

WEST VIRGINIA UNIVERSITY BOARD OF GOVERNORS
Meeting of June 17, 2016

ITEM: FY 2017 Budget

INSTITUTION: West Virginia University

COMMITTEE: Full Board – Consent Agenda

RECOMMENDATION: Approval of the FY2017 Budget

STAFF MEMBER: Narvel G. Weese, Jr.
Vice President for Administration and Finance

BACKGROUND: The FY2017 Budget has a positive result after adjustments for the effect of GASB 45, the amortization of the large software gift that was recorded in a previous year, depreciation related to public private assets and our other standard adjustments.

FY 2017 Budget Overview

The FY2017 Budget includes total revenues of \$1.019 billion and total expenses of \$1.046 billion. As a result, net position will decrease by \$31.76 million. However, after adjusting for extraordinary items such as the GASB 45 accrual, amortization of donated software, depreciation related to public private assets and our other standard modifications, adjusted income before other activity increases to a positive \$936,000.

Operating Revenues of \$760.2 million are projected and reflect the following major planning assumptions:

- Tuition and fee rate increase of 5%.
- Additional \$2.0 million of student tuition and fee revenues resulting from improved student retention.
- Slight decline in grants and contracts revenues compared to FY2016 expected actual revenues.

Operating Expenses of \$1.012 billion include the following major planning assumptions:

- Anticipated recovery of \$26.9 million from Transformation Teams and other initiatives.
- Contains 1.5 million for an employee retention program.
- Contains \$1.8 million for institution PEIA rate increases not covered by additional state appropriations.

- Includes inflation increases for utilities (2%) and supplies and other services (2.5%).
- Includes \$18 million in depreciation for amortization of software donations.

Non-Operating Revenues/(Expenses) of \$219.8 million are budgeted and reflect the following major planning assumptions:

- State appropriations at the current post-reduction FY2016 recently approved levels.
- Payment of debt to support start-up costs for the WVU-Beckley campus and the HSC Infrastructure Master Plan

Financial Planning Parameters

WVU remains committed to ensuring the financial strength of the University. WVU will:

- Maintain positive operating margin adjusted for GASB 45, donated software amortization, externally funded capital projects and unrealized investment gains/(losses) on average over the next five years
- Preserve Cash Position
- Preserve its current bond rating
- Continue investments in core mission and the long-term quality of the institution

West Virginia University Board of Governors
Joint Finance Committee and Facilities Revitalization Committee Meeting
June 17, 2016

FY 2017 BUDGET AND FIVE YEAR FINANCIAL PLAN



Budget Challenges

Enrollment Pressures

- Competition
- Pricing

Increased Tuition Discounting/Scholarship Costs

Decreased State Support

- \$5.4 million in Mid – 2016
- Nearly \$30 million over past 3 years

Transformation Teams- Recovery of Savings

Goals of FY17 Budget Planning Process

- Create positive margin after adjustment for the effect of externally funded capital projects, GASB 45, amortization of software, depreciation of public/private assets, and unrealized gains from investments
- Preserve cash position
- Maintain bond ratings
- Must plan for future growth: enrollment, research and entrepreneurial opportunities
- Fund priorities: salary increases, student aid, facilities, retention and growth readiness

CHANGES IN PLANNING PARAMETERS FROM LAST YEAR'S PLAN



Changes in Planning Parameters

Resident Tuition and Fees	FY2017	FY2018	FY2019	FY2020	FY2021
Plan - Last Year	\$8,013	\$8,415	\$8,836	\$9,278	
Percent Change	5%	5%	5%	5%	
Plan - Current Year	\$8,013	\$8,415	\$8,836	\$9,278	\$9,742
Percent Change	5%	5%	5%	5%	5%

Non-Resident Tuition and Fees	FY2017	FY2018	FY2019	FY2020	FY2021
Plan - Last Year	\$22,503	\$23,629	\$24,810	\$26,051	
Percent Change	5%	5%	5%	5%	
Plan - Current Year	\$22,503	\$23,629	\$24,810	\$26,051	\$27,354
Percent Change	5%	5%	5%	5%	5%

Changes in Planning Parameters (continued)

Salaries and Wages	FY2017	FY2018	FY2019	FY2020	FY2021
Plan - Last Year	2.5%	2.5%	2.5%	2.5%	
Plan - Current Year	\$1.5 million retention program	3%	\$1.5 million retention program	3%	\$1.5 million retention program

Benefits Percent Increase*	FY2017	FY2018	FY2019	FY2020	FY2021
Plan - Last Year	4%	4%	4%	4%	
Plan - Current Year	3.6%	0%	3%	0%	3%

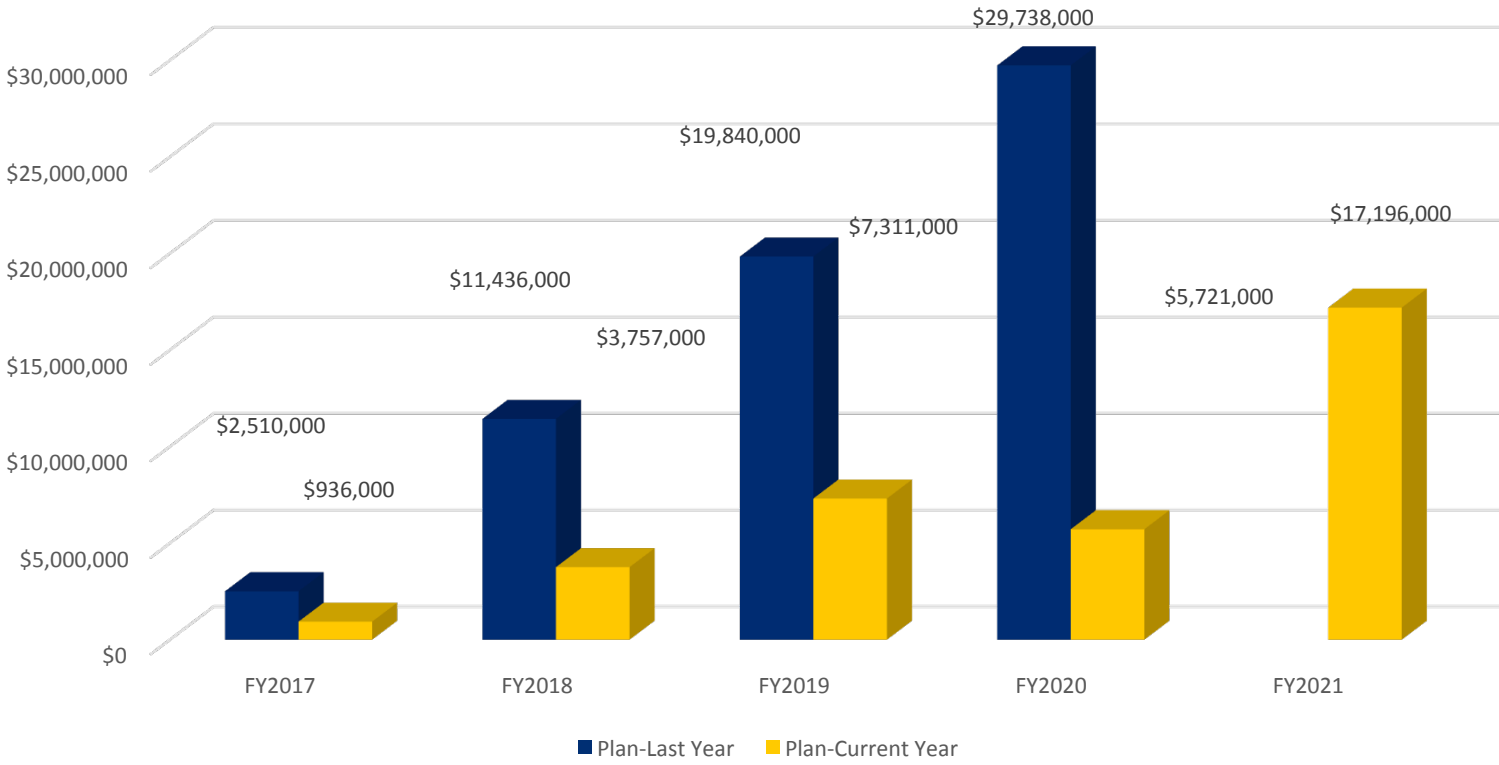
*THE PERCENT INCREASES SHOWN IS APPLIED ONLY TO PEIA HEALTH INSURANCE CHARGES, OTHER PAYROLL RELATED FRINGES ARE INCREASED AT THE SAME RATE AS SALARIES AND WAGES. FUTURE OPEB EXPENSE IS BUDGETED AT THE FY16 LEVEL.

Institutional Financial Aid	In addition to increasing institutional financial aid at the rate of tuition and fee increases, the overall commitment was increased an additional \$4 million in FY17 and an average of \$2.1 million thereafter
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Debt Service	The current five year financial plan includes debt service related to Phase I of the HSC Deferred Maintenance Master Plan, Phase III of the PRT Modernization Project and acquisition of the WVU-Beckley campus.
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FINANCIAL PLAN OUTCOMES

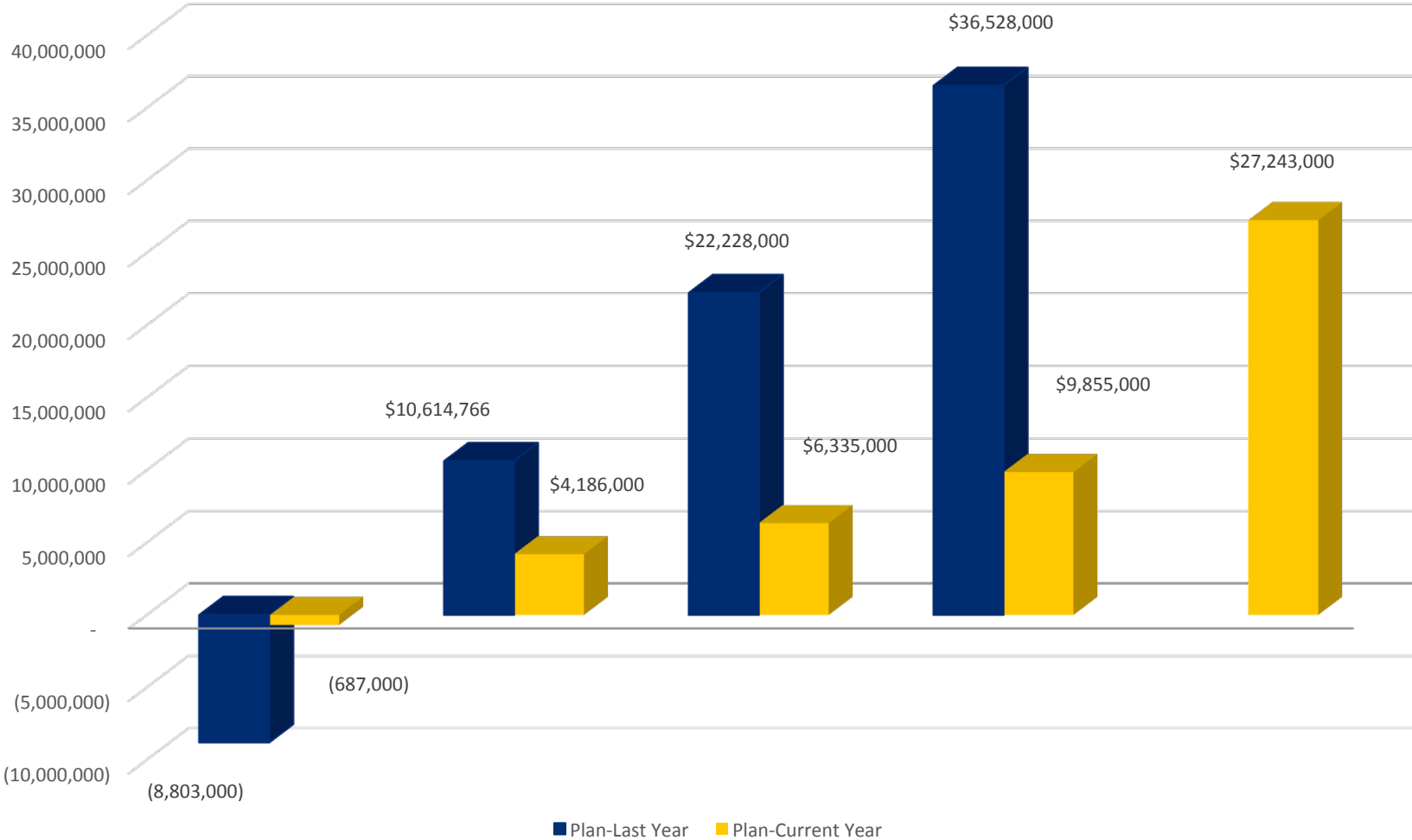
Accrual Based Change in Net Position



Change in Net Position adjusted for externally funded capital projects, GASB 45, amortization of donated software, depreciation of public/private assets, and unrealized investment gains (losses).

FINANCIAL PLAN OUTCOMES

Change in Annual Cash Position



FY 2017 5 YEAR PLANNING BUDGET



West Virginia University Combined

Projected Revenues and Expenses (Accrual Version)

	Outcomes based on planning assumptions				
	FY2017 Budget	FY2018 Budget	FY2019 Budget	FY2020 Budget	FY2021 Budget
Revenues:					
Tuition and Fees	\$ 400,761,000	\$ 423,998,000	\$ 445,298,000	\$ 467,663,000	\$ 489,146,000
State Appropriations	\$ 184,356,000	\$ 181,980,000	\$ 181,980,000	\$ 181,980,000	\$ 181,980,000
Grants and Contracts	\$ 195,174,000	\$ 191,948,000	\$ 187,824,000	\$ 187,824,000	\$ 187,824,000
Auxiliaries	\$ 157,873,000	\$ 162,610,000	\$ 167,487,000	\$ 172,511,000	\$ 177,687,000
Other Revenues	\$ 71,417,000	\$ 73,389,000	\$ 75,400,000	\$ 77,950,000	\$ 78,551,000
Other Appropriations	\$ 9,534,000	\$ 9,534,000	\$ 9,534,000	\$ 9,534,000	\$ 9,534,000
Total Revenues	\$ 1,019,115,000	\$ 1,043,459,000	\$ 1,067,523,000	\$ 1,097,462,000	\$ 1,124,722,000
Expenditures:					
Salaries and Wages	\$ 484,189,000	\$ 503,189,000	\$ 509,689,000	\$ 529,089,000	\$ 535,589,000
Benefits	\$ 153,274,000	\$ 155,616,000	\$ 157,846,000	\$ 160,444,000	\$ 162,674,000
Supplies and Other Services	\$ 219,129,000	\$ 222,615,000	\$ 227,688,000	\$ 232,887,000	\$ 237,717,000
Depreciation and Amortization	\$ 77,554,000	\$ 66,045,000	\$ 64,334,000	\$ 65,785,000	\$ 65,792,000
Utilities	\$ 30,042,000	\$ 30,635,000	\$ 31,239,000	\$ 31,856,000	\$ 32,485,000
Scholarship and Fellowship	\$ 42,577,000	\$ 44,562,000	\$ 46,645,000	\$ 48,833,000	\$ 51,130,000
Debt Service (Interest & Principle)	\$ 33,275,000	\$ 32,599,000	\$ 32,080,000	\$ 31,614,000	\$ 30,863,000
Other Expenses	\$ 6,183,000	\$ 6,225,000	\$ 6,267,000	\$ 6,310,000	\$ 6,353,000
Total Expenditures	\$ 1,046,223,000	\$ 1,061,486,000	\$ 1,075,788,000	\$ 1,106,818,000	\$ 1,122,603,000
Net Assets:					
Increase/(Decrease) in Net Position	\$ (27,108,000)	\$ (18,027,000)	\$ (8,265,000)	\$ (9,356,000)	\$ 2,119,000
Increase/(Decrease) in Net Assets	\$ (27,108,000)	\$ (18,027,000)	\$ (8,265,000)	\$ (9,356,000)	\$ 2,119,000
Less Capital Grants & Contracts	\$ (4,650,000)	\$ (4,124,000)	\$ -	\$ -	\$ -
Less Bond Proceeds from the Policy Commission	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets Before Capital	\$ (31,758,000)	\$ (22,151,000)	\$ (8,265,000)	\$ (9,356,000)	\$ 2,119,000
Effect of GASB 45 Accrual	\$11,466,000	\$11,466,000	\$11,466,000	\$11,466,000	\$11,466,000
Amortization of Donated Software	\$18,117,000	\$10,831,000	\$499,000	\$0	\$0
Depreciation on Public/Private Assets	\$3,501,000	\$4,001,000	\$4,001,000	\$4,001,000	\$4,001,000
Reversal of Unrealized Investment (Gains)/Losses	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)
Income Before Other Activity without GASB 45 Accrual and Unrealized Investment Gains/(Losses)	\$936,000	\$3,757,000	\$7,311,000	\$5,721,000	\$17,196,000

West Virginia University Combined

Projected Revenues, Expenses and Change in Cash Position (Modified Cash Version)

		Outcomes Based on Planning Assumptions				
		FY2017	FY2018	FY2019	FY2020	FY2021
		Budget	Budget	Budget	Budget	Budget
Revenues:						
Tuition and Fees		400,761,000	423,998,000	445,298,000	467,663,000	489,146,000
State Appropriations		184,356,000	181,980,000	181,980,000	181,980,000	181,980,000
Grants, Contracts and Financing Proceeds		271,894,000	228,951,000	192,174,000	191,449,000	195,074,000
Auxiliaries		157,873,000	162,610,000	167,487,000	172,511,000	177,687,000
Other Revenues		71,027,000	72,999,000	75,010,000	77,560,000	78,161,000
Other Appropriations		9,534,000	9,534,000	9,534,000	9,534,000	9,534,000
Total Revenues	-	1,095,445,000	1,080,072,000	1,071,483,000	1,100,697,000	1,131,582,000
Expenditures:						
Salaries and Wages		484,189,000	503,189,000	509,689,000	529,089,000	535,589,000
Benefits		141,808,000	144,150,000	146,380,000	148,978,000	151,208,000
Supplies and Other Services		219,129,000	222,615,000	227,688,000	232,887,000	237,717,000
Depreciation and Amortization		-	-	-	-	-
Capital Expenditures		120,686,000	73,113,000	45,982,000	41,257,000	38,632,000
Utilities		30,042,000	30,635,000	31,239,000	31,856,000	32,485,000
Scholarship and Fellowship		42,577,000	44,562,000	46,645,000	48,833,000	51,130,000
Debt Service (Interest & Principle)		51,518,000	51,397,000	51,258,000	51,632,000	51,225,000
Other Expenses		6,183,000	6,225,000	6,267,000	6,310,000	6,353,000
Total Expenditures	-	1,096,132,000	1,075,886,000	1,065,148,000	1,090,842,000	1,104,339,000
Approximate Change in Cash Position		(687,000)	4,186,000	6,335,000	9,855,000	27,243,000