



# University Forum FY2019 Budget

**Ginny Arthur, President**  
**Tracy Hatch, Chief Financial Officer**

Minneapolis Campus • Midway Center • Brooklyn Park Site

# How did we get here?

SPRING – FALL 2014: Appreciative Inquiry sessions

FALL 2014: Interim President Malhotra charges a taskforce to develop strategic positioning statement

- Along with draft statement, task force identified
- Eleven implementation recommendations

SPRING 2015: Strategic positioning task force becomes Strategic Planning Advisory Council (SPAC)

WINTER '15-SPRING '16: Budget process redesign undertaken

SPRING 2016: SPAC develops eight strategic priorities

# STRATEGIC INTENT

A CONCISE DISTILLATION OF OUR MISSION STATEMENT

*Metropolitan State University provides an excellent, inclusive and engaging education to eliminate opportunity gaps and lead the Twin Cities community to a prosperous and equitable future.*

# STRATEGIC PRIORITIES - FILTERS

Institution-level intentions that represent important outcomes needed for mission fulfillment and vision attainment and direction for overall institutional efforts.

## STUDENT SUCCESS

Focus on transformative student learning experiences that lead to success in knowledge and skill development, credential attainment and post-completion outcomes.

## DIVERSITY AND INCLUSION

“Faculty, staff, and students will reflect the area’s rich diversity, build a culturally competent and antiracist learning community...”

## GROWTH

Increase *mission attainment and impact* by growing enrollment and revenue through initiatives that have potential to yield significant results.

## FINANCIAL STABILITY

Establish a sustainable funding strategy by strategic allocation of resources through a clear and transparent budget planning process & revenue diversification.

## COMMUNITY IMPACT

The University will “demonstrate an unwavering commitment to civic engagement.” Strengthen the public, urban identity and increase impact through engagement & partnerships.

## ORGANIZATIONAL CULTURE

Foster a culture of trust, collegiality, empowerment and accountability.

## INNOVATION

Invest in new program capacity and approaches that contribute to growth and improved learning and outcomes for post-traditional learners.

## QUALITY AND CONTINUOUS IMPROVEMENT

Sustain and improve academic quality, student services and operational effectiveness.

# STRATEGIC PRIORITIES –COUNCILS

Institution-level intentions that represent important outcomes needed for mission fulfillment and vision attainment and direction for overall institutional efforts.

<p><b>STUDENT SUCCESS – STUDENT SUCCESS COUNCIL</b></p> <p>Co-chair: Associate Provost for Student Success</p>	<p><b>DIVERSITY AND INCLUSION – EQUITY &amp; INCLUSION COUNCIL</b></p> <p>Co-chair: Chief Diversity Officer</p>
<p><b>GROWTH – STRATEGIC ENROLLMENT MANAGEMENT COUNCIL</b></p> <p>Co-chair: Executive Director of Enrollment Services</p>	<p><b>FINANCIAL STABILITY – RESOURCE PLANNING &amp; ALIGNMENT COUNCIL</b></p> <p>Co-chair: Chief Financial Officer &amp; VP for Administration</p>



# STRATEGIC PRIORITIES –COUNCILS

Institution-level intentions that represent important outcomes needed for mission fulfillment and vision attainment and direction for overall institutional efforts.

<p><b>COMMUNITY IMPACT - COMMUNITY ENGAGEMENT COUNCIL</b></p> <p>Co-chair: Director of Institute for Community Engagement and Scholarship</p>	<p><b>ORGANIZATIONAL CULTURE – ORGANIZATIONAL DEVELOPMENT COUNCIL and POLICY and PROCEDURE COUNCIL</b></p> <p>Co-chair: Chief Human Resource Officer and Chief of Staff</p>
	<p><b>QUALITY AND CONTINUOUS IMPROVEMENT – ACADEMIC QUALITY and CONTINUOUS IMPROVEMENT COUNCIL</b></p> <p>Co-chair: Provost</p>

**INNOVATION**– Permeates the work of all Councils.  
**UNIVERSITY TECHNOLOGY ADVISORY COUNCIL**, Co-chair: Chief Information Officer  
**CENTER FOR EDUCATIONAL INNOVATION**, Dean of Individualized Studies  
**PROGRAM INNOVATION**– at the department, college, and schools levels

## **BENEFITS OF BUDGET REDESIGN IDENTIFIED BY PRESIDENT'S CABINET**

- × Provide operational direction for planning units to enhance certainty and improve alignment
- × Makes strategic priorities transparent
- × Improved allocation decisions
- × Clearer guidance on what is “out of scope”
- × Improved student success
- × Increased clarity about and for stakeholders
- × A more transparent connection to mission and goals
- × Increased confidence from intentionality
- × Institutional growth and development
- × Enhance contribution to regional growth

## PLANNING ASSUMPTIONS GOING FORWARD

- × Begin from where we are and acknowledge that some “retro-fitting” might be needed
- × Planning is an ongoing versus episodic activity
- × An incremental, adaptive approach more evenly distributes the time required for planning
- × Planning and budgeting are two sides of the same coin
- × Other?



# Integrated Planning

- × Aligns institutional priorities with resources.
  - Strategic Goals
  - Integrated Budget Process
  - All Strategic Plans and University Councils are connected

# Budget Philosophy in Brief

- Mission-driven
  - Strategic Filters
- Result of collaboration & feedback
- Based on shared assumptions & principles
  - What are the priorities?
  - How will decisions be made?
  - Are there any non-negotiables? (*e.g. debt service payments*)

# Goals for 2019 Budget Process

- Transparency that produces clarity
- Consistency
- Communication, consultation, input

*Please note: Due to the compressed timeframe, the outreach and opportunities for dialogue will be less than we would all prefer. We will build in more time and intentionality for communication and input in the next and future budget cycles.*

# **FINANCIAL HEALTH INDICATORS**

# Composite Financial Index

Composed of four measures of financial health:

1. **Primary Reserve Ratio** – measures financial flexibility
2. **Net Operating Revenues Ratio** – measures operating performance
3. **Return on Net Assets Ratio** – measures overall asset return and performance
4. **Viability Ratio** – measures ability to cover debt with available resources

Metro State's CFI:

- 2015 = (0.08)
- 2016 = 1.87
- 2017 = 1.29
- 2-year Average = **1.58**

A 2-year average of 1.5 or below  
OR a current year score <0.5  
requires a Financial Plan to be  
submitted to the System Office

# Financial Recovery Plan

- Required by the Board of Trustees due to:
  - Fund Balance decline > than 10% over 3 years
  - Fund balance less than 20% of new revenue
- Under Financial Recovery Plan due to:
  - construction cost overruns
  - deficit spending in operating budget
- Required to contribute \$750K to fund balance annually
- Critical that we have a structurally balanced operating budget

# Major Budget Process Milestones

- Draft 1.0 Released – January
- Meeting with VPs and Deans - February
- Draft 2.0 – Mid March
- Budget Forums – March 12<sup>th</sup>, 21<sup>st</sup> and TBD
- Leadership Assembly – April 5
- Draft 3.0 & Ongoing Dialogue – April
- Firm Budget Decisions – by May 1
- Strategic additions to budgets – ongoing

# Revenue Assumptions

- Looked at 3 enrollment scenarios at flat, -1% and -2%

Enrollment Scenario	Estimated Budgetary Impact
Flat (6073 FYE)	(\$ .8 M – 1.0 M)
-1% (6012 FYE)	(\$ 1.3 M – 1.5 M)
-2% (5951 FYE)	(\$ 1.8 M – 2.0 M)

*Updated with FY19 actual allocation amounts*

- Initial budget will be based on -2% enrollment scenario



# Revenue

	FY19	FY18
Base Allocation (State)	\$ 25,373,254	\$ 25,231,818
Other State Allocation	\$ 5,815,777	\$ 6,033,316
Net Tuition (Rough Projection)	\$ 45,922,917	\$ 46,847,874
Fees (Operating)	\$ 1,381,132	\$ 1,428,355
Other Revenue	\$ 2,450,000	\$ 2,450,000
<b>Total Revenue</b>	<b>\$ 80,943,080</b>	<b>\$ 81,991,363</b>
Net difference YOY Revenue:	\$ (1,048,283)	

# FY19 Additional Expenses

- \$407,613 – ISRS NextGen Contribution
- \$124,310 – HR TSM Contribution
- ~\$850,000 – Salary increases
- ~\$46,000 – Pension contribution increases
- Healthcare and other fringe benefits cost increases

# Net Budgetary Impact

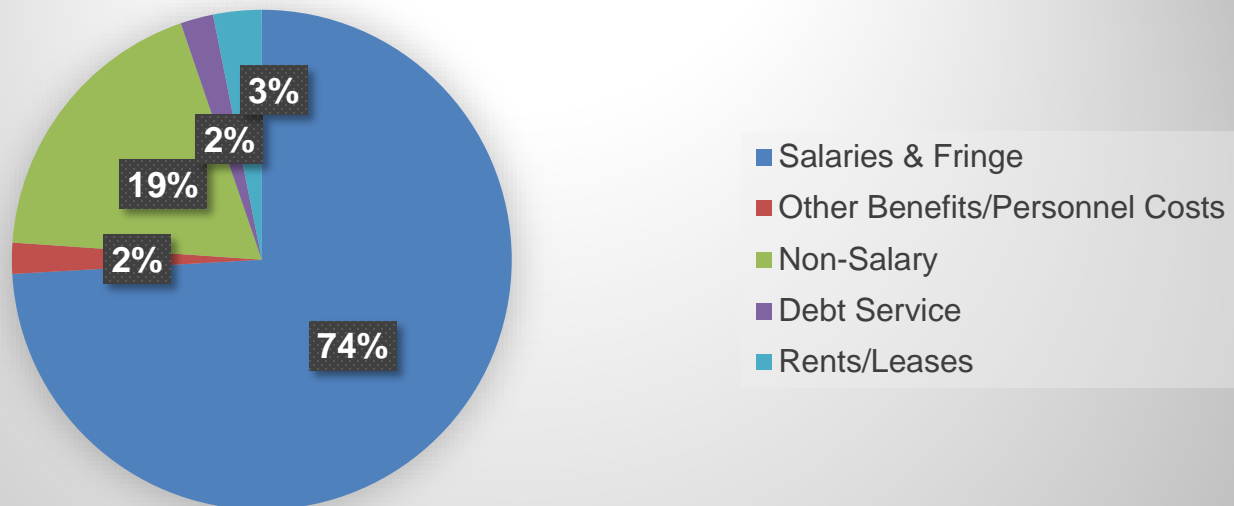
	FY19
Revenue – Estimated Decrease (est.)	(\$ 1,048,283)
ISRS NextGen Contribution	(\$ 407,613)
HR TSM Contribution	(\$ 124,310)
Salary Increases (est.)	(\$ 850,000)
Pension Contributions (est.)	(\$ 46,000)
Other Cost Increases (est.)	(\$ 40,000) +
<b>Total Net Loss:</b>	<b>(\$ 2,516,206)</b>
Operating Reserve from FY18	\$ 600,000
Approximate Budget Deficit	(\$1,800,000 – 2,000,000)

# Assumptions

- Must fully fund the following:
  - Reserve pay-back (per financial plan) \$750K
  - Workers Compensation
  - Unemployment Insurance
  - Severance
  - General Fund Debt Service

# FY18 Expenditures (Est.)

	FY18	%
Salaries & Fringe	\$ 59.2 M	74.0%
Other Benefits/Personnel Costs	\$ 1.6 M	2.0%
Non-Salary	\$ 14.9 M	18.6%
Debt Service	\$ 1.7 M	2.2%
Rents/Leases	\$ 2.5 M	3.2%
<b>Total Expenditures (Est.)</b>	<b>~ \$ 80 M</b>	



# Next Steps...

- The Resource Planning and Alignment Council has been charged with recommending a process by which to evaluate resource allocation adjustments (strategic increases or decreases).
  - Estimated roll out of FY19 streamlined process in April
  - Budget adjustments (additions) will be made as additional resources are available
- More information will be available through your Dean/Division Head/VP in April

# Next Steps...

- President/PEC expected to approve FY19 starting budget at end of April
- Budgets will be loaded the first two weeks of June
- Purchase orders can be issued beginning the last two weeks of June

# Budget Contacts

## **Academic & Student Affairs**

Dina Inderlee

## **Non-ASA Divisions**

Michelle Broz – Financial Management

Tracy Hatch - CFO



Comments?

Feedback?

Questions?

# Keys to Success

- Execution
  - Coordination, Agility, & Reallocation
- Plan, Do, Check, Act
- Develop a “Continuous Improvement” Culture

## **Vision Statement**

Metropolitan State University, a member of the Minnesota State Colleges and Universities system, will be the premier urban, public, comprehensive system university in the Twin Cities metropolitan area and will provide high quality, affordable educational programs and services in a student-centered environment.

The faculty, staff and students of Metropolitan State will reflect the area's rich diversity, build a culturally competent and anti-racist learning community, and demonstrate an unwavering commitment to civic engagement.

## **Mission Statement**

Metropolitan State University is a comprehensive urban university committed to meeting the higher education needs of the Twin Cities and greater metropolitan population.

The university will provide accessible, high quality liberal arts, professional, and graduate education to the citizens and communities of the metropolitan area, with continued emphasis on underserved groups, including adults and communities of color.

Within the context of lifelong learning, the university will build on its national reputation for innovative student-centered programs that enable students from diverse backgrounds to achieve their educational goals. The university is committed to academic excellence and community partnerships through curriculum, teaching, scholarship and services designed to support an urban mission.

**[www.metrostate.edu](http://www.metrostate.edu)**

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