



For: The Board of Trustees

From: John Meerts

Date: April 27, 2009

Subject: **2009/10 Proposed Operating Budget**

It is my pleasure to present the Wesleyan University operating and capital budget for 2009/10. The budget is balanced, with both unrestricted and restricted funds showing a surplus.

This budget includes almost \$10 million in budget reductions as part of our commitment to bring our endowment spending in line with policy, reduced Wesleyan Fund goals, and lower endowment market values resulting from the changes in the economy. Wesleyan's endowment has decreased 38% since June 2007, from \$710.8 million to \$442.4 million (March 31, 2009). Because of the 12-quarter moving average spending formula, the operating budget will continue to experience the effects of a declining endowment for several years.

In addition to the small \$89,000 surplus in unrestricted funds, we have created within the budget a \$6.5 million emergency fund to protect against:

- Missing Wesleyan Fund goal
- Lower endowment
- Larger than expected financial aid increases
- Lower enrollment
- Liquidity concerns

In February, the Board approved student charges of \$51,132 for first year students and sophomores and \$52,640 for juniors and seniors. The 3.8% increase in student charges is the smallest increase since 2001/02. The higher cost for juniors and seniors reflects the higher cost of the options available to them. Juniors and seniors have access to apartments and houses in addition to residence hall rooms and also have greater flexibility in dining options.

Enrollment will increase by 30 first-year students as we implement the first step in the plan to increase total enrollment by 120 students over the next four years. Plans are in place to meet housing and instructional needs generated by the additional students.

Wesleyan remains committed to meeting the full financial need of all students. Wesleyan is providing more aid which is reflected in an 8.3% increase in Wesleyan supported scholarships for 2009/10.

Salaries are frozen for faculty and administrative staff. Because of the elimination of the administrative staff bonus pool, take home pay compensation for administrative staff will be lower in 2009/10 than 2008/09.

Over the next several years Wesleyan will need to find additional resources or reduce budgets by over \$20 million. The 2009/10 budget is the first step and we have worked with the Wesleyan community to outline our financial planning for this period. Our continued goal is to protect teaching, research and the student experience from the impact of our cost cutting measures.

SUMMARY BY EXPENDITURE CATEGORY

(\$ in 000s)

	2009/10		Total Support			
	Unrestricted Support	Restricted Support	2009/10	2008/09	Increase (Decrease)	
					\$	%
Educational and General Operations						
<i>Revenues</i>						
Tuition & Fees	118,327	-	118,327	112,916	5,411	4.8
Endowment Support	27,349	8,411	35,760	35,428	332	0.9
Private Gifts	17,600	5,100	22,700	24,800	(2,100)	(8.5)
Federal and State Grants						
Financial Aid	-	3,452	3,452	3,144	308	9.8
Sponsored Research	-	5,750	5,750	6,000	(250)	(4.2)
Overhead Recovery	1,170	-	1,170	1,390	(220)	(15.8)
Other Revenues	2,059	-	2,059	2,024	35	1.7
Total Revenues:	166,505	22,713	189,218	185,702	3,516	1.9
<i>Expenditures</i>						
Instruction and Academic Support:						
Faculty Compensation	36,673	4,052	40,725	39,971	754	1.9
Academic Support	18,950	6,041	24,991	27,034	(2,043)	(7.6)
Libraries	7,223	68	7,291	7,637	(346)	(4.5)
Total Instruction and Academic Support	62,846	10,161	73,007	74,642	(1,635)	(2.2)
Sponsored Programs and Research	-	5,750	5,750	6,000	(250)	(4.2)
Student Services	9,296	-	9,296	9,823	(527)	(5.4)
Financial Aid	38,697	5,932	44,629	43,623	1,006	2.3
External Relations	10,168	-	10,168	10,553	(385)	(3.6)
Institutional Support	10,475	-	10,475	10,969	(494)	(4.5)
Physical Plant & Public Safety	18,203	-	18,203	18,115	88	0.5
Emergency Fund	6,500	-	6,500	-	6,500	n.a.
Total Expenditures:	156,185	21,843	178,028	173,725	4,303	2.5
<i>Net Educational and General</i>	10,320	870	11,190	11,977	(787)	(6.6)
Auxiliary Operations						
Revenues	36,652	-	36,652	35,148	1,504	4.3
Expenditures	35,305	-	35,305	33,568	1,737	5.2
<i>Net Auxiliary Operations</i>	1,347	-	1,347	1,580	(233)	(14.8)
Minor Capital Projects and Debt Service						
Capital Budget	2,235	-	2,235	2,485	(250)	(10.1)
Debt Service	9,343	-	9,343	9,837	(494)	(5.0)
<i>Minor Capital Projects and Debt Service</i>	11,578	-	11,578	12,322	(744)	(6.0)
Total Budget						
Total Revenues	203,157	22,713	225,870	220,850	5,020	2.3
Total Expenditures	203,068	21,843	224,911	219,615	5,296	2.4
<i>Net Revenues less Expenditures</i>	89 ¹	870 ²	959	1,235 ²	(276)	n.a.

¹ One-time surplus available as an operating contingency.

² Reserved for future use per gift and endowment restrictions.