

Financial Overview

Board of Visitors Retreat:
August 9, 2018



WILLIAM & MARY

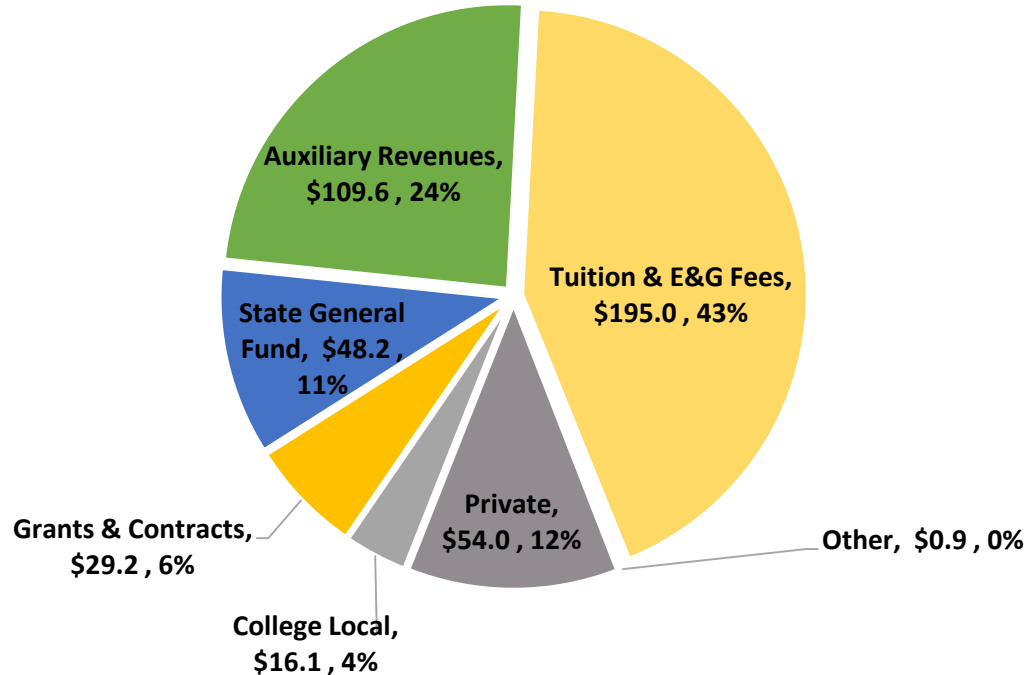
CHARTERED 1693

Recent Focus on Operating Revenues

- State support remains inconsistent/targeted
- State continues to mandate costs (fringe benefits)
- Undergraduate tuition leveraged through the William & Mary Promise
- On-going business innovation/reallocations
- Decentralized revenue model
- Board's 2026 Planning with an enrollment growth focus

Current Revenue Sources

William & Mary *
FY18 Revenues, by Fund
(\$ in millions)



Total: \$453.0 million

*Notes:

1) Excludes VIMS

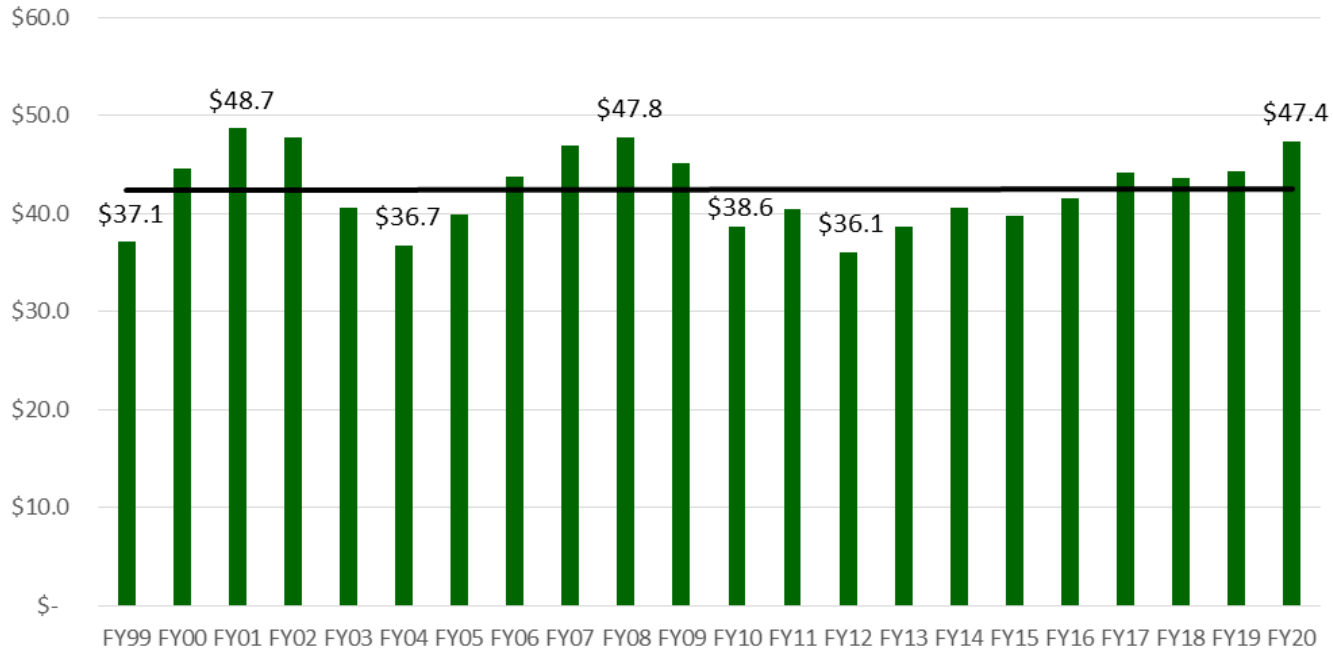
2) Private includes funds from the CWMF, School of Business Foundation, Law School Foundation, and BOV Private Funds.

Potential Revenue Levers

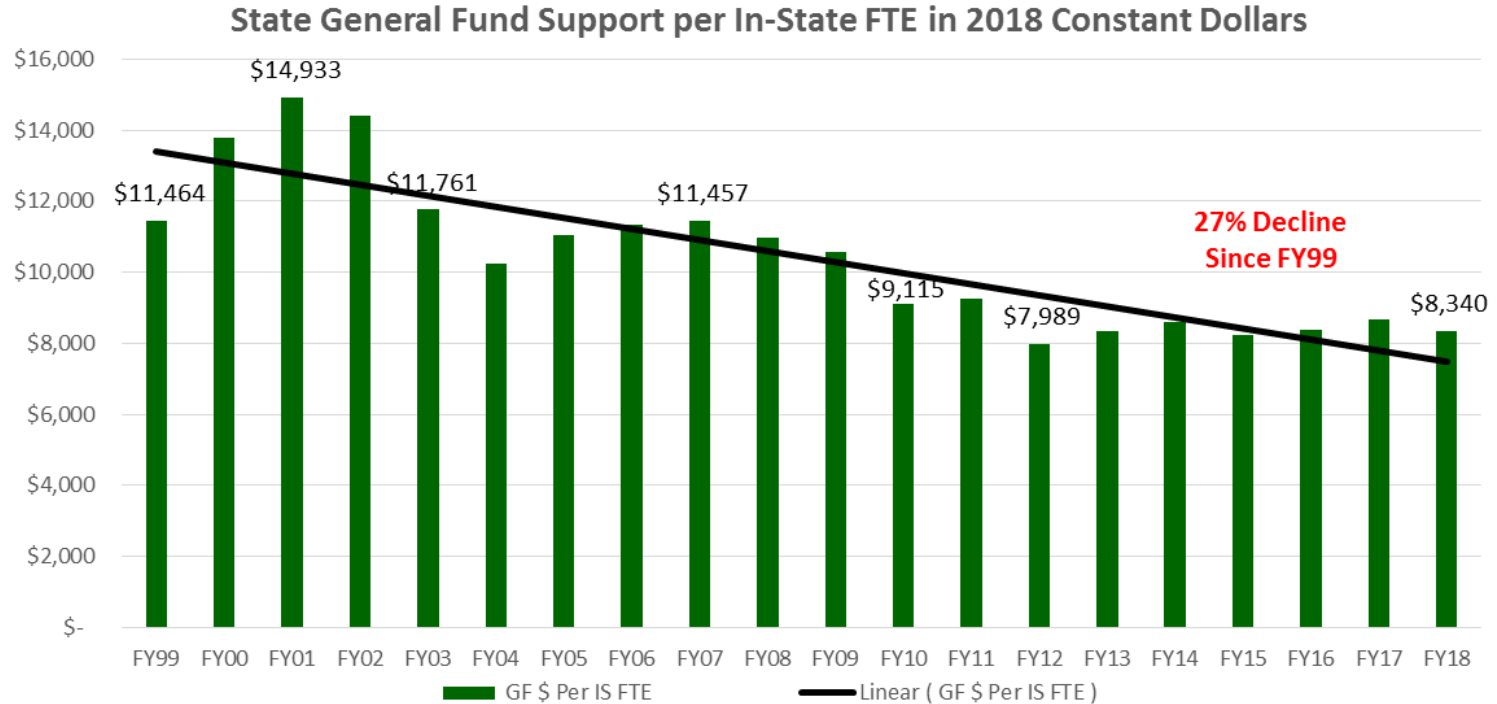
- State funding (a.k.a General Fund)
- Tuition and educational fees
 - Current programs and offerings
 - New programs including continuing education & online
- Enrollment growth
- Auxiliary Revenues including student auxiliary fees
- Philanthropy/Private Funds
- Grants & Contracts
- Reallocation of existing revenues

State Funding Has Remained Relatively Flat

State General Fund Support Over Time
(\$ in millions, not adjusted for inflation)



Adjusting for Inflation and Enrollment, State Support Has Declined



*Note: State provides no funding for out-of-state students.

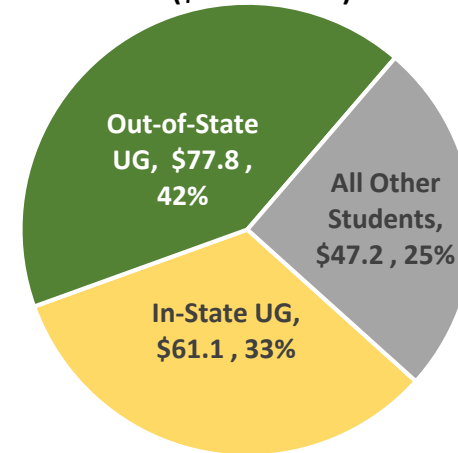
State Funding - Important but Inconsistent

- State support tends to be cyclical
- Recent increases have been largely program specific or targeted
- State mandated expenses (e.g., changes in health insurance rates) tend to erode/offset increased support

Tuition is W&M's Largest Source of Revenue

- Undergraduate tuition comprises 75% of all tuition revenue
- Tuition for graduate programs in Arts & Sciences is offset significantly by waivers or covered by grants and contracts
- Tuition in the professional schools is largely designated for those specific programs based on decentralized budget model

FY18 Tuition Revenue, by Student Type
(\$ in millions)



Total Net Tuition* = \$186.1 million

* Net tuition revenue adjusts gross tuition revenue for tuition waivers which are captured as negative or contra-revenue. Revenue figures are tuition only and exclude mandatory E&G fees. VIMS is excluded.

First-Year In-State Undergraduate Tuition Has Increased, Remains Less Than Half of OOS

Tuition Only
Excludes Mandatory E&G Fees

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	% Change
In-state	\$8,677	\$10,428	\$12,428	\$13,978	\$15,674	\$16,370	\$17,434	101%
Out-of-state	\$31,860	\$32,816	\$34,312	\$35,122	\$36,158	\$37,425	\$38,735	22%

Note: Tuition for the incoming class of in-state undergraduates is guaranteed for four years under the Promise.

Undergraduate Need-Based Aid Has More Than Doubled Since FY13

Undergraduate Need-Based Aid Under the Promise
(FY13 – FY18, \$ in millions)

	FY13 Pre-Promise	Promise Years					% Change FY13-FY18
		FY14	FY15	FY16	FY17	FY18	
Undergraduate NGF	\$11.4	\$13.5	\$15.1	\$16.9	\$19.3	\$25.2	122%
Increase from Prior Year	\$0.0	\$2.1	\$1.6	\$1.8	\$2.4	\$6.0	

Note: \$3.5 million unbudgeted expenses covered through one-time budget actions in FY19

Tuition, Room, Board & Fees Has Reached \$35,000 In-State and \$57,000 Out-of-State

In-State Undergraduate, Entering Class

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	% Change
Tuition	\$8,677	\$10,428	\$12,428	\$13,978	\$15,674	\$16,370	\$17,434	101%
Fees	4,893	5,034	5,228	5,394	5,560	5,674	5,966	22%
Room & Board	<u>9,318</u>	<u>9,816</u>	<u>10,344</u>	<u>10,978</u>	<u>11,382</u>	<u>11,799</u>	<u>12,236</u>	31%
Total	\$22,888	\$25,278	\$28,000	\$30,350	\$32,616	\$33,843	\$35,636	56%

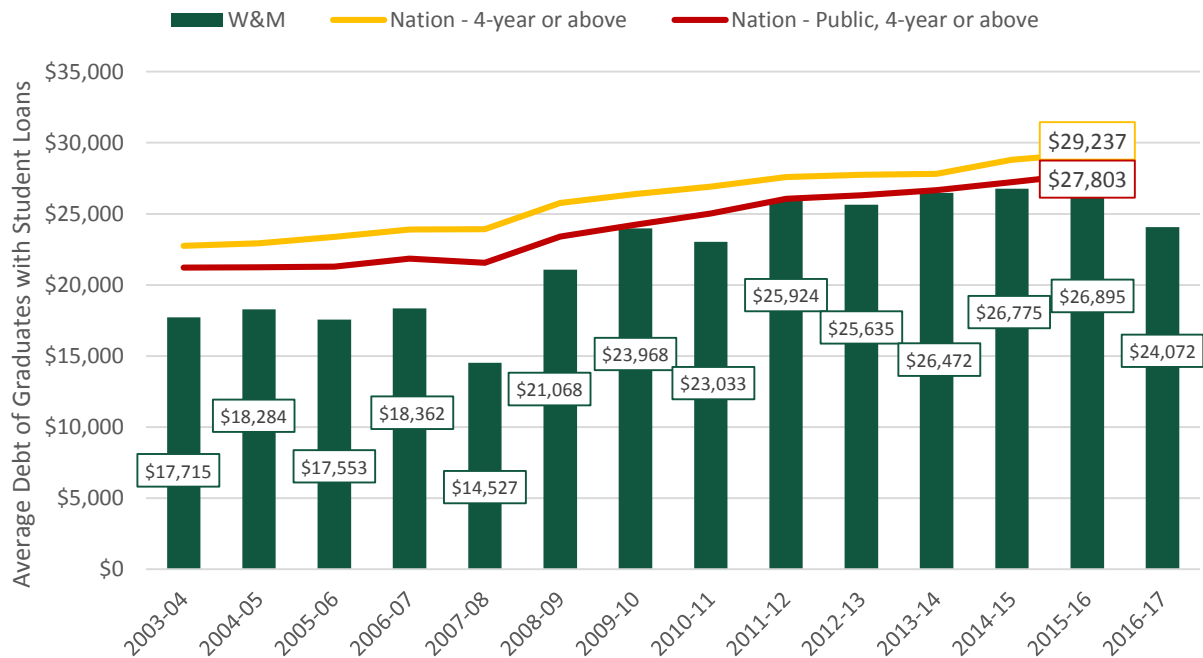
Out-of-State Undergraduate, Entering Class

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	% Change
Tuition	\$31,860	\$32,816	\$34,132	\$35,122	\$36,158	\$37,425	\$38,735	22%
Fees	5,484	5,624	5,784	5,950	6,116	6,245	6,537	19%
Room & Board	<u>9,318</u>	<u>9,816</u>	<u>10,344</u>	<u>10,978</u>	<u>11,382</u>	<u>11,799</u>	<u>12,236</u>	31%
Total	\$46,662	\$48,256	\$50,260	\$52,050	\$53,656	\$55,469	\$57,508	23%

Despite Tuition Increases, Student Debt at W&M Declined and Is Well Below National Averages

- The first W&M class graduating under the Promise saw average student loan debt decline by 10.4%
- 64% of W&M graduates have no student debt (national avg. = 31%)

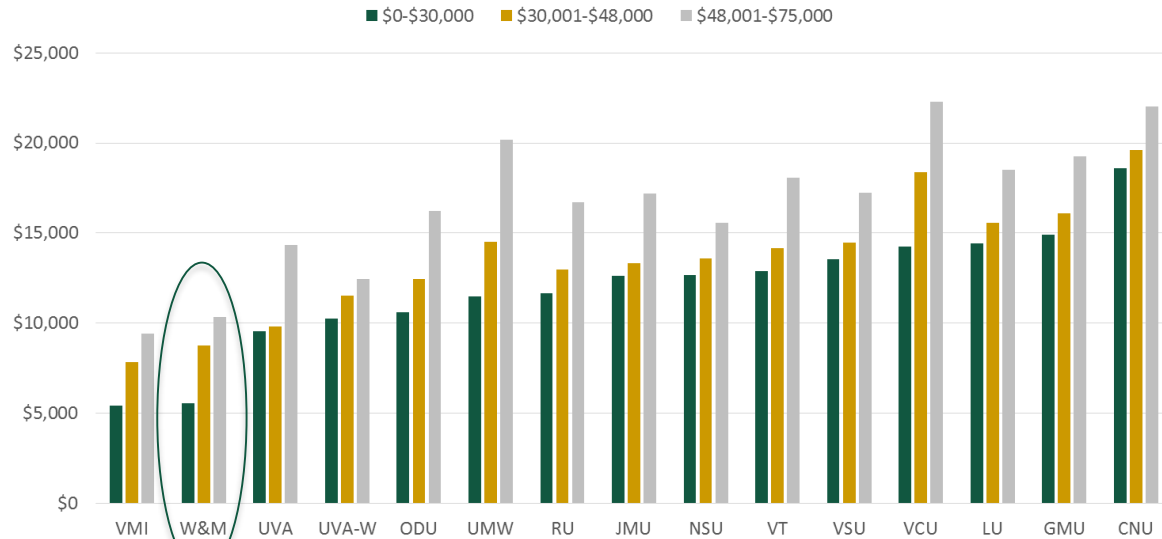
Average Debt of Graduates with Student Loans (in 2017 dollars)



Source: The Institute for College Access & Success, College InSight
 Note: Inflation adjustment made using May CPI-U values.

W&M Remains Among the Most Affordable Institutions for Low- and Middle-Income Virginians

W&M Ranks 2nd in Net Price for Virginia Families with Incomes Below \$75,000



Source: U.S. Dept. of Education, College Navigator, 2016-17

Future State of Tuition

- How much headroom remains in the market for in-state and out-of-state students?



Auxiliary Revenues are Largely Student Driven

(\$ in millions)

Auxiliary Program	Revenue from Student Charges	Total Revenue	Student Revenue as a % of Total
Athletics	\$15.0	\$28.0*	54%
Dining	\$22.0	\$23.0	96%
Housing	\$33.2	\$34.1	97%
All Other	\$23.3	\$33.1	71%
Total	\$93.5	\$118.2	79%

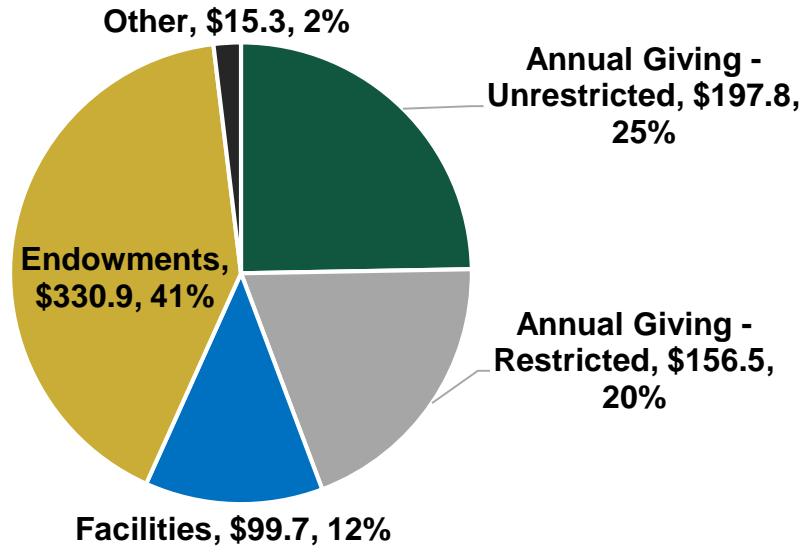
*Includes private gifts and donations

- Auxiliary Revenues are a major component of the cost charged to students and their families.
- Auxiliary Revenues are driven by specific services provided for our students.

Campaign Has Exceeded \$800 Million to Date

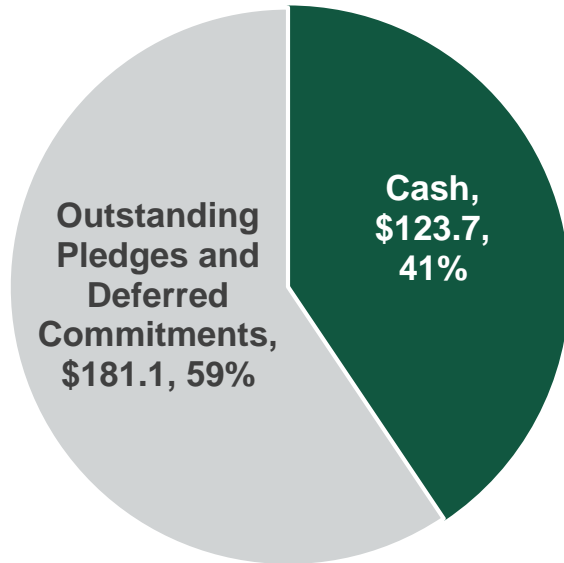
Total Cash and Commitments as of June 30, 2018

(\$ in millions)



Breakdown of Campaign Contributions to Endowment

\$330.8 million, as of June 30, 2018

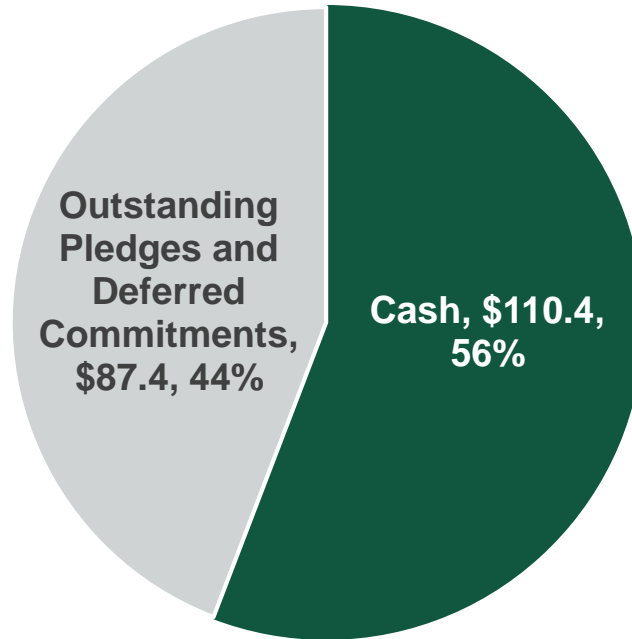


- Of the \$330.8 million, \$73.7 million has been restricted for undergraduate need-based aid, of which \$30.3 million has been received in cash.
- The remaining endowment gifts (including cash, outstanding pledges, and deferred commitments) are restricted for other purposes based on donor priorities that are complementary to, but may not be fully aligned with Board priorities.

Sources of Annual Operating Dollars from the Campaign

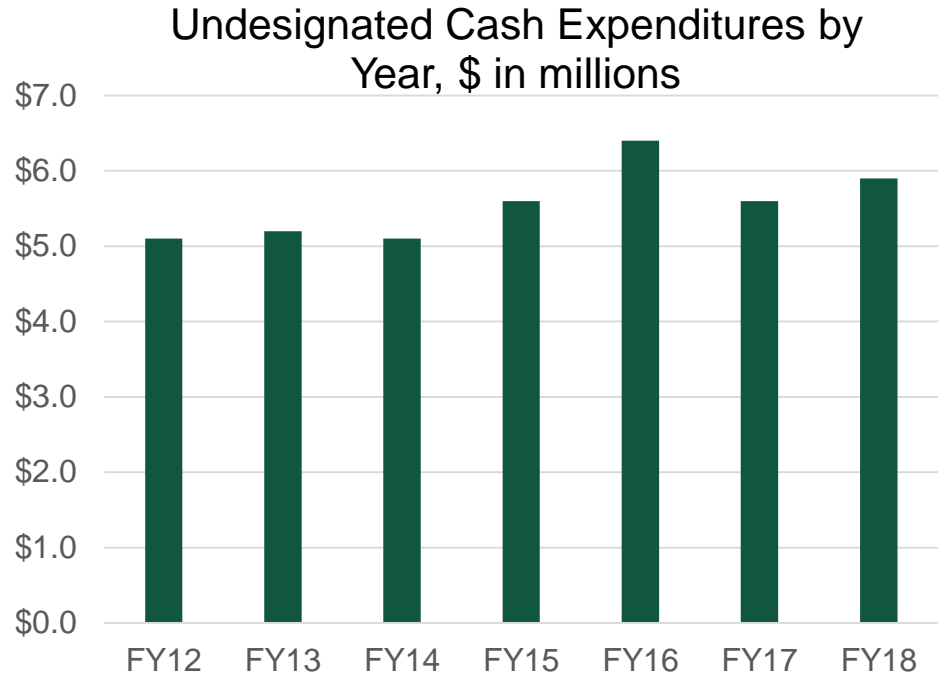
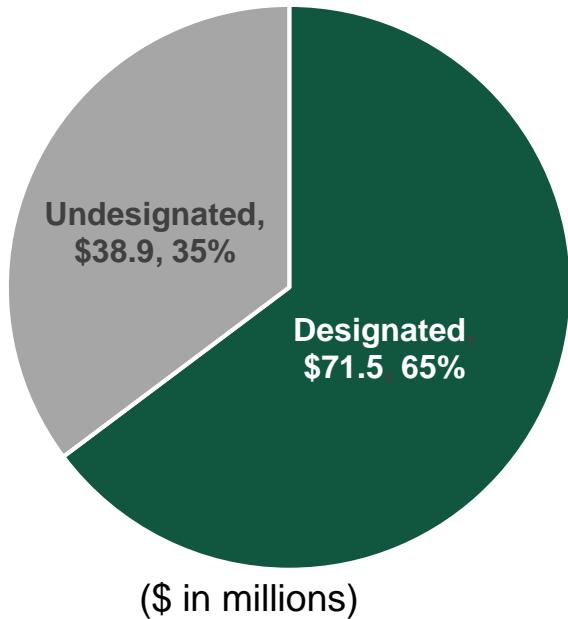
- Annual Endowment Earnings – Typically Donor Restricted
 - Spending policy is 4.75% based on a three-year moving average of investment returns
 - For FY18, \$2.8 million BOV Endowment Income was available for restricted purposes while **\$552,000 was available for unrestricted purposes**
- Annual Giving
 - Donor Restricted
 - Unrestricted – Designated
 - **Unrestricted – Undesignated (“highest and best purpose”)**

Annual Giving Totals \$197.8 Million from FY12 – FY18



\$ in million, as of June 30, 2018

Annual Undesignated Cash Has Totaled \$38.9 Million



Philanthropy and Private Funds

BOTTOM LINE

- Philanthropy is critical to **long-term** health and stability of W&M
- Major gifts and endowments tend to be restricted as to use
- University-level unrestricted gifts are limited

Grants and Contracts

- Excluding VIMS, W&M has brought in an average of \$18.2 million in sponsored research awards over the last three years.
- Most awards provide funding to cover direct expenses (e.g., related faculty/staff compensation, lab supplies/materials, and other costs) as well as provide a mechanism to recover the indirect costs (e.g., general administrative and facility related costs)
- Because awards are not always spent in the year awarded, the table provides a 3-year average of expenditures.

3-Year Average Expenditures, by School (\$ in million)

	Direct \$	Indirect \$	Total \$
Arts & Sciences	\$15.1	\$3.9	\$18.9
Centers & Institutes	1.2	0.4	1.6
Education	4.4	0.4	4.8
Business	0.1	0.0	0.3
Law	<u>0.2</u>	<u>0.0</u>	<u>0.1</u>
Total	\$21.0	\$4.7	\$25.7

VIMS average direct expenditures were \$19.5 million, with \$3.5 million in indirect expenditures, totaling \$23.1 million

Potential for New Programs

- Continuing Education
- Online Programs
- Academic and Business Partnerships
 - Local, regional, consortial and /or statewide partnerships

QUESTION: Who controls “net revenue”?



Enrollment Growth

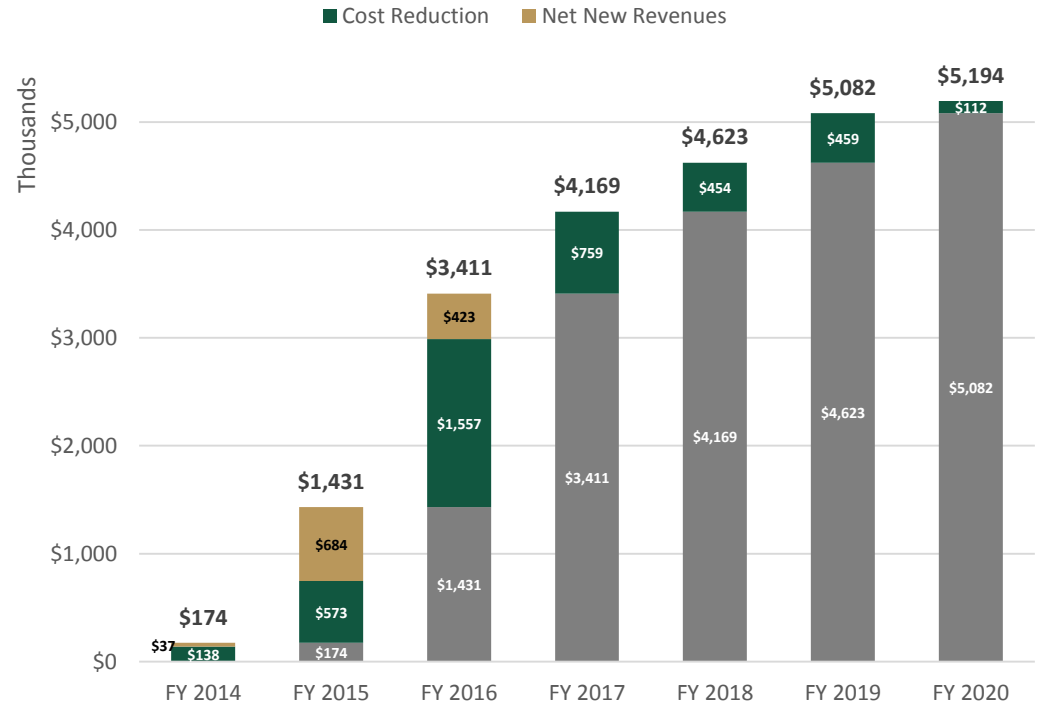
- Focal point of 2026 discussion
 - Impact on academics, admissions, diversity, student life, facilities
 - Investment required to maintain qualified student pool



Business Innovation and Improved Productivity

- On-going program to identify opportunities
- Organizational Design/Spans and Layers
- Over \$5 million has been repurposed exclusively from administrative units

Business Innovation Outcomes Achieved

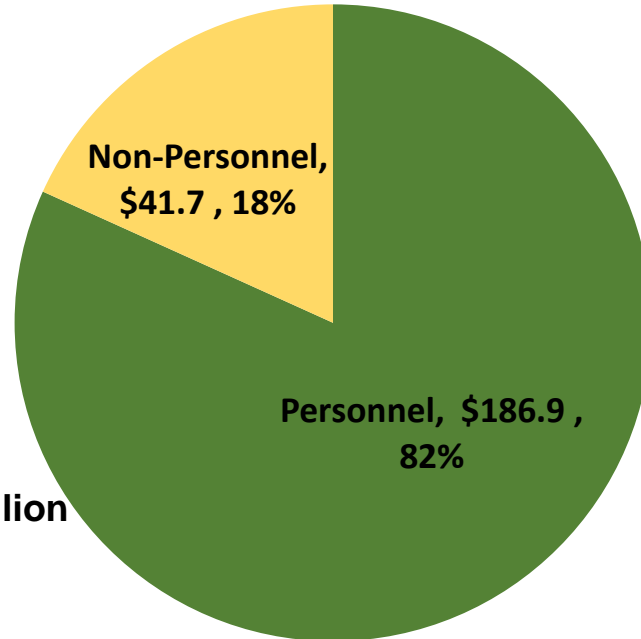


Turning to Expenditures

- Personnel costs are a major driver, particularly in academic programs and administration
 - State can mandate salary and fringe benefit increases, while only effectively providing 25 - 30% of the funding in expectation that W&M will cover the remaining share with other revenue
 - Since the inception of the Promise, W&M has spent \$10.1 million in state-mandated increases in fringe benefits (largely health insurance)
- Inflationary increases, debt service, and service contracts are a major driver for housing, dining, and other auxiliary programs.

Personnel is Major Budget Driver for Academic & Administrative Programs

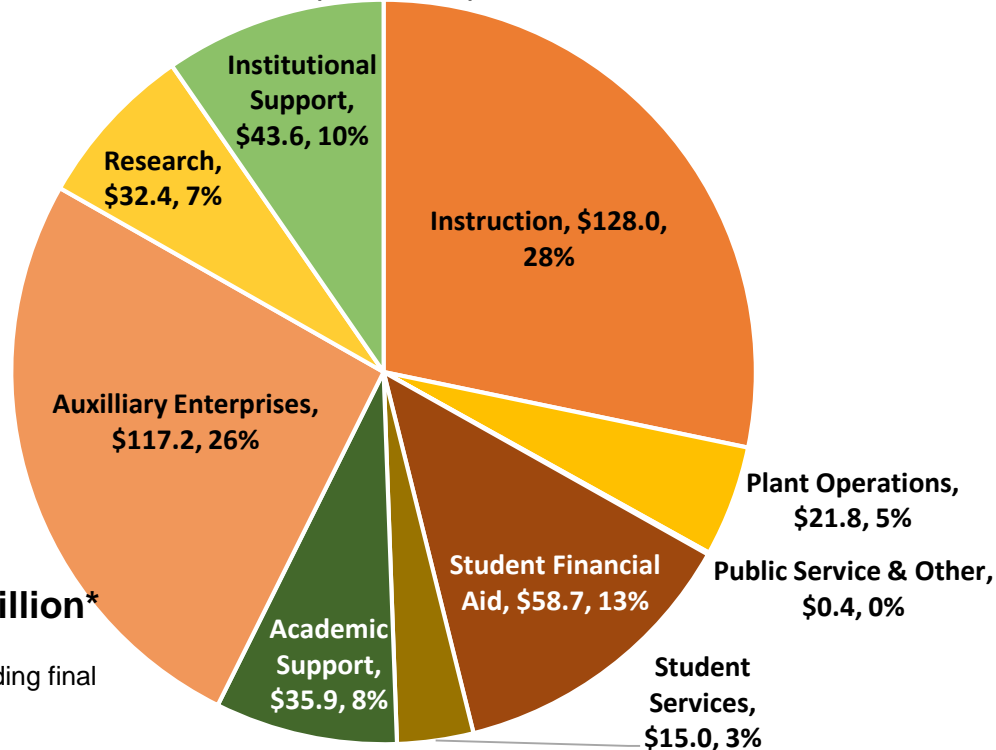
Educational & General Programs Only
Personnel v. Non-Personnel



Total Expenditures = \$228.6 million

FY18 Expenditures by Program

William & Mary* FY18 Expenditures by Program Area (\$in millions)



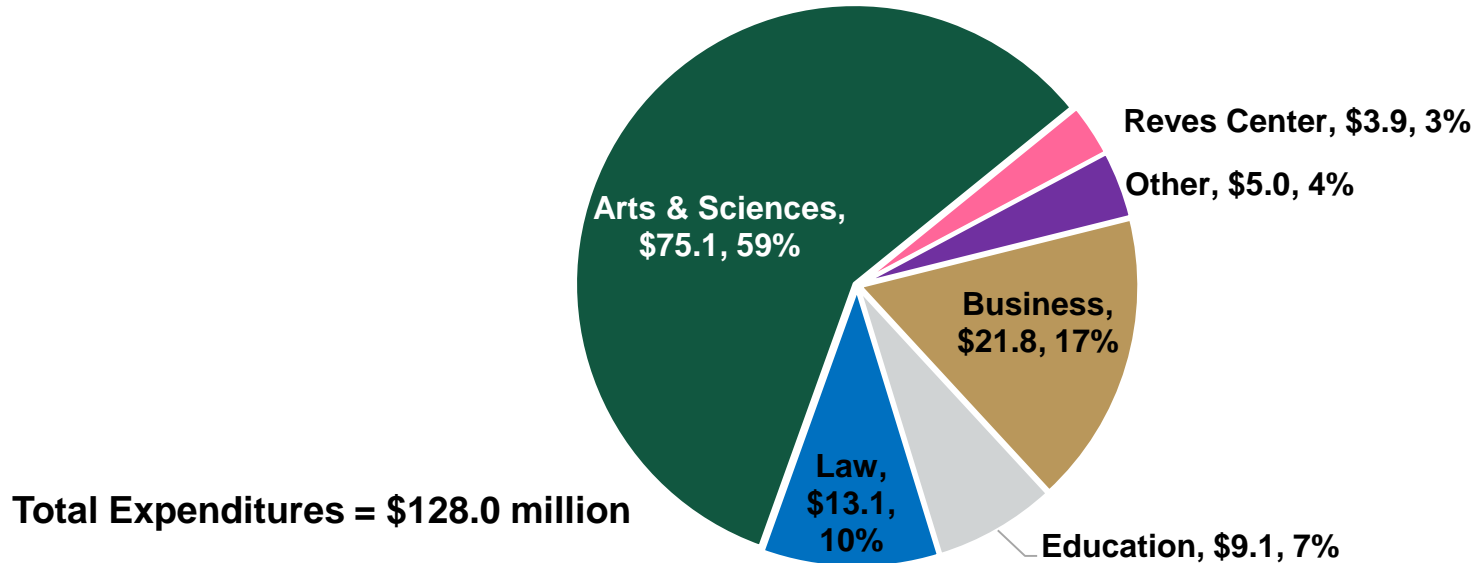
Total Expenditures = \$453.0 million*

*Excludes VIMS

*Expenditures by program are estimates pending final FY18 adjusting entries

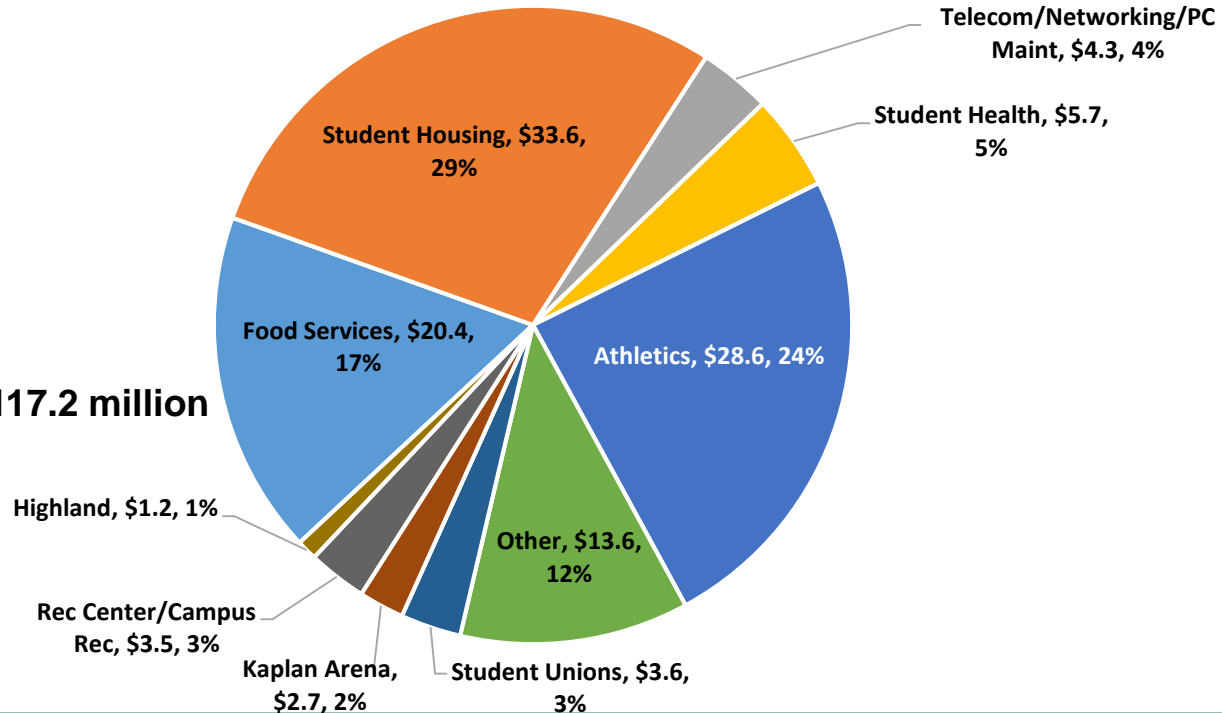
FY18 Instructional Expenses by Academic Unit

(\$in millions)



Housing, Dining, and Athletics Comprise Over 70% of Auxiliary Expenditures

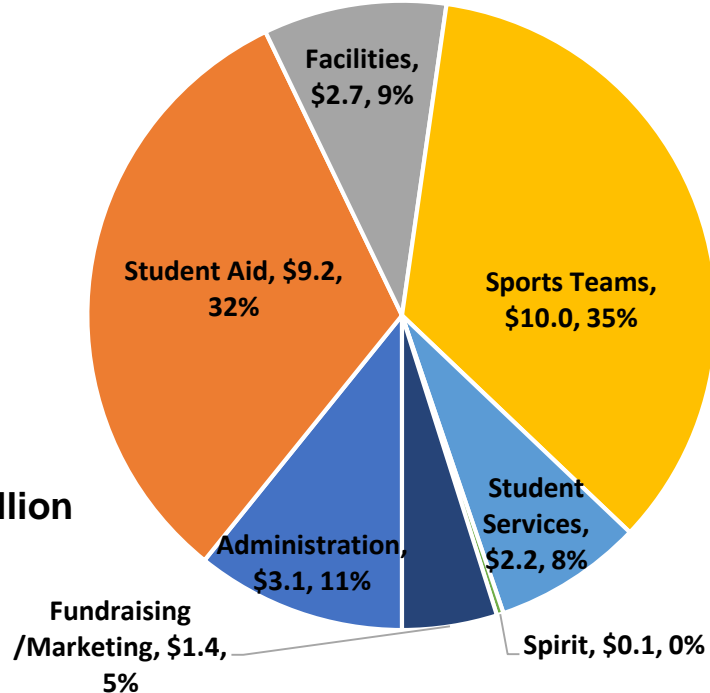
FY18 Auxiliary Enterprise Expenditures
(\$ in million)



Total Expenditures = \$117.2 million

Breakdown of Athletics Expenditures

FY18 Athletics Expenditures
(in millions)



Total Expenditures = \$28.6 million