

TO: Budget Advisory Committee
FROM: Peter Harvey, Chief Financial Officer
DATE: October 26, 2018

Review of 2017-2018 Budget Results

Attached is the 2017-2018 year-end budget report. Enrollment for the year was 1495 FTE, which was just below budgeted enrollment of 1500 FTE. The discount rate of 38.5% was well above the budgeted rate of 36.25%. As a result, the college had a net tuition revenue shortfall of \$1.8 million. The shortfall was covered by the \$1,136,000 restricted scholarship fund balances, \$483,000 in surplus scholarship current use gifts, and \$197,000 for the enrollment contingency.

Other than the net tuition revenue shortfall, the college had mostly positive operating results. The college had \$841,000 in department operating surpluses. There was a \$130,000 surplus in unrestricted Annual Fund gifts. These surpluses, combined with the unused enrollment contingency, results in \$1,820,000 in surpluses available for trustee designation. These funds will likely go to support strategic priorities.

There was a \$173,000 surplus in fringe benefits. Residence Life had a \$807,000 surplus, and Food Service had a \$128,000 surplus. The bookstore had a \$87,000 deficit. The endowment return for the year was 10.1%.

2018-2019 Budget Forecast

The first-year and transfer students for fall 2018 of 443 students is above the goal of 425 students. However, their financial aid costs of 43.20% discount rate are above the goal of 41%.

The following is a comparison of fall 2017 with fall 2018:

	<u>Fall 2017</u>	<u>Fall 2018</u>
FTE enrollment	1529	1532
Gross tuition	37,750,373	39,344,949
Financial aid	<u>(14,370,958)</u>	<u>(15,813,710)</u>
Net tuition revenue	23,379,415	23,531,239
Fall overall discount rate	38.07%	40.19%
Fall first year & transfer discount rate	41.87%	43.20%

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

	<u>Budget</u>	<u>Projected</u>
Enrollment	1504	1515
Discount rate	39.90%	40.17%
Gross tuition	77,281,006	77,847,164
Financial aid	<u>(30,834,460)</u>	<u>(31,271,549)</u>
Net tuition	46,446,546	46,575,615
Estimated NTR surplus		129,070
1% variance NTR		466,000

As noted above, there are 18 more new students than had been budgeted, but their discount rate is higher than budgeted. Returning students are projected to be about 9 less with slightly lower discount rate than budgeted. 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. Although the model is forecasting a \$129,000 surplus, given the assumptions in the projection it is reasonable to expect a variance of up to 1% (\$466,000) in either direction. The budget includes a contingency of \$1,335,000.

Budget Modeling for 2019-2020

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 \$1.1 million surplus in 2019-2020.

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

Compensation for Faculty and Staff

Provost Alzada Tipton and CFO Peter Harvey, will give verbal presentations on how Whitman's salaries compare to our peers.

Proposed 2019-2020 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 2019-2020 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.

2017-2018

Whitman College
Budget Report

	2016/17 Approved Budget	% of Total	2016/17 Actual	2017/18 Approved Budget	% of Total	2017/18 Actual
CURRENT FUND SOURCES						
Full-time equivalent students	1,540		1,493	1,500		1,495
Annual tuition charge	47,490			49,390		
Annual tuition increase	3.75%			4.00%		
Discount rate	36.80%		36.00%	36.25%		38.50%
TUITION & FEES	73,134,600		70,912,716	74,102,886		73,819,906
LESS UNRESTRICTED FINANCIAL AID	(18,813,134)		(17,037,296)	(18,461,759)		(18,375,959)
LESS RESTRICTED FINANCIAL AID	(8,122,339)		(8,490,851)	(8,398,835)		(10,018,579)
SUBTOTAL INSTITUTIONAL AID	(26,935,473)		(25,528,147)	(26,860,594)		(28,394,538)
NET TUITION REVENUE	46,199,127	62%	45,384,569	47,242,292	62%	45,425,368
INSTRUCTIONAL FEES	389,727	1%	399,602	396,795	1%	421,832
ANNUAL FUND GIFTS	1,150,000	2%	1,241,080	1,350,000	2%	1,963,487
FEDERAL FINANCIAL AID	340,000	0%	326,089	330,000	0%	326,089
ENDOWMENT INCOME	23,621,762	32%	23,621,762	24,336,634	32%	24,336,634
INVESTMENT INCOME	25,000	0%	177,686	25,000	0%	576,445
MISCELLANEOUS INCOME	230,000	0%	199,295	230,000	0%	213,126
ASWC FEES	535,600	1%	529,449	550,680	1%	556,403
SPONSORED PROGRAMS	450,000	1%	448,997	425,000	1%	536,367
AUXILIARY TRANSFER	1,004,000	1%	1,004,000	1,004,000	1%	1,004,000
SUBTOTAL EDUCATION & GENERAL	73,945,216	100%	73,332,529	75,890,401	100%	75,359,751
RESIDENCE HALLS	4,393,062	40%	4,410,748	4,550,000	40%	4,532,878
FOOD SERVICE	4,646,920	43%	4,675,507	4,980,000	44%	4,963,361
BOOKSTORE	1,192,810	11%	1,019,831	1,050,000	9%	987,125
OTHER AUXILIARY	689,191	6%	726,872	710,000	6%	708,458
SUBTOTAL AUXILIARY	10,921,983	100%	10,832,958	11,290,000	100%	11,191,822
TOTAL CURRENT FUND SOURCES	84,867,199		84,165,487	87,180,401		86,551,573

**2017-2018
Whitman College
Budget Report**

	2016/17 Approved Budget	% of Total	2016/17 Actual	2017/18 Approved Budget	% of Total	2017/18 Actual
CURRENT FUND USES						
Faculty salary change	3.0%			2.25%		
Staff salary change	3.0%			2.25%		
Fringe benefit rate - OPE	35.5%			39.00%		
INSTRUCTION	28,723,576	41%	28,177,956	29,841,589	41%	28,873,356
ACADEMIC SUPPORT	9,503,853	14%	8,889,514	9,809,399	14%	8,710,503
SPONSORED PROGRAMS	455,315	1%	448,997	430,744	1%	536,367
STUDENT SERVICES	9,799,746	14%	9,592,189	10,292,432	14%	9,719,566
INSTITUTIONAL SUPPORT	12,087,584	17%	11,945,511	12,128,782	17%	12,238,960
PHYSICAL PLANT	9,234,422	13%	9,245,244	9,758,455	13%	10,326,223
FEDERAL FINANCIAL AID	180,000	0%	175,195	180,000	0%	180,195
SUBTOTAL EDUCATION & GENERAL	<u>69,984,496</u>	<u>100%</u>	<u>68,474,606</u>	<u>72,441,401</u>	<u>100%</u>	<u>70,585,170</u>
RESIDENCE HALLS	3,885,062	38%	3,141,553	4,027,000	38%	3,202,154
FOOD SERVICE	4,566,640	44%	4,496,796	4,897,000	46%	4,752,279
BOOKSTORE	1,187,810	12%	1,089,512	1,045,000	10%	1,068,659
OTHER AUXILIARY	689,191	7%	747,389	710,000	7%	672,137
SUBTOTAL AUXILIARY	<u>10,328,703</u>	<u>100%</u>	<u>9,475,250</u>	<u>10,679,000</u>	<u>100%</u>	<u>9,695,229</u>
SUBTOTAL OPERATING EXPENSES	<u>80,313,199</u>		<u>77,949,856</u>	<u>83,120,401</u>		<u>80,280,399</u>
CAMPUS REPLACEMENT RESERVE	2,225,720	79%	2,225,720	2,114,000	78%	2,114,000
AUXILIARY REPLACEMENT RESERVE	593,280	21%	593,280	611,000	22%	611,000
SUBTOTAL REPLACEMENT RESERVE	<u>2,819,000</u>	<u>100%</u>	<u>2,819,000</u>	<u>2,725,000</u>	<u>100%</u>	<u>2,725,000</u>
ENROLLMENT CONTINGENCY	<u>1,735,000</u>			<u>1,335,000</u>		
TOTAL CURRENT FUND USES	<u>84,867,199</u>		<u>80,768,856</u>	<u>87,180,401</u>		<u>83,005,399</u>
NET SOURCES / (USES)	<u>0</u>		<u>3,396,631</u>	<u>0</u>		<u>3,546,174</u>
Net surpluses to be designated by Trustees			(1,730,651)			(1,819,871)
Department net (surplus) / deficit			(901,552)			(840,710)
Auxiliary net (surplus) / deficit			(764,428)			(885,593)
NET BUDGET BALANCE			<u>0</u>			<u>0</u>

2019-2020 Budget Model

Whitman College
Budget Model Summary

	18/19 Approved	19/20 Estimated	20/21 Estimated	21/22 Estimated	22/23 Estimated	23/24 Estimated
ASSUMPTIONS						
Tuition Charge	51,370	53,420	55,560	57,780	60,090	62,490
Tuition Charge Increase +/- .25%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Annual Equivalent Students	1,515 Actual	1,547	1,543	1,561	1,543	1,542
Entering New Students +/- 5	443 Actual	425	425	425	425	425
Overall annual discount rate	40.17% Actual	40.81%	43.19%	43.51%	43.81%	43.94%
New Student Discount Rate +/- .25%	43.20% Actual	43.50%	44.00%	44.00%	44.00%	44.00%
Assumed Endowment Growth +/- .5%	13.77% Actual	10.10% Actual	7.00%	7.00%	7.00%	7.00%
Endowment Gifts +/- \$500,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Annual Fund Gifts +/- \$50,000	1,650,000	1,850,000	2,100,000	2,100,000	2,100,000	2,100,000
Faculty Salary Change +/- .25%	2.25%	4.00%	3.00%	3.00%	3.00%	3.00%
Staff Salary Change +/- .25%	2.25%	4.00%	3.00%	3.00%	3.00%	3.00%
Fringe Benefit Rate - OPE +/- .25%	39.00%	39.00%	39.00%	39.00%	39.00%	39.00%
MODELED SURPLUSES / (DEFICITS)	0	1,106,562	881,725	2,705,214	2,775,262	3,293,990
NET CHANGE TO / (FROM) BASELINE MODEL		0	0	0	0	0

2019-2020 Budget Model

Whitman College Budget Model Summary

	18/19 Approved	19/20 Estimated	20/21 Estimated	21/22 Estimated	22/23 Estimated	23/24 Estimated
REVENUES						
Tuition & Fees	77,281,006	82,657,080	85,721,147	90,171,227	92,740,081	96,350,133
Institutional aid	(30,834,460)	(33,730,045)	(37,021,639)	(39,231,017)	(40,632,540)	(42,331,854)
Net tuition revenue	46,446,546	48,927,035	48,699,508	50,940,210	52,107,542	54,018,279
Endowment support	24,447,951	25,467,600	26,492,881	27,793,277	28,524,270	29,109,198
All other revenues	16,493,591	17,019,218	17,662,367	18,069,494	18,432,052	18,805,486
TOTAL REVENUES	87,388,088	91,413,853	92,854,756	96,802,982	99,063,864	101,932,963
EXPENSES						
Tenure and tenure track faculty compensation	12,922,722	13,482,918	13,891,732	14,314,166	14,745,922	15,189,655
Non-tenure track faculty compensation	4,024,453	4,185,431	4,310,994	4,440,324	4,573,534	4,710,740
Staff compensation	18,673,592	19,420,536	20,003,152	20,603,246	21,221,344	21,857,984
Fringe benefits on all compensation	13,782,483	14,445,295	14,879,878	15,327,881	15,788,377	16,262,412
All other expenses	37,984,838	38,773,111	38,887,275	39,412,150	39,959,425	40,618,182
TOTAL EXPENSES	87,388,088	90,307,291	91,973,031	94,097,767	96,288,601	98,638,973
MODELED SURPLUSES / (DEFICITS)	0	1,106,562	881,725	2,705,214	2,775,262	3,293,990
Net change to / (from) baseline		0	0	0	0	0
BASELINE SURPLUSES		1,106,562	881,725	2,705,214	2,775,262	3,293,990
SENSITIVITY						
Change staff and faculty salary pools by 1%		475,513	989,067	1,537,999	2,124,169	2,749,526
Change tuition charge by 1%		476,266	919,312	1,436,264	1,952,211	2,531,418
Change student FTEs by 10		281,841	580,139	838,370	1,141,628	1,193,136
Change incoming student discount rate by 1%		221,653	446,706	680,655	916,075	958,546

2019-2020 Budget Model

Whitman College Budget Model

	18/19 Approved	% Total	19/20 Estimated	% Total	20/21 Estimated	% Total	21/22 Estimated	% Total	22/23 Estimated	% Total	23/24 Estimated	% Total
CURRENT FUND REVENUES												
ASSUMPTIONS												
Tuition Charge	51,370		53,420		55,560		57,780		60,090		62,490	
Annual Full-Time Paid Equivalent Students	1,504		1,547		1,543		1,561		1,543		1,542	
Tuition Charge Increase	4.00%		4.00%		4.00%		4.00%		4.00%		4.00%	
Tuition Discount Rate	39.76%		40.81%		43.19%		43.51%		43.81%		43.94%	
Endowment Payout Rate	5.00%		5.00%		5.00%		5.00%		5.00%		5.00%	
Assumed Endowment Growth	13.77% Actual		10.10%		7.00%		7.00%		7.00%		7.00%	
Room Rate Change	103.00%		103.00%		103.00%		103.00%		103.00%		103.00%	
Board Rate Change	107.00%		104.00%		104.00%		104.00%		103.00%		103.00%	
TUITION & FEES	77,281,006		82,657,080		85,721,147		90,171,227		92,740,081		96,350,133	
UNRESTRICTED INSTITUTIONAL AID	(22,229,830)	72.1%	(24,439,461)	72.5%	(27,393,513)	74.0%	(29,166,639)	74.3%	(30,339,670)	74.7%	(31,864,000)	75.3%
RESTRICTED INSTITUTIONAL AID	(8,604,630)	27.9%	(9,290,584)	27.5%	(9,628,126)	26.0%	(10,064,378)	25.7%	(10,292,870)	25.3%	(10,467,854)	24.7%
SUBTOTAL INSTITUTIONAL AID	(30,834,460)		(33,730,045)		(37,021,639)		(39,231,017)		(40,632,540)		(42,331,854)	
NET TUITION REVENUE	46,446,546	61%	48,927,035	62%	48,699,508	60%	50,940,210	61%	52,107,542	61%	54,018,279	61%
INSTRUCTIONAL FEES	402,391	1%	402,391	1%	402,391	0%	402,391	0%	402,391	0%	402,391	0%
ANNUAL FUND GIFTS	1,650,000	2%	1,850,000	2%	2,100,000	3%	2,100,000	2%	2,100,000	2%	2,100,000	2%
FEDERAL FINANCIAL AID	330,000	0%	330,000	0%	330,000	0%	330,000	0%	330,000	0%	330,000	0%
ENDOWMENT INCOME	24,447,951	32%	25,467,600	32%	26,492,881	33%	27,793,277	33%	28,524,270	33%	29,109,198	33%
INVESTMENT INCOME	200,000	0%	400,000	1%	400,000	0%	400,000	0%	400,000	0%	400,000	0%
MISCELLANEOUS INCOME	230,000	0%	150,000	0%	150,000	0%	150,000	0%	150,000	0%	150,000	0%
ASWC INCOME	567,200	1%	584,216	1%	601,742	1%	619,795	1%	638,389	1%	657,540	1%
SPONSORED PROGRAMS	425,000	1%	425,000	1%	425,000	1%	425,000	1%	425,000	0%	425,000	0%
AUXILIARY TRANSFER	1,029,000	1%	940,000	1%	940,000	1%	940,000	1%	940,000	1%	940,000	1%
SUBTOTAL EDUCATION & GENERAL	75,728,088	100%	79,476,243	100%	80,541,522	100%	84,100,673	100%	86,017,591	100%	88,532,408	100%
RESIDENCE HALLS	4,640,000	36%	4,779,000	36%	4,922,370	36%	5,070,041	36%	5,222,142	36%	5,378,807	36%
FOOD SERVICE	5,250,000	41%	5,460,000	41%	5,678,400	41%	5,905,536	41%	6,082,702	41%	6,265,183	41%
BOOKSTORE	1,020,000	9%	938,417	8%	944,320	8%	950,400	7%	956,662	7%	963,112	7%
OTHER AUXILIARY	750,000	6%	760,193	6%	768,143	6%	776,332	6%	784,766	6%	793,453	6%
SUBTOTAL AUXILIARY	11,660,000	100%	11,937,611	100%	12,313,233	100%	12,702,309	100%	13,046,272	100%	13,400,555	100%
TOTAL CURRENT FUND REVENUES	87,388,088		91,413,853		92,854,756		96,802,982		99,063,864		101,932,963	
CURRENT FUND EXPENSES												
ASSUMPTIONS												
Faculty Salary Change	2.25%		4.00%		3.00%		3.00%		3.00%		3.00%	

2019-2020 Budget Model

Whitman College Budget Model

	18/19 Approved	% Total	19/20 Estimated	% Total	20/21 Estimated	% Total	21/22 Estimated	% Total	22/23 Estimated	% Total	23/24 Estimated	% Total
Staff Salary Change	2.25%		4.00%		3.00%		3.00%		3.00%		3.00%	
Fringe Benefit Rate - OPE	39.00%		39.00%		39.00%		39.00%		39.00%		39.00%	
INSTRUCTION	29,380,018	40%	30,743,217	41%	31,451,290	41%	32,212,623	41%	33,129,823	41%	34,189,611	42%
ACADEMIC SUPPORT	9,615,440	13%	9,795,821	13%	9,992,268	13%	10,214,083	13%	10,393,999	13%	10,566,042	13%
SPONSORED PROGRAMS	430,816	1%	430,933	1%	431,149	1%	431,428	1%	431,574	1%	431,686	1%
STUDENT SERVICES	10,483,880	14%	10,890,087	14%	11,126,496	14%	11,378,017	14%	11,617,090	14%	11,857,869	14%
INSTITUTIONAL SUPPORT	12,692,608	17%	13,238,574	18%	13,542,587	18%	13,857,641	18%	14,177,361	18%	14,505,363	18%
PHYSICAL PLANT	9,978,966	14%	10,109,048	13%	10,213,507	13%	10,322,430	13%	10,431,301	13%	10,542,529	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	<u>72,761,728</u>	<u>100%</u>	<u>75,387,681</u>	<u>100%</u>	<u>76,937,297</u>	<u>100%</u>	<u>78,596,224</u>	<u>100%</u>	<u>80,361,147</u>	<u>100%</u>	<u>82,273,100</u>	<u>100%</u>
RESIDENCE HALLS	3,900,000	36%	4,019,000	36%	4,139,570	36%	4,263,757	36%	4,391,670	36%	4,523,420	36%
FOOD SERVICE	5,164,510	48%	5,370,000	48%	5,585,700	49%	5,810,055	49%	5,984,357	49%	6,163,887	50%
BOOKSTORE	1,014,850	9%	933,417	8%	939,320	8%	945,400	8%	951,662	8%	958,112	8%
OTHER AUXILIARY	750,000	7%	760,193	7%	768,143	7%	776,332	7%	784,766	6%	793,453	6%
SUBTOTAL AUXILIARY	<u>10,829,360</u>	<u>100%</u>	<u>11,082,611</u>	<u>100%</u>	<u>11,432,733</u>	<u>100%</u>	<u>11,795,544</u>	<u>100%</u>	<u>12,112,454</u>	<u>100%</u>	<u>12,438,872</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	83,591,088		86,470,291		88,370,031		90,391,767		92,473,601		94,711,973	
CAMPUS REPLACEMENT RESERVE	1,631,360	66%	1,647,000	66%	1,722,500	66%	1,799,235	66%	1,881,182	67%	1,965,318	67%
AUXILIARY REPLACEMENT RESERVE	830,640	34%	855,000	34%	880,500	34%	906,765	34%	933,818	33%	961,682	33%
SUBTOTAL REPLACEMENT RESERVE	<u>2,462,000</u>	<u>100%</u>	<u>2,502,000</u>	<u>100%</u>	<u>2,603,000</u>	<u>100%</u>	<u>2,706,000</u>	<u>100%</u>	<u>2,815,000</u>	<u>100%</u>	<u>2,927,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	<u>1,335,000</u>		<u>1,335,000</u>		<u>1,000,000</u>		<u>1,000,000</u>		<u>1,000,000</u>		<u>1,000,000</u>	
TOTAL CURRENT FUND EXPENSES	<u>87,388,088</u>		<u>90,307,291</u>		<u>91,973,031</u>		<u>94,097,767</u>		<u>96,288,601</u>		<u>98,638,973</u>	
NET SURPLUSES / (DEFICITS)	<u>0</u>		<u>1,106,562</u>		<u>881,725</u>		<u>2,705,214</u>		<u>2,775,262</u>		<u>3,293,990</u>	

2019 - 2020 PROPOSED PLANNING ASSUMPTIONS

	<u>2018-2019</u>	<u>Proposed 2019-2020</u>
Budgeted Enrollment (Forecast: 1547) (10 students = \$282,000)	1504	1540 - 1555
Target first year & transfer students	425 FTE	420 - 430 FTE
Enrollment Contingency	\$1,335,000	\$1,300,000 - \$1,400,000
Tuition Increase (1% = \$476,000)	4.0%	3.0% - 5.0%
Tuition Discount (Excluding Federal Support) (Forecast: 40.17%) (.50% = \$430,000)	39.90%	40.5% - 41.0%
Target first year & transfer discount rate	41.0%	43.0% - 44.0%
Endowment Payout	5.0% \$24,448,000	5.0% \$25,468,000
Annual Fund Gifts	\$1,650,000	\$1,850,000
Life Cycle Contributions (.1% = \$417,000)	(.59%) \$2,462,000	(.59%) \$2,502,000
Merit Salary Pool for Faculty (1% = \$234,000)	2.25%	3.0% - 4.0%
Promotion Salary Pool for Faculty	0	0.5% - 1.0%
Merit Salary Pool for Staff (1% = \$242,000)	2.25%	3.0% - 4.0%
Equity Salary Pool for Staff		0.5% - 1.0%
Fringe Benefit Rate (.50% = \$164,000)	39.0%	38.5% - 39.5%
Room Increase (1% = \$46,000)	3.0%	0% - 3.0%
Board Increase (1% = \$52,600)	7.0%	4.0% - 5.0%
Potential reallocations and growth of revenues	\$3,195,000	\$500,000 - \$1,000,000