

To: Skidmore Community

From: Jim Kennelly
Chair, FPPC

Re: Annual Report, 2002-2003

Date: June 17, 2003

This report summarizes some of the more noteworthy activities of the FPPC during the past academic (and fiscal) year. The committee met a total of 29 times (including two meetings with President's Staff and 2 meetings with our actuaries from PricewaterhouseCoopers). The activities of FPPC are not confidential, and detailed minutes of all meetings are available for review by interested members of the Skidmore community in the Dean of the Faculty's office, where they are retained.

1. Current Status of FPPC

Even by the standards of FPPC, this has been an extraordinarily challenging year. Our present financial challenges have provided the context within which persistent questions as to the role, capabilities, usefulness, and indeed general viability of FPPC have been made all the more conspicuous. Rather than continuing "business as usual", the elected faculty members of FPPC (in April) requested that CFG, as a matter of some urgency, review the role and structure of the FPPC. We look forward to CFG's response.

2. The 2002-03 (Last Year) Operating Budget

Various measures were undertaken to cover an estimated shortfall (combination of lower revenue and higher expenses) of \$3.1 million in Skidmore's \$84 million approved operating budget. Most community members are already aware of the significant reductions in capital expenditures, the effects of a hiring freeze and reductions in overtime, various reductions in services, supplies, minor equipment, non-essential travel and on-campus entertainment, and other belt-tightening measures. At this date, it appears that the measures taken will be sufficient to "balance" the budget; we will not be certain of this, however, until the "books" are finally closed this summer.

3. The 2003-2004 (Current Year) Operating Budget

The FPPC reviewed various iterations of a proposed budget for FY 2003-04, and offered its own proposals at various times. In January, FPPC recommended to President's Staff a balanced budget that utilized the following key budget parameters for FY 04: Net fiscal enrollment of 2,140 students, a comprehensive fee increase of 5.95%, an increase of \$1,560,000 in Financial Aid (to a total of \$16.8 million), and a GSA of 3%. Subsequently, and with the President's announcement of a planned 0% GSA for next year, FPPC proposed to President's Staff the provision of a \$750 one-time payment to lower compensated employees. Finally, in April, when it appeared as though the 03-04 budget was indeed still negotiable, FPPC recommended provision of an average 2% GSA for next year.

These, of course, were only FPPC's recommendations; as the community already knows, the actual budget proposed by President's Staff, and approved by the Board of Trustees, provides no general salary increase for employees next year (except for a one-time payment of \$700 to lower-compensated employees).

4. Endowment

Skidmore's endowment totaled approximately \$149 million at the end of April. This reflects a slight increase from \$147 million at December 31, 2003, but still a \$9 million decrease from \$158 million at May 31, 2002. It bears repeating that, although this represents a decline over the past 11 months, the investment performance of our endowment in this down market has been better than most of our peers and indeed most educational

institutions. As a reminder, the endowment balance is important since we typically "take out" approximately 5% of the endowment fund balance every year to fund some portion of our operating budget. Also, the endowment is also funding the ramp-up of our planned capital campaign (itself intended to grow the endowment).

5. Compensation and Benefits Review

Benefits Review - The Skidmore Community has already been informed of the preliminary (or "short term") recommendations of the Benefits Committee, which the FPPC has endorsed. The salient recommendation calls for an average contribution from employees of 6.25% of the cost of their health insurance premium, along with the elimination of various "cash-backs". As noted in earlier communications, the FPPC had charged the Benefits Committee to conduct a comprehensive review of employee benefits plans at Skidmore, with the aim of generating recommendations to control increases in benefits costs in the future. The Benefits Committee, along with the Human Resources Department, retained Segal Sibson Consulting to assist with this effort. We understand that Benefits Committee, along with HR and Segal Sibson, is continuing its review of our benefits over the summer, and will offer further recommendations in September.

Salary and Wages Review - The FPPC, as one of its goals for 2002-2003, determined to conduct a comprehensive review of employee salaries and wages, and retained consultants (Segal Sibson) to conduct the study. The consultants presented a draft report to FPPC in late March about which committee members had many questions, comments, and concerns, coupled with requests for changes, details, and elaboration. FPPC will review the revised report when it is available.

6. Multi-Year Financial Planning

The FPPC engaged actively in discussions surrounding the development of an estimated budget deficit figure projected for the years 2005-2008. An initial estimate that was widely circulated projected a \$6.0 million deficit in the operating budget by FY 2008, while FPPC endorsed an estimated deficit figure that would build to \$3.5 million. The estimated FY 08 deficit presented to the Board of Trustees in May was \$3.9 million (excluding funds for 'strategic initiatives'). We understand that the administration is engaged in a series of program reviews intended to identify ways to reduce this projected deficit.

7. Capital Budgets

The FPPC reviewed, frankly in a very cursory fashion, the proposed capital budget for 2003-04. Spending on capital projects will total approximately \$3.5 million on facilities and equipment, and \$1.5 million on information technology.

8. Communications

The FPPC is charged to "ensure there is a timely flow of information on financial matters available to all college constituencies". To that end, the FPPC issued "out reports" on October 21, 2002 and January 31, 2003, in order to update the community on financial matters of interest. FPPC also sponsored an open meeting for the community on January 28, 2003, and provided regular reports at faculty meetings.

9. Open Items

There are many issues that remain in "open" status. Among them are:

- * FPPC requested IPC (and ultimately CEPP) to review the viability and desirability of adding 100 additional students to our targeted student enrollment (specifically, adding 25 students per year for 4 years). While the financial attraction of such an initiative is relatively clear, potential impacts on academic quality, etc. needed to be explored. FPPC also requested that IPC (and CEPP) study the possibility of not counting employee dependents (who attend Skidmore on tuition waiver) in the targeted (or 'budgeted') enrollment targets.
- * FPPC remains very interested in better understanding the total staffing (or 'headcount') at Skidmore College, and the ways in which this number (and its constituent parts) have changed in recent years. As the prime driver of our compensation and benefit costs (which are the largest element of our budget), it seems critical to develop a proper understanding of our total staffing, and the allocation of our staff, across the institution.
- * FPPC members are also most interested in finding benchmarks by which the performance of Skidmore

College in various financial and operational categories can be compared to other comparable institutions. Identification of suitable financial ratios could be a useful addition to our understanding of the financial and operational performance of this institution.

* FPPC understands that program reviews will be conducted over the summer, with the goal of reducing or eliminating the projected operating budget deficits for FY 2005-2008. FPPC has requested that IPC indicate the process by which these reviews will be carried out, and the manner by which deficit reduction “targets” will be determined (and allocated across functions).

10. Thank You

I would like to thank the members of FPPC for their efforts this past year. Of course, not all the contributors to FPPC are voting members of the committee. I would also like to acknowledge the contributions of Mike Hall, Director of Financial Planning and Budgeting, and Margaret Adang, secretary to the FPPC (and taker of the minutes) during a very trying year.

11. Committee Membership

Although the FPPC is defined, and structured, as a faculty committee, it also includes representation from support staff, and administrative/professional staff. I am more pleased than you can know to announce that Mehmet Odekon has agreed to chair the FPPC for 2003-2004.

2002-03 Membership

Jim Kennelly Faculty (Chair) jkennell
Dan Hurwitz Faculty dhurwitz
Mehmet Odekon Faculty modekon
Denise Smith Faculty dsmith
Patrick McEvoy'03 Student p_mcevoy
Justin Matijcio'05 Student j_matijc
Cheryl Towers Support Staff ctowers
Bob Shorb Admin/Prof Staff rshorb
Chuck Joseph VPAA cjoseph
Karl Broekhuizen VP Business Affairs karlb

2003-04 Membership

Mehmet Odekon Faculty (Chair) modekon
Jim Kennelly Faculty jkennell
Denise Smith Faculty dsmith
Mark Youndt Faculty myoundt
Justin Matijcio'05 Student j_matijc
To be determined Student
Cheryl Towers Support Staff ctowers
To be determined Admin/Prof Staff
Chuck Joseph VPAA cjoseph
Karl Broekhuizen VP Business Affairs karlb