

The Blaze

"There's the bullshit, then there's The Blaze."

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Critical Decisions

By LAURA FATHAUER

SINCE JUNE, ANTIOCH COLLEGE has been a train heading down a straight track leading to a single destination-- the suspension of operations of the 155-year-old college. During the course of the trip, however, the alumni of Antioch College have built in the track ahead the possibility of a new direction. If the Trustees decide to not throw the switch to the new track, then this article will simply join in the final pages of the history of Antioch College. Presuming the Trustees throw the switch and sets us off on a new journey, let us ask, how can we improve our future journey, given the experiences of our past?

The last fifteen years encompass enough events to be a sufficiently broad period of interest. During this time we have seen extremes in many notable events:

- Highs and lows in the size of the entering class;
- Retention highs and lows;
- Two or three years of balanced accrual budgets, along with five years of a deficit budget;
- The college had enough cash for operations, and five years later was forced to close its doors.

With a basic understanding of how each of these issues interacts with the others, it is unsurprising that each one of these events at their 'highpoint' occur very closely with the 'highpoint' of the other events listed.

Ultimately the College requires money to run and the situation we find ourselves in now, is largely caused by financial problems. With that in mind, we'll start with a brief outline of the major events and financial decisions over this period:

1996-2000

The Strategic Plan of Antioch College was developed by extensive consultation with the community. Rising enrollment due to measures derived from the Strategic Plan contributed to the College having a balanced budget in FY99 and FY00. However, the margins in these budgets were still thin.

2000-2001

The Board approved a build-up in admissions to increase enrollment. Meanwhile, skyrocketing fuel prices raised the expense of running the physical plant of the College. These two expenses pushed the College back into a minor deficit.

September 2001

The stock market crashes (after 9/11).

October 2001

Depreciation, a required accounting expense, is divided up among the University's internal units, based on the resources the respective campuses used. This one-time decision shifted a yearly \$1.4 million expense, half of the overall University depreciation expense, from the University-wide budget to the College budget. (This was previously budgeted

as a "University-wide" expense since, according to University Budget Reports from that time period, "the University is one corporation, and all of the assets are held by the University." As revenue was generated locally at the campuses, not in the central University, the University used other sources, such as increases in the value of investments, - including the endowment- to offset the accounting expense of depreciation. When these investments lost value following the stock market crash, the University had no revenue source to offset the expense of de-

Fall 2002

In the 2nd fiscal year of planned deficit budgeting, the University had its 10-year accreditation review. While the accreditation team did not have any issues with the academic program of the College, they were concerned about the financial state of the University and the shortage of resources. A 2-year follow-up 'inspection' was planned for 2004.

February 2003

The College's 150th anniversary prompted the Board and the President to create the Renewal Commission.

June 2007

Board announces decision to suspend operations at the College

October 2007

Alumni Board presents business plan for sustainable operations at the College.

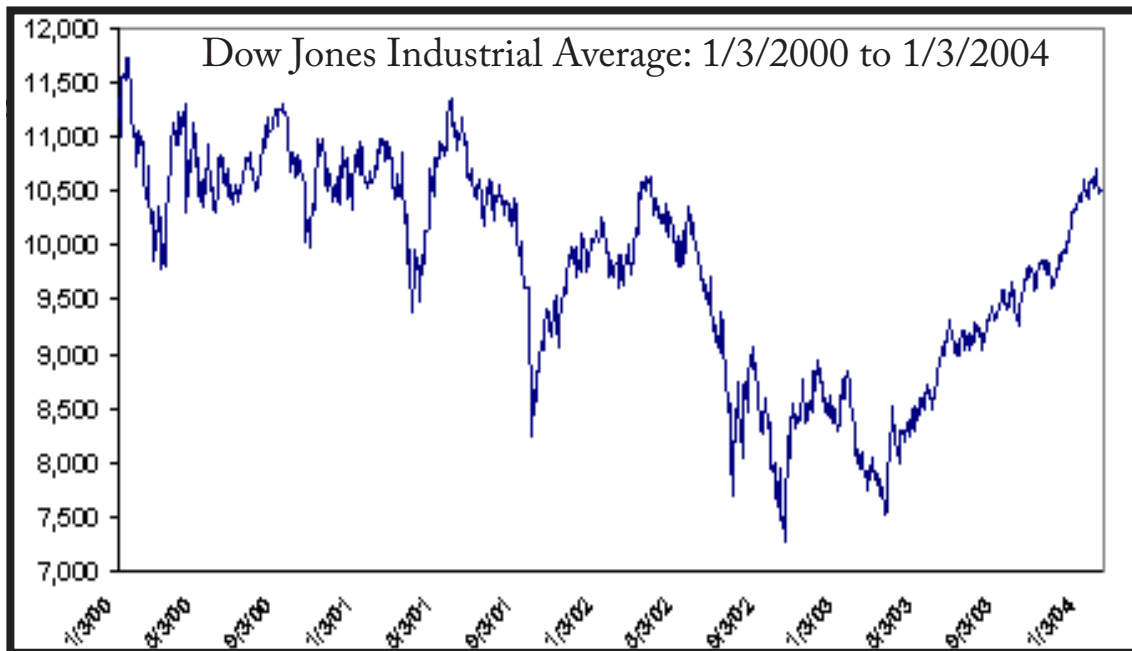
One definition of Strategic Planning is, "an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people." Using the loose concept of 'strategic' decision-making, we can start

perceived chronic problems: a campus culture, a poorly maintained physical plant, and a revenue problem based on enrollment shortfall; however it only initially attempted to resolve the first two of these issues, believing that the third problem would, after 5 years of deficit spending, be resolved.

Looking at the 2002 stabilization plan (02SP), we can see that the source of the problem was a 1-time, external, cause. Thus this expense reduction plan was not in response to chronic budgeting problems at the College, nor at the time was there projected to be a long-term revenue shortfall that required such an expense reduction. Likewise with the 04SP, the source problem was a Board approved increase in student aid, and the 04SP dealt with this unexpected shortage in revenue by again cutting expenses. In fact, most all the decisions made between 2001 and 2004 all had lasting effects, mostly negative.

The final period to examine is the time between the last two major decisions made-- the 2004 Renewal Plan and the 2007 Closure. Using a loose description of Catastrophe Theory; any major catastrophe is a series of smaller failures. Between 2004 and 2007, it was not a single event that destabilized College budgeting. Rather, it was a confluence of events--some predictable, yet unanticipated--that threatened the stability promised by the Renewal Plan. The previous years of expense cuts reduced Admissions resources to recruit for the new plan. In addition, the top-down, secretive development of the curriculum meant that the College community at large, not just Admissions, had little knowledge about the direction of their school. In the 2002 Admissions Plan, one of the Admissions metrics for Antioch's success was converting prospective students who visited campus into applicants. For almost a year and a half these "prospies" visiting campus very likely received the same insufficient amount of information about the future of the program, as did "prospies" who didn't visit the campus. Absent concrete information about the future shape of the College program, new student enrollments to the College dropped from 186 in Fall 2003 to 60 in Fall 2005.

There is one decision we haven't examined yet: the one that has not been made. The Board will be deciding to rescind the suspension of operations and approve the Alumni Board's plan. The Alumni Board's model has acknowledged the chronic problems of the small endowment and the alienation of the Alumni. The Alumni Board's goal is to get the College on solid footing with an endowment and improved capital resources by increasing Alumni and other giving. The Alumni Board's model has provisions for continuing operations during this rebuilding. It has been 10 years since the board has been presented with a plan that has directly identified the true, chronic problems, along with a way to resolve them. 🔥



preciation.)

February 2002

As part of University-wide financial cuts mandated by the Board, intended to make room in the College budget to accommodate depreciation and other revenue, an expense-reduction plan was developed. As part of this plan, vacant positions could not be filled, some faculty were given early retirement, and cuts affected Admissions' budget and staffing.

It is important to note that this was a 3-year plan; The College would 'work towards' getting out of deficit budgeting, and not have a balanced budget until 03-04. (We will call this plan the 02SP for short, i.e. the 2002 Stabilization Plan).

February 2002

The Board received and approved an Admissions proposal to increase enrollment at the College. Only one of the two parts of the plan was implemented --meeting 100% of student need. The build up in admissions (in retrospect possibly the more important part of the proposal) was not fully implemented due to the cuts mandated by the 02SP.

November 2003

During the Renewal Commission, the Chancellor of the University decided that incremental changes at the College would be insufficient to put the College back on stable footing. It is very likely this decision came with the anticipation of another round of expense cuts at the College, and kept in mind the accreditation 'revisit' scheduled for the next year.

January 2004

A decrease in revenue leads to another expense cutting plan, which is led by Toni Murdock of the ULC. The loss in revenue is attributed to the Board approved admissions plan to meet 100% of need; the plan actually reduced available tuition revenue at the College. (We'll call it 04SP, i.e. '04 Stabilization Plan)

June 2004

The Renewal Commission's plan, heavily dependent on gifts to sustain the College through the 'rebuilding,' is approved. Again there was very little margin to accommodate 'extraordinary' events.

June 2005

Entering student class hits low of 60 students.

to classify some of the decisions as 'strategic' and some of the decisions as 'non-strategic,' (and do so without prejudice). Obviously, the 1997 Strategic Plan can be classified as a strategic decision, but what say of other major decisions?

One of the first things that jumps out is the 2002 Depreciation decision. This decision during this particular year was based in response to a problem caused by a single event: the stock market crash. This decision was made without knowing the effects on the resources and the program and was a short-term decision made on a sudden problem. With regards to the College program, this can easily be classified as a non-strategic decision.

What this case also highlights are the initial problems these decisions are intended to solve. The 2002 depreciation decision was done to (partially) solve a one-time, "extra"-ordinary problem, which meant that this wasn't a "chronic" problem.

By contrast, the Strategic Plan had as a goal resolving two chronic revenue problems at the College-- an enrollment shortfall, and a small endowment. The Renewal Commission identified three

di-prê'shê-ã'shén For Dummies

By KIM-JENNA JURRIANS

So, depreciation, what's that all about? Well, lets say you buy a car, or a computer or a \$15 million dollar campus; that asset loses value as you use it over time. That's the depreciation of your asset. Eventually you will have to buy new stuff, you know, a new computer, a new library, a new shower for the executive suite. So the idea of booking depreciation into your budget as a lia-

bility is that if you would set aside money every year to the amount that your asset loses value, the next year you can fix up your asset or buy new stuff. So basically, it's paper money unless you actually have the funds to cover that. We don't lose that money unless we actually have that money to spend, but we nevertheless have to show that our assets lose value. So it puts an expense into our budget, whether we have it or not.

Up until 2001, Antioch University carried the depreciation for all campuses,

amounting to about \$2.9 million. To cover that cost, the University used gains on the endowment - that's how much your stock etc. increases in value - to offset that paper expense. Although everything that is Antioch, including this campus, is owned by the University, the vast majority of the endowment [about 30 million of a total 32 million] consists of gifts earmarked to the College. So theoretically, the majority of the growth should be ours too, since we are making use of the majority of buildings that make up the majority of the cost of the

depreciation. This fair and square deal was in place until 6 years ago. In 2001 as one of the outcomes of a university run Financial Stabilization Task Force, the university mandated all campuses to include depreciation of their assets as an expense in the campuses budgets. The outcome was that the College suddenly had to book \$1.4 million in their annual expense budget, with no additional endowment growth to offset that cost. Over the past 3 years the endowment has grown an average of 12 percent, but because we only get 5 percent

of that growth, the other 7 percent that is left over goes straight to the University books not the College's budget. 7 percent of \$30 million is 2.4 million. This amount was taken away from the College and placed on the University's revenue line. Considering this school operates on a \$20 million budget a year, with an average cash deficit of \$800,000 to \$1.2 million dollar over the last 6 years, our books could have looked a lot healthier if we would have been able to show this full asset growth in the College's budget. 🔥