Thursday, August 20, 2009

FY 2010 BUDGET – AND BEYOND
GENERAL FUND EMPHASIS
FY 2010 BUDGET – AND BEYOND

AGENDA:

+ Introduction
+ FY 2010 Budget
  - Budget Development Plan
  - 2010 Budget Highlights
  - Funds
  - General Fund
    - Budget Assumptions
    - Revenue and Expense Budgets
    - Meeting our Current Challenges
    - State of Minnesota Financial Forecast
  - Long-Term Financial Projection
+ Conclusion
VISION & MISSION

- **Vision:** Ridgewater College will be a dynamic educational leader exemplifying innovation and excellence within a student-centered learning environment.

- **Mission:** Ridgewater College provides quality educational opportunities for diverse student learners in an inclusive, supportive and accessible environment.
OUR PROFILE
TO BETTER UNDERSTAND OUR FINANCES

- 5,500 students served annually
- Total 2008 college-wide expenses = $37.8 million
- 450 employees – FT and PT
- More than 100 programs of study
- 700,000 square feet of facilities on two campuses
- >600 different accounting cost centers
- Many intercollegiate sports -10 teams, 200 participants.
- Dozens of student activities and clubs
- **1,013 graduates in 2009!**
2009 COLLEGE ACHIEVEMENTS

Just a few examples:
+ Successful HLC reaccreditation visit
+ Expanded ELL offerings
+ Completed planning and began construction of Phase I Capital Project.
+ Continued STEEM efforts
+ Mobile Sim Vehicle and Program launched
+ Foundation Student Scholarships increased by 12%.
+ HLC Accreditation received for offering Online degrees.
+ New Budget Document
+ AND MANY MORE!
RIDGEWATER FINANCIAL REPORTING

- Budget Document – New for FY 2010
- Financial Reporting Web page on College Intranet Website is under construction at: https://www.ridgewater.edu/sites/staff/Pages/RidgewaterCollegeFinancialTrends.aspx
<table>
<thead>
<tr>
<th>ID</th>
<th>Task Name</th>
<th>Start</th>
<th>Finish</th>
<th>Resource Names</th>
<th>C1 09</th>
<th>C2 09</th>
<th>C3 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Develop college budget process, principals, assumptions and timeline</td>
<td>1/20/09</td>
<td>2/20/09</td>
<td>Bob, Dan, Doug, Betty</td>
<td>x</td>
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<td>2</td>
<td>Payroll Budget Development</td>
<td>1/20/09</td>
<td>4/3/2009</td>
<td>Bob, Denise, Deans, Dan</td>
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<td>3</td>
<td>Preliminary analysis and planning for tuition, fees, etc.</td>
<td>1/26/09</td>
<td>2/13/2009</td>
<td>Bob, Dan, Doug, Betty</td>
<td>x</td>
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<td>5</td>
<td>Review enrollment trends and project FY’s 09, 10 and 11 FYE’s, Bob forward to MnSCU by deadline.</td>
<td>2/13/2009</td>
<td>2/26/2009</td>
<td>Mary, Betty, Doug, Bob</td>
<td></td>
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<tr>
<td>7</td>
<td>Email Budget Development documents to Administrative Council</td>
<td>2/26/09</td>
<td>2/26/2009</td>
<td>Bob</td>
<td>x</td>
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<td>8</td>
<td>Updates and discussion at FSGC, Student EOF, and other meet &amp; confer meetings.</td>
<td>2/25/2009</td>
<td>5/15/2009</td>
<td>Doug, Betty, Bob</td>
<td></td>
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<tr>
<td>10</td>
<td>Regular communications with College Community through the Bulletin, emails and meetings</td>
<td>2/26/2009</td>
<td>6/12/2009</td>
<td>Doug, Bob, Betty</td>
<td></td>
<td></td>
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<td>14</td>
<td>Recap budget data and establish proposed balanced budget.</td>
<td>4/13/2009</td>
<td>4/24/2009</td>
<td>Bob, Dan</td>
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<td>15</td>
<td>Review proposed budget with President’s Cabinet and finalize budget</td>
<td>4/27/2009</td>
<td>5/12/2009</td>
<td>Bob, Doug, Betty</td>
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<td></td>
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<td>16</td>
<td>Compare current proposed budget with legislative actions and MnSCU direction and make any necessary adjustments</td>
<td>5/4/2009</td>
<td>5/22/2009</td>
<td>Doug, Betty, Bob, Dan</td>
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<td>19</td>
<td>Finalize budget based on final legislative activity and MnSCU direction.</td>
<td>5/26/2009</td>
<td>6/12/2009</td>
<td>Bob, Dan, Kip, Gary</td>
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<td>21</td>
<td>Review completed process - determine preliminary schedule and process changes for next budget.</td>
<td>6/15/2009</td>
<td>7/31/2009</td>
<td>Bob, Dan, Doug, Betty, Deans</td>
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</table>
General Fund
- General Operations of the College
- $32 million budget - >74% is for personnel

R & R
- $600,000 Budget Repair & Maintenance – funding from General Fund
- Phase I Capital Project & HEAPR - separate state funding >$4 million

Customized Training
- $2.0 million budget
- Operates separate from the General Fund

Auxiliary Services
- Bookstores, $1.9 million budget
- Food Service, contract

Student Life
- Student clubs, organization, athletics, advisors, $700,000 budget

Other
- Grants (Perkins, Trio, etc.), $1.2 million budget
- Financial Aid - $20 million
FY 2010 BUDGET HIGHLIGHTS

- GENERAL FUND:
  - Total Revenue increase of 0.8%
  - Total Expense increase of 0.1%
  - Net Loss projected of <$564,000>

- OTHER FUNDS:
  - Overall – steady; another good year for Bookstores
<table>
<thead>
<tr>
<th>Revenues</th>
<th>$31,976,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>$32,540,000</td>
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<tr>
<td>CHANGE</td>
<td>($564,000)</td>
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</table>
FY 2010 REVENUE BUDGET ASSUMPTIONS

- Enrollment increase of 0.5% to 3,317 FYE’s
- Tuition related revenue increases 5% to $143.43
  - Federal stimulus $ mitigate tuition for students from 5% to a 3% increase.
- Base State Appropriation decreases 11.8%, or $1.73 million from FY 2009.
- Federal Stimulus Revenue of $731,000 (separate from tuition mitigation revenue).
- R & R appropriation from above Base reduced by 33%, or $300,000.
- Both Carpentry Homes built in FY 09 will be sold in FY 10, along with both homes built in FY 08.
ENROLLMENT DEMOGRAPHICS

- **Projection:**
The number of high school graduates will decline by 20% over the next 6 years in our region of the state (including Willmar and Hutchinson), per MN Office of Higher Education.

- In the same time period, the % of statewide graduates who are students of color will increase by 27% - students who at least up until now, go on to higher education at a lower participation rate.
General Fund Budget FY 2010 Revenue

- Tuition, 44%
- State Appropriations, 48%
- Other, 6%
- Federal Stimulus Funds, 2%
FY 2010 REVENUE SUMMARY

- Tuition Revenue increases $461,000, or 3.4%, due to tuition increase and small enrollment increase.
  - Tuition mitigation revenue is under State Appropriations
- Base State Appropriation decreases $1.73 million, or 11.8%.
- Total Appropriation decreases $889,000 or 5.5%.
- $731,000 of new Federal Stimulus $ 
- TOTAL REVENUE increases by 0.8%.
FY 2010 EXPENDITURE ASSUMPTIONS

- Personnel Expenses are reduced by 0.5% due to minimal salary increases, minimal benefits increases and personnel budget reductions.
- Non-personnel expenses decrease by 2.6% due to budget reductions.
- Budgeted funds not spent in FY 09 will not be available in FY 10 unless required by a grant, a contract, or statute.
ACTUAL EXPENSES FY 2008

- Personnel: 26.0%
- Non-Personnel: 74.0%
General Fund Expenses by Category

- Salaries
- Benefits
- Supplies
- Equipment
- Utilities
- Debt/Interest Expense
- Repairs and Improvements
- Indirect expense
- Other expense

2005 2006 2007 2008 2009
Ridgewater Expenses
$ per year by Program Category GEN

Fiscal Year

-20,000,000.00
-14,000,000.00
-10,000,000.00
-6,000,000.00
-2,000,000.00
0.00
$2,000,000.00
$4,000,000.00
$6,000,000.00
$8,000,000.00
$10,000,000.00
$12,000,000.00
$14,000,000.00
$16,000,000.00
$18,000,000.00
$20,000,000.00

Instruction
Academic Support
Student Services
Institutional Support
Physical Plant
Other
A FEW PROGRAM CATEGORY EXAMPLES

- **Instruction** – Instructional Programs
- **Academic Support** – Libraries, IT, Academic Deans, Bio Science grant, etc.
- **Student Services** - Admissions, Registrar activities, counselors, financial aid, etc.
- **Institutional Support** – fiscal operations, legal, HR, logistical services, Marketing, administration.
- **Physical Plant** – maintenance and repair of grounds and facilities.
FY 2010 EXPENSE SUMMARY

- Personnel costs decrease by $121,000 or 0.5%.
- Non-Personnel costs decrease by $236,000, or 2.6%.
- **Total Expenses increase by $43,000, or 0.1%**
General Fund Revenues & Expenses
(in thousands)

Revenue
Expenses

2005 2006 2007 2008 2009 2010
General Fund Revenues & Expenses

(in thousands)
MEETING OUR CURRENT FINANCIAL CHALLENGES

- Our actions taken in response to the state budget crisis have included:
  - reductions to non-personnel budgets
  - not replacing positions (when possible) due to attrition
  - personnel/program reductions

- Reductions Summary:
  - $366,711 - Not replacing or partially replacing six positions.
  - $40,000 - General Fund contribution to Student Life athletic and arts salaries.
  - $248,000 - Non-Personnel reductions.
  - $375,559 – Revenue Improvements
    - +$100,000 - Repair and Replacement budget less than original targeted amount.
    - +$275,599 – Federal Stimulus Tuition Mitigation Revenue

- Closing the Small Business Management Program, effective after the FY 2010 school year. The budget impact from this action will begin to impact us in 2011. The expense reduction of this reduction will save about $330,000 annually, offset partially by about $130,000 in less annual tuition revenue and a much smaller unknown amount from the allocation model.
STATE OF MINNESOTA FINANCIAL FORECAST

+ Budget deficit of >$5.0 billion projected for FY’s 2012 and 2013.
  ✗ No expectation of Federal Stimulus $ for that biennium
+ A longer and deeper recession than was originally expected
  ✗ Longest since the great depression
  ✗ Recovery begins later this year or in 2010
+ State revenues continue to fall
  ✗ State Revenues are $150 million below forecast, as of July 2009
  ✗ State is underperforming the February 2009 Economic Forecast
  ✗ Additional “unallotment” during this year?
+ We have 4 financially challenging years ahead of us.
REVENUE ASSUMPTIONS:

- Enrollment gradually increases at about .5% per year, increasing from 3,304 in FY 2009 to 3,351 by FY 2012.
- Tuition will increase 5.1% in FY 2010, 5% in 2011, and 4% in fiscal year 2012.
  - Balanced by Federal Stimulus funds to buy down student tuition to 3% in FY’s 2010 and 2011.
- Base State appropriation - no net increase in FY 11 and decreasing >10% in FY 12.
- The Repair and Replacement Budget appropriation (from the General Fund) remains at $600,000 in FY 2011 and increases back to $700,000 in FY 2012.
- Carpentry Program homes will sell promptly in the fiscal year following their completion.
- Other miscellaneous revenue remains at the FY 2009 level through FY 2012.
  - No changes to any fees.
EXPENSE ASSUMPTIONS:

- Salaries and benefits are projected to increase $394,000, or 1.6% in FY 2011 (mostly health care).
  - The increase is projected at 2.1% in FY 2012 factoring in benefits increases, some salary increase, and offset by continued lower staffing levels.
- Staffing levels will continue to decrease slightly in FY’s 2010 – 2012 in order to reduce our projected budget deficits.
  - We prefer that reductions are made primarily resulting from attrition.
- Non-payroll expenditures are budgeted to decrease by 2.6% in FY 2010, by 2% in FY 2011 and 1% in FY 2012.
General Fund: Revenues vs. Expenses

Fiscal Year
* projected
General Fund: Revenues vs. Expenses

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Revenues</th>
<th>Total Expenses</th>
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<tbody>
<tr>
<td>2005</td>
<td>$25,000,000</td>
<td>$26,000,000</td>
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<td>2006</td>
<td>$26,000,000</td>
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<td>2007</td>
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<td>2008</td>
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<td>2009*</td>
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<td>2011*</td>
<td>$31,000,000</td>
<td>$32,000,000</td>
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<tr>
<td>2012*</td>
<td>$32,000,000</td>
<td>$33,000,000</td>
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* projected
General Fund: Net Gain/Loss

<table>
<thead>
<tr>
<th>Year</th>
<th>General Fund: Net Gain/Loss</th>
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<tbody>
<tr>
<td>2005</td>
<td>$1,000,000</td>
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<tr>
<td>2006</td>
<td>$1,777,000</td>
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<td>2007</td>
<td>$283,000</td>
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<td>2008</td>
<td>$526,000</td>
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<td>2009*</td>
<td>($712,334)</td>
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<tr>
<td>2010*</td>
<td>($570,000)</td>
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<td>2011*</td>
<td>($115,000)</td>
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<td>2012*</td>
<td>($1,759,976)</td>
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GENERAL FUND BUDGET “WILDCARDS”

- State Appropriation in FY 12-13
  + Further unallotment(s) before then
- Enrollment
- Contracts
- Utilities
- Unexpected repairs/maintenance
- Unplanned overtime
LONG TERM FINANCIAL PROJECTION

- This is forecast, NOT a plan!
- We are:
  + More fully implementing an integrated college-wide planning process linking strategy with financial health.
  + Continuing to improve our budgeting process
  + Stepping up analysis of all programs and services in light of our mission and strategies.
  + Increasing focused efforts to improve quality, improve operating efficiencies, and reduce the growth of expenses.
The budget document also includes:

- Customized Training Budget
- Bookstores Combined Budget
- R & R Budget
  - Major Project Descriptions
  - Detailed Project Summary
- Energy Saving Efforts
- FY 2009 Action Plan Outcomes
- More!
This budget was basically prepared over the winter and into late April, with some legislative changes in May.

Revised Budget prepared this coming October/November.
+ Updated enrollment and other assumptions
+ NO plan to adjust all non-payroll budgets, at this point

FY 2011 Budget Development begins after the Holidays.
SPECIAL THANKS!

The preparation of this Budget could not have been accomplished without the efficient and dedicated services of the College’s Business Office Staff.

+ Special thanks to Dan Holtz for his excellent assistance.

× Thanks to our Deans: Mike Boehme, Kathy Brock, Heidi Olson, Kathy Schwantes and Jenni Swenson for their many hours of effort on this project.

× Many thanks to Faculty and Staff members who contributed their time and effort during the budget development process.

× This presentation provides an overview of the proposed budget. Please see the 2010 Budget Document for a more thorough look at this budget.
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