

## Growing pains at Stevens

### Faculty urges audit amid financial woes and president's rising paycheck

Sunday, March 27, 2005

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From his 13th-floor offices in Hoboken overlooking the Stevens Institute of Technology campus and the Manhattan skyline, life looks pretty good to longtime school president Harold Raveché.

Applications and enrollment are up. A flashy \$46 million technology management building is rising on campus. And the private school keeps climbing the national academic rankings.

Raveché says an aggressive growth plan has pushed the small research university to a new level.

But the school's faculty is beginning to ask questions. Specifically: What has a decade of rapid growth cost the 135-year-old institution?

Earlier this month, faculty asked the school's trustees for an independent audit of Stevens' finances amid charges officials have mismanaged the books and misled the campus.

Many of the concerns have centered on Raveché's rapidly rising salary, which now tops \$800,000, and nearly \$1.5 million in low-interest loans the school quietly gave him to buy and renovate his Shore house and a Vermont ski retreat.

Raveché admits Stevens is having some money troubles.

"Are the finances strained? Yes," Raveché said in an interview in his office earlier this month. "(But) these are the strains of growth."

Professors still see it differently and are concerned about another growth plan.

"We're in a serious situation," said Edward Whittaker, a physics professor and chairman of the Faculty Council. "I don't think people know what we're spending."

A review of Stevens' IRS filings, public documents, audits and other financial records provided to The Star-Ledger reveals:

- Stevens' posted an \$8.5 million operating loss in 2003. Several years of similar deficits, coupled with mounting debt, prompted the Moody's and Standard & Poor's credit-rating agencies to downgrade school bond ratings last year.
- Despite operating in the red six of the last eight fiscal years, Stevens sent annual reports to alumni and donors showing the school solidly in the black. School officials said those documents used a set of simplified, though accurate, figures that showed "operating activity."
- Raveché's pay has more than doubled in the past decade. In 2004, he earned an \$804,075 salary, including a \$330,000 fund-raising bonus, according to the school's chief financial officer. In 2003, he made \$696,965 in pay and benefits, making him the 10th-highest-paid president at a private research university. In 2002, Stevens underreported his salary to the IRS by more than \$100,000 due to an accounting error.
- Raveché owes Stevens more than \$1.1 million on nearly \$1.5 million in low-interest personal loans from school coffers. Raveché skipped several payments in 2003, but said it was an internal payroll oversight that has been corrected.
- Stevens' current yearly audit by the accounting firm PricewaterhouseCoopers is nearly three months late. The school blames the delay on rapid turnover in its business office, which has had four chief financial officers in five years.

Investment banker Jim Walsh, a member of Stevens' board of trustees, said the financial problems are not dire. No one has suggested the school is in danger of closing its doors, Walsh said.

Poor internal accounting and an inadequate financial staff caused many errors, said Walsh, who sits on the trustees' finance and investment committees.

"I don't expect we will find any bigger problems. I don't think anybody has been running off with money," Walsh said. "I don't think anything untoward is going on."

Last month, the student newspaper, the *Stute*, devoted an entire front page to the questions surrounding university finances. Editor-in-chief Drew Cottrell questioned the air of secrecy.

"The ideas that people dream up are often much worse than the truth, and often have a worse effect on the Stevens community than the truth would," Cottrell wrote. "So why aren't we more open with information?"

## **FROM HUMBLE TO HIGH-POWERED**

Founded in 1870, Stevens sits on the cliffs in Hoboken, where even the campus bookstore has a view of the Empire State Building.

The school has grown to 4,500 students and evolved from a small engineering college to a renowned research university, offering degrees in engineering, science, management and other fields. Graduates include General Motors co-founder Charles Stewart Mott, artist Alexander Calder and Verizon CEO Lawrence Babbio.

But, by the time Raveché, a chemist and former Rensselaer Polytechnic Institute dean, arrived in 1988 the school was slipping, he said.

The university began to invest heavily in new buildings, emerging research and academic fields and its athletics program. Labs were built. Research centers were opened. Local tech companies, from Verizon to Lucent and AT&T, were courted for donations.

The investment started to pay off. Between 1994 and 2004, enrollment, applications and the average SAT score of incoming freshmen all rose.

Last year, tuition for incoming freshmen also rose -- more than 10 percent to \$28,800 -- so Stevens would charge rates similar to Rensselaer, Carnegie Mellon and other top engineering schools, campus officials said.

When Raveché proposed another expansion last year, all seemed to be on track. Then, a faculty committee asked veteran professor Donald Merino to evaluate the proposal and the school's current finances.

Merino, an engineering management professor and Stevens alumnus, said he was disturbed by what he found.

Moody's and Standard & Poor's had downgraded the school's bond rating, meaning it would cost more to borrow. The agencies' analysts said Stevens was "stable," but cited \$91 million in outstanding debt and years of operating losses.

"Stevens has incurred operating losses since fiscal 1996, with the exception of fiscals 1998 and 2002," according to the Standard & Poor's analysis.

"That came as a thunderclap. I was absolutely shocked," Merino said. "The annual reports that Stevens had been producing say we've been having a balanced budget."

Indeed, Stevens' 2003 audit showed an \$8.5 million operating deficit, while the glossy annual report released to the public showed a \$464,123 surplus.

Stefano Falconi, Stevens' newly hired chief financial officer and treasurer, said both documents are technically accurate, but the annual report used a simplified set of numbers. In the future, the annual report will include the more comprehensive audit numbers, school officials said.

Falconi said his preliminary review of finances show Stevens' accounts may be strained due to recent spending. But he found nothing too alarming in the books in his first few weeks on the job.

"If there were two sets of books, I wouldn't be here," said Falconi, former chief financial officer at Carnegie Mellon.

Within days of his arrival in Hoboken, Falconi met with faculty to answer questions about finances, the president's salary and loans.

Stevens' trustees, who set Raveché's salary, said his experience and ability to attract big donors are among the factors that determined his raises.

Raveché, 62, is not apologetic about his pay, noting that in a "light week" he works 65 hours.

"People felt my performance merits that salary," he said.

The president is a little more sheepish about the \$1.5 million in loans, at an interest rate of 2 percent, he has received from the school since 1995. He used the cash to buy and fix up his Shore house in Forked River and a ski retreat in Wilmington, Vt., he said.

"Both homes were old and I had to refurbish them," Raveché said.

The president and his wife -- University of Medicine and Dentistry of New Jersey immunologist Elizabeth Raveché -- live for free on campus in Hoxie House, a stately brick presidential residence overlooking the Hudson.

### **CASHING IN ON HIS SUCCESS**

Lending presidents money at below-market interest rates is a quiet, but common, practice at some private universities. But some professors at Stevens were upset the university made the loans while struggling to break even. They also questioned why Raveché failed to make payments on them for several months in 2003.

The president blames the missed payments on school administrators who failed to deduct the money from his paycheck. He said he corrected it himself when he noticed the error.

All of this comes as Raveché is preparing for a possible run for governor when his Stevens' contract expires in 2009.

"When I leave I'm going to think about running for governor. I am," said Raveché, who describes himself as a pro-choice, anti-gun Republican.

For now, the president said he is willing to take hits about his salary, loans and Stevens' finances because he believes he has built Stevens into a stronger school.

"It's my job to lead the institution," Raveché said. "My successor will get better press."

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