

LONGWOOD UNIVERSITY



OPERATING BUDGET AND PLAN FY 2014 – 2015

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BUDGET SUMMARY

This section provides an overview of the University's 2014-2015 operating budget. Detailed budget information is provided in the supporting tables. Highlights of the proposed plan are presented below.

- The budget is based on assumptions related to enrollment projections, revenue calculations and expenditure estimates. Revenue calculations are based on the actual FY14 credit hours.
- E&G undesignated funds totaling \$235,681 are included in the budget assumptions.
- The budget contributes approximately \$3.0 million to fund balances in the Auxiliary Service programs. This fund balance contribution continues a long range planning strategy for the use of these resources to accomplish future initiatives in the Auxiliary area.
- Tuition and fees as approved for full-time Virginia undergraduates will increase by an average of \$240, a 2.12 percent increase. Tuition for Virginia undergraduates was increased by \$480, based on a thirty-credit-hour schedule. Tuition rates for in-state graduate, out-of-state undergraduate and out-of-state graduate students were increased to \$310, \$667 and \$858 per credit hour, respectively. In compliance with guidance set forth by the Governor and the General Assembly, auxiliary student fees and room and board charges may be increased to cover changes in inflationary costs, debt service expenses, and costs associated with base salary and benefit increases. Auxiliary fees have actually been decreased by \$240.
- The projected revenue budget for FY 2015 is \$115,451,040, which excludes \$4,547,842 in state appropriation for student financial assistance. The proposed expenditure budget for the total University is \$112,445,448. The budget reflects \$3,005,592 in planned contributions to auxiliary fund balances.
- The budget consists of two major components: the Educational and General Programs budget and the Auxiliary Services budget.
- The Educational and General Programs budget, which includes both general and nongeneral funding sources, is composed primarily of expenditures and revenues in the Instructional programs, as well as Sponsored Programs (grants and contracts). The total planned expenditures for FY 2015 are \$65,105,955.
- The faculty salary pool reflects a \$538,353 increase to fund new faculty positions. In addition, Longwood will contribute \$31,500 in FY 2015 to fund faculty promotions.

- The second major component of the University's total budget is Auxiliary Services, which includes activities such as student housing, dining services, parking and athletics. The proposed Auxiliary Services budget for 2014-2015 is \$47,339,493. A total of \$2,209,557 will be held in reserve for proposed debt service costs associated with the new University Center facility and residence hall renovations.

2014-2015 ACTIONS OF THE GENERAL ASSEMBLY

At the time of preparation of this Operating Plan, the General Assembly had not yet adopted a budget for the biennium that begins July 1, 2014, and ends June 30, 2016. Additionally, by June 12, 2014, a budget had been passed, but Governor McAuliffe had yet to take action on it.

In an effort to prepare as accurate a budget as practical, given the budget uncertainties, this Operating Plan assumes General Fund support equivalent to funding provided in the Governor's December 2013 Budget Bill. The Budget Bill included:

- \$95,683 in FY 2015 and \$191,366 in FY 2016 in General Funds to hire additional student advisors to increase retention and graduation rates
- \$731,143 each year in General Funds to support the institution's approved six-year plan, consistent with the objectives of the Higher Education Opportunity Act of 2011
- Required reallocations of 2% each year (estimated at \$472,365) for strategies that serve to advance the objectives of the Higher Education Opportunity Act of 2011
- \$365,000 increase in undergraduate financial assistance
- \$599,263 in Equipment Trust Fund support
- Contingent bonus up to 2-3%, depending on employees' performance evaluation for full-time state employees, including faculty, on December 1, 2014

2014-2015 EDUCATIONAL AND GENERAL PROGRAM PRIORITIES

The University's 2014-2015 Educational and General budget is based on the academic and personnel priorities of the University. After carefully examining the revenue projection for FY 2015, funds were allocated for strategic initiatives and fixed costs increases. The recommended expenditures include funds for the following:

• Nongeneral Fund Portion of Benefit Increases	\$ 677,771
• New Faculty Positions (7)	\$ 538,353
• Fixed Costs (Maintenance Contracts, Fuel)	\$ 404,629
• Estimated Nongeneral Fund Portion of One-Time Bonus	\$ 384,618*
• Full Year Cost of December Salary Increase	\$ 269,762
• Virginia Logistics Research Center	\$ 250,000
• President's Contingency	\$ 235,681
• Office of Student Research	\$ 196,000
• Student Success	\$ 95,683*
• Honor Grants	\$ 80,000
• FY15 Faculty Promotions	\$ 31,500

*Contingent upon provisions of final state budget

2014-2015 AUXILIARY SERVICES PROGRAM PRIORITIES

The University's 2014-2015 Auxiliary Services budget is based on the program priorities listed below. The budget reflects a total addition of \$3.0 million to fund balances in the next fiscal year. These reserves are provided within the auxiliary budget to accomplish the program initiatives for 2014-2015, and to continue a long-range reserve balance plan. The Board approved housing and dining rate increases on December 6, 2013. Undergraduate and Graduate comprehensive fees were approved March 29, and June 3, 2014 respectively.

Auxiliary Indirect Cost Rate

The Auxiliary Services operations are charged an indirect cost recovery rate for services provided by educational and general operations (such as payroll processing, purchasing, billing services and facilities administration). The auxiliary cost study is submitted to SCHEV prior to the beginning of each biennium. The indirect cost rate for the 2014-2016 biennium is 14.35 percent. This is a 1.52 percent decrease from the prior biennium.

Housing

Housing revenue will continue to provide funds for maintenance reserve projects in the residence halls, and will provide a reserve of \$581,391 for future debt service for major repair and renovation to the facilities.

Dining

Funds are provided for a contribution to fund balances that will be used to accomplish future initiatives including maintenance and repairs on the dining hall facility. In FY 2015, the projected fund balance contribution is \$645,055.

Athletics

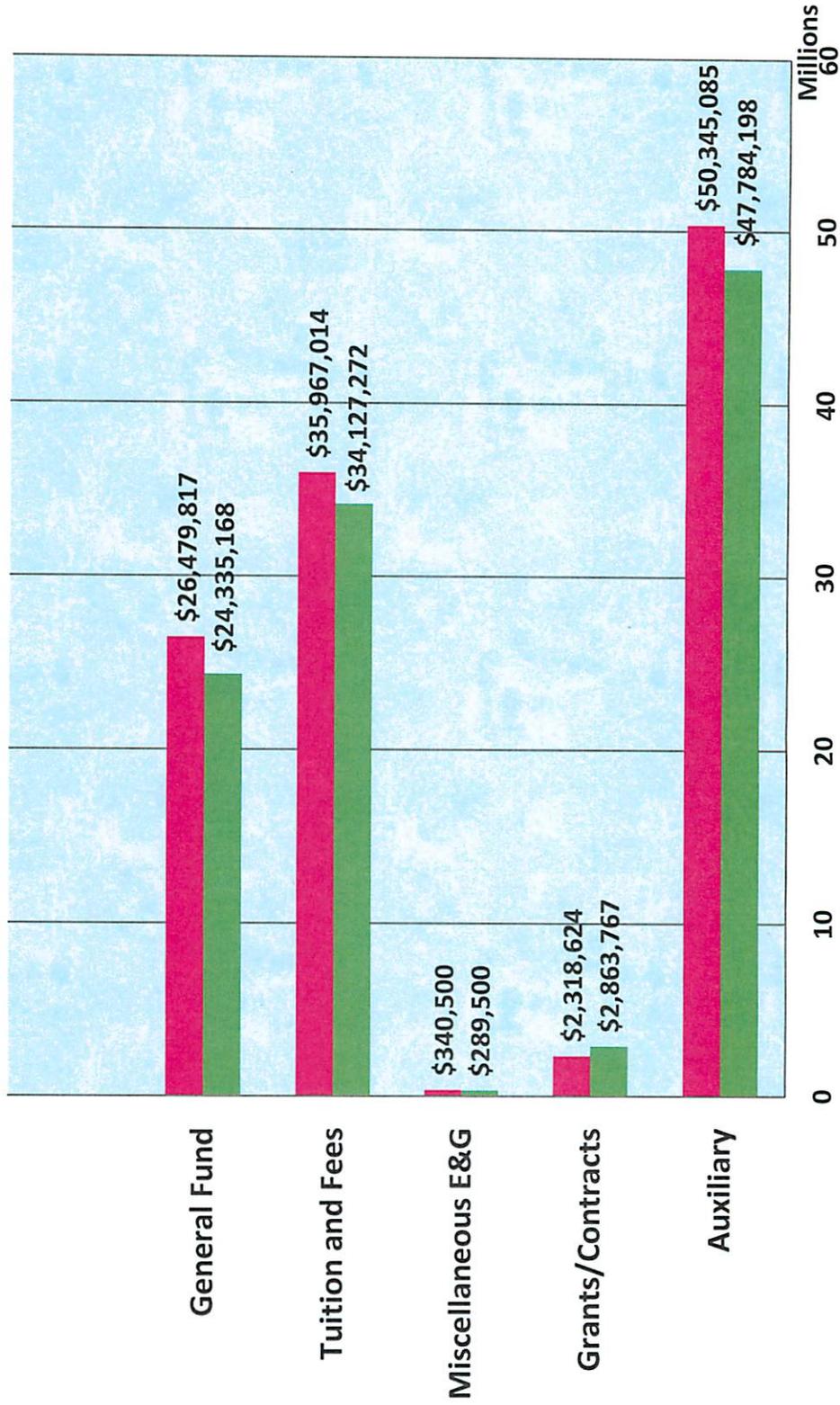
In an effort to lower the comprehensive fee attributed to athletics, athletic scholarships totaling \$161,819 have been transferred to the Longwood Foundation. This transfer has been offset with an increase in general auxiliary scholarship funding.

Comprehensive Fee Budgets

The comprehensive fee is used to support many auxiliary programs and services, including: intercollegiate athletics, recreation and intramural programs, the student union, student health and wellness services, the Farmville Area Bus services, debt service, and repair and maintenance on nongeneral fund supported facilities.

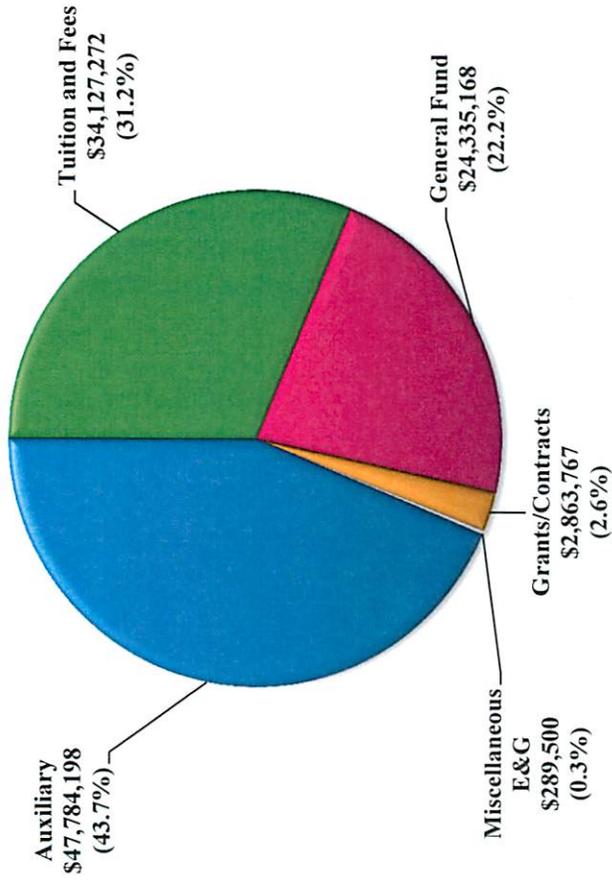
Comprehensive fee revenue will also provide funds for future debt service and contributions to fund balances that will be used to accomplish future initiatives. FY 2015 planned contributions total \$1,669,146. These reserves include \$1,628,166 for debt service and operating costs associated with the new university center facility.

Total Revenue

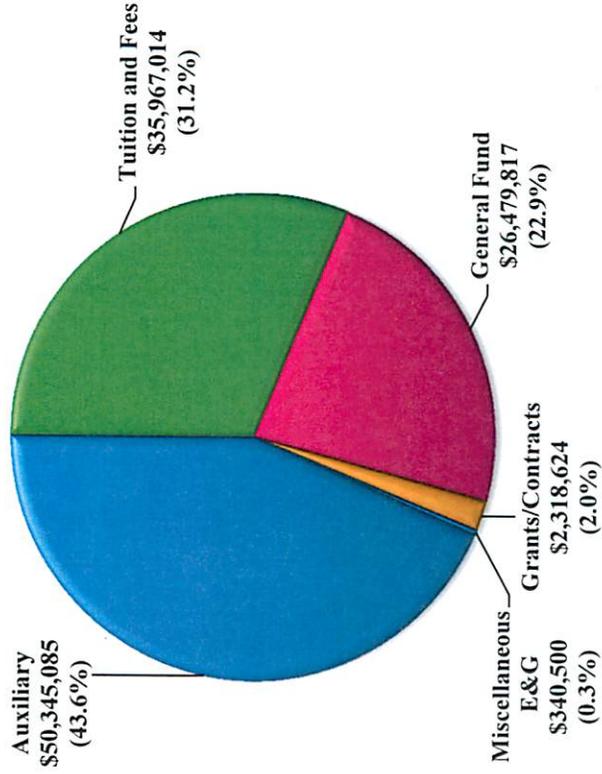


■ 2014-15 Revenue: \$115,451,040
■ 2013-14 Revenue: \$109,399,905

Total Revenue Comparison By Category

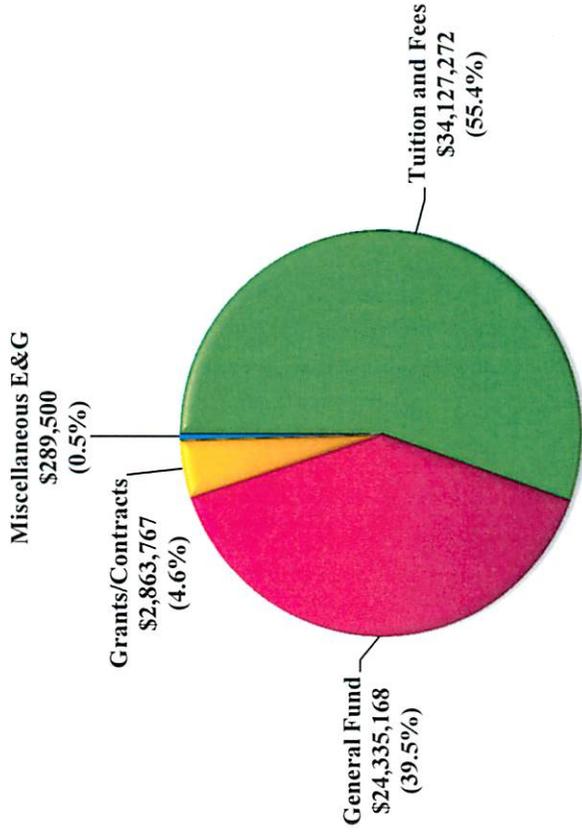


2013-14 Total Revenue: \$109,399,905

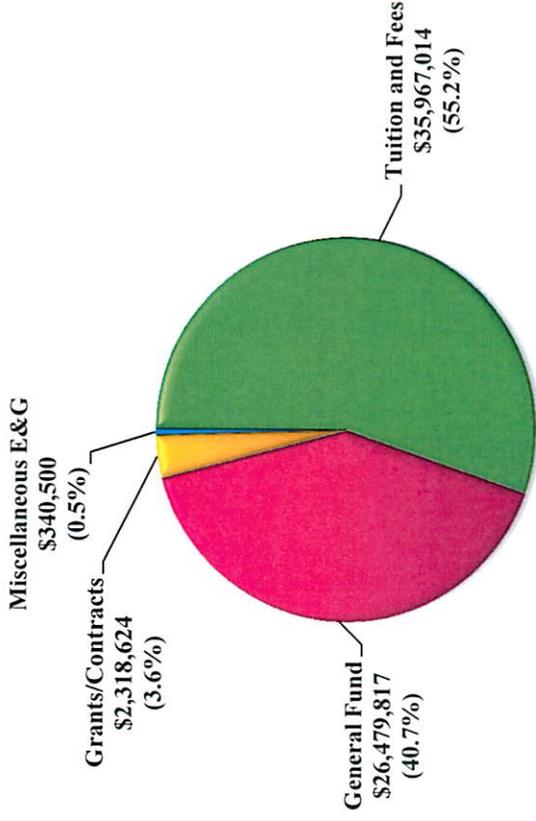


2014-15 Total Revenue: \$115,451,040

E&G Revenue Comparison By Category

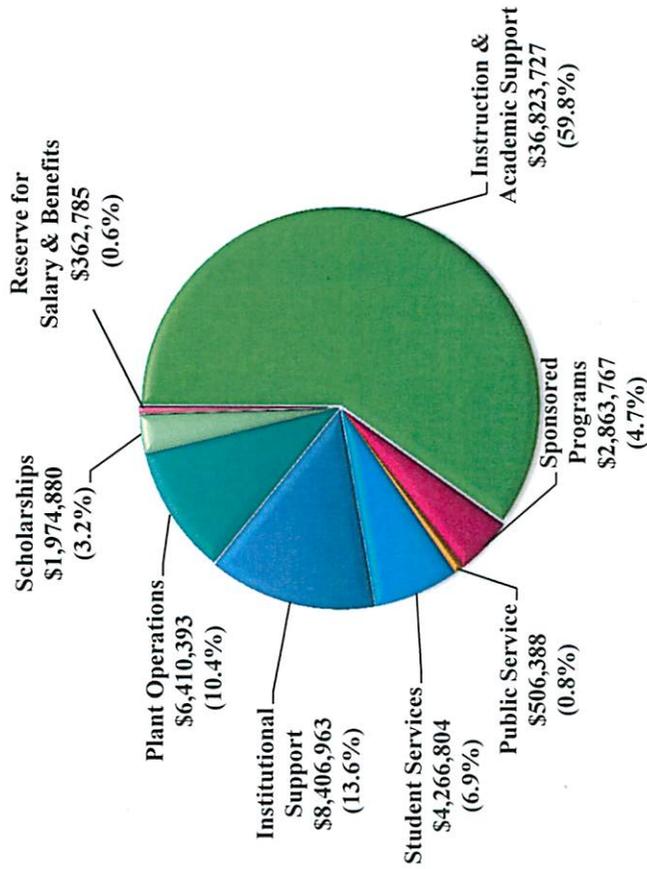


2013-14 E&G Revenue: \$61,615,707

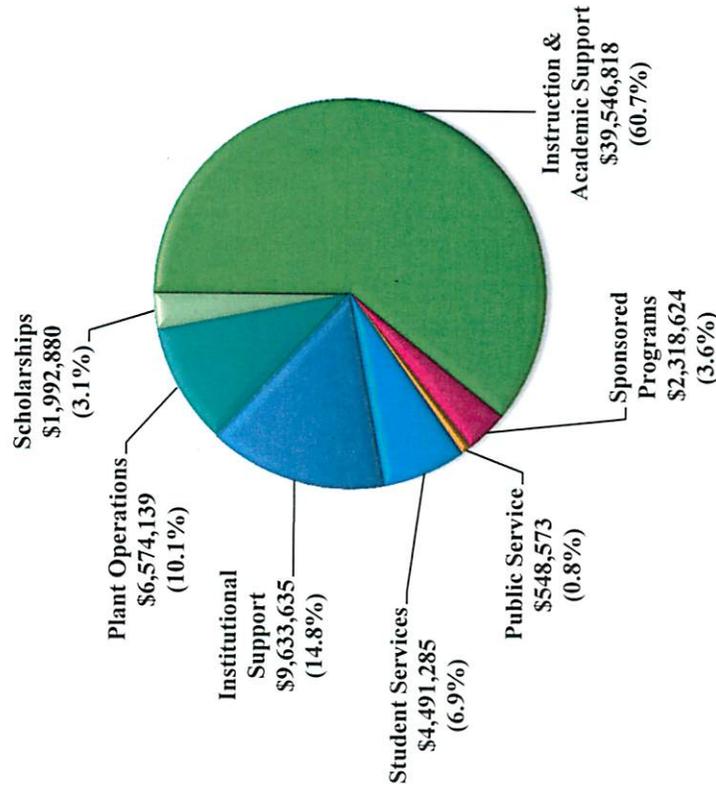


2014-15 E&G Revenue: \$65,105,955

E&G Expenditure Comparison By Category

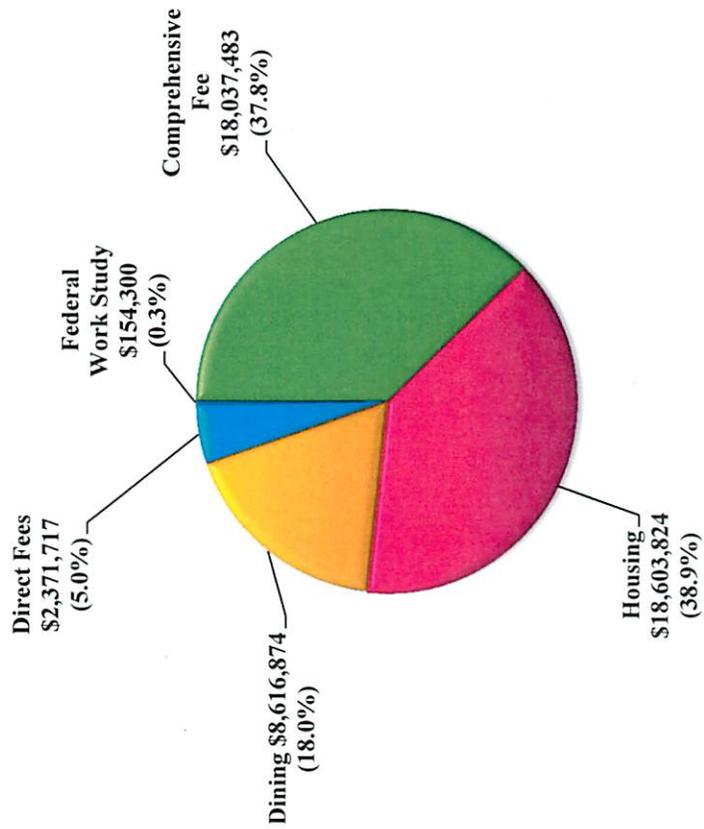


2013-14 E&G Expenditures: \$61,615,707

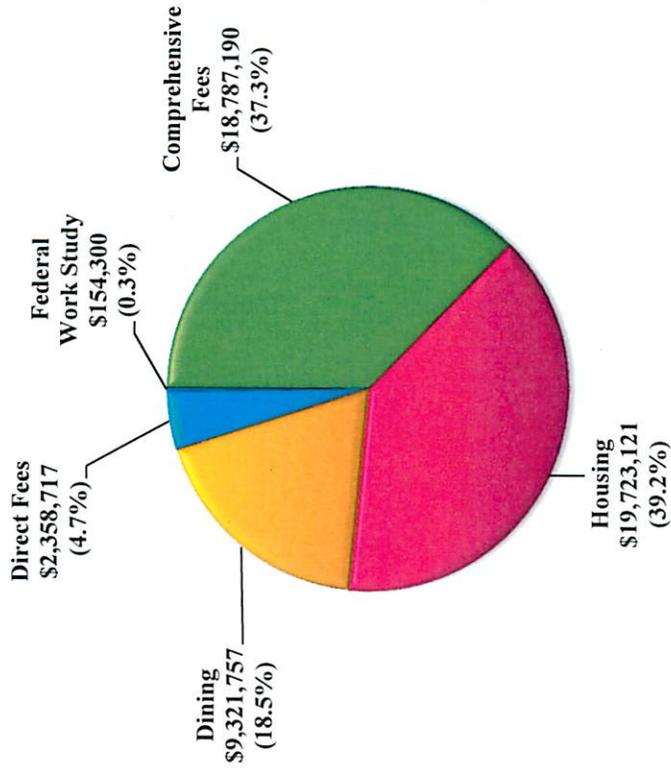


2014-15 E&G Expenditures: \$65,105,955

Auxiliary Services Revenue Comparison By Category

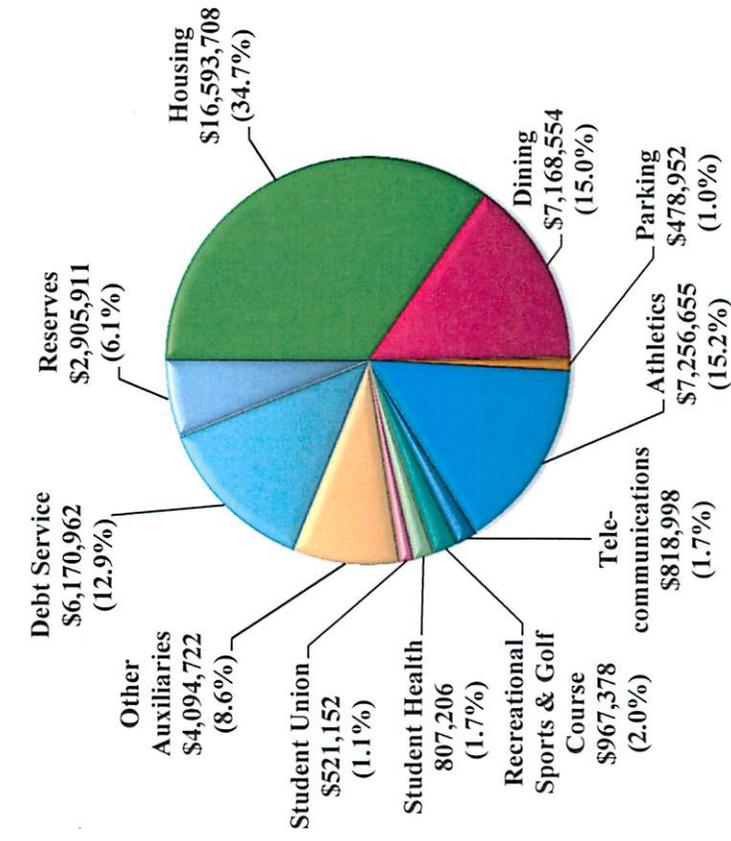


2013-14 Auxiliary Revenue: \$47,784,198

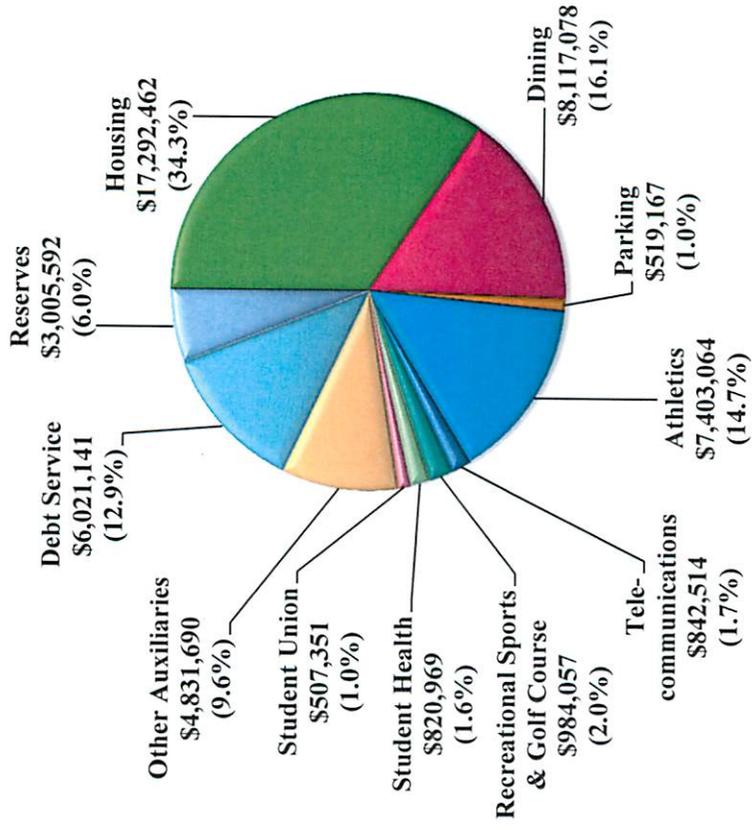


2014-15 Auxiliary Revenue: \$50,345,085

Auxiliary Services Expenditure Comparison By Category



2013-14 Auxiliary Expenditures: \$47,784,198



2014-15 Auxiliary Expenditures: \$50,345,085

**TABLE 1
REVENUE SUMMARY**

	Operating Data	
	Budget 2013-2014	Proposed 2014-2015
EDUCATIONAL AND GENERAL		
Tuition and Fees	34,127,272	35,967,014
Commonwealth Appropriations *	24,335,168	26,479,817
Federal Grants and Contracts	1,951,412	1,037,699
State/Local/Private Grants and Contracts	912,355	1,280,925
Other Sources	289,500	340,500
Total Educational and General	61,615,707	65,105,955
AUXILIARY ENTERPRISES		
Total Auxiliary Enterprises	47,784,198	50,345,085
INSTITUTIONAL TOTAL	109,399,905	115,451,040

*Appropriation excludes Higher Education Student Financial Assistance of \$4,182,842 in FY 2014 and \$4,547,842 in FY 2015. FY 2015 appropriation includes \$675,438 for estimated General Fund portion of benefit cost increases.

**TABLE 2
EXPENDITURE SUMMARY**

	Budget 2013-2014	Proposed 2014-2015
EDUCATION AND GENERAL		
Instruction	28,564,080	31,000,671
Sponsored Programs	2,863,767	2,318,624
Public Service	506,388	548,573
Academic Support	8,259,647	8,546,147
Student Services	4,266,804	4,491,285
Institutional Support	8,406,963	9,633,635
Plant Operation & Maintenance	6,410,393	6,574,139
Scholarships & Fellowships*	1,974,880	1,992,880
Reserve for Salary & Benefit Increases**	362,785	0
Total E&G Expenditures	61,615,707	65,105,955
AUXILIARY ENTERPRISES		
Expenditures	38,707,325	41,318,352
Transfers		
Debt Service (Mandatory)	6,170,962	6,021,141
Non-Mandatory		
Total Auxiliary Enterprises	44,878,287	47,339,493
INSTITUTIONAL TOTAL	106,493,994	112,445,448

*FY 2014 and FY 2015 exclude \$4,182,842 and \$4,547,842 respectively in Higher Education Financial Assistance from State Appropriations

** The first priority for revenue in excess of budget will be performance-based compensation increases.

TABLE 3
SUMMARY OF AUXILIARY SERVICES
INCOME AND EXPENDITURES

	Budget 2013-14	Proposed 2014-15
RESIDENCE HALLS		
Direct Income	117,800	117,800
Income (Room Fees)	18,558,324	19,677,621
Expense	16,593,708	17,292,462
Debt Service (Mandatory)	1,803,713	1,733,691
Non-Mandatory Transfers	0	(187,877)
Net (Contribution to Fund Balance)	<u>278,703</u>	<u>581,391</u>
FOOD SERVICES		
Direct Sales	125,000	125,000
Income (Meal Plans)	8,561,874	9,266,757
Expense	7,168,554	8,117,078
Debt Service (Mandatory)	696,437	629,624
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>821,883</u>	<u>645,055</u>
BOOKSTORE		
Income (Sales and Contracts)	375,000	375,000
Expense	255,000	265,000
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>120,000</u>	<u>110,000</u>
ATHLETICS		
Income (Direct Sales and Services)	249,880	254,880
Student Fees	8,072,157	8,208,122
Expense	7,256,655	7,403,064
Debt Service (Mandatory)	1,065,382	1,059,938
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>0</u>	<u>0</u>
PARKING AND TRANSPORTATION		
Income (Direct Sales and Services)	650,000	618,000
Student Fees	163,273	236,926
Expense	478,952	519,167
Debt Service (Mandatory)	334,321	335,759
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>0</u>	<u>0</u>
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**TABLE 3
SUMMARY OF AUXILIARY SERVICES
INCOME AND EXPENDITURES**

	Budget 2013-14	Proposed 2014-15
TELECOM SYSTEMS		
Income (Direct Sales and Services)	16,000	11,000
Student Fees	802,998	831,514
Expense	818,998	842,514
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>0</u>	<u>0</u>
STUDENT HEALTH		
Income (Direct Sales and Services)	5,500	5,500
Student Fees	801,706	815,469
Expense	807,206	820,969
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>0</u>	<u>0</u>
STUDENT UNION		
Income (Direct Sales and Services)	5,000	4,000
Student Fees	608,070	598,489
Expense	521,152	507,351
Debt Service (Mandatory)	91,918	95,138
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>0</u>	<u>0</u>
RECREATION AND INTRAMURALS		
Income (Direct Sales and Services)	36,000	36,000
Student Fees	1,854,594	1,849,401
Expense	697,259	708,054
Debt Service (Mandatory)	1,193,335	1,177,347
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>0</u>	<u>0</u>
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TABLE 3
SUMMARY OF AUXILIARY SERVICES
INCOME AND EXPENDITURES

	Budget 2013-14	Proposed 2014-15
GOLF COURSE		
Income (Direct Sales and Services)	100,000	100,000
Student Fees	170,119	176,003
Expense	270,119	276,003
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>0</u>	<u>0</u>
CONFERENCES		
Income (Direct Sales and Services)	350,000	350,000
Student Fees	0	0
Expense	292,841	309,020
Debt Service (Mandatory)	0	0
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>57,159</u>	<u>40,980</u>
OTHER AUXILIARY		
Income (Direct Sales and Services)	596,337	616,337
Student Fees	5,564,566	6,071,266
Expense	3,546,881	4,257,670
Debt Service (Mandatory)	985,856	989,644
Non-Mandatory Transfers	0	187,877
Net (Contribution to Fund Balance)	<u>1,628,166</u>	<u>1,628,166</u>
TOTAL AUXILIARY ENTERPRISES		
Income (Direct Sales and Services)	2,626,517	2,613,517
Student Fees	45,157,681	47,731,568
Expense	38,707,325	41,318,352
Debt Service (Mandatory)	6,170,962	6,021,141
Non-Mandatory Transfers	0	0
Net (Contribution to Fund Balance)	<u>2,905,911</u>	<u>3,005,592</u>

TABLE 4**LONGWOOD UNIVERSITY FOUNDATION
INSTITUTIONAL SUPPORT SUMMARY**

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	2014-2015
Academic Affairs	91,776
Alumni Association	2,171
College of Business and Economics	4,757
Cook Cole College of Arts and Sciences	91,074
College of Education and Human Services	1,461
English and Modern Language Department	4,522
History and Political Science Department	513
Honors	57,460
Hull Springs Farm	18,460
Longwood Center for the Visual Arts	51,816
Library	2,936
Music Department	5,330
Sociology and Anthropology Department	1,019
	333,295

Budget Allocation Ratio

Fiscal Year	2012	2013	2014	2015
Instruction and Academic Support	55.38%	57.96%	59.76%	60.74%
Public Service	0.42%	0.83%	0.82%	0.84%
Student Services	6.97%	7.22%	6.92%	6.90%
Institutional Support	18.70%	14.39%	13.64%	14.80%
Operation and Maintenance of Plant	10.76%	10.69%	10.40%	10.10%
Student Aid	2.55%	2.59%	3.21%	3.06%
Sponsored Programs	5.22%	5.42%	4.65%	3.56%
Reserve for Salaries & Benefits		0.90%	.60%	0.00%
Formula	$\frac{\text{Expenditure Budget (by function)}}{\text{Total Educational \& General Expenditure Budget}}$			

Significance of Ratio

This ratio reflects the amount of expenditures, by function, as a percentage of total educational and general expenditures and mandatory transfers.

Major shifts in the various percentages may reflect a change in funding priorities.

Longwood University's Current Status

The allocation ratios for Longwood University show shifts over the last four years. The following contributed to changes in expenditure budgets:

- ❖ Instruction and Academic Support budgets increased primarily due to an additional \$980,685 allocated to the faculty salary pool for salary adjustments, the addition of seven new faculty positions, and associated benefits.
- ❖ Public Service growth was due to the creation of the "English as a Second Language" program.
- ❖ Institutional Support increased as a result of fixed cost increases and reorganization to improve retention and graduation rates.
- ❖ In total, Student Aid funding increased over the prior year; however, it decreased as a percentage of total budget.

Instructional Budget per Student FTE

Significance of Indicator

This indicator reflects the amount of funds expended for Instruction and Academic Support per each full-time equivalent student.

A dramatic change in the ratio signals a shift in the funding priorities of the institution. A significant change also can accompany an enrollment increase or decline.

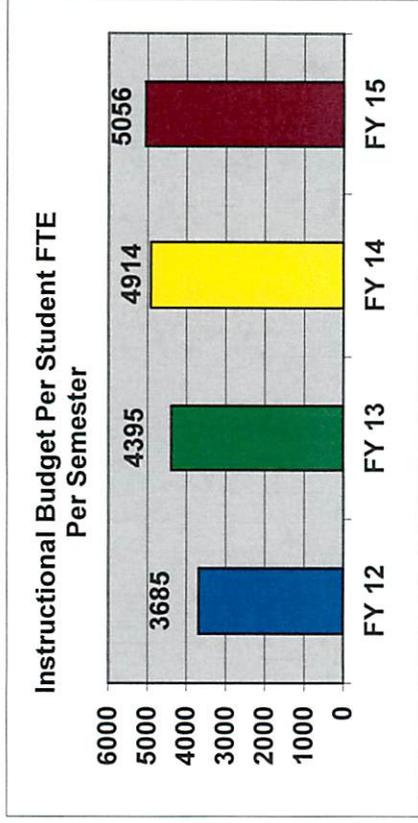
Longwood University's Current Status

In FY 2013 there was an increase of \$710. This increase is primarily due to five additional faculty positions and creation of the Virginia Logistics Research Center.

In FY 2014 an increase of \$519 is primarily the result of salary adjustments for faculty and staff, two additional faculty positions and continuation of funding for the Virginia Logistics Research Center.

In FY 2015 an increase of \$151 is primarily the result of seven additional faculty positions.

The total annual Educational & General budget per in-state FTE is \$14,296. This excludes the amount budgeted for Sponsored Programs and State Higher Education Financial Aid.



Source: SCHEV 2B Enrollment Projections – Fall and Spring Semesters (On and Off Campus)

Formula: Instruction and Academic Support Budgets
Fall and Spring Enrollment Projections

Debt Burden Ratio

Significance of Ratio

The debt burden ratio examines the University's dependence upon borrowed funds as a means of financing its mission. It compares the level of debt service with the institution's budgeted expenditures.

Formula:
$$\frac{\text{Debt Service}}{\text{Total Expenditure Budget}}$$

A level trend or a decreasing ratio over time indicates that debt service has sufficient coverage without impinging further on other functional areas. The standard for higher education is a maximum of 7 percent, meaning that current principal and interest expense should not be greater than 7 percent of the total budget.

Although the 7 percent level is an acceptable threshold, this percentage can range between 5 percent and 10 percent. The actual percentage will vary based upon the financial strength of the institution. Institutions with greater flexibility in allocating funds will be able to take on additional debt. Longwood participates in the State bond program which is based on fixed rates. Debt is not increased without budgeting an increase in funds available to pay the financial obligations.

In March 2007, the Board of Visitors approved an institutional debt ratio of up to 9 percent to facilitate the completion of nongeneral fund projects approved by the General Assembly.

Longwood University's Current Status

Longwood's Debt Service to Total Budgeted Expenditures is 5.35 percent for FY 2015. This calculation is based on scheduled debt payments for FY 2015, and total budgeted expenditures less reserves.

Longwood's actual FY 2013 debt burden ratio was 5.46 percent per audited financial statement data.

Glossary

Academic Support: Includes activities conducted to provide support services to the institution's three primary programs: instruction, research and public service. Examples include the library, deans, academic technology, academic service center and disability resources.

Appropriation: An expenditure authorization with specific limitations as to amount, purpose, and time; formal advance approval of an expenditure from designated resources available or estimated to be available.

Auxiliary Services: Activities within the University that exist to furnish goods or services directly or indirectly to students, faculty and staff. These activities charge fees directly related to, but not necessarily equal to, the cost of the service. Auxiliary services must be self-supporting.

Banner: Longwood's administrative information system that integrates Finance, Student and Human Resources modules within a single enterprise system.

Direct Sales (Auxiliary): Sales of auxiliary services, to include facility rental, bookstore income, parking decals/fines and recreation center memberships.

Educational & General (E&G): Term used to describe all operations related to the institution's educational objectives.

Full-Time Equivalent (FTE): A means for expressing part-time students or faculty as a full-time unit. The formula is generally based on credit hours. Example: An institution may define full-time as being twelve credit hours, so a student (or faculty member) taking (or teaching) three credit hours would then equal .25 FTE.

General Funds: Revenue received from the State from the collection of taxes, fees and other charges.

Grants and Contracts (Sponsored Programs): Sponsored program funds are generated through a grant or contractual agreement. Funds may be provided by state, federal, local or private entities. Sponsored program funds must be expended for the purposes outlined in the respective grant/agreement.

Indirect Costs: Fee charged to grants or contracts to pay for the use of University facilities, i.e., overhead.

Institutional Support: Activities whose primary purpose is to provide operational support for the day-to-day functioning of the institution, excluding physical plant operations. Examples include the President, Vice-Presidents, institutional research and assessment, administrative technology, public relations, financial operations, internal audit, human resources, and safety and security.

Instruction: Includes all activities that are part of the institution's instructional program, primarily all academic departmental operations.

Mandatory Transfers: Transfers arising out of (1) binding legal agreements related to the financing of the educational plant, such as amount for debt retirement, interest and required provisions for renewals and replacements of plant, not financed from other sources, and (2) grant agreements with agencies of the federal government, donors, and other organizations to match gifts and grants to loan funds and other funds.

Miscellaneous E&G Revenues: Includes non-general fund revenues derived from the sale of goods or services that are incidental to the conduct of instruction, research or public service. Examples include revenues from facility rentals, payment plan fees, administrative fees and indirect costs.

Non-General Funds: Tuition, fees, and all other funds not received from the State. This includes grants and contracts income.

Non-Mandatory Transfers: These transfers serve a variety of objectives such as moving monies generated in auxiliary enterprise fund groups to an E&G fund group or to a capital outlay fund group for use in providing project funding.

Operation and Maintenance of Plant: This category includes the operation and maintenance of the physical plant. It includes all operations established to provide services and maintenance related to campus grounds and facilities. It also includes utilities, insurance, facilities management, custodial services, sustainability and power plant operations.

Public Service: Includes all funds expended for those non-instructional services established and maintained to provide services to the general community or special sectors within the community. Community service is concerned with making available to the public various resources and unique capabilities that exist within the institution. The Longwood Small Business Development Center is included in this category.

Restructuring: Legislation that allows institutions of higher education varying levels of decentralization in the areas of procurement, personnel and capital outlay while establishing commitments and performance measures for the institutions.

Student Fees (Auxiliary): Student dining, housing and comprehensive fees.

Student Services: Those activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instruction program. Examples include academic and career advising, admissions, registration, financial aid and student success.

Tuition and Fees: Non-general funds that include all tuition and fees assessed against students for current operating purposes. Fees include application fees, registration fees, course fees and on-line fees.

