



To: Finance and Benefits Committee
From: Jim Manaro
Re: Balancing Fiscal Year 2014
Date: September 19, 2013

This memo summarizes the College's fiscal position for Fiscal Year 2014. Although in a deficit position a lot of work has been initiated by Senior Staff to bring the budget back in balance. The balancing conclusion incorporating Senior Staff reductions is based on the best estimates for the remaining fiscal year. These estimates include assumptions about spring enrollment, retention and estimated expenditures, all of which are too early to predict accurately.

The purpose of this meeting is to initiate the budget process as outlined by the President in his memo of September 5th. As specified in this memo, after the Finance and Benefits Committee reviews and discusses the current fiscal recommendations, the presentations will continue with the Faculty, Administrative and Staff Councils ending with a final presentation to the faculty on October 7th. So time is precious in completing this complex task.

It is appropriate at this time to review the current fiscal position. As presented in Exhibit I, the estimated shortfall for this fiscal year (the bottom line) is approximately \$1.6 million. Primarily generating this estimated shortfall is the enrollment reduction of 40 students coupled with an increase in the financial aid (or discount rate) from 45 percent to 48 percent. We have mentioned many times how reliant the College is on enrollment and student charges. This serves as a bad example, but emphasizes the impact of nominal enrollment shortfalls. A 3 percent enrollment reduction from our original estimate results in a \$1.7 million shortfall with rising financial aid!

Reducing this net, tuition-driven shortfall nominally, was a \$200,000 decrease in anticipated revenue from the annual Washington Fund (originally estimated at \$1,750,000 and now revised to \$1,550,000) offset by an allocated Endowment drawdown of \$100,000 and original preparatory budget savings of \$240,500. With these additional factors, the net deficit results in the presented bottom line shortfall of \$1.6 million.

We all know cutting department expenditures is a difficult assignment for all of us to undertake. Cuts are hard and decisions on which cuts is even harder. There are obvious reasons why we have to balance the budget besides the overwhelming benefits to all (Trustees, friends of the College, donors, foundations, faculty and staff) of the College being fiscally sound. To manage

our way out of this problem is a preeminent example to the Board of Visitors and Governors that the College can manage itself through difficult times. This is happening not only here but with many other private colleges. It also highlights the importance of a new strategic plan focusing on added value, new initiatives, capital projects and a comprehensive campaign leading to value added and enrollment competition with overlap institutions.

The assignment to Senior Staff was to find viable department expenditure reductions by object code (supplies, postage, food services, contractual services, etc.). Each Senior Staff made most of their recommended reductions from department's operating budgets. It was clear that all cuts hurt, but Senior Staff selected the cuts that will nominally affect program quality.

The original goal was to reduce operating expenditures by 7.5 percent or approximately \$826,000! It did not have to be across the board for departments since some expenditure to various departments is just more critical than to others. Senior Staff had total discretion of the department reductions. To get to the total savings goal, other reductions came from the 1.5 percent cost of living adjustments (\$381,000) and contingency utilization (\$336,000).

Exhibit II starts with the calculated deficit presented in the upper right hand corner of \$1,593,154. The allocation for each senior staff is listed in column 1 of this exhibit. All senior staff combined met their targets or came quite close to them. The Senior Staff target versus actual recommended reductions is presented by comparing column 1 (the target) and column 4 (the actual reductions) which increased through the process.

Also, reductions were derived from vacant positions which will be deferred until next year for Advancement, the Library and Student Affairs, as well as Academic departments which, at this time, are preliminary for spring adjuncts. Enrollment Management generated salary savings from position reorganization.

I just want to mention as a ray of hope, the budget, although monitored monthly, will be reviewed again in January to determine if any reversals in reductions are possible including some type of salary pool as a result of higher than anticipated retention and exceeding January transfer student enrollment goals. It is not over yet!

Exhibit III presents a summary by object code of where the recommended reductions focused. The cut areas were the following: food purchases from dining services (\$144,500); contractual services mostly IT (approximately \$137,000), supplies (\$44,000); professional fees (\$29,000); student salaries (\$28,755); and meals and entertainment (\$24,000). All reductions are listed on Exhibit IV.

I look forward to working with the Committee - there is a lot more to go through.