



**Board of Trustees Approves University Financial Health Plan
*To be completed by 2011***

Highlights

The Board of Trustees of Case Western Reserve University this weekend approved the administration's plan to balance the institution's budget by 2011. Developed with extensive input from each university unit and faculty leaders, the plan offers a detailed blueprint for how the institution will eliminate its deficit and position itself for future advancement.

The university finished the 2007 fiscal year with a \$20 million operating deficit but also experienced impressive gains in its endowment. Strong investment performance allowed total net assets to climb by \$208 million, representing growth of 10 percent over the previous year. The university also paid off its line of credit and maintained its investment grade rating from Moody's Investor Service.

Details

FY '07 Close

- Case Western Reserve University finished fiscal year 2007 with a \$20 million operating deficit. The university's operating expenses totaled \$844 million for FY 2007. ([Exhibit A](#))
- Three schools' expenses exceeded FY 2007 projections (engineering, management and medicine). Medicine faced the largest shortfall; of its gap, approximately \$10 million can be attributed to unexpected costs related to the 2006 affiliation agreement with University Hospitals. The chief expense of implementing the affiliation agreement involved the consolidation of individual physician practice plans into the broad entity known as University Hospital Medical Group (UHMG).
- The School of Medicine also faced other significant one-time costs during the course of FY 2007, some of which emerged as a result of the budget office's increased attention to fiscal accountability. The university also has contracted with the accounting and consulting firm of Price Waterhouse Coopers to work with the School of Medicine's leadership team and provide recommendations for improvements in management and efficiency.



FY '07 Close (continued)

- The year-end close included some promising developments:
 - The endowment's strong performance led to a \$208 million increase in total net assets, representing growth of 10 percent over the previous year.
 - Sponsored project awards totaled \$403.8 million, an increase of nearly \$29 million over the previous year.
 - The university improved its debt position, in part by refinancing some debt at lower interest rates.
 - The university paid off its line of credit.

University Financial Health Plan

- The financial health plan calls for the university to balance its books by 2011. This summary of the plan will be made available on the website of the Office of Planning, Budget and Institutional Research, <http://www.case.edu/provost/budget>.
- The university could eliminate its deficit more quickly through across-the-board cuts, but those cuts could risk harming activities of the university that are key to its subsequent advancement. Instead, the trustees endorsed a more thoughtful model designed to position the university for substantial progress within three years.
 - Under the terms of the plan, the university would complete FY 2008 with a planned deficit of \$10.5 million. (Exhibit B)
 - The plan's timeline calls for:
 - The Weatherhead School of Management to eliminate its deficit in 2009.
 - The School of Engineering to eliminate its deficit in 2010.
 - The School of Medicine, with revenues totaling more than 50 percent of the university's total income, is forecast to be out of deficit by 2011. (Exhibit C)
- The university's financial health plan is based on conservative assumptions regarding research and philanthropic support, but, as with any projection, some uncertainty exists. Case Western Reserve University's ability to meet its targets could be affected by unexpected developments within greater Cleveland and the state and federal governments.



Financial Health Plan (con't.)

- Therefore, university leaders have carefully developed the financial health plan, and received valuable feedback from faculty representatives. The plan calls for the institution to:
 - Maintain focus on controlling costs
 - Continue to enhance alumni and donor relations as started in recent months
 - Evaluate revenues at the school level and adjust resources accordingly;
 - And identify and invest in specific university strengths, which in turn will draw increased external support.

- The University's strategic plan, due for presentation to trustees in June, 2008, will guide many of the decisions regarding investments.
 - Interim Provost Jerry Goldberg, Dean of the School of Dental Medicine, is chairing a university-wide strategic planning committee. Its efforts will include surveys, focus groups and a website (<http://www.case.edu/provost/uplan>) to keep the broad university community updated on progress.
 - Individual schools each have launched their own planning efforts.
 - All groups will communicate regularly throughout the process so that the final plan will be cohesive and faculty-driven. Each initiative will include benchmarks, and the university will report annually on its progress.

University's Overall Financial Status

- The university's strong balance sheet and successful cost reduction measures persuaded Moody's Investors Service to maintain its current investment-grade rating after a December, 2006 review.
- The University ended FY 2007 with total assets of \$3.1 billion.
- Its endowment totals \$1.8 billion.