

BUDGET SUB MEET & CONFER
TUESDAY, DECEMBER 4, 2007
1:30 P.M. – CSU 238

Please note: Budget Sub Meet & Confer agendas and supporting documents are located on Web site <http://www.mnsu.edu/finadm/submeetconfer/>.

Attendees: Rick Straka, Chair, James Bailey, Michael Bentley, Mary Bliesmer, Jean Haar, Stephen Larson, Ellen Mrja, Diane Richards, Gary McKinley, Sharon Sandland, Janet Starks, Mike Hodapp, Sandi Jessen, Rosemary Kinne, Lynn Akey, David Cowan, Avra Johnson, Scott Johnson, Michael Miller, Steve Smith, Pat Swatfager-Haney, John Winkworth, Margot Zelenz, Jason Schilling and Vickie Hanson.

The agenda was reviewed and approved.

1. Discussion Items

- Steve Smith, VP Rick Straka and President Davenport attended the financial statement exit audit conference in November.
- We received a clean audit opinion on the financial statement and the financial check up for the university. There were no findings in the management letters.
- Both VP Straka and Pres. Davenport need to sign off on the financial statement for the university.
- This is the last year for Larsen Allen (6th year).
- A good audit is the reflection on the whole university, including Steve Smith and his staff.

2. FY07 Financial Statements (VP Rick Straka and Steve Smith)

- Steve Smith presented the group with a power point presentation explaining the university's financial statement.
 - Student revenue \$87M collected student sources
 - Composition of operating expenses by natural classification
 - A/R breakdown
 - A/P breakdown
 - Financial ratios (Office of the Chancellor likes ratios according to MnSCU)
 - 64% of total operating budget was spent on students; 52% of total operating revenue.
 - Fixed assets is the average age of the buildings
- The Chancellor feels in the past universities did not have enough reserve or net assets. Wants them to increase reserve and unrestricted net assets.
- FY05-07 Composite financial index (ratios)
 - Return on net assets
 - Average same figure at FY06 (stable year)
 - Composite financial index comparison with other MnSCU universities, we rank third out of seven universities.
- Viability-shows if the university is able to take out debt.
- Southwest State and Bemidji have been using their reserve to balance their budgets.

- VP Straka-Financial trends and highlights
 - Increase reserve (planned)
 - Secondary equipment (hold back)
 - Total revenue exceeded total expenses
 - Tuition rates increase
 - Continuation of investment in capital assets
 - How did actual results differ from the plans?
 - Pleasant surprises:*
 - Sean McGoldrick forward purchased natural gas, saving \$300K
 - Salary and severance savings
 - Health insurance plan (Dec. 06), savings of \$450K
 - Unpleasant surprises:*
 - Enrollment decrease
 - Radio tower no longer structurally safe
 - Athletic fields not within safe standards and need to be engineered
 - Substantial increase in oil and gas prices, increasing travel costs.
 - Plan that impact future financial health-
 - Maintain adequate state appropriation support
 - Tuition increase
 - Faculty salaries comparable
 - Enrollment levels

3. FY09 Allocation Estimate (Rosemary Kinne)

- Preliminary FY09 allocation (5/29/07) - \$52,413,269 – 3.25% over FY08
FY09 allocation (11/30/07) - \$52,086,026 – 2.6% over FY08
Decrease of \$327,243
- Enrollment plays a key part in the allocation model
- 2.6% growth projected for FY08-Systems Office 3% growth
- Will have enrollment projections in March or April 2008

4. Reallocation Models (VP Rick Straka)

- Legislature and the Board of Trustees feel universities have enough room to reallocate without much pain. This is a bad assumption.
- Planning/Budget Considerations (handout)
- Reallocation Models from University of Michigan and Washington State University were handed out.
- Discussion was held:
 - Scott Johnson-What level are we thinking of? Must have an incentive in place, no answer out there. Ask students what they want to study when they come to the university.
 - Mike Miller-Look at mission and demand of employers and students.
 - Lynn Akey-Knowing who we are and the type of students we need to deliver to successful customers.
 - Mike Miller-We need to balance student needs and finance sections.

- David Cowan-In the past divisions have taken the hits, don't go straight across the board all the way down.
- Rosemary Kinne-Must know the knowledge of our product mix (need to look at).
- Scott Johnson-Avoid GM model, products that no one wants to buy.
- Mike Miller-Become less comprehensive.
- Lynn Akey-Idea of how to structure a campus planning to move forward. Discuss and debate during the Joint Planning, Budget and Assessment meeting. Need to get to core decisions that will have an effect on the overall budget. Look at the big picture to make an impact also look at major investments.

5. Other Items

a. November State Revenue Forecast (handout)

- \$373 million deficit projected for FY08-09 Budget
- Slow economic growth forecast through mid-2008
- Structural shortfall expected in 2010-11 biennium
- Minnesota economy performance worse than other states
- More detail can be found at the Department of Finance website www.finance.state.mn.us

6. Reminder of Joint Planning, Budget and Assessment meeting on January 24, 2008 in CSU253-255 at 3 p.m.

VP Straka thanked everyone for the good open discussion.

The meeting was adjourned.

The next meeting will be February 5, 2008 at 1:30 p.m. in CSU238.