



Challenges for Valencia

Board of Trustees - January, 2019



Area of Focus

- Business Challenges
- Operational Challenges
- Capital Challenges

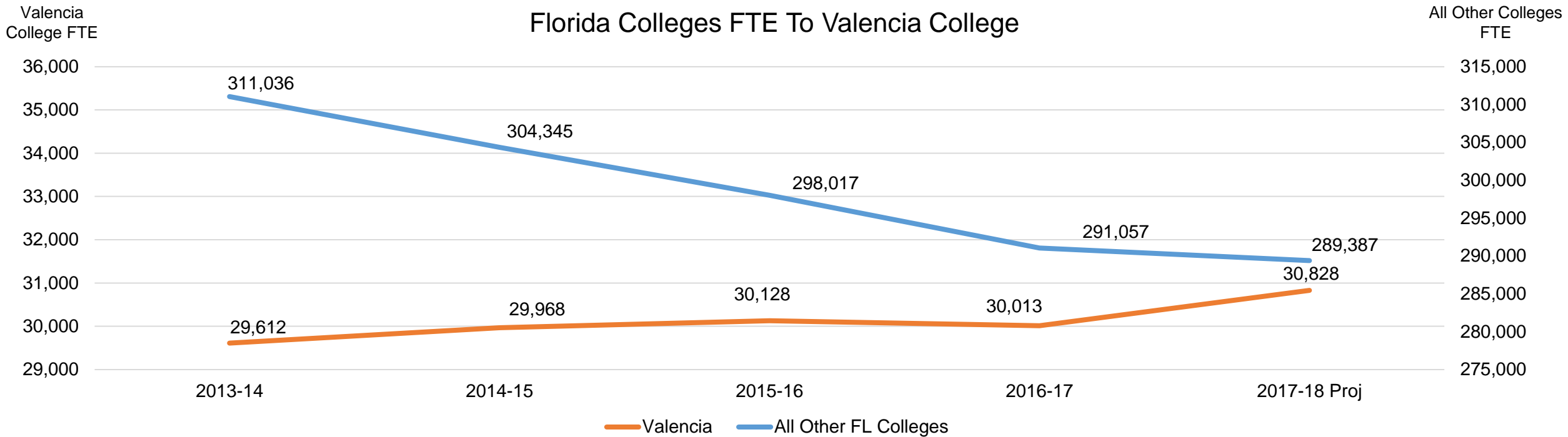
Discussion on Investments

- Poinciana
- Lake Nona
- Downtown Campus
- On-line
- NSE / Life Map
- International students
- Sustained wage increases
- Centers for Accelerated Training
- East Campus Arts & Entertainment
- VC / UCF shared space
- Teaching and learning
- Got College
- Canvas
- Graduation Rates

Key Business Challenges

- Increasing costs due to inflation and volume
- Inconsistent state funding that doesn't support growth
- A need for diversified revenue streams
- Significant population growth
- Rate relative to inflation
- Utilization and timing of asset needs

FTE Florida College System

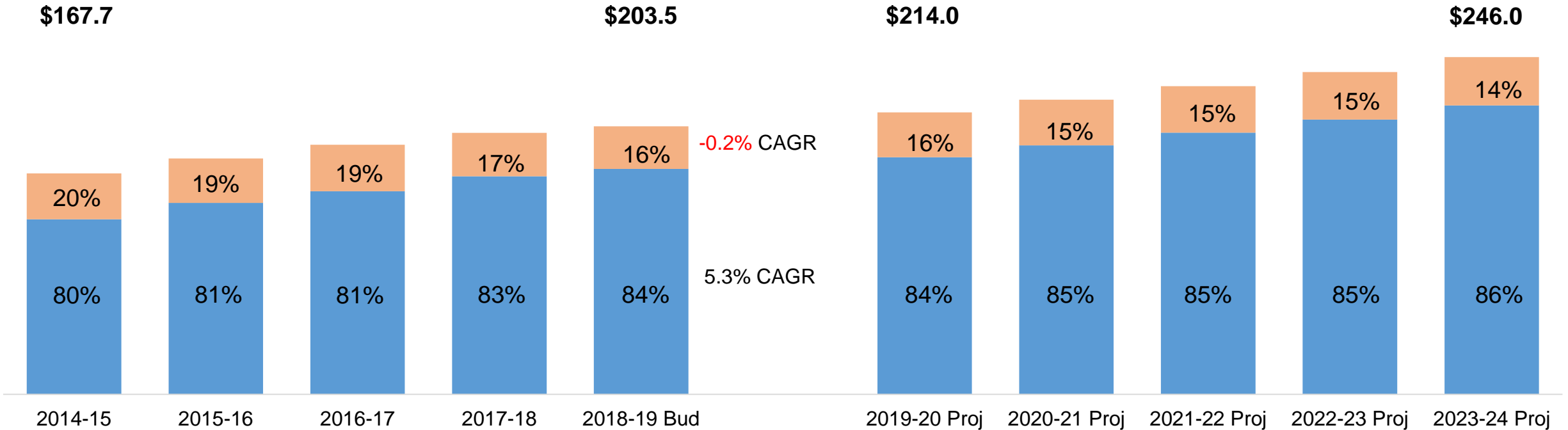


| Colleges (Six Highest FTE) | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|----------------------------|---------|---------|---------|---------|---------|
| Miami-Dade | 54,471 | 53,685 | 51,526 | 47,129 | 48,188 |
| Broward | 30,495 | 30,125 | 30,052 | 29,471 | 28,626 |
| Palm Beach | 20,057 | 19,881 | 19,962 | 20,537 | 21,117 |
| St. Petersburg | 20,691 | 20,784 | 20,094 | 18,998 | 18,568 |
| Hillsborough | 19,973 | 20,270 | 20,045 | 19,621 | 20,009 |
| FSC, Jacksonville | 21,675 | 20,217 | 19,630 | 18,908 | 16,807 |

Operating Costs

10 YEAR OPERATING EXPENDITURES OUTLOOK
(MILLIONS)

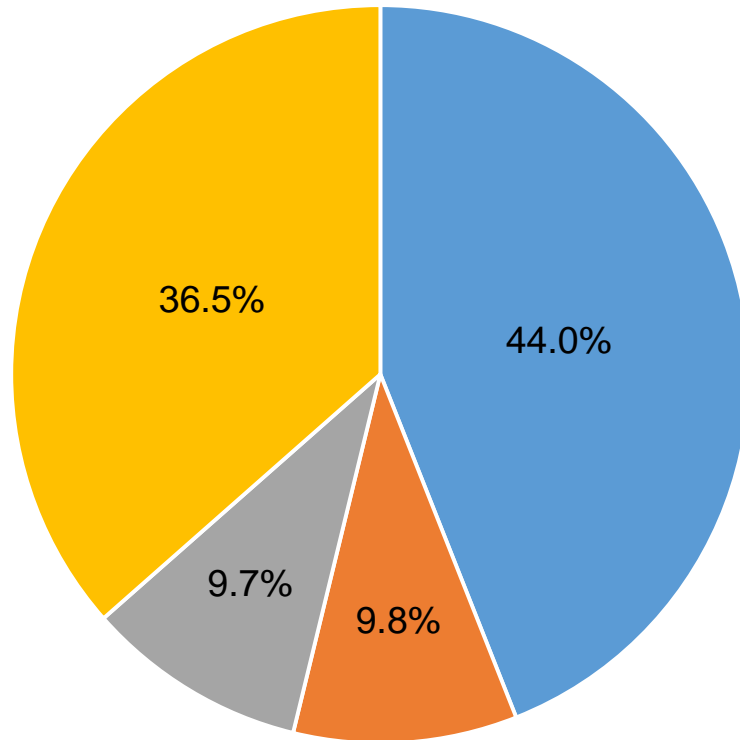
■ Labor ■ Opex/Capital



| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 Bud | 2019-20 Proj | 2020-21 Proj | 2021-22 Proj | 2022-23 Proj | 2023-24 Proj |
|------------|---------|---------|---------|---------|-------------|--------------|--------------|--------------|--------------|--------------|
| YoY Change | \$6.2 | \$7.8 | \$15.5 | \$10.1 | \$5.0 | \$10.5 | \$8.0 | \$8.0 | \$8.0 | \$8.0 |

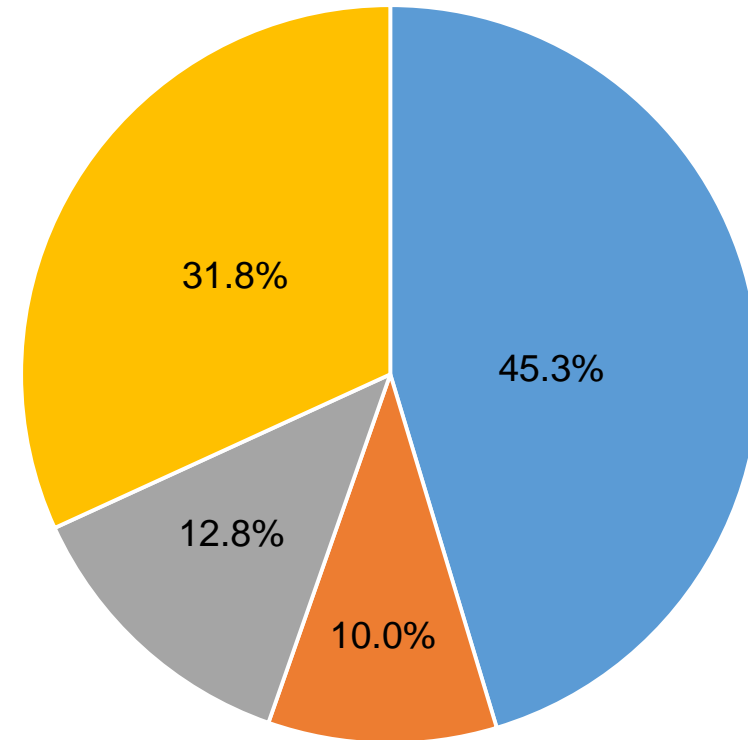
Operating Expenditures by Function

FY 2007-08



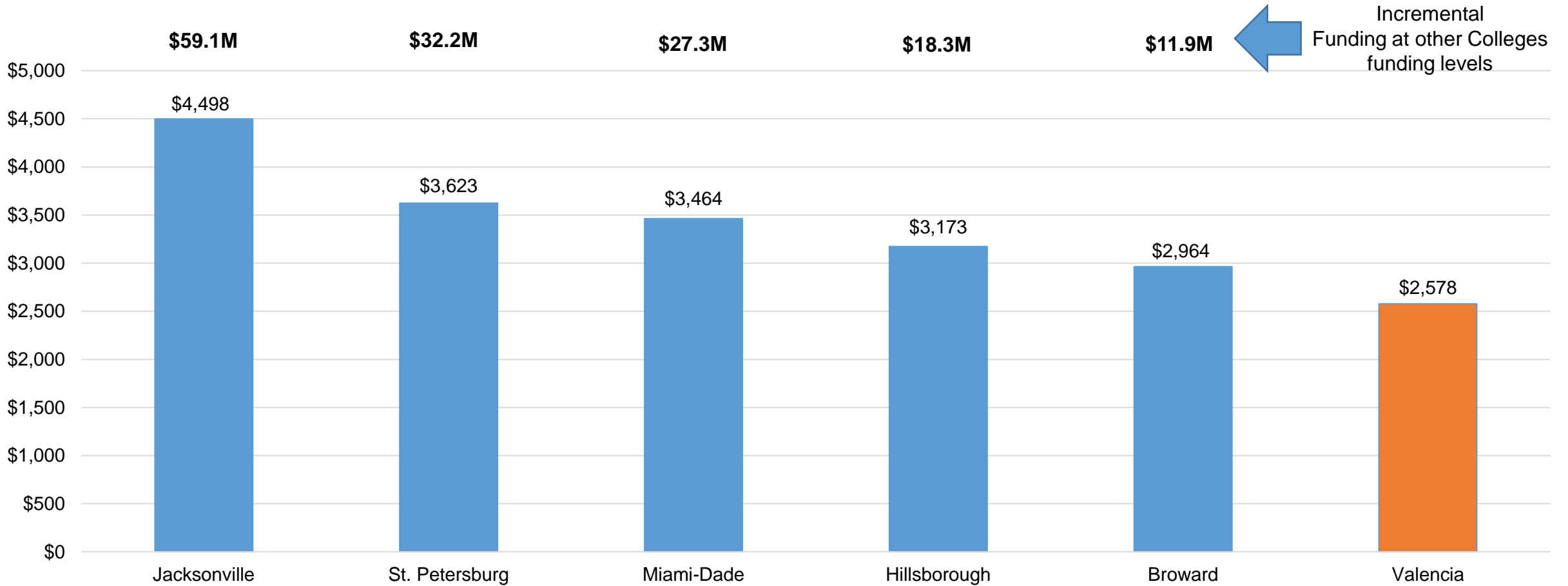
■ Instruction ■ Academic Support ■ Student Support ■ Institutional / Operations

FY 2017-18



■ Instruction ■ Academic Support ■ Student Support ■ Institutional / Operations

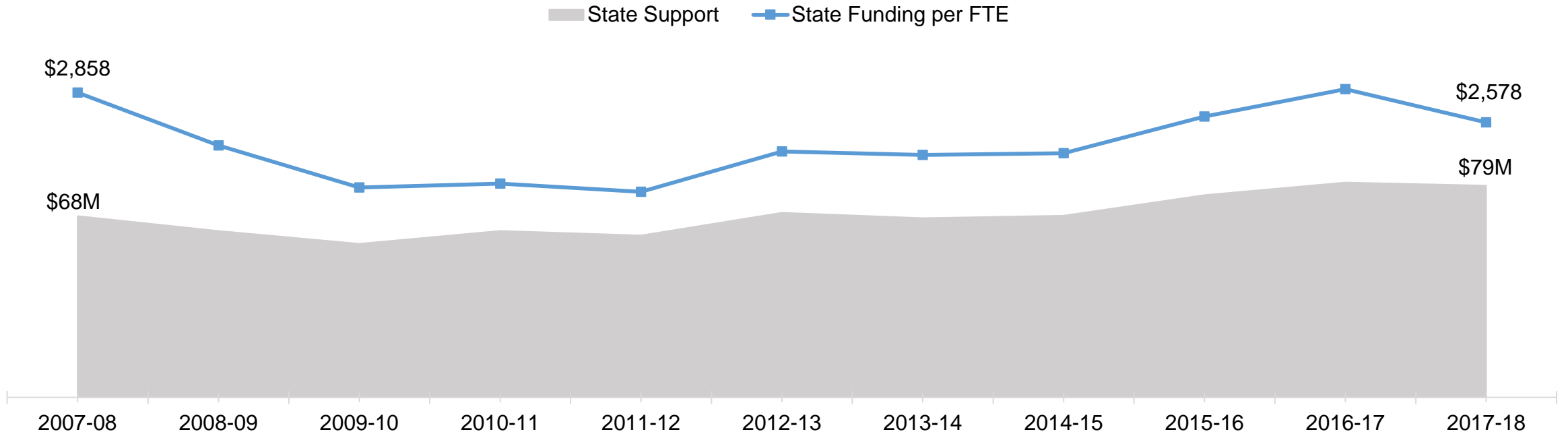
State Funding Per FTE



| 2007-08 | | | |
|------------------------|-----------------|---------|-----------------------|
| College | State Funding | FTE | State Funding Per FTE |
| Valencia | \$68,056,879 | 23,816 | \$2,858 |
| Total FCS Excluding VC | \$1,058,963,479 | 264,263 | \$4,109 |

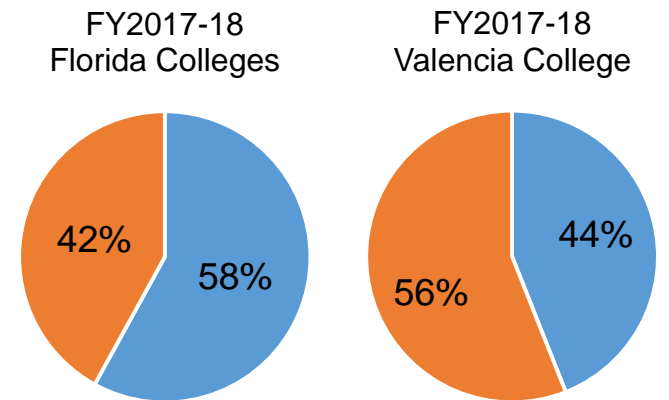
| 2017-18 | | | |
|------------------------|-----------------|---------|-----------------------|
| College | State Funding | FTE | State Funding Per FTE |
| Valencia | \$79,428,689 | 30,827 | \$2,578 |
| Total FCS Excluding VC | \$1,092,283,681 | 289,215 | \$3,779 |

State Support

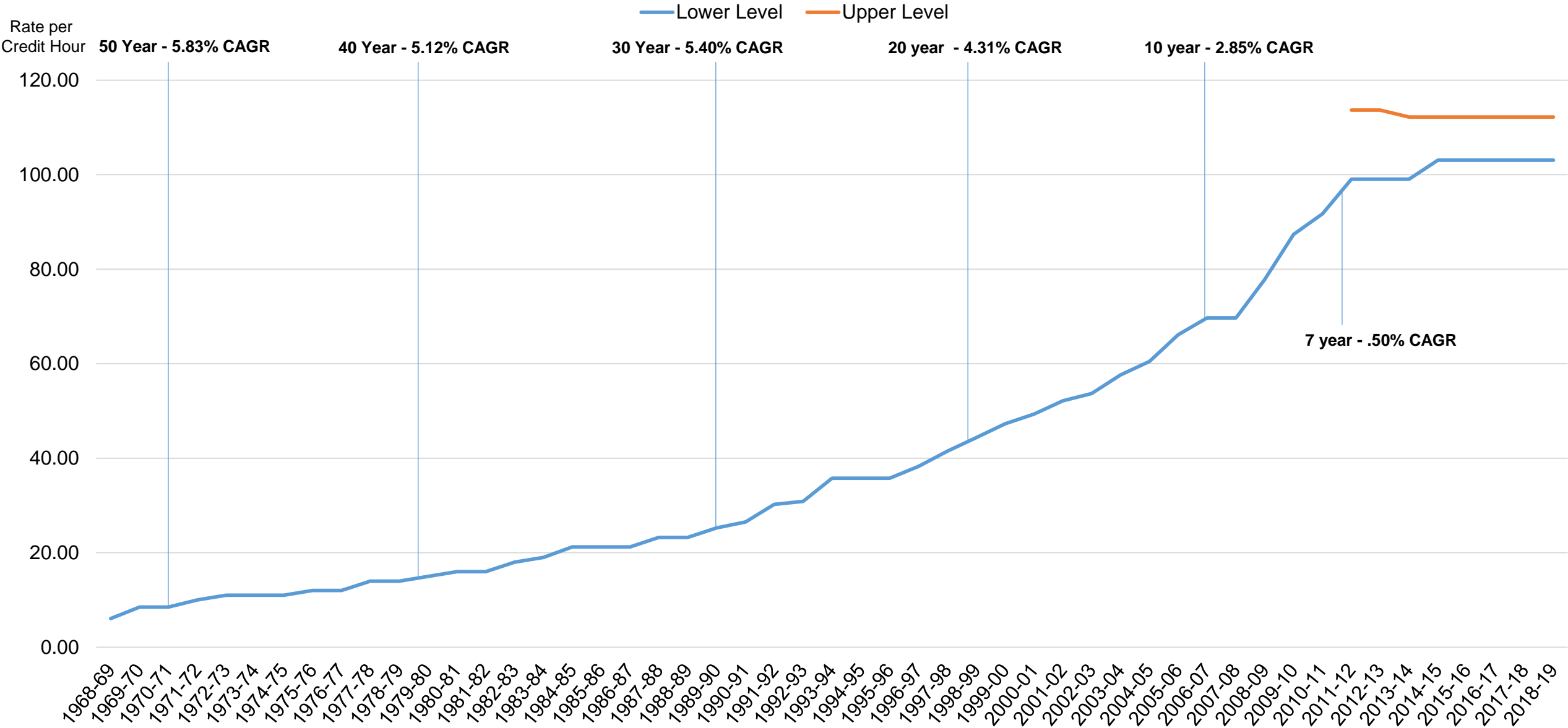


| | CAGR |
|-----------------------|------|
| FTE | 2.4% |
| State Support* | 1.4% |
| State Funding per FTE | -1% |

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| State Support YoY Change* | -\$5.6 | -\$4.8 | \$4.8 | -\$1.7 | \$8.5 | -\$2.0 | \$1.3 | \$10.7 | \$7.4 | -\$1.5 |



Tuition Rates Over 50 Years



Thought Questions

- What do you see as the biggest business challenge?
- Are there blind spots we should be looking at?



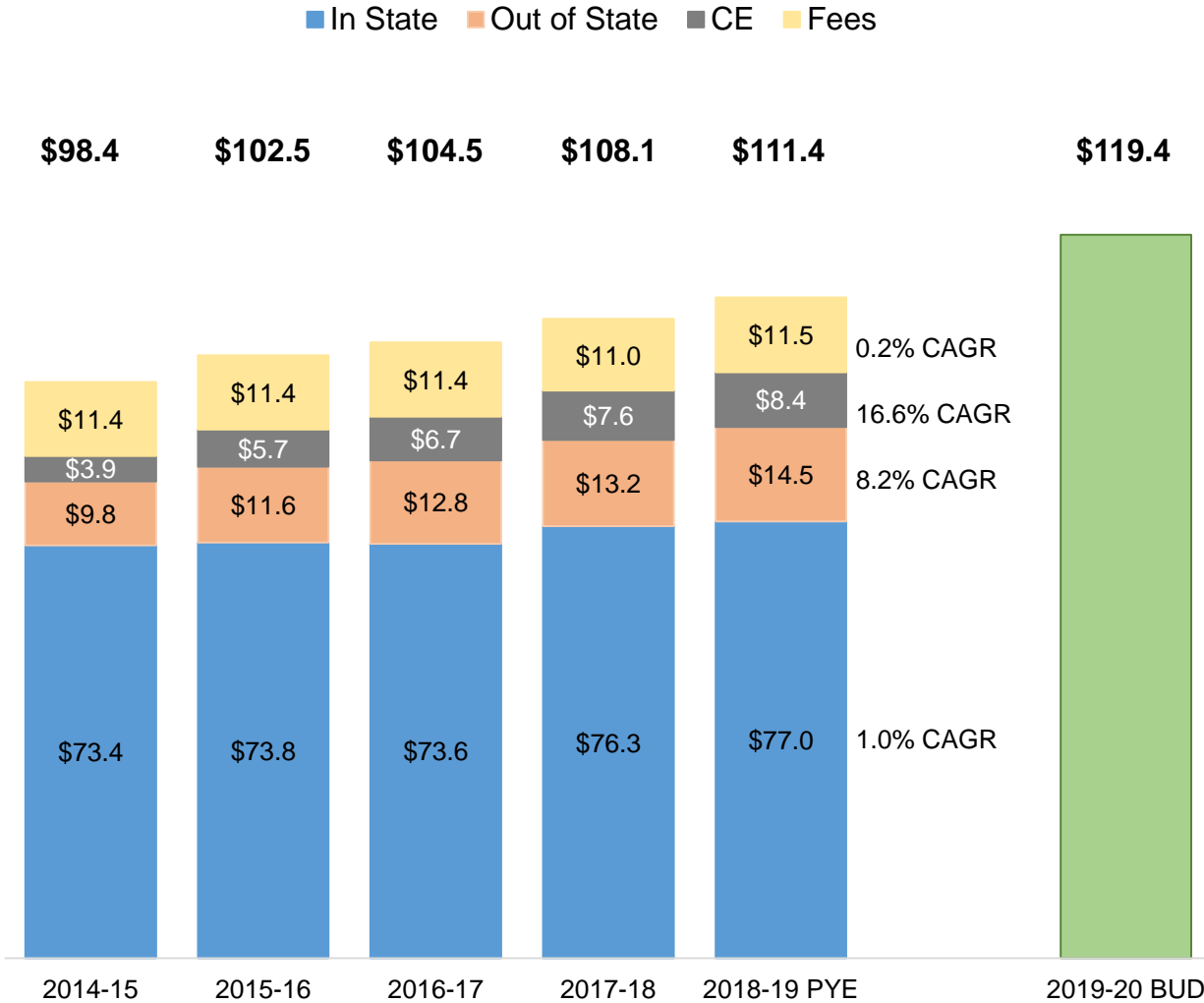


Area of Focus

- Business Challenges
- **Operational Challenges**
- Capital Challenges

Student Based Revenue

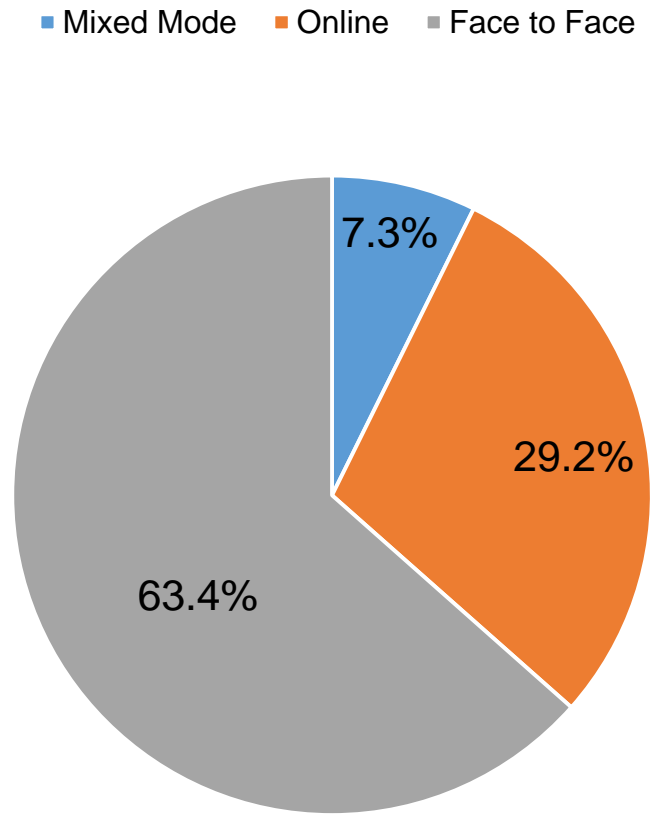
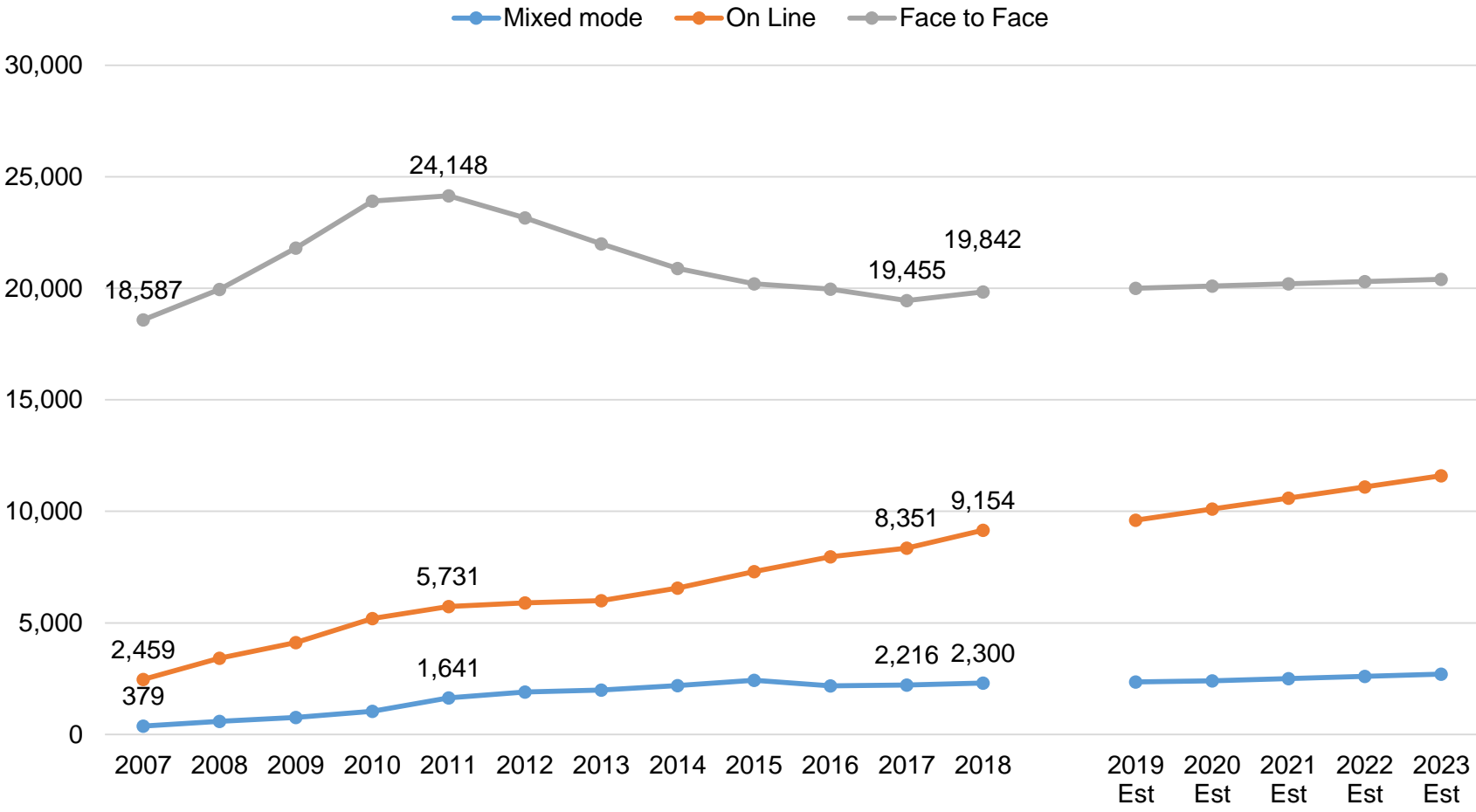
5 YEAR STUDENT BASED REVENUES
(MILLIONS)



FY 2019-20 WILL REQUIRE AN INCREMENTAL \$10M
OVER FY 2018-19 PROJECTION

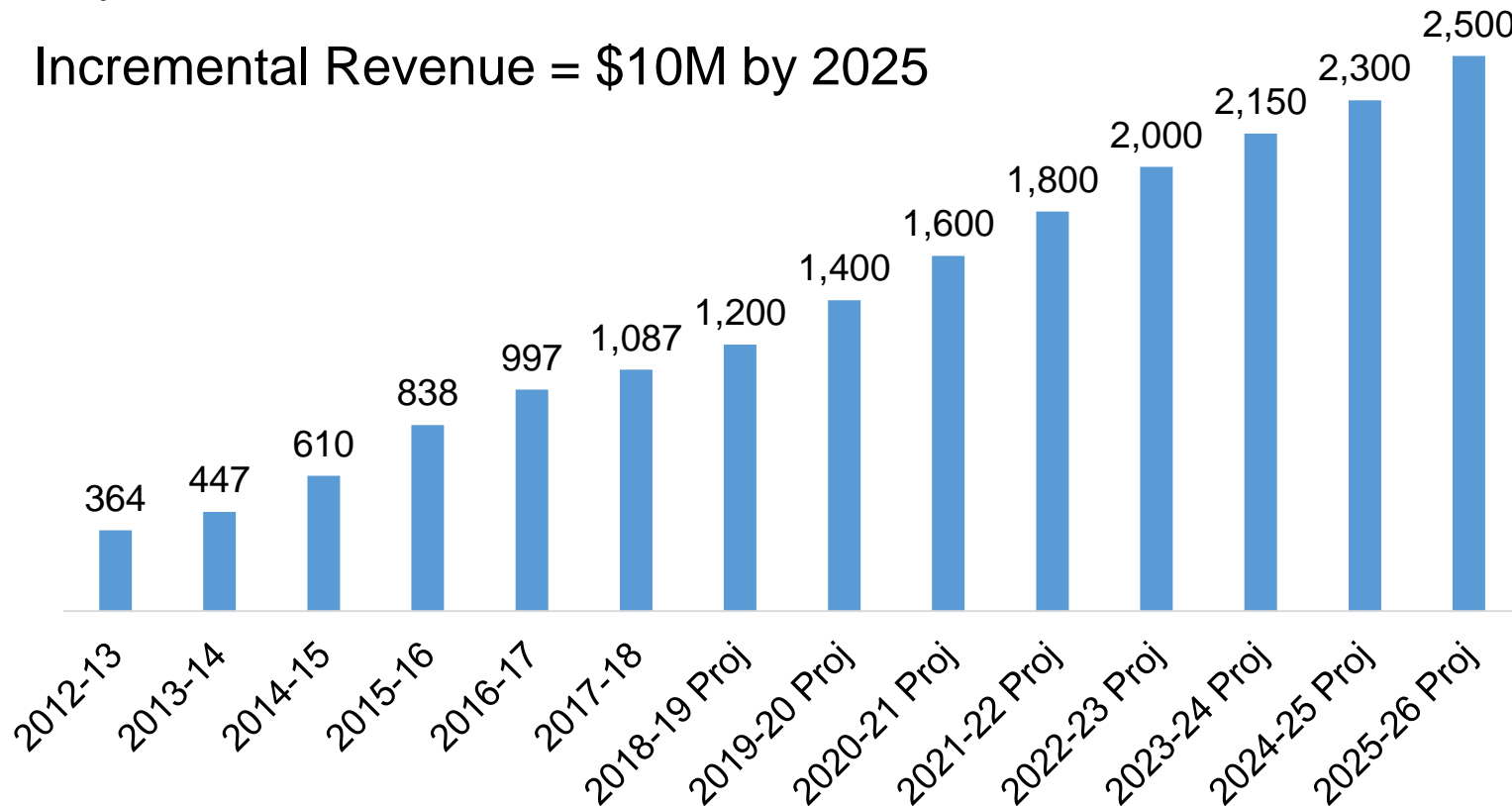
| HOW TO ACHIEVE THE GOAL | | | | | |
|-------------------------|----------------|-------------|----------------|--------------|-------------|
| CATEGORY | \$ | % OF TOTAL | GOAL | GROWTH \$ | GROWTH % |
| In State | \$77.0 | 69.1% | | \$2.8 | 3.6% |
| Out of State | \$14.5 | 13.0% | | \$1.4 | 9.8% |
| CE | \$8.4 | 7.5% | | \$0.6 | 7.0% |
| Fees | \$11.5 | 10.3% | | \$0.2 | 1.7% |
| State Funding | | | | \$3.0 | 3.8% |
| TOTAL | \$111.4 | 100% | \$119.4 | \$8.0 | 7.2% |

FTE by Modality



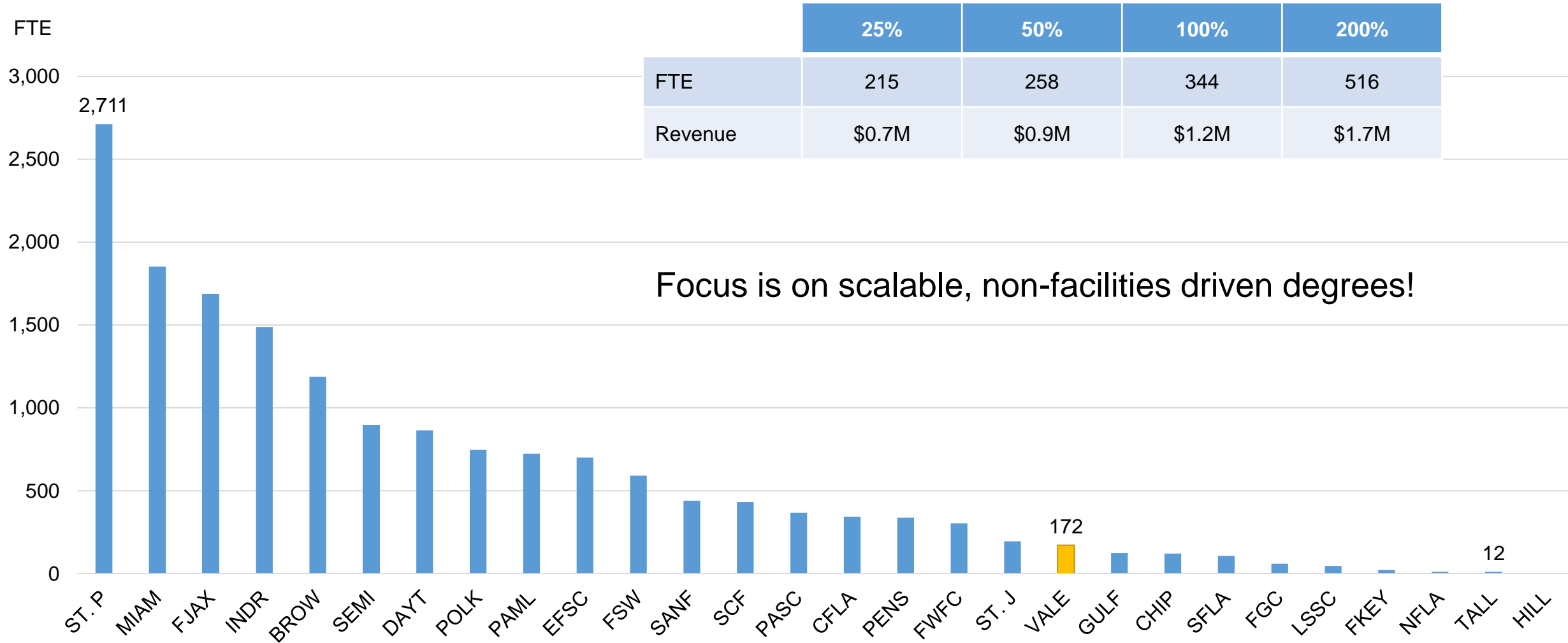
International Students

- Annual support = \$1.9M
- Payback of 6 to 1 on \$1.5M investment
- Incremental Revenue = \$10M by 2025



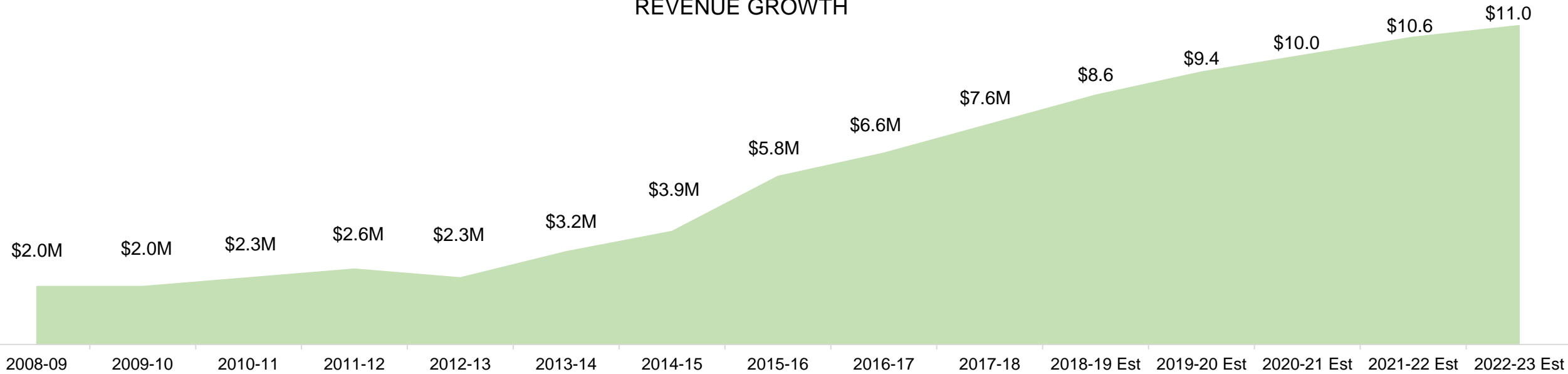
- Competitive challenges
- Political risk
- Student/Parent challenges
 - ✓ Concerns of safety
 - ✓ Affordability
 - ✓ Not feeling welcome
 - ✓ Housing

Upper Division FTE



Continuing Education

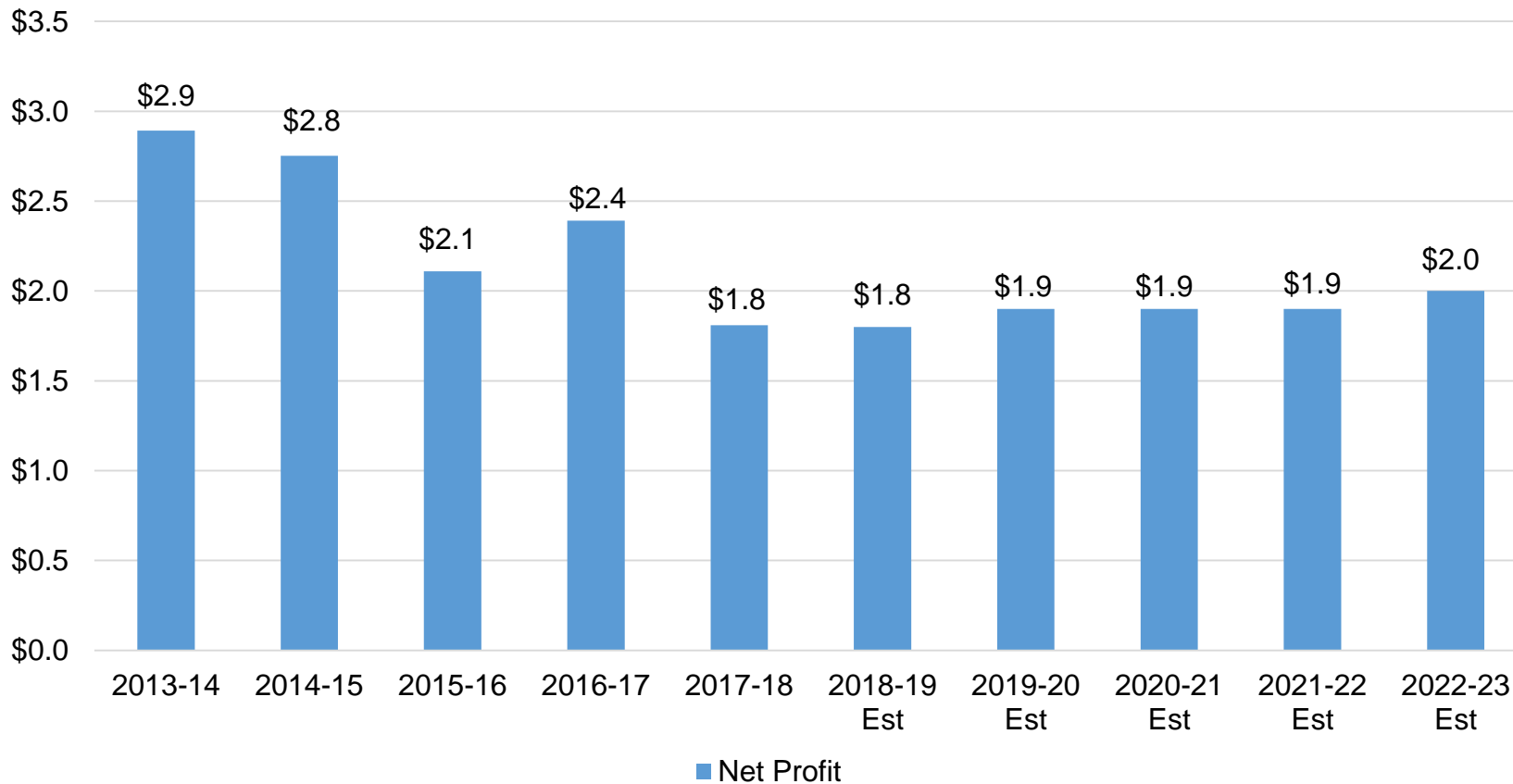
10 YEAR CONTINUING EDUCATION REVENUE GROWTH



| Programs | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | As % of Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Language Programs | \$1.8M | \$2.5M | \$3.2M | \$3.6M | \$3.5M | 46% |
| Business Agreements / Open Enrollment | \$0.7M | \$0.5M | \$0.6M | \$0.8M | \$1.1M | 14% |
| Advanced Manufacturing | \$0.2M | \$0.2M | \$0.6M | \$0.6M | \$1.0M | 13% |
| Fire Program | \$0.2M | \$0.3M | \$0.7M | \$0.7M | \$0.8M | 11% |
| Construction | \$0.0M | \$0.0M | \$0.2M | \$0.4M | \$0.7M | 9% |
| Online, Testing, Youth / Int'l Programs | \$0.3M | \$0.4M | \$0.5M | \$0.5M | \$0.5M | 7% |
| Total | \$3.2M | \$3.9M | \$5.8M | \$6.6M | \$7.6M | 100% |

Auxiliary Fund

AUXILIARY FUND NET PROFIT
(MILLIONS)



Supports operating needs

- Food Services
- Campus Stores
- Cell Towers
- Broadband
- Vending
- Events
- Student Banking

Partnerships

- Corporate Partners
 - Walt Disney World
 - Universal
- Hospitals
 - Florida Hospitals
 - Orlando Health
- Non-profit partners
 - Goodwill
 - Career Source of Central Florida
 - Lynx
 - Public Safety
 - Libraries
 - UCF
 - Orlando Economic Partnership

Thought Questions

- Are there other revenue streams we should focus on?





Area of Focus

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- Operational Challenges
- **Capital Challenges**

How PECO works

- Point System
 - ROI (state calculation)
 - Program
 - College Priority
 - Age of facility (new = 0)
 - % of funding available
- ROI heavily biased towards remodeling and STEM.
- No assistance for growth

| | 2019-20 | 2020-21 | 2021-22 |
|-----------------|---------|---------|---------|
| FCS Est. Alloc. | \$31.1M | \$37.5M | \$39.4M |

| <u>Project</u> | <u>Current rank</u> |
|-----------------------|---------------------|
| Lake Nona 2 | 31 ★ |
| East Student Services | 46 |

Note that there are only 28 Colleges ★

Estimated need before funding Lake Nona Building 2 - \$515,467,022

Current wait time = 15 Years

PECO and Local Appropriations

| FISCAL YEAR | TOTAL STATE PECO APPROPRIATION (in M's) | VALENCIA PECO APPROPRIATION (in M's) | LOCAL FUNDING (in M's) |
|---------------|---|--------------------------------------|------------------------|
| 2009-10 | \$100.0 | \$1.0 | \$0.0 |
| 2010-11 | \$216.8 | \$25.0 | \$16.2 |
| 2011-12 | \$ 26.7 | \$4.9 | \$22.6 |
| 2012-13 | \$ 74.5 | \$4.2 | \$20.8 |
| 2013-14 | \$ 83.2 | \$2.7 | \$8.7 |
| 2014-15 | \$121.7 | \$1.0 | \$4.7 |
| 2015-16 | \$98.6 | \$11.9 | \$2.9 |
| 2016-17 | \$176.4 | \$12.2 | \$13.1 |
| 2017-18 | \$111.7 | \$0.0 | \$9.4 |
| 2018-19 | \$78.6 | \$0.0 | \$21.1 |
| TOTALS | \$1,088.3 | \$62.9 | \$119.5 |

5.6%

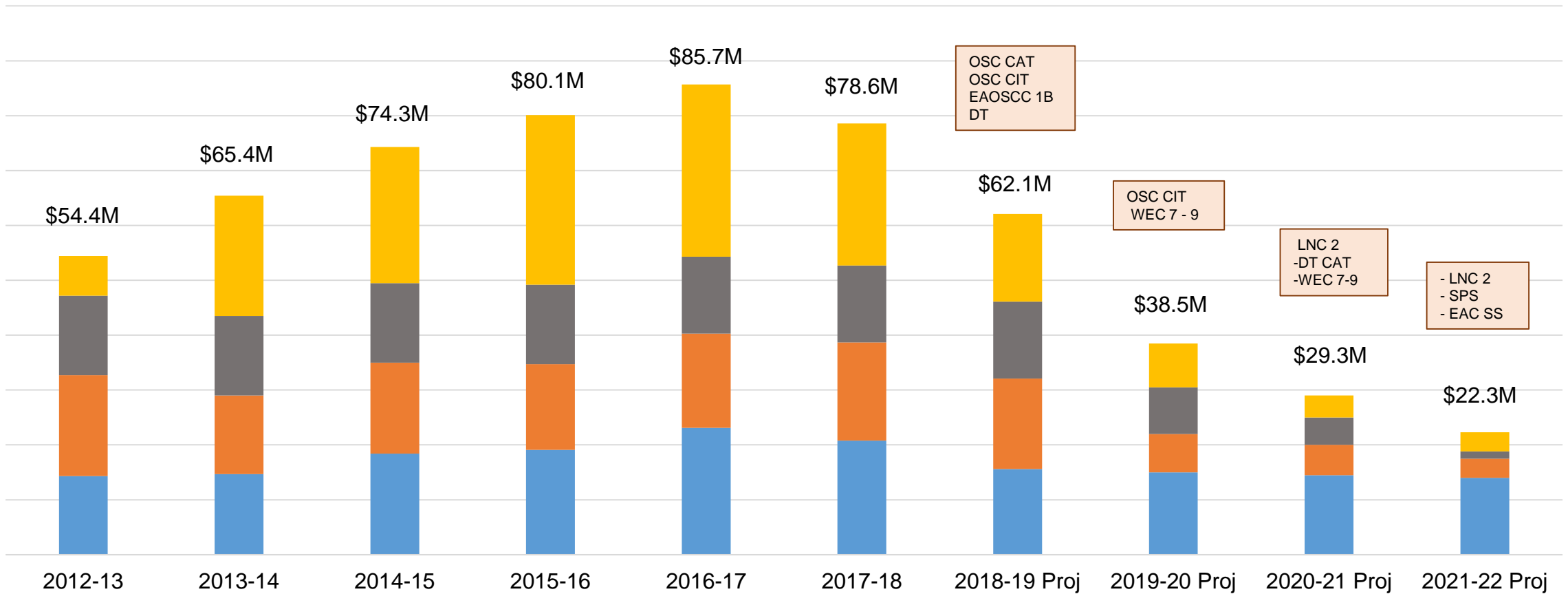
Projects

- Lake Nona 1
- Poinciana
- District Office
- Arts & Ent. East
- East Chiller
- West Building 10
- West Building 11
- Advanced Manufacturing
- Osceola Building 4
- Osceola CAT
- Poinciana CAT
- Osceola CIT

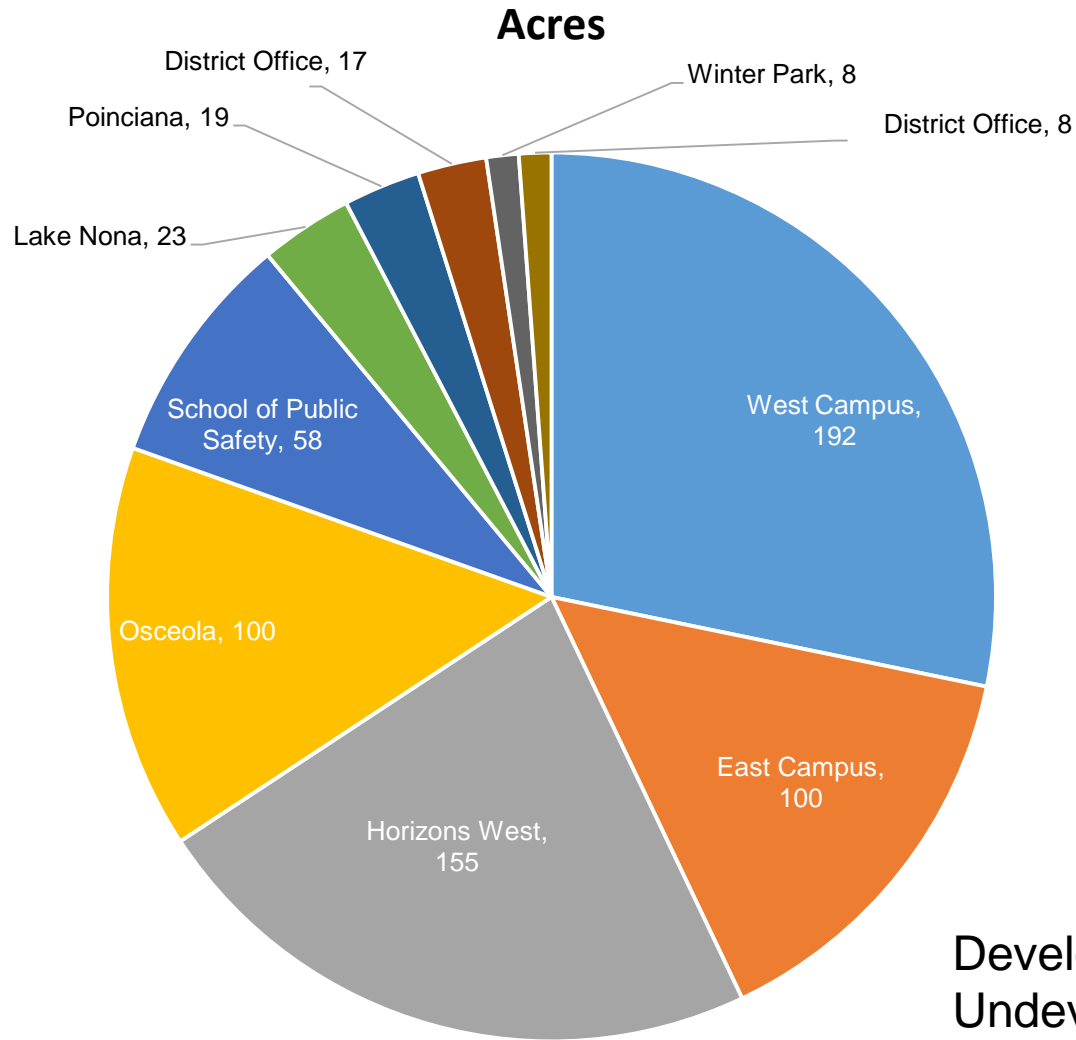
\$182.4M in project spending
66% local funded
No start up support = \$909K

Fund Balance Projection

■ Fund 1 - Operating ■ Fund 3 - Auxilliary ■ Fund 4 - Endowment ■ Fund 7 - Capital

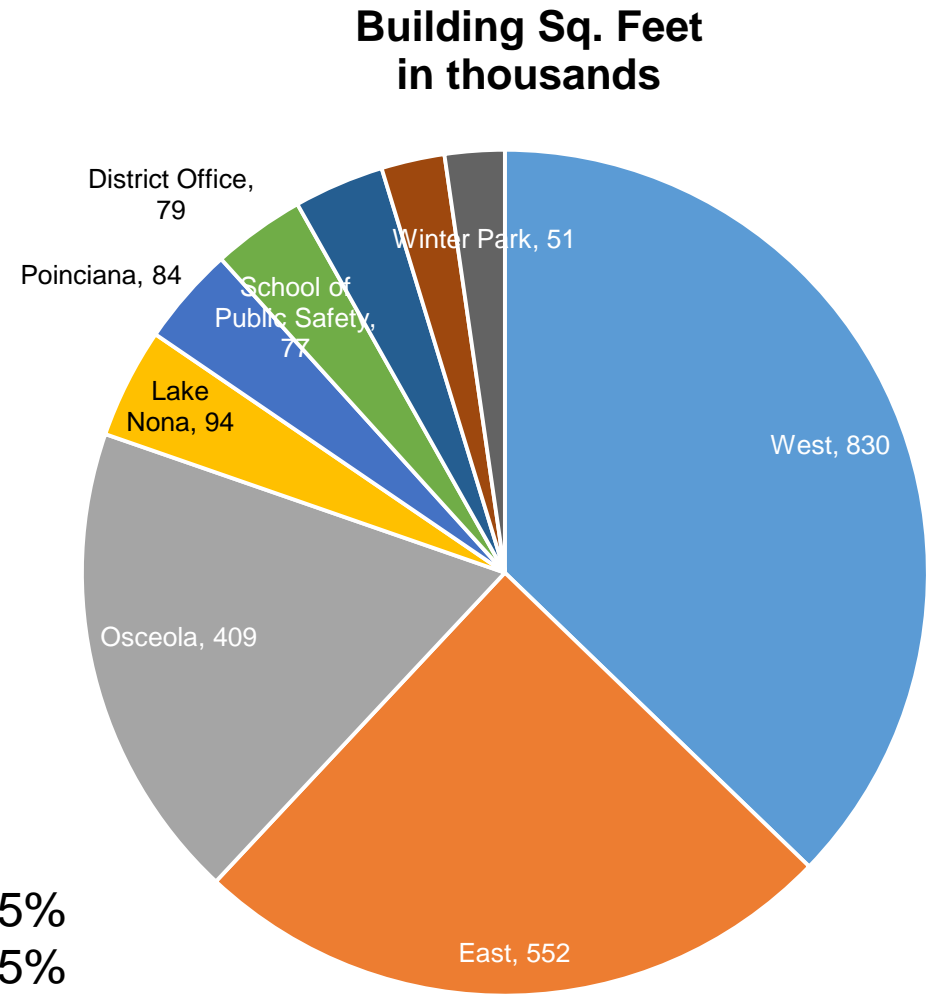


Real Estate Portfolio



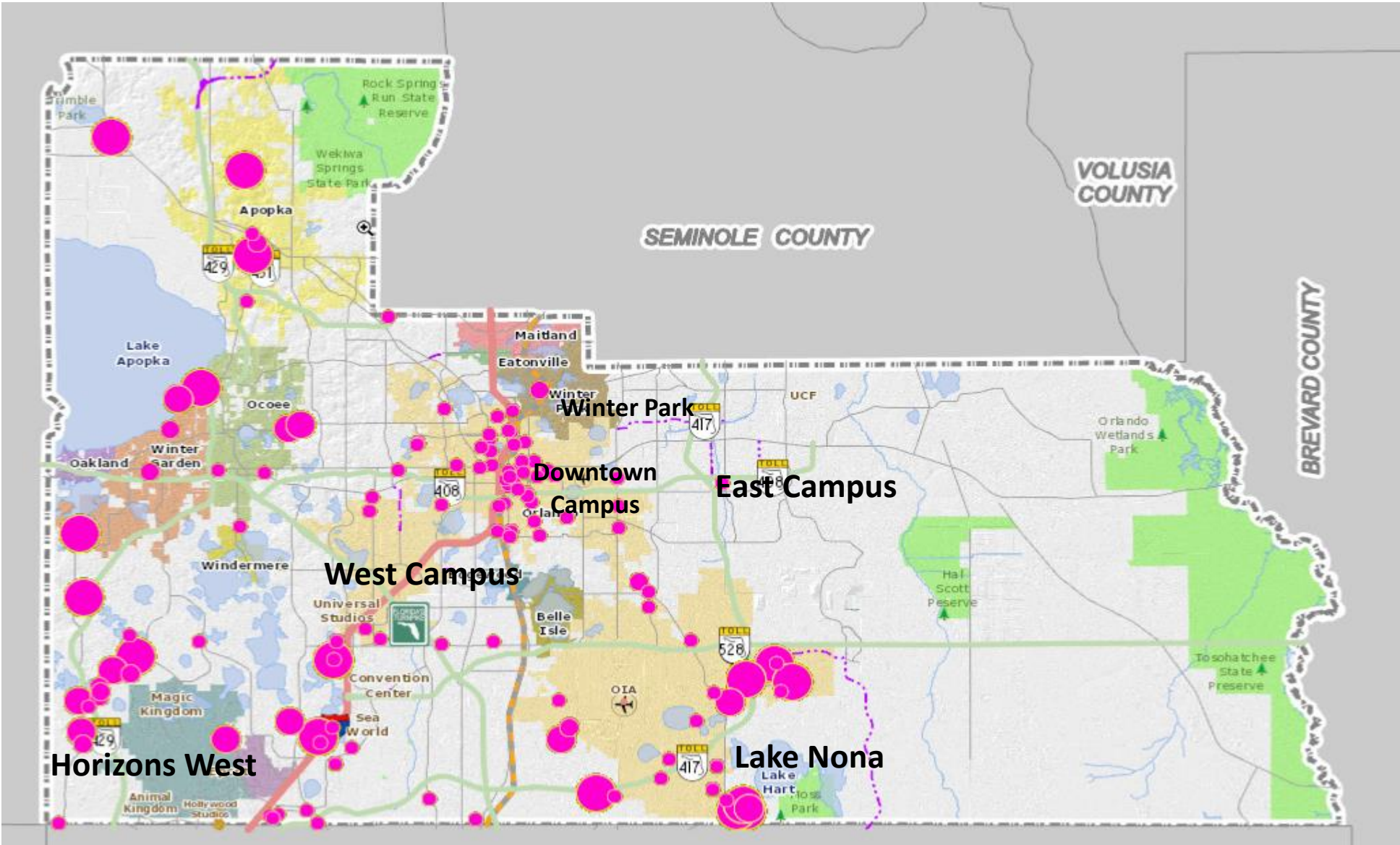
680 Acres

Developed = 55%
Undeveloped = 45%



2.3M SF of owned building space

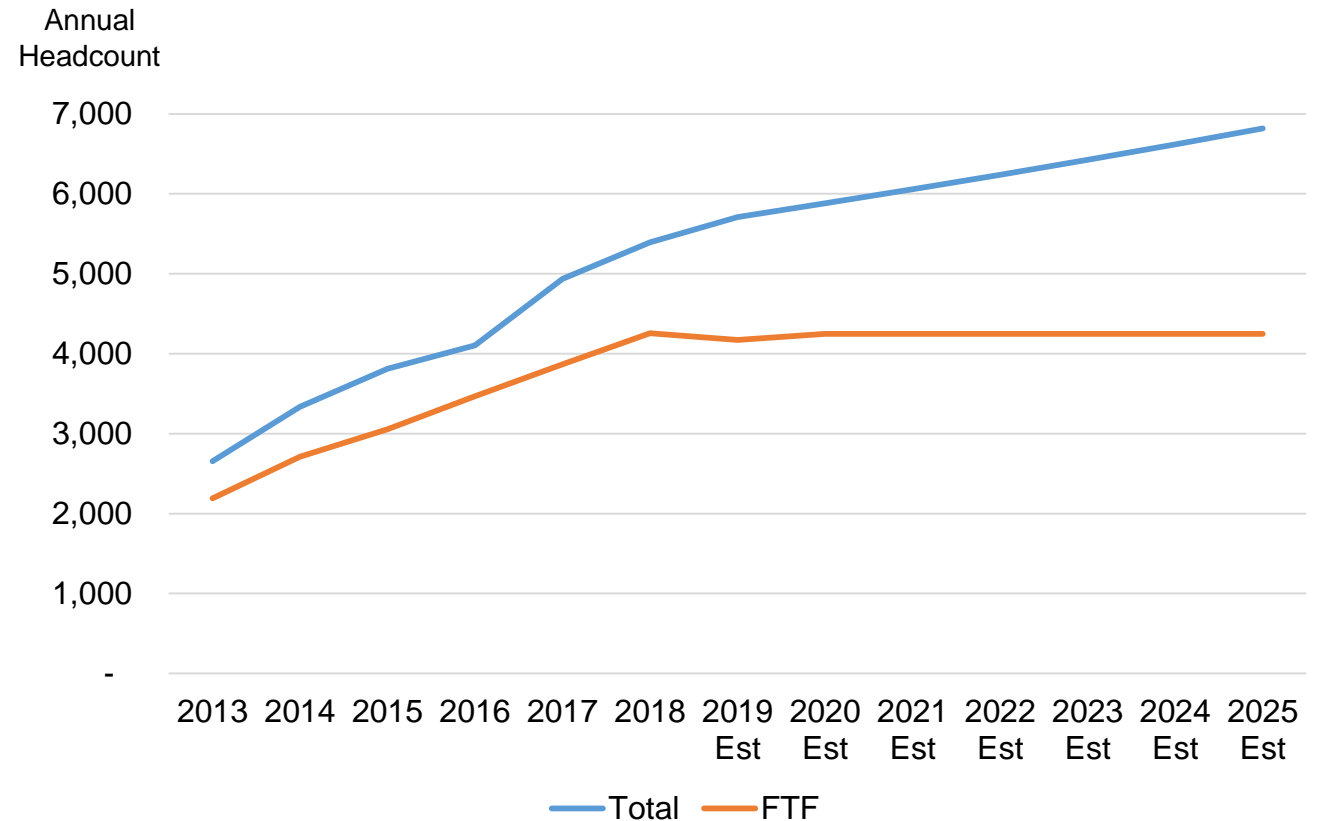
Orange County Development



Real Estate Portfolio – Lake Nona



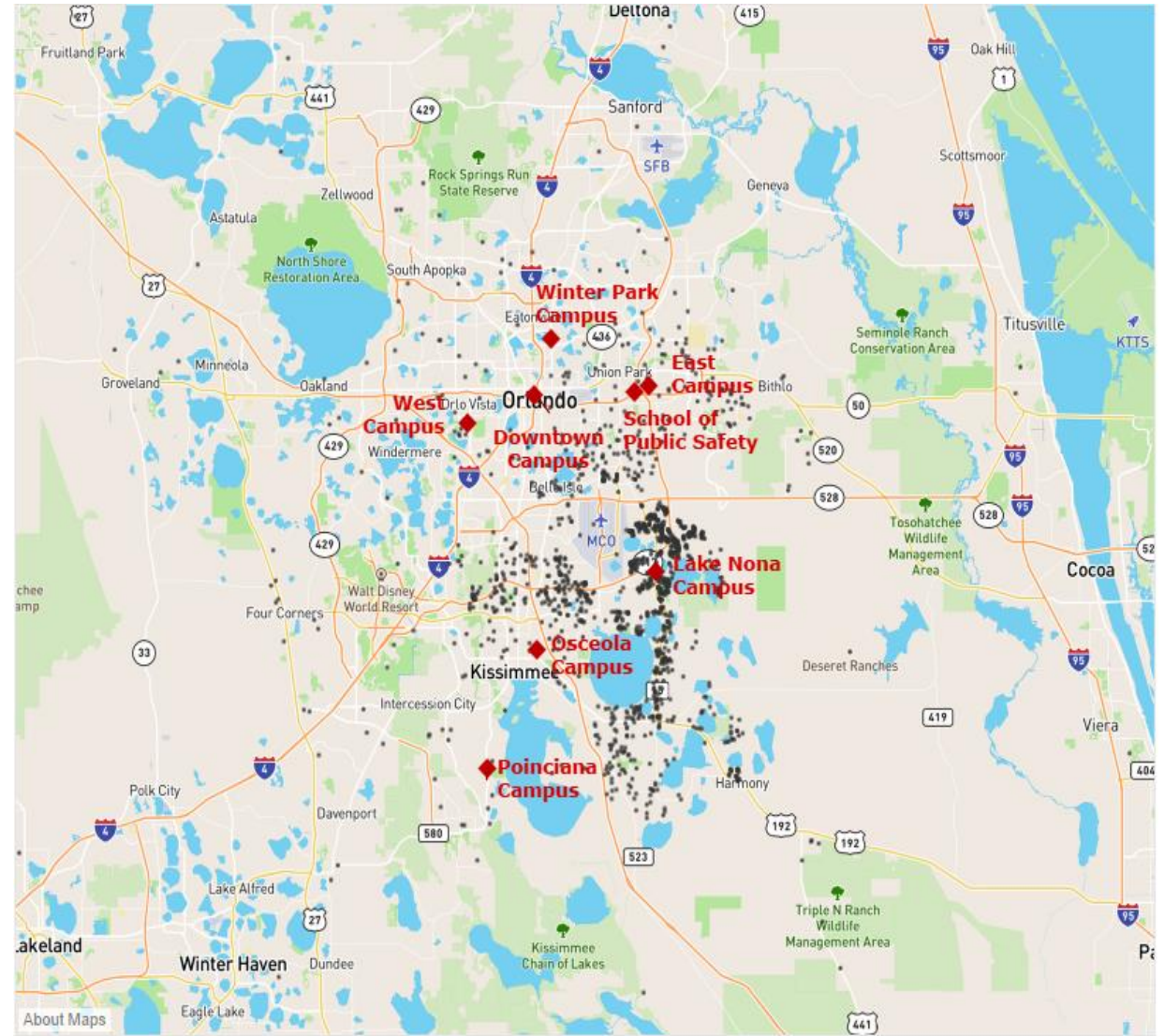
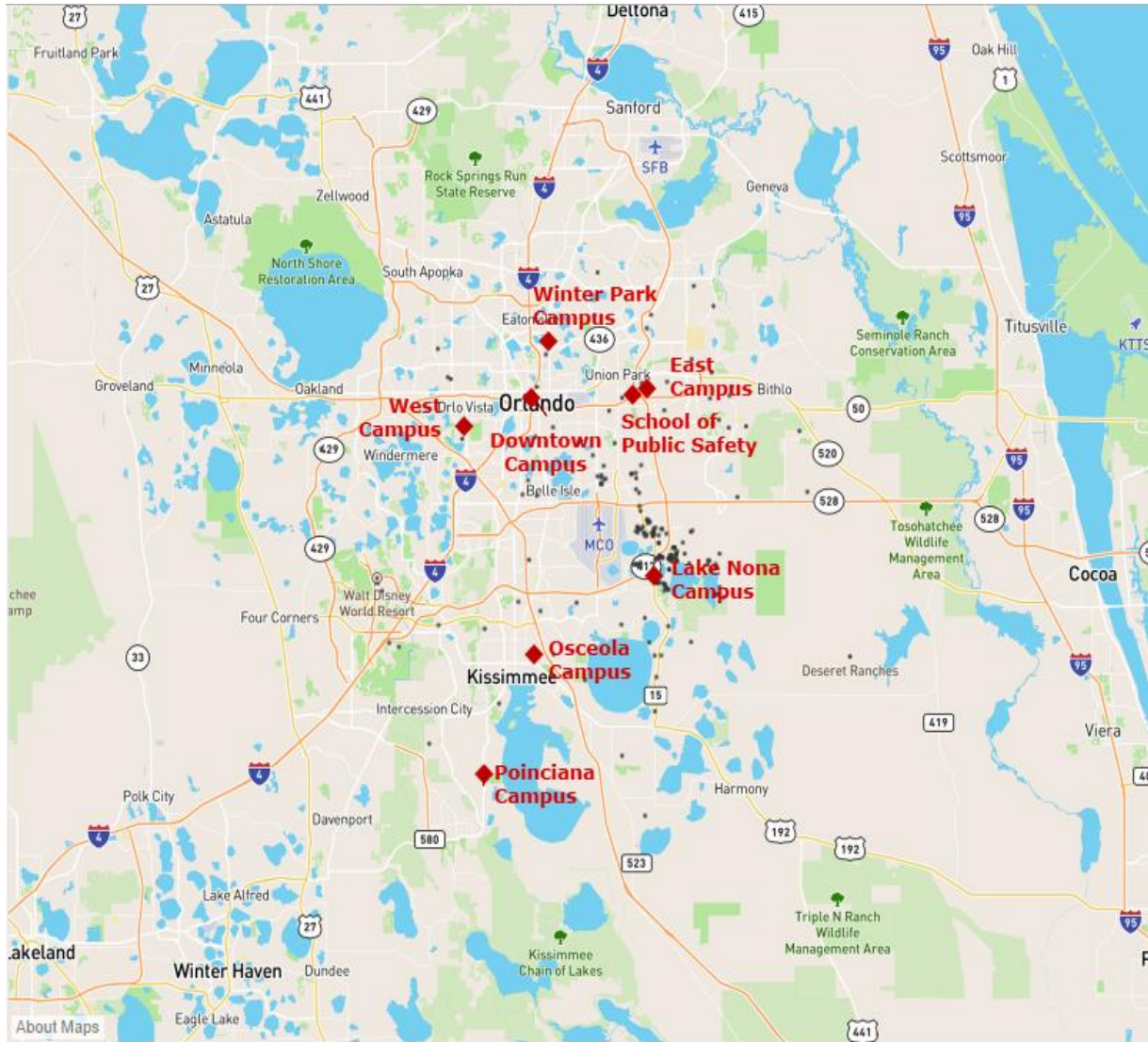
- Lake Nona is full
- Master plan for multiple buildings
- Located in the “sweet spot”
- First priority on PECO list - Number #31
- Growth is On-line / facilities capacity issues!



Fall 2010

Lake Nona

Fall 2018



VALENCIA COLLEGE

Campus represents the campus where the majority of credits were taken.



Horizons West (155 acres) parcel

- Scofield Road exit off State Road 429
- Adjacent to Lake County
- Undeveloped, no utilities
- High grow location in the County
- Expressway Authority reviewing access to Lake County highway 27

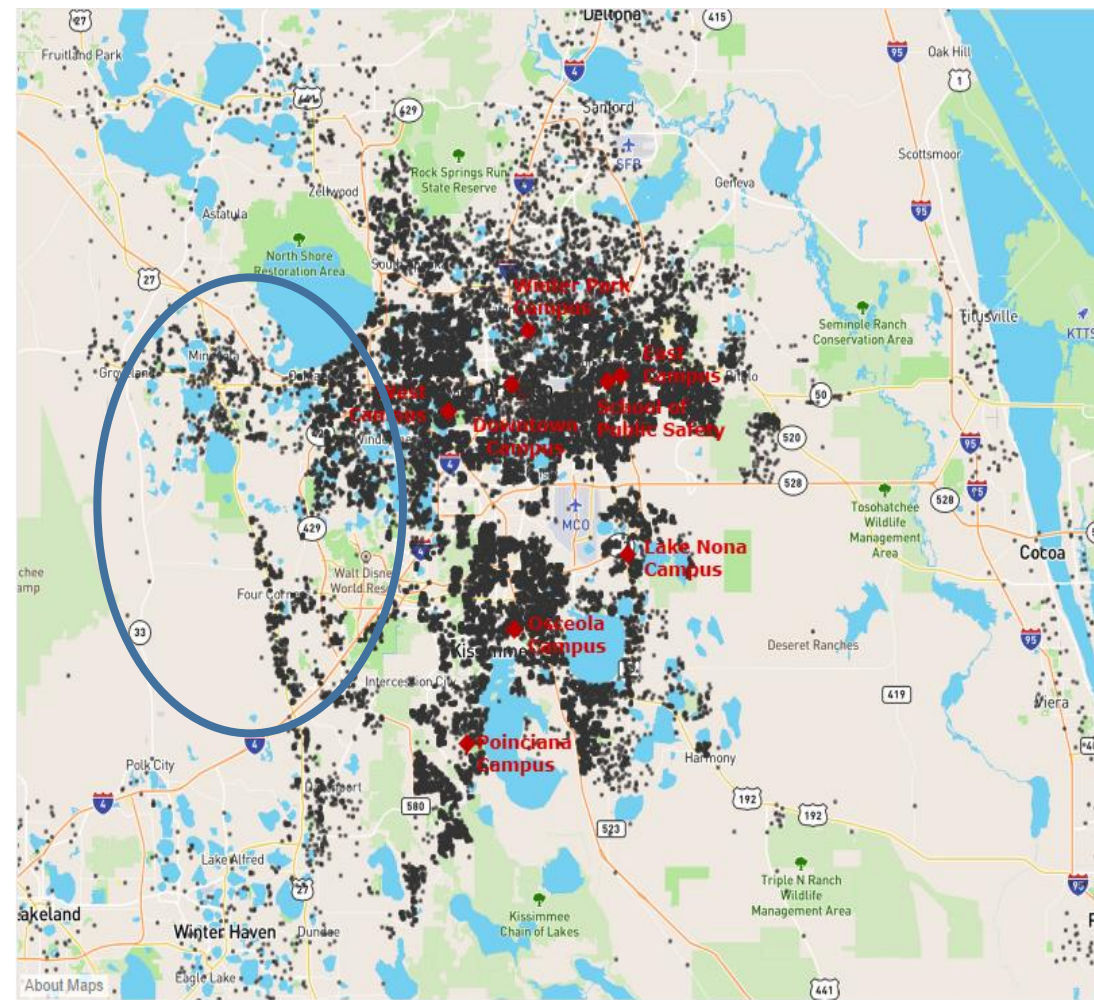
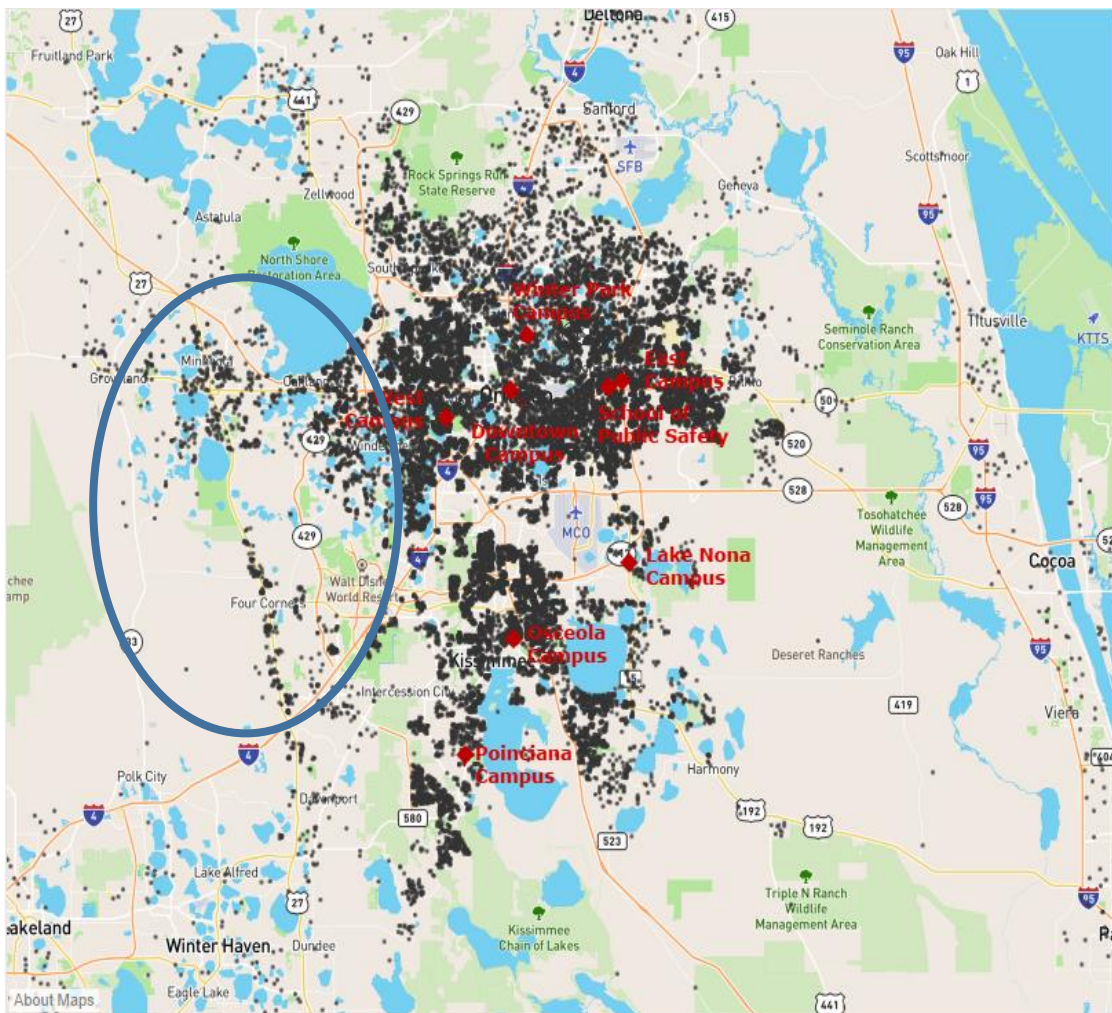
Fall 2008

Headcount: 35,433

College-wide

Fall 2018

Headcount: 47,660



Real Estate Portfolio – West Campus



West Campus - Land

- Total of 195 acres
- Highest valued property of 50 acres off S. Kirkman Road undeveloped
- Estimated value of \$500K per acre.
- Most commonly seen as strong location for student housing.

Student Housing

- Affiliation Agreements...No Interest
 - Growth of target student base
 - International student base
 - Out of region student base
 - Bachelor's degrees
 - Student interest
 - Stronger student success
 - Possible financial return to the College
- Downtown student housing
 - Elements align to consider
 - Apartment rates
 - Shortage of multifamily housing
 - Culture change
 - 2017 study supports need at all three large campuses
 - Public, Private, Partnerships

Other Key Properties

Owned properties

- Osceola Campus
- East Campus
- Winter Park
- McCoy
- Metro West / District Office
- School of Public Safety

Leases

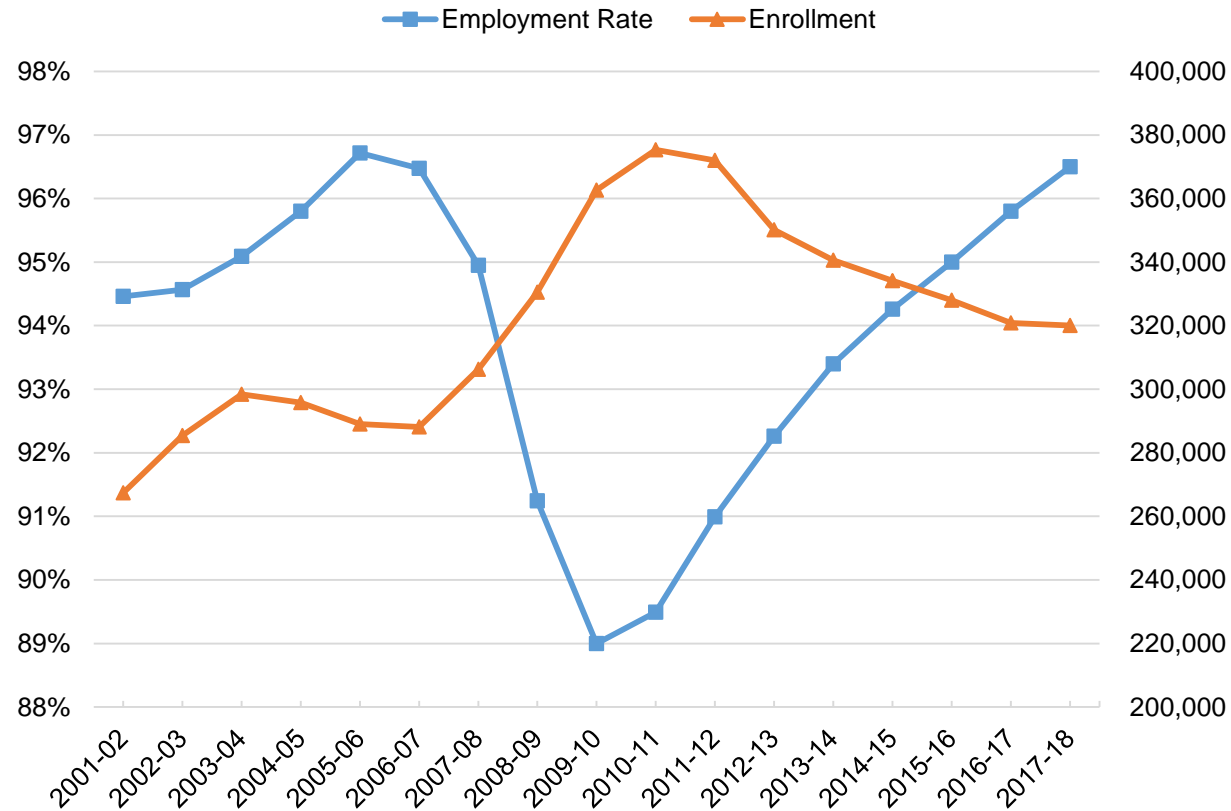
- Advanced Manufacturing[★]
- Downtown CAT
- Downtown Union West[★]
- District Office

★ Below market rates

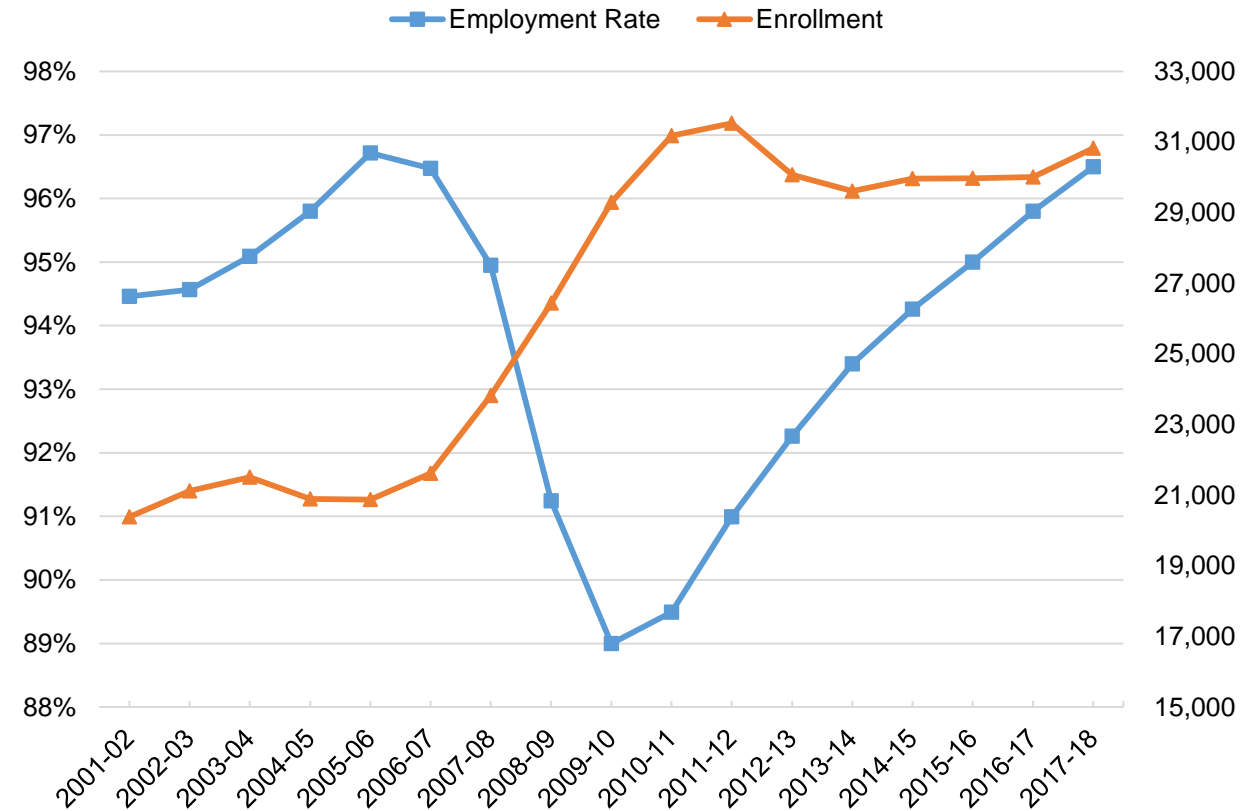
Employment Rate & Enrollment



FLORIDA EMPLOYMENT RATE & FCS FTE ENROLLMENT



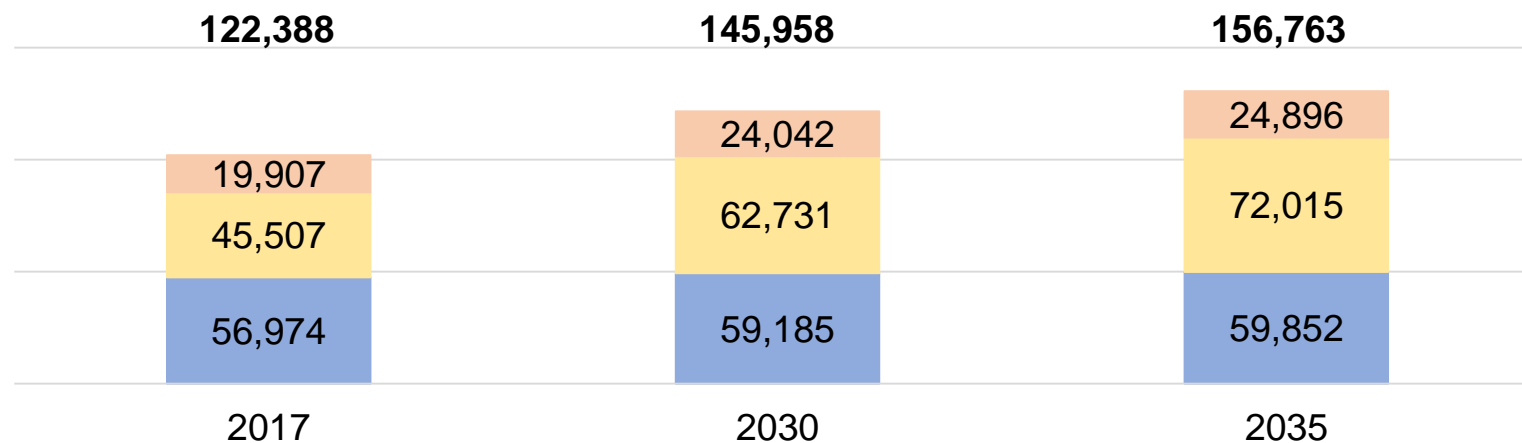
FLORIDA EMPLOYMENT RATE & VALENCIA FTE ENROLLMENT



Population Growth

FUTURE DEMAND – EXPECTED PARTICIPATION LEVEL

■ UCF ■ VALENCIA ■ SEMINOLE



Requires an additional 1.3M sq. ft. in space to accommodate growth

Requires an additional \$115M in operating support to accommodate growth

| County | 2015 Population | 2040 Population Projection | Total Growth Estimate |
|----------|-----------------|----------------------------|-----------------------|
| Osceola | 308,327 | 566,300 | 83.7% |
| Orange | 1,252,396 | 1,908,000 | 52.3% |
| Lake | 316,569 | 493,300 | 55.8% |
| Polk | 633,052 | 894,600 | 41.3% |
| Seminole | 442,903 | 563,900 | 27.3% |
| Florida | 19,815,183 | 26,252,100 | 32.5% |

Thought Questions

- What is your biggest concern?
- What other options should be assessed?



Going Forward

Key Business Challenges

- Increasing costs due to inflation and volume
- Scarcity of state funding
- A need for more diversified revenue streams
- Significant population growth
- Stagnate growth on rate
- Utilization and timing of asset needs

Revenue Growth

- Continue to request appropriations for PECO capital
- Repeat our message of successes to support operational needs
- Support and grow more diversified revenue choices
- Increase student based revenue
- Monetize assets
- Local revenue options



Challenges for Valencia

Board of Trustees - January, 2019