



CASE WESTERN RESERVE
UNIVERSITY EST. 1826

**University Financial Health Plan
SUMMARY
10-24-07**

Guiding Principles

- **Continue to control expenses through rigorous examination, discipline and benchmarking**
- **Reduce expenses in a strategic manner**
- **Engage in open and honest dialogue with all stakeholders**
- **Achieve and maintain adequate reserves to build funds for strategic investment**
- **Invest in priorities that enhance academic stature**

Continuing Pressures

- **Lack of financial flexibility**
 - One-time solutions exhausted
 - Two of three schools in deficit in FY08 are expected to be in deficit in FY09
- **Reduced or no growth in research funding**
- **Impact of affiliation agreements**
- **Endowment payout higher than benchmarks**
- **Rising infrastructure expenses (e.g. utility and fringe costs)**
- **Major capital projects launched without firm sources of initial funding or continued support**
- **Debt capacity limitation**
- **Funding for advancement campaign**
- **Challenge of securing funds for competitive faculty and staff salaries, as well as for faculty start-up costs**

Plan Goals

- **Achieve financial health:**
 - **Stay within approved budget in FY08**
 - **Begin strategic investments in FY09**
 - **Begin to build reserves in FY11**
- **Develop strategic academic plan – to be completed in June '08 – that is integrated with plans for finances, fundraising and infrastructure**
- **Create expectation and culture of accountability**
- **Continue emphasis on transparency at all levels**
- **Communicate with all stakeholders, and seek their insights as the process moves forward**
- **Forecast conservatively – act aggressively**

Opportunities for Revenue Enhancement and Cost Containment/Reduction

Short-term actions, FY08

- Develop academic strategic plan
- Require accountability
- Identify and postpone non-critical salary/non-salary expenses
- Improve grant/contract management
- Clarify relationships with partners
- Enhance functionality of Financial/HCM reporting
- Postpone major capital projects

Long-term actions, FY09

- Enact academic strategic plan
- Publicize goals, milestones, and metrics of success
- Increase number of competitive research proposals
- Launch advancement campaign
- Evaluate possible advantages of outsourcing
- Explore potential for partnerships

Next Steps

- **Develop and enact academic strategic plan**
- **Develop and enact new undergraduate enrollment strategy**
- **Align spending with academic strategic plan**
- **Launch advancement campaign**
- **Track closely all expense and revenue drivers in schools**
- **Analyze trends related to research productivity, space utilization, faculty hiring/attrition/salaries, and staff hiring/attrition/salaries**

Contingency and Strategic Initiatives

FY12 and Beyond – build reserves for contingency and strategic investment:

- Level of reserves based on financial recovery plan and realistic assumptions**
- Based on past practice and benchmarks, work towards a goal of 10% of the unrestricted operating budget**

Balance Sheet

- **Total net assets grew 10.2%, or \$208 million in FY07**
- **Strong investment return of 20.1% on pooled endowment**
- **Debt decreased by \$33.1 million – as of June 30th the line of credit was paid off.**
- **15% of long-term debt refinanced at lower rates reducing the overall cost of debt to 4.2%**
- **Moody's Investor Service and Standard & Poor's reaffirmed the University's investment-grade credit ratings**

Conclusions, part 1

- **FY08 (\$10.5M) – total planned budget deficit
CSE, WSOM, SOM in deficit**
- **FY09 (\$7.2M) – budget projection
CSE, SOM in deficit**
- **FY10 (\$5.3M) – budget projection
SOM in deficit**
- **FY11 budget projection
All schools in balance**
- **FY12 and beyond – build reserves for contingency and strategic initiatives
(target of 10% of unrestricted operating budget)**

Conclusions, part 2

School	FY08	FY09	FY10	FY11
Medicine	Deficit	Deficit	Deficit	Balance
Engineering	Deficit	Deficit	Balance	Balance
Management	Deficit	Balance	Balance	Balance
Arts & Sciences	Balance	Balance	Balance	Balance
MSASS	Balance	Balance	Balance	Balance
Nursing	Balance	Balance	Balance	Balance
Law	Balance	Balance	Balance	Balance
Dental Medicine	Balance	Balance	Balance	Balance
Total University (millions)	(10.50)	(7.23)	(5.30)	0.00
<i>Includes Univ. Support/Use of Reserves</i>				