Multi-Year Financial Plan

Academic Division

FY2015-16 through FY2021-22

As of March 23, 2015
Multi-Year Financial Plan

• The accompanying projection has been prepared for the use of the Board of Visitors and administration to guide the University of Virginia in long-term financial planning.

• This forecast is based on best current views of future projections; actual size and pace of investments, as well as returns, may vary. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

• We will update this set of long-term projections with the 2015-16 operating budget proposal, providing an opportunity to reassess projected sources and uses, based on actuals, and recalibrate investments, as needed.

• The Six-Year Plan submitted to the State will be aligned with the multi-year financial plan and considered by the Board at its September meeting.

As of March 23, 2015
Strategic Priorities

• Amounts shown for Generational Faculty Turnover and Cornerstone Plan are the same as was presented to the Board of Visitors in November 2014.

• Timing of expenditures for the Generational Faculty Turnover and Cornerstone Plan may vary from the current plan, but will be presented to the Board each year as part of the annual operating budget process.

• Model assumes sufficient investment income from operating fund balances to address strategic investment requirements.

• The Managerial Reporting project is designed to improve managerial data, reporting, and decision making tools, to facilitate strategic planning at both the University and unit levels.

• Identified sources in the forecast period include the estimated incremental benefit of strategic philanthropy arising as a result of the Cornerstone Plan and related development efforts.

As of March 23, 2015
## Multi-Year Financial Plan Assumptions: Sources

<table>
<thead>
<tr>
<th>Category</th>
<th>Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflation</strong></td>
<td>• 2.5% (modified HEPI)</td>
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<tr>
<td><strong>Enrollment</strong></td>
<td>• BOV approved, no growth after FY17-18</td>
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<tr>
<td><strong>Undergraduate Tuition</strong></td>
<td>• After FY15-16, increase by inflation + 1% (equivalent to 3.5%); assumes no extraordinary General Assembly actions which require institutional funding to implement. The one exception is in FY18-19, assumes 4.65% increase to fund planned state-mandated VRS rate increase.</td>
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<tr>
<td><strong>Graduate, Professional School Tuition, and Special programs</strong></td>
<td>• Grad and SOM tuition: FY15-16, 0.2-3.8% annual increase; average 3.5% growth thereafter • Law &amp; Darden tuition: FY15-16, 3%-6% annual increase; 3% annual growth thereafter. (Self-sufficiency status is maintained.)</td>
</tr>
<tr>
<td><strong>State Appropriations</strong></td>
<td>• FY15-16 reflects state appropriation approved by General Assembly • Increases will fund state share of authorized salary and benefit changes</td>
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<tr>
<td><strong>Research Funds</strong></td>
<td>• Federal funding for grants and contracts remains at current rate • Federal F&amp;A rate remains at 58%</td>
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<tr>
<td><strong>Endowment Distribution</strong></td>
<td>• 40 basis point spending increase from 4.22% to 4.62% balances market risk and stays within BOV-approved band • Assumes 7.5% rate of return</td>
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<tr>
<td><strong>Gifts</strong></td>
<td>• Expected 2.5% annual growth resulting from alignment with the Cornerstone Plan • Assumes annual new gifts to endowment of $25 million</td>
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<tr>
<td><strong>Other</strong></td>
<td>• Auxiliary Enterprises Revenue: annual growth rate of 2.5% • $10 million per year in SOM/Medical Center gainsharing</td>
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As of March 23, 2015
## Multi-Year Financial Plan Assumptions: Uses

<table>
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</table>
| **T&R Faculty Salary and Benefits**           | • Annual merit pool of 3%  
• Base adjusted for anticipated Resignations/Tenure Denial/Retirements  
• Increases in research-funded salaries to come from research funds  
• Fringe rate at 27.5% of salary |
| **Staff/A&P Faculty Salary and Benefits**     | • No increase in headcount  
• University staff and A&P: annual merit pool of 3% from 2015-22  
• Classified staff: 2% increase  
• Increases in research funded salaries to come from research funds  
• Fringe rate at 38.9% of salary |
| **Wage and Other Employees**                  | • No increase in headcount  
• Annual fringe rate between 6%-7%                                                                                                           |
| **Other Than Personnel Services**             | • Annual increase at inflation rate of 2.0%                                                                                                  |
| **Transfers to Debt Service, Capital, and Reserves** | • No increase                                                                                                                                  |
| **Savings from Organizational Excellence**    | • $16-23 million/year; targeted goal of $150 million over FY16-22, including reallocations necessary to absorb annual increases in OTPS |
| **Risks Considered**                          | • Unexpected revenue cycles  
• Ongoing declines in state revenues and mandated cost contributions  
• Changes in federal research support  
• Market corrections  
• General economic downturn, rising interest, and hyper inflation  
• Elimination of Perkins Loans ($3.5 million annual decrease) |
| **Safety, Student Counseling & Compliance Improvements** | • Increase of $4.4 million in FY16 and inflation rate of 2.5% thereafter, as discussed with Finance Committee |

As of March 23, 2015
### BASE OPERATIONS

**SOURCES**

- **Net Undergraduate Tuition and E&G Fees**: $236.56 $253.05
- **Net Graduate Tuition and E&G Fees**: 16.28 17.79
- **Net Professional Tuition and E&G Fees**: 123.96 126.23
- **Net Special Programs Tuition and E&G Fees**: 95.68 96.74
- **Net Tuition and E&G Fees**: 472.49 493.81
- **State Appropriations**: 145.71 144.82 150.70 150.70 150.70 150.70 150.70 150.70
- **Net Tuition and E&G Fees**: 519.74 542.52 566.79 583.47 600.61 618.70 637.48

**USES**

- **Faculty Salaries & Benefits**: $394.55 $427.23
- **Staff Salaries & Benefits**: 323.64 358.82
- **Wages, Adjuncts, Overtime, GTA/GRAs, and Other**: 96.26 79.19
- **Personnel**: 814.45 885.19
- **Financial Aid**: (1,001.09) (918.97)
- **Transfers to Debt Service, Capital, and Reserves**: 115.35 58.58
- **Savings from Organizational Excellence**: 18.97 17.13
- **Other Central Services**: 678.83 531.69
- **Recoveries from Internal Service Providers**: 678.83 531.69
- **All Other Uses**: 20.56 23.26

**Total Other Than Personal Services**: 1,001.09 (918.97)

**Total Operating Uses of Funds**: $1,364.71 $1,423.46

**YoY growth**: 2.9% 4.3%

**Baseline Operations: Sources over Uses**: $55.17 $7.21

**Strategic Priorities**

**USES**

- **Cornerstone Plan**: (17.37) (24.88)
- **Generational Faculty Turnover**: (40.89) (47.92)
- **Managerial Reporting One-time**: (13.00) (7.00)
- **TOTAL STRATEGIC INVESTMENT USES**: (71.26) (79.80)

**SOURCES**

- **Earnings on operating investments**: 71.26 79.80

**Net Strategic Investments**: $ - $ - $ - $ - $ - $ - $ - $ -

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**As of March 23, 2015**