

# WESLEYAN

U N I V E R S I T Y

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Vice President for Finance and Administration  
237 High Street  
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For: The Board of Trustees

From: John Meerts

Date: April 25, 2011

Subject: Recommend the 2011/12 Capital and Operating Budgets

It is my pleasure to present the Wesleyan University operating and capital budget for 2011/12. The budget is balanced, with restricted funds showing a surplus.

This budget includes \$4 million in additional budget adjustments 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. To date, the budget has been reduced by \$20 million since the beginning of the economic downturn, two-thirds towards our overall goal to reduce the budget by \$30 million.

2011/12 is the first year of a five-year plan to reduce spending from 5.5% to 5.0% of the 12-quarter moving average of the market value of the endowment; next year's spending is 5.4%. Wesleyan's endowment has increased 20% since June 2009, from \$476.5 million to \$573.3 million (March 31, 2011). Because of the 12-quarter moving average spending formula, the operating budget will continue to experience the effects of a declining endowment for only one more year if the financial markets continue to improve. Overall endowment spending will decrease by almost 11% in 2011/12.

In February, the Board approved student charges of \$55,706 for first year students and sophomores and \$57,352 for juniors and seniors. These rates reflect a 3.8% increase. 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 an additional 30 students as we implement the third year of a four year plan to increase total enrollment by 120 students. We also initiated a spring semester transfer program to utilize existing capacity. 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. The 2011/12 budget includes an increase of 13.6% in undergraduate grant aid from Wesleyan and 11.9% from all sources. We anticipate that the changes in the economy will result not only in more students qualifying for aid, but also that the students will demonstrate increased need as parental assets decline. Wesleyan resources also must increase to offset decreases in federal and state financial aid.

The salary pool for faculty will increase by 2.0% and the salary pool for librarians and administrative staff will increase by 1.5%.

## SUMMARY BY EXPENDITURE CATEGORY

(\$ in 000s)

	2011/12		Total Support			
	Unrestricted Support	Restricted Support	2011/12	2010/11	Increase (Decrease)	
					\$	%
<b>Educational and General Operations</b>						
<i>Revenues</i>						
Tuition & Fees	133,399	-	133,399	126,387	7,012	5.5
Endowment Support	22,075	7,424	29,499	33,051	(3,552)	(10.7)
Private Gifts	11,000	5,100	16,100	15,600	500	3.2
Federal and State Grants						
Financial Aid	-	3,790	3,790	4,036	(246)	(6.1)
Sponsored Research	-	6,500	6,500	5,750	750	13.0
Overhead Recovery	1,270	-	1,270	1,170	100	8.5
Other Revenues	2,209	-	2,209	2,209	-	0.0
Emergency Fund to Offset Wesleyan Fund	1,500	-	1,500	2,000	(500)	(25.0)
Total Revenues:	171,453	22,814	194,267	190,203	4,064	2.1
<i>Expenditures</i>						
Instruction and Academic Support:						
Faculty Compensation	39,013	3,592	42,605	41,652	953	2.3
Academic Support	20,243	4,887	25,130	25,194	(64)	(0.3)
Libraries	7,159	55	7,214	7,016	198	2.8
Total Instruction and Academic Support	66,415	8,534	74,949	73,862	1,087	1.5
Sponsored Programs and Research	-	6,500	6,500	5,750	750	13.0
Student Services	9,456	-	9,456	9,154	302	3.3
Financial Aid	47,827	6,198	54,025	49,078	4,947	10.1
External Relations	9,148	-	9,148	8,911	237	2.7
Institutional Support	11,629	-	11,629	11,511	118	1.0
Physical Plant & Public Safety	16,813	-	16,813	16,984	(171)	(1.0)
Contingency	-	-	-	2,807	(2,807)	(100.0)
Total Expenditures:	161,288	21,232	182,520	178,057	4,463	2.5
<b>Net Educational and General</b>	10,165	1,582	11,747	12,146	(399)	(3.3)
<b>Auxiliary Operations</b>						
Revenues	40,084	-	40,084	37,958	2,126	5.6
Expenditures	37,840	-	37,840	36,319	1,521	4.2
<b>Net Auxiliary Operations</b>	2,244	-	2,244	1,639	605	36.9
<b>Minor Capital Projects and Debt Service</b>						
Capital Budget	2,185	-	2,185	2,185	-	0.0
Debt Service	10,224	-	10,224	10,224	-	0.0
<b>Minor Capital Projects and Debt Service</b>	12,409	-	12,409	12,409	-	0.0
<b>Total Budget</b>						
Total Revenues	211,537	22,814	234,351	228,161	6,190	2.7
Total Expenditures	211,537	21,232	232,769	226,785	5,984	2.6
<b>Net Revenues less Expenditures</b>	-	1,582 <sup>1</sup>	1,582	1,376 <sup>1</sup>	206	n.a.

<sup>1</sup> Reserved for future use per gift and endowment restrictions.