History of Girard Estate
History of Girard Estate

- Stephen Girard bequeaths most of his Estate to the City of Philadelphia in 1831

- That bequest is comprised of:
  - $6.48 million in cash (1833)
  - Land in Girardville
  - Land & real estate holdings in Philadelphia
History of Girard Estate

- Original construction budget for Girard College was $2 million for Founders Hall and the 4 dormitory buildings

- $855k additionally given to the City of Philadelphia

- $145k additionally given to his brother’s children

- Remaining Residuary Fund valued at $3.48 million
History of Girard Estate

- Stock market panic in 1840 and school construction cost overruns reduce Girard’s estate to nearly $0

- Stephen Girard’s estate was “now reduced to a mere bagatelle by the unnecessary expense of the College and the loss in the U.S. Bank and other stocks.”

Source: Wealth and Biography of the Wealthy Citizens of Philadelphia
G.B. Zieber, 1845
Girard Estate Business Units
How does Girard Estate fund itself & Girard College?

- Cash Generated from Real Estate Portfolio
- Cash Generated from Girardville (Coal) Portfolio
- Girard Estate Residuary Fund
  Subject to Spending Rule
Real Estate Portfolio
Real estate has always played a key role in funding Girard College.

When School opens in 1848, virtually all operating expenses are funded from the proceeds from Girard’s real estate holdings in Philadelphia.

This continued for the first 20 years of the School’s existence.
The Board of Directors of City Trusts was created in 1869.

Girard’s Residuary Fund was valued at $400,000—enough to run the school for only two years.
Real Estate Cash Flow

- FYE 2007 – $5,270,000 (Pre Girard Square Lease)
- FYE 2012 – $3,707,000
- FYE 2013 – $6,346,000 *

*Projected

(For Purposes of this discussion, cash flow means the contribution of net operating support to the Girard Estate, and therefore to Girard College)
Major Factors in RE Performance

- Loss of Major Tenants Since 2008
  - Commonwealth of PA – DHS ($2.1 million)
  - Synnestvedt & Lechner ($0.6 million)

- Renegotiated Leases and Lowered Rents
  - City of Philadelphia Renewal ($1.1 million reduced rent)

- Other Smaller Tenants Demanded Similar Terms

- Debt Service Costs
  - Long-term debt rate ↑ 130 basis points
  - Increase in rates resulted in $1.15 million in additional annual debt service costs
What Was Done to Improve Real Estate Performance?

- Reduction in staff salaries & benefits for real estate related employees
  - Reduction in Real Estate related salaries & benefits was approximately $1.8 million
- Initiated 3rd party energy contracts to reduce utility costs
  - Electric
  - Gas
- Initiated system-wide energy reduction initiatives
  - HVAC Upgrades
  - Lighting
  - Automated building management systems
- Refinanced ARAMARK Tower & paid down debt
  - Lowered rate from 6.86% to 3.95%
  - Reduced loan amount from $47 million to $20 million
Rate of Return – Real Estate Portfolio

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate O &amp; O</td>
<td>$6,125</td>
</tr>
<tr>
<td>JV Partnerships</td>
<td>2,861</td>
</tr>
<tr>
<td>Less: Cap Ex</td>
<td>(2,640)</td>
</tr>
<tr>
<td>Total</td>
<td>$6,346</td>
</tr>
<tr>
<td>Equity in RE</td>
<td>$69,000</td>
</tr>
<tr>
<td>Rate of Return</td>
<td>9.2%</td>
</tr>
<tr>
<td>NCREIF <em>(Ind. Avg.)</em></td>
<td>7.2%</td>
</tr>
</tbody>
</table>

* (National Council of Real Estate Investment Fiduciaries)
Girardville (Coal) Area Operations
History of Girardville Operations

- Coal fuels the American industrial revolution
- By 1900, the Estate mines and sells nearly 10% of all the coal produced in the U.S.
- For 80 years, Girard’s coal royalty income rebuilds the Residuary Fund and the GC campus including:
  - Armory
  - Junior School and High School Buildings
  - Chapel
  - Library
- In 1918, the Estate mines 3.75 million tons of coal
History of Girardville Operations

- Coal’s run ends in the late 1940s – coal is no longer king
- By 1948, GM of Girard Estate reports to BDCT that Estate can no longer fund the College at existing levels
- GC President, Odgers, in his “Mid-Century Examination of Girard College,” concludes that the School would have to be dramatically downsized – and it is:

<table>
<thead>
<tr>
<th>Year</th>
<th>Approx Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930s</td>
<td>1,750</td>
</tr>
<tr>
<td>1948</td>
<td>1,300</td>
</tr>
<tr>
<td>1960</td>
<td>800</td>
</tr>
<tr>
<td>1970 *</td>
<td>540</td>
</tr>
</tbody>
</table>

* The School was integrated in 1968
History of Girardville Operations

- Today coal competes with oil, natural gas, hydroelectricity, wind, nuclear and solar.

- Coal was for Girard what chocolate is for the Milton Hershey School.
Girardville Operating Performance
Girardville Cash Flow

- FYE 2007 – $0
- FYE 2012 – $339,000
- FYE 2013 – $1,922,000 *

*Projected

(for purposes of this discussion, cash flow means the contribution of net operating support to the Girard Estate, and therefore to Girard College)
Girardville Cash Flow Improvements

- New coal mine became operational in FY 2011
- A second new coal mine obtained DEP permit in August 2012
- Two new coal preparation plant leases
- New wind turbine leases (2007)
Girardville Cash Flow Improvements

- New royalties from spring water leases
- New long-term timbering leases
- Outsourced local management oversight
- Early Payoff of Debt = Reduction of approximately $1.6 million in annual debt service
Reduction of Long-Term Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt O/S</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$180,673</td>
</tr>
<tr>
<td>2007</td>
<td>$168,461</td>
</tr>
<tr>
<td>2012</td>
<td>$79,200</td>
</tr>
</tbody>
</table>

(in thousands)
### Annual Debt Service Reduction
(Principal, Interest, Sinking Fund)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2013</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>$1,581</td>
<td>$</td>
<td>$(1,581)</td>
</tr>
<tr>
<td>Real Estate</td>
<td>9,865</td>
<td>5,218</td>
<td>$(4,647)</td>
</tr>
<tr>
<td>Girard College</td>
<td>2,031</td>
<td>-</td>
<td>$(2,031)</td>
</tr>
<tr>
<td>Sinking Fund</td>
<td>519</td>
<td>2,000</td>
<td>1,481</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,996</strong></td>
<td><strong>$7,218</strong></td>
<td><strong>$(6,778)</strong></td>
</tr>
</tbody>
</table>

(in thousands)
Girard Estate Expense Reductions

- Frozen salaries since 2007
- Eliminated 3% Employer Match for 457 Plan - 2008
- Changed health & prescription plans to \( \downarrow \) costs - 2008
- Reduced Personnel
  - In 2007 FTEs were 34.00
  - Today FTEs are 15.75 (53.7% reduction)
  - Remaining Estate Expenses were reduced from $2.3 million in 2008 to $1.7 million in 2012
Girard Estate Residuary Fund
## Market Value of Residuary Fund

### Previous 27 Quarters

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>222,006</td>
<td>234,098</td>
<td>229,877</td>
<td>224,457</td>
<td>301,207</td>
<td>319,030</td>
<td>320,984</td>
</tr>
<tr>
<td>June</td>
<td>220,052</td>
<td>227,254</td>
<td>208,976</td>
<td>210,100</td>
<td>290,345</td>
<td>330,383</td>
<td>313,255</td>
</tr>
<tr>
<td>September</td>
<td>224,492</td>
<td>197,529</td>
<td>221,948</td>
<td>223,841</td>
<td>277,428</td>
<td>333,830</td>
<td>318,786</td>
</tr>
<tr>
<td>December</td>
<td>210,591</td>
<td>226,009</td>
<td>224,026</td>
<td>216,010</td>
<td>323,556</td>
<td>331,954</td>
<td></td>
</tr>
</tbody>
</table>

- Height of market – 3rd Qtr 2007 (S&P peaks 1565)
- Declined dramatically by June 2009 (S&P falls 682)
- Dealing with significant volatility in market since 2008
- Essential to rebuild corpus
How does Girard Estate’s investment portfolio compare to investment portfolios of similar institutions?
Securities Investment Performance

The Board of Directors of City Trusts
Cumulative Performance Comparison
Total Returns of Total Fund Eleemosynary Plans
Periods Ending 9/12

Portfolio rank in parentheses
Returns for periods greater than one year are annualized.
## Girard College Funding by Estate

<table>
<thead>
<tr>
<th>Year</th>
<th>Girard Estate Funding</th>
<th>Funding Increase/Decrease</th>
<th>Year</th>
<th>Girard Estate Funding</th>
<th>Funding Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>$11,529,000</td>
<td></td>
<td>2005</td>
<td>20,250,000</td>
<td>2.5%</td>
</tr>
<tr>
<td>1997</td>
<td>12,073,000</td>
<td>4.7%</td>
<td>2006</td>
<td>21,025,000</td>
<td>3.8%</td>
</tr>
<tr>
<td>1998</td>
<td>12,300,000</td>
<td>1.9%</td>
<td>2007</td>
<td>22,025,000</td>
<td>4.8%</td>
</tr>
<tr>
<td>1999</td>
<td>14,674,000</td>
<td>19.3%</td>
<td>2008</td>
<td>23,248,000</td>
<td>5.6%</td>
</tr>
<tr>
<td>2000</td>
<td>15,639,000</td>
<td>6.6%</td>
<td>2009</td>
<td>23,170,000</td>
<td>-0.3%</td>
</tr>
<tr>
<td>2001</td>
<td>16,557,000</td>
<td>5.9%</td>
<td>2010</td>
<td>21,295,000</td>
<td>-8.1%</td>
</tr>
<tr>
<td>2002</td>
<td>18,900,000</td>
<td>14.2%</td>
<td>2011</td>
<td>20,220,000</td>
<td>-5.0%</td>
</tr>
<tr>
<td>2003</td>
<td>19,364,000</td>
<td>2.5%</td>
<td>2012</td>
<td>19,079,000</td>
<td>-5.6%</td>
</tr>
<tr>
<td>2004</td>
<td>19,752,000</td>
<td>2.0%</td>
<td>2013</td>
<td>17,220,000</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

(A) $2,030,000 of this reduction is due to the payoff of long-term debt for the Lower School Complex. Taking this into account, the funding actually increased by 1.0%.
## Key Statistics – Girard College

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salaries</strong></td>
<td>$11,606</td>
<td>$12,620</td>
<td>$12,406</td>
<td>$10,995</td>
<td>$10,011</td>
<td>$9,458</td>
<td>$8,924</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>$3,865</td>
<td>$4,459</td>
<td>$4,773</td>
<td>$4,903</td>
<td>$4,918</td>
<td>$4,707</td>
<td>$4,816</td>
</tr>
<tr>
<td><strong>Fringe Benefit Rate</strong></td>
<td>33.3%</td>
<td>35.3%</td>
<td>38.5%</td>
<td>44.6%</td>
<td>49.1%</td>
<td>49.8%</td>
<td>54.0%</td>
</tr>
<tr>
<td><strong>FTEs</strong></td>
<td>255.0</td>
<td>264.0</td>
<td>252.0</td>
<td>223.5</td>
<td>205.0</td>
<td>189.0</td>
<td>180.5</td>
</tr>
<tr>
<td><strong># of Students</strong></td>
<td>721</td>
<td>753</td>
<td>696</td>
<td>617</td>
<td>540</td>
<td>465</td>
<td>405</td>
</tr>
</tbody>
</table>

**Budget**
Structural Imbalance
Resources vs. Spending

Expense vs. Revenue
Baseline Scenario - 6.5% Investment Return
(Numbers in $000's)
Resources vs. Spending

Expense vs. Revenue
GC $19.8M/GE $1.6M
Baseline Scenario - 6.5% Investment Return
(Numbers in $000’s)

REVENUE - Plus Estate Cash Funds
REVENUE - 5% Spending Rule
EXPENSE (Estate & College) - Includes Bldg Deficiency Improvements
Resources vs. Spending

Expense vs. Revenue
GC $23.2M/GE $1.6M
Baseline Scenario - 6.5% Investment Return
(Numbers in $000's)

- REVENUE - Plus Estate Cash Funds
- REVENUE - 5% Spending Rule
- EXPENSE (Estate & College) - Incl Cap Ex for New H.S. & M.S. and Other Bldg Deficiency Improvements

2012-13 to 2042-2043

5,000 10,000 15,000 20,000 25,000 30,000 35,000 40,000 45,000
Girard **cannot** continue to spend more money than it generates

Rebuilding the corpus of the Residuary Fund **must** be part of the long-term strategy for Girard’s future
Supreme Court Decision?

Tax-Exempt Status – Girard Estate
In April 2011, Commonwealth Court of PA reversed decision made by Cumberland County Court that Girard Estate is a tax-exempt entity.

Girard Estate appealed decision with PA Supreme Court and presented oral arguments in May 2012.

Awaiting decision by PA Supreme Court.

For planning purposes, we assume a favorable outcome from the Supreme Court.
Facilities Assessment Study
Facilities Assessment

- Girard College’s Physical Plant – must live within means on 43-acre campus
  - Aging buildings
  - In need of significant capital repairs/renovations
    - Buildings – more energy efficient
    - ADA compliance
    - Better equipped to serve students

- Facilities in most cases are beyond their useful lives and not designed to support 21st century educational & residential programs
BDCT engaged Studio Agoos Lovera to conduct facilities assessment of key buildings (15 total)

Done to determine:

- How does campus condition impact programmatic decisions?
- What buildings make sense to use?
- What is cost of renovating these buildings?
Facilities Assessment

- Results of assessment not final
- However, potential choices for Girard’s future require significant financial resources for facilities
  - For example, renovations to:
    - High School – Est. > $20 million
    - Junior School – Est. > $30 million

- Cost of physical plant must play major role in decisions about Girard’s future