



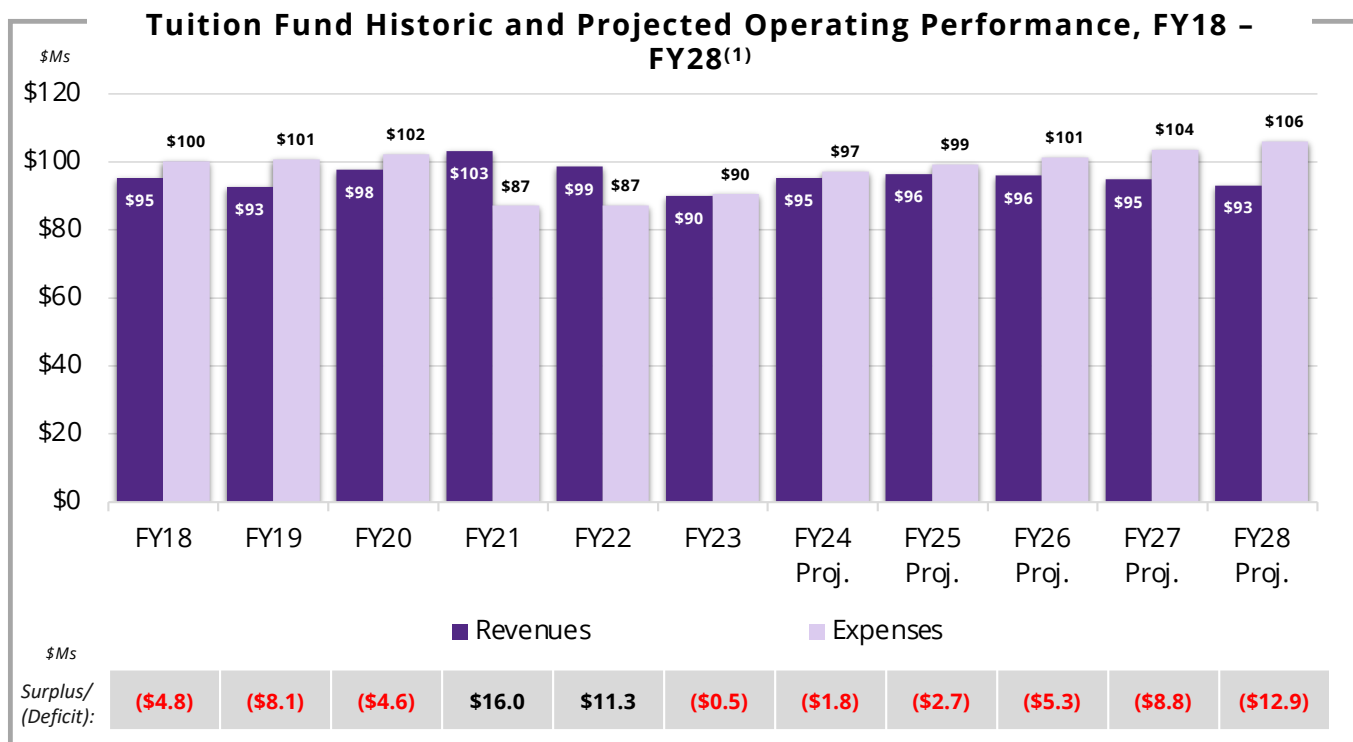
University of Wisconsin-Whitewater



University of Wisconsin
Whitewater

“Status Quo” Baseline Financial Forecast Results

The “Status Quo” forecast, which assumes current trends continue and UW-Whitewater does not make any changes to the existing operating trajectory, illustrates the case for change.



KEY DRIVERS



Enrollment

Enrollment is modeled to grow from 9,370 FTEs in FY23 (Fall 2022) to 9,840 in FY25 (Fall 2024) given anticipated increases in students this Fall. However, enrollment is forecasted to decline to 9,302 FTEs in FY28 given the demographic cliff, declining high school graduates in the state of Wisconsin, and falling participation rates.



Expense Growth

While expense growth has been relatively contained in recent years due to staff vacancies and lesser spend during COVID, costs tied to rising Salaries, Wages, and Benefits (2.9% FY23-FY28 CAGR), and Supplies (3.4% FY23-FY28 CAGR), are expected to rebound and increase in the future.

Whitewater is at a critical moment as persistent structural deficits signal the need for bold strategies to chart a course back to financial sustainability.

“Status Quo” Baseline Tuition Fund Balance Forecast

Whitewater’s annual forecasted changes in net assets are projected to have a negative financial impact on the University’s Tuition fund equity balance, fully deteriorating the balance by Fiscal Year End (FYE) 2028.

Projected Financial Impact on Tuition Fund Equity Balance

Whitewater Tuition Fund Equity Balance Baseline Projections						
Whitewater (\$Ms)	FY End 2023 Actual	FYE24 Proj.	FYE25 Proj.	FYE26 Proj.	FYE27 Proj.	FYE28 Proj.
Beginning Tuition Fund Equity Balance	\$30.3	\$29.8	\$28.0	\$25.2	\$19.9	\$11.2
Change in Net Assets	(\$0.5)	(\$1.8)	(\$2.7)	(\$5.3)	(\$8.8)	(\$12.9)
Ending Fund Equity Balance	\$29.8	\$28.0	\$25.2	\$19.9	\$11.2	(\$1.8)
Cumulative Impact on Fund Balance	(\$0.5)	(\$2.3)	(\$5.0)	(\$10.4)	(\$19.1)	(\$32.1)

TAKEAWAYS



Current Fund Equity Balance

Whitewater has \$29.8M in equity in the tuition fund at FYE23. This balance has been buoyed by COVID aid in recent years, enabling the university to increase balances from a low of \$2.9M at FYE20.



Enrollment Drives Decline

Unstable and falling enrollment is the main driver of Whitewater's increasing deficit. This decline in student population will need to be offset and reversed to address the existing structural deficit and preserve fund equity in the long-term.



Liquidity Strain

As the fund equity balance declines, Whitewater's ability to spend on initiatives and make strategic investments becomes increasingly constrained over time.

If the Tuition Fund Equity balance falls at this rate, Whitewater will not be able to meet current obligations and support operations.

Note: Totals in the above table may not foot due to rounding. Source: University of Wisconsin GL Data; Reflects Tuition Funds; Reflects Actuals and AJE Ledgers

The Current State Assessment Highlights a Case for Change

The current state review of financial health, enrollment trends, and operations suggest that UW-Whitewater is on a trajectory of financial unsustainability and should explore opportunities to improve financial performance.

Whitewater's mission is to be a preeminent academic institution and core economic and cultural driver for the region



Whitewater is a **top contributor to state workforce demand** in the areas of **business and education** and prepares students for success – certifying the most teachers and having the largest business school in the state



Whitewater combines **affordability with student success**, as the university has the **lowest cost of attendance within the Universities of Wisconsin** and 99% of Warhawks either attend graduate school or receive a job in their field of study post-graduation

...but several disruptors are challenging the status quo and suggest Whitewater is on a path of financial unsustainability



Declining FTE enrollment (-21.0% from Fall 2016-22), recent tuition discounting increases, and limited state funding are **creating top line pressure**



Meanwhile employee turnover, salary competition and compression, and aging facilities are **challenging Whitewater's mission delivery**



Even with an enrollment uptick expected in Fall '23, Whitewater faces **an ongoing structural deficit that is projected to grow as COVID aid is no longer available to fill budget gaps** and expenses rebound from pandemic levels

...Therefore, it's critical to evaluate transformative opportunities to enable Whitewater to thrive in the future



Absent change to the status quo, Whitewater will **struggle to resolve its structural deficit** (projected \$1.8M deficit for FY24) as the state participation rate declines and traditional college applicant pool shrinks; these trends **could result in limited tuition fund balances within the next 3-4 years.**



Given Whitewater's structural deficit, limited cash runway, and the potential for unforeseen events (e.g., economic uncertainty, unplanned capex), the University would be well-served to solidify a sustainable future.

The Path Forward Should Both Leverage Strengths and Address Challenges

The current external environment, coupled with internal operating model issues, make overcoming the ongoing structural deficit challenging; similarly, top line pressure and limited expendable balances make investing in growth difficult.

The Path Forward Should Leverage Strengths...



Commitment to Mission

Stakeholders, both academic and administrative, consistently emphasized their belief in the mission and how that mission should serve as a north star guiding the campus to resolve current challenges and position Whitewater for success.



Strong, Energized Leadership

Although Whitewater has seen frequent leadership changes, new leadership is galvanizing the culture to move forward productively, with interviewees expressing a growing sense of optimism in the current Chancellor and his cabinet to drive change.



Warhawk Brand Value

Whitewater is well-known for its business, education, and athletics programs, which serve as a platform to extend the Warhawk brand beyond the Whitewater region.



Recognition of Case for Change

Interviewees spoke candidly about the challenges that have resulted in yearly structural deficits and understand that each unit on campus must play a role in breaking the status quo for Whitewater to continue to deliver on its mission.

...and Seek to Address Existing External and Internal Challenges

Enrollment Declines

- Since Fall '16, Whitewater has seen significant declines in UG enrollments, which have fallen over 2,400 students (4.3% per year on average)
- Although graduate enrollment has been a bright spot, these FTE enrollments recently declined in Fall '22, and are expected to decline further in Fall '23

Limited State Appropriations

- According to the WI State Journal, WI ranks 43rd in state funding / student¹
- Future state budgets, regulatory complexity, and economic uncertainty add further risk to Whitewater's long-term outlook as the institution has become increasingly dependent on State Appropriations

Historic Leadership Turnover

- Due to frequent leadership transitions on campus in recent years (i.e., six chancellors since 2018), stakeholders feel there has not been a cohesive strategy uniting the University toward a common goal

Salary Compression and Vacancies

- As salaries have only nominally increased over the last several years, failing to keep pace with the market, the inability to fill vacancies is a key challenge to overcome under a new, sustainable operating model

Limited Financial Tools

- Whitewater needs enhanced financial tools (e.g., long-range planning, forecasting, multi-year budgeting, and scenario planning) to both identify and resolve long-term financial challenges

Aged Facilities and Reactive Planning

- Facilities and infrastructure are aged, and capital planning and maintenance efforts are consistently reactive rather than proactive, limiting the campus' ability to execute a strategic approach to space and capital planning

External Market Pressures

Internal Operating Model Challenges

¹ Source: Wisconsin State Journal; State funding for UW System ranks 43rd in nation as tech college spending outpaces it, report shows

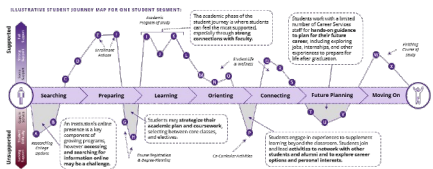
Whitewater Priority Opportunity Areas

Through review of the qualitative information and insights gathered through interviews and analysis of the quantitative data provided by both Whitewater and the Universities of Wisconsin System Office, the following priority opportunity areas have been identified.

#1 Improve Retention by Enhancing the Student Journey

As retention has declined over the last 5 years by nearly 8% for first-year full-time freshmen, it is critical that Whitewater builds on its strategic actions targeted at student success. By aligning specific strategies to target student market segments, Whitewater has an opportunity to strengthen revenues.

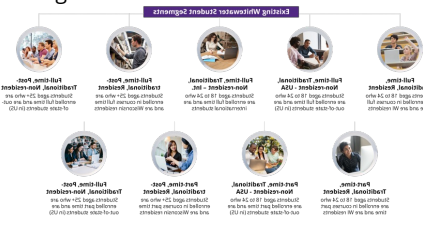
- Achieving 2018 retention levels could generate **up to an additional \$2.6 million** in annual tuition revenues
- Identifying Student Segments and Developing Student Journey Maps, could enable the institution to deliver more impactful student experiences.



#2 Diversify Enrollment Strategy

With waning public perceptions of the value of higher education, declining high school graduates and shifting segments within the target student market, Whitewater must continue to diversify its enrollment strategy to serve all Wisconsinites; however, the university cannot serve all segments, so strategic choices and tradeoffs will be necessary.

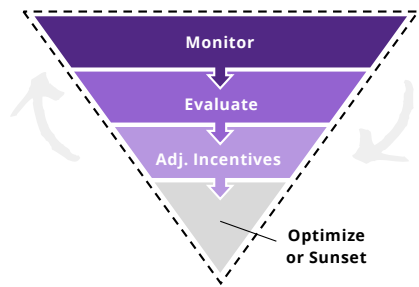
- Whitewater can improve its enrollment by **taking a focused look at its student segments, their needs, and how to best engage with each segment.**



#3 Develop a Policy-Based Approach to Academic Portfolio

Declines in student credit hours and degree conferrals, declines and variability in course sizes, and variability in teaching loads suggest there is a need and opportunity for Whitewater to develop a more agile and predictive process for maintaining the right mix of academic programs to serve students' evolving needs while ensuring fiscal sustainability.

- Developing a nimble, policy-based approach** with greater accountability allows for investment in priority areas.



#4 Leverage Rock County to Achieve WTW's Strategic Vision

Rock County has lost over half of its student population from Fall 2012 to Fall 2022, with headcount falling from 1,305 to 593. There is an opportunity to shift thinking of Rock as a satellite campus to promote it as an asset to help meet Whitewater's strategic goals, through three opportunity areas:

- Integration of Academics:** Can WTW's academic offerings be leveraged to optimize faculty needed at Rock?
- New Partnerships, Pathways, or Programs:** Are there opportunities for Rock County to create/expand on partnerships or to simplify and expand pathways between Whitewater Campus and Rock County?
- Integration of Administrative Services:** Are there opportunities to create a more seamless continuum of administrative services across Rock County and the Whitewater campus?

Enabling success of the above change initiatives and opportunities to reduce WTW's structural deficit ultimately requires creating a culture of urgency and accountability, focusing on using data to make transparent and informed choices.



University of Wisconsin
Whitewater

Five primary opportunities identified

- Improve retention by enhancing the student journey
- Diversify enrollment strategy
- Develop a policy-based approach to academic portfolio
- Leverage Rock County to achieve UW-Whitewater's strategic vision
- Create a culture of urgency and accountability

Alignment with existing efforts

The third-party report is an additional tool we will use, and it aligns with already existing efforts:

- Strategic Plan (15 action items/teams are executing this work university wide)
- Academic Plan (the provost and faculty are collaborating on academic programs and policies)
- Budget Plan (the vice chancellor for finance and administrative affairs and assistant vice chancellor of financial services are leading efforts to address our structural deficit and strengthen our finances)

Financial Forecast 2023-24

GPR/Tuition (all)	Budget	Forecast	Variance
Revenues	123,706,935	130,824,824	7,117,889
Less: Expenses	135,350,713	129,856,660	(5,494,053)
Net Surplus (Deficit)	(11,643,778)	968,164	12,611,943

- Includes 102, 103, 131, 189 (System definition)
- Tuition revenue in excess of budget - \$5 million
- Salary and fringe savings - \$4.7 million
- Winther/Heide GPR allocation - \$2.2 million (budgeted cash use)
- Interest income in excess of budget - \$.5 million
- Other - \$.2 million

Financial Forecast 2023-24

Auxiliaries	Budget	Forecast	Variance
Revenues	51,089,148	53,935,698	2,846,550
Less: Expenses	51,699,122	53,577,366	1,878,244
Net Surplus (Deficit)	(609,974)	358,331	968,305

- Includes 128, 228
- Increased enrollment drives increases in auxiliaries and seg. fee revenues and expenses

Financial Forecast 2023-24

General Program	Budget	Forecast	Variance
Revenues	11,727,016	12,136,000	408,984
Less: Expenses	12,427,052	14,096,000	1,668,948
Net Surplus (Deficit)	(700,036)	(1,960,000)	(1,259,964)

- Includes IT Services, Camps/Conferences, Rock Remedial
- Timing of purchases, underspend, and use of cash
- \$1.4 million prior year PO rollover
- 5-year IT services contract

Financial Forecast 2023-24

Other UR/Indirects	Budget	Forecast	Variance
Revenues	477,598	451,949	(25,649)
Less: Expenses	797,748	661,601	(136,147)
Net Surplus (Deficit)	(320,150)	(209,652)	110,498

- Includes Grant Indirect Cost Reimbursements
- Fluctuates based on grants awarded
- Net deficit reflects use of cash and grant expenses not yet reimbursed

Financial Forecast 2023-24

Total Unrestricted	Budget	Forecast	Variance
Revenues	187,000,697	197,348,472	10,347,775
Less: Expenses	200,274,635	198,191,627	(2,083,008)
Net Surplus (Deficit)	(13,273,938)	(843,155)	12,430,783

- Combined Unrestricted Budget and Forecast
- Net deficit primarily use of cash from IT Services

Goals

- Maintain and grow enrollment
- Increase our retention rate above previous high mark of 82%
- Deliver on our strategic plan
- Stabilize finances, goal of \$0 deficit by 2025-26
- Address compensation and inflationary pressures