

TO: Faculty and Staff

FROM: Dennis Berkey

I want to share with everyone the remarks that I made at this afternoon's Faculty Meeting so that there is no confusion about what was said. I hope you find this information helpful and hopeful.

Introduction of Vice President Chris Ritter: I introduced our new Vice President for Marketing and Communications who comes to us from Binghamton University, with deep marketing and communications experience in both higher education and agency settings. Chris made brief comments, assuring faculty that he is here to build recognition and awareness of WPI, and to ensure excellent services from his division for the campus community.

FY 2009 Fiscal Year Issues: As I reported earlier, the budget for the current year remains in balance although we are facing exceptionally high costs for dealing with the tree damage due to the ice storm and the excessive amounts of snow. (The Facilities Department is doing a great job, and working long hours, on all of this and I am grateful to all members of that Department for their excellent work and commitment to the safety and functioning of the campus.) Enrollment seems to be holding stable, with students and families settling their accounts in a timely fashion. (We are grateful for this also, as doing so has become more complex and difficult in many cases. I am also grateful to our Financial Assistance staff who are providing excellent customer service to many anxious students and their families.)

It is important, however, that we make progress yet this year in reducing our cost of operation, because we will be facing increasingly difficult financial challenges in the years just ahead. That is why we have implemented a hiring "frost" on staff positions, with only the most essential open positions being filled. We are continuing all authorized faculty searches, although we anticipate that a number of these will be held over for continuation next year, due to the usual lack of complete success in landing truly outstanding candidates for all positions. I have also asked the Vice Presidents and the Provost to reduce operating expenses by eliminating non-essential expenditures in areas such as travel, meeting expense, etc. It is our hope and intention to generate a modest, if not significant, operating surplus this year to have additional funds available to meet next year's demands. Your cooperation in these measures is respectfully requested, it is important to our success, and it will be greatly appreciated.

FY 2010 Issues: At present, applications for next fall's entering undergraduate class are running approximately 7.5% ahead of last year, a very positive indicator. This phenomenon is fairly common, however, among both the AITU and AICUM schools. Students appear to have increased the number of schools to which they are applying, applications for admission in the public institutions are up dramatically, and we simply do not know what the effect of the economic downturn will be on enrollment, both of entering and returning students. As a tuition-dependent institution, we will need to

prepare for a range of possible outcomes, with some clarity developing after the May 1 deadline for paid deposits but with the ultimate reckoning in mid-September.

Another important factor is the effect of the economic downturn on our endowment. We have experienced a decline of between 24% and 26% in the market value of our holdings over the past year. When coupled with the withdrawals under our “spending rule” (5.5% of the three-year average market value, one year removed) our endowment has declined from just over \$400 million to something in the range of \$280-290 million. While this has no current impact, without a relatively quick recovery in the financial markets (which seems unlikely) we will begin to experience declining inflows from the endowment to the operating budget in future years. Given that these inflows comprise approximately 14% of our operating budget, this is not an insignificant factor.

Finally, a persisting economic weakness will no doubt begin to affect our other revenue streams: research funding, fundraising, auxiliary operations, and Corporate and Professional Education. Good work being done in Summer Term to expand programs and increase enrollments, a redoubling our efforts in fundraising, and the work being done by our campaign “kitchen cabinet” group to better brand, position, and promote WPI should all function to offset some of this decline, and we must all look for opportunities to increase revenues as much as to reduce expenses.

While we will hope for the best, we must take prudent measures to ensure the continuing performance of WPI at the high levels of service and quality that our students expect. Accordingly, we will propose to the Trustees that the budget for FY 2010 be built upon the following parameters and assumptions:

- An entering freshman class of 850;
- An increased discount rate on tuition (need for financial aid);
- Stable retention rates;
- Endowment draw maintained at FY 2009 amount;
- Level enrollment and funding in graduate education and research (IDC);
- Successful completion of 80-85% of the current 23 faculty searches;
- Appointment of the Bernard Gordon Dean of Engineering;
- Tuition, room, and board to increase by 2.9%;
- Merit increases for faculty and staff of 2% on the first \$50,000 of wage or salary;
- Continued improvements to full professor salaries due to market (reduced rate);
- Delayed implementation of any wage and salary increases until fall enrollments are confirmed;
- Reductions in travel and meeting expenses of 20% overall;
- Continuing “frost” and actual reductions in staff positions due to attrition;
- Adding a few strategically important positions (financial aid, international students); and
- No lay-offs anticipated at this time.

In addition to the particular items above, we will need to make significant additional reductions our expense of operations. This is a broad field of work to be addressed by FAP, the Presidential Commission on Effectiveness and Efficiency, the Fringe Benefit

Committee, our Faculty Governance leadership, and all of our department heads and managers.

More generally, our goal should be to develop a “sustainable adaptation” to the new economic realities, whatever they prove to be, in a way that is least disruptive while maintaining program quality and enrollment for WPI. Without meaning to minimize the challenges we will be facing, I believe that the good work we have done to strengthen the Institute in recent years, and the savings we can generate yet this year by the measures being proposed, will position us well to begin moving to a new equilibrium, a “sustainable financial model,” that can see us through the difficult years ahead and ensure continued success in the long run.

I greatly appreciate the support we have been receiving in these efforts from FAP, the department heads, and all members of the faculty and administration who have been contributing ideas and making the changes, large and small, that are important to our continuing success. Keep up the great work!