

From: C.R. "Chuck" Pennoni, President of Drexel University
To: All Drexel students, faculty, staff and friends
Date: September 23, 2009

Members of the Drexel community,

As we begin the new academic year in the 20th month of this recession, I want to update you on the financial condition of our University. Our efforts at cost containment, prudent bidding strategies for capital projects, philanthropic support, and strategic investments have resulted in our closing the previous fiscal year in very strong financial condition.

While we are seeing some positive economic indicators reported nationally and globally, we still do not know how long the recession and the significant unemployment it has caused will last. During this year senior administration focused intensely on the external factors affecting our well-being (over which we have little or no direct control) and took affirmative steps to ensure that we responded to these dynamically changing conditions in ways that helped advance our strategic priorities, meet our commitments to our students, support our financial strength, and continue on the upward trajectory in quality and reputation Drexel has enjoyed during the past decade and to which we remain committed. And we have sustainable plans for campus improvements and programmatic growth going into this current year. We will remain vigilant and financially sound during this year, as well.

On June 23, I issued a campus-wide memorandum addressing cost containment. In it, I wrote, "That we find ourselves in such a position of strength, however, is not due to luck, but rather to our long-term commitment to smart growth coupled with a business-like attention to prudent planning. In order to weather the current conditions, we must take actions to control costs now, **BEFORE** we encounter financial difficulty." I identified wise purchasing practices, a hiring process designed to limit spending for personnel while recognizing genuine, strategic needs that we would meet, careful coordination of advertising and marketing expenditures in order to realize the greatest gain in brand awareness from the least spending, and beneficial adjustments to the division of Drexel eLearning revenues. Together, as we move forward, these approaches will inform every decision we will make during this year, and the principles they embody will help us emerge from this economic downturn an even stronger University. I invite you to consider some specific examples of our current financial standing.

OPERATIONS, ENDOWMENT, AND GOVERNMENT SUPPORT

I am very proud of Drexel's financial performance during these difficult economic times. For the fiscal year that ended on June 30, preliminary financial reports show a very healthy \$45.7 million Change in Net Assets from Operations. Furthermore, strong enrollment numbers bode well for the continued financial wellbeing of the University. Nevertheless, in light of continuing economic hardship for many, we have instituted precautionary cost control measures on top of our usual thorough financial monitoring processes to make sure that the University's finances remain strong as our students and their families weather what remains of this recession.

Drexel's operations continue much as usual, while many other large and prestigious universities have had to implement unprecedented budget cutbacks, including staff and faculty layoffs, because of their reliance on endowment income to fund a large portion of their operations. In 2009 endowments, on average, suffered their worst fiscal year performance in more than twenty years. At Drexel, less than 3.5 percent of our operating revenue comes from endowment income. And although it was a difficult period in absolute terms, Drexel's endowment performed relatively well versus equity indexes and peer institutions. As of June 30, Drexel's endowment totaled \$416.4 million and is posting double-digit gains

so far this calendar year. Thomas Elzey, Drexel's senior vice president for finance and treasurer, and his staff deserve thanks for managing the University's finances.

Drexel is taking advantage of the significant public investment in scientific research through the American Recovery and Reinvestment Act passed by Congress last February. Faculty have received nearly \$9.5 million in grant funding from the National Institutes of Health, the National Science Foundation, and other federal departments and agencies charged with the responsibility of stimulating economic development through institutions of higher education. To date, the University has submitted more than 175 grant applications requesting in excess of \$170 million in funding. Most of those applications are still working their way through the grant review process.

Historically, Drexel University and the Drexel University College of Medicine have received significant annual financial support from the state to support both scholarship and research. Unfortunately, the Commonwealth of Pennsylvania government has been unable to agree upon a 2009-10 budget, and we are now moving into a third month without a state spending plan. Despite this uncertainty, Drexel has taken steps to protect those vital programs normally supported by state funding. As state revenues missed estimates over the previous twelve months, Drexel budgeted for the current year with the anticipation that past support could be reduced or delayed. It remains our goal that no students go without the appropriate level of aid that they are eligible to receive. Led by Brian Keech, vice president for government and community relations, and his staff, Drexel continues to work with the General Assembly and the Pennsylvania administration to ensure continued support of our students and research endeavors.

PHILANTHROPY

In the face of a difficult financial climate, supporters of Drexel have stepped forward as never before, in greater numbers, with a sense of pride and concern for their University—and with admirable generosity. That generosity resulted in a continual increase in the University's total fundraising to \$66.8 million in FY09 from \$40.9 million as recently as FY06. The Annual Fund's appeal-based direct mail saw an 11 percent increase in the total dollars raised and an 11 percent increase in average gift size in FY09. Telemarketing efforts realized a 6 percent increase in total dollars raised and a 28 percent increase in average gift size. Drexel saw a 10 percent increase in dollars raised, and an increase in average gift size increase of 19 percent, from \$163 to \$194.

Our Office of Alumni Relations has strengthened its efforts to keep alumni in touch, involved, and invested in their alma mater. During the past year, the number of events they sponsored increased 83.3 percent, to 209, with overall attendance, including alumni, students, parents, faculty, staff, fans and friends, up almost 48 percent to 10,592. Participation in alumni services and partner affinity programs increased by 45.6 percent during the past year to 26,510. The activity of our alumni base signals strong support for Drexel.

Faculty and staff also do their part to invest in the University. During FY09, 321 current employees gave a total of \$214,719, and 39 retired faculty and staff members contributed \$386,540. I am grateful for the generosity of the Drexel community during these challenging times, and I especially want to recognize our deans and vice presidents, and the leadership of Elizabeth Dale, senior vice president for institutional advancement, and her staff in achieving these results.

CAPITAL INVESTMENTS

Drexel's campuses continue to be transformed with new construction, renovations, and new commercial and dining options. The University's conservative fiscal policies have allowed ongoing projects and new construction to continue while many other institutions were being forced to scale back. Drexel has remained an economic driver in the Philadelphia region by advancing approximately \$92 million in capital construction during FY09 with another \$80 million planned for FY10.

The architecturally stunning Millennium Hall, a 17-story residence hall with occupancy for 482 sophomore students, opens this month on the University City Main Campus. Also opening this fall is the newly renovated University Club, with meeting spaces offering new high-tech audio and video capabilities; a Taco Bell outlet in Hagerty Library; and the Northside Dining Terrace featuring a Chick-fil-A, Curritos, Subway, and AFC Sushi. During winter 2010, we will open the 84,000-square-foot Recreation Center, destined to be University City's premiere fitness facility. The Center will include Landmark Americana Tap & Grill, a 7,000 square-foot restaurant.

The Queen Lane Medical Campus continues to expand with the addition of Drexel University College of Medicine's 25,000-square-foot, three-story expansion housing the Independence Blue Cross Medical Simulation Center as well as the College's archives. The Center City Hahnemann Campus has also undergone enhancements to the Bellet Building, and the building at 219 North Broad Street, occupied by the College of Medicine's clinical practices, underwent a total renovation of its second floor and is currently undergoing window replacement and façade enhancements.

Going forward, Drexel will continue to take advantage of the competitive market for new development. Teaching and learning will continue to be supported through planned renovations and space development to meet the needs of the University's colleges and schools. New construction will continue as planned, including the Constantine Papadakis Integrated Sciences Building, projected to open in fall 2011, and the capital improvements transforming the 3501 Market Street building into the Westphal College of Media Arts & Design's Urban Design Center. I commend the successful work of Jim Tucker, senior vice president for student life and administrative services, and his dedicated staff in bringing about these admirable results.

MAINTAINING OUR COMMITMENT TO ACADEMIC QUALITY DURING DIFFICULT TIMES

A number of metrics confirm the overall value of a Drexel education. We continue to attract well-prepared students in record numbers, having received more than 31,000 applications for admission to this year's freshman class. As of September 8, Enrollment Management projects that the University will enroll 6,912 new students this fall, a 10 percent increase over last fall's new student enrollment of 6,280 students. This includes all students studying in the University's thirteen Colleges and Schools, both full- and part-time, at the undergraduate, graduate, and professional levels. We project that the *total* University enrollment will increase to 22,450 --an increase of 4 percent over last year's total fall headcount of 21,537. Given the depth and breadth of the current recession, this is an extraordinary accomplishment and speaks well to how highly regarded the Drexel degree is in the marketplace.

At the undergraduate level, the new freshmen class of 2,402 students is one of the most academically talented to enroll in the University's history. The University's newest students come from across the United States and the world, with 37 states and 44 foreign countries represented in the new class. They arrive with a mean SAT score of 1205 (critical reading and mathematics scores combined) and a cumulative GPA of 3.5, and 31 percent of this new class graduated in the top decile of their high school senior class. The targeted freshmen class size was 2,460, so we did see some increase in the number of students who committed to Drexel but then withdrew their commitment. This "melt" is often the result

of students not being able to secure the required financing necessary to afford the Drexel degree. In addition to new freshmen, we will enroll approximately 705 new transfer students at our Philadelphia campuses and an additional 87 new transfer students in New Jersey through our partnership with Burlington College. Adult students seeking to complete their undergraduate degrees, on a part-time basis, will also enroll in good number, with approximately 639 expected to start this fall. Online enrollment through Drexel eLearning is especially robust, with 5,882 unique students taking courses, a 23.9 percent increase from FY08 to FY09.

In addition to welcoming 3,833 new undergraduates, we will enroll approximately 2,655 new graduate students—a whopping increase of 23 percent over last year’s fall enrollment of 2,153. This number includes approximately 120 new graduate students at the Center for Graduate Studies in Sacramento, California. At the professional level, the College of Medicine has seated 260 new MD candidates with an average MCAT score of 31 and a 3.5 GPA, and the Earle Mack School of Law has added 164 new students (156 new and eight transfers) with an average LSAT score of 160 and a GPA of 3.4. I am very thankful for the combined efforts of Enrollment Management, led by Senior Vice President Joan McDonald, and Drexel eLearning, led by President Arthur Zamkoff, in achieving these impressive results.

Despite a weak employment environment, the staff of our Steinbright Career Development Center has worked tirelessly and imaginatively to replace lost co-op positions with new ones: 650 jobs were lost for the fall/winter 2009 co-op cycles from 2008 due to the economic recession; at the same time, more than 500 new jobs (with more being added daily) were developed in a concentrated six-week period of time to address the losses. The net result is that we expect to place more than 95 percent of qualified students, down a scant 3 percent from our usual placement rate of 98 percent. The *quality* of co-op jobs has not substantially changed, with jobs meeting our stringent standards for level of responsibility, educational value, safety, and health. Unpaid co-ops are up just 2 percent, and average weekly salaries earned by our students are actually up slightly this year over last year (from \$560 to \$564). Peter Franks, senior associate vice provost and executive director of the Steinbright Career Development Center, and his dedicated staff deserve our thanks for these impressive results.

While both freshman-to-sophomore retention and overall graduation rates had been trending higher, we expect that as a result of the hardships families are facing in this economy, freshman-to-sophomore retention will decline roughly 2 percent, from 86 percent to 84 percent. We still expect the graduation rate to increase roughly 4 percent this year (to 66 percent)—a record high for the University.

Our Strategic Plan identifies new faculty as one of the most important drivers of academic quality and distinction. We continue to hire top-notch faculty even as many schools have been forced to cease new hiring or even reduce their faculties. We are taking strategic advantage of a market favorable to institutions, and Drexel will welcome an exceptional group of 47 new faculty for this year (32 replacements and 15 new positions), including several faculty hired jointly by more than one college or school in support of our strategic commitments to collaborative, trans-disciplinary teaching and research. New faculty are joining us with doctorates or terminal degrees from top graduate programs or from professorships in the nation’s premier institutions, including Boston University, New School for Social Research, Carnegie Mellon, Columbia, Georgetown, Berkeley, UCLA, Medical University of South Carolina, Georgia tech, and Penn; the largest number of faculty hail from Northwestern University (2), NYU (2), Johns Hopkins (3), Yale (2), and Harvard (4).

The brand-new rankings published by *U.S. News & World Report* in “America’s Best Colleges 2010” confirm the upward trajectory of the University, both in key measurable categories and also in the opinion of academic leaders nationwide. Drexel is once again cited as one of the country’s “up and coming” universities according to top educators, moving up from sixth to fourth in the magazine’s

“Schools to Watch,” recognizing institutions that “recently made striking improvements or innovations—schools everyone should be watching.”

Drexel also moved up one place to 88th in the *U.S. News* ranking of America’s Best National Universities, a group based on the top category in the classification created by the Carnegie Foundation for the Advancement of Teaching. Drexel and Penn are the only two Philadelphia-based universities ranked in the nation’s top 100. I thank our dedicated and accomplished faculty, our deans, and the leadership exemplified by Provost Mark Greenberg and his colleagues in the Provost’s Office for advancing our upward climb. I also recognize Phil Terranova, vice president of university relations, and his staff for their work in projecting Drexel’s accomplishments.

EXPLORING THE FUTURE OF HIGHER EDUCATION

As we all know, it is not enough to be in sound condition today: the challenge that Drexel has been mastering over the past decade is staying ahead of the curve. With all of the challenges that students, their families, businesses, and governments are facing, universities simply cannot afford simply to keep on doing what has made them successful: they must figure out where they need to be in order to succeed, and start down those roads years before they need to be there.

We have been doing this in many ways at Drexel—studying how our students learn, adapting how our professors teach, using technology to enhance pedagogy, developing innovative academic initiatives, watching demographic trends, conserving resources, recycling more, and turning Drexel into a more sustainable community. The economic recession and projected declines in student populations in the middle Atlantic states have accelerated our timetable. For that reason, the University’s senior officers recently convened in a two-day retreat with several nationally prominent higher education thought leaders to discuss the future of higher education and how best to position Drexel for success in 2020. When we adjourned, we left with confidence that we are aware of major trends, are planning well for the future, and are eager to explore new possibilities.

We continue to press our own envelope in Sacramento, which is our first test of “the Drexel Network”—building distributed teaching locations remote from Philadelphia to the benefit of the University. Chairman Greenawalt and I paid a visit to Sacramento in July, and were impressed by the quality of our campus and of our students and by the enthusiasm that the business, civic, and government sectors have expressed for our efforts. In a recent op-ed in the *Sacramento Business Journal*, the chair of the Sacramento Metropolitan Chamber of Commerce (a vice president of one of the region’s largest corporations) noted that Drexel was “partnering with geographically and ethnically diverse community organizations to . . . develop the region’s next generation of leaders and create new programs for leadership development.” She applauded us for our “forward-looking approach” and “the long-term vision that only comes with 118 years of experience.”

I am very pleased to report that we ended FY09 in Sacramento within the budget originally adopted in May 2008 for the initiative. This fall, we have succeeded in seating an excellent first cohort for both our MPH and Ed.D. programs (both of which are offered in the “executive” format of one Friday/Saturday session at the Graduate Center per month). Despite the continuing economic problems of Northern California, we are optimistic about the prospects for the other seven masters’ programs that will begin on September 21, and are looking to the start of new cohorts in the doctoral and four masters’ programs in March 2010. By then, we expect to have more than 200 Drexel graduate students in Sacramento and the kind of data that will allow us to consider whether another Network site is worth trying. I want to recognize the leadership exemplified by Tobey Oxholm, senior vice president and chief executive officer of the Sacramento Center for Graduate Studies, in guiding this initiative.

A FINAL WORD: MORALE AND THE CHALLENGES AHEAD

As a consequence of continued successful hiring, strength in enrollment and retention, ongoing construction and renovation of academic spaces, robust research awards, the benefits of generous philanthropy, merit raises even in a difficult financial climate, and steady leadership, our faculty and staff are generally energized and upbeat and appreciate the way Drexel manages its enterprise in support of teaching, research, clinical practice, civic engagement, and global outreach.

Our careful management of resources, strategic decisions, and fiscal discipline has taken us through almost two years of deep recession in sound condition. That recession—and its effects on our students and their families—is far from over. Cost containment and budget controls will remain in place, with particular emphasis throughout the fall, when we have a clearer picture of where we stand with actual enrollment and net tuition revenues. Because of our shared commitment to Drexel University, we enter this year cautiously optimistic: vigilant in watching our finances and enrollment, optimistic about the resilience of the enterprise we have built.

We achieved our fiscal stability by looking ahead, prioritizing our goals, and carefully measuring our spending against those priorities. I ask you to reaffirm our shared commitment to economic prudence, cost containment, and strategic investment so as to avoid the drastic measures being taken by so many of our colleagues in higher education. I remain convinced that, working together in the face of economic uncertainty, we are building an even stronger Drexel for the years ahead.

Sincerely,

C.R. “Chuck” Pennoni
Interim President