Attendees Present: Jack Barner, David Fowler, Mark Gruenwald, JoAnn Laugel, Ray Lutgring, Dwight Merilatt, Abigail Miley, Chris Mohn, Jim Schaefer, Pete Sherman, Lucas Taylor, Jeff Wolf, and Mary Wylie

Description of Process

The first meeting of the Financial Resources Working Group met on Tuesday, October 26, 2010. Following introductions, Jeff Wolf provided a brief description of the process and anticipated goals and results.

A webpage on the UE website provides public access to the strategic plan process. There are also portals for each group where more detailed minutes and other materials will be posted for group member access. As co-chairs, Ray Lutgring and Jeff Wolf will be sitting on the Steering Committee and will communicate details of those meetings, but the website is a good way for the members to stay abreast of what the other committees are working on.

Ray Lutgring addressed the timeline. Future meetings are expected to last one hour and will be scheduled to accommodate as many participants as possible. The group will meet every other week to start but may need to meet every week as the process develops. The process is expected to be completed by February. The Financial Resources Working Group will be addressing the financial strength of the University as well as develop tactical financial plans and strategic objectives to support goals which come out of the other groups.

Members will be assigned responsibility for developing those tactical plans and going forward we will be discussing expected timelines to accomplish those tactical plans. The group will discuss resource needs to make those plans happen.

Historical Financial Results

Jeff Wolf provided the financial results as of May 31, 2010. Assets listed on the balance sheet include Harlaxton. He provided information to the group on liabilities and debt items. The endowment was also discussed. Jack Barner noted that the $3 million increase you see on the report was actually a $12 million increase from capital campaign gifts prior to the market downslide. Jeff Wolf provided definitions for the three net asset categories – restricted, unrestricted and temporarily restricted and how each affect the balance sheet. Debt capacity was also discussed.

Planned gifts are not recognized on the books because the benefactor can have a change of mind. Jack Barner noted that we have about $40 million in expected gifts that are only realized at death of the benefactor.
Jeff Wolf provided an overview of the University investments. Asset allocation is currently at about 60 percent in equities, 20 percent in bonds, and 20 percent in alternative strategies. The University currently utilizes Commonfund but is moving to a different investment consultant, fund managers, and changing asset allocation to be more risk adverse.

The discount rate was discussed. The University is heavily tuition dependent. Yearly, about 5.0 percent of the endowment is used for operations and the decrease in the endowment from the market downside affected the numbers.

Last year ended with $300,000 shortfall on the Evansville campus, Harlaxton generated about a $230,000 surplus for a $66,000 consolidated deficit, first deficit in 20 years. Projected a $1 million deficit to the board so the year ended better than what was projected, mostly due to the growth in enrollment and net assets released from restrictions. Key indicators are operating margin, auxiliary enterprises, net tuition per student, instructional cost per student, non-instructional cost per student and debt service coverage.

**Analysis of Five-year Model**

Jeff Wolf reviewed the five-year projection model, basic assumptions behind the model, and projections for the next five to six years assuming no changes and with traditional tuition increases and set expenses. Lowering the discount rate and getting more students living on campus would help the numbers. Other than a couple of floors in one of the fraternities used by non-fraternity students, the University does not net any revenue from the fraternities.

Dwight Merilatt provided information regarding Athletic revenues with the new arena contract, North Carolina, IU and Butler games.

Discount rates at other schools vary depending on location. The rate for schools like Butler in Indianapolis is probably about 40 percent while others are at a 50 discount rate or higher and some may be higher than ours.

A discussion ensued regarding lowering tuition and no discounting. While some schools have done that, many have not. It is a marketing strategy. There is a perception that cost equals quality. There are many reasons for not lowering tuition to bring down the discount rate. One is salary increases. With no tuition increases, it would be very difficult to offer salary increases. Ray Lutgring also pointed out that there are many areas besides housing that are at or beyond capacity. Certain programs are at or above student teacher ratio.

Following discussion, the group was invited to experiment with the five year model, which will be posted to the portal keeping in mind that this is sensitive information and confidentiality should be observed.
2008-09 Financial Strategic Plan Results

Jeff Wolf reviewed the strategic plan established three or four years ago. He noted that while most of the items were completed, some took longer than others.

Open Discussion

Dr. Kazee would like to see some audacious and visionary goals. What would the group like our financial situation to be in four to five years?

Jack Barner noted that the campaign spent $6 million to raise $83 million and fund raising is a renewable resource.

Jeff Wolf noted that the University took a risk with Ridgway and since it has opened we have had two of the strongest freshman classes and visits are way up.

The group will meet in two weeks. Tentative date is November 9 from 8:00 a.m. to 9:00.

Meeting adjourned.