

TO: Budget Advisory Committee
FROM: Peter Harvey, Treasurer and Chief Financial Officer
RE: October 21, 2016 Committee Meeting Materials

Review of 2015-2016 Budget Results

Attached is the 2015 - 2016 year end budget report. Enrollment for the year was 1479 FTE which was significantly below budget enrollment of 1540 FTE. The discount rate was 35.90%, well above the budgeted rate of 34.80%. As a result, the College had a net tuition revenue deficit of \$2,532,000. This deficit was covered by the \$1,735,000 contingency in the budget, \$250,000 in previous years' surpluses, and \$547,000 from the enrollment reserve.

Other than the net tuition revenue deficit, the College had mostly positive operating results. Fringe benefits had a \$439,000 surplus and departments had \$668,000 in surpluses and spent \$493,000 of previous years surpluses leaving a net surplus of \$175,000. There was \$530,000 in other operating surpluses which will be designated by the trustees to support the Living at Whitman initiative and other one-time expenses. Residence Life had a \$462,000 surplus and Food Service had a \$74,000 deficit. The Bookstore had a \$25,000 deficit. There was \$196,000 in surplus unrestricted gifts. The endowment return for the year was -3.8%.

2016-2017 Budget Forecast

The following is a comparison of fall of 2015 with fall of 2016:

	<u>Fall 2015</u>	<u>Fall 2016</u>
FTE enrollment	1509	1522
Gross tuition	\$34,530,948	\$36,128,020
Financial aid	(12,246,117)	(12,869,419)
Net tuition revenue	22,284,831	23,258,602
Fall overall discount date	35.46%	35.62%
Fall first-year & transfer discount rate	39.50%	35.36%

While the College made some progress in growing enrollment closer to the budget target, it is going to take several years to fully recover. We are forecasting a net tuition revenue deficit of \$852,000, which will be covered by the enrollment contingency. There are many factors that can change over the remainder of the year and the final deficit can fluctuate by \$200,000 to \$300,000 in either direction.

Review of Tuition Pricing and Financial Aid

Dean of Admissions and Financial Aid, Tony Cabasco, will be joining us to discuss admissions and financial aid strategies for recruiting next year's class and beyond.

Budget Modeling for 2016-2017

Attached is a budget model to help assess potential revenues and expenses for next five years. The model is not meant to be a proposal, but rather a starting point for developing a budget proposal. The model indicates the key assumptions used in projecting revenues and expenses. In our meeting we will discuss the assumptions used and have the opportunity to change key variables in the model. The initial model projects a \$225,000 deficit.

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

10 FTE students	\$308,000
1% change in gross tuition	422,000
.5% change in overall discount rate	373,000
1% change in faculty and staff salary pools	467,000

Compensation for Faculty and Staff

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

Proposed 2017-2018 Planning Assumptions

At the November governing boards meetings, the trustees will be asked to approve a set of planning assumptions for the administration to use in developing the 2017-2018 budget. The attached proposed assumptions are recommended by the President's Cabinet and are meant to be broad enough to provide reasonable flexibility in finalizing the budget, but at the same time, provide realistic expectations of potential changes to the budget. At our meeting, the committee will discuss the ranges so that the committee's input can be considered by the trustees at their meeting.

Whitman College Budget Report

	2014/15 Approved Budget	% of Total	2014/15 Actual	2015/16 Approved Budget	% of Total	2015/16 Actual
CURRENT FUND SOURCES						
Full-time equivalent students	1,540		1,524	1,540		1,479
Annual tuition charge	44,440			45,770		
Annual tuition increase	3.00%			3.00%		
Discount rate	34.00%		33.80%	34.80%		35.90%
TUITION & FEES	68,457,154		67,707,262	70,485,800		67,678,928
LESS UNRESTRICTED FINANCIAL AID	(16,396,459)		(15,672,900)	(17,076,634)		(17,325,846)
LESS RESTRICTED FINANCIAL AID	(6,906,356)		(7,203,689)	(7,480,619)		(6,956,996)
SUBTOTAL INSTITUTIONAL AID	(23,302,815)		(22,876,589)	(24,557,253)		(24,282,842)
NET TUITION REVENUE	45,154,339	65%	44,830,673	45,928,547	64%	43,396,086
INSTRUCTIONAL FEES	379,616	1%	412,299	380,000	1%	404,923
UNRESTRICTED GIFTS	1,150,000	2%	1,175,937	1,150,000	2%	1,346,311
FEDERAL FINANCIAL AID	340,000	0%	326,089	340,000	0%	326,089
ENDOWMENT INCOME	20,037,684	29%	20,037,684	21,647,025	30%	21,647,025
INVESTMENT INCOME	50,000	0%	43,912	25,000	0%	(67,323)
MISCELLANEOUS INCOME	226,000	0%	216,849	230,000	0%	238,087
ASWC FEES	511,000	1%	521,370	520,000	1%	520,600
SPONSORED PROGRAMS	310,000	0%	361,741	450,000	1%	424,672
AUXILIARY TRANSFER	1,001,000	1%	1,001,000	1,004,000	1%	1,004,000
SUBTOTAL EDUCATION & GENERAL	69,159,639	100%	68,927,554	71,674,572	100%	69,240,470
RESIDENCE HALLS	4,200,000	40%	4,093,418	4,326,000	40%	4,045,690
FOOD SERVICE	4,500,000	43%	4,405,206	4,635,000	43%	4,336,231
BOOKSTORE	1,190,000	11%	1,083,334	1,191,082	11%	1,049,268
OTHER AUXILIARY	675,000	6%	655,441	682,970	6%	633,236
SUBTOTAL AUXILIARY	10,565,000	100%	10,237,399	10,835,052	100%	10,064,425
TOTAL CURRENT FUND SOURCES	79,724,639		79,164,953	82,509,624		79,304,895

Whitman College Budget Report

	2014/15 Approved Budget	% of Total	2014/15 Actual	2015/16 Approved Budget	% of Total	2015/16 Actual
CURRENT FUND USES						
Faculty salary change		3.0%				
Staff salary change		3.0%				
Fringe benefit rate - OPE		37.0%				
INSTRUCTION	26,874,559	41%	26,750,497	27,878,191	41%	27,652,816
ACADEMIC SUPPORT	8,968,501	14%	8,543,630	9,326,784	14%	8,826,993
SPONSORED PROGRAMS	310,000	0%	361,741	450,000	1%	404,679
STUDENT SERVICES	8,852,480	14%	8,673,797	9,398,111	14%	9,276,194
INSTITUTIONAL SUPPORT	11,039,738	17%	10,731,513	11,507,436	17%	11,346,586
PHYSICAL PLANT	8,875,361	14%	8,945,405	9,064,050	13%	8,828,182
FEDERAL FINANCIAL AID	180,000	0%	172,695	180,000	0%	172,695
SUBTOTAL EDUCATION & GENERAL	65,100,639	100%	64,179,278	67,804,572	100%	66,508,145
RESIDENCE HALLS	3,715,000	37%	3,041,744	3,826,000	37%	3,083,352
FOOD SERVICE	4,431,000	44%	4,248,994	4,564,000	44%	4,324,699
BOOKSTORE	1,185,000	12%	1,058,177	1,186,082	12%	1,094,620
OTHER AUXILIARY	675,000	7%	655,441	682,970	7%	595,878
SUBTOTAL AUXILIARY	10,006,000	100%	9,004,356	10,259,052	100%	9,098,549
SUBTOTAL OPERATING EXPENSES	75,106,639		73,183,634	78,063,624		75,606,694
CAMPUS REPLACEMENT RESERVE	2,024,000	78%	2,024,000	2,135,000	79%	2,135,000
AUXILIARY REPLACEMENT RESERVE	559,000	22%	559,000	576,000	21%	576,000
SUBTOTAL REPLACEMENT RESERVE	2,583,000	100%	2,583,000	2,711,000	100%	2,711,000
ENROLLMENT CONTINGENCY	1,325,000			1,235,000		
OCS RESERVE	710,000			500,000		
TOTAL CURRENT FUND USES	79,724,639		75,766,634	82,509,624		78,317,694
NET SOURCES / (USES)	0		3,398,319	0		987,201
Net surpluses and contingencies to be designated			(2,128,806)			(530,346)
Net tuition revenue deficit to be covered by enrollment reserve / prior year surplus						797,461
Unrestricted gifts (surplus) / deficit			(25,937)			(196,311)
Department net (surplus) / deficit			(569,533)			(668,129)
Auxiliary net (surplus) / deficit			(674,043)			(389,876)
NET BUDGET BALANCE			0			(0)

Whitman College
Budget Model Summary

	Greater than baseline Less than baseline	16/17 Approved	17/18 Estimated	18/19 Estimated	19/20 Estimated	20/21 Estimated	21/22 Estimated
ASSUMPTIONS							
Tuition Charge		47,490	49,390	51,370	53,420	55,560	57,780
Tuition Charge Increase +/-	-.5%	3.75%	4.00%	4.00%	4.00%	4.00%	4.00%
Annual Equivalent Students		1,485 Estimate	1,500	1,522	1,552	1,544	1,544
Entering First-Year Students +/-	-5	425	435	430	420	420	420
Overall annual discount rate		35.70%	36.25%	36.77%	36.52%	37.00%	37.01%
First Year Discount Rate +/-	-.25%	35.36%	37.00%	37.00%	37.00%	37.00%	37.00%
Assumed Endowment Growth +/-		3.10% Actual	-3.80% Actual	7.00%	7.00%	7.00%	7.00%
Endowment Gifts +/-	-\$500,000	15,826,601 Actual	6,657,993 Actual	2,000,000	2,000,000	2,000,000	2,000,000
Faculty Salary Change +/-	-.50%	3.00%	2.00%	2.50%	3.00%	3.00%	3.00%
Staff Salary Change +/-	-.50%	3.00%	2.00%	2.50%	3.00%	3.00%	3.00%
Fringe Benefit Rate - OPE +/-	-.25%	35.50%	39.00%	39.00%	39.00%	39.00%	39.00%
MODELED SURPLUSES / (DEFICIT)			(225,462)	168,194	1,513,350	1,383,415	1,600,247
NET CHANGE TO / (FROM) BASEL			0	0	0	0	0

Whitman College
Budget Model Summary

	Greater than baseline Less than baseline	16/17 Approved	17/18 Estimated	18/19 Estimated	19/20 Estimated	20/21 Estimated	21/22 Estimated
MODEL SUMMARY							
REVENUES							
Tuition & Fees		73,134,600	74,102,886	78,192,079	82,895,396	85,798,883	88,556,029
Institutional aid		(26,935,473)	(26,860,594)	(28,750,973)	(30,269,973)	(31,743,729)	(32,773,878)
Net tuition revenue		46,199,127	47,242,292	49,441,106	52,625,423	54,055,154	55,782,151
Endowment support		23,621,762	24,320,432	23,976,609	23,718,920	23,986,572	24,380,130
All other revenues		15,046,310	15,553,319	15,860,417	16,178,939	16,507,017	16,844,938
TOTAL REVENUES		84,867,199	87,116,043	89,278,132	92,523,282	94,548,743	97,007,218
EXPENSES							
Tenure and tenure track faculty co		14,024,805	14,305,302	14,662,934	15,102,822	15,555,907	16,022,584
Non-tenure track faculty compensa		3,004,199	3,064,283	3,140,890	3,235,117	3,332,170	3,432,135
Staff compensation		17,785,244	18,078,393	18,580,353	19,187,764	19,813,397	20,457,798
Fringe benefits on all compensatio		12,303,546	13,824,711	14,189,829	14,635,024	15,093,575	15,565,882
All other expenses		37,749,405	38,068,816	38,535,931	38,849,206	39,370,280	39,928,571
TOTAL EXPENSES		84,867,200	87,341,505	89,109,937	91,009,932	93,165,328	95,406,971
MODELED SURPLUSES / (DEFICIT		0	(225,462)	168,194	1,513,350	1,383,415	1,600,247
Net change to / (from) baseline		0	0	0	0	0	0
BASELINE SURPLUSES			(225,462)	168,194	1,513,350	1,383,415	1,600,247

Whitman College Budget Model

	16/17 Approved	% Total	17/18 Estimated	% Total	18/19 Estimated	% Total	19/20 Estimated	% Total	20/21 Estimated	% Total	21/22 Estimated	% Total
CURRENT FUND REVENUES												
ASSUMPTIONS												
Tuition Charge	47,490		49,390		51,370		53,420		55,560		57,780	
Annual Full-Time Paid Equivalent Students	1,540		1,500		1,522		1,552		1,544		1,533	
Tuition Charge Increase	3.75%		4.00%		4.00%		4.00%		4.00%		4.00%	
Tuition Discount Rate	36.83%		36.25%		36.77%		36.52%		37.00%		37.01%	
Endowment Payout Rate	5.00%		5.00%		5.00%		5.00%		5.00%		5.00%	
Assumed Endowment Growth	3.10% Actual		-3.80% Actual		7.00%		7.00%		7.00%		7.00%	
Room Rate Change	3.00%		3.00%		3.00%		3.00%		3.00%		3.00%	
Board Rate Change	3.00%		3.00%		3.00%		3.00%		3.00%		3.00%	
TUITION & FEES	73,134,600	69.8%	74,102,886	69.1%	78,192,079	71.8%	82,895,396	73.6%	85,798,883	74.6%	88,556,029	75.1%
UNRESTRICTED INSTITUTIONAL AID	(18,813,134)		(18,563,118)		(20,629,461)		(22,269,620)		(23,686,827)		(24,618,373)	
RESTRICTED INSTITUTIONAL AID	(8,122,339)		(8,297,476)		(8,121,512)		(8,000,353)		(8,056,902)		(8,155,505)	
SUBTOTAL INSTITUTIONAL AID	(26,935,473)	30.2%	(26,860,594)	30.9%	(28,750,973)	28.2%	(30,269,973)	26.4%	(31,743,729)	25.4%	(32,773,878)	24.9%
NET TUITION REVENUE	46,199,127	62%	47,242,292	62%	49,441,106	64%	52,625,423	65%	54,055,154	66%	55,782,151	66%
INSTRUCTIONAL FEES	389,727	1%	389,727	1%	389,727	1%	389,727	0%	389,727	0%	389,727	0%
UNRESTRICTED GIFTS	1,150,000	2%	1,350,000	2%	1,350,000	2%	1,350,000	2%	1,350,000	2%	1,350,000	2%
FEDERAL FINANCIAL AID	340,000	0%	340,000	0%	340,000	0%	340,000	0%	340,000	0%	340,000	0%
ENDOWMENT INCOME	23,621,762	32%	24,320,432	32%	23,976,609	31%	23,718,920	29%	23,986,572	29%	24,360,130	29%
INVESTMENT INCOME	25,000	0%	25,000	0%	25,000	0%	25,000	0%	25,000	0%	25,000	0%
MISCELLANEOUS INCOME	230,000	0%	230,000	0%	230,000	0%	230,000	0%	230,000	0%	230,000	0%
ASWC INCOME	535,600	1%	551,668	1%	568,218	1%	585,265	1%	602,823	1%	620,907	1%
SPONSORED PROGRAMS	450,000	1%	450,000	1%	450,000	1%	450,000	1%	450,000	1%	450,000	1%
AUXILIARY TRANSFER	1,004,000	1%	1,004,000	1%	1,004,000	1%	1,004,000	1%	1,004,000	1%	1,004,000	1%
SUBTOTAL EDUCATION & GENERAL	73,945,216	100%	75,903,119	100%	77,774,660	100%	80,718,335	100%	82,433,275	100%	84,571,915	100%
RESIDENCE HALLS	4,393,062	36%	4,524,854	36%	4,660,599	36%	4,800,417	36%	4,944,430	36%	5,092,763	36%
FOOD SERVICE	4,646,920	41%	4,786,328	41%	4,929,917	41%	5,077,815	41%	5,230,149	41%	5,387,054	41%
BOOKSTORE	1,192,810	11%	1,201,265	11%	1,206,107	10%	1,212,031	10%	1,218,134	10%	1,224,419	10%
OTHER AUXILIARY	689,191	6%	700,478	6%	706,849	6%	714,684	6%	722,755	6%	731,067	6%
SUBTOTAL AUXILIARY	10,921,983	100%	11,212,924	100%	11,503,472	100%	11,804,948	100%	12,115,468	100%	12,435,303	100%
TOTAL CURRENT FUND REVENUES	84,867,199		87,116,043		89,278,132		92,523,282		94,548,743		97,007,218	

**Whitman College
Budget Model**

	16/17 Approved	% Total	17/18 Estimated	% Total	18/19 Estimated	% Total	19/20 Estimated	% Total	20/21 Estimated	% Total	21/22 Estimated	% Total
CURRENT FUND EXPENSES												
ASSUMPTIONS												
Faculty Salary Change	3.00%		2.00%		2.50%		3.00%		3.00%		3.00%	
Staff Salary Change	3.00%		2.00%		2.50%		3.00%		3.00%		3.00%	
Fringe Benefit Rate - OPE	35.50%		39.00%		39.00%		39.00%		39.00%		39.00%	
INSTRUCTION	28,723,576	41%	30,022,171	41%	30,765,970	41%	31,661,814	42%	32,593,172	42%	33,555,363	42%
ACADEMIC SUPPORT	9,503,853	14%	9,727,119	13%	9,783,785	13%	9,869,556	13%	10,003,067	13%	10,150,635	13%
SPONSORED PROGRAMS	455,315	1%	455,450	1%	455,351	1%	455,271	1%	455,308	1%	455,373	1%
STUDENT SERVICES	9,799,746	14%	10,097,566	14%	10,253,744	14%	10,447,232	14%	10,659,728	14%	10,881,539	14%
INSTITUTIONAL SUPPORT	12,087,584	17%	12,407,390	17%	12,705,010	17%	13,058,902	17%	13,428,247	17%	13,809,747	17%
PHYSICAL PLANT	9,234,422	13%	9,789,963	13%	10,256,017	14%	10,346,503	14%	10,451,080	13%	10,561,785	13%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%	180,000	0%	180,000	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	69,984,496	100%	72,679,659	100%	74,401,876	100%	76,019,278	100%	77,770,602	100%	79,594,442	100%
RESIDENCE HALLS	3,885,062	38%	4,001,614	38%	4,121,662	38%	4,245,312	38%	4,372,672	38%	4,503,852	38%
FOOD SERVICE	4,566,640	44%	4,703,639	44%	4,844,746	45%	4,990,091	45%	5,139,794	45%	5,293,987	45%
BOOKSTORE	1,187,810	12%	1,196,115	11%	1,200,802	11%	1,206,568	11%	1,212,506	11%	1,218,623	10%
OTHER AUXILIARY	689,191	7%	700,478	7%	706,849	7%	714,684	6%	722,755	6%	731,067	6%
SUBTOTAL AUXILIARY	10,328,703	100%	10,601,846	100%	10,874,061	100%	11,156,655	100%	11,447,726	100%	11,747,529	100%
SUBTOTAL OPERATING EXPENSES	80,313,200		83,281,505		85,275,937		87,175,932		89,218,328		91,341,971	
CAMPUS REPLACEMENT RESERVE	2,225,720	79%	2,113,922	78%	2,204,589	78%	2,185,707	77%	2,279,258	77%	2,377,226	78%
AUXILIARY REPLACEMENT RESERVE	593,280	21%	611,078	22%	629,411	22%	648,293	23%	667,742	23%	687,774	22%
SUBTOTAL REPLACEMENT RESERVE	2,819,000	100%	2,725,000	100%	2,834,000	100%	2,834,000	100%	2,947,000	100%	3,065,000	100%
ENROLLMENT CONTINGENCY	1,735,000		1,335,000		1,000,000		1,000,000		1,000,000		1,000,000	
TOTAL CURRENT FUND EXPENSES	84,867,200		87,341,505		89,109,937		91,009,932		93,165,328		95,406,971	
NET SURPLUSES / (DEFICITS)	0		(225,462)		168,194		1,513,350		1,383,415		1,600,247	

2017 - 2018 PROPOSED PLANNING ASSUMPTIONS

	<u>2016-2017</u>	<u>Proposed 2017-2018</u>
Budgeted Enrollment (Forecast: 1500) (10 students = \$308,000)	1540	1490 - 1510
Target first year & transfer students	435 FTE	435 - 445 FTE
Enrollment Contingency	\$1,735,000	\$1,200,000 - \$1,400,000
Off-Campus Studies Reserve	-0-	-0-
Tuition Increase (1% = \$422,000)	3.75%	3.5% - 5.0%
Tuition Discount (Excluding Federal Support) (Forecast: 36.25%) (.50% = \$373,000)	36.8%	36.0% - 36.5%
Target first year & transfer discount rate	36.0%	36.0% - 37.0%
Endowment Payout	5.0%	5.0%
	\$23,622,000	\$24,320,000
Unrestricted Gifts	\$1,150,000	\$1,150,000 - \$1,400,000
Life Cycle Contributions (.1% = \$388,000)	(.80%) \$2,819,000	(.73%) \$2,725,000
Salary Pool for Faculty (1% = \$236,000)	3.0%	1.0% - 3.0%
Salary Pool for Staff (1% = \$231,000)	3.0%	1.0% - 3.0%
Fringe Benefit Rate (.50% = \$171,000)	35.5%	38.5% - 39.5%
Room Increase (1% = \$44,000)	3.0%	2.0% - 4.0%
Board Increase (1% = \$46,000)	3.0%	2.0% - 4.0%