Clay Court College
A Fictional Case Study on Using a Strategic Financial Projection Model

Nathan Dickmeyer, April 2024

As Howard Bowen noted a long time ago, the economic stability of colleges and universities depends on growth. When enrollments fall, how can colleges recalibrate their financial structure and regain financial equilibrium? This fictional case study exams the pursuit of a return to equilibrium.

It is June 2025 and the college's new president, Alize St. Gaudens, has called a meeting with the college's director of institutional research, Jo C. Key, and the college's director of finance, Bernard V. Davis, to discuss the financial projection they recently delivered to the president's office.

The college, located in the upper Midwest, has about 2,200 undergraduate students taught by 215 full-time faculty (including ten in the library) and 20 part-time faculty. The college has 175 full-time staff and 75 part-time staff. There are no graduate programs.

An idea of the college's finances, as delivered to the president, can be gleaned from Figure 1. Data used in this projection, as well as student to faculty ratios, are available in Figure 2.

President St. Gaudens is seated at the end of large conference table as she invites Ms. Key and Mr. Davis into the room. This is their first meeting, although both slightly nervous staff members were at the president's introduction to the college earlier in the month.

"Welcome," President St. Gaudens begins. "Please sit on this end of the table. Would you like some coffee or water?"

"No thank you," Ms. Key and Mr. Davis say, almost unison. "We've just come from a lunch meeting with the budget staff," Mr. Davis adds.

"I see you've brought a laptop, Mr. Davis," President St. Gaudens notes. "That will be helpful. We should do some playing with the projection. It appears that you've put a lot of work into this. I think it's terrific. I applaud your effort."

"Thank you. I couldn't have done it without the data I got from Jo, and, in fact, it *was* a lot of work. We used the downloadable templates that come with the Dickmeyer and Michalowski book, *How to Build a Strategic College Financial Planning Model*. Nevertheless, not all the formulas were correct, and, of course, none of the sample data were applicable," Mr. Davis said.

“You know,” Ms. Key added, “no one else has taken an interest in the projections we’ve produced in the past. Before, when we sent them around, we almost never heard anything in response. We are thrilled to be able to work with you on this.”

“And you’re a little nervous, perhaps?” the president asked. There was no reply. “Yes, I greatly appreciate the work, but I think that you’ve maybe been a little optimistic with your numbers, don’t you?”

“Well, yes. We once sent out a projection and were told by the president’s secretary that deficits weren’t allowed,” Mr. Davis said. “We weren’t told what to do about them. Just that they weren’t allowed. That’s why this looks this way with only a small, distant deficit.”

Income Statement						
Revenue Year Ending:	2026	2027	2028	2029	2030	2031
Unrestricted Operating						
Tuition and fees (net)	70,741,329	71,579,836	71,985,385	73,288,464	75,514,923	79,106,611
Unrestricted government grants	-	-	-	-	-	-
Private gifts and grants	4,500,000	4,680,000	14,867,200	5,061,888	5,264,364	5,474,938
Endowment support	2,300,000	2,377,083	2,493,333	2,605,549	2,712,678	2,822,536
Other	500,000	560,000	520,200	530,604	541,216	552,040
Sales and services of auxiliary enterprises	2,345,000	2,439,400	2,537,588	2,639,716	3,023,783	3,145,383
Total operating revenues	80,386,329	81,636,320	92,403,706	84,126,220	87,056,963	91,101,509
Unrestricted Expenses	2026	2027	2028	2029	2030	2031
Instruction	53,946,597	55,295,964	56,714,283	58,125,408	59,567,848	61,042,129
Research	2,223,673	2,279,079	2,342,663	2,400,313	2,459,043	2,518,862
Public service	1,111,836	1,139,540	1,171,331	1,200,157	1,229,521	1,259,431
Academic support	6,981,747	7,184,244	7,397,533	7,612,399	7,833,547	8,061,169
Student services	6,306,051	6,457,292	6,619,611	6,777,398	6,938,310	7,102,386
Institutional support	5,506,954	5,642,318	5,791,557	5,932,621	6,076,458	6,223,100
Auxiliary enterprises	2,575,808	2,639,462	2,714,821	2,781,368	2,849,165	2,918,228
Total operating expenses	78,652,667	80,637,898	82,751,799	84,829,664	86,953,892	89,125,305
Change in net assets from operating activities	1,733,663	998,422	9,651,907	(703,444)	103,071	1,976,204
Nonoperating Activities						
Investment returns	2,016,000	2,105,000	2,324,000	2,524,317	2,597,111	2,687,659
Endowment support	(2,300,000)	(2,377,083)	(2,493,333)	(2,605,549)	(2,712,678)	(2,822,536)
Net assets released from restrictions	500,000	530,000	561,800	595,508	631,238	669,113
Change in net assets from nonoperating activities	216,000	257,917	392,467	514,276	515,671	534,235
Net Asset Change	1,949,663	1,256,339	10,044,374	(189,168)	618,743	2,510,440
Cash, beginning	1,000,000	3,299,860	3,619,867	12,287,427	11,584,178	11,244,451
Cash, ending	3,299,860	3,619,867	12,287,427	11,584,178	11,244,451	12,455,313
Endowment Market Value	50,000,000	52,100,000	54,232,917	56,427,783	58,691,472	61,034,232

Figure 1: Initial “Optimistic” Projection

“I understand,” the president agreed. “Well, it is an *interesting* projection. Plenty of cash all the way out to 2031 and one quite manageable deficit. What do you think is optimistic in this projection?”

"Well, I hate to say it, but I know that we have not made our recruitment targets the last couple of years. We are not likely to see growth in the future either," Ms. Key responded quietly.

	A	B	C
1	**Clay Court College**		
2	**Planning Variables**		
3	Fall to Fall New Full-time Student Rate Change	5.0%	Growth of Incoming Class
4	Fall to Fall New Part-time Student Rate Change	0.0%	Growth of Incoming Class
5	Fall 2026 New Full-time Students	310	
6	Fall 2026 New Part-time Students	40	
7	Tuition Rate Change	4.0%	Above Inflation
8	Growth of Median Scholarship	2.0%	Annual, as % of tuition
9	% of Students on Scholarship	35.0%	
10	Growth of % of Students on Scholarship	2.0%	Annual
11	Growth of Gifts	2.0%	Annual, above Inflation
12	Growth of Miscellaneous Revenue	0.0%	Annual, above Inflation
13	One-time added gift in 2028	10,000,000	
14	1st semester full-time student drop out rate	9.5%	
15	Full-time Faculty Salary Rate Change	1.0%	Annual, above Inflation
16	Part-time Faculty Salary Rate Change	1.0%	Annual, above Inflation
17	Full-time Staff Salary Rate Change	1.0%	Annual, above Inflation
18	Part-time Staff Salary Rate Change	1.0%	Annual, above Inflation
19	Full-time Faculty Change	(2)	Added Persons/Year
20	Full-time Staff Change	(2)	Added Persons/Year
21	Part-time Faculty Change	-1	Added Persons/Year
22	Part-time Staff Change	-1	Added Persons/Year
23	Nonpersonnel Expense Rate Change	2.0%	Annual, above Inflation
24	Estimated market total return %	8.0%	
25	Payout rate %	5.0%	Of 3-yr. rolling mkt. ave.
26			
27	**"What if" Variables**		
28	Inflation Rate	2.0%	
29	Full-time Benefit Rate	45.0%	As % of Salaries
30	Part-time Benefit Rate	10.0%	
31	Full-time Benefit Rate Change	1.5%	Growth of % of Salaries
32	Part-time Benefit Rate Change	0.0%	
33			
34	Base year, Fall	2025	
35			

		Student heads	Student FTE
36			
37	**Year End:**	**FT Faculty heads**	**Teaching Faculty FTE**
38	**2026**	11.8	7.86
39	**2027**	11.7	7.62
40	**2028**	11.2	7.34
41	**2029**	11.1	7.29
42	**2030**	11.0	7.24
43	**2031**	10.8	7.13
44			

Figure 2: Data for Initial "Optimistic" Projection

The president nodded in agreement, adding, “Despite what Admissions and Recruiting says.”

“Yes, and we are also very unlikely to hold on to students if we keep raising tuition faster than inflation,” Ms. Key added.

“What about that $10 million gift in 2028?” the president asked.

“Well, we heard from development that they think they can get the great grandson of the college’s founder, Charlie Court, on the board of trustees and that he has a lot of money,” Mr. Davis said.

“Yes, and I hear that there are pink cows on the moon,” the president laughed. “Okay. Save this projection. I’ll want the trustees to see what our previous optimism looks like. Now, what is a reasonable rate of change for the new student cohort?”

“Well, nationally, high school graduations are certain to drop two percent a year for the foreseeable future. We are still a very desirable college. So, I think we could go with that,” Ms. Key said, adding, “but I think we will need to adjust the expected freshman class for next year. We will, however, get this coming fall’s class of 290, given the deposits, down slightly from last fall. Fall 2026, however, will probably be lower, like 285.”

“Good. Let’s put together an ‘If We Do Nothing’ projection. Put in negative two percent per year change for new students and adjust the incoming class for Fall 2026 down as you said. I’m going to say that we must hold everything at inflation, given that scenario: tuition, salaries, and nonpersonnel. This will be a “Do Nothing Except Austerity” projection. Please take out Mr. Court’s ephemeral gift. I also see that the student (including part-timers) to full-time faculty ratio has dropped below twelve. That’s incredible. How many faculty retirements do we normally have?” the president asked.

“It’s been averaging five to six per year,” Ms. Key responded.

“Okay, let’s not replace them. If we are losing students, we must lose faculty,” the president said. “I also think that the era of ridiculous growth in benefits is over. I’m going to push to negotiate for keeping the cost of benefits at the same percentage of salaries.”

Mr. Davis made the changes for the revised projection as indicated by the arrows in Figure 3. The resulting projected income statement is shown in Figure 4.

“So, if we are more realistic, adding a fairly strong austerity program, we will be unable to make payroll sometime in 2027,” the president noted. “Do you know why?” she asked. The two administrators shook their heads silently no. “It’s because austerity is not a strategy! A strategy is a program designed to fulfill the needs of a target audience at a price and with programs that are more attractive than those offered by the competition. A strategic shift is

a change in a program, the price of the program, and/or the method of presenting the program that improves the competitive position of a college."

	A	B	C
1	**Clay Court College**		
2	**Planning Variables**		
3	Fall to Fall New Full-time Student Rate Change	-2.0%	Growth of Incoming Class
4	Fall to Fall New Part-time Student Rate Change	0.0%	Growth of Incoming Class
5	Fall 2026 New Full-time Students	285	
6	Fall 2026 New Part-time Students	40	
7	Tuition Rate Change	0.0%	Above Inflation
8	Growth of Median Scholarship	2.0%	Annual, as % of tuition
9	% of Students on Scholarship	35.0%	
10	Growth of % of Students on Scholarship	2.0%	Annual
11	Growth of Gifts	2.0%	Annual, above Inflation
12	Growth of Miscellaneous Revenue	0.0%	Annual, above Inflation
13	One-time added gift in 2028	-	
14	1st semester full-time student drop out rate	9.5%	
15	Full-time Faculty Salary Rate Change	0.0%	Annual, above Inflation
16	Part-time Faculty Salary Rate Change	0.0%	Annual, above Inflation
17	Full-time Staff Salary Rate Change	0.0%	Annual, above Inflation
18	Part-time Staff Salary Rate Change	0.0%	Annual, above Inflation
19	Full-time Faculty Change	(6)	Added Persons/Year
20	Full-time Staff Change	(2)	Added Persons/Year
21	Part-time Faculty Change	-1	Added Persons/Year
22	Part-time Staff Change	-1	Added Persons/Year
23	Nonpersonnel Expense Rate Change	0.0%	Annual, above Inflation
24	Estimated market total return %	8.0%	
25	Payout rate %	5.0%	Of 3-yr. rolling mkt. ave.
26			
27	**"What if" Variables**		
28	Inflation Rate	2.0%	
29	Full-time Benefit Rate	45.0%	As % of Salaries
30	Part-time Benefit Rate	10.0%	
31	Full-time Benefit Rate Change	0.0%	Growth of % of Salaries
32	Part-time Benefit Rate Change	0.0%	
33			
34	Base year, Fall	2025	
35			

		Student heads	Student FTE
36			
37	Year End:	FT Faculty heads	Teaching Faculty FTE
38	2026	11.8	7.86
39	2027	11.8	7.64
40	2028	11.3	7.29
41	2029	11.2	7.25
42	2030	11.2	7.21
43	2031	10.7	6.91

Figure 3: "Realistic Do (Almost) Nothing" Planning Variables

She continued, "I hope you don't mind me lecturing you, but I told the trustees and the search committee that colleges like Clay Court face certain closure unless they can find a new equilibrium. I said that I was going to lead the development of a new strategy, not follow the wishes of the crowd. The past strategies have simply been growth, followed by minimal austerity, in a never-ending cycle. This "realistic" projection shows the trap we are now in. Past strategic planning efforts have not been particularly strategic. They have placed wish list items into a bag of 'Let's All Get Better at Everything' goodies.

E	F	G	H	I	J	K
Income Statement						
Revenue Year Ending:	2026	2027	2028	2029	2030	2031
Unrestricted Operating						
Tuition and fees (net)	70,741,329	67,442,864	62,865,113	58,531,699	54,482,393	50,521,463
Unrestricted government grants	-	-	-	-	-	-
Private gifts and grants	4,500,000	4,680,000	4,867,200	5,061,888	5,264,364	5,474,938
Endowment support	2,300,000	2,377,083	2,493,333	2,605,549	2,712,678	2,822,536
Other	500,000	560,000	520,200	530,604	541,216	552,040
Sales and services of auxiliary enterprises	2,345,000	2,439,400	2,537,588	2,639,716	3,023,783	3,145,383
Total operating revenues	80,386,329	77,499,348	73,283,434	69,369,455	66,024,434	62,516,361
Unrestricted Expenses	2026	2027	2028	2029	2030	2031
Instruction	53,946,597	53,558,442	53,170,357	52,705,418	52,199,846	51,652,209
Research	2,223,673	2,247,116	2,277,447	2,300,736	2,323,905	2,346,940
Public service	1,111,836	1,123,558	1,138,724	1,150,368	1,161,952	1,173,470
Academic support	6,981,747	7,080,517	7,185,145	7,286,371	7,388,674	7,492,059
Student services	6,306,051	6,367,313	6,436,232	6,497,347	6,558,172	6,618,673
Institutional support	5,506,954	5,562,520	5,628,838	5,867,716	7,084,103	14,452,225
Auxiliary enterprises	2,575,808	2,605,309	2,645,054	2,674,789	2,704,446	2,734,014
Total operating expenses	78,652,667	78,544,774	78,481,796	78,482,745	79,421,098	86,469,591
Change in net assets from operating activities	1,733,663	(1,045,427)	(5,198,362)	(9,113,290)	(13,396,664)	(23,953,230)
Nonoperating Activities						
Investment returns	2,015,000	2,075,000	2,084,000	2,169,317	2,257,111	2,347,659
Endowment support	(2,300,000)	(2,377,083)	(2,493,333)	(2,605,549)	(2,712,678)	(2,822,536)
Net assets released from restrictions	500,000	530,000	561,800	595,508	631,238	669,113
Change in net assets from nonoperating activities	215,000	227,917	152,467	159,276	175,671	194,235
Net Asset Change	1,948,663	(817,510)	(5,045,895)	(8,954,014)	(13,220,993)	(23,758,994)
Cash, beginning	1,000,000	3,298,860	1,479,761	(4,476,777)	(14,433,047)	(28,452,884)
Cash, ending	3,298,860	1,479,761	(4,476,777)	(14,433,047)	(28,452,884)	(52,499,805)
Endowment Market Value	50,000,000	52,100,000	54,232,917	56,427,783	58,691,472	61,034,232

Figure 4: "Realistic Do (Almost) Nothing" Income Statement Projection

"I understand that four years ago the college's stumbling division of continuing education was closed. Our little town has lost industry, and the nearest community college campus is twenty-five miles away. This is a strategic opportunity. Which major has lost the highest number of students, not the highest percentage, but the highest number?"

Ms. Key hit a few keys on the laptop and said, "Business. I thought liberal arts was down the most, but that was only in percentage terms."

"Yes," the president responded. "I've looked at their curriculum. They are preparing students for top positions in large companies. I've talked to the people in our Placement Office, and they say that business graduates aren't getting those jobs. People in the old manufacturing centers of the country are starting small businesses. They aren't becoming vice presidents of automotive companies. This is a great opportunity, but it's not something that we can easily do in an undergraduate program. We can, however, offer short courses and certificates to help people with their businesses. If we are smart, we will allow them to

transfer these credits to our business degree programs. That way we can open a pipeline into our degree program and gain revenue from a certificate small business program.

“But that won’t be enough. We must also focus on keeping our undergraduates enrolled. What happens if you decrease the first semester dropout rate by one percentage point?” the president continued.

Mr. Davis changed the initial semester dropout rate from 9.5% to 8.5%, “Wow!” he exclaimed. “We gain about $500,000 in 2027 and, in the year ending 2031, we will have picked up about $2 million.”

“I must do my part too,” the president continued. “While I am not so optimistic about getting a single $10 million gift, I can work very hard to increase all our gift giving. I’ve told our Development Office that I want them to put into my schedule seven meals a week with potential donors. Let’s make these changes to your second financial projection. First, instead of 40 new part-time students for Fall 2026, make it 60. We’ll use that as a placeholder for continuing education. Second, instead of two percentage points above inflation for the growth of gifts, make it ten percentage points. That’s my challenge. Third, instead of reducing part-time faculty by one person a year, let’s add two to replace faculty we lose and get our continuing education program off the ground. While the loss of six full-time faculty annually may be difficult, I will try to move one or two full-time faculty into staff positions to help keep students in school. Fourth, let’s impose a bit of austerity and try to cut back on nonpersonnel costs by two percentage points a year. What does that give us?”

Mr. Davis put the new numbers in. “Not good,” he notes. “We are still under water in 2028 and in really bad shape by 2031.”

“Okay, what first semester dropout rate closes the gap?” the president asks.

Mr. Davis tries a few dropout rates and says, “5.9%.”

“And how many more students must be ‘saved’ after the first semester if we are to achieve that rate?”

Mr. Davis pulls up the StuFlow tab and says, “21 fulltime students and 2 part-time students.”

“How hard can that be? We have 465 faculty and staff and only around 300 new students every fall, and we must locate 23 at risk first-semester students and give them the support they need to stay in school,” the president said. “What does the new, strategic financial projection look like now with the dropout rate set to 5.9%?”

	A	B	C
1	**Clay Court College**		
2	**Planning Variables**		
3	Fall to Fall New Full-time Student Rate Change	-2.0%	Growth of Incoming Class
4	Fall to Fall New Part-time Student Rate Change	5.0%	Growth of Incoming Class
5	Fall 2026 New Full-time Students	285	
6	Fall 2026 New Part-time Students	60	
7	Tuition Rate Change	0.0%	Above Inflation
8	Growth of Median Scholarship	2.0%	Annual, as % of tuition
9	% of Students on Scholarship	35.0%	
10	Growth of % of Students on Scholarship	2.0%	Annual
11	Growth of Gifts	10.0%	Annual, above Inflation
12	Growth of Miscellaneous Revenue	0.0%	Annual, above Inflation
13	One-time added gift in 2028	-	
14	1st semester full-time student drop out rate	5.9%	
15	Full-time Faculty Salary Rate Change	0.0%	Annual, above Inflation
16	Part-time Faculty Salary Rate Change	0.0%	Annual, above Inflation
17	Full-time Staff Salary Rate Change	0.0%	Annual, above Inflation
18	Part-time Staff Salary Rate Change	0.0%	Annual, above Inflation
19	Full-time Faculty Change	(6)	Added Persons/Year
20	Full-time Staff Change	(2)	Added Persons/Year
21	Part-time Faculty Change	2	Added Persons/Year
22	Part-time Staff Change	-1	Added Persons/Year
23	Nonpersonnel Expense Rate Change	-2.0%	Annual, above Inflation
24	Estimated market total return %	8.0%	
25	Payout rate %	5.0%	Of 3-yr. rolling mkt. ave.
26			
27	**"What if" Variables**		
28	Inflation Rate	2.0%	
29	Full-time Benefit Rate	45.0%	As % of Salaries
30	Part-time Benefit Rate	10.0%	
31	Full-time Benefit Rate Change	0.0%	Growth of % of Salaries
32	Part-time Benefit Rate Change	0.0%	
33			
34	Base year, Fall	2025	
35			

	Student heads	Student FTE
Year End:	FT Faculty heads	Teaching Faculty FTE
2026	11.9	7.91
2027	12.2	7.86
2028	12.1	7.75
2029	12.4	7.83
2030	12.6	7.93
2031	12.7	7.92

Figure 5: Strategic Approach Planning Variables

Mr. Davis says, looking at what is Figure 6 below, "Pretty good."

The president looks at the income statement projection and says, "Yes, but we are clearly not in equilibrium. Hopefully, the drop in enrollments will be more manageable in five years. If the country keeps seeing college enrollment decrease 2% a year, however, no college will survive in the long run. We may have to develop a completely new educational model to reach equilibrium.

“Please prepare these three scenarios for me as handouts. My campaign to help the college shift strategically must begin with the board of trustees. Thank you again for this great work.”

Mr. Davis folded his laptop and with Ms. Key left the room, both realizing that their work had only begun.

Income Statement						
Revenue Year Ending:	2026	2027	2028	2029	2030	2031
Unrestricted Operating						
Tuition and fees (net)	71,134,996	70,051,268	68,297,546	67,147,856	66,075,714	64,004,249
Unrestricted government grants	-	-	-	-	-	-
Private gifts and grants	4,500,000	5,040,000	5,644,800	6,322,176	7,080,837	7,930,538
Endowment support	2,300,000	2,377,083	2,493,333	2,605,549	2,712,678	2,822,536
Other	500,000	560,000	520,200	530,604	541,216	552,040
Sales and services of auxiliary enterprises	2,345,000	2,439,400	2,537,588	2,639,716	3,023,783	3,145,383
Total operating revenues	80,779,996	80,467,751	79,493,468	79,245,900	79,434,229	78,454,746
Unrestricted Expenses	2026	2027	2028	2029	2030	2031
Instruction	53,946,597	53,573,875	53,202,542	52,755,720	52,269,677	51,743,033
Research	2,223,673	2,245,081	2,273,337	2,294,510	2,315,519	2,336,352
Public service	1,111,836	1,122,541	1,136,669	1,147,255	1,157,760	1,168,176
Academic support	6,981,747	7,059,120	7,141,922	7,220,885	7,300,482	7,380,706
Student services	6,306,051	6,357,014	6,415,428	6,465,828	6,515,723	6,565,077
Institutional support	5,506,954	5,555,327	5,614,310	5,662,104	5,709,487	5,756,424
Auxiliary enterprises	2,575,808	2,598,306	2,630,909	2,653,358	2,675,585	2,697,573
Total operating expenses	78,652,667	78,511,264	78,415,116	78,199,660	77,944,233	77,647,340
Change in net assets from operating activities	2,127,329	1,956,487	1,078,352	1,046,240	1,489,996	807,406
Nonoperating Activities						
Investment returns	2,020,000	2,125,000	2,229,000	2,319,317	2,422,111	2,507,659
Endowment support	(2,300,000)	(2,377,083)	(2,493,333)	(2,605,549)	(2,712,678)	(2,822,536)
Net assets released from restrictions	500,000	530,000	561,800	595,508	631,238	669,113
Change in net assets from nonoperating activities	220,000	277,917	297,467	309,276	340,671	354,235
Net Asset Change	2,347,329	2,234,403	1,375,819	1,355,516	1,830,667	1,161,642
Cash, beginning	1,000,000	3,677,843	4,777,565	5,076,347	5,218,154	5,918,118
Cash, ending	3,677,843	4,777,565	5,076,347	5,218,154	5,918,118	5,710,502
Endowment Market Value	50,000,000	52,100,000	54,232,917	56,427,783	58,691,472	61,034,232

Figure 6: Strategic Approach Income Statement Projection

Each of the models may be downloaded from my website:

Model 1: www.dickmeyerconsulting.com/m8.1.xlsx
Model 2: www.dickmeyerconsulting.com/m8.2.xlsx
Model 3: www.dickmeyerconsulting.com/m8.3.xlsx

http://www.DickmeyerConsulting.com
http://www.amazon.com/author/ndickmeyer
https://www.thechelmsfordpress.com/