

FY 04 Operating Budget Update

April 30, 2004

- Recent budget updates have not been good news
- Together we faced those realities and adopted a tight budget for this year
- And we have more belt tightening ahead
- The result... a more sound financial plan for the College

- This year ... some good budget news
- As a result of:
 - Difficult decisions
 - Hard work and
 - Some fortuitous events,
- We are predicting a budget surplus

- Current estimate of surplus is about
\$1.9 Million
- Resulting primarily from:
 - Improved Student Retention
 - Low utilization of Financial Aid and
 - Favorable Endowment performance
- Combined with the implementation of cost reduction initiatives

FY 04 Operating Budget Update



Summary Estimate of Projected FY 04 Surplus Current Unrestricted Operating Budget (Info as of February 29, 2004)

(Dollars in Thousands)							
				Projected Variance			
				[Favorable/(Unfav)]		Comments (April Est)	
				April Est			
Regular Tuition (On-Campus)				\$ 439		~ 15 NFE students; retention; mid-yr transfers; London Prog	
Financial Aid				654		Underutilization; 1st Yr participation down to ~36%	
Other Tuition & Fees				345		Improved enrollment in Abroad Programs; some fees	
Endowment Takeout				442		Favorable Endowment performance; Mkt Val > \$172MM	
Invest Earnings & Other Income				(703)		Depressed ST interest rates; lower working cap balance	
Salaries & Wages				615		Deficit reduction programs; hiring freeze early in Yr	
Benefits				404		Benefits prog reviews; lower salaries; FASB 106 favorable	
Utilities				(221)		Colder winter; higher oil and natural gas prices	
Debt Service				(311)		Series '03 Bond origination; timing	
All Other				(83)		Various small +'s and -'s	
Contingency				329	-a)	After leaving \$500K in Contingency as hedge for potential major unfavorable items at YE	
				\$ 1,910	-b)		
(a- Unpredictable Items such as YE audit adjustments, unrealized losses on investments or unusual Health Care claims tail							
(b- February Estimate (at BOT Meeting) was \$1,198 K favorable variance. Principal change is in regular tuition, which at that time was forecasted at \$(211,000), based on historical patterns. A higher than normal number of transfer students and improved retention rates (London Program & other measures) became evident in data available in January and February.							

- Uses of the surplus
 - We made a proposal to the Board of Trustees
 - Teleconferences with Budget & Finance Committee and the full Board
 - Similar recommendations from FPFC
- Board unanimously approved our recommendations

	<u>(Dollars x 1,000)</u>
• Approved uses of FY 04 surplus	
– Repay internal loan-deficit in FY 02	\$363
– FY 05 Capital Projects & Reserves	\$715
– One-time employee discretionary bonus of 2% of salary	\$830
• Will also be offered to union- represented employees	

- This is a unique circumstance
- Not a precedent for future budget surpluses
- Year unusual because most employees received no raises/ began to contribute to benefits, but we had a surplus
 - Surplus was not predictable
 - Result of good luck along with hard work
- We have all shared in the bad news, now
- Will share in the good fortune

- So the news is good :
 - Predicting a budget surplus
 - One time employee discretionary bonus of 2%
 - Will be paid in May
 - 4% GSA in Proposed Budget for FY 05
 - New total compensation framework
 - Market Salary Adjustments
- New Comprehensive Fund-raising Campaign
- Sound financial plan for the next five years