



THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON DC

Financial Report
Board of Trustees Meeting

February 8, 2008



Agenda

- ❖ Current Year Highlights
- ❖ Pricing Strategies
- ❖ Preliminary Planning Assumptions
- ❖ Pricing Decision



THE GEORGE WASHINGTON UNIVERSITY

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Current Year Highlights

Current Year Budget Status

University Forecast - FY 08 (Dollars in Millions)

	Approved Budget	2nd Quarter Forecast
Revenues	\$538.8	\$553.0
Expenditures and Other Changes in Net Assets	<u>538.8</u>	<u>546.0</u>
Net Operating Results	\$0.0	\$7.0

Current Year Budget Status

Medical Center Forecast – FY 08

(Dollars in Millions)

	Approved Budget	2nd Quarter Forecast
Revenues	\$113.0	\$115.7
Expenditures and Other Changes in Net Assets	<u>113.0</u>	<u>115.5</u>
Operating Results	\$0.0	\$0.2
Interest Expense (Unfunded Portion)	<u>(2.8)</u>	<u>(1.7)</u>
Net Operating Results	(\$2.8)	(\$1.5)

Current Year Highlights

Debt

(Dollars in Millions)

	Dec 06	Dec 07
Debt Outstanding:		
Endowment	\$233.2	\$250.7
All Other	<u>501.0</u>	<u>533.1</u>
Total	\$734.2	\$783.8
Weighted Average Interest Rate	5.30%	5.32%

Current Year Highlights

Operating Cash

(Dollars in Millions)

	Dec 06	Dec 07
Cash Balance	\$61.2	\$84.1
Weighted Average Interest Rate	5.19%	4.81%

Current Year Highlights

Endowment

(Dollars in Millions)

	Dec 06	Dec 07
Market Value of Endowment	\$1,019.7	\$1,149.4
Return for Previous 12 Months	19.90%	15.02%
Portfolio Weighted Index	15.83%	10.08%

Significant Events

Zoning

School Without Walls:

- ❖ In late September 2007, the University began construction on the new undergraduate residence hall. The 474-bed facility remains on schedule for occupancy in Fall 2009.

Significant Events

Zoning

Square 54:

- ❖ On October 12, 2007, the Zoning Commission published the Zoning Order for the project. The Order was appealed by the Foggy Bottom Association and the University expects to receive information on the grounds for the appeal this Spring. The Order is effective pending the appeal, and we are confident that the Order will be upheld.
- ❖ On February 4, 2008, the University executed the Square 54 ground lease with Boston Properties, marking the completion of the lease transaction and the commencement of ground rent payments to the University.

Significant Events

Zoning

Pelham Replacement Project:

- ❖ On July 2, 2007 the Zoning Commission held a public hearing on the proposed project.
- ❖ On September 17, 2007 the Zoning Commission unanimously approved the project.
- ❖ On October 26, 2007, the Zoning Commission published its Order for the project. The appeal period for this Order has lapsed and no appeal was filed. Therefore, the Order stands as published by the Commission.
- ❖ Construction of the project is scheduled for completion in Fall 2010.

Significant Events

Zoning

Campus Plan:

- ❖ On October 26, 2007, the Zoning Commission published its Order for the 2007 Foggy Bottom Campus Plan.
- ❖ The Order was appealed by the Foggy Bottom Association and the University expects to receive information on the grounds for the appeal this Spring. The Order is currently effective pending the appeal.
- ❖ The University is confident in the integrity of the Zoning Commission process and the content of the written Order, and expects that the Order will be upheld.

Significant Events

Debt

On February 5, Moody's announced it has upgraded the University's long term rating to A1 from A2. The rating outlook is stable at the new level.

Current Year Highlights

Fall Enrollment (FTEs)

	FY 07 (Fall 06)	FY 08 (Fall 07)
Undergraduate	10,102	9,969
Graduate and Professional	9,471	9,789
Non-Degree	<u>381</u>	<u>350</u>
Total University Enrollment	19,954	20,108
Distribution:		
Undergraduate	50.6%	49.6%
Graduate and Professional	47.5%	48.7%
Non-Degree	1.9%	1.7%

Pricing Strategies

Goals

- ❖ Improve Affordability
- ❖ Competitive Pricing

Multi-Year Pricing Strategies

- ❖ Reduce student debt burden
- ❖ Hold undergraduate tuition and overall cost of attendance to CPI
- ❖ Shift reliance from tuition increases to fundraising to support financial aid
- ❖ Place additional emphasis on need-based aid

Impact of Pricing Strategies

Over a 3-5 year period, these strategies should:

- ❖ Increase the appeal of the Fixed Price Tuition Plan as annual pricing becomes more competitive with peer institutions
- ❖ Reduce student debt burden
- ❖ Sustain growth in net tuition revenue

Proposed Pricing

- ❖ The Committee on Finance and Audit met on January 17 to discuss pricing strategies for the University's programs
- ❖ On Wednesday, the Committee reviewed the proposed increases for next year
- ❖ The following slides reflect the outcome of the Committee's discussion

Proposed Pricing

Undergraduate

	FY 08 Increase	Proposed FY 09 Increase
Tuition & Fees, New Students	3.8%	3.0%
Total Cost of Attendance:		
Approximately 1,000 students	3.8%	-0.6%
All others	3.8%	2.8%

Proposed Pricing

Graduate and Professional

	FY 08 Increase	Proposed FY 09 Increase
Graduate, MBA & MSF	9.2%	6.5%
Graduate, SPHHS	4.0%	4.7%
Graduate, All Other	4.3%	5.2%
Law	5.2%	5.0%
Average Off Campus Program Increase	4.6%	4.9%
MD (New)	4.0%	3.0%
Blended Increase for All Programs	2.6%	2.6% ⁽¹⁾

(1) Includes approximately 6,500 undergraduate students whose tuition will not increase because of the Fixed Price Tuition Plan.

Proposed Pricing

- ❖ On Tuesday, the Student Association approved a 50-cent increase to the Student Association Fee for new students entering next Fall. The increase is not reflected in your materials.
- ❖ The increase will add \$15 to the amount billed to new full-time undergraduates.
- ❖ The Administration will supplement the Student Association budget dollar for dollar for the amount raised by the fee increase.

Preliminary Planning Assumptions

Preliminary Planning Assumptions Overview

- ❖ Little or no enrollment growth
- ❖ Moderate tuition increases
- ❖ Changes in undergraduate aid to strengthen middle class affordability
- ❖ Commitment to improve the quality of the GW experience funded by:
 - Modest increases in net tuition revenue
 - Reallocation of current spending
 - Increases in fundraising

Preliminary Planning Assumptions

Financial Aid

- ❖ Shift merit aid to need-based aid
- ❖ Increase caps on the amount of institutional grant aid incoming students can receive
- ❖ Reduce debt burden by eliminating requirement that parents fund \$2,000 above the Expected Family Contribution

Preliminary Planning Assumptions

Compensation

- ❖ 4 percent merit increases for faculty and staff effective January 1, 2009
- ❖ Increases for part-time faculty as a result of the collective bargaining agreement

Preliminary Planning Assumptions

Fundraising

- ❖ The Development budget will increase by more than \$2 million next year, including:
 - \$2 million from additional unrestricted fundraising
 - January 1, 2009 merit increases
- ❖ To support our pricing strategy we have established a goal of quadrupling fundraising for student aid over the next five years

Preliminary Planning Assumptions

Endowment

Payout will increase based on:

- ❖ CPI increase
- ❖ New units

Preliminary Planning Assumptions Summary

- ❖ Based on preliminary planning assumptions and projected enrollment:
 - Revenue is projected to increase 2-3 percent
 - Expenses are projected to increase 4-5 percent
- ❖ The difference in revenue and expense growth results in a budget shortfall of approximately \$6 million for next year

Preliminary Planning Assumptions Summary

- ❖ The University will present a balance budget to the Board in May
- ❖ The following strategies will be used to address the shortfall:
 - Review enrollment projections
 - Review cost structure to identify opportunities to reallocate funds
 - Additional fundraising
 - Strategic use of reserves

Pricing Decision

- ❖ At this time, we are asking for the Board's approval of:
 - The proposed FY 09 pricing for the University as noted in Tab A, Exhibits E through O, pages 34-44
 - The proposed FY 09 pricing for the Medical Center as noted in Tab B, pages 6-7



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