

TO: Budget Advisory Committee
FROM: Peter Harvey, Chief Financial Officer
DATE: October 19, 2017

Review of 2016-2017 Budget Results

Attached is the 2016-2017 year-end budget report. Enrollment for the year was 1493 FTE, which was significantly below budgeted enrollment of 1540 FTE. The discount rate of 36.00% was below the budgeted rate of 36.80%. As a result, the college had a net tuition revenue shortfall of \$815,000. The shortfall was covered by the \$1,735,000 enrollment contingency in the budget.

Other than the net tuition revenue shortfall, the college had mostly positive operating results. The college had \$719,000 in other operating surpluses, and \$440,000 in surplus Annual Fund gifts. These surpluses, combined with the unused enrollment contingency, results in \$2,079,000 in surpluses available for trustee designation. These funds will likely go to support emerging strategic imperatives.

There was a \$380,000 deficit in fringe benefits. Residence Life had a \$761,000 surplus, and Food Service had a \$98,000 surplus. The bookstore had a \$75,000 deficit. Department operating budgets had a net surplus of \$877,000. The endowment return for the year was 13.9%.

2017-2018 Budget Forecast

The first-year and transfer students for fall 2017 of 409 students is well below the goal of 435 students. In addition, their financial aid costs of 41.87% discount rate is well above the goal of 37%.

The following is a comparison of fall 2016 with fall 2017:

	<u>Fall 2016</u>	<u>Fall 2017</u>
FTE enrollment	1522	1529
Gross tuition	36,128,020	37,750,373
Financial aid	<u>(12,869,419)</u>	<u>(14,370,958)</u>
Net tuition revenue	23,258,602	23,379,415
Fall overall discount rate	35.62%	38.07%
Fall first year & transfer discount rate	35.36%	41.87%

The following is our forecast for net tuition revenue for the year:

	<u>Budget</u>	<u>Projected</u>
Enrollment	1500	1499
Discount rate	36.25%	38.11%
Gross tuition	74,102,886	74,015,270
Financial aid	<u>(26,860,594)</u>	<u>(28,204,594)</u>
Net tuition	47,242,292	45,810,676
Estimated shortfall		(1,431,861)
Enrollment contingency		1,335,000
Deficit		(96,861)
1% variance NTR		458,000

There are 25 more students returning than had been forecasted. Therefore, projected enrollment is close to budget, but the overall discount rate is projected to be well above budget. There are many assumptions built into the forecast: attrition throughout the year; students participating in the pay-by-credit option their last semester; students returning from leaves of absence; the size of the spring class; and, the financial aid associated with all these students. A 1% variance in projected net tuition revenue is \$458,000.

Review of Tuition Pricing and Financial Aid

Vice President for Enrollment and Communications, Josh Jensen, will be joining us to discuss admissions and financial aid strategies for recruiting next year's class and beyond.

Budget Modeling for 2018-2019

Attached is a budget model to illustrate potential revenues and expenses for the next five years. The model indicates the key assumptions used in the projections. In our meeting, we will discuss the assumptions used and have the opportunity to change key variables in the model. The model projects a \$2.6M deficit in 2018-2019. The cabinet has been identifying ways to reallocate existing resources and grow revenues to achieve a balanced budget. The cabinet's strategies will be discussed fully at the November 16 meeting with the cabinet.

The model includes a sensitivity analysis showing the financial impact of changing key budget variables.

Compensation for Faculty and Staff

Associate Dean of the Faculty, Lisa Perfetti, and CFO Peter Harvey, will give verbal presentations on how Whitman's salaries compare to our peers

Proposed 2018-2019 Planning Assumptions

At their November meeting, the trustees will be asked to approve a set of planning assumptions for the cabinet to use in developing the 2018-2019 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. At our meeting, the committee will discuss the ranges so that the committee's input can be considered by the trustees.







**Whitman College
Budget Report**

	2015/16 Approved Budget	% of Total	2015/16 Actual	2016/17 Approved Budget	% of Total	2016/17 Actual
CURRENT FUND SOURCES						
Full-time equivalent students	1,540		1,479	1,540		1,493
Annual tuition charge	45,770			47,490		
Annual tuition increase	3.00%			3.75%		
Discount rate	34.80%		35.90%	36.80%		36.00%
TUITION & FEES	70,485,800		67,678,928	73,134,600		70,912,716
LESS UNRESTRICTED FINANCIAL AID	(17,076,634)		(17,325,846)	(18,813,134)		(15,721,353)
LESS RESTRICTED FINANCIAL AID	(7,480,619)		(6,956,996)	(8,122,339)		(9,806,794)
SUBTOTAL INSTITUTIONAL AID	(24,557,253)		(24,282,842)	(26,935,473)		(25,528,147)
NET TUITION REVENUE	45,928,547	64%	43,396,086	46,199,127	62%	45,384,569
INSTRUCTIONAL FEES	380,000	1%	404,923	389,727	1%	399,602
ANNUAL FUND GIFTS	1,150,000	2%	1,346,311	1,150,000	2%	1,589,592
FEDERAL FINANCIAL AID	340,000	0%	326,089	340,000	0%	326,089
ENDOWMENT INCOME	21,647,025	30%	21,647,025	23,621,762	32%	23,621,762
INVESTMENT INCOME	25,000	0%	(67,323)	25,000	0%	177,686
MISCELLANEOUS INCOME	230,000	0%	238,087	230,000	0%	199,295
ASWC FEES	520,000	1%	520,600	535,600	1%	529,449
SPONSORED PROGRAMS	450,000	1%	424,672	450,000	1%	448,997
AUXILIARY TRANSFER	1,004,000	1%	1,004,000	1,004,000	1%	1,004,000
SUBTOTAL EDUCATION & GENERAL	71,674,572	100%	69,240,470	73,945,216	100%	73,681,041
RESIDENCE HALLS	4,326,000	40%	4,045,690	4,393,062	40%	4,410,748
FOOD SERVICE	4,635,000	43%	4,336,231	4,646,920	43%	4,675,507
BOOKSTORE	1,191,082	11%	1,049,268	1,192,810	11%	1,019,831
OTHER AUXILIARY	682,970	6%	633,236	689,191	6%	726,872
SUBTOTAL AUXILIARY	10,835,052	100%	10,064,425	10,921,983	100%	10,832,958
TOTAL CURRENT FUND SOURCES	82,509,624		79,304,895	84,867,199		84,513,999

**Whitman College
Budget Report**

	2015/16 Approved Budget	% of Total	2015/16 Actual	2016/17 Approved Budget	% of Total	2016/17 Actual
CURRENT FUND USES						
Faculty salary change		3.0%			3.0%	
Staff salary change		3.5%			3.0%	
Fringe benefit rate - OPE		36.0%			35.5%	
INSTRUCTION	27,878,191	41%	27,652,816	28,723,576	41%	28,202,956
ACADEMIC SUPPORT	9,326,784	14%	8,826,993	9,503,853	14%	8,889,514
SPONSORED PROGRAMS	450,000	1%	404,679	455,315	1%	448,997
STUDENT SERVICES	9,398,111	14%	9,276,194	9,799,746	14%	9,592,189
INSTITUTIONAL SUPPORT	11,507,436	17%	11,346,586	12,087,584	17%	11,945,511
PHYSICAL PLANT	9,064,050	13%	8,828,182	9,234,422	13%	9,245,244
FEDERAL FINANCIAL AID	180,000	0%	172,695	180,000	0%	175,195
SUBTOTAL EDUCATION & GENERAL	<u>67,804,572</u>	<u>100%</u>	<u>66,508,145</u>	<u>69,984,496</u>	<u>100%</u>	<u>68,499,606</u>
RESIDENCE HALLS	3,826,000	37%	3,083,352	3,885,062	38%	3,141,553
FOOD SERVICE	4,564,000	44%	4,324,699	4,566,640	44%	4,496,796
BOOKSTORE	1,186,082	12%	1,094,620	1,187,810	12%	1,089,512
OTHER AUXILIARY	682,970	7%	595,878	689,191	7%	747,389
SUBTOTAL AUXILIARY	<u>10,259,052</u>	<u>100%</u>	<u>9,098,549</u>	<u>10,328,703</u>	<u>100%</u>	<u>9,475,250</u>
SUBTOTAL OPERATING EXPENSES	<u>78,063,624</u>		<u>75,606,694</u>	<u>80,313,199</u>		<u>77,974,856</u>
CAMPUS REPLACEMENT RESERVE	2,135,000	79%	2,135,000	2,225,720	79%	2,225,720
AUXILIARY REPLACEMENT RESERVE	576,000	21%	576,000	593,280	21%	593,280
SUBTOTAL REPLACEMENT RESERVE	<u>2,711,000</u>	<u>100%</u>	<u>2,711,000</u>	<u>2,819,000</u>	<u>100%</u>	<u>2,819,000</u>
ENROLLMENT CONTINGENCY	1,735,000			1,735,000		
TOTAL CURRENT FUND USES	<u>82,509,624</u>		<u>78,317,694</u>	<u>84,867,199</u>		<u>80,793,856</u>
NET SOURCES / (USES)	<u>0</u>		<u>987,201</u>	<u>0</u>		<u>3,720,143</u>
Net surpluses and contingencies to be designated			(530,346)			(1,639,571)
Net tuition revenue deficit to be covered by enrollment reserve / prior year surplus			797,461			
Unrestricted gifts (surplus) / deficit			(196,311)			(439,592)
Department net (surplus) / deficit			(668,129)			(876,552)
Auxiliary net (surplus) / deficit			(389,876)			(764,428)
NET BUDGET BALANCE			<u>0</u>			<u>0</u>

Whitman College
Budget Model Summary A

							
		Greater than baseline >	Less than baseline >	Greater than baseline >	Less than baseline >	Greater than baseline >	Less than baseline >
	17/18 Approved	18/19 Estimated	19/20 Estimated	20/21 Estimated	21/22 Estimated	22/23 Estimated	22/23 Estimated
ASSUMPTIONS							
Tuition Charge	49,390	51,370	53,420	55,020	56,670	58,370	
Tuition Charge Increase +/- .5%	4.00%	4.00%	4.00%	3.00%	3.00%	3.00%	
Annual Equivalent Students	1,500	1,504	1,537	1,541	1,554	1,554	
Entering First-Year Students +/- 5	435	425	425	425	425	425	
Overall annual discount rate	36.25%	39.42%	39.42%	40.42%	39.98%	39.97%	
First Year Discount Rate +/- .25%	37.00%	40.00%	40.00%	40.00%	40.00%	40.00%	
Assumed Endowment Growth +/- 1%	-3.40% Actual	13.77% Actual	7.00%	7.00%	7.00%	7.00%	
Endowment Gifts +/- \$500,000	6,657,993 Actual	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Annual Fund Gifts +/- \$50,000	1,350,000	1,550,000	1,750,000	2,000,000	2,000,000	2,000,000	
Faculty Salary Change +/- .50%	2.25%	2.25%	2.25%	2.50%	2.50%	2.50%	
Staff Salary Change +/- .50%	2.25%	2.25%	2.25%	2.50%	2.50%	2.50%	
Fringe Benefit Rate - OPE +/- .25%	39.00%	39.00%	39.00%	39.00%	39.00%	39.00%	
MODELED SURPLUSES / (DEFICITS)	<u>0</u>	<u>(2,669,502)</u>	<u>(611,552)</u>	<u>(141,280)</u>	<u>1,355,464</u>	<u>1,836,269</u>	

Whitman College
Budget Model Summary A

	17/18 Approved	18/19 Estimated	19/20 Estimated	20/21 Estimated	21/22 Estimated	22/23 Estimated
REVENUES						
Tuition & Fees	74,102,886	77,281,006	82,119,689	84,780,354	88,088,335	90,720,828
Institutional aid	(26,860,594)	(30,461,585)	(32,276,187)	(34,271,171)	(35,215,797)	(36,262,857)
Net tuition revenue	<u>47,242,292</u>	<u>46,819,421</u>	<u>49,843,502</u>	<u>50,509,183</u>	<u>52,872,538</u>	<u>54,457,971</u>
Endowment support	24,336,634	24,447,951	24,692,772	25,492,629	26,237,709	26,747,466
All other revenues	<u>15,601,475</u>	<u>16,266,630</u>	<u>16,951,327</u>	<u>17,711,150</u>	<u>18,068,344</u>	<u>18,436,194</u>
TOTAL REVENUES	<u>87,180,401</u>	<u>87,534,001</u>	<u>91,487,601</u>	<u>93,712,962</u>	<u>97,178,590</u>	<u>99,641,631</u>
EXPENSES						
Tenure and tenure track faculty compensation	13,546,502	13,913,359	14,226,410	14,582,070	14,946,622	15,320,287
Non-tenure track faculty compensation	3,832,480	3,918,711	4,006,882	4,107,054	4,209,730	4,314,973
Staff compensation	17,909,454	18,312,417	18,724,446	19,192,557	19,672,371	20,164,180
Fringe benefits on all compensation	13,669,261	14,096,350	14,413,518	14,773,856	15,143,202	15,521,782
All other expenses	<u>38,222,704</u>	<u>39,962,667</u>	<u>40,727,898</u>	<u>41,198,706</u>	<u>41,851,201</u>	<u>42,484,138</u>
TOTAL EXPENSES	<u>87,180,401</u>	<u>90,203,503</u>	<u>92,099,153</u>	<u>93,854,242</u>	<u>95,823,126</u>	<u>97,805,361</u>
MODELED SURPLUSES / (DEFICITS)	<u>0</u>	<u>(2,669,502)</u>	<u>(611,552)</u>	<u>(141,280)</u>	<u>1,355,464</u>	<u>1,836,269</u>
SENSITIVITY						
Change staff and faculty salary pools by 1%		474,809	967,098	1,478,903	2,010,817	2,563,453
Change tuition charge by 1%		418,067	901,416	1,385,142	1,952,214	2,530,097
Change incoming student discount rate by 1%		212,793	431,379	651,407	870,174	903,193
Change student FTEs by 10		304,728	600,385	917,918	1,223,803	1,271,323

**Whitman College
Budget Model A**

	17/18 Approved	% Total	18/19 Estimated	% Total	19/20 Estimated	% Total	20/21 Estimated	% Total	21/22 Estimated	% Total
CURRENT FUND REVENUES										
ASSUMPTIONS										
Tuition Charge	49,390		51,370		53,420		55,020		56,670	
Annual Full-Time Paid Equivalent Students	1,500		1,504		1,537		1,541		1,554	
Tuition Charge Increase	4.00%		4.00%		4.00%		3.00%		3.00%	
Tuition Discount Rate	36.25%		39.42%		39.30%		40.42%		39.98%	
Endowment Payout Rate	5.00%		5.00%		5.00%		5.00%		5.00%	
Assumed Endowment Growth	-3.40% Actual		13.77% Actual		7.00%		7.00%		7.00%	
Room Rate Change	3.00%		3.00%		3.00%		3.00%		3.00%	
Board Rate Change	7.00%		6.00%		6.00%		6.00%		3.00%	
TUITION & FEES	74,102,886		77,281,006		82,119,689		84,780,354		88,088,335	
UNRESTRICTED INSTITUTIONAL AID	(18,461,759)	68.7%	(21,856,955)	71.8%	(23,620,586)	73.2%	(25,370,247)	74.0%	(26,089,639)	74.1%
RESTRICTED INSTITUTIONAL AID	(8,398,835)	31.3%	(8,604,630)	28.2%	(8,655,601)	26.8%	(8,900,924)	26.0%	(9,126,158)	25.9%
SUBTOTAL INSTITUTIONAL AID	(26,860,594)		(30,461,585)		(32,276,187)		(34,271,171)		(35,215,797)	
NET TUITION REVENUE	47,242,292	62%	46,819,421	62%	49,843,502	63%	50,509,183	62%	52,872,538	63%
INSTRUCTIONAL FEES	396,795	1%	400,000	1%	400,000	1%	400,000	0%	400,000	0%
ANNUAL FUND GIFTS	1,350,000	2%	1,550,000	2%	1,750,000	2%	2,000,000	2%	2,000,000	2%
FEDERAL FINANCIAL AID	330,000	0%	330,000	0%	330,000	0%	330,000	0%	330,000	0%
ENDOWMENT INCOME	24,336,634	32%	24,447,951	32%	24,692,772	31%	25,492,629	31%	26,237,709	31%
INVESTMENT INCOME	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%
ASWC INCOME	550,680	1%	567,200	1%	584,216	1%	601,743	1%	619,795	1%
SPONSORED PROGRAMS	425,000	1%	425,000	1%	425,000	1%	425,000	1%	425,000	1%
AUXILIARY TRANSFER	1,004,000	1%	1,004,000	1%	1,004,000	1%	1,004,000	1%	1,004,000	1%
SUBTOTAL EDUCATION & GENERAL	75,890,401	100%	75,798,572	100%	79,284,490	100%	81,017,555	100%	84,144,042	100%
RESIDENCE HALLS	4,550,000	36%	4,686,500	36%	4,827,095	36%	4,971,908	36%	5,121,065	36%
FOOD SERVICE	4,980,000	41%	5,278,800	41%	5,595,528	41%	5,931,260	41%	6,109,197	41%
BOOKSTORE	1,050,000	9%	1,054,324	9%	1,058,748	9%	1,063,756	8%	1,068,891	8%
OTHER AUXILIARY	710,000	6%	715,805	6%	721,740	6%	728,483	6%	735,395	6%
SUBTOTAL AUXILIARY	11,290,000	100%	11,735,429	100%	12,203,111	100%	12,695,407	100%	13,034,548	100%
TOTAL CURRENT FUND REVENUES	87,180,401		87,534,001		91,487,601		93,712,962		97,178,590	

**Whitman College
Budget Model A**

	17/18 Approved	% Total	18/19 Estimated	% Total	19/20 Estimated	% Total	20/21 Estimated	% Total	21/22 Estimated	% Total
CURRENT FUND EXPENSES										
ASSUMPTIONS										
Faculty Salary Change	2.25%		2.25%		2.25%		2.50%		2.50%	
Staff Salary Change	2.25%		2.25%		2.25%		2.50%		2.50%	
Fringe Benefit Rate - OPE	39.00%		39.00%		39.00%		39.00%		39.00%	
INSTRUCTION	29,773,849	41%	30,777,915	41%	31,483,814	41%	32,281,810	42%	33,100,569	42%
ACADEMIC SUPPORT	9,841,390	14%	9,972,737	13%	10,075,564	13%	10,236,659	13%	10,395,588	13%
SPONSORED PROGRAMS	430,744	1%	430,816	1%	430,850	1%	431,016	1%	431,168	1%
STUDENT SERVICES	10,200,794	14%	10,359,496	14%	10,558,956	14%	10,753,281	14%	10,950,457	14%
INSTITUTIONAL SUPPORT	12,343,955	17%	12,646,426	17%	12,892,119	17%	13,135,806	17%	13,384,981	17%
PHYSICAL PLANT	9,670,670	13%	10,433,015	14%	10,506,950	14%	10,603,920	14%	10,701,501	14%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%	180,000	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	72,441,402	100%	74,800,404	100%	76,128,253	100%	77,622,492	100%	79,144,263	100%
RESIDENCE HALLS	4,027,000	38%	4,147,810	37%	4,272,244	37%	4,400,412	37%	4,532,424	37%
FOOD SERVICE	4,897,000	46%	5,193,310	47%	5,507,473	48%	5,840,563	49%	6,015,780	49%
BOOKSTORE	1,045,000	10%	1,049,174	9%	1,053,443	9%	1,058,293	9%	1,063,264	9%
OTHER AUXILIARY	710,000	7%	715,805	6%	721,740	6%	728,483	6%	735,395	6%
SUBTOTAL AUXILIARY	10,679,000	100%	11,106,099	100%	11,554,901	100%	12,027,751	100%	12,346,862	100%
SUBTOTAL OPERATING EXPENSES	83,120,401		85,906,503		87,683,153		89,650,242		91,491,126	
CAMPUS REPLACEMENT RESERVE	2,114,000	78%	2,332,670	79%	2,432,790	79%	2,536,344	79%	2,644,314	79%
AUXILIARY REPLACEMENT RESERVE	611,000	22%	629,330	21%	648,210	21%	667,656	21%	687,686	21%
SUBTOTAL REPLACEMENT RESERVE	2,725,000	100%	2,962,000	100%	3,081,000	100%	3,204,000	100%	3,332,000	100%
ENROLLMENT CONTINGENCY	1,335,000		1,335,000		1,335,000		1,000,000		1,000,000	
TOTAL CURRENT FUND EXPENSES	87,180,401		90,203,503		92,099,153		93,854,242		95,823,126	
NET SURPLUSES / (DEFICITS)	0		(2,669,502)		(611,552)		(141,280)		1,355,464	

2018 - 2019 PROPOSED PLANNING ASSUMPTIONS

	<u>2017-2018</u>	<u>Proposed 2018-2019</u>
Budgeted Enrollment (Forecast: 1500) (10 students = \$305,000)	1500	1500 - 1510
Target first year & transfer students	435 FTE	420 - 430 FTE
Enrollment Contingency	\$1,335,000	\$1,300,000 - \$1,400,000
Tuition Increase (1% = \$447,000)	4.0%	3.0% - 5.0%
Tuition Discount (Excluding Federal Support) (Forecast: 39.42%) (.50% = \$373,000)	36.25%	39.0% - 41.0%
Target first year & transfer discount rate	37.0%	40.0% - 42.0%
Endowment Payout	5.0% \$24,336,000	5.0% \$24,448,000
Annual Fund Gifts	\$1,350,000	\$1,550,000 - \$1,750,000
Life Cycle Contributions (.1% = \$417,000)	(.73%) \$2,725,000	(.59%) \$2,462,000 - (.71%) \$2,962,000
Merit Salary Pool for Faculty (1% = \$242,000)	2.25%	1.5% - 3.0%
Promotion Salary Pool for Faculty	0	\$62,000
Merit Salary Pool for Staff (1% = \$233,000)	2.25%	1.5% - 3.0%
Fringe Benefit Rate (.50% = \$171,000)	39.0%	38.5% - 39.5%
Room Increase (1% = \$46,000)	3.0%	2.0% - 4.0%
Board Increase (1% = \$50,000)	7.0%	5.0% - 8.0%
Target reallocations and growth of revenues	0	\$2,500,000 - \$3,500,000