

Working Group to Address Changed Economic Environment

April 2009

Working group charge and composition

Colgate, like most institutions of higher education, is facing significant financial challenges in the wake of the severe downturn in the capital markets and the deep recession that is plaguing economies across the globe. For this reason, a working group has been formed to consider and develop a range of options that will enable Colgate to operate in financial equilibrium as it continues its pursuit of academic excellence.

The working group, a campus-based Task Force, is charged with identifying scenarios for strategic realignment of Colgate's operating budget. This exercise will require an unflinching look at options having to do with restructuring operations; identifying potential new revenue streams; or even eliminating some of our programs. All options must be on the table; no option must be assumed untouchable. The group is encouraged to think boldly and to be clear and wise about determining what is essential, what is desirable and what can be eliminated. The goal is to identify options that will return the university to financial equilibrium (financial equilibrium being defined as when the operating budget is balanced and annual endowment spending is sustainable) while ensuring that Colgate maintains academic excellence.

The working group will report to and is advisory to President Chopp and subsequently Interim President Lyle Roelofs, and the board of trustees. Board liaisons will be in regular contact with the working group. The President will provide an update at board meetings in June and October 2009 with the full report being presented in January 2010.

The working group will consult regularly with the on-campus Advisory and Planning Committee and must consult broadly with the Colgate community in order to identify the very best ideas for the institution. The working group should pay careful attention to similar efforts at other colleges and universities.

Membership of the working group includes faculty drawn from the existing governance system and staff members.

The working group will be co-chaired by Harold Orville Whitnall Professor of Geology Bruce Selleck '71 and Vice President for Finance and Administration David Hale '84. Members will include Interim Provost and Dean of the Faculty Jill Harsin, Professor of English Constance Harsh, Associate Professor of Economics Nicole Simpson, Dean of the College Charlotte Johnson, Secretary of the College Kim Waldron '81, Vice President and Senior Philanthropic Advisor Bob Tyburski '74, Associate Vice President for Budget and Financial Aid Hugh Bradford, and Associate Provost Trish St. Leger.

As it pursues its charge, the working group will develop scenarios that will enable Colgate to meet our twin objectives for the present and for the future: academic

excellence and financial equilibrium. By acting strategically now, we will ensure that Colgate is facing the future from a position of continued strength.

Because we are projecting a balanced budget for 2009-10 thanks to the shared sacrifice within the Colgate community, the working group has time to work carefully through various scenarios. Progress reports to the interim president will be expected on a monthly basis. The initial report of the working group will be presented to appropriate campus governance committees prior to presentation to the Board of Trustees.

Group will work from a position of strength

This important working group is being formed so that Colgate can continue its trajectory as a leading university. Thanks to the momentum provided by a successful ongoing fundraising campaign, effective management by the university administration and the leadership and expertise provided by the board of trustees, Colgate's budget will be balanced for the 45th consecutive year and its endowment assets have been invested wisely in the extraordinarily treacherous investment markets.

From this position of institutional strength, we must now prepare the university to pursue its educational mission in a different, less prosperous economic environment. The financial challenges facing Colgate are based on the expectation that Colgate's primary revenue streams (net tuition, endowment spending and unrestricted annual fund contributions), which have enjoyed significant growth for an extended period of time, will increase at modest rates for the foreseeable future.

Colgate is clearly not alone as we are witnessing seemingly all of the most selective colleges and universities pursuing a range of cost-cutting strategies in response to severe revenue pressure. Colgate too has enacted a series of cost-control strategies in order to "right size" the university's operating budget.

Impact of budget controls already in place

Through close collaboration between the on-campus budget committee and senior staff, the first phase of budget control measures have rendered budgets that are currently forecast to be balanced through fiscal 2010-11. However, these projected budgets rely on annual support from the endowment that is not sustainable over the long-term. Over the next two years, the projected budgets assume annual spending in excess of 7.0% of the total value of the endowment. Such a spending rate is far in excess of the generally accepted long-term annual spending rate of 5.0%. In order to bring the annual endowment spending rate back to a sustainable range (approximately 5.5%), we currently estimate that annual endowment support for the operating budget must be reduced by roughly \$7.5 million in fiscal 2011-12.

In balancing the budget to date, Colgate has used levers commonly used in higher education to manage budgets, including compensation control, reductions to departmental non-compensation budgets, reductions to funds in support of capital projects and careful

enrollment management. As we look to further reduce expenditures, it is important to stay focused on Colgate's mission and unique identity as a liberal arts university.

Colgate's trustees and key faculty leaders spent a day in January identifying values that should guide strategic scenario development. Maintaining academic excellence emerged as the primary guiding value because it is both fundamental to our identity and is the foundation of our future well being as a national leader in higher education. Colgate's continuing obligation to our society and nation is the basis of the equally significant value of providing access. Sustaining community on campus, and the importance of our connections to the village, the surrounding area, and our alumni will also be important values guiding our work.

Rebecca Chopp, President
Lyle Roelofs, Dean of Faculty and Provost
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