

WESLEYAN

U N I V E R S I T Y

Vice President for Finance and Administration
237 High Street
Middletown, CT 06459-0241



For: The Board of Trustees

From: John Meerts

Date: May 12, 2007

Subject: **FY 2007/08 Proposed Operating Budget**

It is my pleasure to present the Wesleyan University operating and capital budget for FY 2007/08. The budget is balanced, with restricted funds showing a small surplus. This budget is the second year of a five year plan to reduce Wesleyan's draw from the endowment to reach its stated policy of a 6% increase over the previous year budget, but within a "collar" of 4.5% to 5.5% of the previous 12 quarter average of the market value of the endowment.

The Board approved a tuition increase of 5.5% in March. Total tuition/fees will increase 5.6% because of the \$56 increase in the student approved student activity fee. Wesleyan will also simplify its student charges structure, combining the now separate room and board fee to a comprehensive room and board fee. First year students and sophomores will be charged one comprehensive room and board fee. Juniors and seniors will be charged a higher comprehensive room and board fee to reflect the higher cost of student life options. Financial aid students who have been taking out additional loans to fund this housing differential will be awarded additional grant aid beginning next year. This packaging change is expected to result in increased grant awards of approximately \$850,000. Overall, student charges will increase 5.7% for frosh/sophomores and 5.5% for juniors/seniors.

Wesleyan's annual fund increases 10% to \$17,600,000 million in FY 2007/08. The endowment gift goal is \$10.9 million reflecting 1.75% of last June's endowment market value of \$620 million.

Wesleyan remains committed to meeting full financial need of all students. Wesleyan is providing more aid which is reflected in a 4.8% increase in Wesleyan supported scholarships for FY 2007/08.

The budget continues to support increases in faculty and staff compensation. The salary budget for faculty increases 4.0%, professional librarians 3%, and 2.5% for administrative staff. Wesleyan is committed to providing a competitive benefits program. National increases in health care costs remain a concern and the budget increases 10% for health care.

We budgeted a 10% increase in utilities costs, and have implemented several energy saving initiatives across campus. For example, as part of Project \$ave (Sustainable And Viable Efficiencies) we distributed over 750 compact florescent light bulbs at the beginning of fall semester to students to use in their residential areas. We also sponsored a competition to reduce energy usage among the woodframe houses. In addition, Information Technology Services committed to only purchase computers that use 80 Plus power supply which cuts their electrical usage by 33%. Our aim is to work with student groups on campus to focus attention on different aspects of sustainability which, in many instances, also have a positive budgetary impact.

This summer the Suzanne Lemberg Usdan University Center will open. The budget includes an additional \$1.0 million for operations and programming.

Endowment Draw Reduction Strategy

Last year we committed to bring our endowment spending over a five year period (2007-2011) in-line with our payout policy of a 6% increase over the previous year budget, but within a "collar" of 4.5% to 5.5% of the previous 12 quarter average of the market value of the endowment.

As part of this plan, we are reducing expenditures. Our initial planning indicated \$5.7 million in budget reductions over the planning period. FY 2007/08 reductions totaled \$0.5 million (\$0.2 million more than target) to balance the unrestricted operating budget; over the past two years we have reduced the budget by \$3.5 million.

The Budget Working Group has been reviewing all vacant staff positions and providing advice on how best to fill these hires. We eliminated almost 10 full-time staff through reorganizations and altering workloads during the past two years.

The goal of increasing the endowment continues as a priority for the University. Over the next several years we plan to increase annual gift contributions to the endowment. This effort, along with above average market returns, will allow us to slowly but consistently grow the size of the endowment. We will also continue to find the means to meet our highest priority needs and strategic objectives through wise budgeting and use of available resources.

SUMMARY BY EXPENDITURE CATEGORY

(\$ in 000s)

	2007/08		Total Support			
	Unrestricted Support	Restricted Support	2007/08	2006/07	Increase (Decrease)	
					\$	%
Educational and General Operations						
<i>Revenues</i>						
Tuition & Fees	107,835	-	107,835	102,049	5,786	5.7
Endowment Support	27,977	7,502	35,479	34,077	1,402	4.1
Private Gifts	17,600	5,000	22,600	21,750	850	3.9
Federal and State Grants						
Financial Aid	-	2,695	2,695	2,538	157	6.2
Sponsored Research	-	6,800	6,800	7,270	(470)	(6.5)
Overhead Recovery	1,590	-	1,590	1,790	(200)	(11.2)
Other Revenues	2,017	-	2,017	2,017	-	0.0
Total Revenues:	157,019	21,997	179,016	171,491	7,525	4.4
<i>Expenditures</i>						
Instruction and Academic Support:						
Faculty Compensation	34,599	3,745	38,344	36,770	1,574	4.3
Academic Support	21,291	3,831	25,122	24,166	956	4.0
Libraries	7,298	64	7,362	7,091	271	3.8
Total Instruction and Academic Support	63,188	7,640	70,828	68,027	2,801	4.1
Sponsored Programs and Research	-	6,800	6,800	7,270	(470)	(6.5)
Student Services	9,688	-	9,688	8,705	983	11.3
Financial Aid	34,743	7,178	41,921	39,984	1,937	4.8
External Relations	10,875	-	10,875	10,103	772	7.6
Institutional Support	10,286	-	10,286	9,938	348	3.5
Physical Plant & Public Safety	18,137	-	18,137	16,598	1,539	9.3
Total Expenditures:	146,917	21,618	168,535	160,625	7,910	4.9
<i>Net Educational and General</i>	10,102	379	10,481	10,866	(385)	(3.5)
Auxiliary Operations						
Revenues	33,519	-	33,519	30,740	2,779	9.0
Expenditures	32,159	-	32,159	29,419	2,740	9.3
<i>Net Auxiliary Operations</i>	1,360	-	1,360	1,321	39	3.0
Minor Capital Projects and Debt Service						
Capital Budget	2,435	-	2,435	2,387	48	2.0
Debt Service	9,027	-	9,027	9,027	-	0.0
<i>Minor Capital Projects and Debt Service</i>	11,462	-	11,462	11,414	48	0.4
Total Budget						
Total Revenues	190,538	21,997	212,535	202,231	10,304	5.1
Total Expenditures	190,538	21,618	212,156	201,458	10,698	5.3
<i>Net Revenues less Expenditures</i>	-	379 ¹	379	773 ¹	(394)	n.a.

¹ Reserved for future use per gift and endowment restrictions