

**To: Skidmore Community**

**From: J. Kennelly, Chair, FPPC**

**Date: October 21, 2002**

According to *The Faculty Handbook*, the Financial Planning and Policy Committee (FPPC) is expected to, among other things, "ensure that there is a timely flow of information on financial matters available to all College constituencies". The following summary is intended to provide the Skidmore community with some very basic information on "financial matters". We expect that this will be the first of a number of such updates during this academic (and fiscal) year.

### **1. The 2001-2002 Operating Budget**

On a financial basis, Skidmore concluded the last fiscal year (2001-2002) "in the black", as indeed it has for 26 consecutive years. However, we did have a shortfall of approximately \$700,000 compared to our internal financial target (that is, our budget), primarily as a result of lower revenues than anticipated from some of our auxiliary operations. Although this budget shortfall was relatively small and easily covered by reserves, it did represent a "signal" that the current year operating budget (2002-2003) might itself be in some jeopardy.

### **2. The 2002-2003 Operating Budget**

Skidmore's operating budget for 2002-2003 totals \$84 million. A very concise breakdown of the budget follows:

<b>Revenue</b>	<b>(000,000's)</b>	<b>Expense</b>	
Gross Tuition & Fees	\$ 65.3	Salaries & Wages	\$ 37.2
Less: Financial Aid	(15.0)	Benefits	15.5
Auxiliary Operations	14.8	Supplies & Services	13.2
Endowment "Takeout"	8.9	Capital Spending	6.1
Annual Giving	4.6	Debt Service	4.1
Program/Gov. Grants	3.0	Utilities	3.0
All Other	<u>2.4</u>	All Other	<u>4.9</u>
<b>Total</b>	<b>\$ 84.0</b>	<b>Total</b>	<b>\$ 84.0</b>

A few things are clear. First, our budget is funded primarily by tuition (60%), auxiliary operations such as dining hall board, the Spa, residence hall revenue, and the Skidmore Shop (18%), and endowment and annual giving (16%). Our expenses are primarily compensation (63%), and supplies and services for facilities, offices, and instructional use (16%). It is also important to note that tuition revenues have been reduced by \$15 million in financial aid.

Of course, the budget is only a "plan". Current estimates of revenue and expenses for this fiscal year suggest a possible deficit of approximately \$800,000. Again, just as last year, this amount is relatively small in proportion to the entire budget (less than 1%), and the administration plans to cover this by some belt-tightening in operating expenses, modest reductions in capital spending, and use of contingency funds. It is important to note, however, that this is only an estimate; as such, it is subject to change as we move through the year.

### 3. The 2003-2004 Budget

It is actually not too early to begin thinking of next year's budget. Traditionally, the four (4) critical "parameters" of the proposed budget have been presented to the Budget and Finance Committee of the Board of Trustees in late January. These four "parameters" reflect the most important components of the budget: they are 1) Total student enrollment, 2) % Change in Comprehensive Fee, 3) Amount of Financial Aid, and 4) % Change in Compensation. The FPPC will be reviewing the proposed "parameters" for next year's budget throughout this Fall.

### 4. Endowment

Given the difficult economic times, it is probably useful to say something about the endowment. Skidmore's endowment totaled approximately \$142 million at September 30, 2002 (from \$158 million at the end of May). Although this represents a 10% decline in only four months, our endowment balance (which is invested relatively conservatively) has declined less than market averages would suggest. In this, we have fared far better than many of our sister institutions. The balance in the endowment fund is important, because we typically "take out" approximately 5% of the endowment fund balance every year to fund ongoing activities. In addition, during this budget year, we have taken out an additional \$1.1 million (.7%) to fund our planned capital campaign (which itself is intended, in part, to grow the endowment).

### 5. Compensation Review

As a follow-up to the community "open forum" on employee compensation last April, the FPPC has accepted the task of conducting a comprehensive review of employee compensation. FPPC has charged the Benefits Committee to conduct a comprehensive review of employee benefits plans at Skidmore, with the aim of recommending ways to control increases in benefits costs in the future. FPPC itself will endeavor to conduct a review of salaries and wages at Skidmore. Once we have outlined the plan for this review in more detail, we will convey further details to the community.

### 6. Committee Membership

Although the FPPC is defined, and structured, as a *faculty* committee, it does include representation from support staff, and administrative/professional staff. We encourage you to contact any member with questions, comments, and concerns regarding matters with which FPPC is concerned. Committee membership for FPPC this year is as follows:

Jim Kennelly	Faculty (Chair)	jkennell
Dan Hurwitz	Faculty	dhurwitz
Mehmet Odekon	Faculty	modekon
Denise Smith	Faculty	dsmith
Marissa Aquila '03	Student	m_aquila
Vacancy	Student	-----
Cheryl Towers	Support Staff	ctowers
Bob Shorb	Admin/Prof Staff	rshorb
Chuck Joseph	VPAA	cjoseph
Karl Broekhuizen	VP Business Affairs	karlb