

**WESTERN WASHINGTON UNIVERSITY
HOUSING & DINING SYSTEM
2021-2022 PROPOSED RATES
Information shared with Residential Student Leadership
March 3, 2021**

Introduction

The attached rate increase, budget and supporting documentation represents recommendations for fiscal year 2021-22 for the Housing & Dining System (the System) which consists of University Residences, Dining Services and the facilities & operations components of the Viking Union. This budget and rate proposal responsibly approaches inflationary and recharge pressures, maintains the functions of Western's quality residential program, and allows the System begin to recover from the FY2020 and 2021 financial disruptions as needed capital investments loom. Major influence for planning came from the standards and expectations outlined in the Principles for the Housing & Dining System and the plans outlined in the ASG/JLL System development assessment, which received staff and student input. This recommended budget meets those standards of necessary reserve fund balances, planned major maintenance, debt service coverage, and capital planning.

Summary:

The recommended housing base rate increase discussed with residential student advisory groups is an aggregate of 4.5%. Ongoing residential student leadership input will be incorporated into the proposed rate increase that will be presented to the Board of Trustees at its April 2nd meeting.

Planning considerations and Assumptions:

Occupancy: The pandemic has introduced significant uncertainty in WWU enrollment and on-campus housing planning. University Residences plans to open at 75% - 80% of operating occupancy (3,366 beds out of 4,372) assigning most rooms at their designed capacity. Sufficient space will be allocated for isolation and quarantine housing. As with recent quarters, occupancy will be revised as needed to accommodate State and local health guidelines by managing room closures and occupancy shaping.

Differential Pricing: For 40+ years Western has priced its residence hall double rooms at the same price regardless of building age, amenities, views, etc. Based on recommendations from the System's development assessment consultant, and recognition of the national norms for room pricing, beginning FY2022 WWU will move to a three-tiered pricing model. 65% of residence hall beds will be at the lowest price tier while the 19% of spaces at the middle tier will receive a 5% rate premium and the 17% of rooms at the top level will receive an additional 9% rate premium above that. The differentiating criteria is in-suite kitchen availability and general bathroom density. Examples of middle-tier rooms are most of the rooms in Alma Clark Glass, Edens, and Higginson Halls. Examples of top-tier rooms are in Buchanan Towers and Buchanan Towers East. See more information on differential pricing further in this document.

Affordability & Choice: Student input encourages the consideration of affordable living spaces. To that end triple rooms at the base pricing tier will be priced at the same rate as the current year; they will not be assessed a rate increase to the room component. Choices of room and meal plan combinations will increase: From 20 in FY2021 to 60 in FY2022. While bathrooms and in-suite kitchens are the primary determinants of the tiered pricing, there are many options at the base tier that are attractive to a wide number of students such as bay views, vaulted ceilings, balconies, bay windows, etc.

System Financial Health: As with all public housing & dining systems, WWU's 2020 and 2021 financial health has been significantly impacted. No federal Cares or state GEER funds were applied to System operations in FY2020; discussions surrounding the use of those funds in FY2021 are in process. Deferral of FY2021 and 2022 debt service payments has created much-needed expenditure relief but will result in an additional 10-year repayment burden beginning FY2023. Capital renovations as recommended in the ASG/JLL study were slowed. The proposed rates and consultant-recommended differential pricing model will help move the System to a place where the larger renovations can commence as quickly as practicable.

Proposed Rate Increases:

The proposed **base rate** increase for all residential hall rooms (except triple rooms) with meal plan and the Birnam Wood apartments is an aggregate of **4.5%**.

Impact of the **base rate** Increase:

- Residence Halls (Room & Board): At a 4.5% increase, a base tier double room with 125 Meal Plan increases \$62/month or \$561 for the academic year.
- Birnam Wood (shared Room): a 4.5% increase equates to an increase of \$21/month or \$186 for the academic year.

In addition to the base rate increase, examples of the **differential pricing** on the residence hall **room** component are:

- Mid-tier rooms will receive a 5% premium above base tier prices. A mid-tier double room is an additional \$430 per year (\$48 per month).
- Top-tier rooms will receive a 9% premium above the mid-tier rate. A top-tier double room, is an additional \$1,242 (\$138 per month) above the base tier.

Proposed Revenue & Expenditure Details:

The following comments and figures pertaining to 2021-22 are in comparison to the 2020-21 proposed budget and rates presented at the April 2020 Board of Trustees meeting (see included pro-forma statement). Importantly, FY2022 projected revenue and expenditures reflect University Residences operating at 75% – 80% of operating capacity, which makes meaningful direct comparison with the FY2021 projection difficult.

Revenue Highlights and Assumptions

- Overall, the System's budgeted operating revenue decreases \$7.3 million or -14% over FY2021's proposed budgeted revenue.
- At this writing firm enrollment projections are not available but System management believes there is pent-up interest in students returning to campus, and interest from 2020-21 freshmen who deferred their on-campus experience due to the pandemic. Freshmen and new transfers are given priority for on-campus housing.
- In 2020 the WWU-Aramark agreement was renegotiated due to the significant impact of the pandemic on both parties. The August 2021 contract end date was extended two years, and the commission schedule was modified to address FY2020 and 2021 needs.
- Conference revenue assumes almost no summer 2021 conference activity based on preliminary university guidance. June 2022 activity is expected to be near normal.
- Mandatory fee revenues (S&A fee, Building fee, Multicultural Center fee) are planned at 95% based on reasonably optimistic enrollment levels for academic year 2021-22.

Operating Expenditures Highlights and Assumptions

- Budgeted Operating Expenditures are projected to decrease \$1.76 million or -4.9%.
- Wages and Benefits decrease \$317,000 or 4.4% due to University Residences operating at approximately 75% and some unfilled positions. In University Residences and the Viking Union a modest allowance is budgeted in the event there is a cost of living increase from the legislature (still in session at this writing).
- Food service expense increases 0.51% or \$74,000 due to the combination of a 3.76% resident dining rate increase and the contracted sliding scale rate structure which assesses higher daily billing rates as occupancy declines (e.g. when operating at 75% of capacity).

- Utilities: Taken together the various utility expenditures are expected to decrease \$288,000 or -10% due to reduced occupancy.
- Maintenance and repairs decrease \$130,000 or 3.5%. Certain operating work is included in the increase in non-operating maintenance. The estimated recharge rate increase is not finalized, but this item assumes it at 5%.
- The combination of other expenditures and transfers to other departments decrease \$534,000 or -15% due to the elimination of intercampus support agreements and reduction of some operating components, such as travel and training, due to budget constraints.

Operating Summary:

The FY2022 operating margin (net revenue/gross revenue) of 24.4% is less than the FY2021 proposed operating margin of 31.7% primarily due to the reduction in scale of on-campus housing to 75% - 80%.

Non-Operating Expenditures Highlights and Assumptions

- Debt service expense decreases due to the System's September 2020 bond refinance which eliminated FY2021 and 2022 debt service payments and deferred them to FY2023-2034.
- Allocations for major repairs and minor renovations increase \$2.6 million or 144% to reestablish much-needed progress on renovations to several building operating systems. These projects were stopped at the end of 2020 due to the pandemic. The recently completed ASG/JLL long-range study of the System capital plan will be reviewed and revised to reflect timing interruptions caused by the pandemic. FY2022 projects include access control enhancements, network upgrades to comply with IT security requirements, and some building infrastructure repairs.
- Reserve funds were used in FY2020 and are expected to be used in FY2021 to help manage the impact of the pandemic and need to be replenished per bond covenant requirements. Transfers to the System's capital reserve fund increase \$1.1 million or 20% due to the temporary reduction in debt service payments.
- Overall, budgeted Non-Operating expenditures and transfers decrease \$5.6 million or -34%.

**WESTERN WASHINGTON UNIVERSITY - HOUSING AND DINING SYSTEM
PROPOSED OPERATIONS FOR BUDGET YEARS ENDING JUNE 30, 2021 & 2022**

DRAFT

	DRAFT BUDGET 2020-21 (pre-Covid) As prepared for BOT	DRAFT BUDGET 2021-22 As of 3/3/21	PERCENT CHANGE	DIFFERENCE BUDGET \$
REVENUES				
Room and Board Payments	\$42,774,000	\$37,711,235	-11.84%	2 (\$5,062,765)
Room and Board Fees and Penalties	223,500	210,000	-6.04%	3 (13,500)
Investment Income	96,000	53,000	-44.79%	(43,000)
Housing Rentals	145,850	163,250	11.93%	17,400
Conferences	687,099	50,769	-92.61%	4 (636,330)
Commissions	3,338,800	2,008,000	-39.86%	5 (1,330,800)
Viking Union Programs & Services	411,212	411,011	-0.05%	6 (201)
S & A Fee Distribution	1,310,477	1,244,953	-5.00%	6 (65,524)
VU Building Fee & Multicultural Center Fee	3,250,307	3,087,792	-5.00%	6 (162,515)
Other	10,650	0	-100.00%	(10,650)
Total Revenues	\$52,247,895	\$44,940,010	-13.99%	(7,307,885)
OPERATING EXPENDITURES				
Salaries & Benefits	\$7,251,052	\$6,934,209	-4.37%	7 (\$316,843)
Food Service	14,647,205	14,758,181	0.76%	8 \$110,976
Communications	233,300	183,485	-21.35%	(49,815)
Electricity	772,283	693,931	-10.15%	9 (\$78,352)
Heat	931,680	808,924	-13.18%	9 (\$122,756)
Water/Sewer	608,280	549,030	-9.74%	9 (\$59,250)
Refuse Disposal/Recycling	382,665	367,665	-3.92%	9 (\$15,000)
Television Cable	143,225	130,225	-9.08%	(13,000)
Maintenance & Repairs	3,686,392	3,556,238	-3.53%	10 (\$130,154)
Operating Supplies	317,434	318,888	0.46%	\$1,454
Equipment	343,744	243,606	-29.13%	(100,138)
Insurance	511,706	617,680	20.71%	\$105,974
Rentals and Operating Leases	286,126	29,375	-89.73%	(256,751)
Administrative Services Assessment (ASA)	2,005,284	1,736,849	-13.39%	11 (\$268,435)
Student Services Support and Service Agrmts	2,380,000	2,176,744	-8.54%	12 (\$203,256)
Other Expenditures	1,203,763	872,373	-27.53%	13 (\$331,390)
Total Operating Expenditures	\$35,704,139	\$33,977,403	-4.84%	(1,726,736)
NON-OPERATING EXPENDITURES/TRANSFERS				
Bond Debt Service	\$9,302,044	\$0	-100.00%	14 (\$9,302,044)
R&R/ Minor Cap./Public Works Projects	1,826,800	4,450,000	143.60%	15 2,623,200
Other Transfers	0	0	0.00%	0
Capital plan projects: Expensed or transferred	5,414,912	6,512,607	20.27%	16 1,097,695
Total Non-Operating Expenditures	\$16,543,756	\$10,962,607	-33.74%	(5,581,149)
Total Expenditures	\$52,247,895	\$44,940,010	-13.99%	(7,307,885)
EXCESS (DEFICIT) OF REV OVER EXP	\$ 0	\$ 0	0.00%	\$ (1)

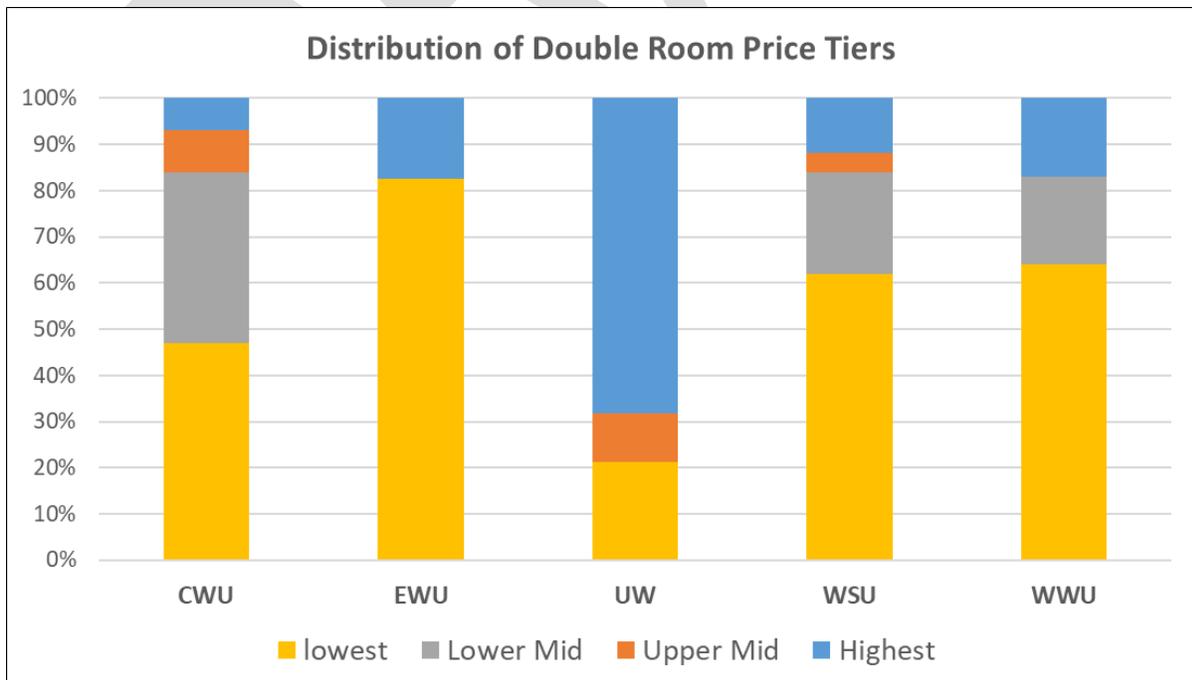
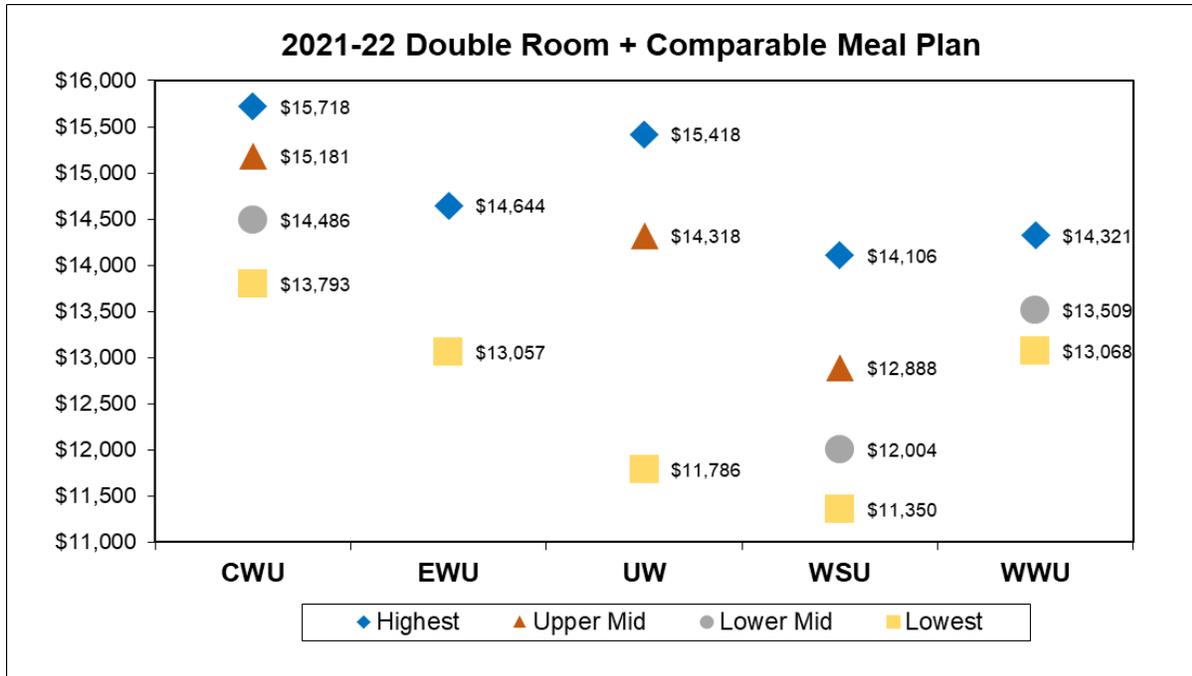
SEE NEXT PAGE FOR FOOTNOTE EXPLANATIONS

FOOTNOTES TO THE ATTACHED 2021-22 HOUSING & DINING SYSTEM PROPOSED BUDGET

- (1) The 2021-22 Budget, middle column, is shown to compare with the 2020-21 proposed budget presented at the April 2020 Trustees meeting. After Fall 2020 opening, significant adjustments were made based on a material reduction in System operations due to the Covid pandemic.
- (2) Room & Board rate increase is proposed here at a 4.5% aggregate. System housing capacity and resultant occupancy for FY2022 is budgeted at 75% - 80% to allow for Covid-related occupancy impacts and isolation & quarantine spaces. FY2022 is the first year of a three-tier rate system for all room types. See narrative for more detail. The base rate for triple rooms is not increased over FY2021.
- (3) No increase in underlying fee/penalty rates. Line item increase due to adjusting expected actuals.
- (4) The 2021 summer conference season is considered cancelled. Revenue shown is estimated for June 2022.
- (5) Due to the impact of the pandemic on dining operations the WWU-Aramark agreement was amended to both reflect the two-year contract extension and a revision of the commission schedule.
- (6) Viking Union revenue is a preliminary estimate based on full fall opening. S&A Fee, Building Fee, Multicultural Center Fee are shown at 95%. There is no increase to those three fees.
- (7) FY2022 FTE wage increase incorporates small allocation for COLA (WA State Legislature has not finished its deliberations). Minimum wage increase of 2.8% per state requirements. URES fills one vacancy in facilities support and adds one new position in occupancy management and a temporary project position in technology support.
- (8) The Food Service expense category includes residential dining, catering, conference dining and departmental food costs. Residential dining rate increase shown at 3.76%
- (9) Utility reductions due to impact of reduced on-campus occupancy.
- (10) Increase reflects slight planned budget reduction due to fiscal constraints. Recharge rate increase estimated at 5%.
- (11) Reduction in Admin. Services Assessment (ASA) due to decrease in estimated gross revenue. Assessment rate for both years is 5.775%
- (12) Support agreements for several Enrollment & Student Services and Business & Financial Affairs departments curtailed indefinitely due to System financial exigencies.
- (13) This category includes expenditures for: Student activities, audit, consultants and client services, training, travel, printing & copies, laundry, and other.
- (14) In September 2020 bonds were issued to defer the FY21 and FY22 debt service payments until FY2023 - FY2034. This provided much needed expense relief for the System.
- (15) Increased allocation due to work on deferred projects re-initiated after FY20 and FY21 curtailments from Covid revenue shortfall
- (16) The "Transfer for Capital Plan Support" is an allocation representing operating, non-operating, Building Fee, and Multicultural Center fee funds to be placed into the System's renewal & replacement reserve fund for additions to and significant renovations of University Residences and Viking Union facilities.

Differential Pricing

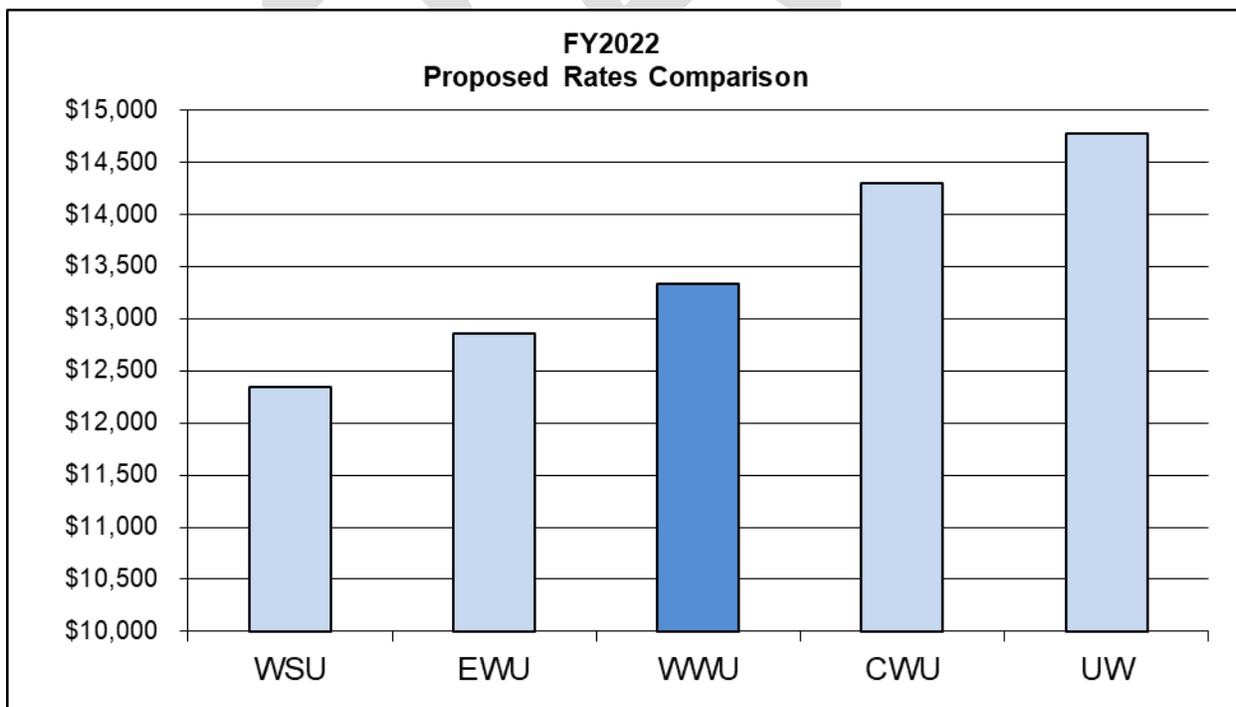
All residence hall room types in the mid-tier and top-tier pricing categories will receive a 5% plus 9% increase respectively on the room component above the proposed combined average overall 4.5% base rate increase. Most rooms in Alma Clark Glass, Edens, and Higginson halls will be at the mid-tier rate while most rooms in BT and BT-East will be at the top tier as will other rooms with in-suite kitchens. The charts below present the estimated pricing for double rooms and comparable meal plan to WWU's 125 plan at some in-state universities. Some campus prices are tentative.



**WASHINGTON PUBLIC UNIVERSITIES (with more than 1,500 on-campus beds)
RESIDENCE HALL ROOM & BOARD PLAN COSTS
FY2022 (as of 2/26/21)**

Weighted Average Double Room Cost with Best-as-Possible Meal Plan Comparison:

	WSU	EWU	WWU	CWU	UW
	Level 2	Gold	125 Block	"Large"	"Level 4"
On-Campus Capacity	6,296	1,971	4,372	3,210	10,101
Residence Hall Room Pricing Model	New/Renovated rooms priced higher	New/Renovated rooms priced higher	Differential Priced by amenities	New/Renovated rooms priced higher	New/Renovated rooms priced higher
Live on Requirement?	First year students	First year students	None	First year students	None
Type of Meal Plan	Declining Balance	Meals & Points	Meals & Points	Declining Balance	Declining Balance
Elements of the Meal Plan	Equivalent to Approx. 14 meals/w k	Equivalent to 2 to 3 meals per day	Approx 12+ meals/w k + \$668 Points	Equivalent to Approx. 14 meals/w k	Equivalent to 13-15 meals/w k
Weighted Cost of a Double Room and Meals:	\$12,347	\$12,863	\$13,337	\$14,296	\$14,774
Rate of Increase Over 2020-21	per website 0.0%	Proposed -5.5%	Proposed 4.5%	Approved 5%	approved approx 4.75%



**WESTERN WASHINGTON UNIVERSITY
HOUSING & DINING SYSTEM**

DRAFT: For Discussion Only

RECENT HISTORY OF RESIDENCE HALL RATES

ACADEMIC YEAR	ACADEMIC YEAR RATE with 125 BLOCK PLAN	% OF CHANGE
2016-17	\$10,350	4.00%
2017-18	\$10,971	6.00%
2018-19	\$11,465	4.50%
2019-20	\$12,037	5.00%
2020-21	\$12,519	4.00%
2021-22*	\$13,337 *	4.50%

* Beginning 2021-22 WWU shifts to a three-tiered pricing model based on certain room attributes. The 4.5% base increase is applied to all rooms. The room & meal plan rate shown here is the weighted average rate of all double room types, which incorporates the additional two tier increases. This makes this first year rate comparison less meaningful. The FY2022 weighted average rate is 6.5% higher than the FY2021 unweighted rate.

SAMPLE ROOM & BOARD RATES and APARTMENT RENTS FOR 2021-2022

	2020-21 Actual	2021-22 Proposed	2021-22 Rate of Change
Room & Board Plans: Academic Year (@ 4.5% base increase)			
Double Room with 125 meal plan - Level 1 or Value Rooms	\$12,518	\$13,079	4.5%
Double Room with 125 meal plan - Level 2 or Standard Rooms	\$12,518	\$13,509	7.9%
Double Room with 125 meal plan - Level 3 or Premium Rooms	\$12,518	\$14,321	14.4%
Triple Room with 125 meal plan - Level 1 or Value Rooms	\$10,892	\$11,054	1.5%
Triple Room with 125 meal plan - Level 2 or Standard Rooms	\$10,892	\$11,383	4.5%
Triple Room with 125 meal plan - Level 3 or Premium Rooms	\$10,892	\$12,004	10.2%
Birnam Wood Apartment Rents: Academic Year (4.5% increase)			
Birnam Wood: <u>Monthly</u> rate per person per bed (Two bedrooms with 4 occupants)	\$459	\$480	4.5%