer, Provost and Dean of the Faculty and Chair of the Faculty will select the members from those who are nominated.

Four Students: Students will be selected in consultation with ASWC.

One Trustee: Currently, the Chair of the governing board's Budget Review Committee.

The President of the College may attend meetings to hear the deliberations of the Committee. The Senior Assistant to the President will attend all meetings as an ex-officio member. The Controller of the College will also attend meetings as an ex-officio member.

President's Budget Advisory Committee Process and Timetable

The Committee begins meeting in October. The Committee will discuss the Charge of the Committee. The Treasurer will review the current year budget and which priorities were funded in the current year. The President will present top priorities for the College. The Committee will review relevant data from peer institutions on tuition, financial aid, compensation, and other key indicators. The Committee will review likely new funds available for new initiatives as well as the projected costs for new initiatives. The

Committee will give input to the Trustees in November on key planning assumptions to be used in developing the budget.

In October every academic and administrative department is asked to submit a budget request for the following year. The Treasurer's office will compile the budget requests into a proposed budget showing different alternatives of funding levels. The Committee is asked to give feedback to the President on top budget priorities and on the various funding alternatives presented in early December.

The President, in consultation with the President's Council, will then finalize a budget to be proposed to the Trustees. The Board of Trustees will adopt a final budget in February. A summary of the final budget will be shared with the Committee and then with the College community in March.

WHITMAN COLLEGE

BUDGET TERMS AND PROCESS

FUND SOURCES

Net Tuition

The tuition charge increased 4.5 percent for the 2011-2012 academic year. The annual charge is \$40,180. Restricted financial aid is funded by gifts and endowment.

Unrestricted financial aid is funded from the operating budget. We show these line items as tuition discount so we may better focus on net tuition income, which is the key issue for budget planning. Over the past several years, the College's institutional aid as a percentage of tuition (what we call our discount rate) has increased from just under 36 percent to 40 percent this last school year. Our Dean of Admission and Financial Aid uses several different strategies to manage the discount rate while at the same time recruit a strong and diverse academic class. This is one of the largest challenges facing private higher education.

Instruction Fees

Instructional fees include lab fees for certain art and science classes, private music lessons, P.E. fees for such activities as skiing, etc.

Private Gifts and Grants

These are current unrestricted annual fund gifts which are used to support the operating budget. Whitman relies on such gifts to a far lesser degree than most colleges.

Federal Financial Aid

A portion of these funds are for Federal Supplemental Educational Opportunity Grants to students and a portion pays for part of the costs of Federal Work-Study compensation for students working on campus and in the community.

Endowment Income

There are three components to endowment income: 1) income from funds managed by the College; 2) income from funds held in outside trusts; and, 3) farm income.

The calculation of endowment payout for 2011-2012 is based on the following policy set by the Trustees: 4.8 percent of the average for twelve quarters with a ten percent cap on increases or decreases from year-to-year. The first quarter for the payout is September 30, 2007 and the last is June 30, 2010. Farm income is based on a six-year rolling average of net income.

Payout from endowments	\$14,698,604
Payout from outside trusts	899,929
Payout from farm income	<u>859,429</u>
Total Payout	\$16,457,962

Investment Income

Investment income is the interest earned on available balances. It is managed by Baker Boyer Bank and earned .94 percent for the fiscal year ended June 30, 2011.

Miscellaneous Income

Miscellaneous income is composed of such items as vending machine income, application fees, classroom rental fees, etc.

ASWC Income

ASWC income includes fees paid by students for the student government as well as student government investment income.

Sponsored Programs

Sponsored programs are typically funded by private grants for research and other efforts, using a combination of college personnel, equipment and students to carry out the various projects.

Transfer Income from Auxiliary

Auxiliaries (residence life, food service, the bookstore, and summer conferences) pay this income to the general operating budget in order to defray their share of general support services provided by the College such as payroll, personnel, business office, insurance, etc.

Residence Hall and Food Service

Self-explanatory

Bookstore

Self-explanatory

Other Auxiliary

This includes summer programs and rental houses and equipment.

FUND USES

Instruction

These costs include faculty salaries and other direct costs for supplies and services which support teaching.

Academic Support

These are costs which support the instructional process but are not central to teaching. Examples include the Library, Instructional Media, Theatre, Art Gallery, Museum, etc.

Sponsored Programs

These are costs incurred in fulfilling the terms set by the grantor.

Student Services

These are costs to help students succeed in their academic mission. Student services offer co-curricular programs outside of the classroom. Examples of Student Services include the Health Center, Counseling Center, Admission Office, Financial Aid Office, Intercultural Center, and the Outing Program.

Institutional Support

These are administrative costs incurred to carry out the day-to-day operations of the College: the Office of the President, Human Resources, Business Office, Technology Services, Security, Development, Alumni, etc.

Physical Plant

These are the costs of managing the physical plant of the College such as Maintenance, Custodial Services and Grounds.

Federal Financial Aid

These are the costs of the Federal Supplemental Educational Opportunity Grants to Whitman students.

Residence Hall and Food Service

Self-explanatory

Bookstore

Self-explanatory

Other Auxiliary

This includes summer programs and rental houses and equipment.

Campus and Auxiliary Replacement Reserves

Funded from the operational budget, replacement reserves are set aside each year to fund a life cycle reserve. The Buildings and Grounds Committee developed a facilities spending plan to eliminate deferred maintenance and fund future life cycle replacement

needs. Deferred maintenance was eliminated in the 1997-1998 year. The reserve is used to fund projects identified by the Life Cycle Committee each year. Currently, the College is reserving .95 percent of the estimated replacement value of campus buildings, building components and other infrastructure. The contribution to the reserve is reviewed annually by the Buildings and Grounds Committee.

OTHER

Faculty and Staff Salary Pools

Faculty and staff pools are each given an overall percentage increase to the respective budget bases as approved by the Trustees. Raises at the individual level in both pools are primarily based on merit. Faculty achieving an increase in rank is given an automatic percentage increase in pay. However, rank increases are based on merit so it is fair to say the faculty pool is merit based. Increases to staff are based on merit with a small portion held out for equity adjustments. Equity increases are requested by department heads for positions suffering from compression, or significantly lagging survey indicators, and are tracked and approved centrally by the Office of Human Resources.

OPE or Fringe Benefits

OPE is assessed upon all employing departments at an annual rate approved by the Trustees. The rate is management's best estimate to the costs per dollar of salary or wages for the contributions Whitman makes for fringe benefits. The largest costs are medical, retirement, social security/Medicare, and tuition benefits. At the end of the budget year the actual experience or cost incurred will differ from the overall rate charged, and such differences are charged or swept to a reserve account.

Budget Process

The budget process begins with an executive staff retreat over the summer. General goals are set and the strategic plan is updated. Using the direction provided at the retreat, the College develops a budget model to forecast operating budgets for multiple years. The model shows various scenarios for revenues and expenses associated with strategic initiatives and a sensitivity analysis of the key budget drivers (tuition, financial aid, enrollment, and salary pools)

Beginning in September, the budget officers work with their departments to develop and prioritize budget requests and reallocations.

Beginning in October, the Budget Advisory Committee (BAC) begin meeting. The BAC is comprised of students, faculty, staff and one trustee. The BAC brings input from their respective constituencies and helps prioritize budget requests as well as provide input on key budget elements such as tuition increases and salary pools.

With input from the BAC, the President and CFO recommend budget planning parameter ranges to the governing board budget committee in November. Using these ranges, and with further input from the BAC, the President and CFO work with the rest

of the budget officers to balance the budget, adjusting both revenues and expenses. A proposed budget is presented to the Budget Review Committee and Trustees in February. The approved budget is then reviewed with the Budget Advisory Committee.

Comparison Groups

Panel of 14

The members of this group were chosen because they are liberal arts institutions much like Whitman College. The group contains institutions which range in various rankings both above and below Whitman. The members of the group are periodically reviewed to ensure they remain an appropriate comparison group.

Beloit College
Carleton College
Colby College
Colorado College
Grinnell College

Haverford College
Knox College
Oberlin College
Occidental College
Pomona College

Reed Institute
Swarthmore College
Wabash College
Whitman College

Overlap Group

Its members were chosen because they compete directly for Whitman's prospective students. This group represents the liberal arts colleges which have the highest frequency of common applications in Whitman's applicant pool. The members of this group are periodically reviewed.

Colorado College
Lewis & Clark College
Macalester College

Occidental College
Univ. of Puget Sound
Whitman College

Willamette University

Whitman College Budget Report

	2011/12 Revised Budget	% Total
CURRENT FUND SOURCES		
Full-time equivalent students	1,475	
Annual tuition charge	40,180	
Annual tuition increase	4.50%	
Discount rate	39.50%	
TUITION & FEES	59,265,500	
LESS UNRESTRICTED FINANCIAL AID	17,477,152	
LESS RESTRICTED FINANCIAL AID	5,932,721	
SUBTOTAL INSTITUTIONAL AID	23,409,873	
NET TUITION REVENUE	35,855,627	64%
INSTRUCTIONAL FEES	379,616	1%
PRIVATE GIFTS & GRANTS	1,150,000	2%
FEDERAL FINANCIAL AID	340,000	1%
ENDOWMENT INCOME	16,457,962	29%
INVESTMENT INCOME	100,000	0%
MISCELLANEOUS INCOME	266,000	0%
ASWC FEES	470,840	1%
SPONSORED PROGRAMS	250,000	0%
AUXILIARY TRANSFER	991,339	2%
SUBTOTAL EDUCATION & GENERAL	56,261,384	100%
RESIDENCE HALLS	3,829,693	39%
FOOD SERVICE	4,058,207	42%
BOOKSTORE	1,232,471	13%
OTHER AUXILIARY	630,995	6%
SUBTOTAL AUXILIARY	9,751,366	100%
TOTAL CURRENT FUND SOURCES	66,012,750	

Whitman College Budget Report

	2011/12 Revised Budget	% Total
<u>CURRENT FUND USES</u>		
Faculty salary change		0.5%
Staff salary change		0.5%
Fringe benefit rate - OPE		39.0%
INSTRUCTION	21,043,283	40%
ACADEMIC SUPPORT	7,252,468	14%
SPONSORED PROGRAMS	250,000	0%
STUDENT SERVICES	7,013,818	13%
INSTITUTIONAL SUPPORT	9,540,808	18%
PHYSICAL PLANT	7,691,308	15%
FEDERAL FINANCIAL AID	183,750	0%
SUBTOTAL EDUCATION & GENERAL	<u>52,975,435</u>	<u>100%</u>
RESIDENCE HALLS	3,364,693	36%
FOOD SERVICE	4,025,906	44%
BOOKSTORE	1,206,721	13%
OTHER AUXILIARY	630,995	7%
SUBTOTAL AUXILIARY	<u>9,228,315</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>62,203,750</u>	
CAMPUS REPLACEMENT RESERVE	2,205,949	81%
AUXILIARY REPLACEMENT RESERVE	523,051	19%
SUBTOTAL REPLACEMENT RESERVE	<u>2,729,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	<u>1,080,000</u>	
TOTAL CURRENT FUND USES	<u>66,012,750</u>	
NET SOURCES / (USES)	<u>0</u>	

2011 Panel of 14 Benchmarking Report

Institution	Undergraduate ¹ Academic		2011-2012 ² Tuition	2011-2012 ³ Est Net Tuition	Percent ² Tuition Increase from 2010-2011	Tuition ³ Discount Rate	Endowment ⁴ Per Student	Accept ¹ Rate 2010	SAT 25th ¹ to 75th Percentile
	US News ¹ Rank	Reputation Index							
Beloit College	60	67	36,444	18,750	4.7%	48.55%	82,823	70.0%	1100 - 1320
Carleton College	6	87	42,690	27,535	3.9%	35.50%	283,705	31.0%	1300 - 1500
Colby College	21	81	41,020	28,755	3.5%	29.90%	273,164	34.0%	1260 - 1425
Colorado College	27	77	39,550	26,779	2.1%	32.29%	233,284	34.0%	1240 - 1410
Grinnell College	19	85	39,810	16,593	6.2%	58.32%	766,102	43.0%	1220 - 1470
Haverford College	10	81	41,830	27,248	3.9%	34.86%	279,701	26.0%	1300 - 1490
Knox College	71	65	34,110	19,095	4.4%	44.02%	48,480	75.0%	1170 - 1360
Oberlin College	24	81	42,842	23,563	3.9%	45.00%	215,142	31.0%	1310 - 1470
Occidental College	37	77	41,860	25,715	5.0%	38.57%	151,184	42.0%	1200 - 1380
Pomona College	4	87	39,572	25,979	3.9%	34.35%	938,851	15.0%	1380 - 1560
Reed College	57	77	42,540	27,472	3.9%	35.42%	255,794	41.0%	1280 - 1470
Swarthmore College	3	90	40,816	23,535	4.0%	42.34%	825,680	15.0%	1340 - 1530
Wabash College	53	69	31,800	13,865	4.6%	56.40%	343,782	56.0%	1050 - 1275
Whitman College	42	10 70 11	40,180 8	24,863 7	4.5% 5	38.12% 7	225,768 10	47.0% 11	1220 - 1440 ^{8/8}
Average	31	78	39,647	23,553	4.2%	40.97%	351,676	40.0%	1241 - 1436
Median	26	79	40,498	25,289	3.9%	38.35%	264,479	37.5%	1250 - 1455
Whitman College	42	70	40,180	24,863	4.5%	38.12%	225,768	47.0%	1220 - 1440
Percent difference from median	-39%	-13%	-1%	-2%	12%	-1%	-17%	-20%	-2% -1%

1) *U.S. News & World Report*, 2011 issue based off academic year 2009/2010 data. (Rank - 100 highest)

2) Verified with each institution.

3) Tuition discount rate from June 30, 2010 financial statements is applied to 2011/2012 actual tuition to estimate 2011/2012 net tuition.

4) NACUBO Endowment Study 2010 based off June 30, 2010 endowment values.

2011 Admission Overlap Group Benchmarking Report

Institution	Undergraduate ¹		2011-2012 ² Tuition	2011-2012 ³ Est Net Tuition	Percent ²		Tuition ³ Discount Rate	Endowment ⁴ Per Student	Accept ¹ Rate 2010	SAT 25th ¹ to 75th Percentile
	US News ¹ Rank	Academic Reputation Index			Percent Increase from 2010-2011	Percent Increase from 2010-2011				
Colorado College	27	77	39,550	26,779	2.1%	32.29%	233,284	34.0%	1240 - 1410	
Lewis & Clark	71	67	38,140	24,791	4.8%	35.00%	54,416	68.0%	1180 - 1375	
Macalester College	25	82	41,800	22,651	4.4%	45.81%	297,606	43.0%	1260 - 1450	
Occidental College	37	77	41,860	25,715	5.0%	38.57%	151,184	42.0%	1200 - 1380	
Univ Puget Sound	81	65	38,510	23,761	4.0%	38.30%	77,195	52.0%	1130 - 1340	
Whitman College	42	4 70 4	40,180 3	24,863 2	4.5% 3	38.12% 3	225,768 3	47.0% 5	1220 - 1440 ^{2/2}	
Willamette Univ	57	67	38,800	21,185	4.4%	45.40%	77,232	42.0%	1140 - 1340	
Average	49	72	39,834	24,249	4.2%	39.07%	159,526	46.9%	1196 - 1391	
Median	42	70	39,550	24,791	4.4%	38.30%	151,184	43.0%	1200 - 1380	
Whitman College	42	70	40,180	24,863	4.5%	38.12%	225,768	47.0%	1220 - 1440	
Percent difference from median	0%	0%	2%	0%	1%	0%	33%	-9%	2% 4%	

1) U.S. News & World Report, 2011 issue based off academic year 2009/2010 data. (Rank - 100 highest)

2) Verified with each institution.

3) Tuition discount rate from June 30, 2010 financial statements is applied to 2011/2012 actual tuition to estimate 2011/2012 net tuition.

4) NACUBO Endowment Study 2010 based off June 30, 2010 endowment values.

2011 Tuition Pricing History

Panel of 14	2008/2009	2009/2010 % Inc	2009/2010	2010/2011 % Inc	2010/2011	2011/2012 % Inc	2011/2012	3-YR Cum. % Inc	3-YR Avg. % Inc
Beloit	31,310	6.0%	33,188	4.9%	34,808	4.7%	36,444	16.4%	5.5%
Carleton College	37,845	4.5%	39,546	3.9%	41,076	3.9%	42,690	12.8%	4.3%
Colby College	37,000	3.7%	38,370	3.3%	39,640	3.5%	41,020	10.9%	3.6%
Colorado College	35,844	4.0%	37,278	3.9%	38,748	2.1%	39,550	10.3%	3.4%
Grinnell	35,428	3.0%	36,476	2.8%	37,482	6.2%	39,810	12.4%	4.1%
Haverford	37,175	4.2%	38,735	3.9%	40,260	3.9%	41,830	12.5%	4.2%
Knox	30,180	4.6%	31,575	3.5%	32,679	4.4%	34,110	13.0%	4.3%
Oberlin	38,012	4.4%	39,686	3.9%	41,234	3.9%	42,842	12.7%	4.2%
Occidental College	36,160	5.0%	37,970	5.0%	39,870	5.0%	41,860	15.8%	5.3%
Pomona	35,318	3.9%	36,710	3.7%	38,086	3.9%	39,572	12.0%	4.0%
Reed College	37,960	3.9%	39,440	3.8%	40,940	3.9%	42,540	12.1%	4.0%
Swarthmore	36,154	3.8%	37,510	4.7%	39,260	4.0%	40,816	12.9%	4.3%
Wabash	27,500	5.8%	29,100	4.5%	30,400	4.6%	31,800	15.6%	5.2%
Whitman	34,880	5.0%	36,620	5.0%	38,450	4.5%	40,180	15.2%	5.1%
Average	35,055	4.4%	36,586	4.1%	38,067	4.2%	39,647	13.2%	4.4%
Median	35,999	4.3%	37,394	3.9%	39,004	3.9%	40,498	12.8%	4.3%
Whitman	34,880	5.0%	36,620	5.0%	38,450	4.5%	40,180	15.2%	5.1%
Percent difference from median	-3%	14%	-2%	22%	-1%	12%	-1%	16%	15%

Admission Overlap Group	2008/2009	2009/2010 % Inc	2009/2010	2010/2011 % Inc	2010/2011	2011/2012 % Inc.	2011/2012	3-YR Cum. % Inc	3-YR Avg. % Inc
Colorado College	35,844	4.0%	37,278	3.9%	38,748	2.1%	39,550	10.3%	3.4%
Lewis & Clark College	33,490	4.5%	34,995	4.0%	36,394	4.8%	38,140	13.9%	4.6%
Macalester College	36,504	4.6%	38,174	4.9%	40,046	4.4%	41,800	14.5%	4.8%
Occidental College	36,160	5.0%	37,970	5.0%	39,870	5.0%	41,860	15.8%	5.3%
University of Puget Sound	33,780	4.9%	35,440	4.5%	37,030	4.0%	38,510	14.0%	4.7%
Willamette University	33,750	4.9%	35,400	4.9%	37,150	4.4%	38,800	15.0%	5.0%
Whitman College	34,880	5.0%	36,620	5.0%	38,450	4.5%	40,180	15.2%	5.1%
Average	34,915	4.7%	36,554	4.6%	38,241	4.2%	39,834	14.1%	4.7%
Median	34,880	4.9%	36,620	4.9%	38,450	4.4%	39,550	14.5%	4.8%
Whitman College	34,880	5.0%	36,620	5.0%	38,450	4.5%	40,180	15.2%	5.1%
Percent difference from median	0%	2%	0%	2%	0%	1%	2%	5%	5%