Budget Task Force (BTF)
Campus Open Session
April 12, 2023
Our community is undergoing a transition to achieve financial equilibrium given expected enrollment levels.

The BTF recommends that we use our financial resources to make this change intentionally, value community members, and create a sustainable future.
2022-2023 Budget Task Force Membership

• Nick Kontogeorgopoulos, Chair, Interim Provost
• Emmett Carrier ‘24, Major: BLP; Minors: Math and Economics
• Jackson Dennis ‘24, Major: BLP with a Legal Studies Concentration; Minor: Spanish
• Sara Freeman, Professor, Theatre Arts Department
• Alan Krause, Associate Professor, School of Business & Leadership
• Kim Kvaal, Executive Vice President and Chief Financial Officer
• Matthew Link, Deputy CIO, Client Support & Educational Technology Services
• Cyrus Shafiei, Admission Counselor, Office of Admission
What We Will Cover Today

- BTF Process
- Higher Education Environment & Board Parameters
- Enrollment/Revenue (updated with Spring census)
- Investments/Expenses
- Next Steps
- Q&A
Our Process: Values, Roles, & Calendar
Puget Sound’s Board and President promote and model our institutional values of community and collaboration by seeking input on the 2023-24 budget.
BTF Principles for Resource Allocation

● Uphold Puget Sound’s mission and core values
● Preserve students’ educational experience
● Advance our strategic plan
● Remain competitive
● Encourage innovation
● Maximize efficiency and effectiveness
● Live within our means
● Create a sustainable future
Guidance from Planning Initiatives

- A Sound Future
- Leadership for a Changing World
- Student success task force
- Brand and marketing refresh
- Strategic enrollment plan
- Comprehensive campaign
Budget-Roles & Responsibilities

**Board of Trustees** – Establishes strategic focus, expected enrollment, endowment distribution, fundraising, tuition/fee increase, discount rate, and allowable loss

**Board of Trustees** – Acts on the recommendation from its Finance and Facilities Committee

**President** – Clarifies parameters, and emphasizes priorities and areas of focus

**President** – Considers BTF recommendations and campus feedback, and presents his recommendation to the Finance and Facilities Committee of the Board of Trustees

**BTF** – Hears presentations from campus leaders and committees to assesses revenues, expenses, and requests for new expenses, and recommends a budget to the president
# 2023-24 Budget Task Force Timing - Work Completed through March 2023

<table>
<thead>
<tr>
<th>Month</th>
<th>Completed Tasks</th>
</tr>
</thead>
</table>
| December | ✓ Budget Task Force (BTF) membership solidified  
             ✓ President Crawford sent BTF kickoff message to campus |
| January  | ✓ BTF met with President Crawford and campus leaders and formulated 2023-24 enrollment and revenue projections |
| February | ✓ BTF shared revenue projections at campus open session  
             ✓ Campus community members provided feedback  
             ✓ President Crawford accepted the initial recommendation and presented it to the Board of Trustees, who approved it |
| March    | ✓ BTF met with campus leaders and committees to update enrollment projections and create recommendations for expense projections |
## 2023-24 Budget Task Force Timing – Remaining Steps

| April |  ❑ BTF holds campus open session and meets with ASUPS, faculty, and staff senates to share its recommendation  
|       |  ❑ Campus community sends feedback to president@pugetsound.edu  
|       |  ❑ President Crawford will consider the recommendation and feedback and take his recommendation to the Board of Trustees in May  |
| May  |  ❑ Board of Trustees receives President Crawford’s recommendation and finalizes the 2023-24 budget  |
Economic Environment & Puget Sound Board Parameters
Puget Sound faces a challenging economic environment despite a strong balance sheet and support from our Board and President.
Higher education enrollment has fallen below pre-pandemic levels and may never fully recover due to a reduction in college-going high-school grads.

- Inflation and labor shortages continue to increase costs.
- Most universities face financial losses (fewer revenues & more costs).
- Many universities are drawing on financial reserves (if available).
Parameters from Puget Sound Board

- Rely temporarily on Puget Sound’s long-term savings (quasi-endowment) to fund operating losses

- Balance budgets by June 30, 2026 (FY26)

- Assumptions for 2023/24 budget
  - Tuition, Room, Board and Fees: 4% vs. 3.5% in 2022-23
  - Discount Rate (FTIC): 53.9% vs. 55.15% in Fall 2022
  - Maximum operating loss: $7.3 MM vs. $6.8 MM
Enrollment and Education & General Revenue
Enrollment is projected to decrease 2023-24 before increasing in 2024-25 and beyond due to:

- expected increases in FTIC
- expected improvement in retention
- expected growth in graduate programs

Minor changes to other revenue sources
Modest improvements from Fall to Spring projections
  • 2022-23 1881 (+8)
  • 2023-24 1845 (+12)

Predict steady enrollment by 2030-31, 2226 students
  • 1941 undergraduate
  • 285 graduate
Enrollment Targets - New Students

New Students (Entering Fall)

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-20</td>
<td>615</td>
<td>805</td>
</tr>
<tr>
<td>2020-21</td>
<td>393</td>
<td>544</td>
</tr>
<tr>
<td>2021-22</td>
<td>409</td>
<td>579</td>
</tr>
<tr>
<td>2022-23</td>
<td>405</td>
<td>581</td>
</tr>
<tr>
<td>2023-24</td>
<td>505</td>
<td>698</td>
</tr>
</tbody>
</table>

- **First Time in College (FTIC)**
- **Transfers**
- **Graduate**
Enrolment Targets - Total Students

Year 1-2 Retention Assumption: 81%
- 81% = 5 year average
- +2% over FY23 actual

Annual Full-Time Equivalent (FTE) Enrollment (Projections as of Spring 2023)

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-20</td>
<td>2243</td>
<td>2491</td>
</tr>
<tr>
<td>2020-21</td>
<td>1841</td>
<td>2065</td>
</tr>
<tr>
<td>2021-22</td>
<td>1778</td>
<td>2014</td>
</tr>
<tr>
<td>2022-23</td>
<td>1634</td>
<td>1881</td>
</tr>
<tr>
<td>2023-24</td>
<td>1578</td>
<td>1845</td>
</tr>
</tbody>
</table>

- Undergraduate
- Graduate
Revenue Assumptions - Tuition & Financial Aid

- Undergraduate tuition rate $59,340
  - + 3.51%

- Total discount rate 48-49%
  - Tuition funded just under 40%
  - Endowment & gift funded 8-9%

- Discount rate by student group (average):
  - FTIC 53.9%
  - Continuing undergrad 53%
  - Transfer student 49%
  - Graduate student 9%

- New comprehensive student fee $260
  - Full-time undergraduate students $560, includes $300 ASUPS fee
  - Part-time undergraduate and all graduate students $260

- Net tuition & fee revenue: $66.7 million
  - FTIC NTR = $13.8 million
  - $1.9 million less than 2022-23 budget
  - $1.9 million more than 2022-23 projected actual
Revenue Assumptions - Other E&G Revenue

Budget: 2023-24 vs. 2022-23

• Auxiliary contribution to E&G
  + $200k (improved housing and dining net revenues)

• Other revenue - minimal change

• Gifts & grants - minimal change

• Investment income
  + $1.3 million (higher interest rates and investment gains)
Budgeted revenue decrease of $400k

- Overhead contribution from aux +$200k
- Other revenue - minimal change
- Gifts and Grants - minimal change
- Investment income +$1.3 MM
- Net tuition & fees -$1.9 MM

2022-23 Projection includes unbudgeted items
- One-time COVID relief (grants)
- One-time transfers (other revenue)
Funds available for E&G expenditures:

- $83.1 million E&G projections
- $7.3 million Quasi-Endow draw

= $90.4 million total
Expenditures
Most expenditures are modeled to remain constant from 2022-23 to 2023-24.

Reductions in employee FTE and increases in salaries and benefits.
Increase $100k:
- Compensation -$1 MM
- Operating & Capital +$700k
- Enrollment Contingency +$400k

Summary of key assumptions and changes on next 4 slides
Expense Assumptions - Employee Compensation

FTE Changes:

- 13 fewer FTE faculty -$2.4 MM (A Sound Future)
- 20 fewer FTE staff -$1.7 MM (A Sound Future)
- Office of Institutional Equity & Diversity staffing +$36k
Pay Increases:

+ 5% faculty and staff salary pool +$2.55 MM
+ 1% staff contingency budget for minimum wage increase +$287k
+ Maintain existing benefits +$638k

Net change in compensation  -$1 MM
Expense Assumptions – Operating and Capital

New Services (funding from student fee)
- Wellness/activities +$300k
- Wi-Fi Improvements & classroom technology +$188K

Increases in Existing Services
- Utilities, property & liability insurance, completed grants, audits +$311k
- Planned Maintenance +$68k ($1.7 MM in E&G cuts during pandemic)

Net change in Operating and Capital +$700k
Enrollment Contingency: A reserve to help ensure important initiatives will have funding if we miss enrollment targets.

- Enrollment contingency best practice = 2% - 3% during periods of volatility
- Enrollment contingency for 2022-23 = 1.5%
- Proposed enrollment contingency for 2023-2024 = 2.2%; + $421k

If we achieve budget assumptions, the BTF recommends awarding $400k for staff bonuses.
Expenses over revenues will be funded with a draw from the unrestricted quasi-endowment approved by the Board of Trustees not to exceed $7.3 million.
## Actual and Projected Internal Operating Results

### Educational & General and Auxiliary Revenue and Expense

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Revenue</th>
<th>Total Expense</th>
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</thead>
<tbody>
<tr>
<td>FY19 Actual</td>
<td>$120.0</td>
<td>$117.6</td>
</tr>
<tr>
<td>FY20 Actual</td>
<td>$112.4</td>
<td>$110.4</td>
</tr>
<tr>
<td>FY21 Actual</td>
<td>$85.4</td>
<td>$93.1</td>
</tr>
<tr>
<td>FY22 Actual</td>
<td>$101.7</td>
<td>$100.5</td>
</tr>
<tr>
<td>FY23 Projected</td>
<td>$103.0</td>
<td>$107.0</td>
</tr>
<tr>
<td>FY24 Modeling</td>
<td>$103.6</td>
<td>$110.9</td>
</tr>
<tr>
<td>FY25 Modeling</td>
<td>$111.9</td>
<td>$114.4</td>
</tr>
<tr>
<td>FY26 Modeling</td>
<td>$119.5</td>
<td>$119.5</td>
</tr>
</tbody>
</table>

(Dollars in Millions)
Actual and Projected Internal Operating Results

**FY21**
- pandemic related operating loss $7.75 MM

**FY22**
- budgeted operating loss $2.5 MM;
- achieved surplus of $1.2 MM

**FY23**
- budgeted operating loss $6.8 MM;
- projected operating loss $4 MM

**FY24** - projected operating loss $7.3 MM
**FY25** - projected operating loss $2.5 MM
**FY26** - projected financial equilibrium

Operating Surplus (Loss) - Dollars in Millions (MM)

- FY12
- FY13
- FY14
- FY15
- FY16
- FY17
- FY18
- FY19
- FY20
- FY21
- FY22
- FY23
- FY24
- FY25
- FY26

- $14 MM in budget cuts FY21-22
- $7.9 MM in federal aid FY20-FY23
How can you get additional information?

Google “Budgeting at Puget Sound”
https://www.pugetsound.edu/finance-administration/budgeting-puget-sound

• This presentation
• An executive summary
• An overview of the current year budget
• The BTF’s February open session presentation
• General information about Puget Sound’s budgeting process

Only available to campus community members (login required)
Not to be shared beyond the campus community
How can you provide feedback?

Email your feedback to President Crawford:
president@pugetsound.edu

Subject: Feedback on BTF Recommendation for 2023-24

Deadline: Friday, April 21st
Our community is undergoing a transition to achieve financial equilibrium given expected enrollment levels.

The BTF recommends that we use our financial resources to make this change intentionally, value community members, and create a sustainable future.
Questions and Discussion