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Revisions to the College's 2001-2002 Budget
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In April, Adcil and the College passed a 2001-2002 budget. After review of that budget in ULC, the University administration/CFO recommended a list of 82 points for inclusion in the College's budget. Of these 82, 29 made their way into the College budget, representing an expenditure increase of $959,000. The University decided to fund this $959,000 by a corresponding $959,000 increase in the Lead Gift line. The Lead Gift line had been initially set at $650,000; this broke down into a $400,000 investment in admissions and a $250,000 start-up cost for the capital campaign. The source for this $650,000 was initially assumed to be the Board of Trustees pledging their support for the capital campaign. The University-requested increase of $959,000 put the lead gift line at $1,659,688.

However, the Finance Committee held a conference call on May 23, 2001, and discussed the University's upcoming $880,000 deficit. Participants in the conference call specifically addressed the $1.6 million lead gift line indicating that it "... makes this forthcoming budget proposal unbalanced."

During the Finance Committee meeting May 31st and June 1st, it was recorded that the College had a "lead gift line of $1.7 million with no definitive revenue source behind it and represents a significant gamble to the institution." The minutes further record "in summary, the Vice Chancellor said that he could not recommend approval of the budget as presented." It was at this meeting that the Finance Committee first raised the cost-saving ideas of "technology redundancies" and "sharing of facilities across campuses". These issues were to be examined further at the July 23d meeting of the finance committee in Columbus.

At the June 2001 meeting, the Board of Trustees upon the recommendation of the Chancellor, the Finance Committee, and the ULC, increased the Lead Gift line from the ULC recommend budgeted amount of $1,659,688 to $2,000,000. This increase was intended to reflect the startup costs of the capital campaign. To compensate for this increase, the Board further authorized a list of items that were to be encumbered, totaling $1.3 million, including the Development office position of Director of Development and Alumni Relations, the lead fundraiser of the College. The approval for encumbered items was given to the CFO and the Chair of the Finance committee, and could not be exercised until $350,000 was credited to the lead gift line. This set up the Catch-22 that the College could not fill the lead fundraising position until a certain amount of funds had been raised.

I have not seen that any budget reflected the board-approved amount of $2 million. This may be because the $700,00 in capital campaign costs the Board referenced in setting the lead gift line to $2 million was the $650,000 the lead gift line had started out with.

At the June 29th conference call of the Finance/Stabilization committee, then president Bob Devine registered his objection to the increase to a $2.0 million lead gift line in the College's budget and the encumbrance of $1.3 million in expenditures.

During the Finance committee's meeting on July 23rd, the committee made a list of the biggest risks to the University's 2001 budget. $1.6 million of this risks was the lead gift line. The risk on embargoed items was reported to be $850,000, not the $1.3 million in expenses actually embargoed. The finance committee concluded that the **University** was at risk for about $1.45 million.

The committee then gave responsibilities for addressing expenses that could be reduced to compensate for the necessary risks previously stated. This included both Yellow Springs Functional Redundancies and a mandated headcount reduction of 10 people, assigned to Jim McDonald and Bruce Bedford. Item also assigned to members for further investigations were outsourcing and the sale of yellow springs real estate.

Tom Clough specifically recommended at this meeting that the University should distribute a document that outlined the true financial situation at the University to faculty and staff to dispel fears and rumors.

The first mention of depreciation was during the May 31 finance committee meeting. During this meeting, the committee also accepted a proposed $275,000 loan to Seattle for renovations. The committee minutes indicate that the charge from the board was to develop a financial stabilization plan based on:

> No financial losses in the next 18 to 24 months.
> All units staying in budget.
> A restructuring of budgetary practices and presentations.

At the July 23rd finance committee meeting, Jim McDonald distributed financial plans including depreciation "to give the committee a clearer picture of the financial situation at each unit." They also examined the number of personnel at each campus.

To implement the requirement for balanced budgets for all units, University officials instructed the College to develop a financial plan to deal with a 1.8 million projected deficit at the College. The University officials did not explicitly communicate to the College that this 1.8 million projected College deficit is a worst-case scenario mostly composed of:

> 1- the inclusion of depreciation at the College for items listed as University assets (which had never been included prior to Oct 2001), and
> 2-a reduction of the lead gift line (which made up $1.8 million of the finance committee's calculated risk) from the BOT approved $2 million to $600 thousand.

In all prior years, the University offset depreciation with realized and unrealized gains in the endowment. In October of 2001 this policy changed- depreciation is now in the general operating budgets of all units. This policy change has made its way into the ULC budgetary guidelines recently approved February 2002 for future budgets. In addition, the College's endowment income line has been reduced from $400,000 to $200,000 for the 2001-2002 budget year. An unspecified amount of realized and unrealized endowment gains will assist the University in covering the College's projected budget.

The revised budget statement of actual performance given to the board in December removed the College's subsidy revenue from the University, which has in practice been favorable to the Colleges budget by around $600,000 per year. December's statement was referenced in the reason for the College to investigate money-saving reductions. In addition, the budgets provided to the College's Financial Planning Committee also did not include the subsidy lines; the subsidy was only referenced in offsetting the College's deficit.

Additionally, a $1 million gift was received by the College in December. The University CFO reported that he was unaware of this gift, so the revenue would not show up until January. $500,000 of this is unrestricted, and should have been applied to January's operating budget. This was questioned at the February Board meeting; we were given the impression that it had been applied to January's budget. As of the beginning of March this gift had not been applied to the College's general operating budget; it is reported that this will be corrected.

Questions concerning these changes were raised and discussed by community members and the College's governing bodies throughout the process initially started October 25th by Jim Hall. Very little information about these changes was provided. If the College had had representative leadership at the October board meeting and December Executive committee meeting, the College could have addressed their concerns with these changes to the Board of Trustees. Unfortunately, the same people that were in charge of the final budget proposed to the Board of Trustees were the same officials that were charged with representing the College to the Board of Trustees.