

# Communicating With Your Trustees During Economically Challenging Times

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President and CEO  
NACUBO



## What Boards Should Do...

- ◆ Stay focused on strategic level
- ◆ Separate facts from fears  
(Use your strategic indicators)
- ◆ Do not let economic crisis hide longer-term strengths or weaknesses
- ◆ Support the CEO
- ◆ Increase visibility and communications
- ◆ Invest in marketing, recruiting, and fund-raising
- ◆ Do not let others use crisis for their own agendas
- ◆ Give generously, and solicit others

# Strategy vs. Tactics

## Strategic (Board/CEO)

- Transformation
- Changing the mission
- Adding or dropping student population
- Adding or dropping major programs
- New curricular focus
- Significant changes in student fees or endowment spending
- Fund-raising/  
Capital campaign

## Tactical (CEO/Admin)

- Turnaround
- Achieving mission more effectively
- Improving efficiency
- Hiring freezes/lay-offs
- Outsourcing
- New admissions/  
retention strategies
- Fund-raising/Annual giving

## How Boards Should Act...

- ◆ Use executive committee or other leadership team to work with CEO
- ◆ Reassure and empower staff but do not manage them
- ◆ Set goals and hold everyone accountable, including the board
- ◆ Be sure that the institution has a spokesperson with a clear message
- ◆ Remember that a crisis brings opportunities
- ◆ Learn from this crisis for the next crisis

## Questions Boards Should Be Asking...

- ◆ How much of our revenue is at risk?
- ◆ Are we managing costs as vigorously as possible?
- ◆ Do we know what we would do if we had to reduce our budget by 10%-30%? Contingency plans?
- ◆ Do we know which of our programs and activities are mission-critical, and what each costs?
- ◆ Who are the people most critical to our success?
- ◆ What are we communicating to major donors?
- ◆ Are we involving our board members and using their skills and contacts?

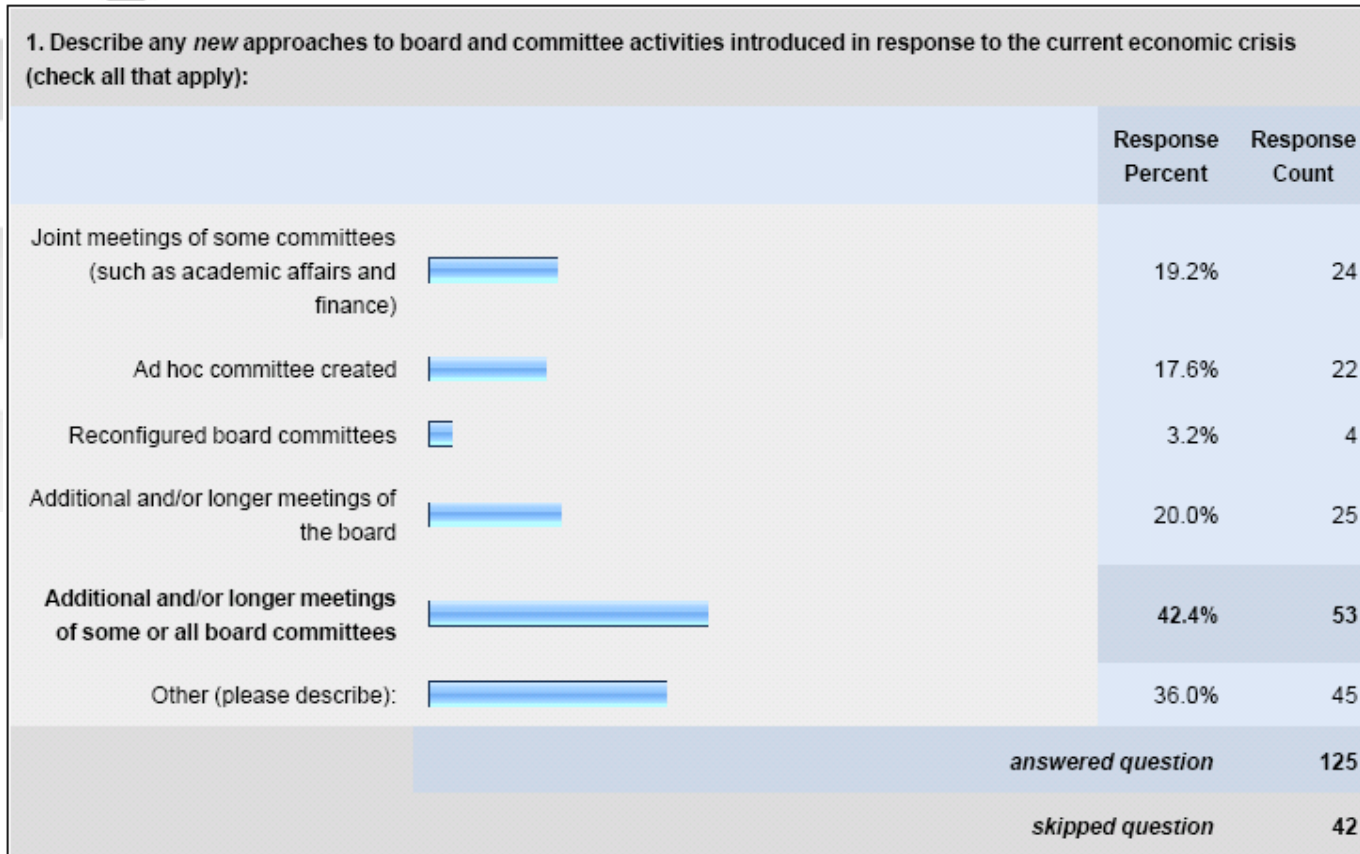
# AGB Survey: The Board and the Current Economic Crisis

Survey of AGB Board Professionals: the Board and the Current Economic Crisis

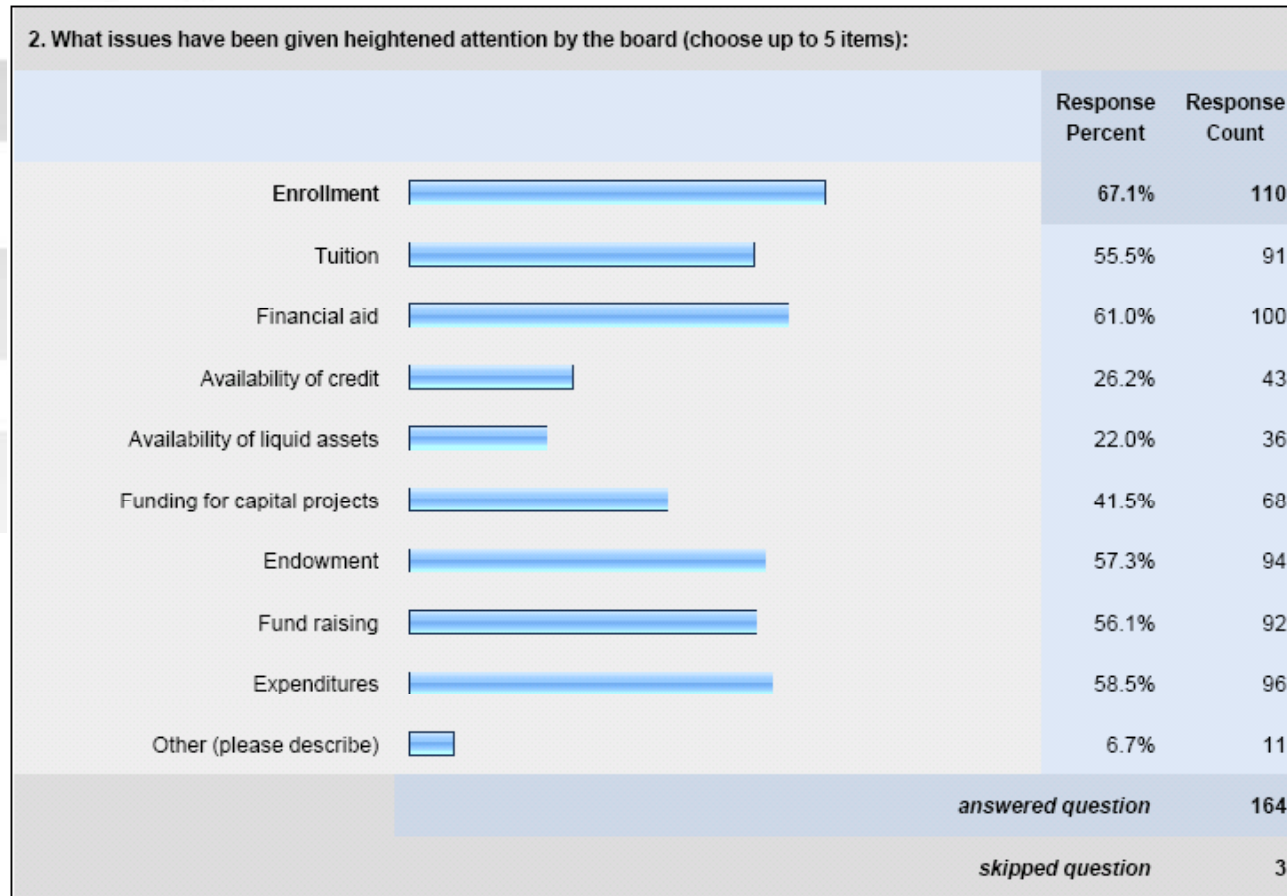
Please select the characteristics that best describe the institution or system your board governs.

Institution Type								
Answer Options	Public	Private	Response Count					
Institution Characteristics	48	117	165					
Fall 2008 FTE student enrollment								
Answer Options	Under 1,000	1,000 to 2,499	2,500 to 4,999	5,000 to 9,999	10,000 to 24,999	25,000 to 49,999	50,000 or more	Response Count
Institution Characteristics	26	57	28	12	21	11	7	162
FY08 total annual expenditures								
Answer Options	under \$25 million	\$25 to 99 million	\$100 to 499 million	\$500 to 999 million	\$1 billion or more	Response Count		
Institution Characteristics	32	61	31	13	14	151		
FY08 Endowment Value								
Answer Options	under \$25 million	\$25 to 99 million	\$100 to 499 million	\$500 to 999 million	\$1 billion or more	Response Count		
Institution Characteristics	45	41	36	20	10	152		
								Question Totals
<i>answered question</i>								165
<i>skipped question</i>								2

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## Average Change in Endowment Market Values, FY08 and Estimated for July 1 to November 30, 2008

<b>Endowment Assets (as of June 30, 2008)</b>	<b>FY 2008 (NES)</b>	<b>July 1 to Nov. 30 (Follow-up)</b>
Greater Than \$1 Billion	1.5%	-20.0%
> \$500 Million to ≤ \$1 Billion	-1.1%	-25.5%
> \$100 Million to ≤ \$500 Million	-2.6%	-23.8%
> \$50 Million to ≤ \$100 Million	-0.4%	-23.9%
> \$25 Million to ≤ \$50 Million	-2.7%	-23.7%
Less Than or Equal to \$25 Million	-1.9%	-21.3%
All Public Institutions	0.8%	-24.4%
All Independent Institutions	0.4%	-22.0%
<b>Full Sample</b>	<b>0.5%</b>	<b>-22.9%</b>

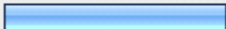
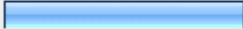


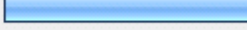
## Follow-up Survey Respondents' Planned Changes to FY09 Endowment Draws, by Endowment Size

<b>Endowment Assets (as of June 30, 2008)</b>	<b>No Changes Planned</b>	<b>Plan to Decrease Draw</b>	<b>Plan to Increase Draw</b>	<b>Unknown/No Response</b>
Greater Than \$1 Billion	71.8%	15.4%	2.6%	10.2%
> \$500 Million to ≤ \$1 Billion	67.5%	25.0%	2.5%	5.0%
> \$100 Million to ≤ \$500 Million	59.8%	30.3%	#	9.9%
> \$50 Million to ≤ \$100 Million	65.4%	25.9%	#	8.7%
> \$25 Million to ≤ \$50 Million	60.3%	28.2%	1.3%	10.2%
Less Than or Equal to \$25 Million	44.6%	26.2%	3.1%	26.1%
All Public Institutions	49.2%	32.6%	#	18.2%
All Independent Institutions	65.3%	24.1%	1.7%	8.9%
<b>Full Sample</b>	<b>60.5%</b>	<b>26.7%</b>	<b>1.1%</b>	<b>11.7%</b>

#Less than 1%.

Due to rounding, details may not total to 100.0%.

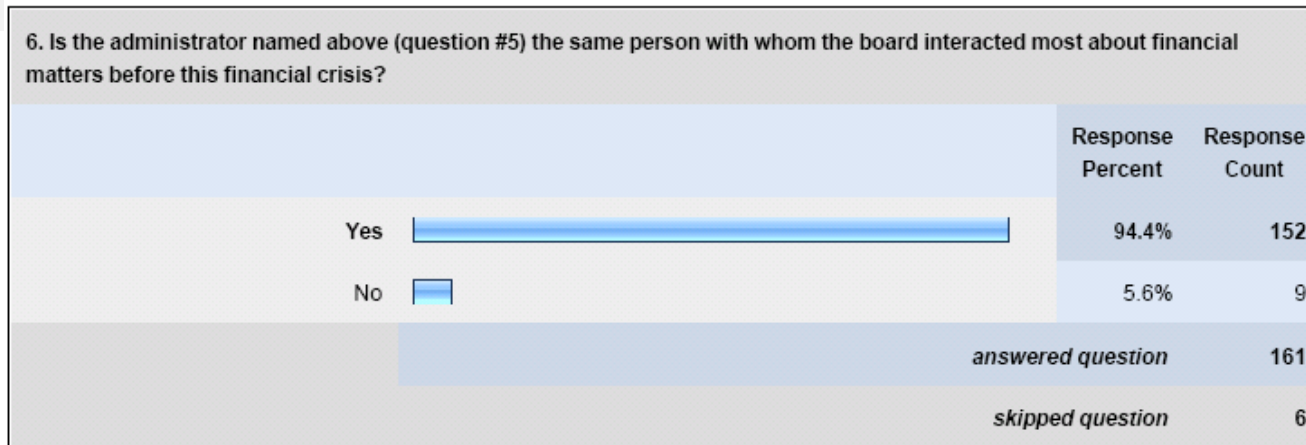
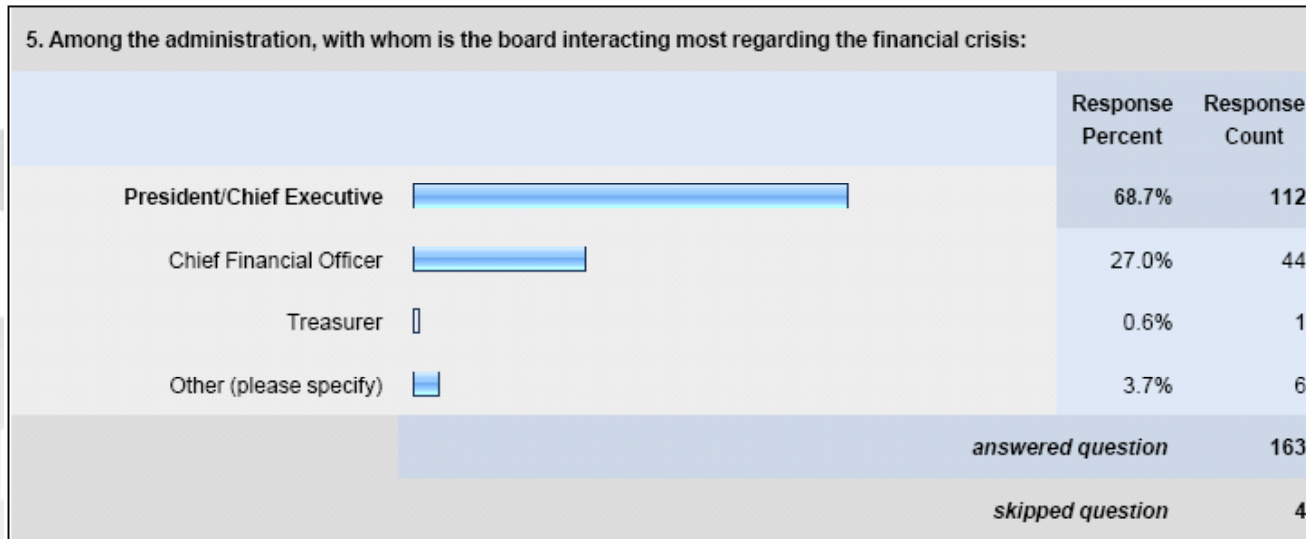
# AGB Survey: The Board and the Current Economic Crisis

3. In what ways have the board's information needs changed?		
		Response Percent    Response Count
Requested more frequent reporting of current expenditures and revenue		31.9%    38
Requested projections earlier for expenditures and revenue for end of current fiscal year		34.5%    41
<b>Requested budgets earlier or revised for next fiscal year</b>		<b>36.1%    43</b>
Requested projections for longer time horizons		25.2%    30
Requested new data, more frequent reporting of new data, different analyses or other (please describe):		35.3%    42
		<i>answered question</i> <b>119</b>
		<i>skipped question</i> <b>48</b>

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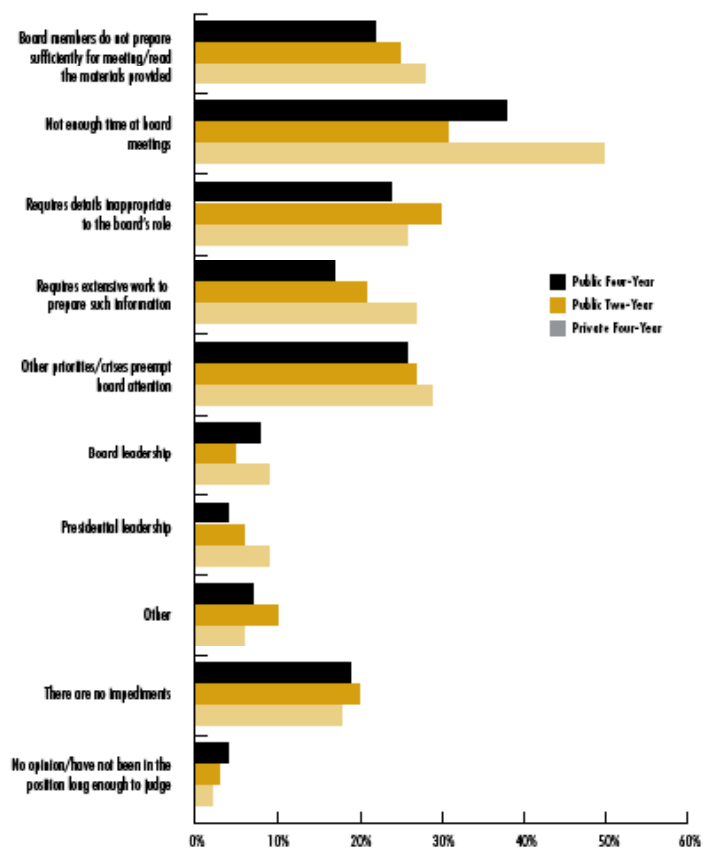
4. How has board engagement changed?					
	More	Same	Less	Don't Know	Response Count
Attendance at meetings	11.7% (19)	<b>85.2% (138)</b>	1.2% (2)	1.9% (3)	162
Attendance at campus events	3.1% (5)	<b>88.1% (140)</b>	2.5% (4)	6.3% (10)	159
Trustee interest and concern	<b>55.5% (91)</b>	42.7% (70)	1.2% (2)	0.6% (1)	164
Board giving	12.1% (19)	<b>56.7% (89)</b>	12.1% (19)	19.1% (30)	157
Communication with president	<b>49.7% (80)</b>	47.2% (76)	0.6% (1)	2.5% (4)	161
Communication with the CFO	<b>46.9% (75)</b>	46.3% (74)	0.6% (1)	6.3% (10)	160
Number of board or committee meetings	27.7% (44)	<b>70.4% (112)</b>	1.3% (2)	0.6% (1)	159
	<i>answered question</i>				<b>164</b>
	<i>skipped question</i>				3

# AGB Survey: The Board and the Current Economic Crisis



# Impediments to Board Understanding of Costs

WHAT ARE THE IMPEDIMENTS, IF ANY, TO YOUR BOARD'S UNDERSTANDING OF COST ISSUES?



## What Cultural Issues About Your Board Influence You?

- ◆ What is the Board's "frame of reference?" (Politics)
- ◆ What anecdotal "stories" are they likely to already possess?
- ◆ Are there relevant comparisons with other institutions (peer or aspirant)?
- ◆ Are business, public administration or other nonprofit models appropriate?
- ◆ Who are the decision makers and how do you reach them?
- ◆ Who are the "problem trustees" and how do you handle them?

## What Cultural Issues Regarding Your Financial Data Constrain You?

- ◆ Is your financial data public knowledge?
- ◆ Is your financial data closely guarded?
- ◆ What is sensitive and what is not?
- ◆ What if the press is present or receives the story?

## Selecting the Right Data is Critical in Reaching Your Audience

- ◆ Begin with the basic story and identify data relevant to the story
  - Focus on the three key points
- ◆ Be selective
  - Do not use too much data
- ◆ Pay attention to time frames
  - Use appropriate time frames in your financial data
- ◆ Comparisons
  - Often, this is a good opportunity to integrate the use of non-financial data into your presentation

## Communicate Complex Ideas With Clarity, Precision, and Efficiency!

- ◆ Make large data sets coherent
- ◆ Encourage the eye to compare different pieces of data
- ◆ Reveal the data at several levels of detail, from a broad overview to a fine structure
- ◆ Serve a clear purpose: description, exploration, tabulation, etc
- ◆ Communicate the truth about what the data have to say (avoiding distortion; preserving data integrity)

## Outcomes Needed?

- ◆ Will you be satisfied with providing information only?
- ◆ Will you be satisfied with obtaining input only?
- ◆ Do you need a decision? Who in the audience will make it?
- ◆ What latitude do you have in the decision process?
- ◆ What input will the audience really have in the outcome?



## Example

Financial Presentation

To Board of Trustees – Seeking Approval  
of a Tuition and Fees Increase

## July 2005 Baseline Financial Model

- ◆ 6% Tuition Increase
- ◆ 2,800 First-year Students
- ◆ 2006/2007 Surplus: \$1.74 million

## Major Negative Changes in Baseline Financial Model

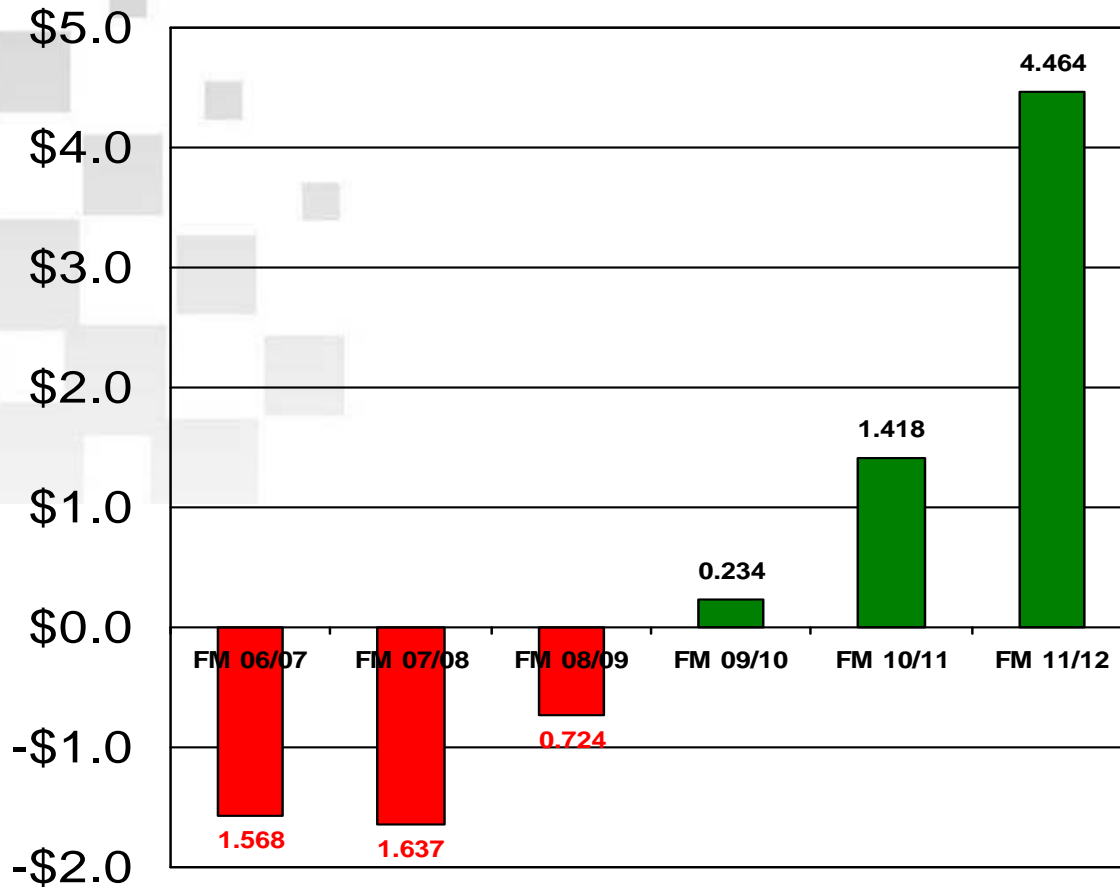
- ◆ \$2.3 million in additional energy costs
- ◆ \$2.4 million in additional need based scholarship cost

## Revised Baseline Financial Model

- ◆ 6% Tuition Increase
- ◆ 2,800 First-year students
- ◆ 2006/2007 Deficit: **\$1.57** million

# Budget Surplus (Deficit)

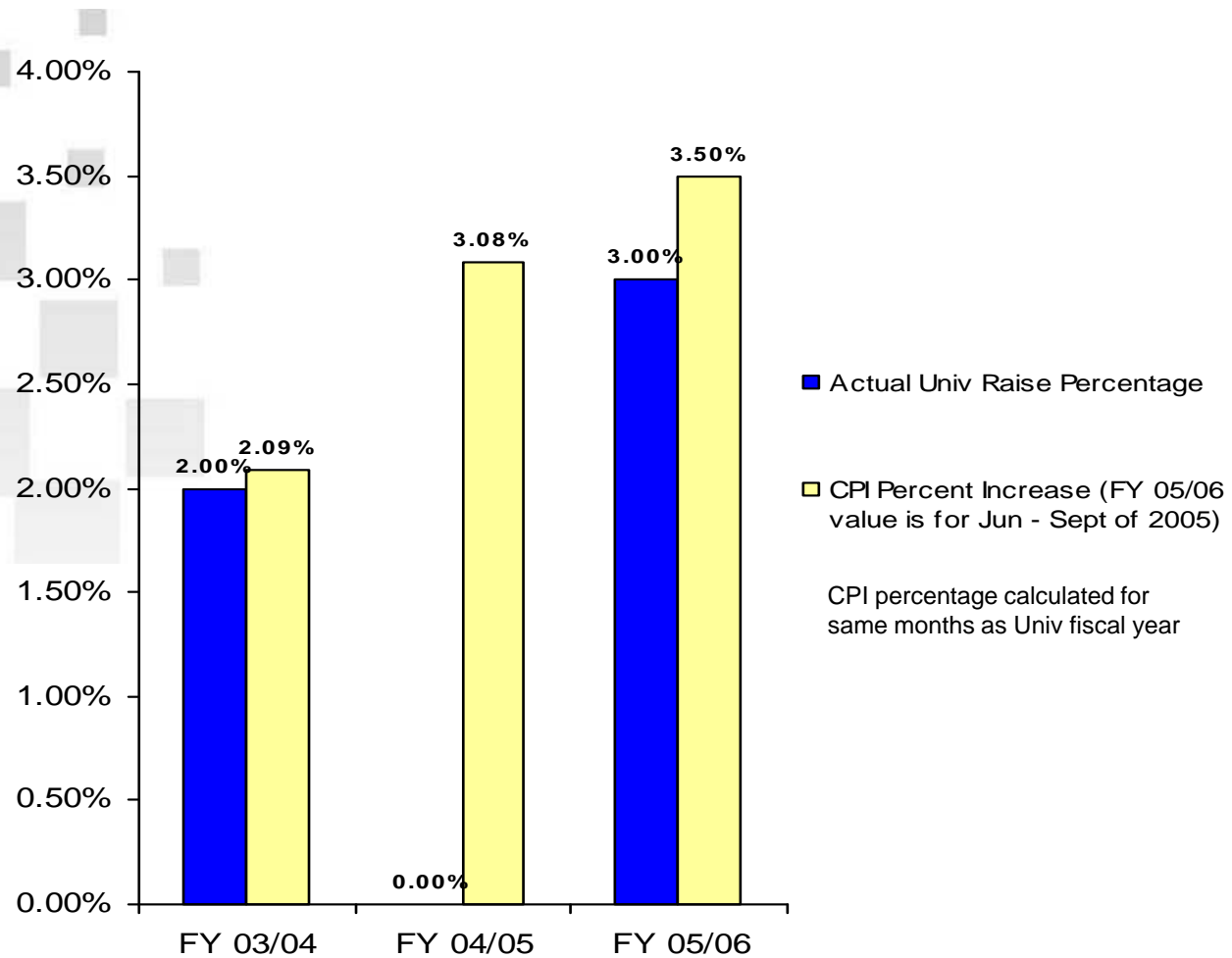
Base Model with 6% increases in Tuition and 2800 First Year Students  
(in Millions of Dollars)



# Options

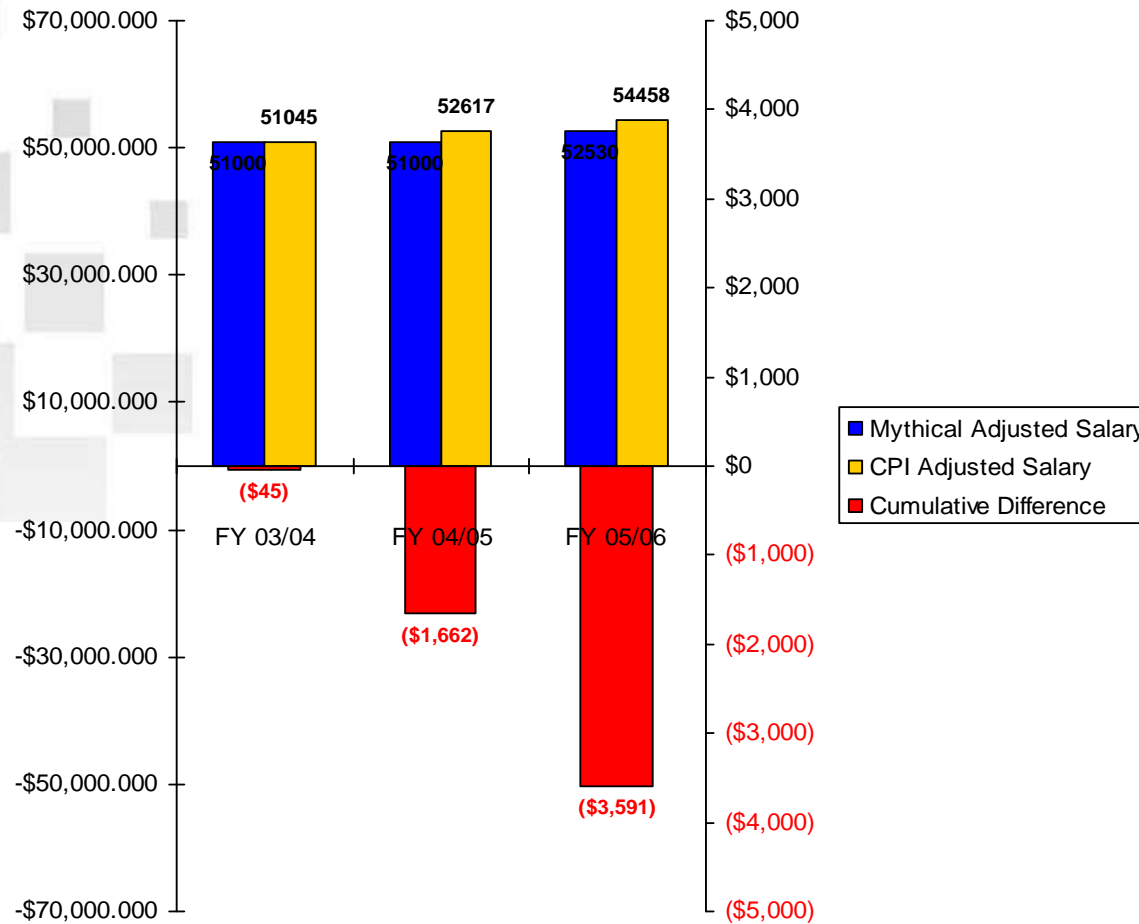
- ◆ Cut Costs
- ◆ Increase Revenue
  - Tuition Rate Increases
  - Increase Student Population

# Faculty/Staff Pay Increases



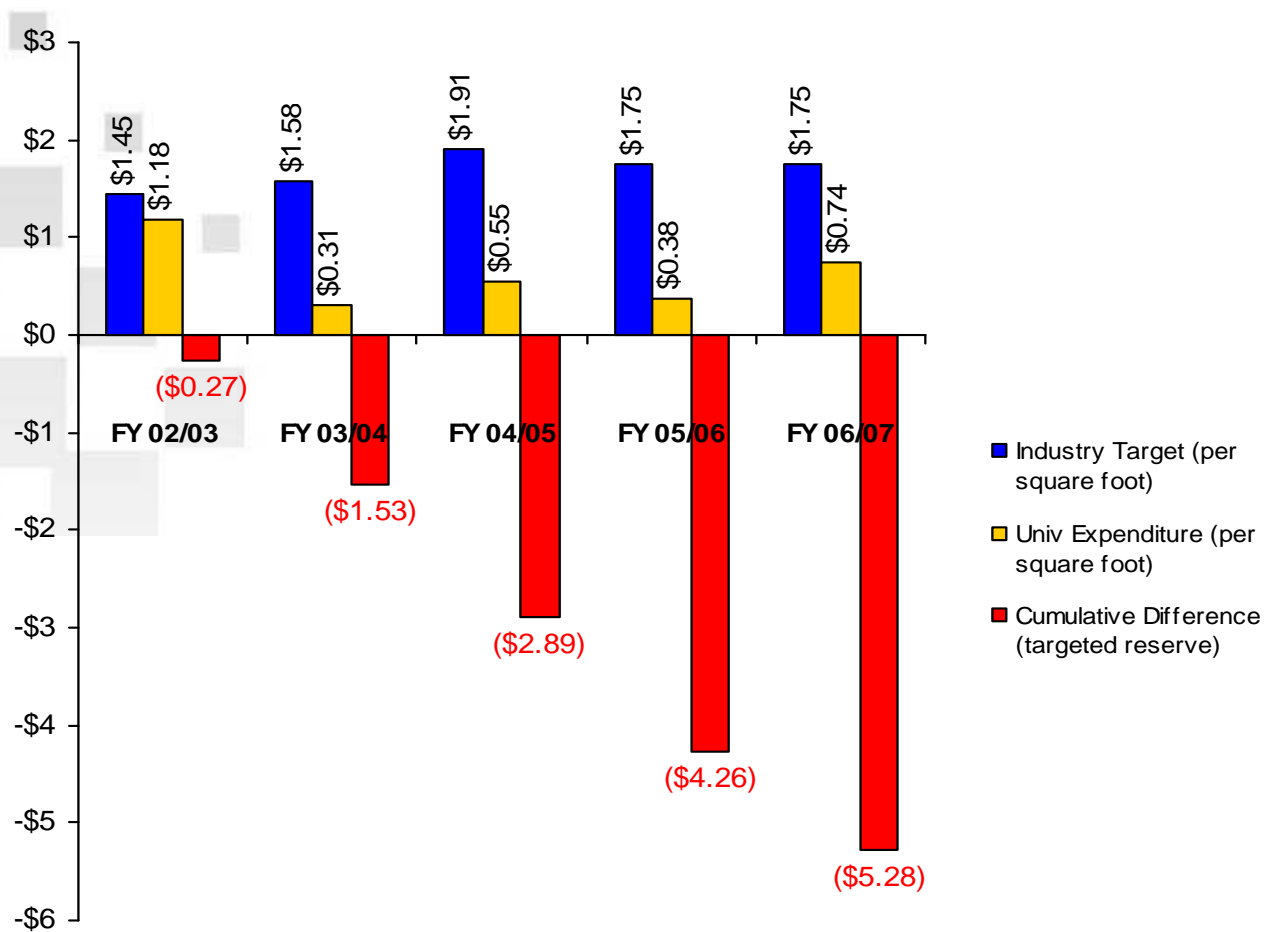
# Example of Adjusted Income

(the Mythical versus CPI adjusted value of a FY 02/03 salary of \$50,000)



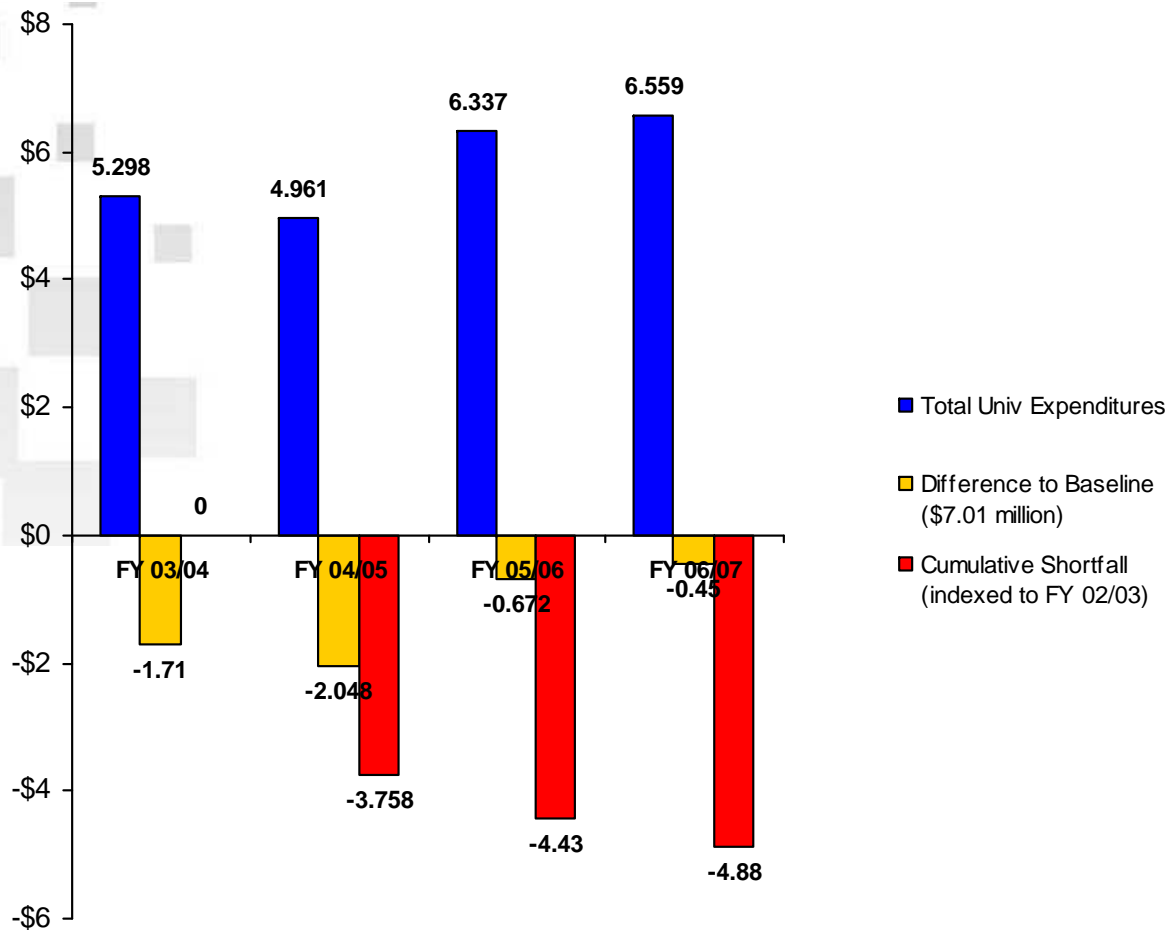
# Deferred Maintenance

(in Dollars per Square Foot - estimate based on replacement cost)



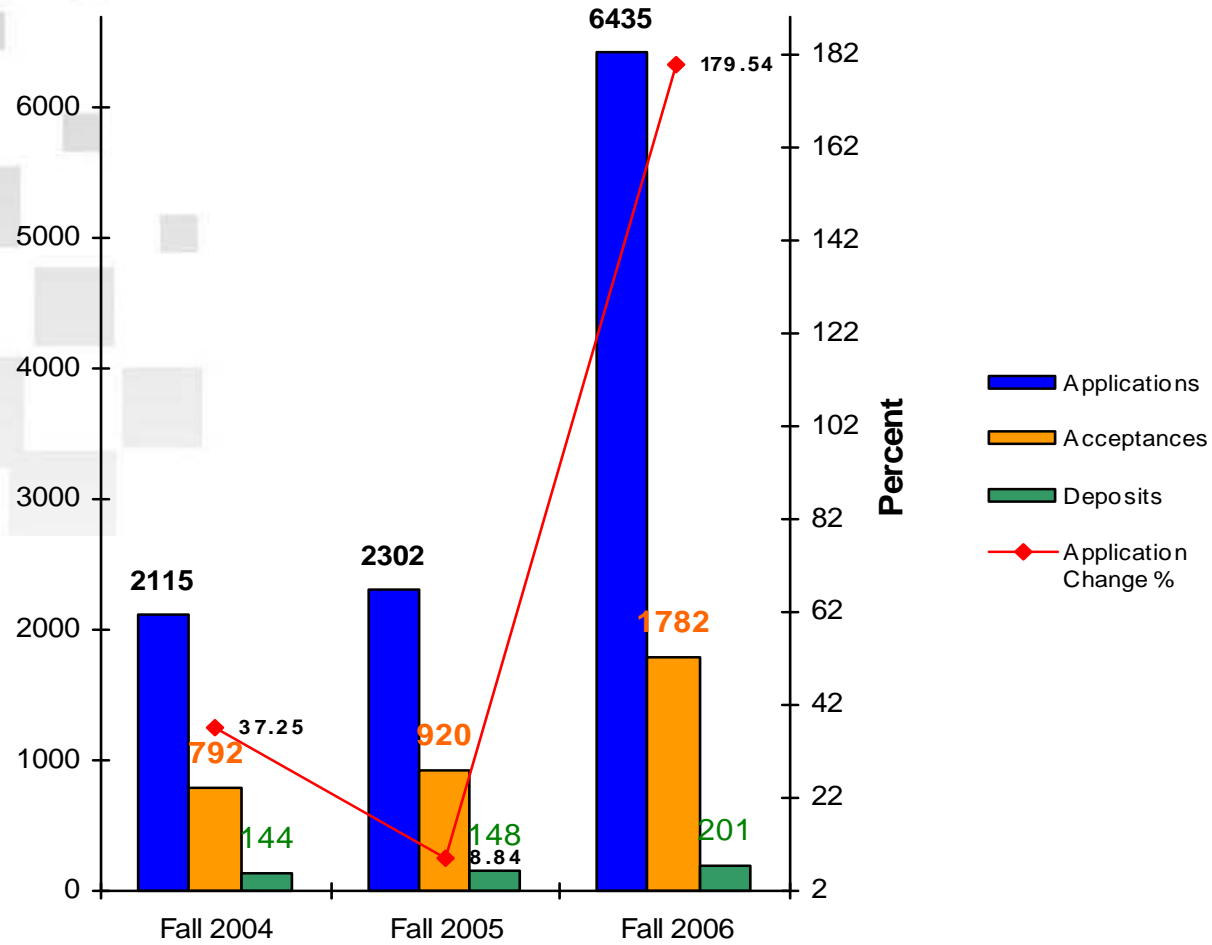
# Deferred Capital Equipment Needs

(Difference to FY 02/03 Baseline of \$7.01 million – all data is in millions of dollars)



# Application Trends

(week 7 of each year)



# Tuition & Required Fees Summary

	Tuition Increase
FY 01/02	6.8%
FY 02/03	6.6%
FY 03/04	6.7%
FY 04/05	6.9%
FY 05/06	6.4%

## Tuition & Required Fees Summary

	Tuition Increase	General Student Fee	Technology Fee
FY 01/02	6.8%	12.6%	6.3%
FY 02/03	6.6%	6.0%	6.0%
FY 03/04	6.7%	10.4%	40.2%
FY 04/05	6.9%	8.0%	30.0%
FY 05/06	6.4%	7.4%	7.7%

## Tuition & Required Fees Summary

	Tuition Increase	General Student Fee	Technology Fee	Increase in Tuition and Fees
FY 01/02	6.8%	12.6%	6.3%	7.3%
FY 02/03	6.6%	6.0	6.0	6.4%
FY 03/04	6.7%	10.4%	40.2%	7.4%
FY 04/05	6.9%	8.0%	30.0%	7.3%
FY 05/06	6.4%	7.4%	7.7%	6.5%

# Tuition & Required Fees Summary

	Tuition Increase	General Student Fee	Technology Fee	Increase in Tuition and Fees
FY 01/02	6.8%	12.6%	6.3%	7.3%
FY 02/03	6.6%	6.0%	6.0%	6.4%
FY 03/04	6.7%	10.4%	40.2%	7.4%
FY 04/05	6.9%	8.0%	30.0%	7.3%
FY 05/06	6.4%	7.4%	7.7%	6.5%
<b>FY 06/07</b> (proposed)	<b>8.0%</b>	<b>5.9%</b>	-	<b>7.8%</b>



# QUESTIONS?