

ANTIOCH COLLEGE

**REVISIONS TO THE FINANCIAL PLAN FOR FY2002
WITH INITIAL PROJECTIONS FOR FY2003 and FY2004**

DEVELOPED IN CONSULTATION WITH AND APPROVED BY ADCIL BY A VOTE OF 5-4.

**Submitted to the Board of Trustees
December 1, 2001**

James W. Hall
Acting President

I. BACKGROUND, PROCESS, and VALUES

Antioch College is firmly committed to fulfilling the goals of its Strategic Plan. One goal in that plan is to increase student enrollment, growing the campus steadily toward and beyond 800 FTE students. Achieving this goal will strengthen the academic program by allowing the College to maintain and improve the range and depth of courses offered to students through increased income and efficiency. A second goal is to intensify raising the gift support essential for a strong liberal arts program through a focused capital campaign. This campaign is in the early stages of implementation. Its primary objective is to increase the College's endowment, thereby increasing income in support of the College program. This plan, therefore, does not propose permanent reductions in Recruitment and Admissions or Development. Success in these areas will provide the added financial support essential for the future of Antioch College. We should expect the next president to develop and implement the necessary actions to achieve the enrollment and financial objectives of the Strategic Plan and to hold accountable those administrators responsible for these objectives.

The Board of Trustees has asked for a revised budget for this and future academic years based on the assumption that the College will project expenditures that are closely tied to realized or reasonably anticipated revenues from all sources. This will minimize the risks inherent in budget-making by taking a conservative approach to projecting revenues. This is a shift in the Board's support of expenditures at a level that anticipated a presumed enrollment of 800 FTE students.

The effect of this cannot be minimized. The proposed reduction addressed by this plan cannot be accomplished without having a dramatic effect on the College's ability to achieve its goals. Therefore, it is essential that we give priority to the academic capacity, and plan to rebuild it as soon as additional revenues become available. With this understanding, Antioch College will aim for a balanced budget in FY2002, and achieve a fully balanced budget in FY2003 and beyond.

On October 25, 2001, Acting President Jim Hall asked AdCil to appoint a College-wide ad hoc Financial Planning Committee. AdCil appointed the committee, initially including eight community members, half from AdCil membership. Following community discussions, Hall asked AdCil to broaden its membership to be more inclusive of the community.

The membership is as follows:

<i>Tim Noble</i>	student
<i>Daniel Solis</i>	student
<i>Busola Anafi</i>	student
<i>Dietrich Delrieu-Schulze</i>	community manager
<i>Hassan Rahmanian</i>	faculty
<i>Hazel Latson</i>	faculty
<i>Pat Linn</i>	faculty
<i>Tom Haugsby</i>	faculty
<i>Ann Filemyr</i>	faculty
<i>Carole Braun</i>	staff
<i>Larry Brickman</i>	staff
<i>Robert Fogarty</i>	faculty
<i>James Hall</i>	convener
<i>Barbara Stewart</i>	administration
<i>Hassan Nejad</i>	administration
<i>Sally Frye</i>	staff to committee

The Financial Planning Committee considered the following values and priorities in devising this plan:

- 1. Preservation of the broad Liberal Arts and Sciences character of the curriculum***
- 2. Sustaining the quality of the relationship between the College and its Students***
- 3. Fulfilling the contractual obligations to all parties***
- 4. Ensuring a stable financial base for future planning in continued fulfillment of the College Strategic Plan***
- 5. Emphasizing voluntary election by individuals as a preferred option***
- 6. Continuing to stress increasing revenue while containing expenses within available revenue***

II. FISCAL SUMMARY AND OBJECTIVE

Cash Basis Budget¹

1.	Approved expenditures in FY2001	\$18,037,000
	Actual expenditures in FY2001	\$19,310,000
	Cash deficit in FY2001	\$1,202,000
	Additional subsidy in FY2001 (included in actual expenditures)	\$2,645,000
2.	Projected expenditure level for FY2002, if rate unchanged	\$20,291,000
	Increase over FY2001 budgeted	\$ 2,025,000
	Increase over FY2001 actual	\$ 981,000
	Budgeted gift income for College operations	\$ 2,900,000
	Budgeted gift income for College campaign	\$ 700,000
	Projected gross gap between expense and revenue	\$3,554,000
	Projected revenue from endowment earnings and University subsidy to close gap	\$1,739,000
	Projected remaining cash gap closed by planned net reductions	\$1,815,000
	Revised expenditure ceiling for FY2002	\$18,476,000
	Projected deficit in FY2002	TBD
3.	Projected expenditure ceiling for FY2003 (assumes 2.78% increase)	\$18,990,000
	Projected deficit FY2003	\$0
4.	Projected expenditure ceiling for FY2004	\$19,518,000

The purpose of this plan is to project short and longer term expenditure reductions that will close the projected gap (worst case) of \$3.554 by a net of \$1.815 million. Some of the proposed reductions in FY2002 are applicable for only one year and cannot be sustained beyond this period. Other proposed permanent reductions provide little if any savings in FY2002, but larger savings in FY2003 and beyond. With the best efforts, it will be a challenge to achieve the full reduction in FY2002. However, the full reduction will be realized in FY 2003 and beyond.

¹ Depreciation is included in these totals. In FY2002 – FY2004, University overhead paid by Antioch College is waived as an offset to including depreciation in the College operations budget. Additional subsidy is provided to balance the complete depreciation cost (\$ 1,450,000 in FY2002).

The projections shown above reflect no assumptions regarding possible additional increases in revenue based on higher enrollments, increased income from endowment based on receipts from the capital campaign or increases in investment value of the portfolio, or increased gifts and grants. All of these are possible in this or future years. Such increases would allow for budget additions in support of the strategic plan. The Plan also makes no assumptions regarding increases in compensation. It reflects known increased or reduced costs where this information can reasonably be predicted. Although the expenditure ceiling is increased by a net of 2.78%, in 2003-2004 (\$200 in tuition discounts is included), the assumption is that this increase will support inflation in costs and any compensation increases.

III. PLANNED EXPENSE REDUCTIONS

Planned reductions and some additions are projected in five functional areas:

1. *College-General*
2. *Administrative Support*
3. *Academic program*
4. *Student Services*
5. *Development*

A) COLLEGE-GENERAL

1. Employee reductions based on current non-faculty vacancies, except as further specified below	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Reductions	\$148,806	\$126,806	\$126,806
2. Utility savings	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Natural gas price reductions	\$154,000	\$112,000	\$90,000
3. Savings from current 2% salary cap	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Reductions	\$217,000	\$217,000	\$217,000
4. Savings in projected interest payments and loan renegotiation	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	\$0	\$35,000	\$85,000
5. Capitalize certain expenses	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	\$100,000	\$0	\$0
6. Additional temporary expense reductions e.g. university conference, S & E, etc.	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	\$50,000	\$0	\$0
7. Known or projected <i>additions</i>	<u>FY2002</u>	<u>FY2003</u> ²	<u>FY2004</u>
Tuition Discounts	\$0	\$200,000	\$400,000
		(\$200,000)	
Medical Benefits	\$0	\$110,000	\$250,000

² Discount estimated based on FY 2001 increase of \$600,000, or 20% above planned budget. \$200,000 is shown as an additional operating expense, and an additional \$200,000 is shown in parenthesis as included in the net tuition increase (see page 5).

SUMMARY NET SAVINGS	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	\$670,000	\$491,000	\$518,806
with additions		(-310,000)	(-650,000)
NET	\$670,000	\$181,000	(-131,194)

B) ADMINISTRATIVE SUPPORT

Expenses in this area are essential to continued operation of the campus and services to students. Other expenses, such as medical benefits, are increasing even as we plan. However, the following reductions appear to be achievable in FY2002. Some cannot be sustained in FY2003 and will require that other reductions replace them.

1. Consolidation. The Finance Committee has asked us to consider possible consolidation for increased efficiency and range of services in support of the two Yellow Springs campuses and the University Administration. The areas under consideration in this regard are Plant Maintenance and Security, Finance and Accounting, Human Resources, Information Technology and Communications. Cost-sharing (see #4 below) is also a product of consolidation.

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Consolidation Reductions	\$75,000	\$390,000	\$390,000

2. Overtime Cost Reductions	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	\$34,000	\$34,000	\$34,000

3. Recruitment and Admissions

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Savings already planned (1/2) year	\$90,000	\$0	\$0
Hold vacant four budgeted positions in 02, two in 03, zero in 04	\$175,000	\$85,000	\$0
Defer <i>Search</i> until 03	\$90,000	\$0	\$0
Operations savings	\$74,000	\$0	\$0

4. Additional revenue: Cost sharing support from University/McGregor

<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
\$100,000	\$200,000	\$300,000

SUMMARY REDUCTIONS

<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
\$638,000	\$709,000	\$724,000

C) ACADEMIC PROGRAM

1. Eliminate Summer Institutes

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Reductions	\$6,000	\$33,000	\$33,000

2. Eliminate Teaching Assistants

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Reductions	\$0	\$16,000	\$16,000

3. Expense Reduction AEA

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Reductions	\$20,000	\$25,000	\$25,000

4.

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
a.) President to Campaign	\$42,000	\$20,000	\$0
b.) President Sabbatical accrual	\$0	\$60,000	\$50,000 ³

5. Tenure Relinquishment Reductions

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	\$4,000	\$300,000 ⁴	\$300,000

6. Other reductions TBD

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	\$27,000	\$46,000	\$46,000

³ Compensation adjustment.

⁴ Assumes one-time charges to revolving fund as accrual.

7. Additions

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Re-filling high priority faculty positions ⁵	\$0	\$100,000	\$200,000
Move senior administrator to faculty	\$0	\$80,000	\$80,000
SUMMARY REDUCTIONS	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	\$99,000	\$500,000	\$470,000
With additions	\$99,000	\$320,000	\$190,000

D) OFFICE OF THE DEAN OF STUDENTS

1. Eliminate On-Campus Co-op Stipends

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Reductions	\$0	\$18,000	\$18,000

2. Streamlining of Functions

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Reductions	\$25,000	\$100,000	\$100,000

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
SUMMARY REDUCTIONS	\$25,000	\$118,000	\$118,000

⁵ Although the precise timing of position refills varies, some of the positions vacated through tenure relinquishment must be refilled quickly to maintain the academic program.

E) COLLEGE DEVELOPMENT

The College Development office is continued at the FY2002 filled levels, with two key vacancies (V.P. Development, Major Gifts). Campaign operations costs are reduced and transferred to the College campaign budget.

Initially, the College campaign staffing and operations is supported by special lead gifts. Funds already budgeted and / or expended in College operations are transferred to the campaign as funds are received. Additional staff will be employed for the campaign as gift funds permit.

However, one important goal of the campaign is to strengthen overall giving, including the annual fund. Gradually the College Development office will be re-staffed, first by filling the current vacancies (FY2003) and later the ongoing essential functions of that office (FY2004 and beyond).

1. Vacancies	<u>FY2002</u> \$173,194	<u>FY2003</u> \$100,000	<u>FY2004</u> \$0
2. Program Savings ⁶	<u>FY2002</u> \$20,000	<u>FY2003</u> \$20,000	<u>FY2004</u> \$20,000
SUMMARY REDUCTIONS	<u>FY2002</u> \$193,194	<u>FY2003</u> \$120,000	<u>FY2004</u> \$20,000

IV. SUMMARY OF ALL PROPOSED REDUCTIONS

TOTAL REDUCTIONS	<u>FY2002</u> \$1,625,000	<u>FY2003</u> \$1,448,000	<u>FY2004</u> \$921,000
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⁶ Moved expenses to campaign budget.

V. ADDITIONAL REDUCTIONS NEEDED

The above targeted reductions, while already very large, do not fully meet the projected total reduction of \$1.815M in FY2003. As the *Closing Remarks* section testifies, assigning those additional reductions, almost certainly heavily within the academic program, will have a devastating impact. Therefore, we urge that this reduction amount of \$367,000 in FY2003 be deferred unless and until it becomes certain that no added revenue can be found. Further, the *Closing Remarks* section offers some suggestions for increasing revenue in the short term to make this possible. We ask the Board of Trustees to consider these carefully as a bridge.

If, after further consideration, we cannot find additional revenue, or if our projected revenues fall short, these additional reductions will be achieved in FY2003 by a combination of:

- a) New hiring controls;
- b) Review of visiting and term contracts and future Board tenure decisions based on financial considerations;
- c) Review of appointments not issued through the normal faculty personnel processes
- d) Review of appointees in areas not as central to the liberal arts curriculum.
- e) General salary/benefits reductions;
- f) Selected academic concentration, functions, or other staff reductions.
- g) Other reductions

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Unassigned Reductions	\$190,000	\$367,000	\$894,000

VI. CLOSING REMARKS

In the 2001 National Survey of Student Engagement (NSSE) sponsored by the Carnegie Foundation for the Advancement of Teaching and the Pew Forum on Undergraduate Learning, Antioch College stood above all other institutions of higher education in the survey with the TOP SCORE for ENRICHING EDUCATIONAL EXPERIENCES. (Survey includes 470 colleges and universities, among them: Earlham, DePauw, Case Western Reserve, Beloit, Denison). Antioch College also ranked in the top 10% for the following measures: STUDENT INTERACTION WITH FACULTY, ACTIVE AND COLLABORATIVE LEARNING, and SUPPORTIVE CAMPUS ENVIRONMENT.

We know we are doing something right, and we are proud that this survey of the quality of student learning in higher education accurately reflects our own sense that Antioch College is delivering the highest quality education for undergraduate students. In only the second year of NSSE, Antioch College continues to out-rank its competitors in offering a truly unique and valuable liberal arts undergraduate education.

It is the nationally recognized successes of Antioch College faculty, students and staff that provide a strong reputation for all of Antioch University. The University's new Ph.D. Program explicitly links itself to the College reputation in its very title, "Leadership and Change." The College understands that over the past few years the Board has supported the development of this new program. Yet without Antioch College's unique legacy and its ongoing survival, this brand new doctoral program will not succeed. Therefore, it is with great seriousness that we have undertaken the charge of the Board to maintain a balanced budget as we consider the future viability of our educational model.

Challenges

The 2001-2002 listing of College faculty includes 67 names. It is important to note that some of those listed do not regularly teach or advise students (such as the Director of Glen Helen or the Dean of Students, though they do hold faculty titles). If these are eliminated, that leaves 62 faculty positions. Of the 62 faculty positions, 7 are co-op faculty; 4 are library faculty; 4 are AEA faculty responsible for study-abroad programs in Japan, India, Brazil and Europe (these faculty only offer one course per year as they travel with the program and are also responsible for off-campus recruitment); and 1 AEA faculty member coordinates the Tubingen program in Germany and teaches on campus part-time; an additional 3 faculty are also part-time; 2 are fulltime administrators with faculty status who may contribute

