



WILLIAM & MARY

CHARTERED 1693

# COMMITTEE ON FINANCIAL AFFAIRS

## Board of Visitors

*September 15, 2017*

# 2018-24 SIX YEAR PLAN

## RESOLUTION 14



## *WILLIAM & MARY*

# 2018-24 SIX-YEAR PLAN PROCESS

- Required by the 2011 Higher Education Opportunity Act
- Submitted in odd years (2017) and updated in even years (2018)
- *Focused on upcoming biennium (FY 2018-19 and FY2019-20)*
  - Institutions submit draft plan to SCHEV by July 1
  - Draft plan reviewed by “Op Six” Committee in July/August
  - “Op Six” provides comments/questions
  - Board of Visitors reviews, amends (if needed)
  - Final plan submitted no later than October 1
- VIMS submits separately

Note: Institutions directed to assume no incremental state general fund (GF) support

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**2018-2024 DRAFT SIX-YEAR PLAN PRIORITIES**  
**REMAIN CONSISTENT WITH PRIOR PLANS**

- Continuation of the *W&M Promise*
  - In-state undergraduate tuition and mandatory E&G fees for incoming class increase up to 6.4% for each incoming class, pending BOV action in November
  - Incremental funding to provide financial aid for Virginia's low- and middle-income families
- Continued support for competitive faculty and staff salaries
  - Assumes average annual performance-based increases of 3% for faculty and 2% for staff
- Incremental funding to support academic priorities including, the Engineering & Design Initiative and targeted expansion in e-learning
- Funding for the institutional share of new facilities expected to come on-line during the 2018-2020 biennium

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## UPDATES TO DRAFT PLAN RECOMMENDED

- The draft plan submitted on June 30, 2017 assumed the freshmen class would grow by 50 additional students in FY19 over current FY18 levels and 100 additional students in FY20 over current FY18 levels
  - Given the Board's on-going 2026 discussions, the administration recommends that the final six-year plan assume no enrollment growth.
  - Future decisions on growth would be addressed in the 2018 update or subsequent six-year plan submissions as needed.
- Updated capital project timelines reduce the amount of funding needed in FY20 to support the operation and maintenance of new facilities
  - Updated timelines indicate that Fine Arts, Phase I will open in the first half of FY21 with Phase II likely to follow in the second half of that fiscal year
- Updated planning for the ramp up of Engineering & Design anticipates recruiting additional faculty during FY19, but expenditures will not likely grow above current budgeted levels until FY20

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## COMPARISON OF DRAFT V. FINAL RECOMMENDED PLAN

### RECOMMENDED REVISIONS TO DRAFT SIX-YEAR PLAN

Six-Year Plan Proposed Revenue and Expenses for FY19 and FY20	FY19	FY20	FY19	FY20
	50 New Freshmen in FY19, 100 New Freshmen in FY20		No Growth in FY19 or FY20	
	<i>Draft Plan as Submitted</i>		<i>Revised Plan</i>	
<b>Incremental Year Over Year Revenue</b>	<b>9,933,400</b>	<b>10,551,100</b>	<b>8,720,900</b>	<b>8,637,200</b>
<b>Incremental Year Over Year Spending</b>				
Promise Financial Aid	(2,500,000)	(2,400,000)	(2,400,000)	(2,400,000)
Teaching & Research Faculty Salary Increases - 3%	(2,020,700)	(2,330,000)	(2,020,700)	(2,330,000)
Professional, Operational, and Classified Staff Salary Increases - 2%	(1,245,700)	(1,383,100)	(1,245,700)	(1,383,100)
Enrollment Growth	(425,000)	(425,000)	0	0
COLL Curriculum	(300,000)	0	(300,000)	0
Engineering & Design	(500,000)	(1,000,000)	0	(500,000)
Online Learning	(180,000)	(230,000)	(180,000)	(230,000)
Academic Support - Mason School of Business	(245,000)	0	(245,000)	0
Student Services	(200,700)	0	(200,700)	0
Library Enhancements	(351,900)	(95,000)	(351,900)	(95,000)
Technology Enhancements	(912,500)	(275,000)	(725,000)	0
Core Research Support	(270,000)	0	(270,000)	0
Operation & Maintenance of New Facilities	(198,800)	(1,514,500)	(198,800)	(838,900)
Base Operations	(583,100)	(898,500)	(583,100)	(860,200)
<b>Total Incremental Spending</b>	<b>(9,933,400)</b>	<b>(10,551,100)</b>	<b>(8,720,900)</b>	<b>(8,637,200)</b>
<b>Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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SUMMARY OF “OP SIX” COMMENTS ON  
DRAFT PLAN

- It would be beneficial if the Whole of Government Center for Excellence supported state and local governments as well as federal.
- William & Mary will need to update its enrollment projects (if adopted without recommended changes).
- To ensure consistency in reporting across institutions, planned financial aid expenditures should only include those supported by tuition revenue, not private funds or state general funds.

# **2018-2020 BIENNIUM OPERATING BUDGET REQUESTS**

## **RESOLUTION 15**





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## STATE BUDGET UPDATE

- FY17 ended with a surplus of \$136.6 million after accounting for transfers
  - The state has long required that 10% of any annual surplus go towards the Water Quality Improvement Fund
  - More recently, to address concerns raised by the bond-rating agencies the Commonwealth established a new reserve which requires that 50% of the surplus be set aside to address potential shortfalls created by the federal budget or economic downturn
- Governor's priorities for FY18
  - Continuing to build reserves to demonstrate tight fiscal management in the face of "negative outlook" by S&P last April
  - Biennial Re-benchmarking of the K-12 Standards of Quality
  - Medicaid Expansion

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**GOVERNOR'S BUDGET GUIDANCE**

- FY18 anticipated revenue growth of 2.5%
  - Updated forecast available in November
- Governor's priorities will leave little additional revenue for new initiatives
- Agencies and institutions of higher education asked to focus on items that will: "improve the long-term economic health of the Commonwealth...develop a more qualified workforce, and...grow and diversity the Virginia economy."

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## PROPOSED OPERATING BUDGET REQUESTS

- William & Mary proposes submitting three operating budget requests:
  - 1) Language amendment allowing William & Mary to extend its Tier 3 delegation to Richard Bland College in areas that would improve its financial management or enhance operational efficiencies
  - 2) Request \$250,000 GF in FY19 and \$200,000 in FY20 to develop the first-year curriculum for the Whole of Government on-line and explore other degree options.
  - 3) Request \$160,050 GF in FY19 and \$287,850 GF in FY20 to create specialized course offerings within the existing clinical counseling degree program to support counseling of veterans and their families
- Unless otherwise directed by the Department of Planning and Budget, we will not include requests for items that impact all higher education institutions, such as salary increases and undergraduate financial aid. DPB typically handles those issues centrally without specific requests.

# CREATE QUASI-ENDOWMENT FOR ATHLETICS

## RESOLUTION 16



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## NCAA QUASI-ENDOWMENT

- In late Spring 2017, W&M received a one-time disbursement from the NCAA totaling \$600,544 to be used in direct support of students.
  - Key areas include, but are not limited to: academic support, life skills and career success programs, and diversity and inclusion initiatives.
- W&M has received approval from the NCAA to establish a quasi-endowment for these funds.
  - The annual income initially will be used to hire an additional employee in academic support.
- The Athletic Director will re-evaluate the use of these funds over time ensuring we continue to meet the NCAA's expectations and funds are being used most effectively to support the academic success of our student athletes.

# INFORMATION ITEMS

- DEBT MANAGEMENT REPORT
- STATEMENT OF ENDOWMENT FUNDS



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## ANNUAL DEBT MANAGEMENT REVIEW

- Debt Management Policy states that the maximum annual debt service cost as a percentage of total operating expenses shall not exceed 10% in a given year.
- Annual review indicates that FY16 actual and estimates for FY17 – FY19 remain well under policy limits.

	<u>Debt Service</u>	<u>Operating Expense</u>	<u>Ratio</u>
FY 2013	\$24,008,617	\$ 347,939,029	6.9%
FY 2014	\$22,678,576	\$ 368,929,416	6.2%
FY 2015	\$23,099,465	\$ 386,599,882	6.0%
FY 2016	\$29,189,506	\$ 407,567,658	7.2%
FY 2017 (e)	\$23,573,522	\$ 415,719,011	5.7%
FY 2018 (e)	\$23,620,319	\$ 424,033,391	5.6%
FY 2019 (e)	\$22,786,463	\$ 432,514,059	5.3%

(e) = Estimated.

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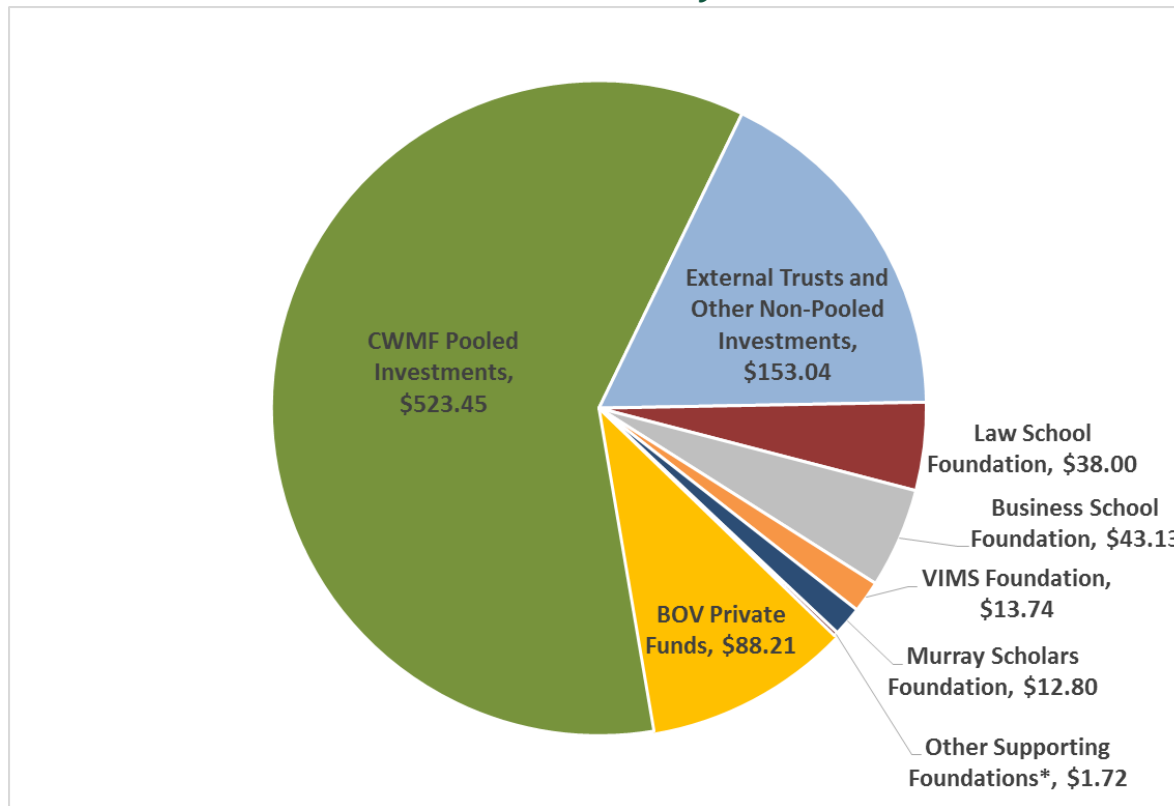
## AUTHORIZED DEBT NOT YET ISSUED

- Even with anticipated debt service, the university anticipates remaining well with the limits of the policy.

<u>Project</u>	<u>Authorized Debt Service</u>
Athletic Facility Improvements	\$ 6,529,176
Auxiliary Facility Improvements	\$14,447,000
Improve Marshall-Wythe Law School	\$ 5,200,000
Dormitory Renovations	\$ 6,200,000



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**SUMMARY OF ENDOWMENT FUNDS**  
(\$874.08 million as of June 30, 2017)



**MARKET VALUE OF CONSOLIDATED ENDOWMENT**

**(as of June 30, 2017)**

