

December 2014

FY2016 BUDGET DEVELOPMENT (DRAFT)

FY2016 BUDGET OVERVIEW

FY2016 BUDGET OVERVIEW

- COMMENTS FROM THE PRESIDENT



- For the second year a University Budget Committee was appointed to develop the FY 2016 Operating Budget.
- Today I seek your approval of a balanced FY 2016 University Operating Budget and an FY 2016 Sustainable Budget Model & Enhancement Request.
- The Budget Committee Workgroup will present the details of these two approval items but here is the Big Picture.
- FY 2016 unrestricted revenues are expected to decline by half a million below FY 2015, while new Tier 1 spending pressures, not previously funded in FY 2015, must be funded at a cost of \$3.7M. After accounting for \$1.4M in savings from the faculty RIF we are left with a \$2.8M funding shortfall.
- Tier 1 spending pressures include: AFSCME COLA's, Middle States accreditation costs, 801 lease increases, professional accreditation positions, operating funds for the student center, NIH compliance requirements, labor issues and land-grant research.

FY2016 BUDGET OVERVIEW

- COMMENTS FROM THE PRESIDENT



- Our approach to building the Budget was first to use the \$108.4M in revenue to fund all full-time positions (filled and vacant) and then all NPS fixed costs (at FY 2015 funding levels). Fixed costs were determined to include: rents, utilities, facilities maintenance, insurance, basic library and IT costs, essential contracts, legal issues etc.
- The remaining available revenue was used to fund non-fixed (discretionary) costs. Unfortunately this resulted in a 25% reduction (below FY 2015 unit allocations) in non-fixed costs.
- This reduced level of funding will have a negative impact on non-fixed cost NPS funded services in Academic Affairs, Community College, Athletics, Student Affairs Facility Management and Advancement. It will also create challenges in meeting accreditation standards in a variety of areas.
- However, the budget will be balanced. I am asking you to approve this budget to meet the city's requirement to submit a budget within the FY 16 \$108.4M revenue forecast.

FY2016 BUDGET OVERVIEW

- COMMENTS FROM THE PRESIDENT



The Sustainable Budget Model and Enhancement Request: A Partnership with the City

The FY 2016 Balanced Budget is not Sustainable. It will not serve us well in attracting a top candidate for the presidency and will create significant challenges to meeting Middle States standards during our visit in the spring of 2016. The partners roles are as follows:

- The administration must increase enrollment, improve foundation support for the million dollar match, increase productivity in auxiliary/revenue units, assign budget committee workgroup to coordinate efficiency and effectiveness initiatives (Streamline administrative processes focusing on IT, conduct program and facilities reviews, participate in national cost study, implement effective institutional aid strategies).
- I will ask the City to fund COLA's for all employees, inflation, operating funds for new capital projects, the million dollar match and 801 North Capitol lease/operations & other UDC-CC facilities operations cost for FY 2016, 2017 and 2018. FY 16 Enhancement Cost-\$11.5M.

FY2016 BUDGET OVERVIEW

- COMMENTS FROM THE PRESIDENT



- We must prove to the City that we are making significant efforts to reduce costs and improve overall efficiency and effectiveness.
- I am asking the Board to approve the FY 16 \$11.5M enhancement request at it's January 2015 meeting and approve FY 2017 tuition and fee increases at it's April 2015 meeting.
- All of the proposed partnership initiatives will create the funding required to maintain basic operations, to increase efficiencies, to support the year I costs of the Vision-2020 Strategic Plan initiatives, and to fulfill the mission of the University.
- The Budget Committee Workgroup will now provide the details regarding my two proposals and we will address your questions at the conclusion.

BUDGET DEVELOPMENT PROCESS

- TEAM

- **Budget committee** – representatives from different groups in community

- **Budget workgroup**
 - Asst. Provost (Chair of Budget Committee)
 - CFO (OCFO)
 - Budget Director (OCFO)
 - Asst. Dean of Finance (Law School)
 - Director of Institutional Research, Assessment, and Planning (IRAP).

BUDGET DEVELOPMENT PROCESS

– FUNDING SHORTFALL IN FY16

- Developed FY16 revenue forecast and identified Tier I funding pressures resulted in \$2.8M net funding shortfall
 - Revenue shortfall - revenue forecast of \$108.4M*, \$0.5M less than FY15
 - Tier I funding pressures: contractual obligations and binding agreements, accreditation mandates, federal/district mandates, operating expenses related to pending litigation, arbitration, and negotiations and student center operations - \$3.7M
 - Faculty RIF Net Savings in FY16 - \$1.4M
- Departments submitted enhancement budget request that required \$16M funding in excess of FY15 funding allocation.
- None of the enhancements qualify as Tier I pressures except the student center operations (\$2M)

*Included \$2M revenue to support student center operations - \$1.2M one-time use of fund balance that was designated for student center and \$0.8M FY16 student center fee revenue.

TIER I FUNDING PRESSURES

– PS \$842K, NPS \$2.89M

Contractual obligation and binding agreements	
Lease cost increase (801 N. Capitol)	183,051
3% increase - AFSCME Union COLA	444,704
Compliance Officer (NSF agreement)	125,000
Accreditation mandates	
3 positions included in FY15 one-time funding of \$1.475M for accreditation mandates	272,000
Accreditation needs (2016 Middle States visit)	125,000
Federal/District Mandates	
Land-grant research	250,000
Operation expenses related to pending litigation, arbitration, and negotiations	
Outside Legal Counsel	300,000
Operating expenses associated with capital projects completed	
Student center operations (estimate, to be updated)	2,000,000
Subtotal	3,699,755

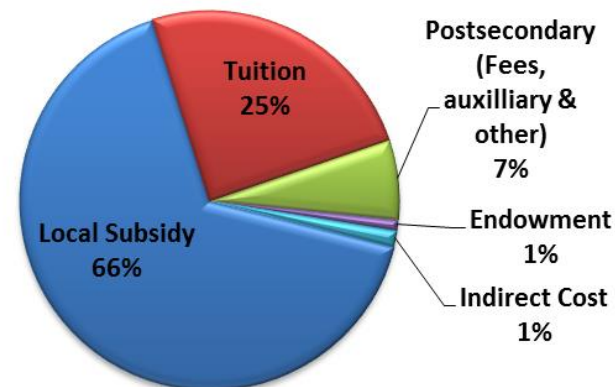
- Tier I PS budget and outside legal counsel cost are included in program budget. The rest is budgeted in non-departmental reserve.

FY2016 PROPOSED BUDGET

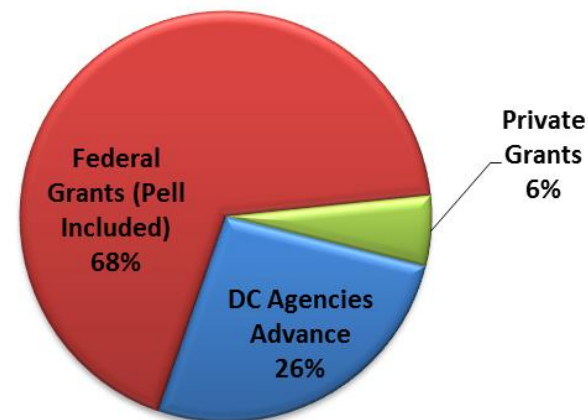
FY2016 GROSS REVENUE BUDGET

	FY2015	FY2016	Change
Unrestricted			
Local Subsidy	72,457,573	70,982,573	(1,475,000)
Tuition	27,221,793	26,497,292	(724,501)
Postsecondary (Fees, auxilliary & other)	7,000,001	7,227,645	227,644
Endowment	750,000	1,000,000	250,000
Indirect Cost	1,500,000	1,500,000	0
Fund balance designated for student cent	0	1,200,000	1,200,000
Total Unrestricted	108,929,367	108,407,509	(521,858)
Restricted			
DC Agencies Advance	12,057,000	12,057,000	-
Federal Grants (Pell Included)	31,021,361	31,021,360	-
Private Grants	2,522,137	2,522,138	-
Total Restricted	45,600,498	45,600,498	-
Total	154,529,865	154,008,007	(521,858)

FY16 Unrestricted Budget

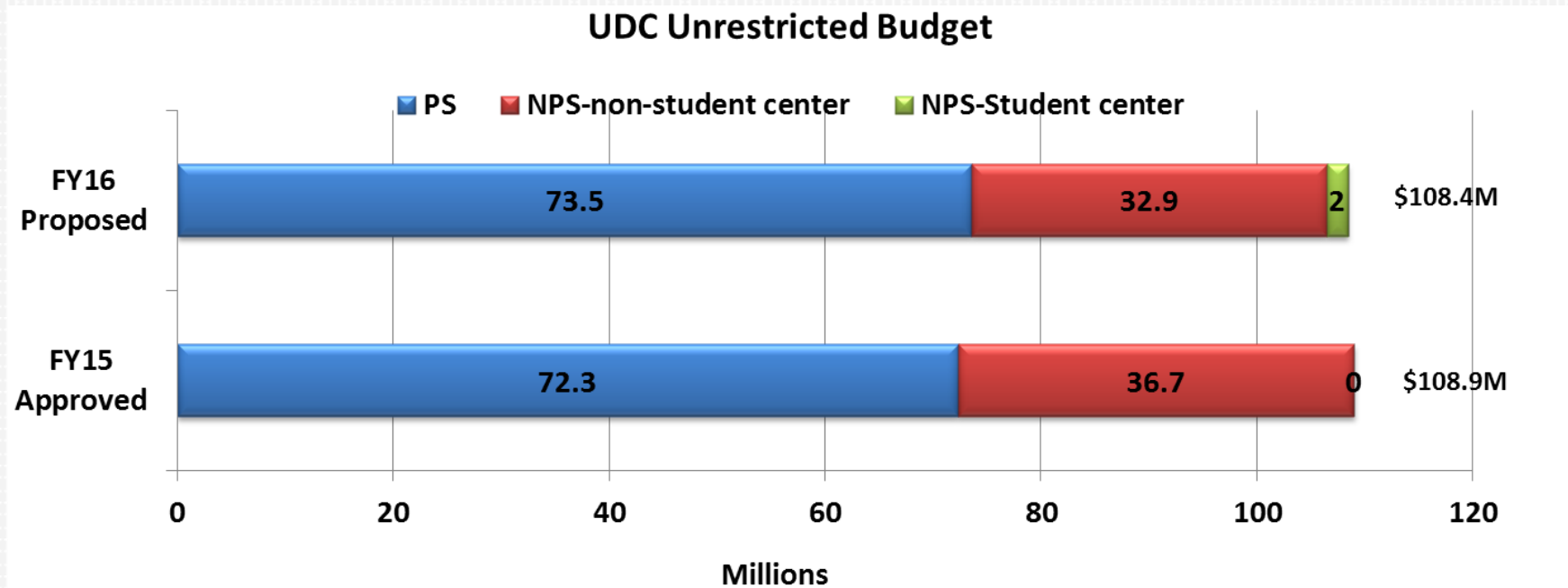


FY16 Restricted Budget



FY2016 UNRESTRICTED BUDGET

UNRESTRICTED BUDGET – PS VS NPS



UNRESTRICTED BUDGET BY DIVISION

	FY15 Approved	FY16 Proposed	FY16 VS FY15 (\$)	FY16 VS FY15 (% change)
Academic Affairs	44,363,299	43,335,913	(1,027,385)	-2.3%
Agency Financial Operations	3,320,234	3,735,213	414,978	12.5%
Agency Management Programs	27,844,764	28,539,414	694,650	2.5%
Community College	23,973,535	23,623,412	(350,122)	-1.5%
Executive Direction	1,394,325	1,471,730	77,405	5.6%
Student Administrative Services	5,963,300	5,758,867	(204,432)	-3.4%
Univ's Communications & Public Relator	2,069,911	1,942,960	(126,951)	-6.1%
Total Budget	108,929,367	108,407,509	(521,858)	-0.5%

FY2016 UNRESTRICTED PS BUDGET

- Current 635 filled positions salary & benefits (at 28.7%) are funded.
- 63 Vacant positions are funded.
- 3% COLA in FY16 is funded only for AFSCME and OCFO as mandated by District contract. COLA for other groups including non-union staff and NEA (faculty) is not funded, which creates a growing equity gap between employment groups.
- Adjuncts, summer school and student employees are funded at FY15 levels*
- Only new position added is the Compliance Officer (per NSF agreement).

*adjuncts and student employees are not included in the filled and vacant position counts mentioned above.

PS BUDGET BY DIVISION

	FY15 Approved	FY16 Proposed	FY16 VS FY15 (\$)	FY16 VS FY15 (% change)
Academic Affairs	38,929,643	38,544,379	(385,264)	-1%
Agency Financial Operations	3,198,146	3,643,647	445,500	14%
Agency Management Programs	9,217,195	9,748,564	531,369	6%
Community College	14,826,146	15,009,248	183,102	1%
Executive Direction	976,462	1,138,901	162,439	17%
Student Administrative Services	3,845,254	4,097,376	252,123	7%
University's Communications & Public	1,285,419	1,359,835	74,416	6%
Total PS	72,278,264	73,541,950	1,263,686	2%

- FY15 PS includes 100% funding for filled positions, 70% funding for vacant positions.
- FY16 PS includes 100% funding for all filled, vacant, and proposed new positions and COLA's for AFSCME and OCFO.

FY2016 UNRESTRICTED NPS BUDGET

- **Focused on high priority Tier I NPS requests**
 - Contractual obligation and binding agreements including 801 rental escalation
 - Self-study and accreditation visit
 - Student center operations

- **Fully funded fixed costs at FY2015 funding levels such as:**
 - Rental ~ \$5.9M
 - Utility ~ \$3.6M
 - Janitorial ~ \$2.2M
 - Contingency and post closing cost ~ \$3.2M
 - Liability insurance & environmental services contract ~\$1.2M
 - Student fee funded activities ~ \$365K
 - Basic IT services ~ \$2.4M
 - Basic library services ~ \$1.6M
 - Disability accommodation services ~ \$252K

- **Partially funded the following:**
 - Non-fixed costs NPS needs are funded at ~75% of FY15 level
 - Insufficient NPS funding will adversely impact our ability to meet accreditation standards and service levels in academic affairs, community college, athletics, student affairs, facility management and advancement.

NPS BUDGET BY DIVISION

	FY15 Approved	FY16 Proposed	FY16 VS FY15 (\$)	FY16 VS FY15 (% change)
Academic Affairs	5,433,656	4,791,535	(642,121)	-12%
Agency Financial Operations	122,088	91,566	(30,522)	-25%
Agency Management Programs	18,627,569	18,790,850	163,281	1%
Community College	9,147,389	8,614,165	(533,225)	-6%
Executive Direction	417,863	332,829	(85,034)	-20%
Student Administrative Services	2,118,046	1,661,491	(456,555)	-22%
University's Communications & Public	784,492	583,125	(201,367)	-26%
Total NPS	36,651,103	34,865,560	(1,785,543)	-5%

FY2016 UNFUNDED/PARTIALLY FUNDED INITIATIVES

FY2016 UNFUNDED/PARTIALLY FUNDED INITIATIVES



- 3% COLA for non-AFSCME employees ~ \$1.2M (unfunded).
- COLA for NEA/faculty union ~ must be negotiated in the 8th master agreement (unfunded).
- Non-fixed costs NPS at 75% of FY2015 funding levels– negatively impacts ability to meet accreditation standards and maintain adequate service levels (partially funded).
- Vision-2020 initiatives year I costs: ~ \$2.38M (unfunded).
 - Enrollment Management
 - Online Learning
 - Career Development
 - Continuing Education
 - Faculty Development
 - Experiential Learning
 - Alumni and Advancement
 - Administrative Refresh

COMMENTS FROM THE PRESIDENT AND Q&A