



Faculty Financial Review

March 21, 2018



Agenda

- Setting the Context
- 2017-18 Forecast
- 2018-19 Budget



Setting the context

- Last May, we committed to a restructuring plan to eliminate operating deficits over the next three years while developing strategies/tactics to drive long term revenue growth

Millions	2017-2018	2018-2019	2019-2020
Revenue	\$78.7	\$79.0	\$79.9
Expense	<u>\$(79.2)</u>	<u>\$(79.0)</u>	<u>\$(79.9)</u>
Surplus/(deficit)	\$(0.5)	\$0.0	\$0.0

- The \$5M cost savings plan was to be achieved through voluntary staff and faculty retirements and position eliminations (in budget), operating cost and academic efficiencies
- Critical revenue initiatives to support long term health were focused on Undergrad NTR, retention, transfers, and graduate revenue



Cost savings status

Millions	<u>3 Year Goal</u>	<u>Currently Realized</u> Through 18-19 Budget
Staff restructuring	\$2.0	\$2.8
Faculty voluntary retirement	\$1.0	\$1.2
Academic efficiencies	\$1.0	\$0.0
Operating costs	<u>\$1.0</u>	<u>\$0.3</u>
Total	\$5.0	\$4.3



Revenue initiatives status

- Undergrad NTR
 - Admissions/marketing activity and HCRC providing some positive benefit to fall 2018 freshman class
 - More significant impact to enrollment and discount rate anticipated for fall 2019 freshman class
- Retention
 - Improved retention rates across all classes in 2017-2018 providing revenue upside
 - Generating \$0.7M of additional revenue versus budget
- Transfers
 - Expected decline in fall 2018 transfers as work continues on long term strategy
- Graduate Revenue
 - Strong Boler graduate revenue growth offsetting continued decline on CAS



Status after year one

- Overall on track with three year plan with significant challenges still ahead
 - Projecting breakeven financial performance in 2017-2018 and 2018-2019
- Achievements over the past year
 - Positive signs from enrollment efforts
 - Improvements in retention
 - Delivered on retirement/position elimination savings
 - Realized \$0.3M of operating costs savings
- Areas of focus for next 12 months
 - Optimizing freshman NTR for fall 2019
 - Building a sustainable transfer strategy
 - Reversing decline in CAS graduate revenue
 - Driving \$1M of academic efficiencies
 - Continued focus on operating cost savings



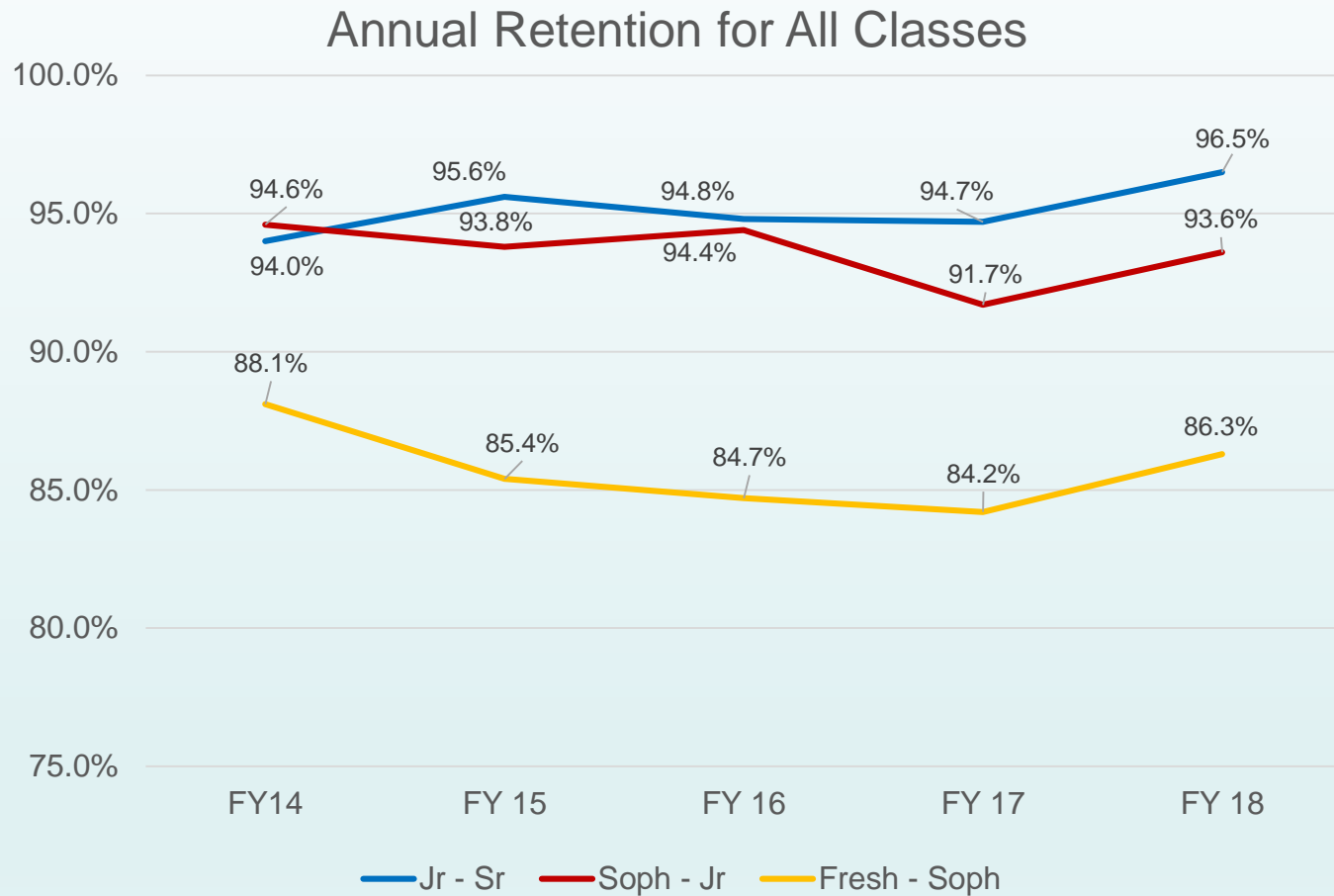
2018 Forecast Update

- Currently forecasting a breakeven management P&L performance versus a budgeted \$(0.5)M deficit
- Higher student retention and increased staff vacancy rates will improve operating results by \$1.2M versus budget
 - Year over year retention rates across all classes increased revenue \$700K higher than budget
 - Salaries are projected to be \$500K below budget due to several key open positions and float in filling retirement vacancies
- Forecast upside will provide \$700K of additional capital funding
- Revenue will grow for the first time in 4 years

2017-2018 Forecast

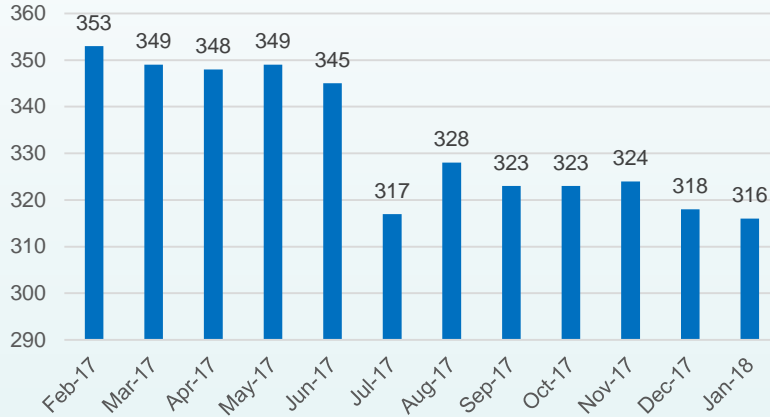
	17-18 Forecast	17-18 Budget	16-17 Actual	B / (W) Budget	B / (W) 16-17
Net Tuition Revenue	\$60.0	\$59.4	\$58.3	\$0.6	\$1.7
Room & Board	15.0	14.9	14.4	0.1	0.6
Gifts	1.8	1.8	1.8	0.0	0.0
Auxiliary Income	1.6	1.6	2.0	0.0	(0.4)
Endowment Draw	<u>1.0</u>	<u>1.0</u>	<u>1.5</u>	<u>0.0</u>	<u>(0.5)</u>
Total Revenue	\$79.4	\$78.7	\$78.0	\$0.7	\$1.4
Salaries & Benefits	51.2	51.7	53.0	0.5	1.8
Operating Expense	20.6	20.6	19.4	0.0	(1.2)
Debt Service	5.4	5.4	4.7	0.0	(0.7)
Total Expense	<u>\$77.2</u>	<u>\$77.7</u>	<u>\$77.1</u>	<u>\$0.5</u>	<u>(\$0.1)</u>
Net Surplus / (Def.) b/f Cap. Res.	\$2.2	\$1.0	\$0.9	\$1.2	\$1.3
Capital Reserve	<u>2.2</u>	<u>1.5</u>	<u>1.5</u>	<u>(0.7)</u>	<u>(0.7)</u>
MGT Net Surplus / Deficit	\$0.0	(\$0.5)	(\$0.6)	\$0.5	\$0.6

Year over year retention improved across all classes

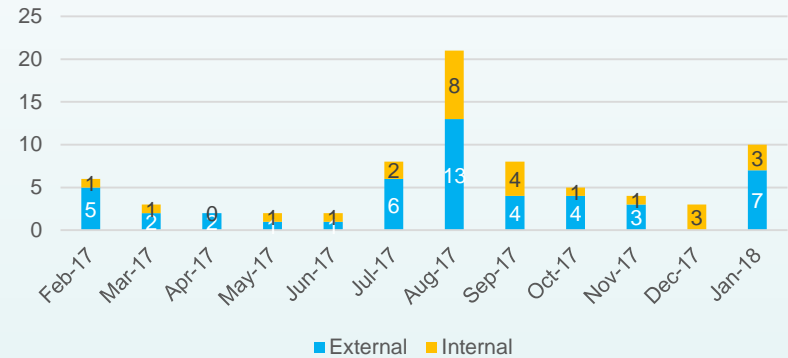


Human Capital Metrics – January 2018

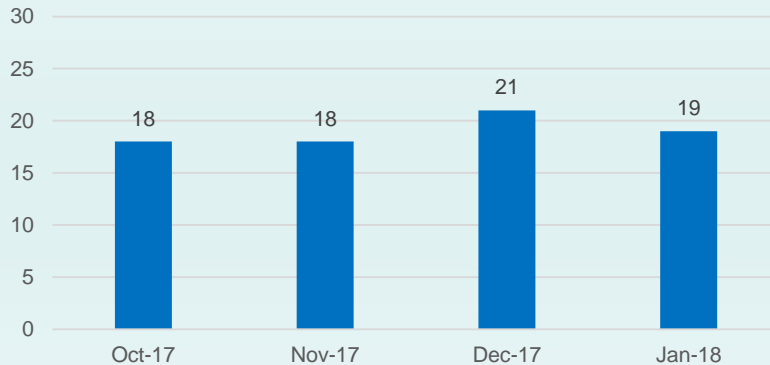
Active Full-time Staff



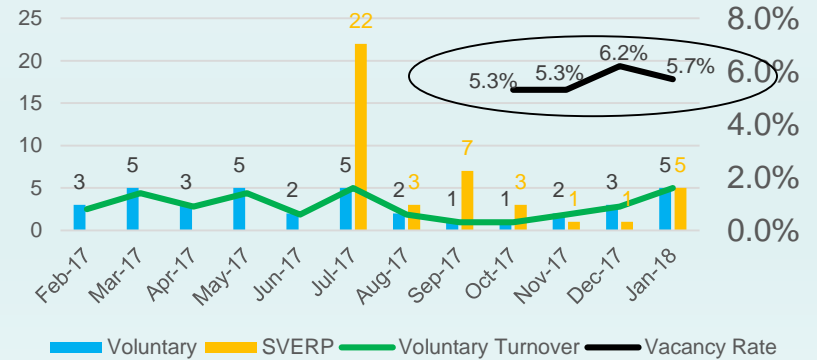
Filled Full-time Staff Positions



Approved Open Full Time Positions



Full-time Staff Voluntary Turnover

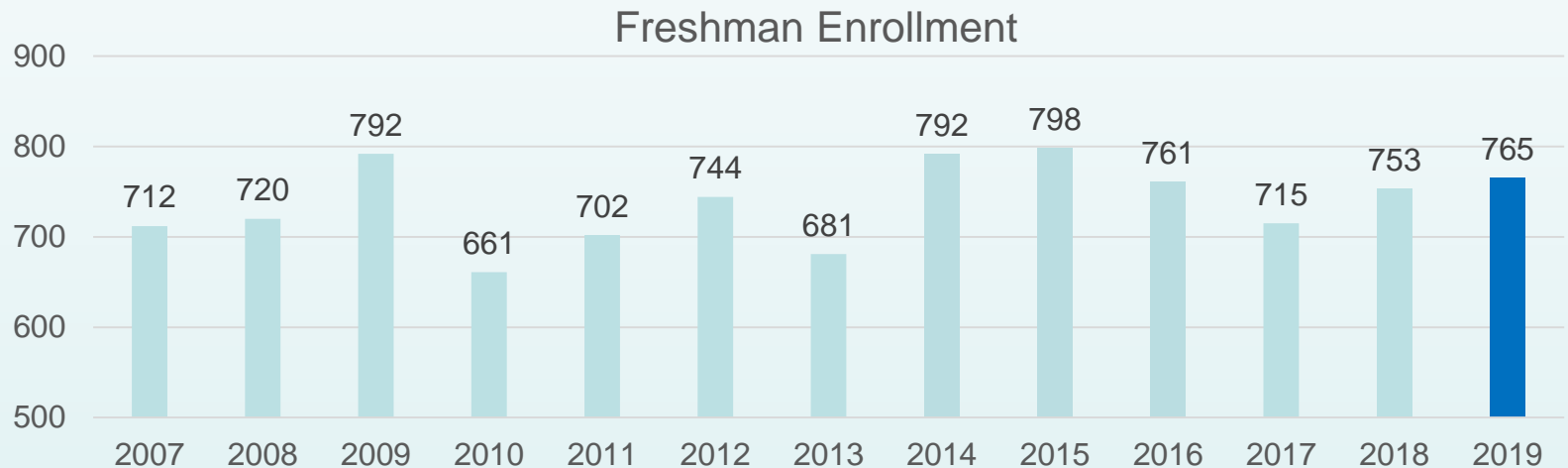




2018-19 Preliminary Budget Observations

- Current assumptions result in a “breakeven” Management budget
- Revenue increasing only 0.5% due to graduation of large senior class and additional Endowment draw decreasing another \$500K to \$500K
- Salaries and benefits will increase despite an additional \$1.7M restructuring savings in 2019 (total= \$4.0M), due primarily to retirement of 16 tenured faculty
 - New senior positions, 2% salary increase and normalized vacancy rates will more than offset incremental restructuring savings
- Capital Reserves remains under-funded

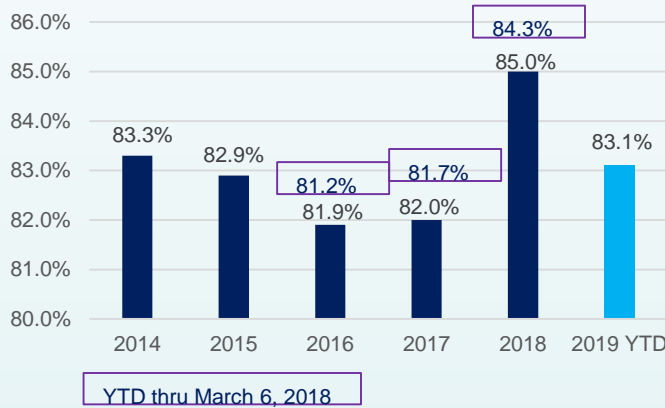
Freshman Enrollment



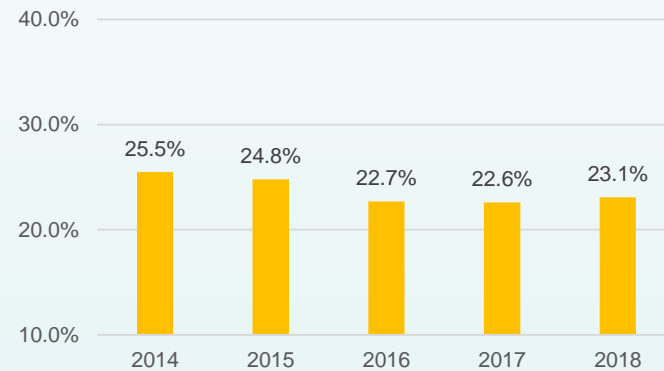
- At budgeted discount rate in 2018-19, 10 additional freshmen would yield \$250k in increased NTR + room & board revenue

Freshman enrollment assuming 4.7% application increase and historical trends on acceptance and yield

FY Acceptance Rate



FY Yield



Yield Rate

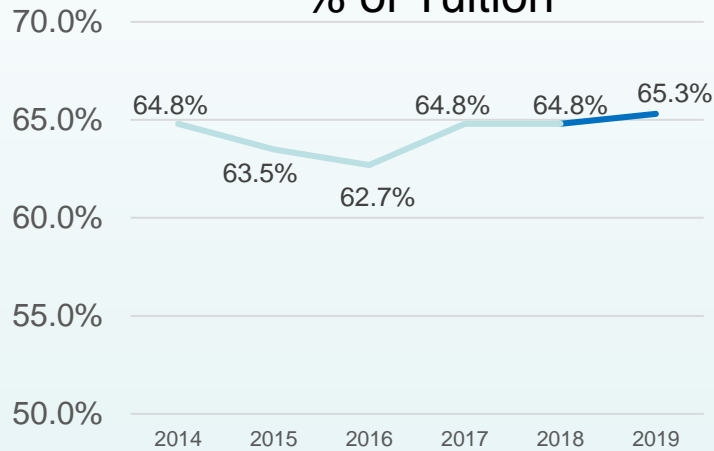
	Freshman	22.1%	22.6%	23.1%	23.6%	24.1%
Acceptance Rate	82.4%	733	749	766	782	799
	83.1%	739	756	772	798	806
	83.8%	745	762	778	796	812
	84.5%	751	768	785	802	819

Enrollment Trends by Cohort

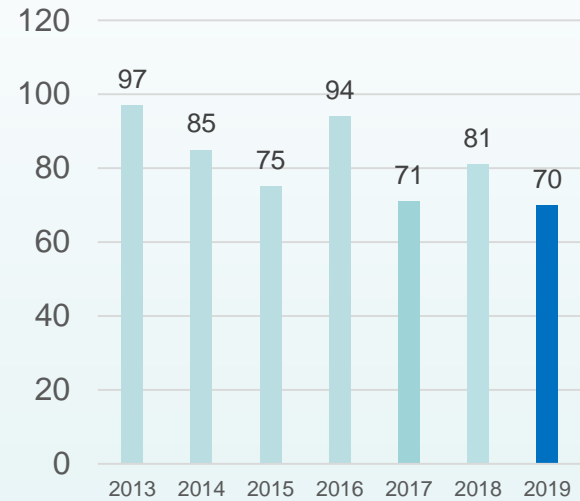
Cohort	Year			Change from Prior Year	
	16-17	17-18	18-19	17-18	18-19
Senior	603	598	581	(5)	(17)
Junior	622	600	578	(22)	(22)
Sophomore	641	617	633	(24)	16
Freshman	715	753	765	38	12
Transfers	272	306	280	34	(26)
Other (including PT)	131	127	127	(4)	-
Total	2,984	3,001	2,964	17	(37)

First year student assumptions

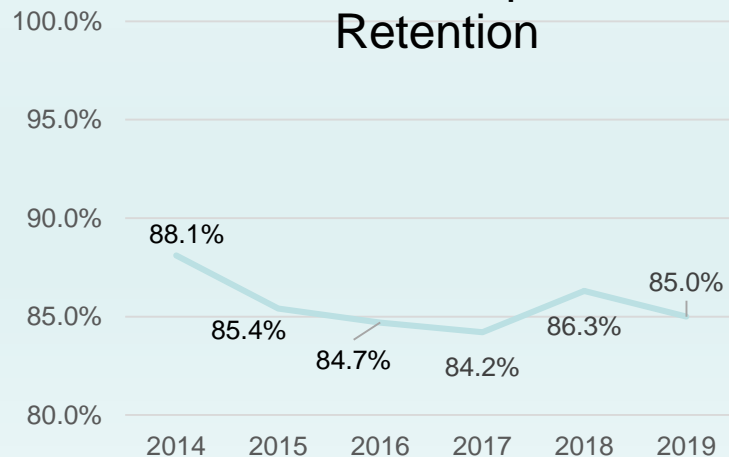
Freshman Discount Rate % of Tuition



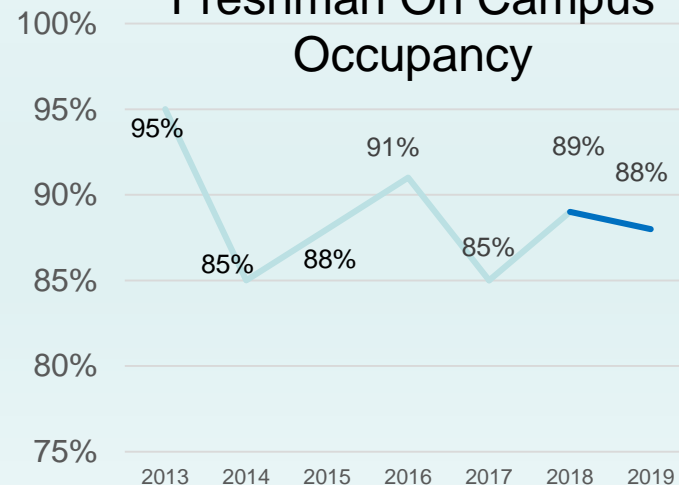
Transfers



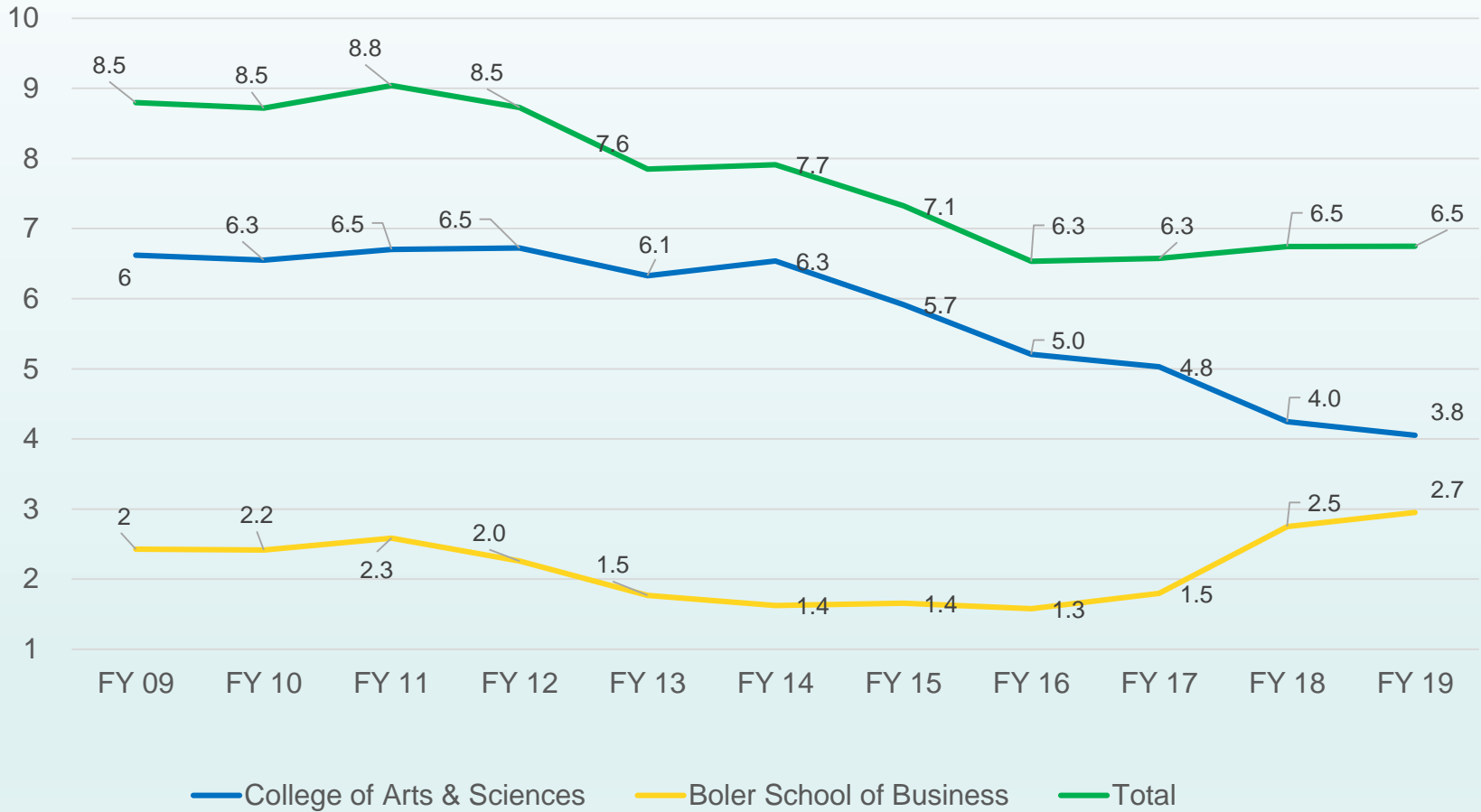
Freshman – Sophomore Retention



Freshman On Campus Occupancy



Graduate tuition revenue projected to be flat



2018 – 2019 Financial Budget

	<u>16-17 Actual</u>	<u>17-18 FCST</u>	<u>18-19 Budget</u>	<u>Change from Prior Year B/(W)</u>
Net Tuition Revenue	\$58.3	\$60.0	\$60.6	\$0.6
Net Room & Board	<u>14.4</u>	<u>15.0</u>	<u>15.3</u>	<u>0.3</u>
Net Student Fees	\$72.7	\$75.0	\$75.9	\$0.9
Unrestricted Gifts	1.8	1.8	1.8	--
Auxiliary Income	2.0	1.6	1.6	--
BOD Auth. Endowment Draw	<u>1.5</u>	<u>1.0</u>	<u>0.5</u>	<u>(0.5)</u>
Total Revenues	\$78.0	\$79.4	\$79.8	\$0.4
Salaries & Benefits	\$53.0	\$51.2	\$51.8	(0.6)
Operating Costs	19.2	20.1	20.6	(0.5)
Strategic Initiatives	0.2	0.5	0.5	--
Debt Service	<u>4.7</u>	<u>5.4</u>	<u>5.4</u>	--
Total Expense	\$77.1	\$77.2	\$78.3	\$(1.1)
Net Surplus / (Deficit) before Capital Reserve	\$0.9	\$2.2	\$1.5	\$(0.7)
Capital Reserve	1.5	2.2	1.5	0.7
MGT Net Surplus/(Deficit)	\$(0.6)	\$0.0	\$0.0	\$0.0



Budget challenges remain

- Financially on track through first two years of plan through 2018-19
 - Restructuring and voluntary early retirement plans allowing University to achieve breakeven budget
- Previously identified challenges still remain
 - Optimizing freshman NTR for fall 2019
 - Building a sustainable transfer student strategy
 - Reversing decline in CAS graduate revenue
 - Driving \$1M of academic efficiencies
 - Continued focus on operating cost savings



Questions



Budget challenges remain

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Delivering on revenue and costs initiatives

In millions	16-17 Actual	17-18 Forecast	18-19 Budget	19-20 Plan	20-21 Plan
Surplus/(Deficit)	\$(0.6)	\$0.0	\$(0.0)	\$(0.0)	\$(0.0)
Freshmen enrollment at 780*			\$0.4	\$0.7	\$0.9
Transfers at 85				\$0.3	\$0.5
Grad Revenue +\$0.5M/year less discount				\$0.3	\$0.7
Academic efficiencies				\$0.4	\$1.0
Operating efficiencies				<u>\$0.2</u>	<u>\$0.5</u>
Adj. Surplus / (Deficit)	\$(0.6)	\$0.0	\$0.4	\$1.9	\$3.6

* Assumes planned discount rate

Current forecast

	17-18 Forecast	17-18 Budget	16-17 Actual		B / (W) Budget	B / (W) 16-17
Total Revenue	\$79.4	\$78.7	\$78.0		\$0.7	\$1.4
Total Expense	<u>\$77.2</u>	<u>\$77.7</u>	<u>\$77.1</u>		<u>\$0.5</u>	<u>(\$0.1)</u>
Net Surplus / (Def.) before Capital Reserve	\$2.2	\$1.0	\$0.9		\$1.2	\$1.3
Capital Reserve	<u>2.2</u>	<u>1.5</u>	<u>1.5</u>		<u>(0.7)</u>	<u>(0.7)</u>
Net Surplus / Deficit	\$0.0	(\$0.5)	(\$0.6)		\$0.5	\$0.6

Revenue Drivers

	16-17 Actual	17-18 Forecast	18-19 Budget	B/(W) Prior Year
Assumptions				
Tuition Rate Increase	3.5%	3.5%	3.5%	--
Room Rate Increase	3.0%	3.0%	3.0%	--
Board Rate Increase	3.0%	3.0%	2.0%	(100) bps
Freshman Enrollment	715	753	765	12
Transfers	71	81	70	(11)
Freshman Discount	64.8%	64.8%	65.3%	(50) bps
Freshman Retention	84.2%	86.3%	85.0%	(130) bps
Freshman Residency	88.0%	89.0%	88.0%	(100) bps
Revenue (in millions)				
Net Tuition Revenue	\$58.3	\$60.0	\$60.6	\$0.6
Net Room & Board	<u>14.4</u>	<u>15.0</u>	<u>15.3</u>	<u>0.3</u>
Net Student Fees	\$72.7	\$75.0	\$75.9	\$0.9
Unrestricted Gifts	1.8	1.8	1.8	--
Auxiliary Income	2.0	1.6	1.6	--
BOD Auth. Endowment Draw	1.5	1.0	0.5	(0.5)
Total Revenues	\$78.0	\$79.4	\$79.8	\$0.4

Expense Drivers

In millions	16-17 Actual	17-18 Forecast	18-19 Budget	B / (W) Prior Year
Expenses				
Salaries & Benefits	\$53.0	\$51.2	\$51.8	(\$0.6)
Operating Costs	19.2	20.1	20.6	(0.5)
Strategic Initiatives	0.2	0.5	0.5	--
Debt Service	4.7	5.4	5.4	--
Total Expense before Capital Reserve	\$77.1	\$77.2	\$78.3	(\$1.1)
Capital Reserve	1.5	2.2	1.5	0.7
Total Expenses	\$78.6	\$79.4	\$79.8	(\$0.4)

Expense Drivers

- Merit increase pool included in budget and plan years
- Projected contractual increases included—e.g. janitorial, software maintenance, insurance, utilities

2018-19 Operating Results

In millions	16-17 Actual	17-18 Forecast	18-19 Budget	B/(W) Prior Year
Total Revenue	\$78.0	\$79.4	\$79.8	\$0.4
Total Expenses	<u>\$77.1</u>	<u>\$77.2</u>	<u>\$78.3</u>	<u>\$(1.1)</u>
Net Surplus / (Deficit) before Capital Reserve	\$0.9	\$2.2	\$1.5	\$(0.7)
Reserve for Capital Expenditure	<u>\$1.5</u>	<u>\$2.2</u>	<u>\$1.5</u>	<u>\$0.7</u>
Management Net Surplus / (Deficit)	\$(0.6)	\$0.0	\$0.0	\$0.0

Deficits continue as revenue and expense assumptions remain the same

In millions	16-17 Actual	17-18 Forecast	18-19 Budget	19-20 Plan	20-21 Plan
Total Revenue *	\$78.0	\$79.4	\$79.8	\$81.0	\$82.5
Total Expenses **	<u>\$77.1</u>	<u>\$77.2</u>	<u>\$78.3</u>	<u>\$78.1</u>	<u>\$79.7</u>
Net Surplus / (Deficit) before Capital Reserve	\$0.9	\$2.2	\$1.5	\$2.9	\$2.8
Reserve for Capital Expenditure	<u>\$1.5</u>	<u>\$2.2</u>	<u>\$1.5</u>	<u>\$2.9</u>	<u>\$2.8</u>
Net Surplus / (Deficit)	\$(0.6)	\$0.0	\$0.0	\$0.0	\$0.0

* Revenue assumes end of incremental endowment draw in 19-20

** Expense includes lower debt payments in last two years

Note: No additional cost efficiencies included in three year budget