College Finances and Priorities

All-Campus Information, Listening, and Feedback Session

Hosted by the Committee on Priorities and Resources

December 4, 2023
Expenses
($292M, FY24 budget)

Salaries:
$133M

Managers’ budget:
$64M (22%)

Buildings:
$43M (15%)

Other:
$5M (1%)

Debt:
$26M

Benefits: $47M

Renewal: $17M

People:
$180M (62%)

Salaries: $133M
Revenues
($292M, FY24 budget)

Gross tuition: $165M
Less financial aid: $82M
= Net tuition $84M (29%)

Gifts $26M (9%)
Other $20M (7%)

Endowment avail $162M (55%)

To be sustainable in the long term our draw on the endowment (the “avail”) must be < 5% of its value
Revenues ($292M, FY24 budget)

- Gifts: $26M (9%)
- Endowment avail: $162M (55%)
- Other (7%)

= Net tuition $84M (29%)

Gross tuition: $165M
Less financial aid: -$82M

Expenses ($292M, FY24 budget)

- Managers’ budget: $64M (22%)
- Buildings: $43M (15%)
- People: $180M (62%)
- Benefits: $47M
- Debt: $26M (1%)
- Renewal: $17M

= Other: $5M

Other (7%)

$20M (7%)
Financial Context

❖ Economic Picture

- Inflation
  - Inflation has decreased substantially from this time last year; in October 2022, CPI was 7.7%.
  - With CPI at 3.2% in October 2023, the inflation rate remains above the Federal Reserve’s target of 2.0%.

- Endowment Performance
  - Over the past ten years, the endowment has returned above the target of a +5.0% real return.
  - The endowment returns of -11.2% for FY22 and +2.96% for FY23 are below the target return.
  - In nominal terms, the value of the endowment is about where it was in March 2021.

❖ Strategic Priorities
Funding Strategic Priorities

- **Academic Mission of Teaching and Research**
- **Valuing People with Competitive Compensation for Faculty and Staff**
- **Access and Affordability → All-Grant Financial Aid Program**
- **Arts Education → Enhancing WCMA’s Mission as Teaching Museum**
- **Sustainability → Campus Energy Transition**
- **Health and Wellbeing → Dorm Renovations, Dining Improvements, Athletics and Wellness Facilities**
Financial Context

- **Economic Picture**
  - **Inflation**
    - Inflation has decreased substantially from this time last year; in October 2022, CPI was 7.7%.
    - With CPI at 3.2% in October 2023, the inflation rate remains above the Federal Reserve’s target of 2.0%.
  - **Endowment Performance**
    - Over the past ten years, the endowment has returned above the target of a +5.0% real return.
    - The endowment returns of -11.2% for FY22 and +2.96% for FY23 are below the target return.
    - In nominal terms, the value of the endowment is about where it was in March 2021.

- **Strategic Priorities**

- **Financial Sustainability**
  - Ensuring the Health of the College’s Finances in the Long Term
Ten-Year Projection of Revenues and Expenses, FY23-FY33 (From Spring)

CAGR 1: FY23-FY28
CAGR 2: FY23-FY33

- CAGR 1: 3.7%
- CAGR 2: 4.6%

Total Revenues
Total Expenses

Operating Avail
$(199.2)M 5.7%

Operating Avail
$(248.0)M 6.5%

$100,000  $125,000  $150,000  $175,000  $200,000  $225,000  $250,000  $275,000  $300,000  $325,000  $350,000  $375,000  $400,000  $425,000

FY23  FY24  FY25  FY26  FY27  FY28  FY29  FY30  FY31  FY32  FY33
Ten-Year Projection of Avail Rate, FY23-FY33 (From Spring)
Ten-Year Projection of Revenues and Expenses, FY23-FY33 (Current)
Ten-Year Projection of Avail Rate, FY23-FY33 (Current)
Market Value of Endowment Funds, FY03-FY23

Source: Schedule VII of Financial Statements
*Adjustments for CPI made using CPI-U per http://www.bls.gov/cpi/#tables
Financial Principles

- Align Spending with Educational Mission and Strategic Priorities
- Fiscal Responsibility with Annual Operating Budget
- Endowment Returns Fund Our Commitments Today
- New Initiatives Require New Revenue
- Importance of Philanthropic Giving
Williams College