College Finances and Priorities

Planning for FY25 and Beyond

President’s Administrative Group Meeting
November 9, 2023
Context for Financial Planning

- **Economic Picture**
  - **Inflation**
    - Inflation has decreased substantially from this time last year; in October 2022, CPI was 7.7%.
    - With CPI at 3.7% in September 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.
Market Value of Endowment Funds, FY90-FY23

Source: Schedule VII of Financial Statements
*Adjustments for CPI made using CPI-U; per http://www.bls.gov/cpi/#tables
Revenues ($291M, FY24 budget)

- Gifts: $29M (10%)
- Endowment avail: $161M (55%)
- Gross tuition: $164M
  less financial aid: -$82M
  = Net tuition: $82M (28%)
- Gifts: $29M (10%)
- Other: $19M (7%)
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Expenses ($291M, FY24 budget)

- Buildings: $43M (15%)
- Managers' budget: $62M (21%)
- People: $181M (62%)
- Benefits: $47M
- Debt: $25M
- Renewal: $18M
- Other: $5M (2%)
- Salaries: $134M
- Other: $19M (7%)
Context for Financial Planning

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- 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**
Context for Financial Planning

❖ Economic Picture

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❖ 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

**Total Revenues**

- FY23: $100,000
- FY24: $125,000
- FY25: $150,000
- FY26: $175,000
- FY27: $200,000
- FY28: $225,000
- FY29: $250,000
- FY30: $275,000
- FY31: $300,000
- FY32: $325,000
- FY33: $350,000
- FY34: $375,000
- FY35: $400,000
- FY36: $425,000

**Total Expenses**

- FY23: $(199.2)M
- FY24: $(248.0)M

**Operating Avail**

- FY23: $(199.2)M (5.7% growth)
- FY24: $(248.0)M (4.6% growth)
- FY25: $(296.8)M (3.7% growth)
- FY26: $(345.6)M (2.4% growth)
- FY27: $(394.4)M (1.2% growth)
- FY28: $(443.2)M (0.0% growth)
- FY29: $(492.0)M (-0.8% growth)
- FY30: $(540.8)M (-1.6% growth)
- FY31: $(589.6)M (-2.4% growth)
- FY32: $(638.4)M (-3.2% growth)
- FY33: $(687.2)M (-4.0% growth)
- FY34: $(736.0)M (-4.8% growth)

**CAGR 1:** 3.7%

**CAGR 2:** 2.4%

Legend:
- CAGR 1: FY23-FY28
- CAGR 2: FY23-FY33
- Operating Avail $(199.2)M 5.7%
- Operating Avail $(248.0)M 4.6%
- Operating Avail $(296.8)M 3.7%
- Operating Avail $(345.6)M 2.4%
- Operating Avail $(394.4)M 1.2%
- Operating Avail $(443.2)M 0.0%
- Operating Avail $(492.0)M -0.8%
- Operating Avail $(540.8)M -1.6%
- Operating Avail $(589.6)M -2.4%
- Operating Avail $(638.4)M -3.2%
- Operating Avail $(687.2)M -4.0%
- Operating Avail $(736.0)M -4.8%

Williams College
Ten-Year Projection of Avail Rate, FY23-FY33 (From Spring)

Operating Avail (steady state)
Ten-Year Projection of Revenues and Expenses, FY23-FY33 (Current)
Ten-Year Projection of Avail Rate, FY23-FY33 (Current)
FY25 Financial Planning

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Manager’s Budget

• Increase of 1%
  - If extraordinary need, requests for unavoidable inflation, new funding.

Staff FTE

• Vacant Staff Positions
  - Option to relinquish, reallocation of 20% of salary dollars.

• New Staff FTE Request
  - Only in extraordinary circumstances; must be accompanied by staffing plan.

• Three-Year Staffing Plan
  - Strategic planning to support the evolution of work and achievement of vision and goals.
  - For September 2024.
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