

## ALL CAMPUS MEETING 11/20/13

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GOOD AFTERNOON!

First, let me thank each one of you for taking time away from your busy schedule to attend this all campus meeting this afternoon. On October 23<sup>rd</sup>, when we held our All Campus Meeting, we gave an update of where our progress was in the development of the 2015 budget. We reported to you that the VPs were working on budget assumptions and projections and have been involving the Finance Committee, PRC, and the Council of Chairs in the discussions of these budget matters. In that same meeting, I reported that we were at Stage 4 of the budget process as indicated in our budget manual. Briefly, the following process has been completed:

1. Budget assumption and projections
2. VPs and the committees worked on resource allocations by departments, offices, programs and campuses.
3. Based on our budget manual, we are on stage 7 in consolidating the budget based on budget workbooks done by departments, offices, and campuses.
4. The BOR will review the budget in their December 2013 regular meeting in Chuuk.

5. By law, the budget will be sent to the FSM President no later than January 15<sup>th</sup>

Let me begin by reviewing what is currently happening while we work on the budget for 2015.

1. As in any budget development. To have a balanced budget, revenues must equal your expenses.
2. The college Five Year Financial Plan was based on a based case scenario with regards to the financial outlook of the college. It was based on modest increase in students enrollment and FTE. The development of the 2014 budget followed that plan put total budget at a level of 12.1 million dollars.
3. In the development of the budget 2015, the VPs took a different approach in terms of the assumptions and projections of revenues because the college has experienced major decrease in students enrollment especially this Fall Semester and is projecting another shortfall for Spring Semester 2014. So realistically, the budget assumption and projection must be based on actual trends of FTE and student's enrollment in Fall 2012, Fall 2013, and other environmental scan and create the 2015 budget projection.
4. The 2015 budget projection is based on:
  - a. \$125 per credits

- b. \$175 per students for facilities fee,
- c. maintain government contribution of \$3.8 million,
- d. \$100,000 from indirect cost,
- e. 10% decrease in student enrollment.
- f. TOTAL 2015 REVENUE PROJECTION: \$10,859,450
- g. TOTAL BUDGET FOR THIS FISCAL YEAR 2014 IS:  
\$11,753,870

h. The budget 2015 is created to realize the following level expenditures:

- 1. Personnel ..... Based on 65% of total budget or \$7,058,643 60% of the total budget. Based on new and current vacant positions.
- 2. Housing at .....\$680,600
- 3. TCO.....1,333,114
- 4. Communication.....\$306,960
- 5. MIP/Insurance/audit.....\$142,600
- 6. Chuuk Campus lease.....\$95,000
- 7. Summer faculty contract.....\$265,987
- 8. Recruitment/Repatriation.....\$60,000
- 9. Student Travel.....\$71,000
- 10. Tutor Contract.....\$55,000

What is left to allocate to Travel, supplies, contracts, OCE, fixed assets a total of \$775,546.

The remaining was divided up among all departments, offices, and campuses excluding FMI and auxiliary enterprises.

On November 6<sup>th</sup>, cabinet met and reviewed the allocations to ensure we are addressing real priorities that are critical to the college.

1. Health and safety
2. Mission of the college
3. Strategic plan and direction
  - Especially focus on student success
  - Will the college be financially sound, fiscally responsible, and build resources in anticipation of future needs.
  - Evoke an image of quality
  - Invest in and build a strong capacity in human capital
  - Become a learning organization through development of a learning culture guided by student leaders.
  - Emphasize academic offerings in service to national needs.

Cabinet then decided that some needs are not going to be adequately met with the level of allocations given.

Aside from the \$775k allocated already, we would still need additional fund to cover the following:

- 1. Accreditation.....\$100,000
  - 2. President's Office.....\$83,111
  - 3. VPIA (State Campuses included).....\$130,000
  - 4. VPSS.....\$31,316
  - 5. VPAS.....Balanced
- Total .....\$344,427

It is important to note that while we search for solutions to address critical funding needs of the college, we are also mindful of the fact that peer institutions in the region and in the US are building their budget very carefully. In that regard, colleges have strived to lower their personnel budget. There are institutions that are at the level of 80 to 92% personnel that are having problems today. College of Marshalls Islands are cutting personnel.

The college is considering that option by lowering further from 65% to 60% personnel budget to the total budget.

Based on 60% budget for personnel to the total budget, additional \$542,973 can be allocated to address all of the priorities we have not addressed in the budget.

The plan is to reduce the level of personnel by 5 percent.

We need to put criteria in place on how to achieve the reduction of personnel by 5%.

\$542,973 will need to be reduced from the personnel budget. 54 personnel based on average salary of \$10,000 per annum.

How will that be achieved?

1. Shelf programs that are no longer bringing in revenue.
2. Not renew contracts of employees at the end of their anniversary.

**HOW ARE WE GOING TO ADJUST THE 2014 BUDGET?**

1. Due to decline in FTE, we will need to adjust the budget 2014 budget.
2. Fall 2013 we have a decline of FTE from 32,350 to the actual of 27,973 credits.
3. Total adjustment we need to make for Fall Semester is \$91,129
4. Total amount of Vacant position in 2014 is: \$685,993
5. If the Spring and Summer 2014 enrollment continue to decrease, we projected \$500,000 dollars shortfall. We can easily accommodate that by continuing with the freeze on hiring of personnel.