Update on College Finances

Faculty Meeting
December 7, 2022
Financial Pressures

- **Inflation**
  - CPI for FY22: 9.1% / CPI in October 2022: 7.7%
  - Additional ~$8m in inflationary costs above anticipated growth rate in operating expenses for FY24.
    - Energy and utilities, food, insurance, building materials and supplies: ~$3.9m
    - Salaries and benefits: ~$4.1m

- **Negative Endowment Performance / Market Volatility**
  - Negative endowment return in FY22: -11.2%
  - Impact of inflation on real return: -20.2%
Endowment Return (Nominal): Baseline vs Scenario

Growth of Endowment (Normalized to $1 in 2018)

- Actual endowment performance
- Modeled Value (assumes baseline 7.2% annual return)

-49% return
-11%
-10%

Year:
- 2018
- 2019
- 2020
- 2021
- 2022
- 2023
Financial Pressures

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    - Energy and utilities, food, insurance, building materials and supplies: ~$3.9m
    - Salaries and benefits: ~$4.1m

- **Negative Endowment Performance / Market Volatility**
  - Negative endowment return in FY22: -11.2%
  - Impact of inflation on real return: -20.2%
Revenues ($252M, FY22)

- Gifts $28M (11%)
- Net tuition $77M (30%)
- Endowment avail $138M (55%)

Net tuition: $77M

Less financial aid: -$70M

Gross tuition: $147M

Expenses ($252M, FY22)

- People $157M (62%)
- Buildings $40M (17%)
- Manager's budgets $51M (20%)
- Benefits $41M
- Debt $24M
- Renewal $16M
- Other $5M
- Other $5M

People

Salaries $116M

Benefits $41M

Debt $24M

Renewal $16M

Manager's budgets $51M (20%)

Buildings $40M (17%)

People $157M (62%)

Expenses ($252M, FY22)

- People $157M (62%)
- Buildings $40M (17%)
- Manager's budgets $51M (20%)
- Benefits $41M
- Debt $24M
- Renewal $16M
- Other $5M
- Other $5M
Projected Avail Rate with Inflation & No Spending Reduction

CAGR 1: FY 17-22
CAGR 2: FY 23-27

- CAGR 1: 3.4%
- CAGR 2: 5.4%
- Operating Avail: $(131.3M) 4.3%
- Operating Avail: 5.0%
- Operating Avail: $(208.3M) 5.5%
- Operating Avail: 9.7%

Revenue.png
Projected Expenses.png
Actual Expenses.png
Projected Avail Rate with -10% Investment Return

If FY23 return is worse than 0%, then additional budget adjustments may be needed in FY24/25.

FY23 -10% return w/inflation
FY23 -10% return w/inflation & FY24 $8M reduction
FY23 7.2% return w/inflation
If FY23 return is worse than 0%, then additional budget adjustments may be needed in FY24/25.

- FY23 0% return w/inflation
- FY23 0% return w/inflation & FY24 $8M reduction
- FY23 7.2% return w/inflation
Revenues
($252M, FY22)

- Gifts: $28M (11%)
- Net tuition: $77M (30%)
- Endowment avail: $138M (55%)

Net tuition: $77M
less financial aid: -$70M
Gross tuition: $147M

Expenses
($252M, FY22)

- Salaries: $116M (44%)
  - Manager’s budgets: $51M (20%)
  - Benefits: $41M
  - Other: $15M (6%)
- Buildings: $40M (16%)
- Debt: $24M (9%)
- Renewal: $16M (6%)
- People: $157M (62%)
  - Salaries: $116M (74%)
  - Benefits: $41M
  - Other: $5M (3%)

Williams College
FY24 Budget Planning

- **Revenues**
  - Tuition increase
  - Endowment avail

- **Expenses**
  - 3% reduction in operating budget
    - 15% reduction in manager’s budgets
    - Reduction in capital renewal budget
  - Relinquish staff vacancies
  - Slow growth in new staff FTE
Student Employment Update

• Assessment of which student jobs are important for academic mission and operations of the college

• On-going evaluation of student employment in light of all-grant financial aid program
Budget Priorities

- Protect salaries and benefits; try to raise salaries to keep pace with inflation for faculty and staff

- Preserve all-grant financial aid program

- Proceed with faculty hiring

- Complete design phase of museum project

- Continue with Davis Center construction