2083 Lawrenceville Road Lawrenceville, NJ 08648-3099 609-896-5000



Memorandum

To: The Campus Community

date:

December 19, 1994

Office:

encl.:

From:

Julie Karns Tww

file:

AAUPdec.doc

Office:

Finance

cc:

Subject:

AAUP Executive Committee Memo of December 13

In last week's Academic and Administrative staff meetings, Bart and I shared current information about Rider's finances and the steps planned to improve our financial condition. Some of that information was a correction of information previously shared by the AAUP, and is reflected below. I hope you find the information helpful.

Projection of Future Deficits

The AAUP letter would indicate that future deficits and enrollment declines are projected, and that the administration foresees "imminent fiscal disaster". Neither is the case. The expanded Financial Planning Council, which begins its work in January, will develop financial projections for the two upcoming years. When that collaborative effort is complete, the financial plan will reflect realistic enrollment expectations and comply with our Board of Trustrees' requirement of a balanced budget (no deficits). Reserves for tuition shortfall will provide "room to maneuver" if our tuition goal is not met. If the goal is achieved, reserve funds can help address strategic needs for technology and facilities renovation, among others.

We face some difficult financial challenges as a university, and to help ensure that we work together in meeting those challenges, we all need current, accurate information. Balancing our budget won't be easy, and we face difficult choices. However, as Bart said at the meetings, we're only at risk if we're unwilling to make those difficult decisions.

Fund Balances

The AAUP white paper incorrectly cites a \$4 million increase in the University's fund balance (a measure of financial health) as of the end of the June 30, 1993 fiscal year. Rather than a \$4.0 million increase in the three years ended in 1993, Rider experienced a decline of \$1.1 million. (It appears that the AAUP's consultant compared the balance for only Rider College in 1990 to the Rider and Westminster totals in 1993, an "apples to oranges" comparison.) With last year's deficit and other changes, the four year decline increased to \$4.3 million.

Table 1: Change in Fund Balance 1990-1994

	Audited		
	Balance	Annual Inc./(Dec).	Per White Paper
Fiscal 1990	\$57,187 *		
Fiscal 1991	59,519	2,332	
Fiscal 1992	60,157	638	
Fiscal 1993	56,116	<u>(4.041)</u>	
Subtotal '90-'93		(1,071)	4 million increase
Fiscal 1994	52,880	(3,236)	
Change, 1990 to 1994		<u>(4.307)</u>	

^{*} Combined values from Westminster and Rider audit reports

Quasi-endowment

The quasi-endowment is in effect our "rainy day" fund. The AAUP is correct in stating that the quasi-endowment grew to \$30.5 million in 1993 from \$28 million in 1992. During 1994, however, that balance declined by \$4.4 million to \$26 million. \$26 million is the total balance; the *discretionary* balance available to offset future deficits or to fund needed improvements is only \$9.1 million (see Table 2). If the 1994 rate of decline continued, the \$9.1 million would be spent in just over two years.

If no action were taken to reduce the expected current year deficit, the balance would decline this year by \$3.5 million. (\$1.6 million deficit, \$1.2 million in funding for the Hill residence hall and \$700,000 in partial payment on our bond/mortgage debt of \$41.7 million.) At that rate of decline, the \$9.1 million would last less than three years. Thus the urgency in bringing revenues and expenditures in line.

Table 2: Quasi-endowment Components (in millions)

Fiscal	1994 Audited Balance	\$26.0	
less:	Land	(8.7)	Note 1
	Reserve for debt service	(6.5)	Note 2
	Reserve for self insurance	(1.7)	Note 3
Discret	tionary balance	<u>\$9.1</u>	

- Note 1: This land adjacent to campus is held for possible future development.
- Note 2: These investments are set aside with the provision that their income will help fund university debt, and reduce the pressure to raise tuition. Any sale of these investments reduces the related income and debt service support.
- Note 3: Rider is self insured for medical benefits, at an annual cost of over \$1.0 million. This reserve is in place to cover catastrophic claims experience, a possibility since under our coverage there are no lifetime caps on claims.