

MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: March 17, 2015

Title: System Financial Resiliency Framework

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

BACKGROUND

comparable financial reporting and trend monitoring across various sized institutions with diverse revenue and expense profiles. Its advent has also moved reporting into an accrual methodology which is new to the public sector environment.

There are significant differences between cash based and accrual reporting of results. At the system level, the bottom line changes close to \$100 million when cash statements are adjusted for

FINANCIAL RECOVERY PLAN REQUIREMENT

The eleven institutions that did not meet the CFI threshold have submitted a written plan to the system office. The plans include:

x

of the system's budget, the significant financial challenges it faces has increased the risk to overall system's financial health.

The university has submitted a 2015 plan which projects a fiscal year 2015 general fund operating deficit (on a cash basis) of \$5 million after \$4 million in budget reductions. The plan also calls for \$10 to \$12 million in additional reductions in fiscal year 2016; however, to achieve these savings the reductions would need to be implemented early in the fiscal year. Finance staff will continue to work with the university to achieve stronger 2015 and 2016 results.

The university has also launched program and service portfolio reviews, cost reduction, management strategies and enrollment development efforts. The program reviews were scheduled to be completed by May 2015 and is a crucial part of the risk management strategy for the university. Achievement of at least \$4 million in outlined reductions in fiscal year 2015, the planning necessary to strategically reduce at least \$12 million in fiscal year 2016, is critical to reaching a stable financial outlook.

Metropolitan State University

A CFI score of (0.08) for fiscal year 2014 triggered the financial recovery plan requirement. The university reported an operating loss of \$6.0 million dollars, accounting for 14 percent of the system's total operating losses last year. The operating loss was the result of an unanticipated environmental issue at a building construction site that required use of \$37 million in fund balance/reserves.

The university's CFI forecast for fiscal years 2015, 2016 and 2017 is made volatile by the very large capital construction spending moving through the calculation. The outlook includes acceptable CFI results in 2015 and 2016 and a dip below 1.0 in 2017 as the capital spending comes to completion. The preliminary recovery plan forecasts a \$6.5 million operating deficit (accrual basis) in fiscal year 2015, improving to a negative \$1.5 million in fiscal year 2016.

Metro State University's enrollment has been relatively stable compared to other universities. Its enrollment increased by 342 FYE between fiscal year 2013 and fiscal year 2014, one of the few institutions to show growth compared to the peak enrollment year of fiscal year 2011. Enrollment is expected to decline one percent in fiscal year 2015. Continued attention to the academic and enrollment planning now underway should deliver on the planned results.

Minnesota Stæ College – Southeast Technical

A CFI score of (0.35) in fiscal year 2014

CONCLUSION

The financial resiliency framework has helped identify areas where the system is resilient (cash position and net assets) and less resilient (income/loss). It also highlights areas where more work could be done to support resiliency (enrollment projections). The resiliency scores correlate closely