

TO: Budget Advisory Committee
FROM: Peter Harvey, Treasurer and Chief Financial Officer
RE: October 23, 2015 Committee Meeting Materials

Review of 2014-2015 Budget Results

Attached is the 2014-15 year-end budget report. Enrollment for the year of 1,524 was below budgeted enrollment of 1,540. The discount rate for the year was 33.8%, which was a little below the budgeted rate of 34%. This resulted in a net tuition revenue deficit of \$324,000 which was funded out of the enrollment contingency. Despite the net tuition revenue deficit, overall the College had a positive year financially. There was \$26,000 in surplus unrestricted gifts. The College did not need to use the \$700,000 Off-Campus Studies contingency. Fringe benefits had a \$490,000 surplus due to declining tuition benefit expenses (as a result of ending the tuition exchange program), and lower than anticipated medical insurance increases. There was also \$417,000 in other operating budget savings (primarily salaries for vacant positions). These combined surpluses total \$2.6 million available for trustee designation. Some of these surpluses will be used to cover the anticipated \$2.2 million projected net tuition revenue deficit for the current year (in addition to the contingencies built into the budget already) and the balance will be set aside by the trustees to help fund top priorities identified by President Murray and the strategic planning process.

After several years of operating deficits near \$100,000 a year, the bookstore had a modest surplus of \$20,000. Food service had a surplus of \$87,000 and Residence Life had a surplus of \$566,000. These surpluses are placed in reserve accounts to fund future capital projects and to purchase new equipment, furniture etc. Academic and administrative departments had operating surpluses of \$570,000 which they can use to fund future one-time expenses. The endowment had a 3.1% return for the year, which was below the goal of 7%.

2015-2016 Budget Forecast

The following is a comparison of fall of 2014 with fall of 2015:

	<u>Fall 2014</u>	<u>Fall 2015</u>
FTE enrollment	1551	1509
Gross tuition	\$34,468,572	\$34,530,948
Financial aid	<u>(11,526,763)</u>	<u>(12,246,117)</u>
Net tuition revenue	\$22,941,809	22,284,831
Fall overall discount rate	33.44%	35.46%
Fall first-year & transfer discount rate	34.15%	39.50%

The lower enrollment is due primarily to 40 fewer students in the first-year and transfer class than targeted. The College also has 7 fewer returning students than anticipated. The significantly higher first-year and transfer student discount rate is primarily due to far fewer low and no-need students in the incoming class. We are forecasting a net tuition revenue deficit of \$2.2 million for the year, but there are still many factors that can change over the year and that number can easily fluctuate by \$200,000 in either direction.

Review of Tuition Pricing and Financial Aid

Dean of Admissions and Financial Aid Tony Cabasco will be joining us to discuss last year's admission results and strategies for the current year.

Budget Modeling for 2016-2017

Attached is a budget model to help assess potential revenues and expenses for next year. The model is not meant to be a proposal, but rather a starting point for developing a budget proposal. Key assumptions included in the model are:

- 1540 student FTE
- 3% tuition, room and board increases
- First-year and transfer student discount rate 36%
- Overall discount rate 36.50%
- 5% endowment payout rate
- 36% OPE rate (fringe benefits)
- 2.5% faculty and staff salary pools
- Current enrollment and Off-Campus Studies contingencies unchanged
- No other new expenses added.

Using the assumptions, the model indicates \$374,000 in funds available for either changing any of the above assumptions or the addition of new budget items. In recent years, the College has funded around \$1 million in new budget requests above salary pools, fringe benefits and financial aid costs. Obviously, there will be budget requests coming from academic and administrative departments as well as ASWC that will need to be considered for funding. In order to return to 1540 average student enrollment next year, the first-year and transfer class would need to be 435 students, which is well above the typical class size of 400 to 415 in recent years. The College could then target about 410 new students each year to return to a steady state size of 1540 students once the larger class of next year graduates.

The following is the financial impact of changing key budget variables:

10 FTE Students	\$299,000
1% change in gross tuition	\$423,000
.5% change in overall discount rate	\$363,000
1% change in faculty and staff salary pools	\$442,000

Compensation for Faculty and Staff

Provost Pat Spencer and Treasurer Peter Harvey will give verbal presentations on how Whitman salaries compare to our peers.

Proposed 2016-2017 Planning Assumptions

At the November governing boards meeting, the trustees will be asked to approve a set of planning assumptions for the administration to use in developing the 2016-2017 budget. The attached proposed assumptions are meant to be broad enough to provide reasonable flexibility in finalizing the budget, but at the same time, provide realistic expectations on what changes should be to key components of the budget such as tuition, financial aid, and salary pools. At our meeting, the committee will discuss the planning assumptions so that the committee's input can be considered by the trustees at their meeting.

**Whitman College
Budget Report**

	2013/14 Approved Budget	% of Total	2013/14 Actual	2014/15 Approved Budget	% of Total	2014/15 Actual
CURRENT FUND SOURCES						
Full-time equivalent students	1,554		1,566	1,540		1,524
Annual tuition charge	43,150			44,440		
Annual tuition increase	3.25%			3.00%		
Discount rate	34.00%		34.50%	34.00%		33.80%
TUITION & FEES	67,055,100		67,592,713	68,457,154		67,707,262
LESS UNRESTRICTED FINANCIAL AID	(16,235,912)		(16,860,513)	(16,396,459)		(15,672,900)
LESS RESTRICTED FINANCIAL AID	<u>(6,567,205)</u>		<u>(6,467,369)</u>	<u>(6,906,356)</u>		<u>(7,203,689)</u>
SUBTOTAL INSTITUTIONAL AID	<u>(22,803,117)</u>		<u>(23,327,882)</u>	<u>(23,302,815)</u>		<u>(22,876,589)</u>
NET TUITION REVENUE	44,251,983	66%	44,264,831	45,154,339	65%	44,830,673
INSTRUCTIONAL FEES	379,616	1%	383,388	379,616	1%	412,299
PRIVATE GIFTS & GRANTS	1,150,000	2%	1,334,466	1,150,000	2%	1,175,937
FEDERAL FINANCIAL AID	340,000	1%	326,089	340,000	0%	326,089
ENDOWMENT INCOME	18,529,998	28%	18,529,998	20,037,684	29%	20,037,684
INVESTMENT INCOME	50,000	0%	11,354	50,000	0%	43,912
MISCELLANEOUS INCOME	266,000	0%	277,951	226,000	0%	216,849
ASWC FEES	499,514	1%	524,440	511,000	1%	521,370
SPONSORED PROGRAMS	410,000	1%	513,899	310,000	0%	361,741
AUXILIARY TRANSFER	<u>1,001,000</u>	<u>1%</u>	<u>1,001,000</u>	<u>1,001,000</u>	<u>1%</u>	<u>1,001,000</u>
SUBTOTAL EDUCATION & GENERAL	<u>66,878,111</u>	<u>100%</u>	<u>67,167,416</u>	<u>69,159,639</u>	<u>100%</u>	<u>68,927,554</u>
RESIDENCE HALLS	4,097,000	40%	4,094,821	4,200,000	40%	4,093,418
FOOD SERVICE	4,368,000	42%	4,386,874	4,500,000	43%	4,405,206
BOOKSTORE	1,187,000	12%	1,160,530	1,190,000	11%	1,083,334
OTHER AUXILIARY	<u>668,000</u>	<u>6%</u>	<u>669,779</u>	<u>675,000</u>	<u>6%</u>	<u>655,441</u>
SUBTOTAL AUXILIARY	<u>10,320,000</u>	<u>100%</u>	<u>10,312,004</u>	<u>10,565,000</u>	<u>100%</u>	<u>10,237,399</u>
TOTAL CURRENT FUND SOURCES	<u>77,198,111</u>		<u>77,479,420</u>	<u>79,724,639</u>		<u>79,164,953</u>

**Whitman College
Budget Report**

	2013/14 Approved Budget	% of Total	2013/14 Actual	2014/15 Approved Budget	% of Total	2014/15 Actual
CURRENT FUND USES						
Faculty salary change	4.0%			3.0%		
Staff salary change	4.0%			3.0%		
Fringe benefit rate - OPE	37.75%			37.0%		
INSTRUCTION	25,873,447	41%	25,721,277	26,874,559	41%	26,750,497
ACADEMIC SUPPORT	8,698,520	14%	8,036,172	8,968,501	14%	8,543,630
SPONSORED PROGRAMS	410,000	1%	513,899	310,000	0%	361,741
STUDENT SERVICES	8,171,375	13%	8,810,042	8,852,480	14%	8,673,797
INSTITUTIONAL SUPPORT	10,680,040	17%	10,123,559	11,039,738	17%	10,731,513
PHYSICAL PLANT	8,862,391	14%	8,752,380	8,875,361	14%	8,945,405
FEDERAL FINANCIAL AID	180,000	0%	172,695	180,000	0%	172,695
SUBTOTAL EDUCATION & GENERAL	<u>62,875,773</u>	<u>100%</u>	<u>62,130,024</u>	<u>65,100,639</u>	<u>100%</u>	<u>64,179,278</u>
RESIDENCE HALLS	3,628,000	37%	2,896,652	3,715,000	37%	3,041,744
FOOD SERVICE	4,305,000	44%	4,191,751	4,431,000	44%	4,248,994
BOOKSTORE	1,177,000	12%	1,275,784	1,185,000	12%	1,058,177
OTHER AUXILIARY	668,000	7%	669,779	675,000	7%	655,441
SUBTOTAL AUXILIARY	<u>9,778,000</u>	<u>100%</u>	<u>9,033,966</u>	<u>10,006,000</u>	<u>100%</u>	<u>9,004,356</u>
SUBTOTAL OPERATING EXPENSES	<u>72,653,773</u>		<u>71,163,990</u>	<u>75,106,639</u>		<u>73,183,634</u>
CAMPUS REPLACEMENT RESERVE	1,941,000	78%	1,941,000	2,024,000	78%	2,024,000
AUXILIARY REPLACEMENT RESERVE	542,000	22%	542,000	559,000	22%	559,000
SUBTOTAL REPLACEMENT RESERVE	<u>2,483,000</u>	<u>100%</u>	<u>2,483,000</u>	<u>2,583,000</u>	<u>100%</u>	<u>2,583,000</u>
ENROLLMENT CONTINGENCY	1,351,012			1,325,000		
OCS RESERVE	710,326			710,000		
TOTAL CURRENT FUND USES	<u>77,198,111</u>		<u>73,646,990</u>	<u>79,724,639</u>		<u>75,766,634</u>
NET SOURCES / (USES)	<u>0</u>		<u>3,832,430</u>	<u>0</u>		<u>3,398,319</u>
Net surpluses and contingencies to be designated by Trustees			(2,940,287)			(2,154,743)
Department net (surplus) / deficit			(156,105)			(569,533)
Auxiliary net (surplus) / deficit			(736,038)			(674,043)
NET BUDGET BALANCE			<u>0</u>			<u>0</u>

Whitman College Budget Model

	15/16 Approved	% Total	16/17 Estimated	% Total
CURRENT FUND SOURCES				
ASSUMPTIONS				
Tuition Charge	45,770		47,140	
Annual Full-Time Paid Equivalent Students	1,540		1,540	
Tuition Charge Increase	3.00%		3.00%	
Tuition Discount Rate	34.80%		36.50%	
Endowment Payout Rate	5.00%		5.00%	
Assumed Endowment Growth	14.50% Actual		3.10% Actual	
Room Rate Change	3.00%		3.00%	
Board Rate Change	3.00%		3.00%	
TUITION & FEES	70,485,800		72,595,600	
UNRESTRICTED INSTITUTIONAL AID	(17,076,634)	69.5%	(18,401,172)	69.4%
RESTRICTED INSTITUTIONAL AID	(7,480,619)	30.5%	(8,118,001)	30.6%
SUBTOTAL INSTITUTIONAL AID	(24,557,253)		(26,519,173)	
NET TUITION REVENUE	45,928,547	64%	46,076,427	62%
INSTRUCTIONAL FEES	380,000	1%	380,000	1%
PRIVATE GIFTS & GRANTS	1,150,000	2%	1,150,000	2%
FEDERAL FINANCIAL AID	340,000	0%	340,000	0%
ENDOWMENT INCOME	21,647,025	30%	23,621,762	32%
INVESTMENT INCOME	25,000	0%	25,000	0%
MISCELLANEOUS INCOME	230,000	0%	230,000	0%
ASWC INCOME	520,000	1%	535,600	1%
SPONSORED PROGRAMS	450,000	1%	450,000	1%
AUXILIARY TRANSFER	1,004,000	1%	1,004,000	1%
SUBTOTAL EDUCATION & GENERAL	71,674,572	100%	73,812,789	100%
RESIDENCE HALLS	4,326,000	36%	4,455,780	36%
FOOD SERVICE	4,635,000	41%	4,774,050	41%
BOOKSTORE	1,191,082	11%	1,192,598	11%
OTHER AUXILIARY	682,970	6%	688,903	6%
SUBTOTAL AUXILIARY	10,835,052	100%	11,111,331	100%
TOTAL CURRENT FUND SOURCES	82,509,625		84,924,120	

Whitman College Budget Model

	15/16 Approved	% Total	16/17 Estimated	% Total
CURRENT FUND USES				
ASSUMPTIONS				
Faculty Salary Change	3.00%		2.50%	
Staff Salary Change	3.50%		2.50%	
Fringe Benefit Rate - OPE	36.00%		36.00%	
INSTRUCTION	27,878,191	41%	28,623,349	41%
ACADEMIC SUPPORT	9,326,784	14%	9,546,573	14%
SPONSORED PROGRAMS	450,000	1%	455,315	1%
STUDENT SERVICES	9,398,111	14%	9,729,474	14%
INSTITUTIONAL SUPPORT	11,507,436	17%	11,796,746	17%
PHYSICAL PLANT	9,064,050	13%	9,146,608	13%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>67,804,573</u>	<u>100%</u>	<u>69,478,064</u>	<u>100%</u>
RESIDENCE HALLS	3,826,000	37%	3,940,780	37%
FOOD SERVICE	4,564,000	44%	4,700,920	45%
BOOKSTORE	1,186,082	12%	1,187,448	11%
OTHER AUXILIARY	682,970	7%	688,903	7%
SUBTOTAL AUXILIARY	<u>10,259,052</u>	<u>100%</u>	<u>10,518,051</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSE	78,063,625		79,996,115	
CAMPUS REPLACEMENT RESERVE	2,135,000	79%	2,225,720	79%
AUXILIARY REPLACEMENT RESERVE	576,000	21%	593,280	21%
SUBTOTAL REPLACEMENT RESERVE	<u>2,711,000</u>	<u>100%</u>	<u>2,819,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	1,235,000		1,235,000	
OCS CONTINGENCY	500,000		500,000	
TOTAL CURRENT FUND USES	<u>82,509,625</u>		<u>84,550,115</u>	
NET SOURCES / (USES)	<u>0</u>		<u>374,005</u>	

2016 - 2017 PROPOSED PLANNING ASSUMPTIONS

	<u>2015-2016</u>	<u>Proposed 2016-2017</u>
Budgeted Enrollment (Forecast: 1485) (10 students = \$299,000)	1540	1530 - 1550
Target first year & transfer students	420 FTE	430 - 440 FTE
Enrollment Contingency	\$1,235,000	\$1,000,000 - \$1,400,000
Off-Campus Studies Reserve	\$500,000	\$450,000 - \$550,000
Tuition Increase (1% = \$423,000)	3.00%	2.0% - 4.0%
Tuition Discount (Excluding Federal Support) (Forecast: 35.70%) (.50% = \$363,000)	34.8%	36.0% - 37.0%
Target first year & transfer discount rate	35.5%	35.5 - 36.5%
Endowment Payout	5.0%	5.0%
	\$21,647,000	\$23,622,000
Investment Income	\$25,000	\$25,000 - \$40,000
Private Gifts and Grants	\$1,150,000	\$1,000,000 - \$1,200,000
Life Cycle Contributions (.1% = \$352,000)	(.80%) \$2,711,000	(.80%) \$2,819,000
Salary Pool for Faculty (1% = \$222,000)	3.0%	1.5% - 3.0%
Salary Pool for Staff (1% = \$220,000)	3.0%	1.5% - 3.0%
Fringe Benefit Rate (.50% = \$167,000)	36.00%	35.5% - 36.5%
Room Increase (1% = \$43,000)	3.00%	2.0% - 4.0%
Board Increase (1% = \$46,000)	3.00%	2.0% - 4.0%