

An Open Letter to the Colorado College Community

We are living in turbulent economic times. Well-established Wall Street firms have failed. Venerable blue-chip stocks like GM and GE have plummeted. Thousands of Americans have lost jobs. And the federal government has taken measures that were unthinkable just a few months ago.

None of us is immune from the effects of these events. They may be affecting our family income, our savings for the future, or our retirement accounts. Each of us has a personal perspective on the consequences of the seismic activity rocking our economic underpinnings.

Not surprisingly, we are fielding many questions about the impact of the market upheaval and the shadow of recession on the college. Will my student's tuition go up in January? How does my daughter deal with a catastrophic change in our family circumstances? Will the college be able to meet payroll and pay its bills? What has happened to the endowment, and what does that mean for the future? These and many other questions deserve answers. That is why I am writing to all of you at this juncture.

Just as it has become impossible to predict the direction and scope of changes on the stock market, virtually every aspect of our forecast for the future is subject to great uncertainty. And in uncertain times I believe it is best to use conservative assumptions for our planning.

Consequently, we have increased the amount of funds readily available to meet cash needs such as payroll and operating expenses. Until a few weeks ago, a portion of our treasury was held by the Commonfund in an account that was caught up in the changes at Wachovia. We now have about 48 percent of that money in cash, held at Wells Fargo. The remainder of the funds in the Commonfund account will become available to us in the months and years ahead as the assets mature. We also have access to additional cash from other accounts, and we believe that we are well positioned to meet foreseeable college cash requirements.

As credit markets have begun to stabilize a bit, the short-term rates on our variable rate bonds have stabilized in a range that does not impose an undue burden on the college. We will look at steps to make sure that this debt is managed wisely during the months ahead.

While these were the first two places where the college felt the effects of the meltdown, our principal immediate concern is for the welfare of our students and their families. As a start, I want to assure them that we will not – I repeat not – raise tuition or room and board during this academic year. If students face unexpected severe changes in their economic circumstances, they should meet with Jim Swanson or a member of his staff in the Financial Aid Office.

We have no way to anticipate how the current state of the economy will affect next year's enrollment. Some of my colleagues report concerns about whether small highly selective (and expensive) liberal arts colleges such as CC will see a decline in applications as families place cost ahead of quality in their college choice. As I write this, the number of early applications to CC is on track with last year, and on October 13th we hosted the best attended Admissions Open House in our history. That said, I believe we need to be cautious in our attendance assumptions for the next year or two—unless and until our experience proves otherwise.

We know that our endowment has taken a hit. Fortunately the Board of Trustees began a strategic diversification of our endowment assets several years ago. This has helped to cushion the impact of the stock market dive to some degree. We estimate that our endowment was down between five and nine percent for the quarter that ended on Sept. 30th, a better performance than that of a number of our peer institutions, I believe. The market's volatility will not affect the current-year endowment payout, and we are reviewing the anticipated effects on the FY2009-10 payout, which should be minimal.

With that in mind, we must examine our current operations and our budget for next year to ensure that we are managing our resources as efficiently and effectively as possible. Even before the current economic turmoil we began an in-depth discussion of our budget for the coming year and decided to embark on a stewardship and cost-cutting exercise. Our goal was to save at least half a million dollars. I now believe we must do much more than that.

The key challenge is this: How do we maintain our core commitment to providing the best possible liberal arts education and still tighten our belt? How do we make sure that talented students are able to attend CC regardless of their family income and, at the same time, significantly reduce our annual operating expenditures?

An *ad hoc* group of faculty and staff members is hard at work on this task. The urgency and importance of their effort has grown significantly in the past few weeks. Beyond this working group we must examine a number of other avenues to achieve savings and manage our resources wisely during this period.

Let me emphasize, however, that Colorado College is in a strong and fortunate position relative to many (if not most) organizations. While both public and private employers are laying people off, cutting benefits, and having difficulty meeting payroll, we are stable and thriving.

I am deeply grateful to be at the helm of an institution that has weathered many storms since 1874. We will meet this one with the same rugged determination that characterized those who settled the Front Range. I want us to be frugal in every way we can, while protecting what we do so well: providing an outstanding education to our students and, as our mission states, “preparing them for learning and leadership throughout their lives.”

Please let me know if you have further questions or suggestions. Thank you for your continued support of the Colorado College community.