

# Multi-Year Financial Plan

Academic Division

FY2016-17 through FY2022-23

# Multi-Year Financial Plan

- The Multi-Year Financial Plan was developed in concert with the Finance Committee and approved by the Board of Visitors in March 2015. It reflects the sources and uses of funding required by and produced by the multi-year Cornerstone Strategic Plan, approved by the Board of Visitors in November 2014.
- 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.
- The model will be updated each year after the annual operating budget has been approved by the Board of Visitors, and milestones for investments projected and achieved will be updated along the way.

# Strategic Priorities

- Expenditures for the Generational Faculty Turnover and Cornerstone Plan are presented to the Board of Visitors each year as part of the annual operating budget process.
- The model assumes sufficient investment income from operating fund balances to address strategic investment requirements.
- 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.

# Multi-Year Financial Plan Assumptions: Sources

Category	Assumption
<b>Inflation</b>	<ul style="list-style-type: none"> <li>2.5% (modified HEPI)</li> </ul>
<b>Enrollment</b>	<ul style="list-style-type: none"> <li>BOV approved, no growth after FY17-18</li> </ul>
<b>Undergraduate Tuition</b>	<ul style="list-style-type: none"> <li>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. In addition, the BOV approved Affordable Excellence enhancement will be funded by two \$1,000 step increases for the entering classes of Virginians in Fall 2015 &amp; Fall 2016.</li> </ul>
<b>Graduate, Professional School Tuition, and Special programs</b>	<ul style="list-style-type: none"> <li>Grad and SOM tuition: FY15-16, 0.2-3.8% annual increase; average 3.5% growth thereafter</li> <li>Law &amp; Darden tuition: FY15-16, 3%-6% annual increase; 3% annual growth thereafter. (Self-sufficiency status is maintained.)</li> </ul>
<b>State Appropriations</b>	<ul style="list-style-type: none"> <li>FY15-16 reflects state appropriation approved by General Assembly</li> <li>Increases will fund state share of authorized salary and benefit changes</li> </ul>
<b>Research Funds</b>	<ul style="list-style-type: none"> <li>Federal funding for grants and contracts remains at current rate</li> <li>Federal F&amp;A rate remains at 58%</li> </ul>
<b>Endowment Distribution</b>	<ul style="list-style-type: none"> <li>40 basis point spending increase in 2015-16 from 4.22% to 4.62% balances market risk and stays within BOV-approved band</li> <li>Assumes 7.5% rate of return</li> </ul>
<b>Gifts</b>	<ul style="list-style-type: none"> <li>Expected 2.5% annual growth resulting from alignment with the Cornerstone Plan</li> <li>Assumes annual new gifts to endowment of \$25 million</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>Auxiliary Enterprises Revenue: annual growth rate of 2.5%</li> <li>\$10 million per year in SOM/Medical Center gainsharing</li> </ul>

# Multi-Year Financial Plan Assumptions: Uses

Category	Assumption
<b>T&amp;R Faculty Salary and Benefits</b>	<ul style="list-style-type: none"> <li>• Annual Merit Pool: FY16-17 &amp; FY17-18 4.75%, 3.0% in years following</li> <li>• Base adjusted for anticipated Resignations/Tenure Denial/Retirements</li> <li>• Increases in research-funded salaries to come from research funds</li> <li>• Fringe Rate: FY16-17 at 28.4%, FY17-18 at 27.9%, FY18-19 at 27.5%, 27.4% in years following</li> </ul>
<b>Staff/A&amp;P Faculty Salary and Benefits</b>	<ul style="list-style-type: none"> <li>• No increase in headcount</li> <li>• University staff and A&amp;P: annual merit pool of 3% from 2015-23</li> <li>• Classified staff: 2% increase</li> <li>• Increases in research funded salaries to come from research funds</li> <li>• Fringe rate: FY16-17 at 39.5%, FY17-19 at 39.2%, 39.1% in years following</li> </ul>
<b>Wage and Other Employees</b>	<ul style="list-style-type: none"> <li>• No increase in headcount</li> <li>• Annual fringe rate between 5.8%-7%</li> </ul>
<b>Other Than Personnel Services</b>	<ul style="list-style-type: none"> <li>• Annual increase at inflation rate of 2.0%</li> </ul>
<b>Transfers to Debt Service, Capital, and Reserves</b>	<ul style="list-style-type: none"> <li>• No increase</li> </ul>
<b>Savings from Organizational Excellence</b>	<ul style="list-style-type: none"> <li>• \$16-23 million/year; targeted goal of \$150 million over FY16-22, including reallocations necessary to absorb annual increases in OTPS</li> </ul>
<b>Risks Considered</b>	<ul style="list-style-type: none"> <li>• Unexpected revenue cycles</li> <li>• Ongoing declines in state revenues and mandated cost contributions</li> <li>• Changes in federal research support</li> <li>• Market corrections</li> <li>• General economic downturn, rising interest, and hyper inflation</li> <li>• Elimination of Perkins Loans (\$3.5 million annual decrease)</li> </ul>
<b>Safety, Student Counseling &amp; Compliance Improvements</b>	<ul style="list-style-type: none"> <li>• Increase of \$4.4 million in FY16 and inflation rate of 2.5% thereafter, as discussed with Finance Committee</li> </ul>

# Multi-Year Financial Plan Projection

	Budget FY15-16	PROJECTIONS						
		FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
<b>BASE OPERATIONS</b>								
SOURCES								
Net Undergraduate Tuition and E&G Fees	\$ 253.33	\$ 269.15	\$ 283.46	\$ 299.09	\$ 309.41	\$ 317.60	\$ 326.25	\$ 334.33
Net Graduate Tuition and E&G Fees	19.56	19.73	20.74	21.65	22.60	23.43	24.25	25.09
Net Professional Tuition and E&G Fees	129.87	133.92	137.94	142.08	146.34	150.73	155.25	159.91
Net Special Programs Tuition and E&G Fees	102.37	106.54	111.70	117.04	122.57	128.29	134.21	140.34
Net Tuition and E&G Fees	505.13	529.35	553.84	579.86	600.93	620.04	639.96	659.68
State Appropriations	144.74	144.74	144.74	144.74	144.74	144.74	144.74	144.74
Additional State Funds for Salary and Associated Fringe Increases, VRS		6.98	12.32	16.33	20.84	25.71	30.77	35.99
Research Funds	281.16	282.80	283.59	284.18	284.76	285.34	285.93	286.51
Endowment Distribution and Fee	173.12	184.83	189.45	194.19	199.04	204.02	209.12	214.35
Gifts	129.48	136.03	139.44	142.92	146.49	150.16	153.91	157.76
Incremental Benefit from Strategic Philanthropy	-	-	-	5.00	15.00	20.00	30.00	35.00
Sales, Investment, Other, and Cash Balances	244.75	246.12	253.39	251.82	254.41	261.16	267.09	274.18
<b>Total Operating Sources of Funds</b>	<b>\$ 1,478.37</b>	<b>\$ 1,530.84</b>	<b>\$ 1,576.76</b>	<b>\$ 1,619.03</b>	<b>\$ 1,666.21</b>	<b>\$ 1,711.17</b>	<b>\$ 1,761.50</b>	<b>\$ 1,808.20</b>
Annual growth	2.0%	3.5%	3.0%	2.7%	2.9%	2.7%	2.9%	2.7%
USES								
Faculty Salaries & Benefits	\$ (432.27)	\$ (452.88)	\$ (468.44)	\$ (477.63)	\$ (488.73)	\$ (500.94)	\$ (513.82)	\$ (527.19)
Staff Salaries & Benefits	(392.18)	(404.49)	(413.32)	(423.26)	(433.12)	(443.54)	(454.22)	(465.16)
Wages, Adjuncts, Overtime, GTA/GRAs, and Other	(78.63)	(80.39)	(82.77)	(83.56)	(85.15)	(86.86)	(88.60)	(90.37)
Personnel	(903.08)	(937.76)	(964.53)	(984.44)	(1,007.01)	(1,031.34)	(1,056.64)	(1,082.72)
Other Than Personal Services	(904.42)	(922.36)	(941.41)	(961.94)	(984.48)	(1,007.47)	(1,030.92)	(1,054.84)
Financial Aid	(106.34)	(114.74)	(124.92)	(135.31)	(146.05)	(156.99)	(168.25)	(179.89)
Transfers to Debt Service, Capital, and Reserves	(54.79)	(54.79)	(54.79)	(54.79)	(54.79)	(54.79)	(54.79)	(54.79)
Savings from Organizational Excellence	16.72	20.10	21.25	22.91	23.08	23.27	23.46	23.66
Other Central Services	11.27	11.27	11.27	11.27	11.27	11.27	11.27	11.27
Recoveries from Internal Service Providers	494.44	506.80	519.47	532.46	545.77	559.42	573.40	587.74
All Other Uses	(28.69)	(39.29)	(41.51)	(41.73)	(43.95)	(44.18)	(46.42)	(46.67)
<b>Total Operating Uses of Funds</b>	<b>\$ (1,474.88)</b>	<b>\$ (1,530.77)</b>	<b>\$ (1,575.17)</b>	<b>\$ (1,611.57)</b>	<b>\$ (1,656.16)</b>	<b>\$ (1,700.81)</b>	<b>\$ (1,748.88)</b>	<b>\$ (1,796.23)</b>
Annual growth	4.8%	3.8%	2.9%	2.3%	2.8%	2.7%	2.8%	2.7%
<b>Net Baseline Operations: Sources over Uses</b>	<b>\$ 3.50</b>	<b>\$ 0.08</b>	<b>\$ 1.60</b>	<b>\$ 7.46</b>	<b>\$ 10.05</b>	<b>\$ 10.35</b>	<b>\$ 12.62</b>	<b>\$ 11.97</b>
<b>STRATEGIC PRIORITIES</b>								
USES								
Cornerstone Plan	\$ (17.58)	\$ (24.88)	\$ (26.45)	\$ (25.45)	\$ (23.83)	\$ (22.10)	\$ (22.65)	
Generational Faculty Turnover	(10.50)	(30.62)	(44.83)	(51.91)	(50.30)	(47.58)	(39.42)	(51.98)
Other	(16.82)	(7.00)	(6.00)	(3.00)	-	-	-	-
<b>TOTAL STRATEGIC INVESTMENT USES</b>	<b>\$ (44.90)</b>	<b>\$ (62.51)</b>	<b>\$ (77.28)</b>	<b>\$ (80.37)</b>	<b>\$ (74.13)</b>	<b>\$ (69.68)</b>	<b>\$ (62.07)</b>	<b>\$ (51.98)</b>
SOURCES								
Draw of Earnings on Operating Investments	\$ 44.90	\$ 62.51	\$ 77.28	\$ 80.37	\$ 74.13	\$ 69.68	\$ 62.07	\$ 51.98
<b>Net Strategic Investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>