BENEFITS AND FINANCE COMMITTEE MINUTES

September 20, 2013

Attending: Jim Manaro (Chair), Peggy Fulton, Alan Chesney, Joe Holt, Lansing Williams, Leslie Sherman, Emily Chamlee-Wright, LaToya Felton, Susanne Kelly, Ken Schweitzer and Andrea Lange. Members of Senior Staff who also attended were Mitchell Reiss, Gary Grant and Cal Coursey.

Jim introduced LaToya and Gary Grant to the Committee. The purpose of this meeting is to review the budget situation and discuss cuts made by Senior Staff. Jim reviewed the calendar established noting that we are on schedule and the next steps are to present this material to the Faculty, Administrative and Staff Councils next week (attached). The Finance & Benefits Committee will reconvene for any further discussion after receiving feedback from the Councils and there will be final presentations made to the faculty at the next faculty meeting and the staff at the next staff coffee.

Jim stressed that the budget scenario is still being tweaked and that a lot of assumptions relating to the position in the spring have been made. Mitchell stressed that higher retention or transfer students in the spring could leave a larger margin of revenue for the College to allocate. However, it is important to also put money aside for emergency repairs such as the steam pipe breaking outside of Toll. It is important to be cautious at the front end of the fiscal year and have the ability to adjust later in the year if more revenue is available.

Jim asked everyone to refer to Exhibit I which presents the forecasted budget vs. the actual budget. The budget forecasts developed for each year are extremely conservative. Despite this conservancy, enrollment targets were not reached for this fiscal year. The forecast called for 400 new students, 30 transfer students and 1,020 continuing students. This fall, transfer and continuing students were higher than projected, but new students fell well short of the goal. Additionally, the discount rate was forecast at 45% and the actual discount rate is 48%. The revenue lost just from the 3% increase in the discount rate is $464,000. If you carry this out over the four year course of study, it equals $1.8 million in lost revenue. The loss of 3% in student enrollment impacts the budget by $1.7 million. In addition to the lost revenue from enrollment, the Washington Fund did not make its target last year and it was felt that a goal of $1.7 million was out of reach this year. The Washington Fund goal for FY 14 was reduced by $200,000 and this lost revenue is added to the $1.7 million. Offsetting the loss is an additional $100,000 from the endowment and original savings set aside last year for budget support of $240,500. The total impact to the budget is $1,593,154.

Sr. Staff was presented with this information and was tasked with cutting their budgets by 7.5%. It was left totally to their discretion which areas they felt they could cut and not lessen services or product. Every Senior Staff member made the cuts and achieved the operational savings needed to balance the budget. Total savings generated by these cuts is $876,000. Added to these savings are contingency funds of $336,000 and for now, elimination of the COLA that was considered amounting to $381,000. This allows the

College to achieve a balanced budget. This is important for a couple of reasons. First, the Board members are fiduciaries of the College and it is important to demonstrate to them that the College can manage its way through tough times. The Board should not have to micro manage the day to day workings of the College. Secondly, an operational deficit could affect the College bond covenants.

Exhibit II demonstrates the total dollar amounts cut from operating and salary budgets by each Senior Manager. It is important to note that salary reductions are not current employee salaries being eliminated, but deferral of some positions and allowing vacant positions to remain vacant for this year.

Exhibit III is a chart demonstrating the dollar amounts cut from budget object codes. The largest savings were generated from cuts in food purchases by the Dining Hall and other contractual services. Andrea asked if these cuts would have an impact upon the services offered by the College. Jim explained that great thought was put into the cuts to ensure that services or product would be impacted nominally. Certainly there is some impact, but there is no significant impact to services. Senior Staff discussed high priority issues that could receive additional support if added revenue is generated in the spring.

Mitchell added that this meeting is part of an ongoing effort to provide transparent information to everyone on campus. Cutting the cost of living adjustment that had been considered was a difficult decision – the administration knows that everyone is hurting. This is an area to be discussed if and when the College has a better revenue picture. There will be more clarity as time passes. Jim also noted that it is hoped we will enroll some additional international students in the spring that could benefit the budget situation. However, energy costs and other fixed costs might be higher than projected. There is so much that can happen, no firm commitments can be made until actual revenue is identified. Health care is allocated for this year, but we can expect at least a 6-8% increase for next year.

Mitchell asked Jim to explain to everyone the difference in the capital budget and the operating budget and why they can’t be interchanged. The capital budget is comprised of funds derived from the 100% funding of depreciation for all buildings and equipment. An example of funded depreciation is to take the price of your house, divide it by 30 years and you get the annual cost of the house per year. By funding our building depreciation in this manner, we ensure that capital is available for the building renovation and new construction (capital projects). Without this funded depreciation, the College would not be operating with a balanced budget and there would be insufficient funds for capital projects and renovation of all our buildings. Funded depreciation generates approximately $7 million for the capital budget each year. Approximately $2.3 million is used for principal debt payment on existing bonds. IT capital expenses are approximately $850,000 per year for renewal and upgrades of hardware, PCs, Wi-Fi wiring, etc. The remainder is used for renovation of existing buildings as well as new capital construction. Mitchell asked if depreciation could be funded at 90% rather than 100%. It is not that simple. Without the 100% funding, there would be insufficient funding for building renovations and building conditions would suffer. Additionally, without this funding, it would place the budget in a deficit situation and this funding policy is a very important, high priority matter to the Board of Visitors and Governors. Mitchell also noted that audit requirements will not allow the transfer of money from capital to operating.

Exhibit IV provides a breakdown of cuts made to each object code by Senior Staff. Jim explained that in his own budget, he realized he could not cut any funds from maintenance as buildings and services would suffer. He could, however, cut some of the grounds budget that would result in less mulch or less sidewalk construction. Housekeeping is revising schedules to reduce overtime and save salary money.

Andrea asked if GIS could add anything to the pot through their grant funding. Jim indicated they only receive a small amount as most of the contracts are State grants. It is federal grants that indirect revenue can be derived from. Gary noted that plans are in the works to hire a full time grant writer to begin exploring greater grant access. Jim noted that it still takes a great deal of time before the College would start making money, but it is a good revenue source to explore.

Susanne asked how summer conferences impact the budget. Originally, the summer conference program was developed to ensure that dining hall and B&G employees could continue to be employed in the summer months. The program is generating some revenue that goes into the net operating budget. Karson is exploring options to grow the program as June is not being utilized to its maximum potential. The summer conference program helps revenue, but in a small way.

Jim asked if anyone had any questions and there were none. He asked everyone to examine and review the material and to share with their peers. Nothing in this information is secret and there will be further presentations to try to ensure everyone is fully aware of the situation. The next meeting is scheduled for Monday, September 30.