

# Refinements to Budget Procedures

February 2016

Summarized Report of the Budget Procedures  
Steering Committee



# Background - BPSC

During the fall of 2015, an ad hoc Budget Procedures Steering Committee was appointed by the President to serve in an advisory role to study the current budget process and suggest improvements.

The Budget Procedures Steering Committee is comprised of 12 members, including membership across VP areas as well as faculty and staff participants, and is advisory to the University Budget Committee. The following is the roster.

#	Name	Position	Area
1	Joe Smith (Chair)	Associate VP for Finance	Finance
2	Jane Button (staff)	Budget Director	Finance
3	Gina Bowman	Academic Budget and Personnel Officer	Academic VP's Office
4	Randi Cadena	Administrative Assistant	Student Development
5	Kim Vore	Director of Business Operations	Athletics
6	Heather Murray	Associate Director	Human Resources
7	Shanea Giroux	Administrative Assistant	Office of Mission
8	Astrid Kingsford	Assistant to the VP/Budget Officer	University Advancement
9	Amanda Rhodes	Assistant to the Dean	School of Engineering & Applied Science
10	Cynthia Smutny	Director of Budget & Graduate Operations	School of Education
11	Ken Anderson	Interim Dean	School of Business
12	Brian Steverson	Professor, Ethics	School of Business/Faculty President

# Background – BPSC Charge

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## Charge of the Budget Procedures Steering Committee

1. Propose a high-level structure and associated procedures to introduce a multi-year budgeting process, beginning with the fiscal year 16/17 budget year
2. Document the pros and cons of the new proposed structure relative to our current practice
3. Document any observed risks and uncertainties related to the proposed revisions to budget procedures
4. Provide a needs assessment to accomplish the proposed budget structure and procedures (examples, training, technology, reporting, etc.)
5. Outline a timeline and reporting calendar for budget assembly, review and approval along with an implementation plan
6. Provide examples of the budget format and other supporting materials

# Background – Current Process

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- The University operating budget approximates \$264M and is assembled annually utilizing an “incremental” budget process
- The budget is centrally administered with delegated spending authority
- Broadly speaking, the annual budget is a “use it or lose it” approach, though areas can request year-end carryover for specific matters, subject to President and Board approval
- The budget process has remained largely unchanged for many years, while the University’s scale and operations have changed immensely
- Over time, internal restricted accounts (special purpose funds) have been established to set aside balances, and such funds are often the last used
- Only certain areas currently have a hybrid of a responsibility-centered budget model (Law School, Athletics)

# Advantages to Current Process

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- Relatively simple to administer, particularly in periods when revenue is growing
- Creates a shared revenue approach to all activities where all benefit from the ups and all work together to manage through the downs
- Allows for across-the-board increases and decreases
- From a departmental perspective, base allocations are generally reliable year-to-year
- Centrally administered, based upon recommendations from each VP area

# Disadvantages to Current Process

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- The budget process lacks incentives for departmental stewardship and does not penalize areas for controllable overspending
- The budget is largely inflexible, and in many ways treats each year the same as the year prior since the base budget remains largely intact
- Absent re-allocations within VP areas and limited incremental central funding, the overall budget distribution remains largely the same year over year
- Significant upward and downward changes in revenues are challenging to centrally manage
- Increases and decreases in specific revenue sources are not easily reflected, in most instances, to associated direct expenses (for example, ORGL revenue decrease does not necessarily result in decreased ORGL expenses due to the fixed nature of most expenses)

# Disadvantages to Current Process

## (continued)

- The information needed to more accurately develop the subsequent year's detailed budget is not always available on a timely basis (for example, estimated freshmen enrollment)
- Generally speaking, the budget funds all activities as if they are annually recurring when some activities may be one time, for a limited period, or recur infrequently
- There are no reliable mechanisms for funding one-time initiatives or other strategic ambitions, particularly in years where budget performance is weak
- The budget process lacks a multi-year dimension and is iterative in nature (base-building)
- Funding within the budget is difficult, in many instances, to link to objectives of the Strategic Plan
- The budget has limited capital planning (computers, renewal and replacement, new facilities costs)

# Key Improvement Opportunities

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- Develop multi-year budgeting
- Incorporate incentives to reward stewardship at a local level
- Improve flexibility to address non-recurring items by creating local capacity for funding
- Incorporate capital planning within a central bank framework
- Attempt to introduce change without significant disruption
- Consider best practices

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# #1: Recommendations for Revised Structure and Procedures

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# Recommendation One: Summary

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## Multi-Year Perspective with Current Year Flexibility

- Beginning with the FY 16/17 budget, the University should prepare a balanced two-year budget. The multi-year budget will establish the base budget on a two-year basis (FY's 16/17 and 17/18). The target date for approval of the first two-year budget should be April 2016.
- In addition to the two-year budget, the University should prepare a year-by-year “flexible” budget during the fall of the associated budget year. For example, the FY 16/17 flexible budget should be prepared during the fall of 2016. Given the timing of its preparation, the flexible budget will more accurately reflect projected enrollments and associated revenues and expenses for the year. The flexible budget will “flex” up or down from the associated year of the previously approved multi-year base budget.

# Recommendation Two: Summary

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## Local Stewardship and More Reliable “One-Time” Funding

- Beginning with the FY 16/17 budget, the University should create a mechanism to automatically carryover a portion of unexpended budgeted expense categories, subject to a formula and with certain exceptions. Such carryover funds can be used in future periods by the respective budget group (an ORG or combination of ORGS) for non-base funded activity. The carryover of funds will assist departments in stewarding resources between years, particularly for non-recurring activities.
- Carryovers can create departmental incentives for budget stewardship while preserving opportunities for central re-purposing of funds
- Such approach is an industry best practice
- After a two year trial period, the University should assess the practice of carryover of funds and revise as warranted.

# Recommendation Two: Example

## Local Stewardship and More Reliable “One-Time” Funding

### FY 16/17 Flexible Budget to Actual - ITS Budget Group - EXAMPLE

	<b>Flexible Budget</b>	<b>Actual</b>	<b>Variance favorable/ (unfavorable)</b>	<b>Retain as Budget Group Carryover</b>	<b>Transfer to Central Pool</b>
Non-faculty salaries	\$ 2,900,000	\$ 2,755,000	\$ 145,000	\$ 29,000	\$ 116,000
Student wages and honoraria	70,000	65,000	5,000	0	5,000
Other operating expense	2,550,000	2,560,000	(10,000)	(3,300)	(6,700)
Travel	45,000	50,000	(5,000)	(1,650)	(3,350)
Capital	500,000	502,000	(2,000)	(660)	(1,340)
Technology Renewal and Replacement	700,000	697,000	3,000	990	2,010
Contingency	25,000	0	25,000	8,250	16,750
Total	<u>\$ 6,790,000</u>	<u>\$ 6,629,000</u>	<u>\$ 161,000</u>	<u>\$ 32,630</u>	<u>\$ 128,370</u>

*\$32,630 is retained by ITS and will carryover to FY 17/18, assuming a maximum of 1% of budget for of salary savings (excluding student wages) and a 1/3rd sharing of all other expenses*

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## #2: Pros and Cons of Suggested Revisions

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# Pros

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- Departmental incentive to steward respective budgets so as to partially benefit from unspent carryovers and, if needed, be responsible for budget overruns
- Flexibility to address different situations each year as each year's flexible budget stands on its own
- Localized funding to in whole or in part address what have historically been called "critical needs" or other Strategic Plan initiatives
- Multi-year outlook to the budget performance and preparation
- Over time, improved opportunity for budget reallocations
- Incentive to utilize other restricted funds prior to central budget funds
- Ability to generate funding for internal bank activity, as carryover funds can act as a revenue source for internal loan repayments

# Cons

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- Potential for less central budget savings, as a portion of budget savings (based on formula) are retained by departments
- Over time there could be a disparity in carryovers by area, depending upon differing budget performance by department
- Multi-year budgets are still based on limited data around revenues that are difficult to predict, which could lead to widening the gap between the base and flexible budgets

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# #3: Document Risks and Uncertainties

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# Risks and Uncertainties

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- The timing and completeness of compiling necessary information to assemble a multi-year base budget, which is a risk regardless of the time period used for budget assembly (single year or multi-year). This is particularly heightened in the first cycle.
- The degree to which changes could be made to the “year 2” base budget as it becomes the “year 1” budget after the passage of a year (adjustments in the rolling period). This involves both changes that result in increased available budget and decreased available budget as year 2 rolls to year 1. The University needs to closely monitor the degree to which year 2 changes are downward, and avoid this whenever possible.

# Risks and Uncertainties (continued)

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- The degree to which departments (and associated budget groups) use the new procedures to enhance current operations without sacrificing quality is untested at Gonzaga. For example, will the ability to carryover salary savings induce prolonged position vacancies or the non-filling of critical positions? Will the ability to carryover salary dollars create unintended consequences that are inconsistent with our mission?
- The University will need to establish criteria for assessing whether the changes result in better stewardship of financial resources.
- The availability, frequency, and timing of training and reporting tools should be enhanced.

# Risks and Uncertainties (continued)

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- The timeliness of reflecting actual spending data in Banner, such as recharges, should be improved. Full implementation of Concur will be helpful in considering this component.
- The process within areas/budget groups as to how carryover funds are to be used will require further study. We recommend no central restrictions on how carryover funds are to be used; however, areas/budget groups may develop their own respective requirements.
- Over time, monitoring and communication regarding budget variances (and as a result, carryover funds) may lead to reallocations to the base budget. Will those budget groups with more significant carryover funds end up losing base budget due to reallocation. This observation, in short, is if I don't use it, will I lose it?

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# #4: Needs Assessment/Open Items

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# Needs Assessment/Open Items

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## Open items:

- Definition of a “budget group” – for each VP area to determine. A suggested starting point is the “two digit” ORG in Banner.
- Develop a communication plan (website, information sessions, finalized FAQ document)
- How to handle “year two” tuition and fees

## Needs:

- Budget officer training on the changes
- Enhanced reporting from the Office of Budget and Financial Analysis
- Improvements to position control (encumber positions, salary savings tracking)
- Opportunity to refine as we learn more each year of using the new model
- Formats for budget reporting, requests, and communication (example, multi-year budget requests)

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# #5: Timeline/Reporting Calendar

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# Gonzaga University Rolling Multi-Year Budget Planning Timeline First Year Implementation

September-December	January-April	May-August
Revenue Emphasis for Multi-Year Budget	Expense Emphasis and Finalize 2 year Base Budget	Implement Base Budget and Develop Flexible Budget
Preparation and analysis of initial pro-forma budgets with varying enrollment and rate assumptions and development of revenue budgets for Year 1 and Year 2.	Areas submit new funding requests for personnel and operations; faculty and staff base compensation pools finalized for Year 1 and Year 2; President and cabinet determine expense budget priorities and review and prioritize new base funding requests	Areas have the opportunity to reallocate funding within their areas; Year 1 base budget posted to Banner by June 1
Initial revenue parameters used to develop base budgets: rate increase proposals submitted by areas; peer group analysis related to tuition and auxiliary rates; freshman headcount, retention, financial aid discount rate, graduate credits. Initial expense parameters used to inform desired revenue budget levels: inflationary increases, proposed compensation changes, debt service changes, strategic initiatives, etc.	President and cabinet work through balancing expense to revenue for Year 1 and Year 2 base budgets; initial parameters may be revised; decisions regarding one-time new funding requests may be postponed until flexible budget is determined; 2 year budget book prepared	Year 1 flexible budget essentially known by August; President and cabinet determine changes from base budget to flexible budget; funding changes will be one-time increases/decreases and could inform changes to Year 2 base budget; one-time new funding requests could be approved for the flexible budget
December Board meeting: Year 1 tuition and room and board rates presented for approval (year 2 preliminary rates presented but not approved at this time); initial expense parameters presented for discussion	April Board meeting: balanced 2 year base budget presented for approval	See on-going implementation; report of carryover balances and board approved transfers
February 2016		22

# Gonzaga University Rolling Multi-Year Budget Planning Timeline On-Going Implementation

September-December	January-April	May-August
Approval of Current Year Flexible Budget; Revenue Emphasis for Multi-Year Budget	Expense Emphasis and Finalize Multi- Year Base Budget	Implement Base Budget and Develop Flexible Budget
Preparation and analysis of initial pro-forma budgets with varying enrollment and rate assumptions and development of revenue budgets primarily for Year 2. The Year 1 revenue budget should be fairly well established; however, it could still be revised if desired.	Areas submit new funding requests for personnel and operations; faculty and staff base compensation pools finalized for Year 1 and Year 2. Year 1 compensation should be fairly well established; however, it could be revised if desired. President and cabinet determine expense budget priorities and review and prioritize new base funding requests	Areas have the opportunity to reallocate funding within their areas; Year 1 base budget posted to Banner by June 1
Initial revenue parameters used to develop base budgets: rate increase proposals submitted by areas; peer group analysis related to tuition and auxiliary rates; freshman headcount, retention, financial aid discount rate, graduate credits. Initial expense parameters used to inform desired revenue budget levels: inflationary increases, proposed compensation changes, debt service changes, strategic initiatives, etc.	President and cabinet work through balancing expense to revenue primarily for Year 2 base budget; initial parameters may be revised; decisions regarding one-time new funding requests may be postponed until flexible budget is determined; 2 Year budget book prepared	Year 1 flexible budget essentially known by August; President and cabinet determine changes from base budget to flexible budget; funding changes will be one-time increases/decreases and could inform changes to Year 2 base budget; one-time new funding requests could be approved for the flexible budget
October Board meeting: Current Year 1 flexible budget reported to Board; Year 2 base budget presented for approval if necessary	April Board meeting: balanced 2 Year base budgets presented for approval	Report of carryover balances and board approved transfers
December Board meeting: tuition and room and board rates presented for approval; initial expense parameters presented for discussion		

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# #6: Example Formats

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# Example: 2-Year Budget

## GONZAGA UNIVERSITY FY2017 AND FY2018 DRAFT PRO-FORMA BUDGET FOR DISCUSSION PURPOSES ONLY

		FY2016 Adjusted Base Budget	FY2017 Planning Changes	FY2017 Proposed Budget	FY2018 Planning Changes	FY2018 Proposed Budget	% Change From FY2016 to FY2017	% Change From FY2017 to FY2018	% of FY2016 Base Budget	% of FY2017 Proposed Budget	% of FY2018 Proposed Budget
1	<b>Revenue</b>										
2	Tuition and Fees	\$ 223,565,234	\$ 14,000,000	\$ 237,565,234	\$ 6,707,000	\$ 244,272,234	6.3%	2.8%	84.7%	85.9%	86.1%
3	Auxiliaries	27,023,750	800,000	27,823,750	400,000	28,223,750	3.0%	1.4%	10.2%	10.1%	9.9%
4	Other	9,259,339	50,000	9,309,339	50,000	9,359,339	0.5%	0.5%	3.5%	3.4%	3.3%
5	Funding Other Sources	4,246,929	(2,346,929)	1,900,000	-	1,900,000	-55.3%	0.0%	1.6%	0.7%	0.7%
6	<b>Total Revenue</b>	<b>\$ 264,095,252</b>	<b>\$ 12,503,071</b>	<b>\$ 276,598,323</b>	<b>\$ 7,157,000</b>	<b>\$ 283,755,323</b>	<b>4.7%</b>	<b>2.6%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
7	<b>Net Revenue Reductions</b>										
8	Financial Aid	\$ (77,638,132)	\$ (7,500,000)	\$ (85,138,132)	\$ (2,682,800)	\$ (87,820,932)	9.7%	3.2%	29.4%	30.8%	30.9%
9	Cost of Goods Sold (Dining)	(8,151,073)	(550,000)	(8,701,073)	(200,000)	(8,901,073)	6.7%	2.3%	3.1%	3.1%	3.1%
10	<b>Total Net Revenue Reductions</b>	<b>(85,789,205)</b>	<b>(8,050,000)</b>	<b>(93,839,205)</b>	<b>(2,882,800)</b>	<b>(96,722,005)</b>	<b>9.4%</b>	<b>3.1%</b>	<b>32.5%</b>	<b>33.9%</b>	<b>34.1%</b>
11	<b>Net Revenue</b>	<b>\$ 178,306,047</b>	<b>\$ 4,453,071</b>	<b>\$ 182,759,118</b>	<b>\$ 4,274,200</b>	<b>\$ 187,033,318</b>	<b>2.5%</b>	<b>2.3%</b>	<b>67.5%</b>	<b>66.1%</b>	<b>65.9%</b>
12	<b>Expenses</b>										
13	<b>Personnel Expenses</b>										
14	Faculty Salaries	\$ 40,257,314	\$ 1,290,071	\$ 41,547,385	\$ 1,246,000	\$ 42,793,385	3.2%	3.0%	15.2%	15.0%	15.1%
15	Non-Faculty Salaries	50,798,388	1,524,000	52,322,388	1,570,000	53,892,388	3.0%	3.0%	19.2%	18.9%	19.0%
16	Benefits (Including Employee Waivers)	28,179,084	739,000	28,918,084	732,000	29,650,084	2.6%	2.5%	10.7%	10.5%	10.4%
17	<b>Total Personnel Expenses</b>	<b>\$ 119,234,786</b>	<b>\$ 3,553,071</b>	<b>\$ 122,787,857</b>	<b>\$ 3,548,000</b>	<b>\$ 126,335,857</b>	<b>3.0%</b>	<b>2.9%</b>	<b>45.1%</b>	<b>44.4%</b>	<b>44.5%</b>
18	<b>Other Expenses</b>										
19	Other Operating Expenses	\$ 26,069,558	\$ -	\$ 26,069,558	\$ 76,200	\$ 26,145,758	0.0%	0.3%	9.9%	9.4%	9.2%
20	Travel	5,089,028	-	5,089,028	-	5,089,028	0.0%	0.0%	1.9%	1.8%	1.8%
21	Utilities	4,501,556	100,000	4,601,556	100,000	4,701,556	2.2%	2.2%	1.7%	1.7%	1.7%
22	Capital	4,060,982	-	4,060,982	-	4,060,982	0.0%	0.0%	1.5%	1.5%	1.4%
23	Debt Service (Principal & Interest)	12,406,539	500,000	12,906,539	250,000	13,156,539	4.0%	1.9%	4.7%	4.7%	4.6%
24	Facility Renewal & Replacement	2,278,750	250,000	2,528,750	150,000	2,678,750	11.0%	5.9%	0.9%	0.9%	0.9%
25	Technology Renewal & Replacement	687,637	250,000	937,637	150,000	1,087,637	36.4%	16.0%	0.3%	0.3%	0.4%
26	Reserve-Underwater Endowment	400,000	(100,000)	300,000	-	300,000	-25.0%	0.0%	0.2%	0.1%	0.1%
27	Internal Debt	812,460	-	812,460	-	812,460	0.0%	0.0%	0.3%	0.3%	0.3%
28	Contingency	2,764,751	(100,000)	2,664,751	-	2,664,751	-3.6%	0.0%	1.0%	1.0%	0.9%
29	Base Reductions	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
30	<b>Total Other Expenses</b>	<b>\$ 59,071,261</b>	<b>\$ 900,000</b>	<b>\$ 59,971,261</b>	<b>\$ 726,200</b>	<b>\$ 60,697,461</b>	<b>1.5%</b>	<b>0.0%</b>	<b>22.4%</b>	<b>21.7%</b>	<b>21.4%</b>
31	<b>Total Personnel and Other Expenses</b>	<b>\$ 178,306,047</b>	<b>\$ 4,453,071</b>	<b>\$ 182,759,118</b>	<b>\$ 4,274,200</b>	<b>\$ 187,033,318</b>	<b>2.5%</b>	<b>0.0%</b>	<b>67.5%</b>	<b>66.1%</b>	<b>21.4%</b>
32	<b>Balance-Favorable (Unfavorable)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>					
33	Strategic Funding	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
34	<b>Balance-Favorable (Unfavorable) including line 33</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>					

35	Undergraduate Assumptions	FY2016	FY2017	FY2018
36	Freshman Headcount Budget	1,125	1,150	1,150
37	Discount Rate	45.00%	46.00%	46.00%
38	Undergraduate Tuition Increase	4.00%	4.00%	4.00%
39	Housing Increase	2.75%	2.00%	2.00%
40	Dining Increase	Varies	2.00%	2.00%
41	Total Tuition, Room & Board and Fees	\$ 48,120	\$ 49,830	\$ 51,700
42	Increase From Prior Fiscal Year	\$ 1,998	\$ 1,710	\$ 1,870
43	% Increase	4.33%	3.55%	3.75%

### Notes:

- The information presented here is for illustrative purposes only

# Example: Flexible Budget

## GONZAGA UNIVERSITY FY2017 PRO-FORMA FLEXIBLE BUDGET & FY2018 ADJUSTED BASED BUDGET FOR DISCUSSION PURPOSES ONLY

		FY2017 Approved Base Budget	FY2017 Flexible Budget Changes	FY2017 Flexible Budget	% Change From FY2017 Base Budget to Flexible Budget to FY2017	FY2018 Original Approved Base Budget	FY2018 Possible Changes to Approved Base Budget	FY2018 Proposed Base Budget	% Change From FY2018 Original Base Budget to Revised Base Budget	% Change From FY2017 Base Budget to FY2018 Adjusted Base
1	<b>Revenue</b>									
2	Tuition and Fees	\$ 237,565,234	\$ (1,989,000)	\$ 235,576,234	-0.8%	\$ 244,272,234	\$ 1,100,000	\$ 245,372,234	0.5%	3.3%
3	Auxiliaries	27,823,750	(567,500)	27,256,250	-2.0%	28,223,750	(75,000)	28,148,750	-0.3%	1.2%
4	Other	9,309,339	(15,000)	9,294,339	-0.2%	9,359,339	-	9,359,339	0.0%	0.5%
5	Funding Other Sources	1,900,000	-	1,900,000	0.0%	1,900,000	-	1,900,000	0.0%	0.0%
6	<b>Total Revenue</b>	<b>\$ 276,598,323</b>	<b>\$ (2,571,500)</b>	<b>\$ 274,026,823</b>	<b>-0.9%</b>	<b>\$ 283,755,323</b>	<b>\$ 1,025,000</b>	<b>\$ 284,780,323</b>	<b>0.4%</b>	<b>3.0%</b>
7	<b>Net Revenue Reductions</b>									
8	Financial Aid	\$ (85,138,132)	\$ 500,000	\$ (84,638,132)	-0.6%	\$ (87,820,932)	\$ (600,000)	\$ (88,420,932)	0.7%	3.9%
9	Cost of Goods Sold (Dining)	(8,701,073)	25,000	(8,676,073)	-0.3%	(8,901,073)	(250,000)	(9,151,073)	2.8%	5.2%
10	<b>Total Net Revenue Reductions</b>	<b>\$ (93,839,205.00)</b>	<b>\$ 525,000.00</b>	<b>\$ (93,839,205.00)</b>	<b>-0.6%</b>	<b>\$ (96,722,005)</b>	<b>\$ (850,000)</b>	<b>\$ (97,572,005)</b>	<b>0.9%</b>	<b>4.0%</b>
11	<b>Net Revenue</b>	<b>\$ 182,759,118</b>	<b>\$ (2,046,500)</b>	<b>\$ 180,187,618</b>	<b>-1.1%</b>	<b>\$ 187,033,318</b>	<b>\$ 175,000</b>	<b>\$ 187,208,318</b>	<b>0.1%</b>	<b>2.4%</b>
12	<b>Expenses</b>									
13	<b>Personnel Expenses</b>									
14	Faculty Salaries	\$ 41,547,385	\$ (50,000)	\$ 41,497,385	-0.1%	\$ 42,709,314	\$ 150,000	\$ 42,859,314	0.4%	3.2%
15	Non-Faculty Salaries	52,322,388	(75,000)	52,247,388	-0.1%	53,892,388	-	53,892,388	0.0%	3.0%
16	Benefits (Including Employee Waivers)	28,918,084	(20,000)	28,898,084	-0.1%	29,621,084	25,000	29,646,084	0.1%	2.5%
17	<b>Total Personnel Expenses</b>	<b>\$ 122,787,857</b>	<b>\$ (145,000)</b>	<b>\$ 122,642,857</b>	<b>-0.1%</b>	<b>\$ 126,222,786</b>	<b>\$ 175,000</b>	<b>\$ 126,397,786</b>	<b>0.1%</b>	<b>2.9%</b>
18	<b>Other Expenses</b>									
19	Other Operating Expenses	\$ 26,069,558	\$ (25,000)	\$ 26,044,558	-0.1%	\$ 26,169,558	\$ -	\$ 26,169,558	0.0%	0.4%
20	Travel	5,089,028	(25,000)	5,064,028	-0.5%	5,089,028	-	5,089,028	0.0%	0.0%
21	Utilities	4,601,556	-	4,601,556	0.0%	4,701,556	-	4,701,556	0.0%	2.2%
22	Capital	4,060,982	-	4,060,982	0.0%	4,060,982	-	4,060,982	0.0%	0.0%
23	Debt Service (Principal & Interest)	12,906,539	-	12,906,539	0.0%	13,156,539	-	13,156,539	0.0%	1.9%
24	Facility Renewal & Replacement	2,528,750	-	2,528,750	0.0%	2,678,750	-	2,678,750	0.0%	5.9%
25	Technology Renewal & Replacement	937,637	-	937,637	0.0%	1,087,637	-	1,087,637	0.0%	16.0%
26	Reserve-Underwater Endowment	300,000	-	300,000	0.0%	300,000	-	300,000	0.0%	0.0%
27	Internal Debt	812,460	(300,000)	512,460	-36.9%	812,460	-	812,460	0.0%	0.0%
28	Contingency	2,664,751	(500,000)	2,164,751	-18.8%	2,754,022	-	2,754,022	0.0%	3.4%
29	Base Reductions	-	-	-	0.0%	-	-	-	0.0%	0.0%
30	<b>Total Other Expenses</b>	<b>\$ 59,971,261</b>	<b>\$ (850,000)</b>	<b>\$ 59,121,261</b>	<b>-1.4%</b>	<b>\$ 60,810,532</b>	<b>\$ -</b>	<b>\$ 60,810,532</b>	<b>0.0%</b>	<b>1.4%</b>
31	<b>Total Personnel and Other Expenses</b>	<b>\$ 182,759,118</b>	<b>\$ (995,000)</b>	<b>\$ 181,764,118</b>	<b>-0.5%</b>	<b>\$ 187,033,318</b>	<b>\$ 175,000</b>	<b>\$ 187,208,318</b>	<b>0.1%</b>	<b>2.4%</b>
32	<b>Balance-Favorable (Unfavorable)</b>	<b>\$ -</b>	<b>\$ (1,051,500)</b>	<b>\$ (1,576,500)</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
33	Strategic Funding	-	-	-		-	-	-	0.0%	0.0%
34	<b>Balance-Favorable (Unfavorable) including line 33</b>	<b>\$ -</b>	<b>\$ (1,051,500)</b>	<b>\$ (1,576,500)</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		

35	Undergraduate Assumptions	FY2017 Base	FY2017 Flexible Changes	FY2017 Flexible Budget
36	Freshman Headcount Budget	1,150	(50)	1,100
37	Discount Rate	46.00%	1.00%	47.00%
38	Undergraduate Tuition Increase	4.00%	4.00%	4.00%
39	Housing Increase	2.00%	2.00%	2.00%
40	Dining Increase	2.00%	2.00%	2.00%
41	Total Tuition, Room & Board and Fees	\$ 49,830	\$ -	\$ 49,830
42	Increase	\$ 1,710	\$ -	\$ 1,710
43	% Increase	3.55%	3.55%	3.55%

FY2018	FY2018 Proposed Changes	FY2018 Base Budget
1,150	15	1,165
46.00%	1.00%	47.00%
4.00%	0.25%	4.25%
2.00%	0.50%	2.50%
2.00%	0.50%	2.50%
\$ 51,700	\$ 60	\$ 51,760
\$ 1,870	\$ 60	\$ 1,930
3.75%	0.12%	3.87%

### Notes:

- The information presented here is for illustrative purposes only

# Example: Rolling Budget

## GONZAGA UNIVERSITY FY2018 AND FY2019 DRAFT PRO-FORMA BUDGET FOR DISCUSSION PURPOSES ONLY

		FY2017 Adjusted Base Budget	FY2018 Planning Changes	FY2018 Proposed Budget	FY2019 Planning Changes	FY2019 Proposed Budget	% Change From FY2017 to FY2018	% Change From FY2018 to FY2019	% of FY2017 Base Budget	% of FY2018 Proposed Budget	% of FY2019 Proposed Budget
1	<b>Revenue</b>										
2	Tuition and Fees	\$ 237,565,234	\$ 7,807,000	\$ 245,372,234	\$ 7,361,000	\$ 252,733,234	3.3%	3.0%	85.9%	86.2%	86.4%
3	Auxiliaries	27,823,750	325,000	28,148,750	350,000	28,498,750	1.2%	1.2%	10.1%	9.9%	9.7%
4	Other	9,309,339	50,000	9,359,339	40,000	9,399,339	0.5%	0.4%	3.4%	3.3%	3.2%
5	Funding Other Sources	1,900,000	-	1,900,000	-	1,900,000	0.0%	0.0%	0.7%	0.7%	0.6%
6	<b>Total Revenue</b>	<b>\$ 276,598,323</b>	<b>\$ 8,182,000</b>	<b>\$ 284,780,323</b>	<b>\$ 7,751,000</b>	<b>\$ 292,531,323</b>	<b>3.0%</b>	<b>2.7%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
7	<b>Net Revenue Reductions</b>										
8	Financial Aid	\$ (85,138,132)	\$ (3,282,800)	\$ (88,420,932)	\$ (2,944,400)	\$ (91,365,332)	3.9%	3.3%	30.8%	31.0%	31.2%
9	Cost of Goods Sold (Dining)	(8,701,073)	(450,000)	(9,151,073)	(150,000)	(9,301,073)	5.2%	1.6%	3.1%	3.2%	3.2%
10	<b>Total Net Revenue Reductions</b>	<b>(93,839,205)</b>	<b>(3,732,800)</b>	<b>(97,572,005)</b>	<b>(3,094,400)</b>	<b>(100,666,405)</b>	<b>4.0%</b>	<b>3.2%</b>	<b>33.9%</b>	<b>34.3%</b>	<b>34.4%</b>
11	<b>Net Revenue</b>	<b>\$ 182,759,118</b>	<b>\$ 4,449,200</b>	<b>\$ 187,208,318</b>	<b>\$ 4,656,600</b>	<b>\$ 191,864,918</b>	<b>2.4%</b>	<b>2.5%</b>	<b>66.1%</b>	<b>65.7%</b>	<b>65.6%</b>
12	<b>Expenses</b>										
13	<b>Personnel Expenses</b>										
14	Faculty Salaries	\$ 41,547,385	\$ 1,311,929	\$ 42,859,314	\$ 1,286,000	\$ 44,145,314	3.2%	3.0%	15.0%	15.0%	15.1%
15	Non-Faculty Salaries	52,322,388	1,570,000	53,892,388	1,617,000	55,509,388	3.0%	3.0%	18.9%	18.9%	19.0%
16	Benefits (Including Employee Waivers)	28,918,084	728,000	29,646,084	755,000	30,401,084	2.5%	2.5%	10.5%	10.4%	10.4%
17	<b>Total Personnel Expenses</b>	<b>\$ 122,787,857</b>	<b>\$ 3,609,929</b>	<b>\$ 126,397,786</b>	<b>\$ 3,658,000</b>	<b>\$ 130,055,786</b>	<b>2.9%</b>	<b>2.9%</b>	<b>44.4%</b>	<b>44.4%</b>	<b>44.5%</b>
18	<b>Other Expenses</b>										
19	Other Operating Expenses	\$ 26,069,558	\$ 100,000	\$ 26,169,558	\$ 200,000	\$ 26,369,558	0.4%	0.8%	9.4%	9.2%	9.0%
20	Travel	5,089,028	-	5,089,028	-	5,089,028	0.0%	0.0%	1.8%	1.8%	1.7%
21	Utilities	4,601,556	100,000	4,701,556	75,000	4,776,556	2.2%	1.6%	1.7%	1.7%	1.6%
22	Capital	4,060,982	-	4,060,982	-	4,060,982	0.0%	0.0%	1.5%	1.4%	1.4%
23	Debt Service (Principal & Interest)	12,906,539	250,000	13,156,539	250,000	13,406,539	1.9%	1.9%	4.7%	4.6%	4.6%
24	Facility Renewal & Replacement	2,528,750	150,000	2,678,750	100,000	2,778,750	5.9%	3.7%	0.9%	0.9%	0.9%
25	Technology Renewal & Replacement	937,637	150,000	1,087,637	200,000	1,287,637	16.0%	18.4%	0.3%	0.4%	0.4%
26	Reserve-Underwater Endowment	300,000	-	300,000	-	300,000	0.0%	0.0%	0.1%	0.1%	0.1%
27	Internal Debt	812,460	-	812,460	-	812,460	0.0%	0.0%	0.3%	0.3%	0.3%
28	Contingency	2,664,751	89,271	2,754,022	-	2,754,022	3.4%	0.0%	1.0%	1.0%	0.9%
29	Base Reductions	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
30	<b>Total Other Expenses</b>	<b>\$ 59,971,261</b>	<b>\$ 839,271</b>	<b>\$ 60,810,532</b>	<b>\$ 825,000</b>	<b>\$ 61,635,532</b>	<b>1.4%</b>	<b>0.0%</b>	<b>21.7%</b>	<b>21.4%</b>	<b>21.1%</b>
31	<b>Total Personnel and Other Expenses</b>	<b>\$ 182,759,118</b>	<b>\$ 4,449,200</b>	<b>\$ 187,208,318</b>	<b>\$ 4,483,000</b>	<b>\$ 191,691,318</b>	<b>2.4%</b>	<b>0.0%</b>	<b>66.1%</b>	<b>65.7%</b>	<b>65.6%</b>
32	<b>Balance-Favorable (Unfavorable)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 173,600</b>	<b>\$ 173,600</b>					
33	Strategic Funding	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
34	<b>Balance-Favorable (Unfavorable) including line 33</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 173,600</b>	<b>\$ 173,600</b>					

35	Undergraduate Assumptions	FY2017	FY2018	FY2019
36	Freshman Headcount Budget	1,150	1,165	1,150
37	Discount Rate	46.00%	47.00%	46.00%
38	Undergraduate Tuition Increase	4.00%	4.25%	3.50%
39	Housing Increase	2.00%	2.50%	2.00%
40	Dining Increase	2.00%	2.50%	2.00%
41	Total Tuition, Room & Board and Fees	\$ 49,830	\$ 51,760	\$ 53,460
42	Increase From Prior Fiscal Year	\$ 1,710	\$ 1,930	\$ 1,700
43	% Increase	3.55%	0	3.28%

### Notes:

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