2018 OPEN BUDGET MEETING
Today’s Agenda

- Overview of Financial Planning
  - Different Types of Plans
  - Annual Budget Cycle

- FY 2017-18 Forecast

- FY 2018-19 Budget
  - Operating Budget
  - Capital Budget

- Open Discussion
Overview of Financial Planning

Lafayette College
Strategic Direction

- Operating Budget
  - Budget pays for day-to-day expenses
  - Revenue and expense recognized within the fiscal year
  - Provides support for capital maintenance projects
  - Contains majority of College’s revenue and expense

- Capital Budget
  - Budget pays for larger projects that steward or improve the campus
  - Expenses are generally capitalized and the expense is recognized over time
  - Projects and funding may span multiple years
  - Multiple funding sources
Lafayette’s Annual Budget Cycle

**Budget Planning**

- **SEPT/OCT**
  - Issue budget calls
  - Review Budget Assumptions
  - Cabinet Mtg
  - FAP & Budget Subcommittee
  - **Board Mtg**

**Budget Development**

- **NOV/DEC**
  - Develop operating & capital budgets
  - Review division requests
  - Review capital projects
  - Cabinet Mtg
  - FAP & Budget Subcommittee
  - **Board Mtg**

**Review & Approval**

- **FEBRUARY**
  - Finalize budget assumptions
  - Cabinet Mtg
  - FAP & Budget Subcommittee
  - **Board Mtg**

- **APRIL/MAY**
  - Open Budget Mtg
  - Final Review
  - **Board Mtg**

- **Review & Approve Operating & Capital Budgets**
**Fiscal 2017-18 Update: Operating Results**

The College’s fiscal 2017-18 forecast is projected to be $1.6 million favorable to the budget.

<table>
<thead>
<tr>
<th></th>
<th>Approved Budget</th>
<th>Adjusted Budget</th>
<th>Forecast</th>
<th>$ Variance</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>$208,483</td>
<td>208,483</td>
<td>207,678</td>
<td>(805)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Expenditures</td>
<td>199,543</td>
<td>199,857</td>
<td>197,430</td>
<td>2,426</td>
<td>1.2</td>
</tr>
<tr>
<td>Transfers</td>
<td>8,940</td>
<td>8,626</td>
<td>8,626</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Expenditures &amp; Transfers</strong></td>
<td>208,483</td>
<td>208,483</td>
<td>206,056</td>
<td>2,426</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Operating Contribution</strong></td>
<td>$-</td>
<td>-</td>
<td>-</td>
<td><strong>1,621</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Operating Contribution Margin* 0.0% 0.0% 0.8%
Fiscal 2018-19: Proposed Operating Budget

Lafayette College
Strategic Direction

Operating Budget
Capital Budget
**Fiscal 2018-19 Proposed Budget: Summary**

The College’s proposed fiscal 2018-19 budget is balanced based on $217.7 million in operating revenues, a 4.4% increase.

Key budget assumptions include:

**Tuition - 4% increase**
- 3% supports operations and 1% directed toward financial aid

**Enrollment**
- First Year Students: 696
- Average Enrollment Target: 2,574

**Endowment**
- Maintain 5% spending rate

**Financial Aid**
- Includes 4% tuition increase plus $1.3 million additional aid

**Salary Pools**
- Faculty: 3.5%, Staff: 2.5%

<table>
<thead>
<tr>
<th>In thousands</th>
<th>FY 2017-18 Adjusted Budget</th>
<th>FY 2018-19 Proposed Budget</th>
<th>$ Change Inc/(Dec)</th>
<th>% Change Inc/(Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$208,483</td>
<td>217,667</td>
<td>9,184</td>
<td>4.4</td>
</tr>
<tr>
<td>Expenditures &amp; Transfers</td>
<td>208,483</td>
<td>217,667</td>
<td>9,184</td>
<td>4.4</td>
</tr>
<tr>
<td>Operating Contribution</td>
<td>$</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Contribution Margin</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The budget provides approximately $9.0 million in new funding. The priorities funded in the proposed operating budget are guided by the Strategic Direction.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Aid</td>
<td>$4.1 million</td>
</tr>
<tr>
<td>• 36.7% financial aid rate for first year students, 37.7% overall</td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Fringe Benefits</td>
<td>$2.5 million</td>
</tr>
<tr>
<td>• 3.5% faculty, 2.5% admin and staff salary pool</td>
<td></td>
</tr>
<tr>
<td>• 4% for health care costs (effective 1/2019)</td>
<td></td>
</tr>
<tr>
<td>Strategic Initiatives</td>
<td>$1.6 million</td>
</tr>
<tr>
<td>• RISC operating reserve</td>
<td>$0.5 million</td>
</tr>
<tr>
<td>• 3 new faculty for growth</td>
<td>$0.4 million</td>
</tr>
<tr>
<td>• Cabinet Initiatives</td>
<td>$0.4 million</td>
</tr>
<tr>
<td>• Dining plan enhancements</td>
<td>$0.2 million</td>
</tr>
<tr>
<td>• 1 Administrative FTE</td>
<td>$0.1 million</td>
</tr>
<tr>
<td>Other</td>
<td>$0.7 million</td>
</tr>
<tr>
<td>• Study abroad participation (190 participants)</td>
<td>$0.3 million</td>
</tr>
<tr>
<td>• Other operating</td>
<td>$0.4 million</td>
</tr>
<tr>
<td>Contingency</td>
<td>$0.1 million</td>
</tr>
<tr>
<td>• Maintain 1% contingency of total operating revenue</td>
<td></td>
</tr>
</tbody>
</table>
2018-19 Balanced Operating Budget: $217.7 million

**Revenues**
- Gross Tuition & Fees: 64%
- Auxiliary Services: 17%
- Endowment: 16%
- Other: 1%
- Gifts & Grants: 2%

**Expenditures**
- Salary & Fringe Benefits: 41%
- Operating Expenses: 25%
- Financial Aid: 24%
- Interest: 6%
- Capital Support: 4%
Fiscal 2018-19 Proposed Budget: Enrollment

Enrollment growth in line with strategic financial projection
Total fall enrollment projected at 2,599 (+51 average students from 2018)
• Increased first year student target to 696 to compensate for greater than anticipated fall to spring melt in fiscal 2018
The College’s commitment to financial aid continues an upward trend reaching a targeted 48.2% in fiscal 2027.
Fiscal 2018-19 Proposed Budget: Salary & Fringe Benefits

Salary and Fringe Benefits  $2.5 million
- 3.5% faculty, 2.5% non-faculty pool
- 4% for health care costs (effective 1/2019)

Historical Salary Increases vs. Average Inflation

Bureau of Labor Statistics CPI reports are used for historical data.
Fiscal 2018-19: Proposed Capital Budget

Lafayette College
Strategic Direction

Operating Budget
Capital Budget
Fiscal 2018-19: Capital Budget Summary

- 28% of the total $47 million projects requested are funded in the budget

In thousands

Five Sources Supporting the Capital Budget

1. Operating Budget Transfer - $8,678

2. Debt - 2013 Bond Draw - $1,166
   2017 RISC is tracked separately

3. Gifts and Other Funds - $1,018
   From annual capital budget
   Additional gifts tracked separately

4. Endowment Support - $2,112

5. Prior Year Project Savings
   Determined annually

Total = $12,974

- Operating Budget Transfer 67%
- 2013 Bond Draw 9%
- Endowment Support 16%
- Gifts & Grants 8%

28% of the total $47 million projects requested are funded in the budget.