Saint Louis University

Staff Advisory Committee

2016 Budget

June 18, 2015
Saint Louis University

Budget Process
November/December 2014 Activity

• Budget Meeting
  ➢ FY14 and FY15 Estimate review; Jesuit Financial Comparison; Housing Update

• Noel-Levitz Enrollment discussions and modeling

• Academic Dean meetings
February 2015 Activity

• Budget Meeting
  ➢ FY15 and FY16 estimates reviewed; Madrid; Research, Faculty Senate and Student Government updates

• Board FY16 discussion
  ➢ Approval of merit, tuition, and room & board rates

• PCC Budget Discussion
March - May 2015 Activity

• PAC Meetings
  ➢ Current budget process; FY16 Estimate; Endowment; FY16 Challenges/Possible solutions

• Faculty Senate Meetings
  ➢ Current budget process; FY16 Estimate; Endowment

• PCC Budget discussion

• Board approval of the FY16 Budget
Saint Louis University

FY15 Estimate
## FY15 Est Versus Budget

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>FY15E</th>
<th>FY15B</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$751.0</td>
<td>$748.8</td>
<td>$2.2</td>
<td>.3</td>
</tr>
<tr>
<td>Compensation Exp.</td>
<td>535.3</td>
<td>534.1</td>
<td>(1.2)</td>
<td>(.2)</td>
</tr>
<tr>
<td>General Expense</td>
<td>210.1</td>
<td>207.2</td>
<td>(2.9)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$5.6</td>
<td>$7.5</td>
<td>$(1.9)</td>
<td>(25.0)</td>
</tr>
</tbody>
</table>
Operating Income Vs. Budget ($ in millions)

$5.6 - $(1.9) or (25.0)% unfavorable

- $(3.0) Unfavorable net tuition revenue
  - $(2.6) Lower Enrollment, (1.0)% lower FTE’s
  - $(.4) Higher discount rate (33.7%E vs. 33.6%B)
- $(3.0) Medical Claim payments
- $2.0 SLUCare (Excess over $1M). Timing, will be spent in future years
- $1.4 Funds held by trustees’ earnings
- $1.0 Aramark rebate
Saint Louis University

FY16 Budget
## Key Budget Assumptions

<table>
<thead>
<tr>
<th></th>
<th>FY16B</th>
<th>FY15E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>11,648</td>
<td>11,766</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>34.7%</td>
<td>33.7%</td>
</tr>
<tr>
<td>Endowment Spend Rate</td>
<td>5.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Merit Increase</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Wtd Tuition Increase</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>
Risks to FY16 Estimate

• Cost impacts (if any) of the following programs:
  – Strategic Plan
  – Mercer Faculty Compensation Study
• Forecast risk – little margin for error
### FY16 Budget Versus FY15 Est

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>FY16B</th>
<th>FY15E</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$782.8</td>
<td>$751.0</td>
<td>$31.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Compensation Exp.</td>
<td>556.8</td>
<td>535.3</td>
<td>(21.5)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>General Expense</td>
<td>226.0</td>
<td>210.1</td>
<td>(15.9)</td>
<td>(7.6)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$ -</td>
<td>$5.6</td>
<td>$(5.6)</td>
<td>(100.0)</td>
</tr>
</tbody>
</table>
Operating Income Vs. FY15Est ($ in millions)

Breakeven - $(5.6) unfavorable Vs. FY15 Est

Significant favorable items:
• $7.6 Higher investment income, $4.7 from a change in the Endowment spend rate to 5%. Endowment spend of $48.4 in FY16
• $4.0 Savings Challenge, details pending
• $1.6 Net tuition revenue growth, key components
  ➢ $7.7 – 3.1% Weighted tuition rate increase
  ➢ $(3.9) - Higher discount rate (34.7% vs. 33.7%)
  ➢ $(2.6) - 1% Lower FTE’s vs. FY15
Operating Income Vs. FY15 Est ($ in millions)

Significant unfavorable items:

- $(6.6) 2% Merit/Rank & Tenure
- $(3.5) Lower lapsing assumed…$16.0 savings assumed in FY16
  - $(2.6) Full year of FY15 VERP position refills
  - $(.9) Lower Operating cost savings assumed
- $(2.3) International student recruitment
- $(1.1) Operating costs – inflation/contractual increases
- $(1.0) New Spending
- $(1.1) Advancement capital campaign reorganization
- $(1.0) Previously approved program costs and planned FY16 VERP position refills
Saint Louis University

Endowment
Endowment Spending

• The Endowment Spending formula is included in the investment policy approved by the Board
• The annual spending amount is based upon the average market value of the endowment over the previous 12 quarters multiplied by the spending rate
• Spending rate is the long-term expected return less estimated inflation less a minimum of 1%
• Reviewed and approved annually by the Finance and Investment Committees and the Board of Trustees
## Spending Rate

<table>
<thead>
<tr>
<th></th>
<th>For Budget</th>
<th>Per Policy</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oct 2014</td>
<td>Apr 2015</td>
<td>Apr 2015</td>
</tr>
<tr>
<td><strong>Expected Return</strong>*</td>
<td>7.50%</td>
<td>7.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td><strong>Est. Inflation plus 1%</strong></td>
<td>(3.00)%</td>
<td>(2.75)%</td>
<td>(2.00)%</td>
</tr>
<tr>
<td><strong>Spending Rate</strong></td>
<td>4.50%</td>
<td>4.25%</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

*Projected return for a full market cycle estimated to be a ten year period

**Calculation is reviewed annually with investment advisory firm and Board Committees
Endowment Value and NACUBO Rank

NOTE: “NACUBO Rank” represents SLU’s Ranking amongst all NACUBO survey respondents (800+).
# Peer Spending Rates

<table>
<thead>
<tr>
<th>Peer</th>
<th>Effective Spending Rate FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creighton</td>
<td>3.1%</td>
</tr>
<tr>
<td>Loyola Chicago</td>
<td>2.2%</td>
</tr>
<tr>
<td>Marquette</td>
<td>4.2%</td>
</tr>
<tr>
<td>Notre Dame</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>SLU</strong></td>
<td><strong>4.1%</strong></td>
</tr>
<tr>
<td>Washington University</td>
<td>4.3%</td>
</tr>
<tr>
<td>Xavier</td>
<td>4.2%</td>
</tr>
</tbody>
</table>
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