

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Overview of UW Investment and Advancement Budgets

For information only.

Attachment

Overview of UW Investment and Advancement Budgets

University of Washington

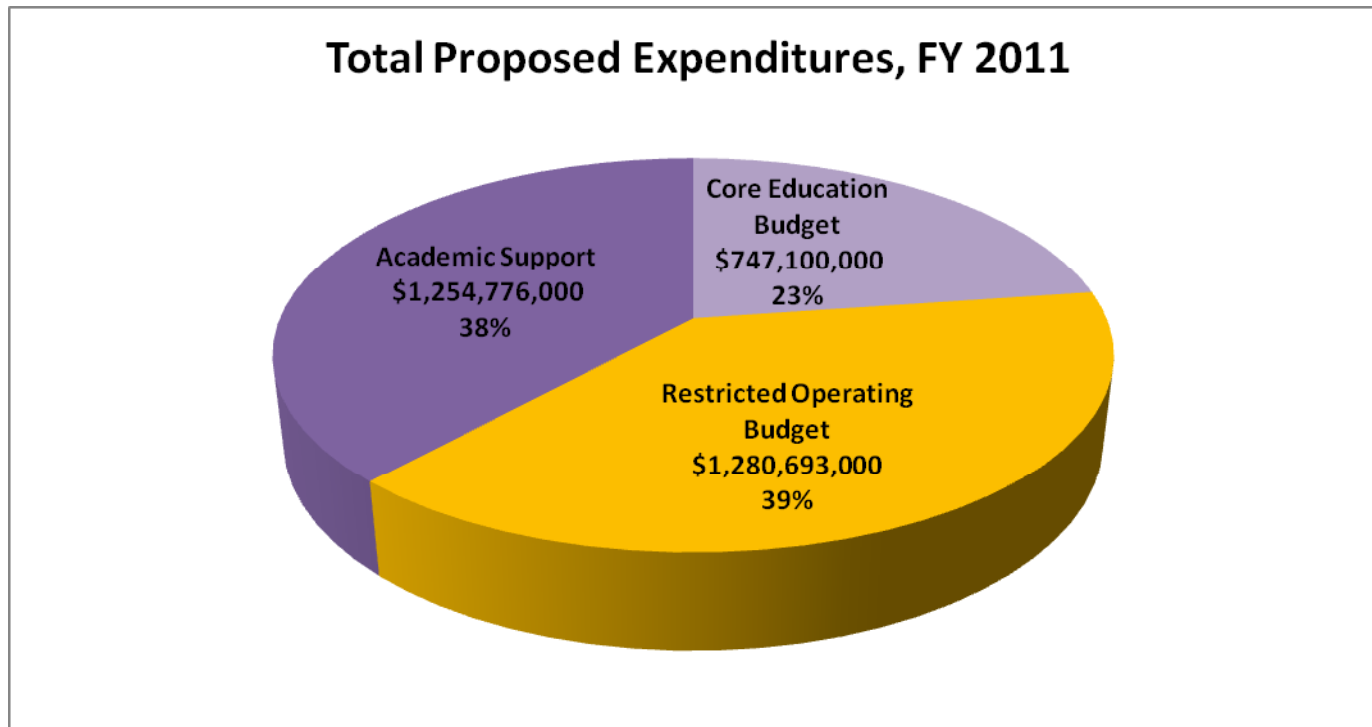


Overview of UW Investment and Advancement Budgets

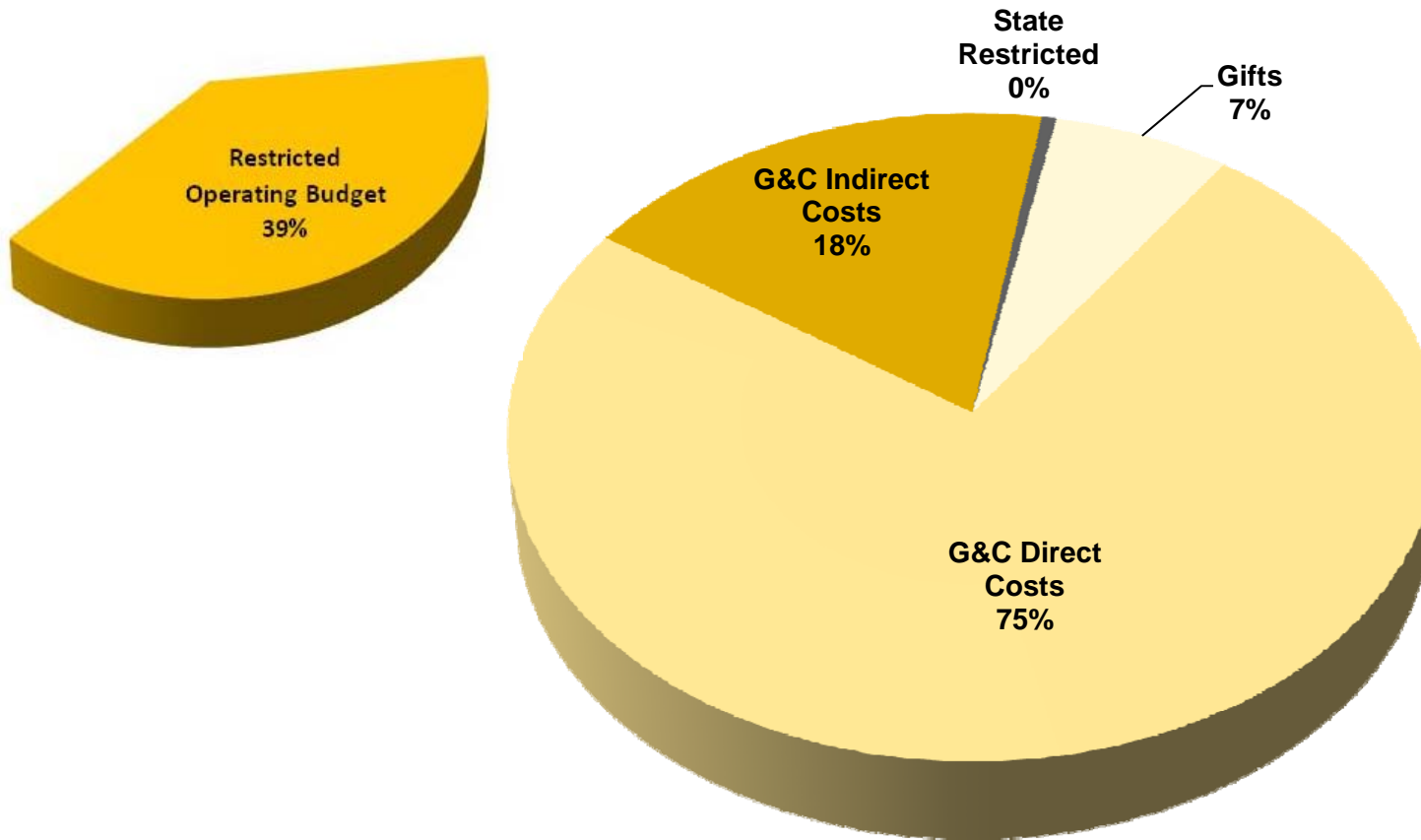
UW Board of Regents
October 21, 2010

**University of Washington
Office of Planning and Budgeting**

The UW operating budget for FY 2011 totals \$3.3 billion



UW FY 2011 Restricted Operating Budget



Provost's annual budget review



- Winter Quarter budget meetings with all deans, vice provosts and vice presidents
 - Academic trends including course reductions, student credit hour growth and distribution, class size and academic and student support services
 - Administrative efficiencies including combining and streamlining administrative support units and macro efficiency options (utilities, financial services)
 - Alternative revenue options
 - Use and management of unit carry forward funds
 - Staff size and impact of reductions
 - Confirm alignment with established policies
 - Annually approve all unit budgets

Endowment value, distribution and fees



(\$000's)	FY06	FY07	FY08	FY09	FY10
Endowment value (3/31)	\$1,706,700	\$1,947,000	\$2,100,000	\$1,515,000	\$1,897,000
Endowment Distributions*	\$69,959	\$80,695	\$94,314	\$75,475	\$59,015
Endowment Fees (100bp)	\$15,297	\$17,999	\$21,223	\$17,915	\$17,833

*In FY09 and FY10 the distribution amounts were reduced significantly based on interim action by the Board of Regents

UW Investment sources and uses FY06-FY10



(\$000's)	FY06	FY07	FY08	FY09	FY10
Revenue Sources					
Endowment Fund Fee (20 bps)	3,056	3,596	4,261	3,597	3,578
Central Funding	1,000	1,000	1,000	1,000	1,000
Reserve Interest	188	248	278	133	134
Total Revenues	\$ 4,245	\$ 4,844	\$ 5,539	\$ 4,730	\$ 4,712
Expenditures					
Staff Expenses	2,559	3,498	4,367	4,143	3,085
Non Staff Expenses	779	888	954	792	832
Total Expenditures	\$ 3,338	\$ 4,386	\$ 5,321	\$ 4,935	\$ 3,917
Net Cash Flows	\$ 906	\$ 458	\$ 218	\$ (205)	\$ 795
Reserve Balance	\$ 6,225	\$ 6,683	\$ 6,900	\$ 6,695	\$ 7,490

UW Advancement sources and uses FY06-FY10



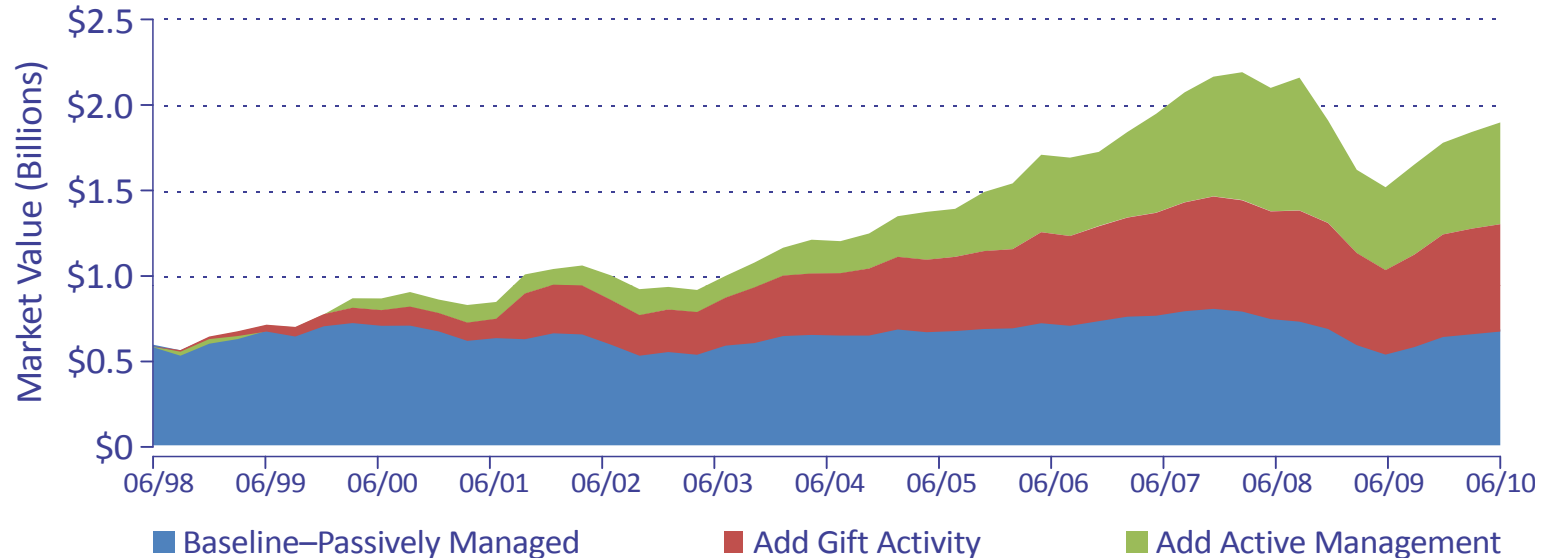
(\$000's)	FY06	FY07	FY08	FY09	FY10
Revenue Sources					
Endowment Fund Fee (80 bps)	12,241	14,402	16,961	14,318	14,255
Interest and Suspense Accounts	8,891	8,500	10,087	9,258	8,428
Institutional Support	3,788	3,728	3,846	4,173	3,729
Total Revenues	\$ 24,920	\$ 26,630	\$ 30,894	\$ 27,749	\$ 26,412
Expenditures					
Staff Expenses	14,694	15,408	18,262	18,154	16,755
Non Staff Expenses	7,706	9,095	10,273	10,672	8,598
Non-Operating Adjustments*			2,500		
Total Expenditures	\$ 22,400	\$ 24,503	\$ 31,035	\$ 28,826	\$ 25,353
Net Cash Flows	\$ 2,520	\$ 2,127	\$ (141)	\$ (1,077)	\$ 1,059
Reserve Balance	5,462	7,589	7,448	6,371	7,430
* one-time costs for move to UW Tower					
Additional Unit Investments	\$ 10,347	\$ 11,371	\$ 13,318	\$ 14,667	\$ 11,715

UW Investment and Advancement reserve policies



- **Investment**
 - \$1m temporary annual funding ended in FY10. Reserve will provide transition funding as Investments becomes self-sustaining.
 - Reserve is also necessary to mitigate volatile markets and provide funds for staff retention and recruiting.
- **Advancement**
 - Minimum of three month operating expenditures as hedge against market volatility

UW Investment recent activities



- Blue area assumptions: passive management, 25% of actual gifts, no administrative fees, \$.7 bn ending CEF market value
- Red area assumptions: passive management, 100% of actual gift activity, 80 bp administrative fee to Advancement, \$1.3 bn CEF ending market value
- Green area assumptions: active management, 100% of actual gift activity, 80 bp administrative fee to Advancement, 20 bp administrative fee to Investments, \$1.8 bn CEF ending market value

UW Advancement recent activities



<i>(\$000's)</i>	FY06	FY07	FY08	FY09	FY10
New Endowment Gifts	121,785	71,888	80,586	53,677	39,689
New Current Use Gifts	201,961	231,002	224,373	270,401	246,940
Total	323,746	302,890	304,959	324,078	286,629

- UW total advancement budget (central and units) is less than peers such as UCLA , Michigan, Texas and Ohio State
- National not-for-profit five year average of cost per dollar raised is \$.20
- UW five year average of cost per dollar raised is \$.115
- UW five year average of total gifts raised is third among public research universities and 13th among public and private research universities

Benchmark data: Gift and Endowment Fees



- Association of American Universities (AAU) 2009 survey
 - 21 universities responded
 - 7 universities have a gift fee
 - 1% to 10% of all new gifts
 - Several different rates depending on size of gift. In general gift fee averages to 5%
 - 19 have an endowment fee
 - 47bp to 187bp
 - Average is 94bp