

Seattle Colleges

Annual Financial Report

Period Ending June 30, 2016

District Summary



UPDATED

Overview

The Year End Financial Report reflects the continuing financial challenges facing the Seattle Colleges. Some key components include:

- Total tuition collection for FY1516 was \$2.9M less than in FY1415. This was mainly caused by the continued reduction in enrollment.
- Operating expenses were lower than the budgeted amount for the year. However, setting aside the formal reserve of \$4.4M, the Seattle Colleges spent 99.2% of its allocated budget for FY 1516. The net impact in terms of the “carryforward balance” for the Seattle Colleges was a reduction from \$10.9M at FYE1415 to \$6.7M at FYE1516.
- As a result of the addition of new programs, BAS tuition revenue of \$1,615,108 was significantly higher by 38% over FY 1415. For FY1617, BAS tuition will be lowered by an additional 15% per the Legislative mandate for the biennium. This will have an impact on our tuition collection.
- The College is operating in a challenging cost environment with overall expenses – mostly salaries - rising \$8.3M year over prior year.
- Although Local Funds maintained consistent cash balances, Funds 522, 528, 569, & 448 closed the year with small operational deficits. The most concerning of these continues to be Fund 569 (Food Service).

Financial Sustainability

With structural uncertainties caused by the enrollment decline and the State of Washington’s budget situation, the Seattle Colleges continues to manage its budget conservatively:

- Operating expenses of \$127.9 million were less than budgeted expenses of \$133.4 million. However, the following should be noted:
 - Average class size contracted at each of the colleges resulting in more spending per student FTES on classroom instruction.
 - Spending on hourly workers increased in part due to the increase in the minimum wage in Seattle.
 - District-wide (overhead) expenses of Merchant Fees and Unemployment increased significantly in FY1516 causing the college budgets to have to supplement these budgets at year end.
- Tuition revenue - came in at 91.8% of FY 1415 total tuition collected. 5% of the 8.2% decrease in year over year tuition collected is from the reduction in tuition passed by the State legislature for FY 1516.
- Total reserves of \$12.2 million are within our 5-10% policy requirement.
- Local funding sources remain a diversified source of revenue, however the colleges are increasingly reliant on these sources as tuition revenue declines (i.e., International Student Tuition). Additionally, there appears to be softening in the International Student market in the coming years.

SCCC District Financial Summary for FY 2015-2016

- Cash balances remain adequate in large revenue accounts such as International Students and Auxiliary Enterprises, however the colleges are continuing to use more of these funds for core operations as other resources decline.
- Self-support programs continue to run positive cash balances.
- Retail and other fund balances remain in positive cash positions. Food service continues to be an area of financial concern as the colleges showed another loss for FY 1516.

Operating Budget (State Funding, Tuition, and Indirect Cost Recoveries)

- The total of all operating expenditures of \$127.9M through the end of FY 1516 is at 96% of the operating budget of \$133.4M.
- Labor (salary and benefit) costs are at 81% of the total annual expenditures and remain fairly consistent with 82% last year.
- Expenditures in Goods & Services (aka Non-Labor expenses) rose \$592K year over year. Total non-labor expenditures was \$22.0M – this is a slight increase when compared to \$21.6M in total non-labor expenditures last year. However, the \$22.0M was below the budgeted amount of \$25.0M for FY 1516.

Grants & Contracts

- International Student program revenue totaled \$23.5M for FY 1516. This is a \$1.9M reduction from the \$25.4M reported in FY 1415. In fiscal year 1516, no conversions of International Student FTES were made.
- Grants continue to be a strong funding opportunity for the SCC with an active balance of \$44.7M at the current time. This total is a multi-year grant total of all active grants. See the Active Grants report for more detail.

Fund Reporting

Non-operating funds are displayed in a balance sheet and income statement format.

- Fund 522, Associated Students revenue is \$3.6M which is down from \$3.9M and reflects our lower enrollment this year.
- Fund 569, Food Service loss is (\$197K) on revenues of \$2.2M. Last year there was a loss of (\$139K) on revenues of \$2.3M.
- Fund 570, Auxiliary Enterprise revenue decreased by \$2.9M compared to the previous year. Most of the \$2.9M reduction from revenues is resulting from Intensive English which collected \$2.1M less in revenues year over year.

Reserves

- Per Seattle Colleges Policy 608, the Colleges and the District Office continue to maintain accounts as required. Total reserve for the District is \$12.2M and 5.9% of the aggregate total of the annual budget.