

Finance/Budget Overview

Mike Frandsen

Vice President for Finance and Administration

This presentation (with some minor revisions along the way) has been made to:

General Faculty Council – 11/13/2014

General Faculty – 11/19/2014

Student Senate Forum – 12/01/2014

Administration & Professional Staff Council Forum – 12/03/2014

New Trustee Orientation - 12/04/2014

Development Division Staff Meeting – 02/04/2015

Annual Fund Development Committee – 02/07/2015

President's Advisory Council – 04/17/2015

Student Senate Forum – 04/30/2015

In an effort to better educate the Oberlin College & Conservatory community about how our finances work, I developed the following presentation.

My hope is that through my sharing this widely we can develop a basic understanding of where our resources come from and how we use them. I also hope to convey a sense of the environment in which we operate.

With this information and a shared language, we can engage in more informed and thoughtful discussion about the future.

A few key metrics:

Annual Unrestricted Operating Budget (FY15) – \$155.4 million

Annual Total Operating Budget (FY15) - \$174.1 million

Annual Capital Budget (FY15) - \$14.6 million*

* excludes major, externally funded projects

Endowment (6/30/14) – \$808.5 million

Net Assets (6/30/2014) – \$1,016.6 million

Net Property, Plant, and Equipment (6/30/14) – \$306.9 million

Long-Term Debt (6/30/14) – \$170.4 million

Employees, excluding students (9/26/14) – 1,205

We are in good shape relative to most.

**We are not immune to market forces –
demography, technology, economy, and others –
challenging higher education.**

Think of Oberlin's finances in three pieces:

Operating

Plant/Capital

Investment/Endowment

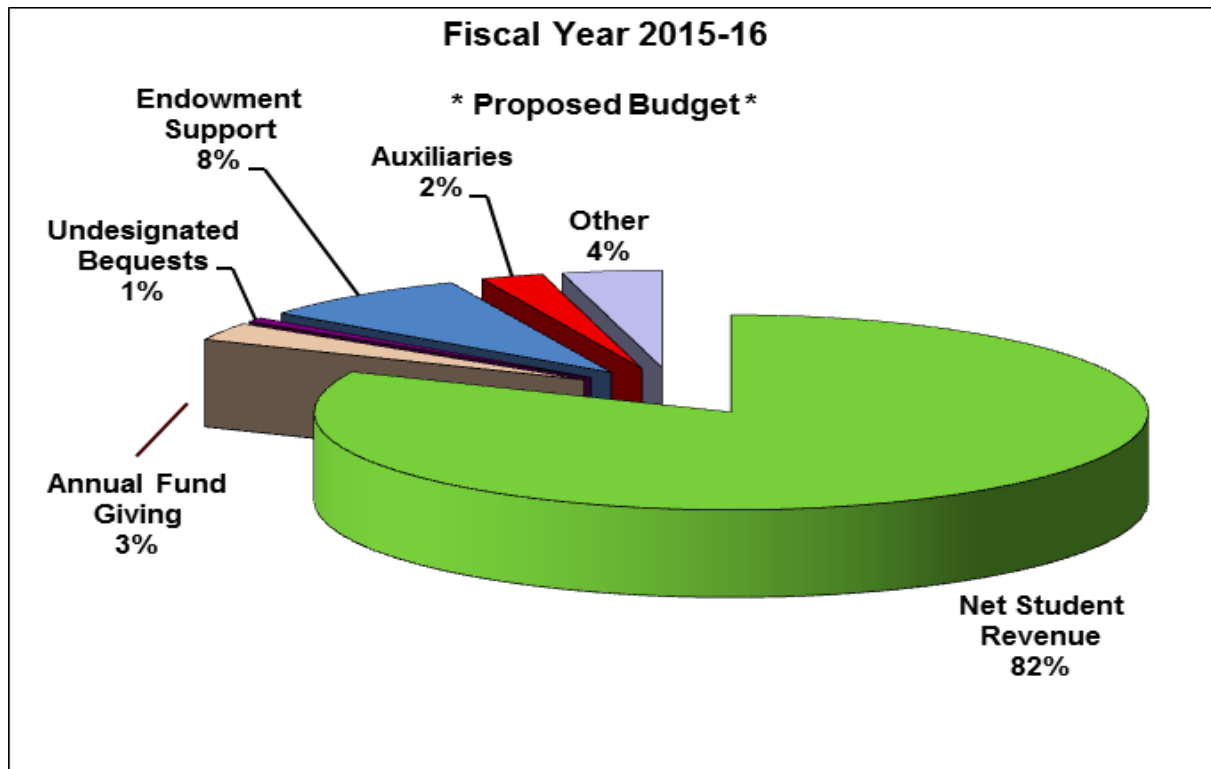
When we talk about “the budget,” it usually refers to the operating budget.

A very simple model:

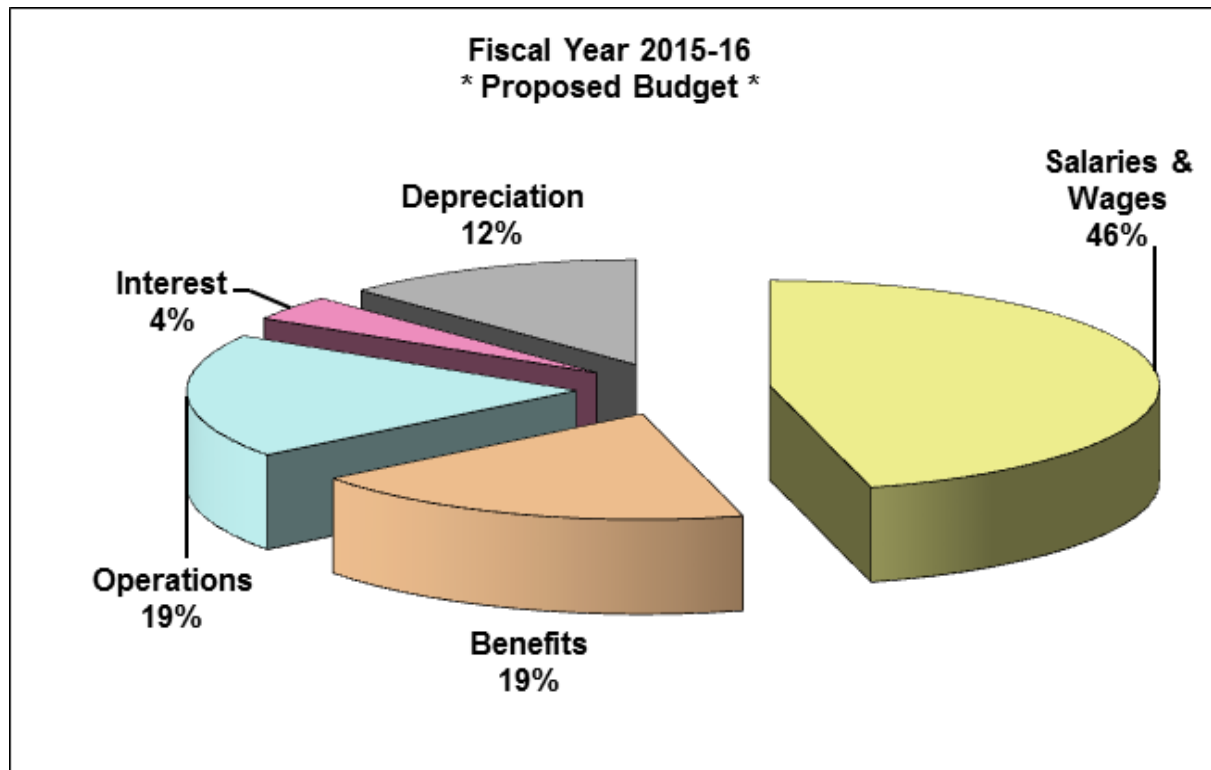
Revenue from students

Expenses for personnel

Operating Revenue:



Operating Expense:



Key variables:

Enrollment/Tuition

Financial Aid (Discount)

Room and Board

Salaries, Wages and Benefits

Debt Service

Endowment Returns and Spending

Capital Investment/Asset Base

Philanthropy

What's been happening with some of these?

FY11 to FY15

Unrestricted revenue up 3.45%

Unrestricted expense up 3.53%

What's been happening with some of these – FY11 to FY15?

Enrollment flat – 2948 vs. 2961

Tuition – up: gross 4.0%, net 5.9%

Financial aid – up, esp. unfunded

Total student revenue – up 4.8%

Endowment distribution - flat

Salaries – up 4% faculty, 3% others

Benefits – up 5%

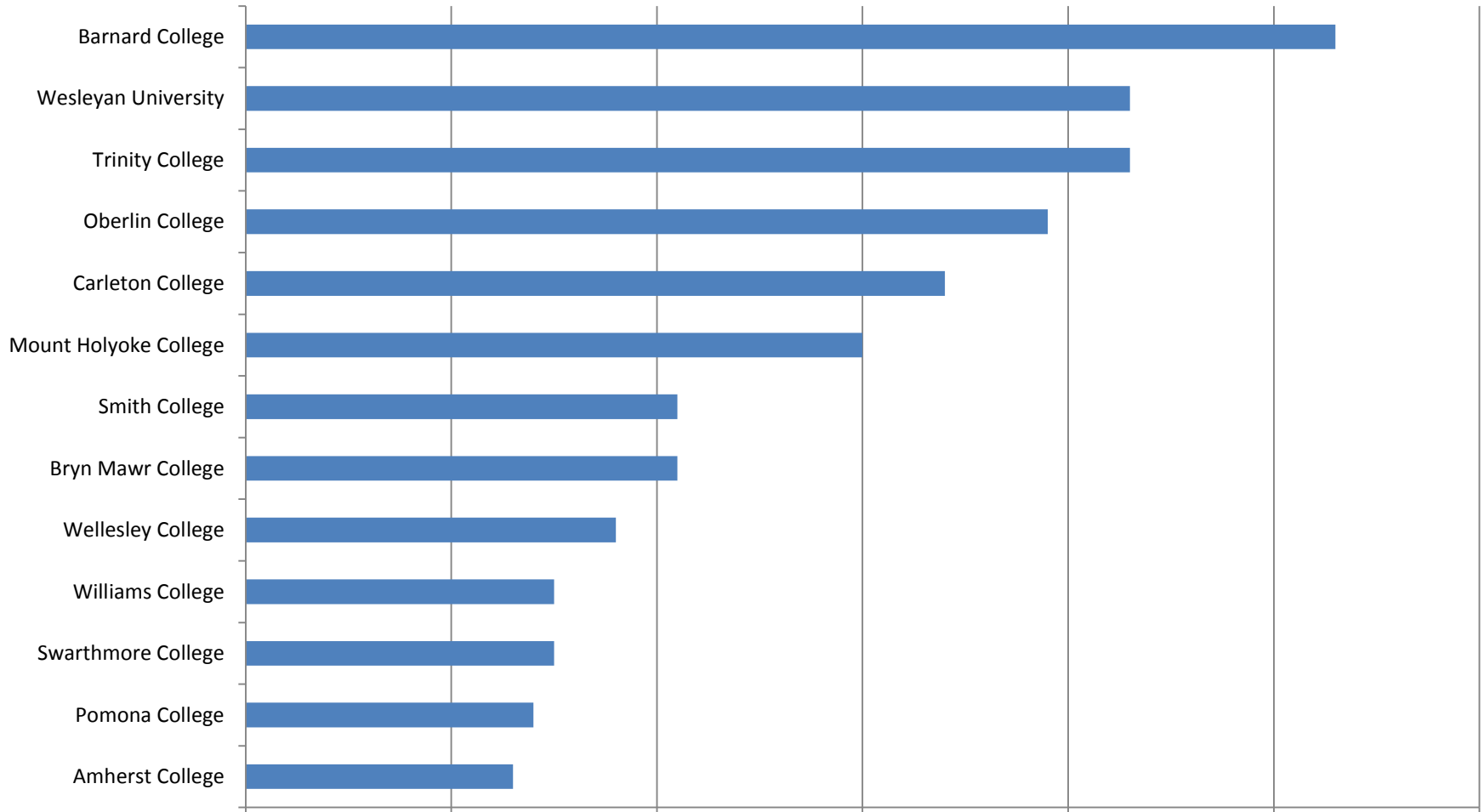
Other operating expenses – up 3.5%

Depreciation and Interest – up 2.3%

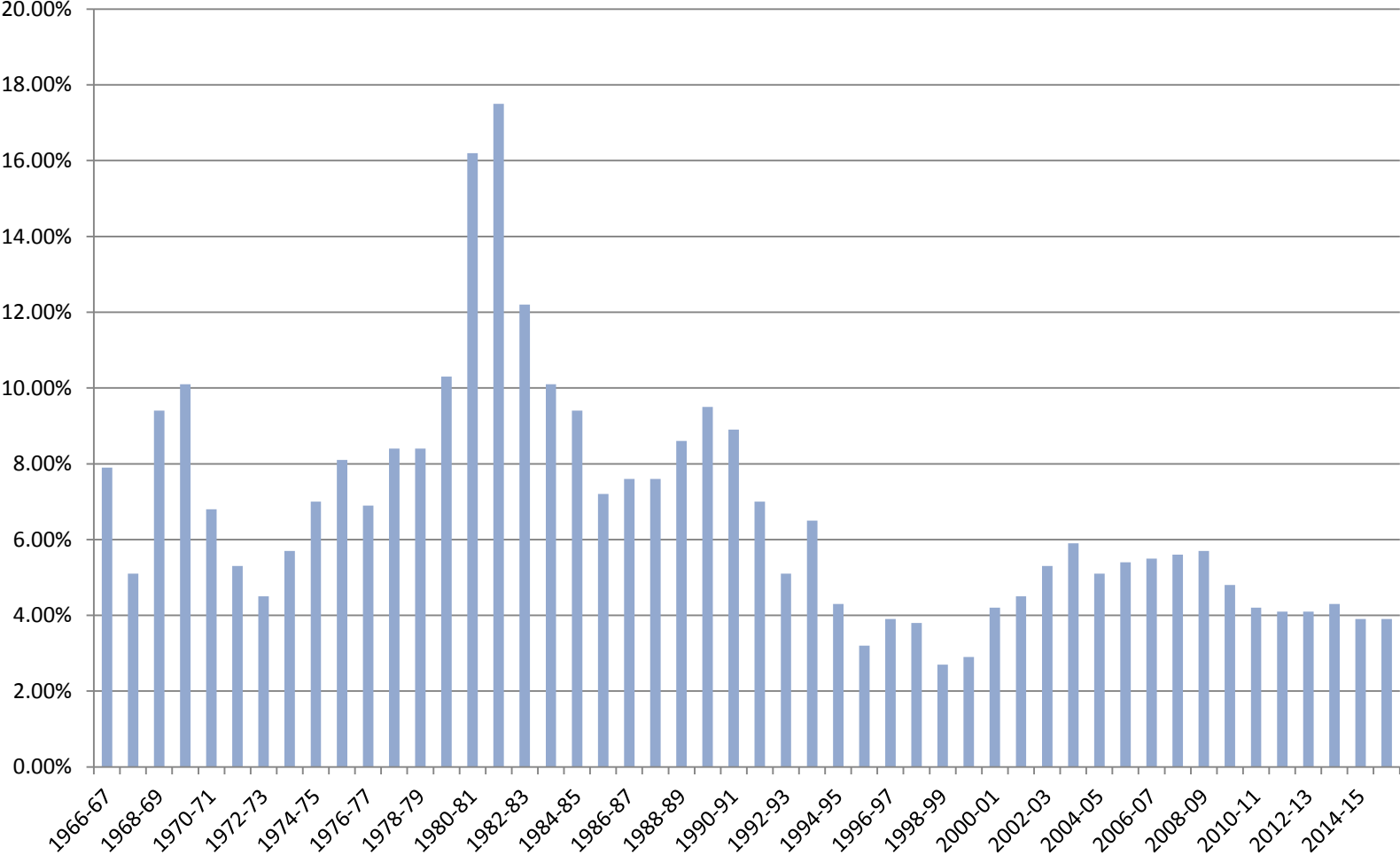
Tuition Dependency

Oberlin is more dependent on tuition and fees as a percent of total revenue than many of our peers.

Tuition and Fees as Percent of Core Revenues FY 13 Finance IPEDS Report



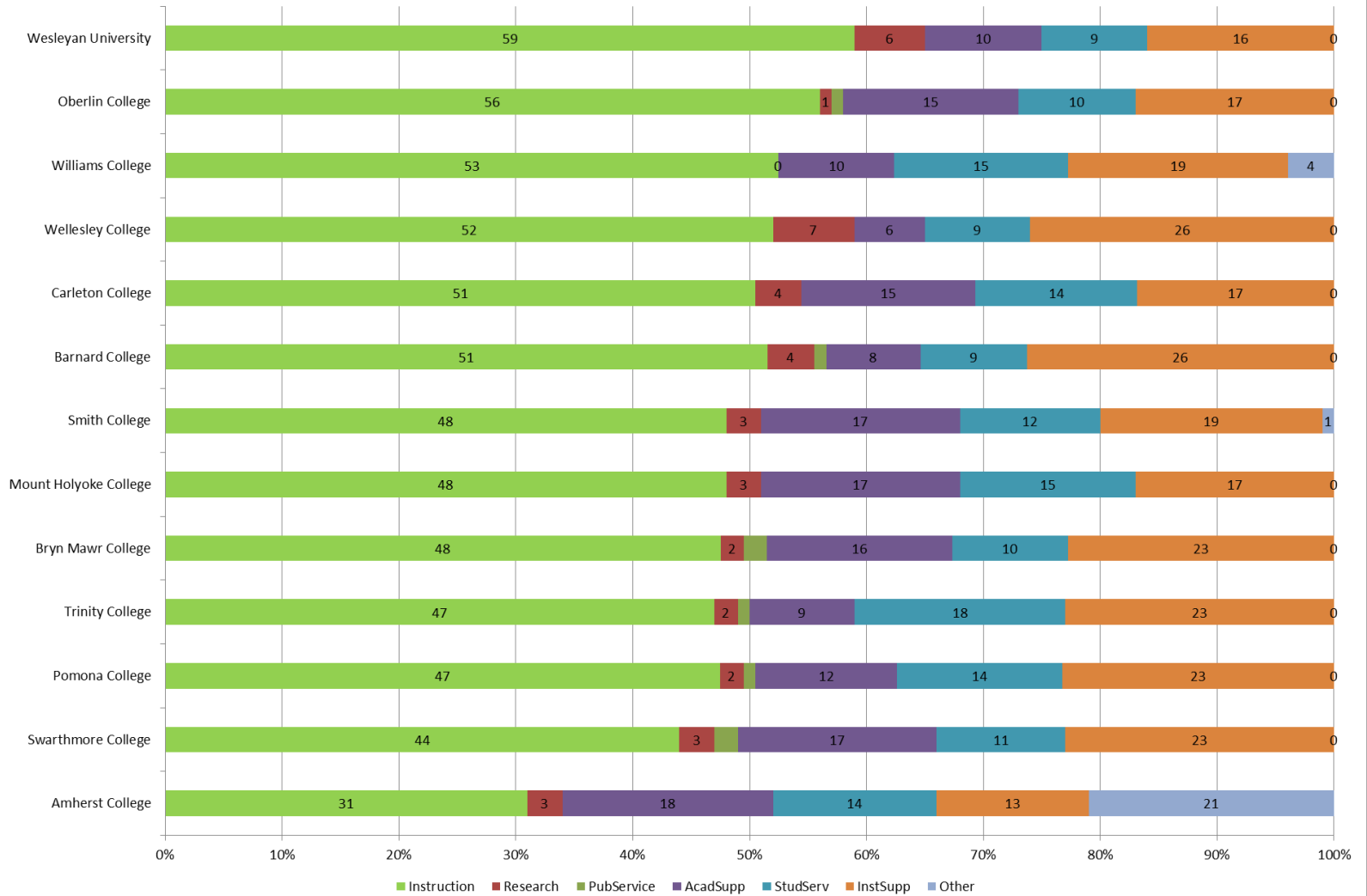
Annual Change in Comprehensive Fee



Percent of Expenditures

Focus is on instructional and academic support.

Area Expenditures as Percent of Total Expenditures FY 13 Finance IPEDS Survey



The current operating forecast:

FY15 – small surplus

Future years – deficits beginning FY16

Capital Spending FY11-15

\$~15 million per year

(not including major new projects)

50% “capital maintenance”

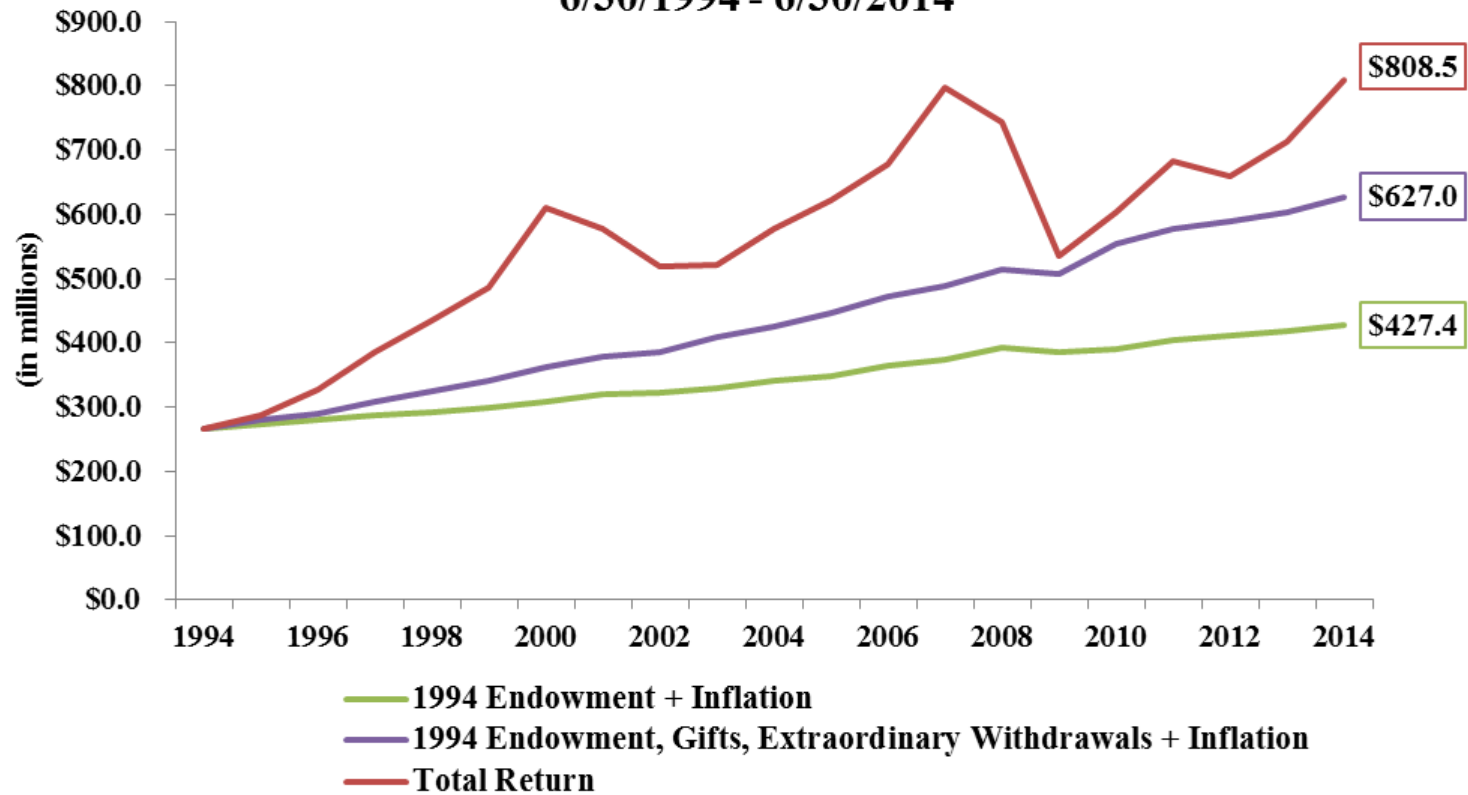
Library, IT and “divisional equipment” account
for 40%

The Endowment

- The Endowment is a perpetual fund designed to exist and support the mission of Oberlin overall in the long-term
- Endowment payout - 5% of 3-year average for smoothing
- 2008 - Current
 - Economic downturn
 - Aid support continues to increase as Endowment support decreases or levels out
 - Endowment support is affected by payout rate, market value, and donations

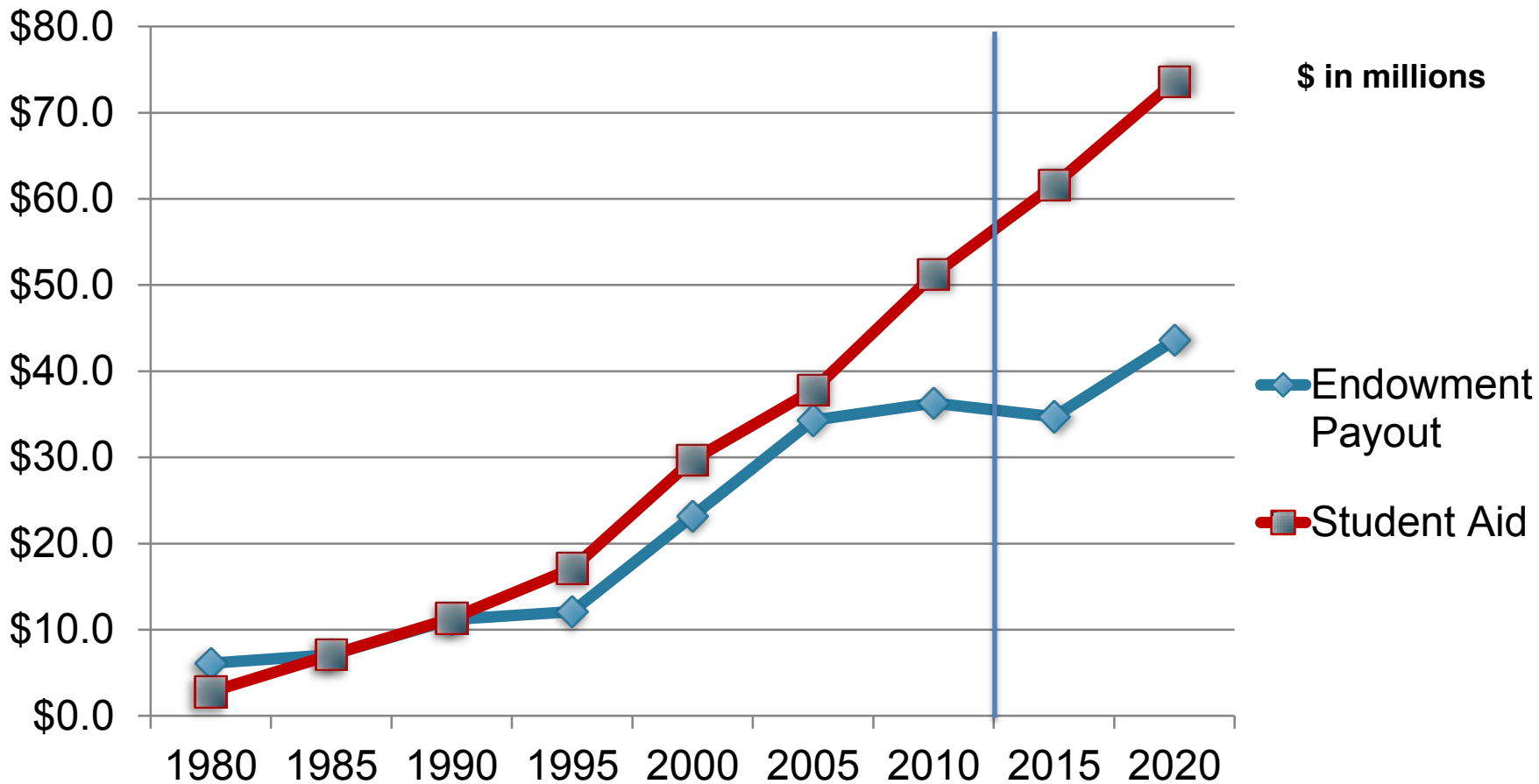
Endowment Performance

Oberlin College Endowment Growth 6/30/1994 - 6/30/2014



Oberlin College

Payout to Support Operations vs. Student Aid in Nominal Dollars

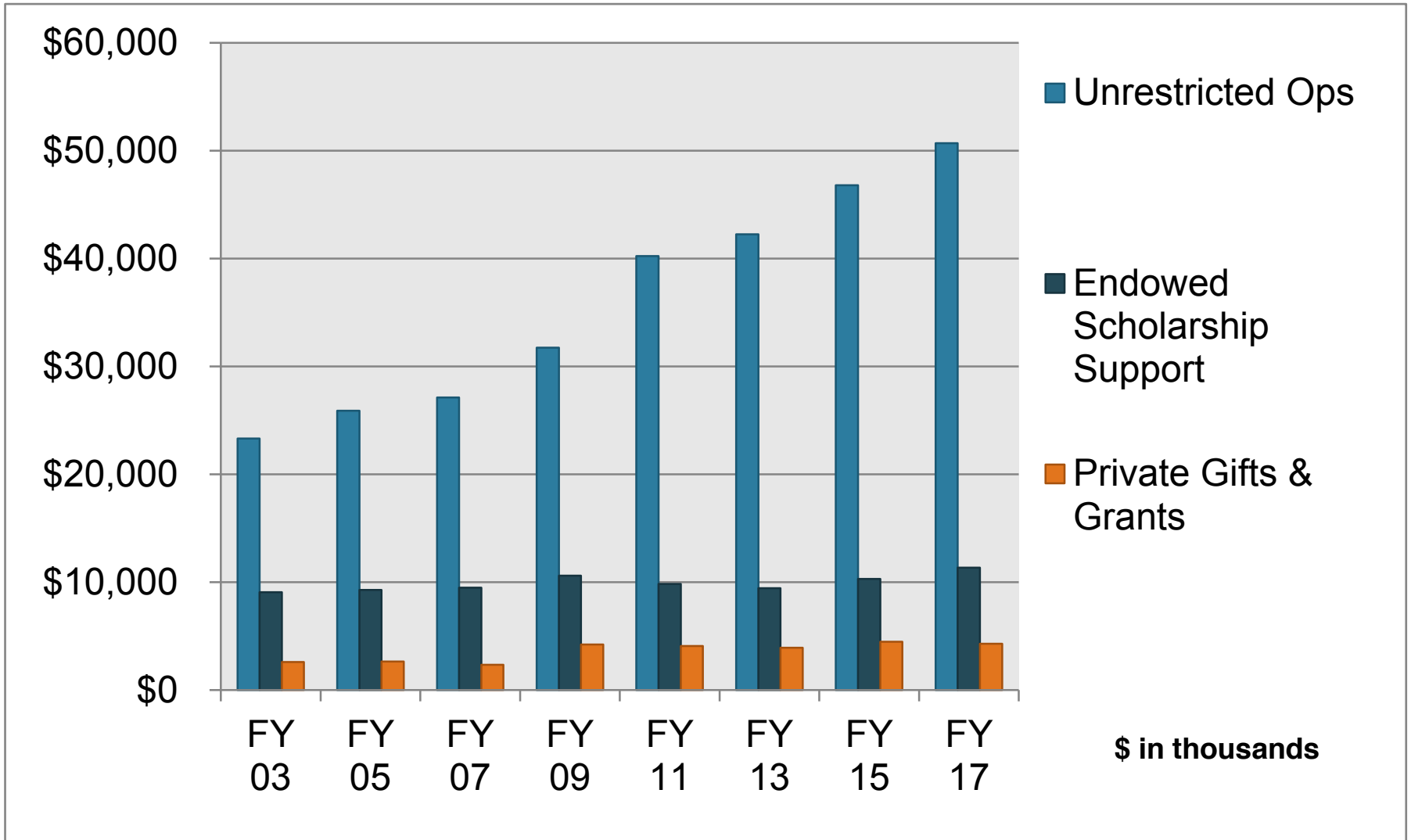


Decade:	<u>1980's</u>	<u>1990's</u>	<u>2000's</u>	<u>2010's</u>
Endowment Payout	\$85.2	\$144.9	\$356.3	\$372.5
Student Aid	\$73.9	\$200.1	\$391.3	\$628.4
	\$11.3	\$(55.2)	\$(34.9)	\$(255.9)

Student Aid Funding by Source

- Unfunded financial aid as a percentage of total costs will continue to grow.
- Primary goal is to ensure the health and growth of the college's commitment to supporting students while providing access to a quality education.

Student Aid by Funding Source



25.9% 24.5% 24.4% 22.8% 18.2% 17.0% 16.7% 17.1% Endowed scholarship support

Questions and concerns:

Increasingly competitive market for a smaller pool of traditional students

Sustainability of annual tuition rate increases

Ability to remain competitive with compensation

Sources of incremental revenue or reduced costs to fund strategic initiatives

Student Demographic Pipeline

College enrollments will grow more slowly

- In the past 8 years undergraduate enrollment at privates increased 38%; next 8 years increase will be 10%. [reported by NCES]
- Next five years, domestic 18 year olds will be stable; modest growth 2020-2027.
- Stability and growth will not be evenly distributed
- Overall growth smaller than other periods of expansion

A smaller proportion will be traditional age

Students under 25 make up 60%; will drop to 57% by 2021

The percentage of women and first generation students will rise during the next decade

Race/ethnicity of high school graduates will diversify

In three years, whites will be minority of children under 18

By 2022, nearly 50% of public high school graduates will be underrepresented and many are expected to be first generation

White high school graduates will drop significantly by 2027

Hispanic and Asian Pacific Americans will rise; 65% of growth

African American representation will remain stable

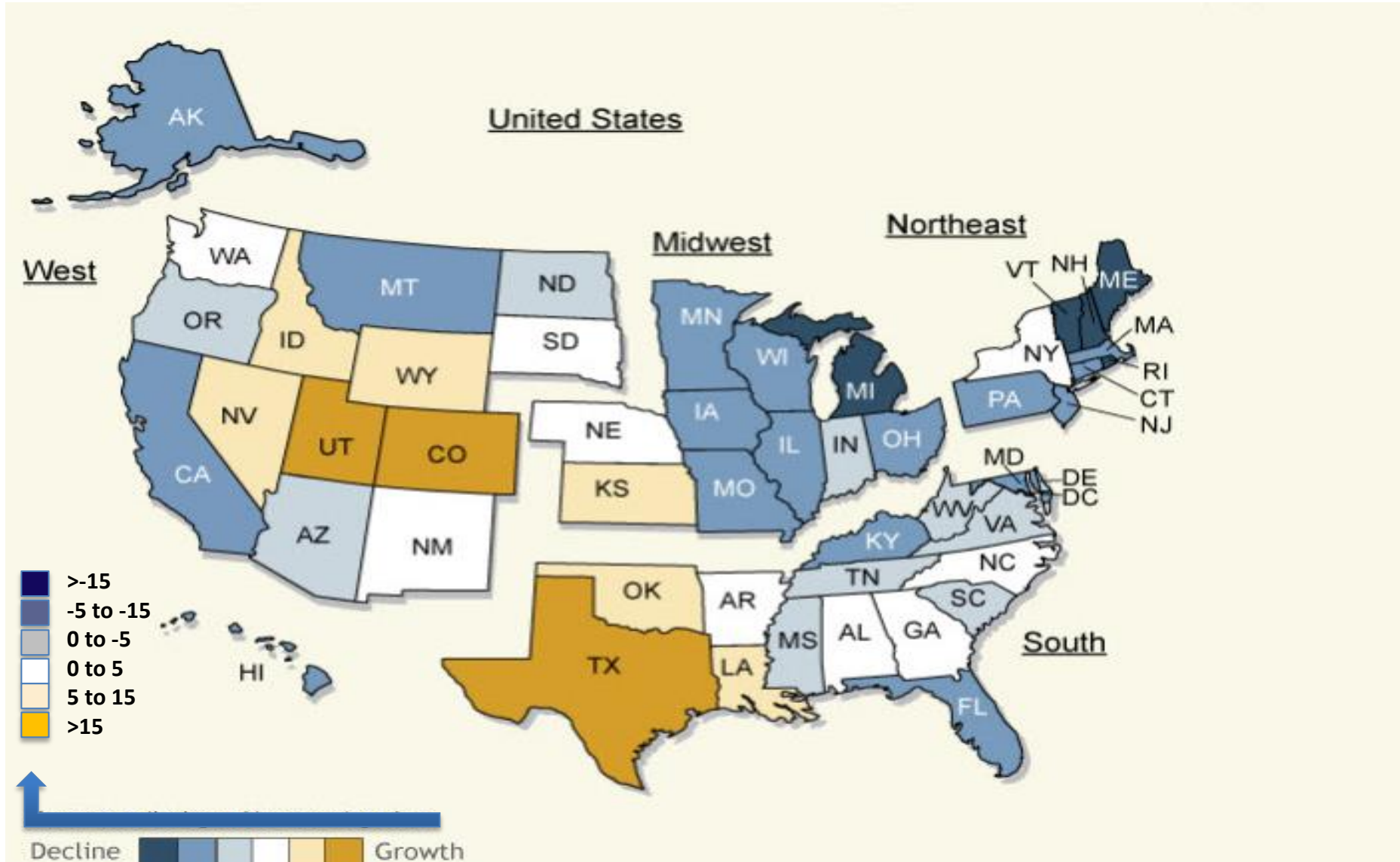
High school graduate numbers will decline in all but 18 states

Many of Oberlin's primary and secondary markets will decline

Through 2019, high school graduates will remain flat or decline in every region except the south

Map of US with Market Shifts

Percent Change Between 2008-09 and 2019-20 in Total High School Graduates, by State

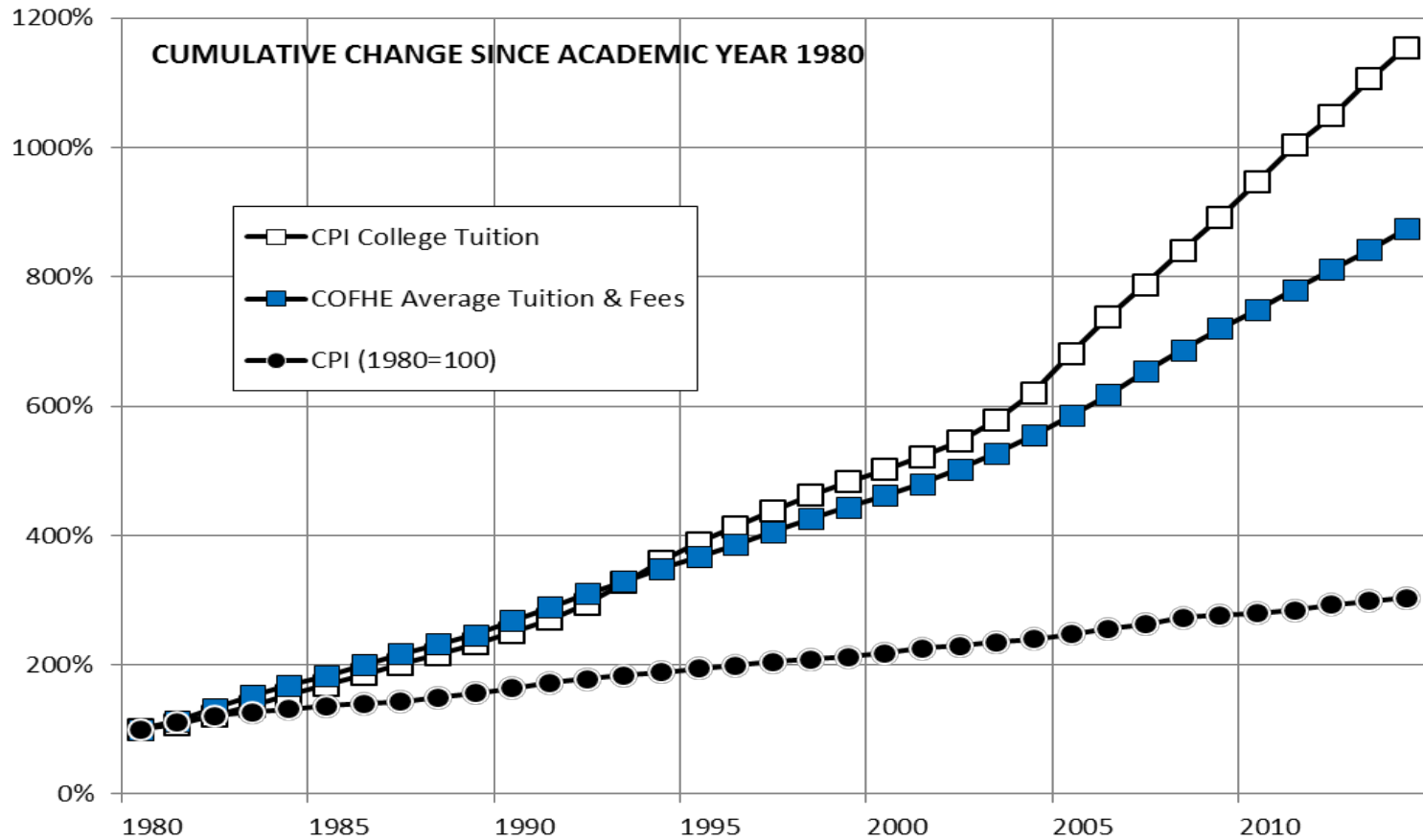


CAN COFHE FAMILIES CONTINUE TO PAY WHAT WE ASK?

THE OBVIOUS POINT –
PRICES HAVE RISEN QUICKLY
INCOMES HAVE NOT
AID MAKES UP THE DIFFERENCE

*From a COFHE Assembly presentation,
“Socioeconomic Diversity and the Aid System”*

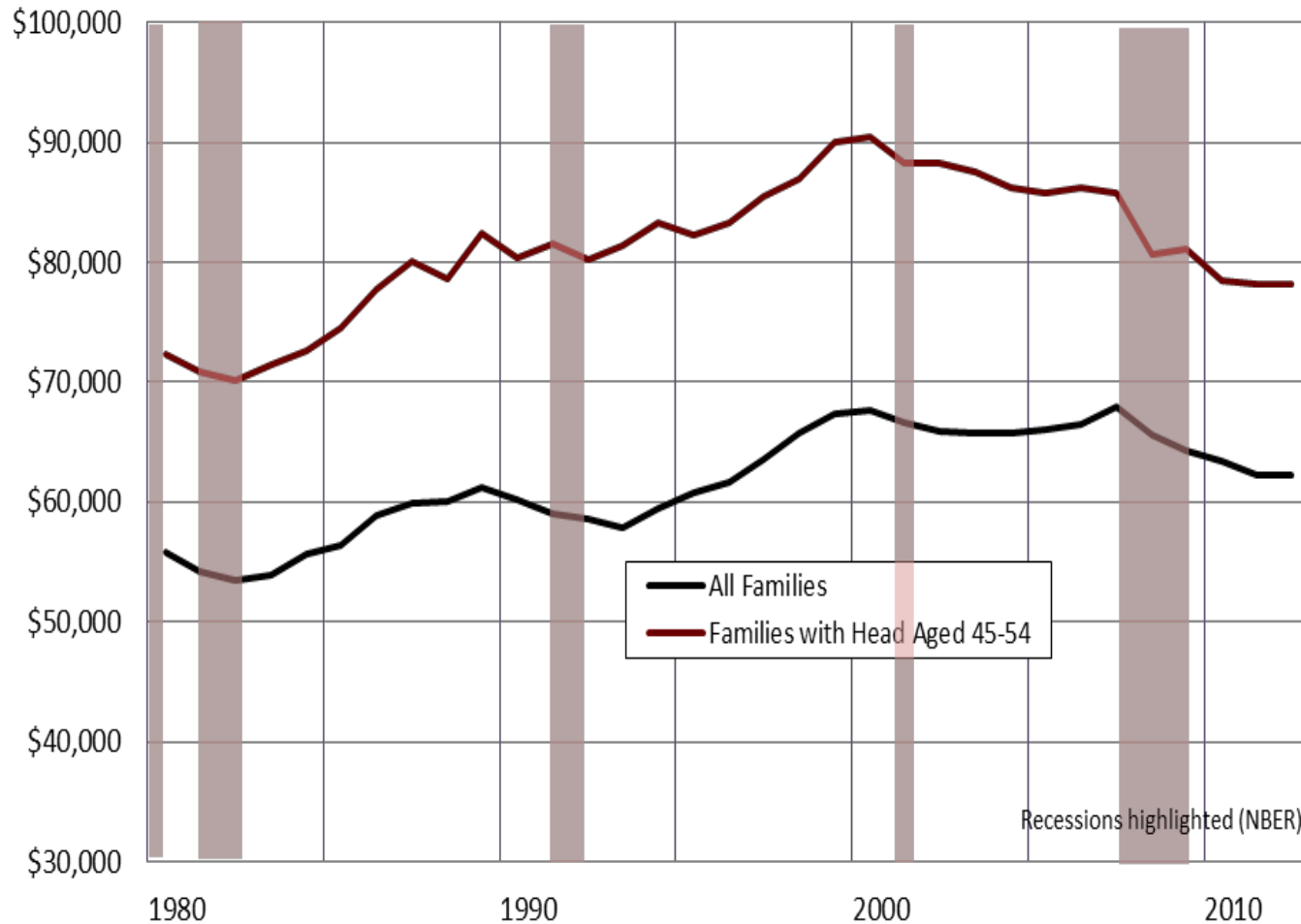
STICKER PRICES



AY (2014 inc)

**PRICES HAVE RISEN QUICKLY
INCOMES HAVE NOT
AID MAKES UP THE DIFFERENCE**

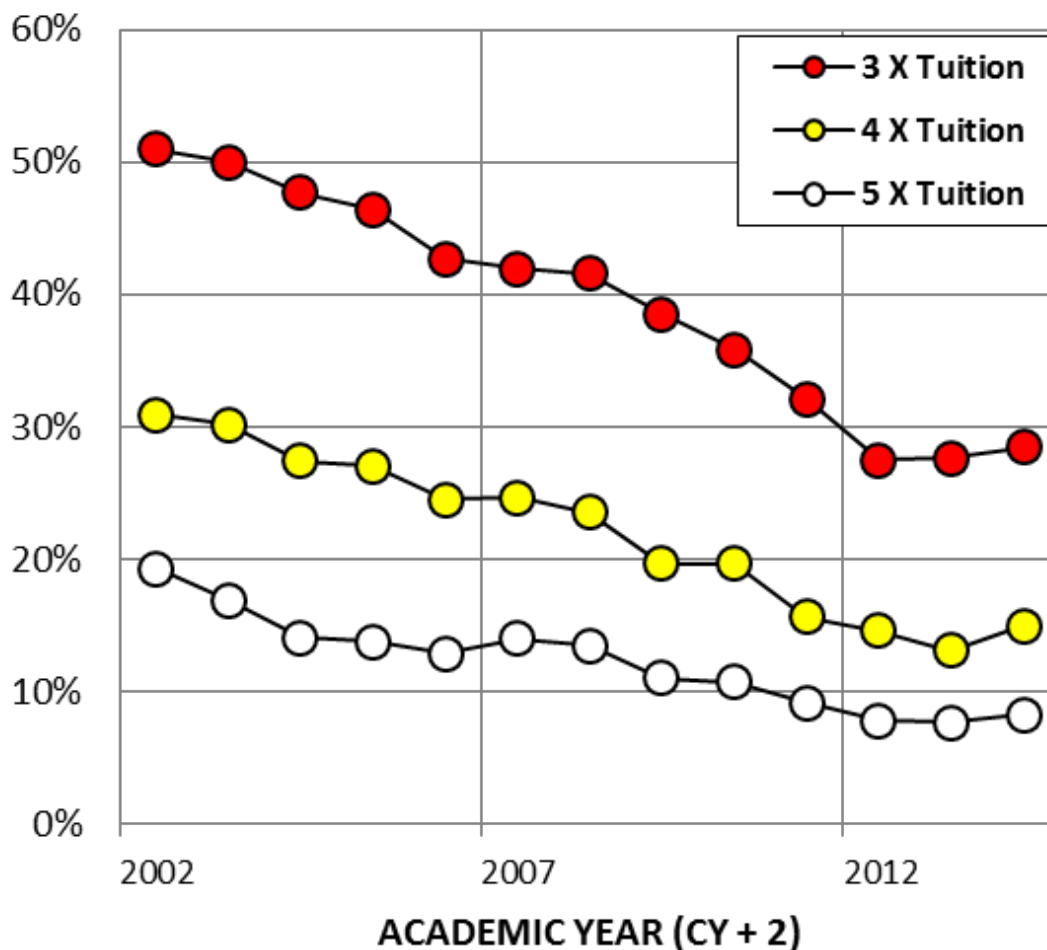
MEDIAN U.S. INCOMES OVER THE LONG RUN



Recessions highlighted (NBER)

ADJUSTING FOR INFLATION USING CPI
TO CY2012 DOLLARS (~AY14)

U.S. FAMILIES WITH INCOMES GREATER THAN...



Families with dependent children aged 19 or 20 in college.
Tuition is for the COFHE median institution.

What to do?

Manage costs; be disciplined about spending. Think about what we could stop doing.

Generate new revenue streams from existing assets – financial, physical, human, and reputational.

Increase reach through effective communication programs. Highlight distinctiveness and value.

Thank You