



**FUNDING WVU's
STRATEGIC DIRECTION**

January 13, 2019

TOPICS FOR TODAY

- / WVU's Financial History and FY2020 Projection
- / The Drivers of Our Financial Model
 - / Understanding WVU's Tuition and Fees Revenue Mix
- / Understanding WVU's Recruiting Strategy from a Financial Perspective
- / Tying it All Together: The Five Year Financial Plan and Outlook
- / Summing Up: WVU's Financial Goals

WVU's Financial History and FY2020 Projection

WVU Financial Summary

(Expressed in Thousands)

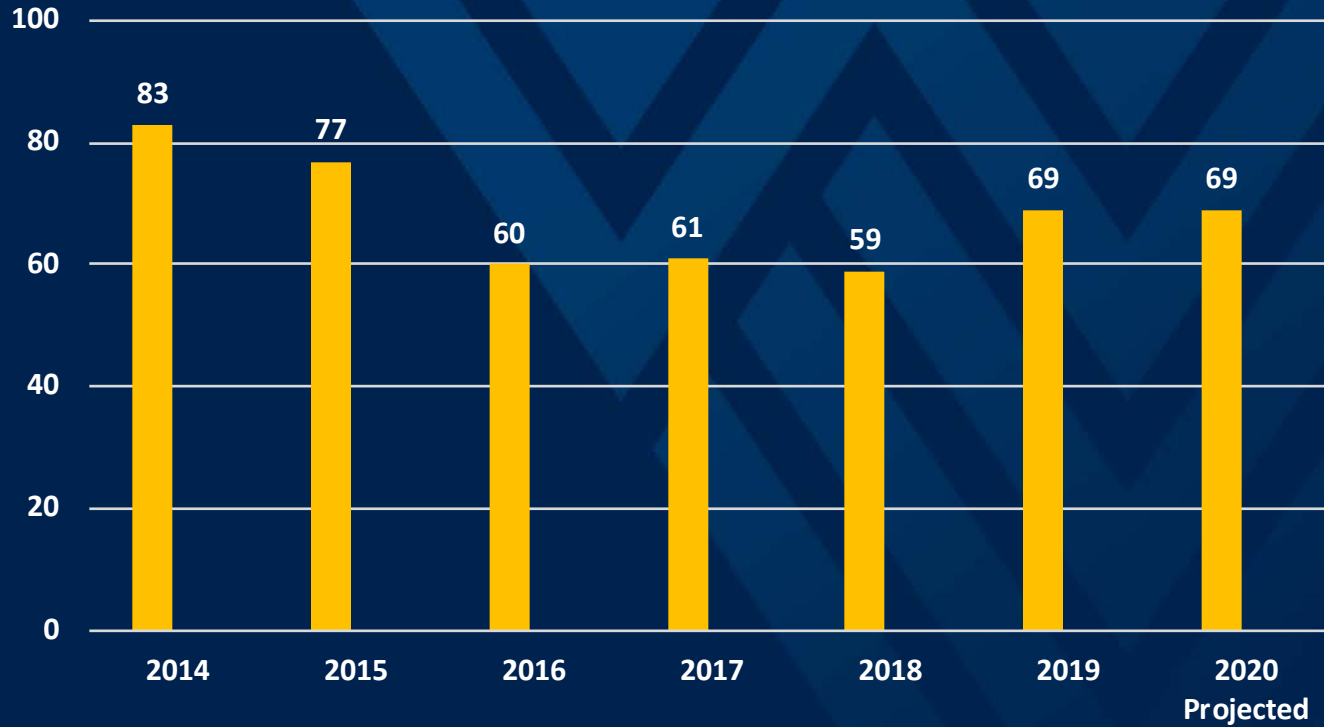
	FY2016	FY2017	FY2018	FY2019	FY2020
Total Revenues	\$1,021,826	\$1,061,729	\$1,099,430	\$1,101,307	\$1,110,296
Salaries	\$490,860	\$510,234	\$513,492	\$529,730	\$537,698
Supplies	\$255,128	\$234,894	\$231,556	\$236,924	\$231,908
Total Expenses	\$1,082,313	\$1,095,606	\$1,085,972	\$1,111,967	\$1,119,970
Operating Margin	(\$60,487)	(\$33,877)	\$12,458	(\$10,660)	(\$9,674)
Adjusted Operating Margin	(\$24,911)	(\$10,719)	\$32,348	\$4,059	\$412
Adjusted Operating Margin %	-2.438%	-1.010%	2.942%	0.369%	0.037%

The University Margin in Context

For Fiscal Year 2020, we project a positive margin of \$412,000 on over \$1.1 billion in revenues.

- / That margin was based on 26,746 FTE students for a total gross (undiscounted) tuition budgeted revenues of \$415,439,000 (and average of \$15,285 per FTE).
- / Lets assume that we miss that projection by only 1% (a total of 268 FTE under budget).
- / At \$15,285 an average FTE, those 268 students equate to **\$4.371** million in lost revenue.

Days of Cash on Hand

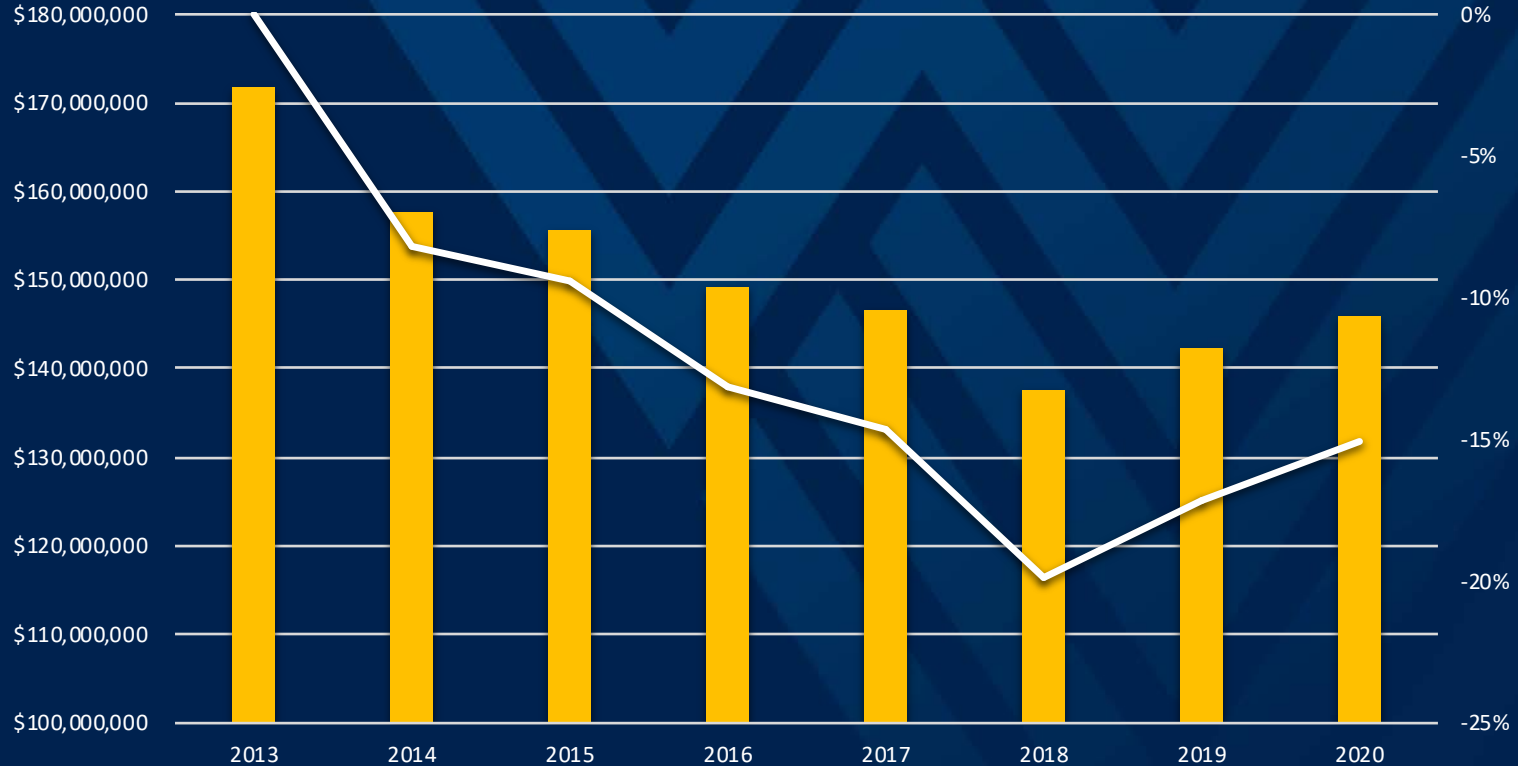


The Drivers of our Financial Model

Central Supported Capital Projects

- / Engineering Sciences Building
- / Allen / Percival Hall Upgrades
- / Brooks Hall Renovation
- / Colson Hall Renovation
- / Greenhouse
- / Creative Arts Infrastructure
- / Oglebay Hall Renovation
- / Ag Sciences Building
- / Art Museum
- / Statler Research Building
- / CPASS Building
- / Law School Addition and Renovation
- / White Hall Renovation
- / Jackson's Mill Fire Academy
- / Reynolds Hall
- / Hodges Hall Renovation
- / Various Academic IT Projects

Reduction in State Appropriations



Cutting Existing Expenses to Manage and to Allow for Reinvestment

- / Since FY2016, we have made targeted reductions and reallocations of spending, in excess of \$69 million
 - / Reductions in FY2017 — \$29 million
 - / Reductions in FY2018 — \$20 million
 - / Reductions in FY2019 — \$5 million
 - / Reductions in FY2020 — \$15 million
- / Voluntary Separation Incentives Program (VSIP) — Reduced headcount of more than 135 (almost \$9 million in savings)
- / Shared Services — Estimated annual savings at \$3 million a year

Understanding WVU's Tuition and Fees Revenue Mix

Understanding WVU's Tuition and Fees Revenue Mix

	2013	2016	2019	2020 (Projected)	2013-2020 % Change
Private pay, loans, third party payors	\$ 277,319,000	\$ 308,445,000	\$ 329,295,000	\$ 325,878,000	17.51%
Pell Grants	\$ 30,786,000	\$ 29,890,000	\$ 30,290,000	\$ 30,290,000	-1.61%
Other Federal, State, & Local Grants	\$ 2,324,000	\$ 2,774,000	\$ 3,002,000	\$ 3,002,000	29.17%
Foundation Scholarships	\$ 15,503,000	\$ 20,828,000	\$ 17,076,000	\$ 17,076,000	10.15%
Promise Scholarship	\$ 22,565,000	\$ 22,082,000	\$ 23,531,000	\$ 23,584,000	4.52%
Total Funded Merit / Need Based Aid	\$ 71,178,000	\$ 75,574,000	\$ 73,899,000	\$ 73,952,000	3.90%

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Net Tuition & Fees	\$ 348,497,000	\$ 384,019,000	\$ 403,194,000	\$ 399,830,000	14.73%
Total Discounted Aid	\$ 48,752,000	\$ 65,628,000	\$ 92,197,000	\$ 103,557,000	112.42%
Gross Tuition & Fees	\$ 397,249,000	\$ 449,647,000	\$ 495,391,000	\$ 503,387,000	26.72%
Percentage of Funded Aid to Total Aid	59.35%	53.52%	44.49%	41.66%	
Percentage of Discounts to Total Aid	40.65%	46.48%	55.51%	58.34%	
Discount Rate	12.27%	14.60%	18.61%	20.57%	

Understanding WVU's Recruiting Strategy from a Financial Perspective

Current Cost of Attendance

- / Resident Tuition and Fees per year – \$8,976
- / Non-resident Tuition and Fees per year – \$25,320
- / Room and Board Expenses per year – \$10,284

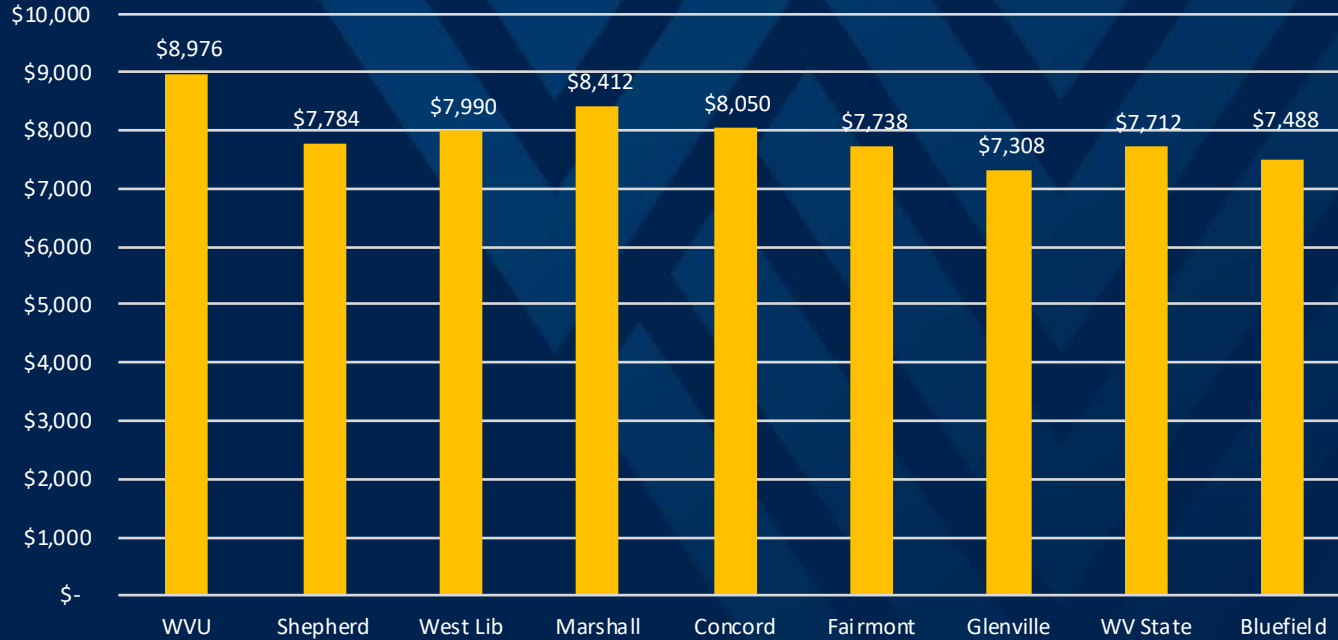
Recent Tuition Rates and Increases

	FY2014	FY2015	FY2016	FY2017
Resident	\$ 6,456	\$ 6,960	\$ 7,632	\$ 7,992
	6.00%	7.80%	9.70%	4.70%
Non-Resident	\$ 19,632	\$ 20,424	\$ 21,432	\$ 22,488
	5.70%	4.00%	4.90%	4.90%
	FY2018	FY2019	FY2020	2014-2020
Resident	\$ 8,376	\$ 8,856	\$ 8,976	
	4.80%	5.70%	1.36%	28.07%
Non-Resident	\$ 23,616	\$ 24,950	\$ 25,320	
	5.00%	5.60%	1.48%	28.97%

KEY FACTS ABOUT OUR WEST VIRGINIA RESIDENT STUDENTS

- / 64% received the PROMISE Scholarship – (merit aid)
- / 32% received a Pell Grant – (need based aid)
- / 47% of in-state freshman students did not take loans
- / 47% also received aid that completely offset University tuition and required fees.

WV IN-STATE TUITION AND FEES



Resident Tuition and Fees Between Flagship and Other Four-Year Public Institutions



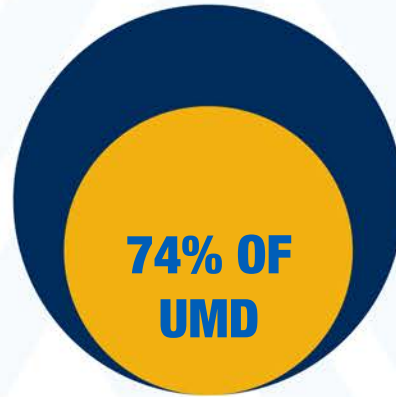
Pennsylvania

- Pennsylvania State University - University Park (\$18,540)
- Bloomsburg University (\$10,958)



Virginia

- University of Virginia (\$16,640)
- Virginia State (\$9,154)



Maryland

- University of Maryland - College Park (\$10,779)
- Morgan State University (\$8,008)



West Virginia

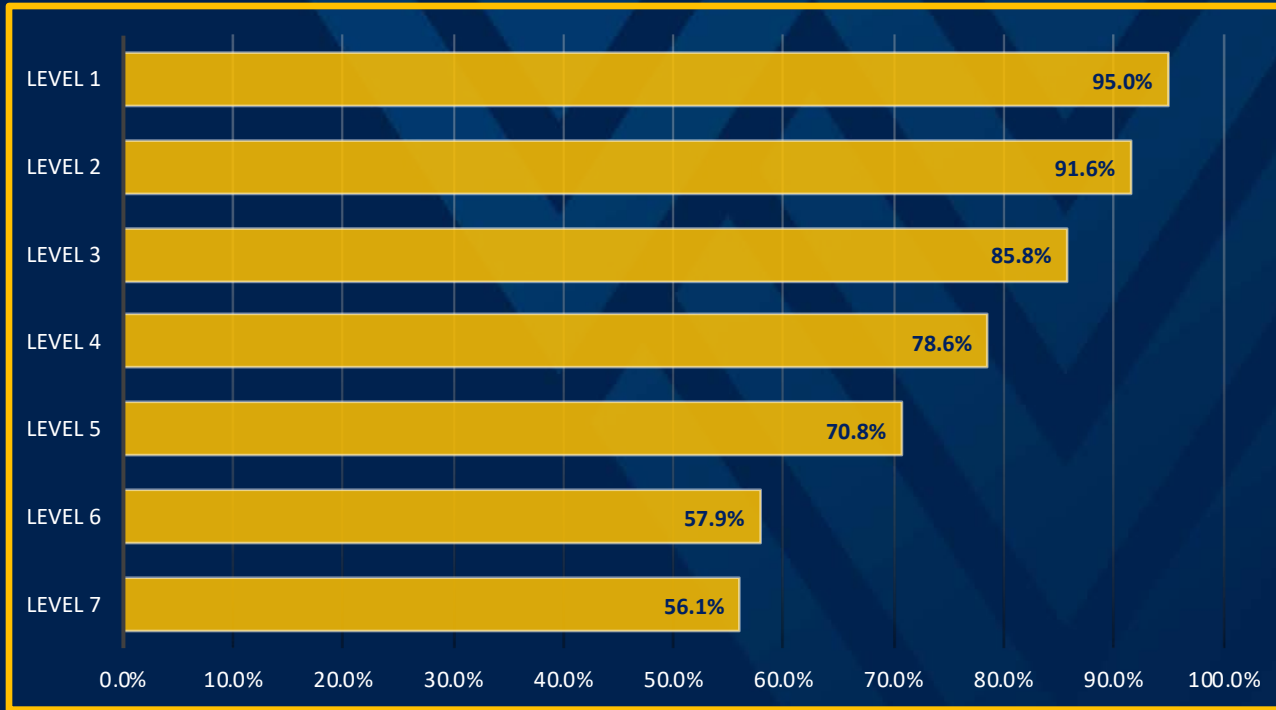
- West Virginia University (\$8,976)
- Glenville State College (\$7,308)

THE STICKER PRICE vs. AMOUNT CHARGED

Primary WVU Discounting Programs

- / **WVU Scholarships of Distinction** – These are unfunded scholarships that are awarded to students that are based on the grades and GPAs of the students (the better the student performs, the more aid)
- / **WVU Mountaineer Connections** – WVU's primary unfunded aid strategy based on need is based on the income levels of the family of the student and information provided on the FAFSA (Free Application for Federal Student Aid) application form.

RETENTION RATES BY AI LEVEL (All Students, 2018)



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Our Path Going Forward

- / State appropriations are not reliable;
- / There is only so much additional across the board cutting we can do at the University;
- / We have little capacity to increase tuition rates;
- / We must focus on growing enrollment and increasing retention through competitive, valued, market-driven programming;
- / Given our significant level of unfunded merit and need-based scholarships in this competitive environment, we need more alumni and giving for the University.

Our Future Path: The Five Year Financial Plan and Outlook

FY2020 THROUGH FY2024 DRAFT POTENTIAL FIVE YEAR PLAN*

	FY20	FY21	FY22	FY23	FY24
Tuition					
Rate increase	1.50%	2.50%	2.50%	2.50%	2.50%
FTF	4,949	5,049	5,124	5,124	5,124
Retention	0.50%	0.50%	0.50%	0.50%	0.50%
Persistence	0.25%	0.25%	0.25%	0.25%	0.25%
Salary Increase Pools	\$1.3 million	0.50%	2.00%	0.50%	2.00%
Modified Cash Margin	\$ 1,603,000	\$ 12,682,000	\$ (5,874,000)	\$ 1,390,000	\$ 3,582,000
Adjusted Accrual Margin	\$ 412,000	\$ 11,286,000	\$ 4,949,000	\$ 17,833,000	\$ 22,629,000

* This Plan includes the debt refinancing with up-front debt service savings

FIVE YEAR PLAN – 300 SMALLER CLASS SIZE FY2020 THROUGH FY2024 ASSUMPTIONS

	FY20	FY21	FY22	FY23	FY24
Tuition					
Rate increase	1.50%	2.50%	2.50%	2.50%	2.50%
FTF	4,949	4,658	4,658	4,658	4,658
Retention	0.50%	0.50%	0.50%	0.50%	0.50%
Persistence	0.25%	0.25%	0.25%	0.25%	0.25%
Salary Increase Pools	\$1.3 million	0.50%	2.00%	0.50%	2.00%
Modified Cash Margin	\$ 1,603,000	\$ 6,395,000	\$ (18,566,000)	\$ (16,918,000)	\$ (19,062,000)
Adjusted Accrual Margin	\$ 412,000	\$ 4,999,000	\$ (7,743,000)	\$ (475,000)	\$ (15,000)

* This Plan includes the debt refinancing with up-front debt service savings

FY2020 THROUGH FY2024 DRAFT POTENTIAL FIVE YEAR PLAN NO TUITION INCREASES*

	FY20	FY21	FY22	FY23	FY24
Tuition					
Rate increase	1.50%	0.00%	0.00%	0.00%	0.00%
FTF	4,949	5,049	5,124	5,124	5,124
Retention	0.50%	0.50%	0.50%	0.50%	0.50%
Persistence	0.25%	0.25%	0.25%	0.25%	0.25%
Salary Increase Pools	\$1.3 million	0.50%	2.00%	0.50%	2.00%
Modified Cash Margin	\$ 1,603,000	\$ (86,000)	\$ (312,698,000)	\$ (38,062,000)	\$ (50,238,000)
Adjusted Accrual Margin	\$ 412,000	\$ (1,482,000)	\$ (20,875,000)	\$ (21,619,000)	\$ (31,191,000)

* This Plan includes the debt refinancing with up-front debt service savings

Tying it All Together: WVU's Financial Goals

WVU Financial Goals

- / Identify resources for investment in strategic priorities that will maximize opportunities to grow enrollment, increase retention and persistence, and support strategic priorities of the University;
- / Develop a structurally sound budget with attainable assumptions and consistent positive operating margins on a year to year basis;
- / Over time, improve the balance sheet by increasing our net cash position to 2014 levels;
- / Maintain our current bond ratings.

Questions?