

OAKLAND COMMUNITY COLLEGE

Financial Forecast Fiscal Years Ending 2016-2020



Agenda

- Overview of funds
- Historical perspective
- Financial forecast 2016-2020
- Next steps

Overview of Funds

Fund Descriptions

General Fund

- Main operations of the College

Fund Descriptions

Designated Funds

- Funds for special programs
 - Including Workforce, Police Academy, Fire Science, Theater, Food/Hospitality, CREST
 - Future retiree healthcare/pension

Fund Descriptions

Auxiliary Fund

- Enterprises that exist primarily to furnish services to students, faculty and staff
 - Bookstore, print shop, ID card program (Raider One)

Fund Descriptions

Restricted Fund

- Pell Grants and other grants/scholarships
- Restricted Use

Fund Descriptions

Endowment Fund

- Designated by Board of Trustees
- Used toward the payment of debt and scholarships
- Requires Board of Trustees' action to spend

Fund Descriptions

Plant Fund - (Two sections)

1. Capital Assets

- Land, buildings, equipment, and furnishings that are capitalized
- Non-Expendable Assets
- 2014 = \$165 million

2. Unexpended Plant Funds

- Available for capital improvements
- 2014 = \$83 million

Summary of Unrestricted Funds Available (Total Savings Account)

As of June 30, 2014

General Fund	\$41 million
Designated Fund	44 million*
Auxiliary Fund	<u>3 million</u>
Total	\$88 million
Plant Fund	<u>\$83 million</u>

*Includes Retiree Pension/Healthcare designated funds of \$43 million

Historical Perspective

General, Designated, and Auxiliary Funds

Primary Sources of Revenue

- Property Taxes
 - Declined \$20 million from high in 2009
- State Appropriations
 - Relatively flat. Recent increase was redirected by State to fund pension liability
- Tuition
 - Relatively flat despite tuition fee increases due to declining enrollment

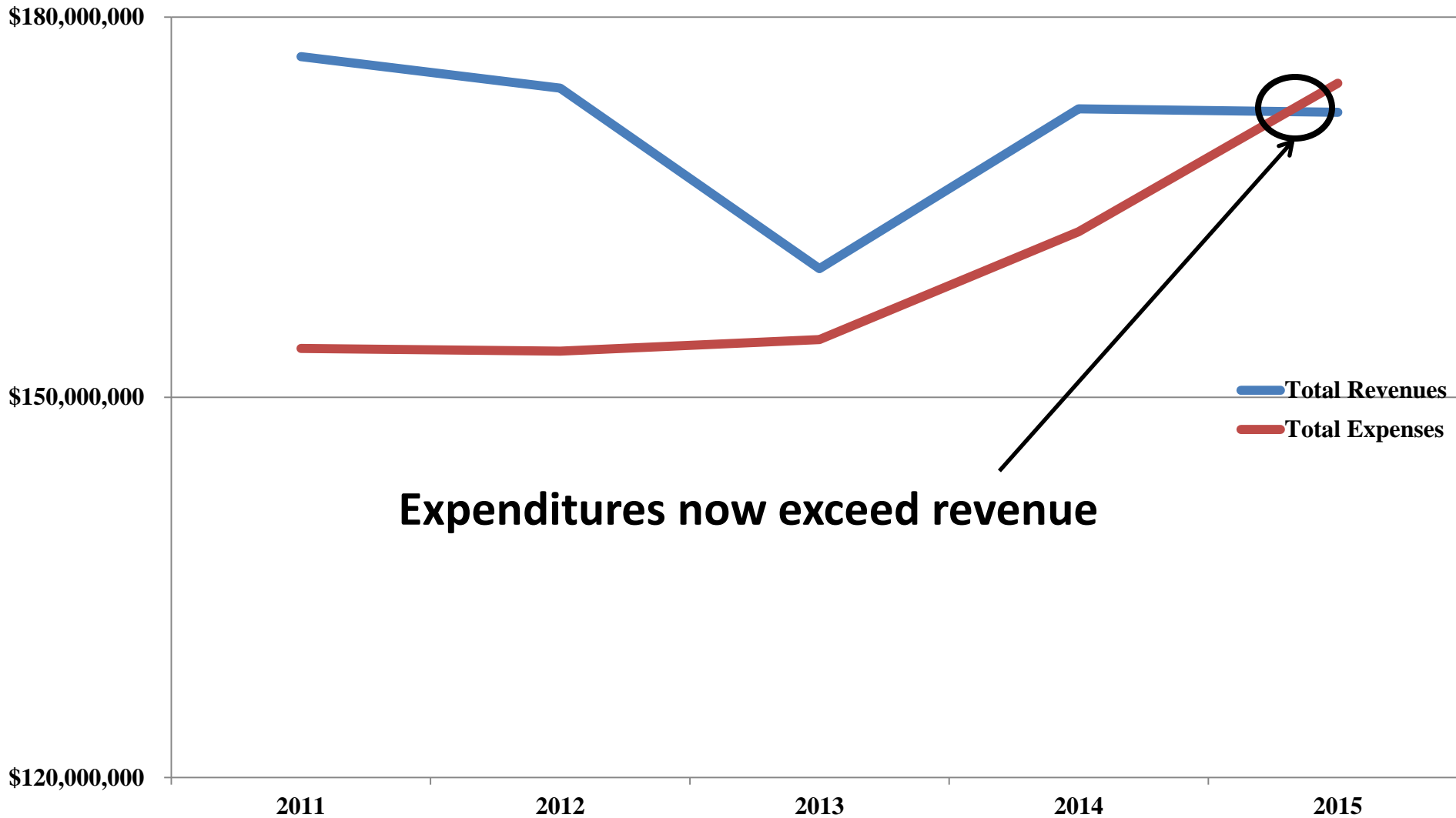
Factors in Enrollment Decline

- Lower unemployment rate in Oakland County compared to other Michigan counties
- Lower birth rates in Oakland County
- College-age adults leaving Michigan
- Increased competition from private and online institutions
- Ability to afford higher cost educational options post-recession
- Fewer state/federal subsidized educational programs

Primary Expenditures

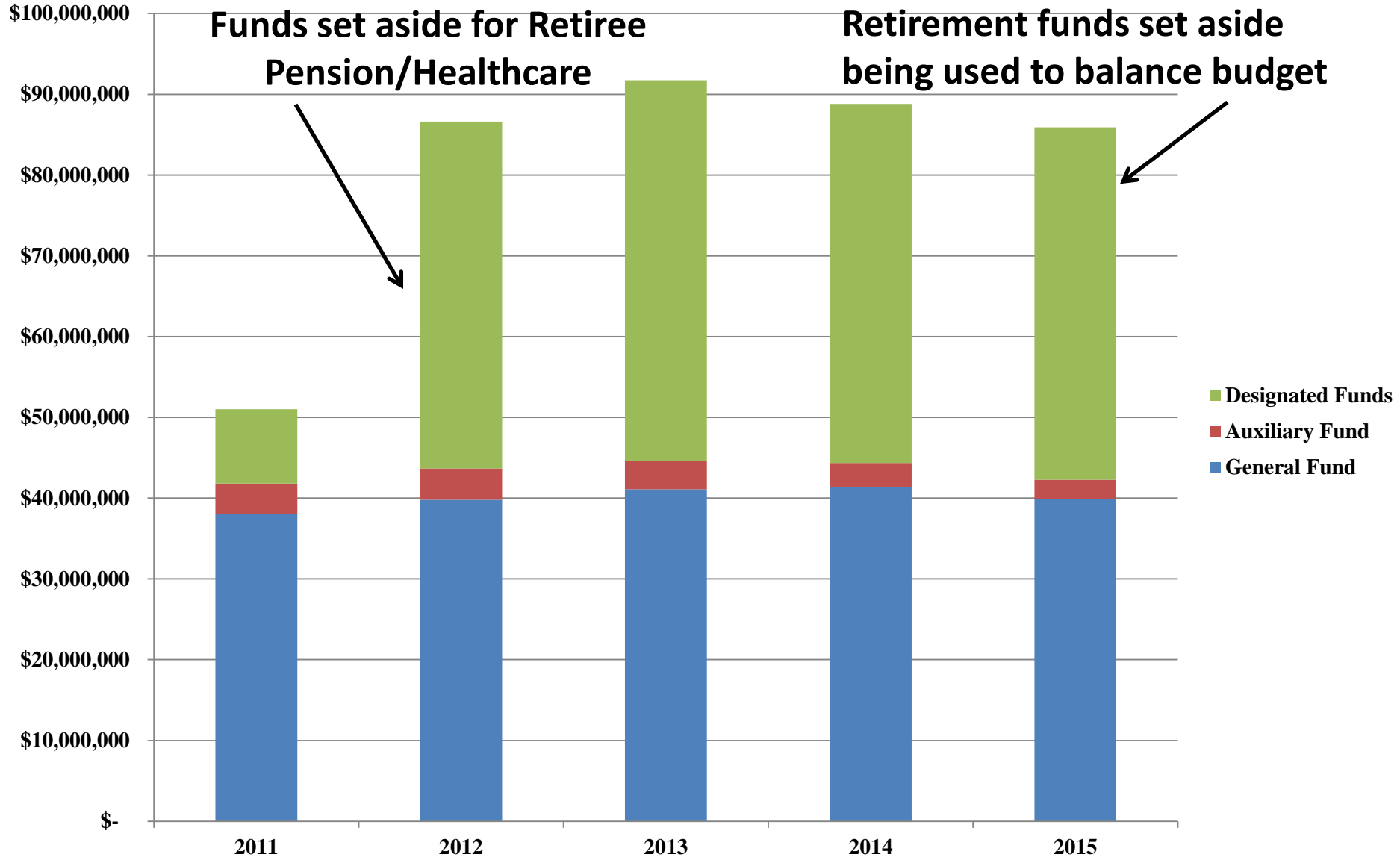
- Rising employee salaries and fringe costs close to 80% of the budget
- Utilities and other expenditures have risen as well

Revenues and Expenses- General, Designated, and Auxiliary Funds



Expenditures now exceed revenue

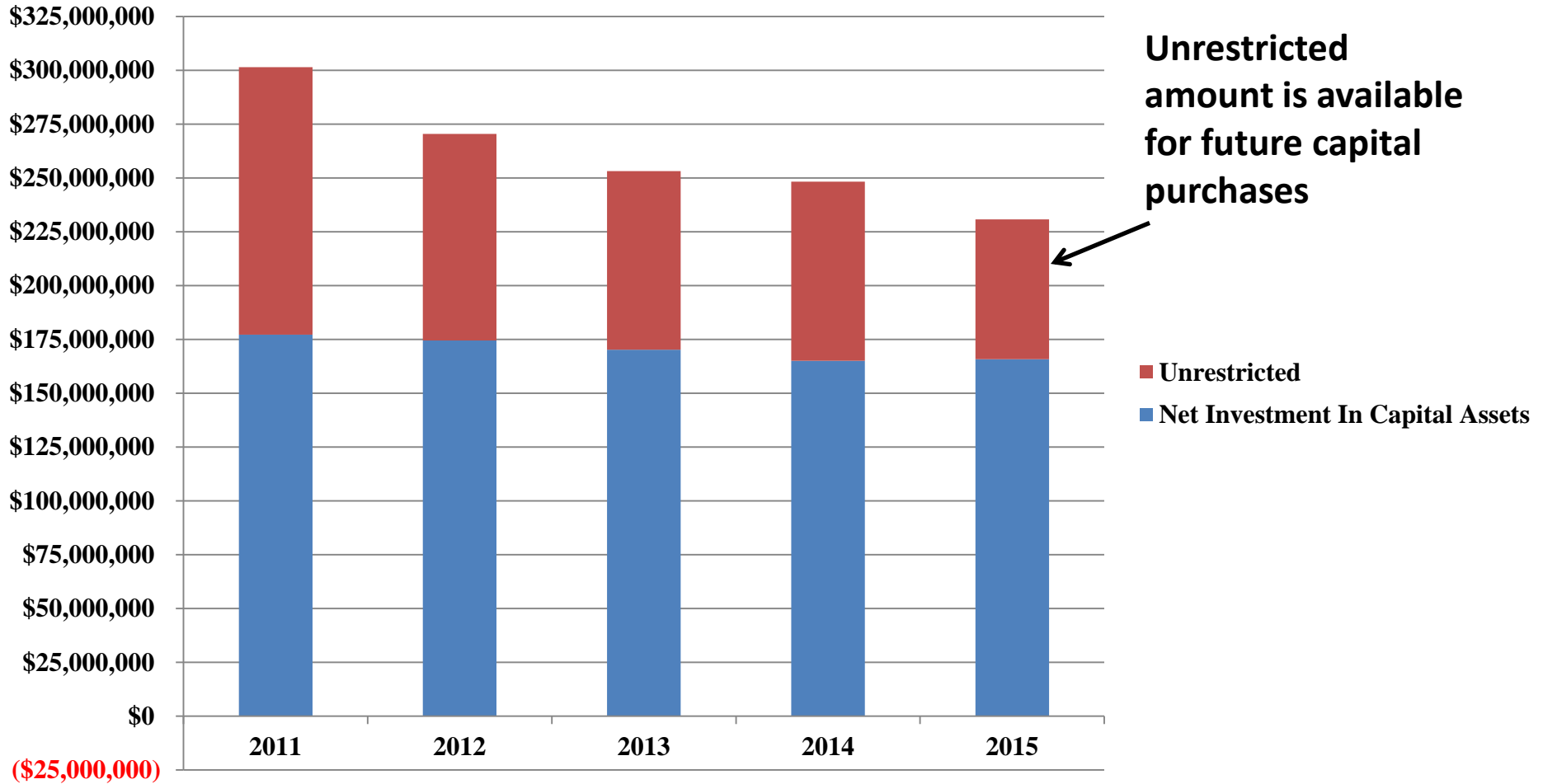
Net Position - General, Designated, and Auxiliary Funds (Savings Account)



Historical Perspective

Plant Fund

Net Position - Plant Fund



	2011	2012	2013	2014	2015
Net Investment In Capital Assets	\$ 177,203,281	\$ 174,531,151	\$ 170,163,533	\$ 165,058,445	\$ 165,862,545
Unrestricted	124,284,733	95,900,000	83,084,631	83,169,386	64,905,938

Financial Forecast 2016-2020

Assumptions

Forecast Assumptions

Property Tax Revenue

- Figures obtained from Oakland County
 - 2016 = 2.5% increase
 - 2017-2020 = 3% increase per year

- State Revenue 2016-2020
 - Unchanged

Forecast Assumptions

➤ Tuition and Fees

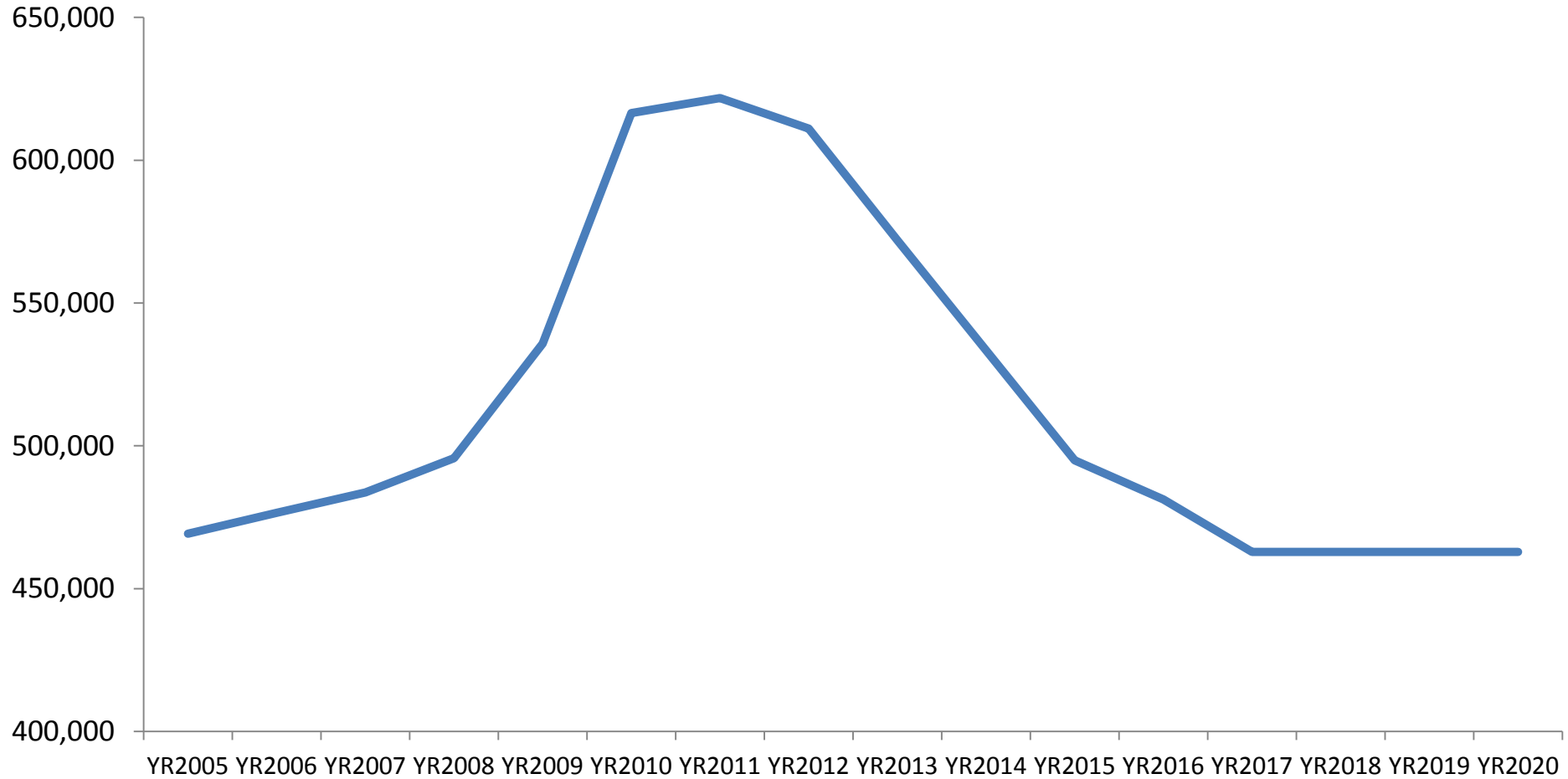
- 2016-2017 = 7%/11%/11% increase per year
- 2018-2020 = 2% increase per year

Forecast Assumptions

➤ Student Credit Hours

- 2016 = 481,216 (2.8%) decrease
- 2017 = 462,912 (3.8%) decrease
- 2018-2020 = no change
- Bottom out near 2005 level based on unemployment rate projections

Total Credit Hours by Fiscal Year



Forecast Assumptions

- Investment Income 2016-2020
 - 3% increase per year

- Salaries and Wages 2016-2020
 - 2% increase per year
 - Annual step increases

Forecast Assumptions

- Fringe Benefits 2016-2020
 - Healthcare = 8% increase per year
 - Dental, Vision, LTD = 4% increase per year
 - MPERS = 1% increase per year
- Temporary Personnel 2016-2020
 - Unchanged

Forecast Assumptions

- Utilities 2016-2020
 - 2% increase per year

- Other Operating Expenses 2016-2020
 - 1% increase per year

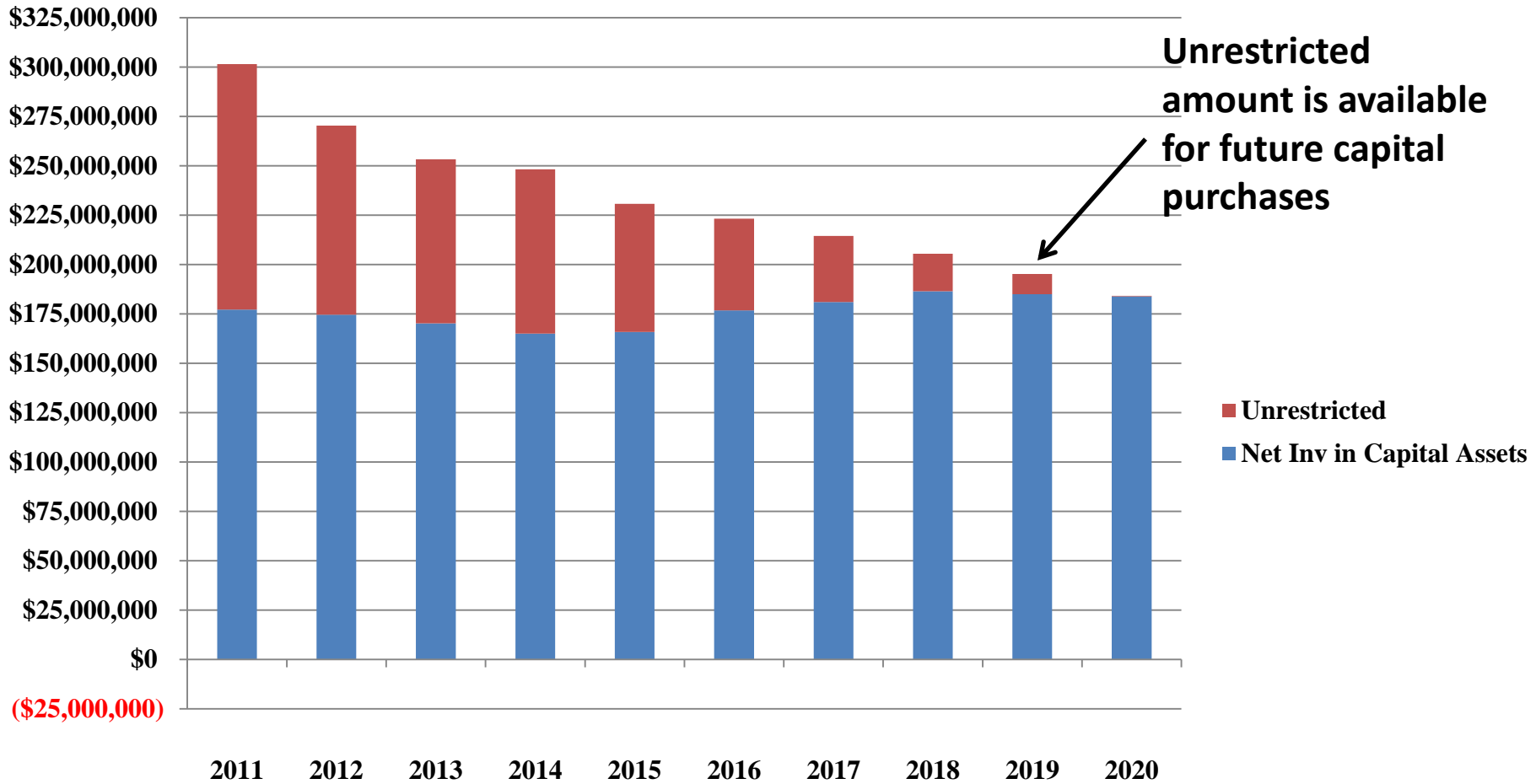
Forecast Assumptions

- Plant Fund Capital Outlay
 - Based on ISES report and internal assessments
 - Repairs and maintenance to aging infrastructure

Financial Forecast 2016-2020

Plant Fund

NET POSITION-PLANT FUND

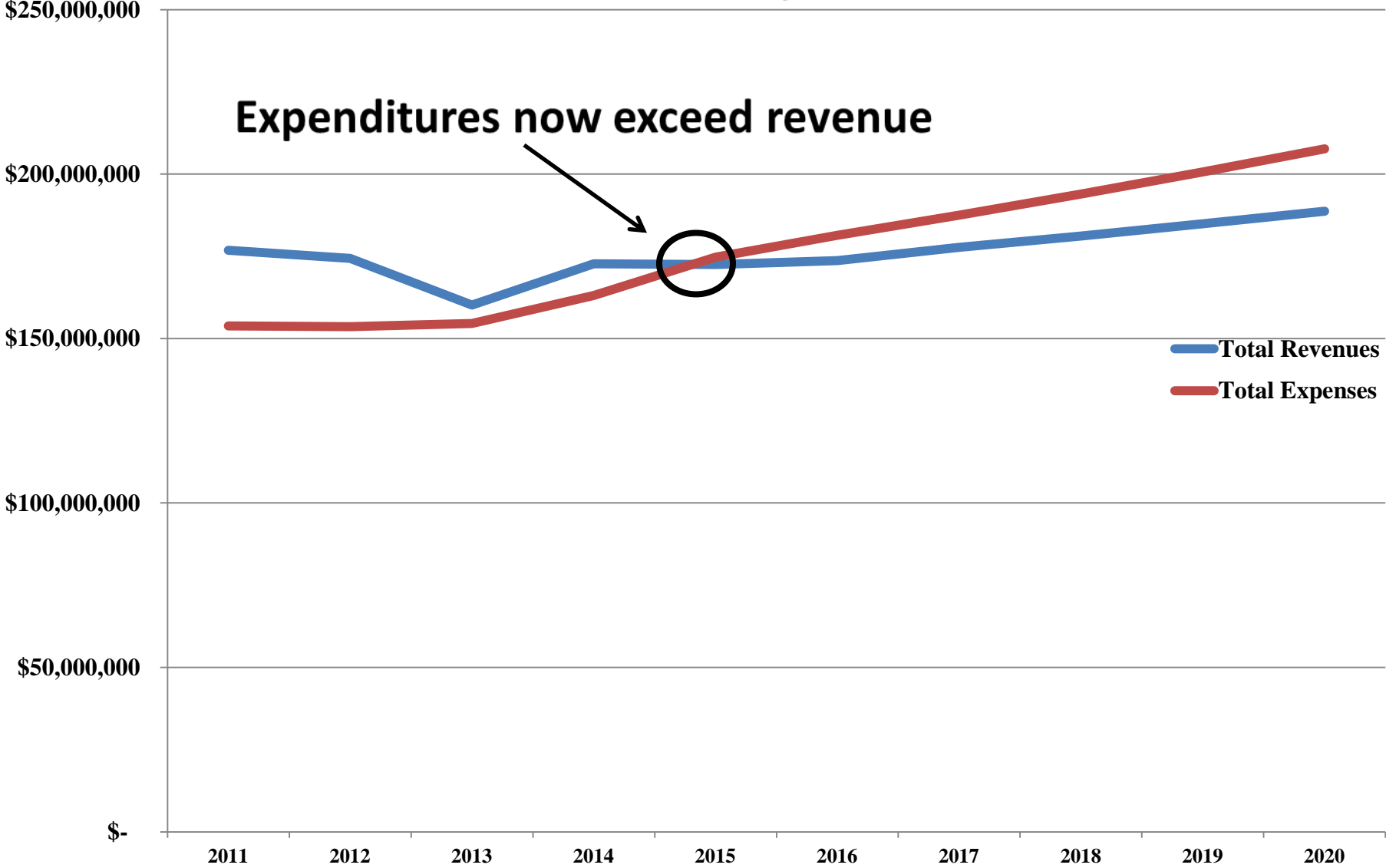


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Inv in Capital Assets	\$ 177,203,281	\$ 174,531,151	\$ 170,163,533	\$ 165,058,445	\$ 165,862,545	\$ 176,798,357	\$ 181,054,913	\$ 186,460,950	\$ 184,980,371	\$ 183,827,729
Unrestricted	124,284,733	95,900,000	83,084,631	83,169,386	64,905,938	46,385,343	33,461,104	19,021,401	10,278,779	353,854

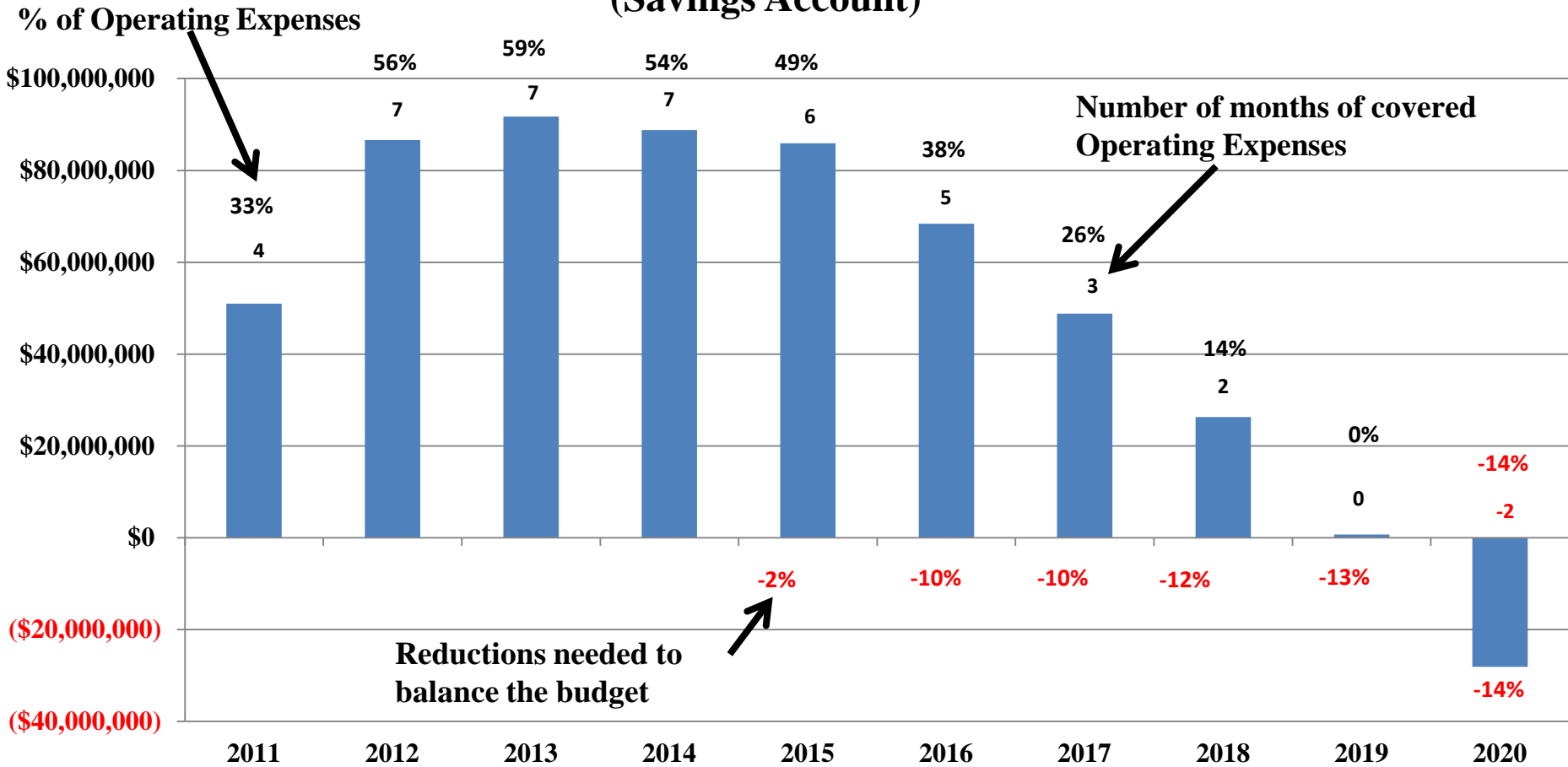
Financial Forecast 2016-2020

General, Designated, and Auxiliary Funds

Revenues and Expenses - General, Designated, and Auxiliary Funds



Total Net Position-General, Designated, and Auxiliary Funds (Savings Account)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund	\$37,998,591	\$39,795,814	\$41,102,102	\$41,364,684	\$39,873,370	\$26,207,709	\$10,812,302	\$(7,214,022)	\$(27,908,641)	\$(51,512,933)
Auxiliary Fund	3,819,514	3,872,986	3,468,174	2,988,859	2,396,804	1,606,592	614,779	(583,586)	(1,993,647)	(3,620,751)
Designated Fund	9,194,701	42,938,827	47,162,616	44,455,877	43,620,370	40,562,957	37,381,461	34,071,199	30,627,347	27,044,854
Total	\$51,012,806	\$86,607,627	\$91,732,892	\$88,809,420	\$85,890,544	\$68,377,258	\$48,808,542	\$26,273,591	\$725,059	\$(28,088,830)

Average Cash Burn

General, Designated, and Auxiliary Funds

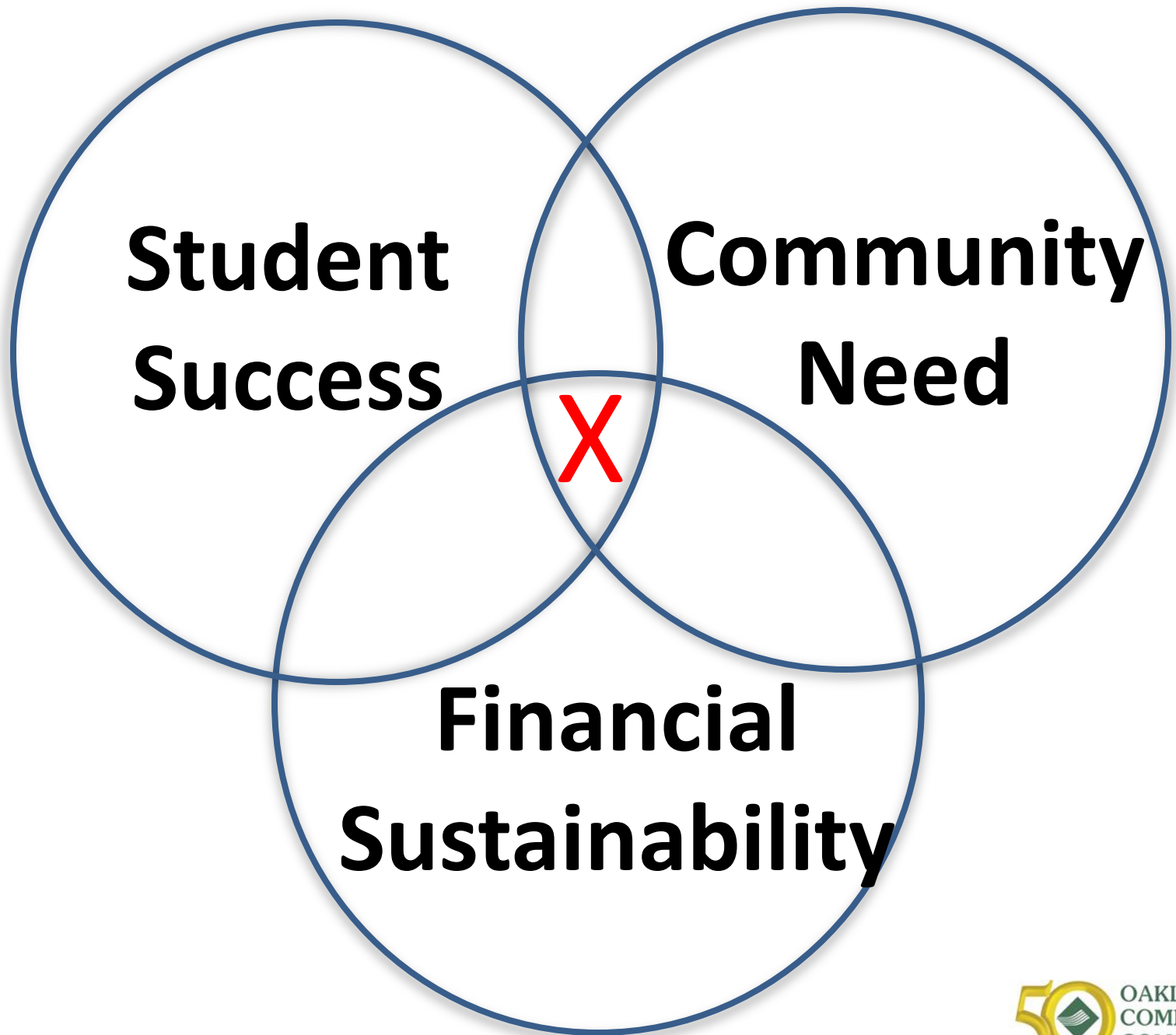
- Based on 365 days/year
 - 2016 \$48k/day
 - 2017 \$54k/day
 - 2018 \$62k/day
 - 2019 \$70k/day
 - 2020 \$79k/day

Must act now!

Next Steps

Next Steps

- Reduce expenses/increase revenue college wide by approximately 15%
- Reform how services are provided
 - Balancing community need, student success and financial sustainability of OCC



Next Steps

- Long-term planning is needed
- Three-year budgeting
- Five-year forecasting
- No more crisis management

Next Steps

- Budget process begins February 16
- Include as many initiatives to reduce expenditures/raise revenue as possible for the initial budget approved in June
- Amend budget to reflect additional changes worked on in Summer/Fall after contract negotiations, employee input, etc.

Next Steps

- Flow of ideas from employees to Deans, Directors and Cabinet members
- Budget is a daily activity not an annual exercise

Next Steps

- Need your help
- Will not be easy, sacrifices will have to be made
- Overcome this challenge if we work together

Questions?