

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

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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
		\$	<u>1,910</u>	-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

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	<u>(Dollars x</u> <u>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