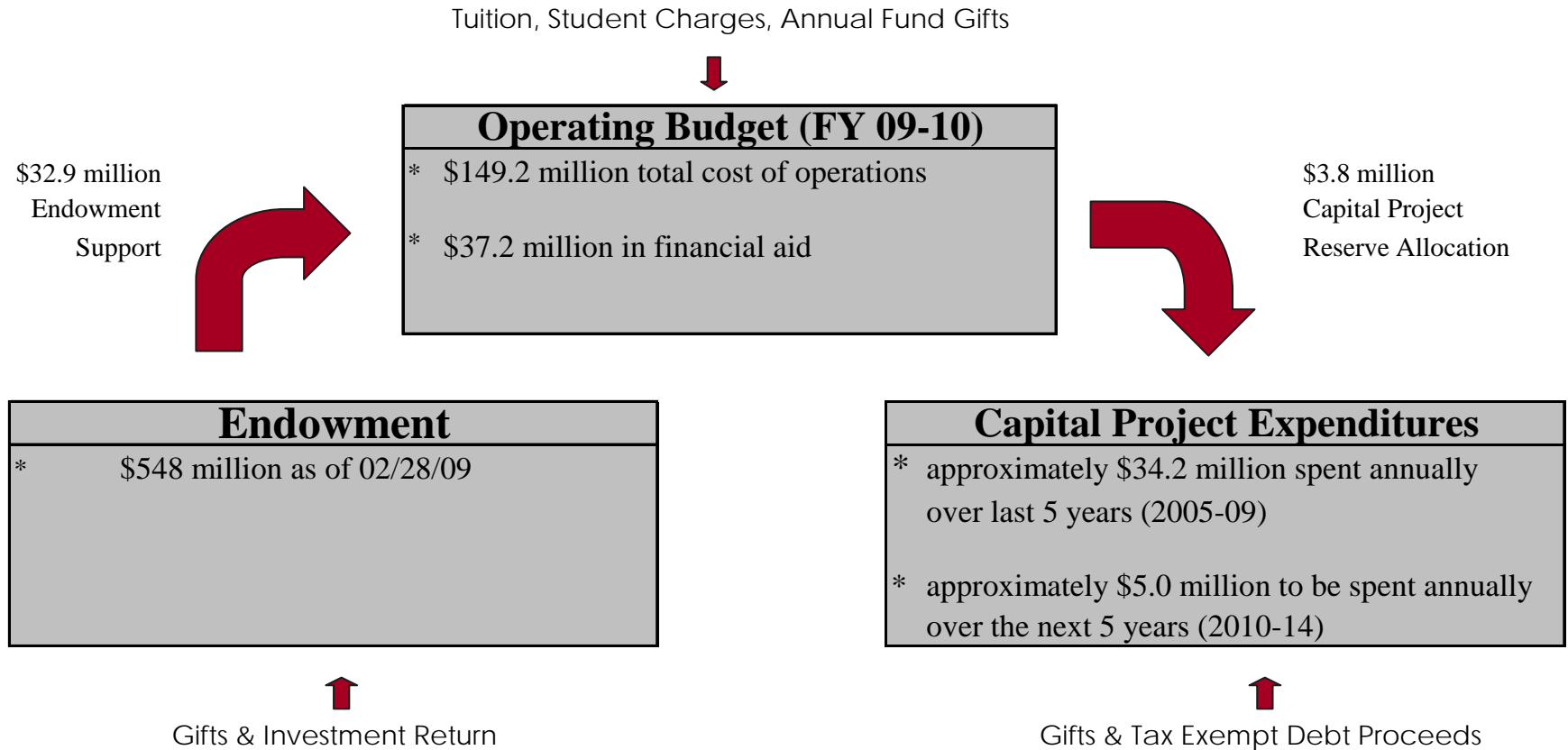


Colgate University Financial Update

Faculty Forum - April 6, 2009

Open Staff Meeting - April 9, 2009

“Financial Equilibrium”



Long-Term Operating Budget Trends

	<u>1988-89</u>	<u>1998-99</u>	<u>2008-09</u>
Revenue (millions)	\$46.7	\$86.7	\$147.3
<i>Discount Rate (% of tuition used as financial aid)</i>	20.6%	28.4%	32.3%
Student Charges	70%	66%	63%
Endowment Support	9%	14%	23%
Gifts and Grants	14%	9%	7%
Other Income	7%	11%	7%
<hr/>			
Expense	\$47	\$87	\$147
Academic Programs & Support (Instruction, Libraries, ITS)	41%	40%	41%
Housing, Dining & Other Services (Auxiliary)	17%	19%	11%
Administrative Support	15%	13%	16%
Athletics	6%	7%	7%
Student Services	7%	7%	7%
Operation and Maintenance of Plant, Debt Service, Plant Renewal	14%	13%	18%
<hr/>			
<i>Compensation as a % of Total Expenditures</i>	55.6%	53.2%	55.9%

Future Revenue Expectations

	2003-08	2009-14
	<i>Five Year Average Annual Growth Rate (Actual)</i>	<i>Five Year Average Annual Growth Rate (Forecast)</i>
Net Tuition Revenue	6.2%	2.4%
Endowment Spending	6.9%	-3.0%
Unrestricted Annual Fund	2.0%	-0.1%

“Global Slump Seen Deepening”

(April 1, 2009 Wall Street Journal page 1 headline)

- ❑ “Global output will fall in 2009 for the first time since WW II”
- ❑ US home prices fell 19% in January (year-over-year)
- ❑ US unemployment rate at 8.5% in March 2009 (highest level since 1983)
- ❑ S&P 500 stock market index -41.8% for twelve-months ended 3/31/09
- ❑ “...world economy in deepest, most synchronized recession in our lifetime”
(OECD Chief Economist, 3/31/09)

Peer Responses to Global Economic Downturn

	Amherst	Bowdoin	Bucknell	Colgate	Dartmouth	Hamilton	Haverford	Oberlin	Swarthmore	Vassar	Williams	Cornell	Harvard
Faculty Salary Freeze						\$500	N/A		N/A				
Staff Salary Freeze						\$500	N/A		N/A				
Faculty Hiring Freeze								N/A					
Staff Hiring Freeze								N/A					
Layoffs							N/A	N/A	N/A				
Enrollment Growth							N/A	N/A					
Building Slowdown							N/A	N/A					

N/A - Information not publicly available

Colgate specific challenges/opportunities

Opportunity

- ❑ Colgate's budget depends less on annual endowment support for the budget compared to our wealthier peers

Challenge

- ❑ However, we rely much more heavily than our peers on students whose families can afford the full price of a Colgate education

Balanced 2009-10 Operating Budget

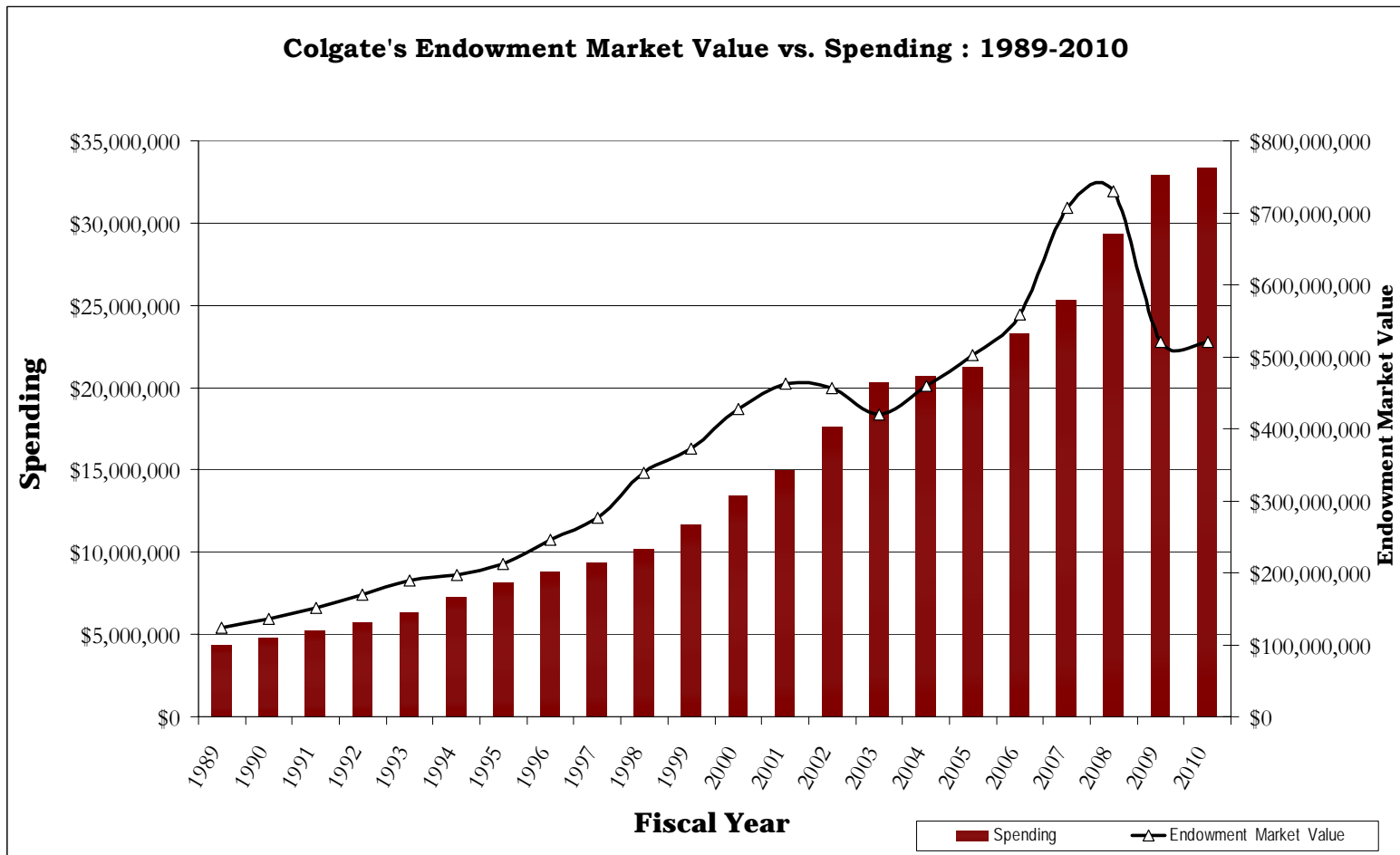
This was achieved despite:

1. Slow net tuition revenue growth
2. Flat endowment spending growth
3. Decreasing unrestricted annual fund contributions

Key expenditure control steps:

- ❑ 5.0% decrease in divisional budgets (~\$2.0 million)
- ❑ Reduction in capital project allocation (\$2.0 million)
- ❑ Hiring freeze for open staff positions (~\$500K, thus far)
- ❑ Tight controls on 09-10 salary increases (~\$1.0 million)

Colgate's Endowment Market Value/Annual Spending (1989 through 2010)



Remaining Financial Challenge

- ❑ The balanced budgets are predicated upon annual endowment support for the budget that is **unsustainable**
- ❑ We anticipate needing to reduce endowment spending by approximately \$7.5 million in fiscal 2011-12
- ❑ This level of budget reduction requires a strategic approach
- ❑ **Economic Environment Working Group**

Economic Environment Working Group

Bruce Selleck (Co-Chair)

David Hale (Co-Chair)

Jill Harsin

Connie Harsh

Nicole Simpson

Hugh Bradford

Charlotte Johnson

Trish St. Leger

Bob Tyburski

Kim Waldron