The Five – Year Financial Plan

Board Meeting

May 23, 2012

The Process

- The ACCJC Visiting Team required the college to develop a 5-year Financial Plan (5YFP).
- The Cabinet tasked the Comptroller to develop revenue projections.
- The President and the Comptroller agreed to use the best case scenario for the revenue projections and conservative assumptions on operating expenditures.
- The Consultant (Mr. Wilson Hess from Sandy Pond) provided assistance in the development of the 5YFP.
- The Comptroller presented to the Cabinet and Council of Chairs the 5YFP as directed by the President.

The Plan

- The 5YFP is focused on the primary operations of the college consisting of five campuses (National, Pohnpei, Chuuk, Kosrae and Yap) and four departments (Office of the President, Instructions, Student Services and Administration).
- The financial plan for the technology will be presented as a separate plan.
- FMI, auxiliary enterprises and administration of grants and programs are not considered in the plan.
- The 5YFP is based on the delivery of existing programs and services and in maintaining the current structure of the college.
- The 5YFP is from fiscal years 2013 to 2017.
- The FY 2013 approved budget was used as the base reference in developing the financial plans for 2014 to 2017.

The Assumptions

<u>On Revenue</u>

- Implement a structured tuition fee increases:
  - FY 2014 – From $105 to $115 per credit
  - FY 2015 – From $115 to $125 per credit
  - FY 2016 – From $125 to $135 per credit
- Consider the declining support from Compact fund per the JEMCO resolution
- Consider that FSM Government will provide the needed funding support
- Consolidate revenue from other sources
- Achieve the FTE for the average credit
- Project the same level of enrollment for FY 2014 to 2016 despite tuition increases, and provide 2% increase in enrollment for FY 2017

The Assumptions, continued

On Operating Expenditures

- Retain the same programs, services and organizational structure.
- Provide a 5% increment in operating expenditures based on FY 2013 budget. The 5% increment is for inflation, provision for step increases and other additional operating costs.

Suggestions from the Consultant

- Operating expenditures to be presented in functional categories (in accordance with NACUBO and IPEDS).
- It is important to present financial data in the format that will be most helpful to Dr. Kinsella. Dr. Kinsella is the team leader of the recent ACCJC visit and the chief reader and presenter to the Commission.
- Include asset trends in the financial data.
- Do not use abbreviations on the presentation of financial data.
- Use charts and graphs to help illustrate the financial plan.

The Financial Data of the Plan

College of Micronesia - FSM

Five – Year Financial Plan 2013 to 2017

By Functional Classifications

	2013	2014	2015	2016	2017
Projected operative revenue:					
Tuition and fees	6,931,351	6,931,351	7,758,742	8,380,201	9,015,960
Increase in tuiition and fees	-	618,873	621,462	635,759	-
Increase in average credit	-	208,518	-	-	-
Increase in enrollment	-	-	-	-	177,923
Other revenue	-	130,000	130,000	130,000	130,000
FSM - Education Sector Grant	3,100,000	2,400,000	1,700,000	1,000,000	1,000,000
FSM - General Fund	700,000	1,400,000	2,100,000	2,800,000	2,800,000
	10,731,351	**11,688,742**	**12,310,204**	**12,945,960**	**13,123,883**
Projected operating expense:					
Instruction	4,899,442	5,144,414	5,401,635	5,671,716	5,955,302
Student services	1,306,714	1,372,050	1,440,652	1,512,685	1,588,319
Academic support	951,002	998,552	1,048,480	1,100,904	1,155,949
Institutional support	1,453,381	1,526,050	1,602,354	1,682,471	1,766,594
Operations and maintenance	1,996,027	2,095,828	2,200,620	2,310,651	2,426,183
	10,606,566	**11,136,894**	**11,693,741**	**12,278,427**	**12,892,347**
Projected operating earnings (deficit)	**124,785**	**551,848**	**616,463**	**667,533**	**231,536**

Other Financial Data (Asset Trends)

- Comparative historical statements of net assets from 2007 to 2011.
- Projected statements of net assets from 2012 to 2016, with the following assumptions:
  - Increase in net assets from the projected 5-year financial plan.
  - Reduction in capital assets by 3% due to depreciation.
  - Increase in restricted assets by 5% for the growth in fair market value of the endowment fund.

The Consultant’s Analyses/Comments

- The presentation is clean and transparent.
- The projections are sound enough and ready to share as part of the larger dialog.
- The plan served as a model of the budget projection’s impact on total assets.
- Statistical analysis suggests that the model is a plausible projection of five years of stable – to – slightly upward financial growth.
- The plan shows modest growth and have a very high level of statistical confidence.
- Not to construct a predictive model that shows an enrollment decline.

The Consultant's Analyses/Comments, continued

- Budget projections are predicated on using tuition increases to achieve its goals. Based on experience in Micronesia, a few modest tuition increases will not yield a diminution in enrollment.
- The biggest weakness in the plan is that it shows flat capital asset base.
  - ✓ Additional information was provided to the Consultant on other sources of funding for capital and technology projects.
- The budget projection passes the straight face test. It ought to be opened to the broader dialog.

The Next Action

- Develop alternative scenarios in the event that the combination of enrollment growth and modest tuition increases could not achieve an offset of partial loss of JEMCO funding and that FSM Government cannot completely assume the decline of JEMCO funding.