TRINITY COLLEGE

Bicentennial Strategic Planning Commission: Resources Subcommittee

Draft Report

I. Executive Summary

Like most institutions of higher education, Trinity faces the challenge of creating a sustainable financial model that maintains a balanced budget or income statement while continuing to deliver an outstanding education to its students. Problematically, the expense portion of the income statement is growing faster than the revenue portion. And the College is struggling to generate incremental revenue to fund new expenses.

The challenging revenue environment combined with increasing costs for items such as salary, healthcare, and greater government regulations have resulted in an $8 million annual structural budget deficit. The Resources Subcommittee focused its efforts on developing alternative revenue and cost containment goals to address the $8 million structural budget deficit in order to place the College on a path to fiscal sustainability.

The Resources Subcommittee based its quest for alternative revenue sources and cost containment ideas on prior efforts. During the May 2016 Board of Trustees Meeting, the interim chief financial officer presented a report to the Board of Trustees that outlined several potential revenue sources and cost containment possibilities. The subcommittee considered the most promising concepts and possibilities within this report. The following highlights the subcommittee's findings.

- The importance of a successful January Cohort program to the long-term fiscal health of the College.
- The role of expanded graduate and certificate graduate programs in creating a long-term financially stable operation.
- The College has other potentially high margin revenue soures, such as the global programs, renting space to outside groups and the Road Scholars program, to investigate.
- The need to understand and manage the College's financial aid policies and ongoing commitments.
- The importance of aggressively pursuing collaborations with other local institutions to creatively improve operations and reduce costs.
- The College should start planning for a capital campaign soon after the completion of the strategic planning process.
- Create an ongoing group representing campus stakeholders to discuss and consider future revenue producing and cost saving efforts.
- The importance of addressing future resource issues as united community.

II. General Background

Resource constraints are a challenge across higher education, and even more so at tuition-dependent colleges. Though Trinity is more fortunate than many institutions, it is not exempt from these constraints. And while the economic downturn of 2008 and the volatility of financial markets and philanthropic giving significantly impacted Trinity, we have continued our commitment to providing a first-rate education to our students. At the same time, the last decade illustrates that careful allocation of resources and strategic planning, informed by our academic mission, must go hand in hand.

Under President Berger-Sweeney's leadership in academic year 2016-17, the College embarked on a full-scale bicentennial strategic planning effort. This effort is focused on four cross-cutting themes:

- Diversity, inclusion and building respect for the community.
- Promoting leadership and professional development in our varied constituencies.
- Measuring and evaluating our progress.
- Financial sustainability in our approaches.

These cross-cutting themes are all resource dependent, and the Resources Subcommittee was charged with seeking ways to build a more financially sustainable future through programs and initiatives that have the greatest chance of successful implementation. The subcommittee's work has balanced the needs of today against continued preservation of the endowment. The subcommittee's members understand the need to both diversify revenues and streamline expenses, which would best be achieved by engaging in collaborative partnerships and considering creative arrangements consistent with the College's principles. The subcommittee was also charged with reviewing and enhancing the governance structures associated with the allocation of resources and the long-term planning for the College.

Dan Hitchell, Vice President for Finance and Operations, and Kevin J. McMahon, the John R. Reitemeyer Professor of Political Science, serve as co-chairs of the subcommittee. The subcommittee's membership consists of a mix of faculty, staff and students and represents a wide cross section of the Trinity community. The following table lists the committee members.

Name	Title	Name	Title
Kathleen Bauer	Dir. of Library Research Services & Collections	Nicholas Kono	Student
Anthony Berry	Director of Admissions	Kathleen McGlew	Assoc. Dir, College Events & Learning Spaces
Chanel Erasmus	Trinsition Fellow – Bantam Network	Kevin McMahon	John R. Reitemeyer Professor of Political Science
Megan Fitzsimmons	Dir. of College Events & Conferences	Patricia Moody	Dir. of Academic Finance
John Fracasso	VP for College Advancement	Gregory Norsigian	Student
Dan Hitchell	VP for Finance & Operations	Angel Perez	VP for Enrollment Management & Student Success
Marcia Johnson	Dir of Budget	Todd Ryan	Associate Professor of Philosophy
Sara Kippur	Associate Professor of Language & Culture Studies	Mary Sandoval	Associate Professor of Mathematics

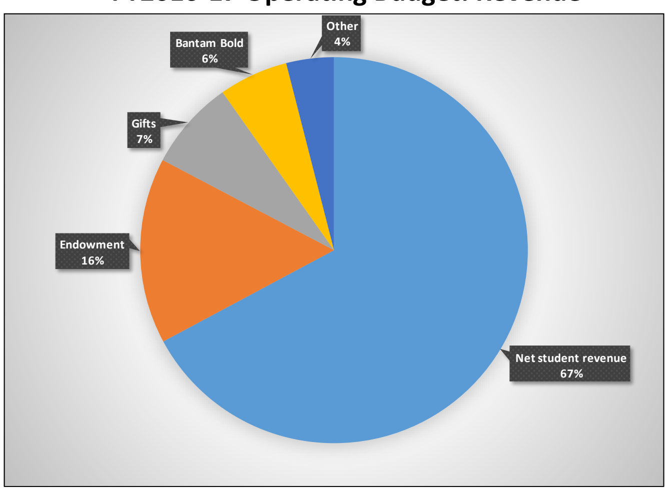
III. Current State of Affairs

Trinity College manages its financial resources in a prudent, transparent fashion that is aligned with the College's academic mission and programs. The balance sheet and the income statement are two of the key financial documents that detail the College's fiscal status. In short, the balance sheet is a record of what we own and what we owe, or the College's assets and liabilities. The income statement, often referred to as the operating budget, is a measure of how much we added to or subtracted from assets in a given fiscal year. In colleges and universities, the income statement is usually stated as budgeted versus actual, or what we had planned on making versus what we made.

Trinity's balance sheet is fiscally strong. The College had $668 million in net assets as of June 30, 2016. Trinity maintains a bond rating of A+ (Stable) from Standard & Poor's Ratings and A1 (Stable) from Moody's Investor Services. The bond ratings indicate that Trinity issues investment grade debt and the College has a strong capacity to meet its financial commitments. In the last several years, the College has aggressively refinanced its callable fixed-rate debt, obtaining significantly lower interest rates without extending the term or length of the debt issues. The refinancing resulted in $20 million of debt service savings. The College's endowment stood at $525 million as of June 30, 2016.

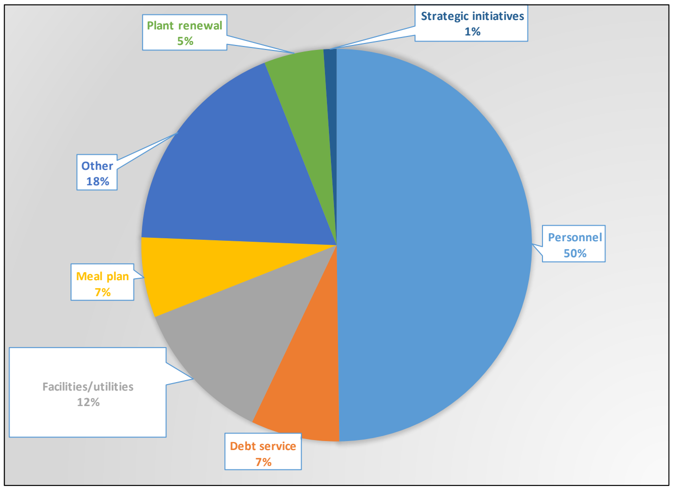
The income statement, or operating budget, is more problematic. Trinity's operating budget for the year ending June 30, 2017 is $138 million, with tuition income, endowment income, and gifts as the primary revenue sources. The College allocates 74% of the operating budget in support of the personnel, facilities, plant renewal, and debt service. The following pie charts highlight the FY2016-17 operating budget by the key revenue sources and expenditure categories.

FY2016-17 Operating Budget: Revenue



Like most institutions of higher education, Trinity faces the challenge of creating a sustainable financial model that maintains a balanced budget or income statement while continuing to deliver an outstanding education to its students. Problematically, the expense portion of the income statement is growing faster than the revenue portion. And the College is struggling to generate incremental revenue to fund new expenses.

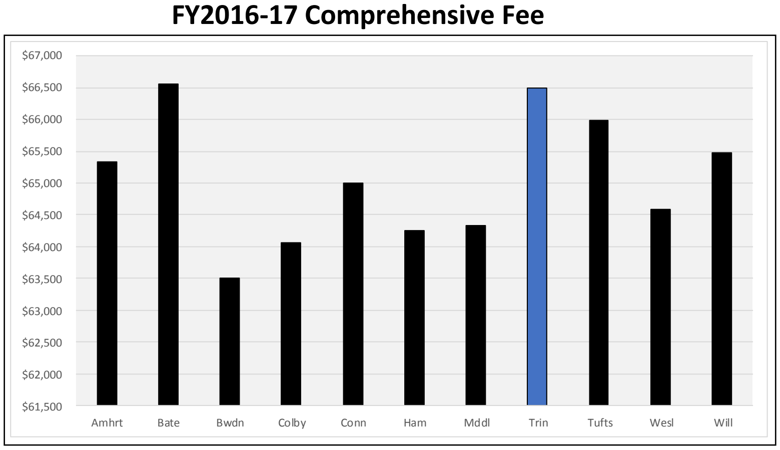
FY2016-17 Operating Budget: Expenditures



Trinity's tuition revenue environment highlights its challenges in generating incremental operating revenue. Tuition revenue, the College's primary revenue source, is a function of tuition rates and student enrollment. Both components are under stress. As the table below highlights, Trinity's undergraduate comprehensive fee is at or near the high end compared to other NESCAC schools.[1] Clearly, Trinity and its fellow NESCAC schools are expensive, and out of reach for most families without the assistance of financial aid.

The College's ability to generate incremental revenue from higher undergraduate fees is limited given the market position of the comprehensive fee. Trinity is at the high-end of an already expensive market set of schools. Annual tuition rate increases greater than its fellow NESCAC schools would widen the margin between Trinity and these other institutions. Also, larger tuition rate increases would either put Trinity out of reach for more families or accelerate the demand for financial aid.

FY2016-17 Comprehensive Fee



In addition, shifting demographics are limiting Trinity's ability to generate incremental revenue from

[1]To be sure, the graph can be deceiving since NESCAC schools' undergraduate comprehensive fees are in close proximity to one another, with the lowest being $63,500 while Trinity's is just $3,000 more at $66,500.

enrollment growth. The traditional new first-year student market is shrinking. New England high school graduate rates are declining by 1.3% per year. Trinity is facing the twin challenges of declining market demand and greater market price sensitivity.

The challenging revenue environment combined with increasing costs for items such as salary, healthcare, and greater government regulations have resulted in an $8 million annual structural budget deficit. The Resources Subcommittee focused its efforts on developing alternative revenue and cost containment goals to address the $8 million structural budget deficit in order to place the College on a path to fiscal sustainability.

IV. Recommended Resource Goals and Strategies

The Resources Subcommittee based its quest for alternative revenue sources and cost containment ideas on prior efforts. During the May 2016 Board of Trustees Meeting, the interim chief financial officer presented a report to the Board of Trustees that outlined several potential revenue sources and cost containment possibilities. The subcommittee considered the most promising concepts and possibilities within this report. The following highlights the subcommittee's findings.

January Cohort or Gap Semester Experience:

While recruiting for the FY2016-17 new student cohort, the Enrollment Management team found the concept of a gap experience was growing in popularity with prospective students. Based upon their own experience, the Enrollment Management team recommended a gap semester program as a potential new niche market for the College. After reviewing the gap programs offered at other institutions and considering the potential challenges, the Resources Subcommittee thought the concept of a January Cohort or gap semester experience was worthy of further consideration and investigation. The following bullet points outline the Committee's recommendations and findings.

- The College should start with a limited program targeted at students with their own plans for a gap semester experience and incoming international students who would benefit from a January start date.

- The College should offer a unique and Trinity branded experience for these students. The program and distinctive involvement these students will have with the College should be celebrated. Additionally, admissions criteria for the January cohort should be the same as those for the first-year students admitted for the Fall semester.

- The College should consider offering guided semester gap programs once the limited program is underway. The guided program could potentially involve the underutilized global sites or a Hartford-based program with a significant community service component.

- The College must realize that a gap program will work better for some academic programs than others and recruit students and allocate resources accordingly.

Implementing a gap experience program is a complex undertaking. The Resources Subcommittee charges the dean of the faculty, the vice president for admissions, the vice president for student affairs and the vice president for finance and operations to develop a detailed business plan for review and consideration by the appropriate parties. Given the impact of more students on campus, this plan will likely include the expansion of the full-time faculty and student services.

Other Educational Opportunities:

With undergraduate tuition revenue growth limited given the current high cost of a Trinity education, the College should look to other high margin educational opportunities for new revenues. Ventures into new opportunities will be fresh ground for the College. However, the new opportunities must complement Trinity's tradition of liberal arts programs and supplement the undergraduate student experience.

Trinity must also distinguish its new programs in a crowded marketplace. The traditional and adult learner Hartford graduate higher education market is competitive and crowded. Local private and public institutions already offer an array of programs. These institutions are competently meeting many local needs. Expansion into traditional and adult learner graduate programs, therefore, is unlikely to be an answer to Trinity's revenue challenges.

Indeed, Trinity has experienced the difficulties of this market first-hand. In the last few years, despite a significant investment of time and resources, the College witnessed a substantial decline in surplus from its graduate program as added costs failed to produce the expected additional revenue. In fact, if the tuition remission program is included in the equation, the graduate program actually lost money for the College last fiscal year, becoming little more than an employee tuition benefit. Put in specific terms, a program that had netted over $354,000 for the College in fiscal year 2009 produced a deficit of $226,000 in fiscal year 2016. This was a relatively new development, and changes have already been put in place to restore the program to one that generates dollars for the College rather than drains them from its budget. At the same time, while learning from its mistakes, the College cannot let past failures deter it from being ambitious in new areas. Otherwise, Trinity will be stuck with the status quo.

Given the reality of limited revenue streams from conventional undergraduate and graduate programs, the search for other distinctive educational opportunities must be a creative data driven exercise. The members of the committee believe that efforts should focus on professional or certificate programs for post-undergraduate students and expanded summer opportunities for undergraduate and high school students. During an interview with the Committee, the dean of faculty and vice president for academic affairs suggested the College consider certificate programs delivering liberal arts content in subjects such as, healthcare ethics, health and humanities, climate change related risks, and city and urban planning needs. Additionally, processes should be developed by the Dean's office to elicit proposals from faculty that would potentially appeal to those interested in furthering their studies at Trinity College. Committee members also suggested developing distinctive summer programs for high school students—most likely from the Hartford metropolitan area— and both Trinity and non-Trinity undergraduate students. Finally, the Dean's office should explore the feasibility of programs offered throughout the year that appeal to members of the Hartford metropolitan area who are highly educated but not necessarily interested in a degree or a certificate. Such programs might be similar to those offered by One Day University, and may at times be taught off-campus to make them more accessible to those living in the surrounding communities. A "Trinity in the Burbs" program could generate new dollars for the College with limited investment of time and resources.

The Committee recommends establishing a procedure for researching, implementing, and monitoring new distinctive educational opportunities for post-graduate students, summer programs for undergraduate and high school students, and short sessions for the general public. The procedure for establishing these programs should have the following characteristics.

- Programs must complement Trinity's liberal arts tradition, and to the extent possible, supplement the undergraduate student experience.
- Programs must be evaluated using a data driven process and include benchmarks for monitoring the program's performance.
- Programs must add to the fiscal health of the College.

Additional Potential Revenue Sources:

The College has a number of additional potentially high margin revenue sources to investigate. The Committee recommends that the College investigate the potential of increasing the following revenue sources.

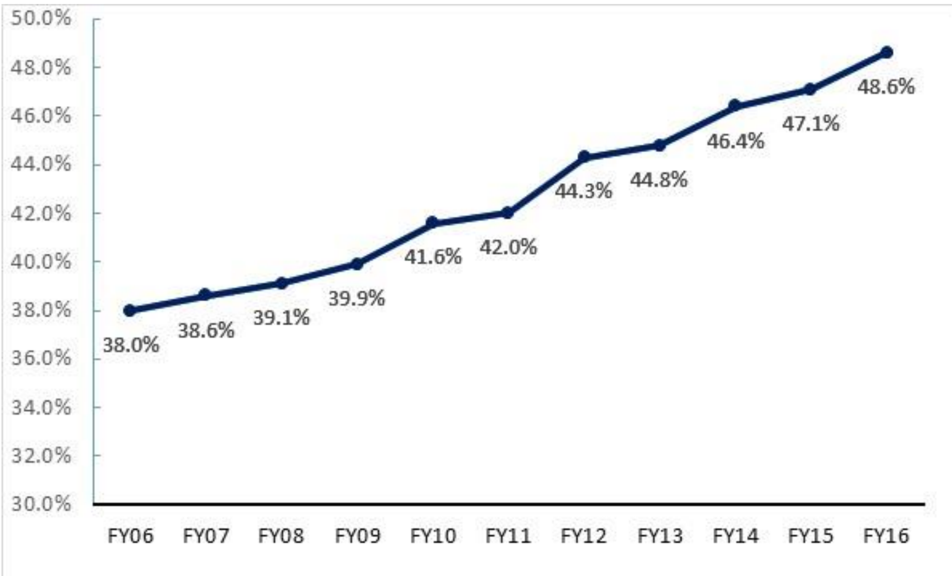
- Global Programs: The College's network of international study sites is also a potential source of increased revenue. The College offers study away programs in in Barcelona, Buenos Aires, Cape Town, Paris, Rome, Trinidad, New York City, Shanghai and Vienna. And while the Rome program attracts a few students from other institutions annually, generally only Trinity students enroll in the other programs. Increasing enrollment from other colleges and universities for these study away programs is potentially a significant revenue stream. The College should undertake a review of study away programs and develop a marketing effort aimed at students considering an international learning experience.

- Campus Events: The College's Campus Events group brings a number of events and programs to campus and generates approximately $150,000 in annual revenue. The Committee believes that with proper study and coordination the annual revenue could grow. Finding time when campus facilities are underutilized is the major hurdle in generating additional campus events revenue since the College's facilities are usually being used for its own or community-based events and programs or are scheduled for renovation and maintenance projects. More precise planning and coordination of these activities would allow the Campus Events to maximize potential revenue from outside groups. The Committee charges the appropriate management teams to investigate means of increasing revenue from outside groups using campus facilities.

- Road Scholars Program: The College generated between $300,000 and $500,000 per year offering learning programs to Rome with the Road Scholars organization. The Committee recommends expanding the relationship with Road Scholars or establishing our own faculty-led trips to locations that alumni and others find interesting and promote the faculty member's scholarship.

Financial Aid:

A discussion of College resources is incomplete without considering financial aid. As the chart below highlights, national student discount rates have increased annually since FY06. The chart depicts new freshmen national discount rates FY06 to FY16. During these years, the new freshmen national discount rate increased from 38% to 48.6%, per the 2015 NACUBO Tuition Discounting Study.



Financial aid is the fastest growing expense for many liberal arts colleges.

Trinity College is not immune to the national financial aid issue. Trinity's student discount rate has grown from 27.0% in FY06 to 37% in FY16. Future fiscal years could call for even greater financial aid resources. Trinity could potentially see student discount rate of 47% by FY23.

Families' inability and unwillingness to pay ever-growing tuition rates drives the need for greater financial aid resources. New aid resources are both necessary to bring Trinity within reach of many families and a marketing strategy to attract students. Students with the academic skills to succeed and family resources to attend without institutional assistance still choose Trinity. However, it is becoming increasingly difficult to attract promising students without the help of institutional financial aid.

Unchecked financial aid growth is unsustainable. The strategic planning efforts are the best means address financial aid growth. The College must align strategic student recruiting activities with financial aid resources to produce a sustainable fiscal future. The College's five-year fiscal planning models must reflect the strategic recruiting plans and supporting financial aid dollars.

Efficient Operations:

A dollar saved is just as effective at meeting institutional resource needs as new revenue sources. The Committee recommends that institutional leadership promote operational efficiencies as a strategic initiative of the College. The College should look to reducing cost and improving operations in all aspects of the institution. Recent efforts have produced the following savings;

- Refinanced Bond Series F, H, J & K Bond Issues saved $16.9 million.
- Refinancing Bond Series Q saved $10 million over the life of the bond issue.
- Aramark contract amendment save $5.6 million over five-years.
- Pepsi contract amendment saved $600,000 over ten-years.

While bond refinancing and contract amendments can generate large savings, all College vendors and programs should be considered as potential areas for savings. Efforts should not be limited to the major partners. The Committee recommends that the campus look to reduce cost and improve operations by centralizing vendors and bidding services. A successful cost saving effort will require cooperation among units of the College as services and vendors are centralized.

Partners and Collaboration:

Future efforts to improve operating efficiencies must expand outside of Trinity College. Limiting efforts to our own operations will constrain opportunities. Trinity must aggressively pursue partnerships and collaborations with other institutions to improve operating efficiencies, not just with our traditional consortium members of Wesleyan University and Connecticut College, but perhaps with Hartford-based colleges and universities as well as other Hartford institutions. It is imperative for institutions to share time, talent and treasure to achieve their individual missions in the current environment.

Capital Campaign:

A capital campaign is an important event in the life of a college. The campaign energizes faculty, staff, students, Board of Trustee members and alumni. The key stakeholders raise resources to support strategic initiatives. It is clear that operations will not fund all the initiatives raised during the strategic planning process. The College should start planning for a capital campaign soon after the completion of the strategic planning process.

Community Involvement:

The Committee recognizes that the specific strategies and objectives considered in this report will not meet all the College's future resource needs. As new demands come forward, the Committee recommends that the College meet those needs as a Community, perhaps through a re-conceptualized President's Planning and Budget Council (PBC). The best concepts and ideas include recommendations and discussions from across the College. Faculty, staff, students, alumni and Board of Trustee members should all play an appropriate role in developing future revenue and cost savings concepts. Working together to achieve new revenue goals and achieving operational efficiencies will be key to the long-term fiscal health of the institution.

An ongoing group representing campus stakeholders could be an important tool in future resources planning and allocations efforts. The Committee recommends that the ongoing group consider the following tasks and objectives.

- Monitor the progress and performance of new revenue generating or cost saving projects.
- Aid as a sounding board for operating budget development ideas and concepts.
- Provide input and assessment of capital budgets or capital projects.
- Provide input and assessment of major third-party outsourced service providers.