

2020 Fee Increase – Some Budget Info

REVENUE

As of Dec. 31, 2018, Revenue is \$787,868.55 (this represents Fees from Fall and most of Winter quarter)

- Revenue is up \$9,290.32 from this time last year.
- This is reflected in the updated FY19 Budget Projection (\$10,000 added to Revenue over FY18)

Revenue has increased about 2% each year for the last 2 fiscal years due to increased enrollment, but I did not receive any information suggesting the trend will continue for the immediate future.

- FY20 and FY21 projections do not include increased Revenue from enrollment, only from Fee increases.

EXPENSE/DEFICIT

The projected Deficit for FY19 is \$103,433, leaving a Cash Balance + Capital Reserve of \$516,021.

- Reminder – the Cash Balance and Capital Reserve (vehicle replacement), while listed separately in the budget, are all in the same pot of money and available for any expenditure (we think of Capital Reserve separately to track money for new vehicles)
- The WTA payment for FY20 will increase by approx. \$30,000. Without a fee increase, and all else being equal, the projected Deficit for FY20 becomes \$134,511, reducing Total Cash (Cash Balance + Capital Reserve) to \$381,536, for the beginning of FY21 when the new WTA contract kicks in. (not advisable)
 - The last two WTA contracts began with an 8% increase. An 8% increase over our FY20 payment of \$958,800 is an additional \$76,704 for FY21. There is no way to know if this trend will continue, but this is the history.
 - The WTA contracts for both 2012-2017 and 2017-2020 increase about 12% over the term of the contract.
- Our Late Night Shuttle contract for operation and maintenance of vehicles will renew in 2020, and may include an increase for FY21.
 - My best guess on this is approximately \$8K per year (about 5%). Based on Consumer Price Index increases for Seattle Area (2.1% for 2017, and 2.8% for 2018).

WTA CONTRACT TIMELINE

The WTA contract expires after Summer 2020.

- A number of factors may influence the negotiation timeline, but generally they will take place spring/summer 2020, with the new contract beginning Fall 2020 (FY21).
 - The last (2017 – 2020) contract negotiations began early, in January, 2017, and lasted through June. Those negotiations established a new payment base, which may streamline the process this next time around, but there's no guarantee on that, or that anyone will want to begin negotiations in January.
- If we leave any fee increase for FY21 – a vote next year (Feb - April), the timeline will most likely require us to vote on the Fee before we know the new WTA contract amounts.

CONSIDERATIONS

- The program Deficit will grow without a fee increase for FY20.
- The new WTA contract for FY21 may include a payment increase. If we save a student vote on the Fee until next year, the new WTA contract amounts will most likely be unknown at the time of a Fee vote (Feb-April, 2020).
- Staying ahead of the curve on Fee increases tends to reduce the amount of Fee increase needed to keep deficits down. Getting behind the curve tends to require increased Fees to control deficits. (as a rule, frontloading the Fee tends to keep the Fee static longer, while playing “catch up” tends to boost Fees).
- Our Cash Balance should remain above \$300,000.
- What is the best strategy for Fee increase: When do we ask students to vote on a Fee increase, and for what amount?
- **Late Night Shuttle service**
 - Should we consider an increase in the amount added to the Capital Reserve (for vehicles) at this time, or forego this until later? An increase would serve a long-range funding plan for future alternative fuel vehicles.
 - Currently 10% of Revenue is moved to the Capital Reserve annually. Any increase in that percentage leaves less for other Expenses, and would be a consideration in the Fee increase to replace that Revenue.
 - We do not need any new conventionally fueled vehicles at this time, or in the near future.

CALCULATIONS and NUMBERS (also see Excel spreadsheet – “Simple Projections” Tab)

- 43439.58 is the approx. number of individual fees collected per year (\$1,140,289 Revenue from FY18, divided by the \$26.25 Fee)
- \$134,511 FY20 Deficit divided by 43439.58 = \$3.10 (a Fee increase of 11.4%). This is the Fee increase required to cover 100% of the FY20 projected deficit, maintaining a Total Cash balance of approximately \$500,000.

Current Fee \$26.25

| Percent Increase | Increase Amount | Actual Increase | Actual Fee | Dollar Increase |
|------------------|-----------------|-----------------|------------|-----------------|
| 5% | \$1.31 | \$1.25 | \$27.50 | \$ 44,299 |
| | | \$1.50 | \$28.00 | \$ 66,019 |
| 10% | \$2.63 | \$2.75 | \$29.00 | \$ 109,459 |
| 12% | \$3.15 | 3.25 | \$29.50 | \$ 131,179 |
| 14% | \$3.68 | 3.75 | \$30.00 | \$ 152,898 |

5% increase = 30.50

5% increase = 31.50

1 **Dollar Increase is** calculated as the difference between the FY19 Revenue of \$1,150,289 (\$26.25 Fee), and the Revenue increase created by each successive Fee increase

2 Example: 5% Fee Increase = \$27.50:
 27.50 x 43439.58 = 1,194,588;
 1,194,588 - 1,150,289 = \$44,299 Dollar Increase