

EVANS

REPORT OF THE PRESIDENT  
FACULTY MEETING  
MAY 10, 1977

While the 1976-77 academic year has still to run its course during the next couple of weeks, I want to take this occasion to present an end-of-year report focused on financial matters and to tell you a bit about 1977-78.

On balance I believe this year has been a very good one, clearly one that we can be proud of and one that offers us great hope for the future. I continue to be impressed with the basic good-will, friendliness, and cooperation that characterizes the members of this college community. I'm convinced that most are unselfishly concerned about the institution. But now to some of the specifics.

I suspect you all know or at least sense that this college came very close to closing in the summer of 1973. The facts could easily have justified that decision: enrollment was dropping, income was dropping, the endowment was rapidly being consumed, there was fear that raising tuition or taking other aggressive steps would quickly destroy the college, erosion of confidence and trust was growing, frustrations over relatively minor matters were rampant, etc., etc. Prudent men and women, members of the governing boards, could easily have opted to close the college. You no doubt saw the article in yesterday's Globe-Democrat on Shimer College in Illinois. Or I could relate more personally the case of Western College in Ohio. There are many other colleges that fell in 1973 -- some are still falling.

But the boards decided to take a chance that Lindenwood could survive. Surprising even to me, they had approved a half million dollar deficit for 1973-74 and one of more than \$620,000 for 1974-75. Well over a million dollar deficit was thus added on before we could reverse the trend in the Spring of 1975 with the 1975-76 budget. Last year we cut that \$620,000 deficit almost in half,

and this year even doubled the rate of cut, from \$350,000 to \$90,000. We won't make the current year projection, as I've already told you, because of inaccurate income projections, the horrible January-February winter, enormous increase (doubling) of insurance rates, and ineffective controls on some budget categories. However our trend is and continues to be upward. Time is of course against ? us, but the overall battle is being won.

In spite of the fact that number details are hard to grasp quickly to place in proper perspective, you may be interested in the following details:

1. The market value of Lindenwood's endowment was reduced from 9.5 million in 1968-69 to 5.4 million on September 15, 1974. By that date annual endowment income had dropped from over \$500,000 to \$69,000. In essence it was pay-as-you-go for the future.

2. Total income by June 1974 was down to 2.1 million; the deficit \$554,000. By June 1975 income had risen to 2.4 million but the deficit had grown to \$623,000. Then together we turned around. By June 1976 income jumped to 3.1 million; the deficit was down to \$352,000. That brings us to 1976-77.

3. Income for this year is as yet incomplete. On April 15, 1977 our income was \$400,000 greater than last year. But before you cheer, you should know that, good though this is, it is \$536,000 less than our projected income. While our income grew by \$400,000, our expenses grew by \$636,000. As is evident, that's not good.

4. Some specific items in this year's budget may interest you. We budgeted \$43,000 for heat; by April 15 we had spent \$83,000. The electricity we budgted was \$51,000; by April 15 we had spent \$83,000. For water we budgeted \$10,000; by April 15 we had spent \$21,000. For insurance we budgeted \$30,000; we spent \$39,000.

40  
3/2  
7/2

5. Let me comment on one aspect of the budget that will interest you. Suppose we add up the income for tuition and academic fees paid by full-time resident, non-resident, and special day students this year, assuming everyone paid the full amount. That totals \$1,081,339. Subtract from this what we spent on salaries and expenses for instruction (excluding Business Administration) of these students, for the library and student services directly related to these students, and for instructional supplies we all use in the classrooms. This totals \$1,168,329. No classrooms, no campus, no offices, no institutional costs, no administration, no heat, light, water, or repairs, no financial aid to students. The loss is \$87,000. If you were to add to this the \$200,000 of Lindenwood funds spent for financial aid to these students the loss would exceed one quarter of a million dollars. In other words the subsidy for each of these students exceeded \$500. You understand that these figures do not include any income (or expenditures) for the Evening College or Business Administration, for Lindenwood 4, for room and board, or for any of the other special programs or projects we offer. These latter programs and operations, all producing net income for Lindenwood, carry their own expenses as well as the physical plant, institutional, and general expenditures for all of us.

But now let's widen the focus; we must not get lost in details or in feelings of hopelessness or frustration. For there is real light at the end of the tunnel.

Our 1976-77 budget income estimate of 3.8 million was somewhat too high, and our budget expenditure estimate of 3.9 million was too low. However the important trend is up. Nevertheless, and you must know this, we have reached the point where we now must balance expenditures with income. The deficit years are over; we must go back to pre-1966. The piggy bank is empty; the savings

Income : 3.5  
 Expenditures : 4.0 +  
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 .5 million +

account covers the mortgages on all those new things we acquired since 1966. Our house is worth many, many millions, but we've got to earn what it takes to keep it going. It's not the worth of the real estate but the flow of cash that will preserve the homestead. I trust you understand the reason for these analogies; it's not that I view the situation lightly.

Let's look ahead to 1977-78. The deans and I, with the help of a number of others, have done our best to estimate income for next year. Even though our estimated income of 3.8 million was too high this year, we realistically believe it will be 4.1 million next year. Part of this \$300,000 increased income will come from increased tuition (about \$86,000 from tuition and fees paid by the full-time resident and non-resident students and the special day students). The rest will come from the Evening College, Lindenwood 4, and other activities and projects, all of which produce net income for The Colleges.

The other side, the expenditure side, will of course also increase. But here we must be vigilantly careful not to exceed our income. Many of you have been already asked by the deans to reconsider your budget requests. We are proceeding rapidly even now to reorganize drastically our grossly inefficient and costly physical plant operations. We will continue to eliminate waste, and to require that staff members earn their salaries and wages. In summary we will spend money on people and things that will improve our financial stability; we will reduce or eliminate costs that threaten our continued service to students and the community.

Let me now deal with a matter close to all of you - salaries for faculty members. When I arrived a little more than two and a half years ago, I told you I did not believe we could win the battle by program contraction, by cutting off faculty members, by reducing salaries, or by fighting over tenure. If we

were to succeed Lindenwood must grow, diversify, seek higher productivity, acquire new friends and supporters, think up new ways to produce revenue, become more efficient. My first official act at Lindenwood, taken before I arrived on October 15, was to approve salary increases for the faculty, even while facing a \$623,000 deficit. In the Spring of 1975 I recommended and you received a salary increase. In the Spring of 1976 I recommended and you received a salary increase. I admit that these increases have been modest ones, on balance no more if as much as inflation has affected your purchasing power. But at least there was something. It was and had to be a holding action until we could get turned around. Based on the past you should know what I will recommend to the Board for 1977-78; modest salary increases for faculty members, enough to stave off most of the inflation, to hold the line until we get our budget surely in balance.

I want to share with you another bit of budget analysis. Having increased tuition and fees for full-time resident and non-resident students and special day students by about 8%, we will increase income by \$86,507 if our net enrollment remains the same as this year. Net enrollment means the actual count after increases in new students have been balanced with those withdrawing for whatever reason. Suppose we put in a fund 5% of the aggregate cash salaries paid to professional personnel in the departments, library and student services (no secretaries or clerks), we will increase costs by about \$40,000 excluding increased benefits. Earlier in this presentation I told you that this year, even if we used all the income available from the day students and disregarded any costs other than instruction and student services, we will end up \$87,000 in the hole. If now we increase income by \$86,507 from tuition and fees and offset that by increasing salary expense by \$40,000, we will still end up with

a \$40,000 deficit. Therefore we must take a chance on increased net enrollment even to balance these totals. Again, no provision for classrooms, offices, heat, light, etc., etc. But I believe we must take that gamble. Now don't misunderstand what I've said. I will recommend a fund of about \$40,000 to be allocated by the deans for salary increases to those professionals whose primary responsibility is to serve our traditional student body. Allocation to individuals from this fund is the responsibility of the deans, and many factors of course must of necessity enter into the judgment. That's one of the reasons for having deans.

This has been a sobering speech, I'm sure you will agree. But again I repeat, the trend is up. A balanced budget in 1975, 1976, or 1977 was impossible. I believe that had anyone tried to achieve a balanced budget in those years defeat would have been inevitable. But that's not the case of 1977-78. I sincerely believe that we can operate on a balanced budget next year, and that we will not feel unduly pinched or restricted in our ability to move ahead strongly. We are at that point in time where the necessary is possible, and I'm convinced that our success in doubling income over the past three years will be extended and multiplied in the coming three years. That statement is not "pie in the sky;" it's based on hard facts and careful calculations. If we keep working together, and accept compassionately the frustrations and irritations that always accompany growth and change, we will insure another long period of history for Lindenwood. That's the best gift we could all give her on her 150th birthday.