

Strategic Planning
Financial Structure and Operations
November 3, 2015 3:00 p.m. RPL 325

Members Present: Sandy Cheffer, Pat Chronister, Shirley Goines, Linda Johnson, Stephen Jones, Brian Lasey, Jim Musser, Donna Rankin, Niki Schwartz and Jeff Woods. One guest (Wyatt Watson).

- I. Johnson, Rankin & Watson provided their findings on 5-year projections of financial trends based upon 1%, 2% and 3% annual increases in student enrollment. Holding tuition and fees static, fund balance increases and decreases show a descent in additions to fund balance due to inflationary pressures. Fund balance decreases appear in all scenarios when fees and tuition are held constant, with the decrease being faster and larger as enrollment increases. In conclusion, as enrollment increases, fees and tuition must also increase to counter the increased expenditures due to inflation and due to expenditures related to increased services needs.
 - o Recommendation: Tech must closely monitor student revenues regardless of enrollment growth projections to ensure that all new programs and endeavors are paid for. Long-term decreases to fund balances cannot be sustained. Tech has historically under-paced the average growth in tuition and fee increases compared to our state competitors.

- II. Dr. Woods emailed to the group requesting lists of priorities to be shared among all members. See attached sheets for lists from each member. Some general conclusions: more general classroom buildings or student housing are not as critical as improved management of the facilities that we already have; critical shortages of faculty office space and specialized classrooms/labs suggests that there is a need for a new specialized building (stem-related?) to address both needs; any new building initiative should be gift-financed with multi-year additional funds included for planned maintenance; other conclusions as found on attached sheets.

Adjourned @ 5:00 p.m.

Next meeting: November 10, 2015, 3:00 p.m.

Arkansas Tech University
Strategic Planning Projected Financial Model - Main Campus

Percent Increase in Enrollment Per Year 1.00%

	HISTORICAL DATA				Projected FY2016-17	Projected FY2016-17	Projected FY2016-17	Projected FY2017-18	Projected FY2018-19
	FY Ending		6/30/2015						
	06/30/13	06/30/14							
Revenues									
Tuition and Fees	49,429,817	52,662,668	57,100,474.24		57,898,669.60	58,696,864.96	59,495,060.32	60,293,255.68	61,091,451.05
State Appropriations	31,134,133	31,560,998	31,885,049.48		31,963,188.52	32,041,327.57	32,119,466.61	32,197,605.65	32,275,744.69
Federal Grants	21,706,858	21,833,154	23,017,346.81		23,153,714.00	23,290,081.18	23,426,448.37	23,562,815.56	23,699,182.75
State Grants	15,605,982	12,855,046	12,561,320.63		12,244,498.46	11,927,676.28	11,610,854.11	11,294,031.94	10,977,209.77
Private Grants	2,695,645	3,758,163	5,159,227.43		5,415,583.61	5,671,939.79	5,928,295.96	6,184,652.14	6,441,008.32
Endowment Income	286,846	278,308	548,364.95		575,578.20	602,791.45	630,004.70	657,217.95	684,431.20
Investment Income	287,338	277,065	285,269.74		285,054.53	284,839.32	284,624.12	284,408.91	284,193.70
Sales/Services E & G	908,630	984,809	1,030,492.46		1,043,173.22	1,055,853.97	1,068,534.73	1,081,215.48	1,093,896.24
Other	2,774,330	2,452,920	2,154,266.18		2,089,743.39	2,025,220.60	1,960,697.80	1,896,175.01	1,831,652.22
Total Revenues	124,829,579	126,663,132	133,741,811.92		134,669,203.52	135,596,595.12	136,523,986.72	137,451,378.33	138,378,769.93
Expenditures									
Instruction	33,101,861	34,884,935	37,842,240.60		39,140,582.13	40,466,148.40	41,819,571.99	43,201,417.48	44,612,281.72
Research	1,015,897	1,047,391	1,421,549.68		1,494,500.21	1,568,982.69	1,645,029.31	1,722,672.91	1,801,947.03
Public Service	29,271	25,777	24,685.21		24,716.44	24,748.32	24,780.88	24,814.12	24,848.05
Academic Support	6,973,862	5,783,113	7,552,718.52		7,772,825.40	7,997,554.52	8,227,002.96	8,461,269.81	8,700,456.27
Student Services	5,713,490	5,917,595	6,377,608.74		6,582,096.81	6,790,879.14	7,004,045.89	7,221,689.14	7,443,902.91
Institutional Support	12,383,796	16,248,136	14,503,251.76		15,032,998.40	15,573,869.72	16,126,099.34	16,689,925.78	17,265,592.58
O & M Plant	6,037,913	5,913,161	6,617,389.00		6,817,919.69	7,022,661.53	7,231,702.95	7,445,134.23	7,663,047.58
Scholar/Fellowships	47,006,978	45,548,703	49,607,745.61		50,925,822.89	52,271,579.79	53,645,597.58	55,048,469.75	56,480,802.24
E&G Expenditures	112,263,068	115,368,811	123,947,189.12		127,791,441.97	129,007,271.43	130,223,100.88	131,438,930.34	132,654,759.80
E&G Transfers Debt	1,698,441	1,823,174	1,941,288.89		2,007,856.98	2,075,823.01	2,145,216.32	2,216,066.89	2,288,405.32
Other	661,871	727,683	826,810.00		861,696.71	897,316.03	933,683.37	970,814.41	1,008,725.21
Total E&G Expend & Trfs	114,623,380	117,919,668	126,715,288.01		130,660,995.66	131,980,410.47	133,302,000.57	134,625,811.65	135,951,890.33
Other Add/Deductions					1,550,000.00	1,550,000.00	1,550,000.00	1,550,000.00	1,550,000.00
Total Expend & Trfs	114,623,380	117,919,668	126,715,288.01		132,210,995.66	133,530,410.47	134,852,000.57	136,175,811.65	137,501,890.33
Inc/(Dec) in Fund Balance	10,206,199	8,743,464	7,026,524		2,458,207.86	2,066,184.65	1,671,986.15	1,275,566.68	876,879.59
Prior Period Pension Per GASB 68 (Estimate)					(1,000,000.00)	(1,000,000.00)	(1,000,000.00)	(1,000,000.00)	(1,000,000.00)
Adjusted Inc/(Dec) in Fund Balance					1,458,207.86	1,066,184.65	671,986.15	275,566.68	(123,120.41)

Footnotes:
 Model assumes no change in tuition and fee rates.
 Model assumes a static rate of change in revenues and expenses based on the previous three years and includes a 2.1% HEPI inflation index on expenditures.
 Model assumes changes in personnel at the same rate as the last two years.
 Model does not include any new GASB mandates, CUPA, bonus, or any other changes in personnel, including additional personnel, for 2015-16.

Arkansas Tech University
Strategic Planning Projected Financial Model - Main Campus

Percent Increase in Enrollment Per Year 2.00%

	HISTORICAL DATA				Projected FY2015-16	Projected FY2016-17	Projected FY2018-19 18-19	Projected FY2019-20 19-20
	06/30/13	FY Ending 06/30/14	6/30/2015					
Revenues								
Tuition and Fees	49,429,817	52,662,668	57,100,474.24	58,696,864.96	60,293,255.68	61,889,646.41	63,486,037.13	65,082,427.85
State Appropriations	31,134,133	31,560,998	31,885,049.48	32,041,327.57	32,197,605.65	32,353,883.74	32,510,161.82	32,666,439.91
Federal Grants	21,706,858	21,833,154	23,017,346.81	23,290,081.18	23,562,815.56	23,835,549.93	24,108,284.31	24,381,018.68
State Grants	15,605,982	12,855,046	12,561,320.63	11,927,676.28	11,294,031.94	10,660,387.59	10,026,743.25	9,393,098.90
Private Grants	2,695,645	3,758,163	5,159,227.43	5,671,939.79	6,184,652.14	6,697,364.50	7,210,076.85	7,722,789.21
Endowment Income	286,846	278,308	548,364.95	602,791.45	657,217.95	711,644.45	766,070.95	820,497.45
Investment Income	287,338	277,065	285,269.74	284,839.32	284,408.91	283,978.49	283,548.08	283,117.66
Sales/Services E & G	908,630	984,809	1,030,492.46	1,055,853.97	1,081,215.48	1,106,576.99	1,131,938.50	1,157,300.01
Other	2,774,330	2,452,920	2,154,266.18	2,025,220.60	1,896,175.01	1,767,129.43	1,638,083.84	1,509,038.26
Total Revenues	124,829,579	126,663,132	133,741,811.92	135,596,595.12	137,451,378.33	139,306,161.53	141,160,944.73	143,015,727.93
Expenditures								
Instruction	33,101,861	34,884,935	37,842,240.60	39,644,196.60	41,483,993.67	43,362,426.49	45,280,306.39	47,238,461.77
Research	1,015,897	1,047,391	1,421,549.68	1,537,598.19	1,656,083.72	1,777,057.44	1,900,571.62	2,026,679.59
Public Service	29,271	25,777	24,685.21	24,229.28	23,763.77	23,288.49	22,803.23	22,307.78
Academic Support	6,973,862	5,783,113	7,552,718.52	7,834,325.19	8,121,845.60	8,415,403.94	8,715,127.00	9,021,144.25
Student Services	5,713,490	5,917,595	6,377,608.74	6,652,655.10	6,933,477.44	7,220,197.05	7,512,937.77	7,811,826.04
Institutional Support	12,383,796	16,248,136	14,503,251.76	15,258,176.76	16,028,955.18	16,815,919.95	17,619,410.98	18,439,775.32
O & M Plant	6,037,913	5,913,161	6,617,389.00	6,879,485.22	7,147,085.46	7,420,305.30	7,699,262.76	7,984,078.33
Scholar/Fellowships	47,006,978	45,548,703	49,607,745.61	51,202,137.51	52,830,011.63	54,492,071.12	56,189,033.85	57,921,632.80
E&G Expenditures	112,263,068	115,368,811	123,947,189.12	129,032,803.84	131,464,462.76	133,896,121.68	136,327,780.59	138,759,439.51
E&G Transfers Debt	1,698,441	1,823,174	1,941,288.89	2,033,658.01	2,127,966.89	2,224,256.25	2,322,567.69	2,422,943.66
Other	661,871	727,683	826,810.00	879,220.40	932,731.42	987,366.17	1,043,148.26	1,100,101.76
Total E&G Expend & Trfs	114,623,380	117,919,668	126,715,288.01	131,945,682.26	134,525,161.07	137,107,744.10	139,693,496.53	142,282,484.93
Other Add/Deductions				1,550,000.00	1,550,000.00	1,550,000.00	1,550,000.00	1,550,000.00
Total Expend & Trfs	114,623,380	117,919,668	126,715,288.01	133,495,682.26	136,075,161.07	138,657,744.10	141,243,496.53	143,832,484.93
Incl/(Dec) in Fund Balance	10,206,199	8,743,464	7,026,524	2,100,912.86	1,376,217.26	648,417.43	(82,551.80)	(816,757.00)
Prior Period Pension Per GASB 68 (Estimate)				(1,000,000.00)	(1,000,000.00)	(1,000,000.00)	(1,000,000.00)	(1,000,000.00)
Adjusted Inc/(Dec) in Fund Balance				1,100,912.86	376,217.26	(351,582.57)	(1,082,551.80)	(1,816,757.00)

Footnotes:
 Model assumes no change in tuition and fee rates.
 Model assumes a static rate of change in revenues and expenses based on the previous three years and includes a 2.1% HEPI inflation index on expenditures.
 Model assumes changes in personnel at the same rate as the last two years.
 Model does not include any new GASB mandates, CUPA, bonus, or any other changes in personnel, including additional personnel, for 2015-16.

Arkansas Tech University
Strategic Planning Projected Financial Model - Main Campus

Percent Increase in Enrollment Per Year 3.00%

	HISTORICAL DATA				Projected FY2015-16	Projected FY2016-17	Projected FY2016-17 17-18	Projected FY2017-18 18-19	Projected FY2018-19 19-20
	FY Ending		6/30/2015						
	06/30/13	06/30/14	06/30/14	6/30/2015					
Revenues									
Tuition and Fees	49,429,817	52,662,668	57,100,474.24	59,495,060.32	61,889,646.41	64,284,232.49	66,678,818.57	69,073,404.66	
State Appropriations	31,134,133	31,560,998	31,885,049.48	32,119,466.61	32,353,883.74	32,588,300.86	32,822,717.99	33,057,135.12	
Federal Grants	21,706,858	21,833,154	23,017,346.81	23,426,448.37	23,835,549.93	24,244,651.50	24,653,763.06	25,062,854.62	
State Grants	15,605,982	12,855,046	12,561,320.63	11,610,854.11	10,660,387.59	9,709,921.08	8,759,454.56	7,808,988.04	
Private Grants	2,695,645	3,758,163	5,159,227.43	5,928,295.96	6,697,364.50	7,466,433.03	8,235,501.57	9,004,570.10	
Endowment Income	286,846	278,308	548,364.95	630,004.70	711,644.45	793,284.20	874,923.95	956,563.70	
Investment Income	287,338	277,065	285,269.74	284,624.12	283,978.49	283,332.87	282,687.24	282,041.62	
Sales/Services E & G	908,630	984,809	1,030,492.46	1,068,534.73	1,106,576.99	1,144,619.26	1,182,661.53	1,220,703.79	
Other	2,774,330	2,452,920	2,154,266.18	1,960,697.80	1,767,129.43	1,573,561.05	1,379,992.68	1,186,424.30	
Total Revenues	124,829,579	126,663,132	133,741,811.92	136,523,986.72	139,306,161.53	142,088,336.33	144,870,511.14	147,652,685.94	
Expenditures									
Instruction	33,101,861	34,884,935	37,842,240.60	40,147,831.07	42,501,838.94	44,905,280.98	47,359,195.30	49,864,641.82	
Research	1,015,897	1,047,391	1,421,549.68	1,580,696.17	1,743,184.74	1,909,085.57	2,078,470.32	2,251,412.15	
Public Service	29,271	25,777	24,685.21	23,742.12	22,779.22	21,796.10	20,792.34	19,767.50	
Academic Support	6,973,862	5,783,113	7,552,718.52	7,895,824.98	8,246,136.68	8,603,804.92	8,968,984.19	9,341,832.23	
Student Services	5,713,490	5,917,595	6,377,608.74	6,723,213.40	7,076,075.75	7,436,348.21	7,804,186.39	8,179,749.18	
Institutional Support	12,383,796	16,248,136	14,503,251.76	15,483,355.11	16,484,040.64	17,505,740.56	18,548,896.17	19,613,958.06	
O & M Plant	6,037,913	5,913,161	6,617,389.00	6,941,050.74	7,271,509.38	7,608,907.65	7,953,391.29	8,305,109.08	
Scholar/Fellowships	47,006,978	45,548,703	49,607,745.61	51,478,452.13	53,388,443.48	55,338,544.65	57,329,597.95	59,362,463.37	
E&G Expenditures	112,263,068	115,368,811	123,947,189.12	130,274,165.72	133,921,654.09	137,569,142.47	141,216,630.84	144,864,119.22	
E&G Transfers Debt	1,698,441	1,823,174	1,941,288.89	2,059,459.04	2,180,110.76	2,303,296.17	2,429,068.48	2,557,482.00	
Other	661,871	727,683	826,810.00	896,744.10	968,146.81	1,041,048.98	1,115,482.10	1,191,478.31	
Total E&G Expend & Trfs	114,623,380	117,919,668	126,715,288.01	133,230,368.86	137,069,911.67	140,913,487.63	144,761,181.42	148,613,079.53	
Other Add/Deductions				1,550,000.00	1,550,000.00	1,550,000.00	1,550,000.00	1,550,000.00	
Total Expend & Trfs	114,623,380	117,919,668	126,715,288.01	134,780,368.86	138,619,911.67	142,463,487.63	146,311,181.42	150,163,079.53	
Incl/(Dec) in Fund Balance	10,206,199	8,743,464	7,026,524	1,743,617.86	686,249.86	(375,151.29)	(1,440,670.28)	(2,510,393.59)	
Prior Period Pension Per GASB 68 (Estimate)				(1,000,000.00)	(1,000,000.00)	(1,000,000.00)	(1,000,000.00)	(1,000,000.00)	
Adjusted Incl/(Dec) in Fund Balance				743,617.86	(313,750.14)	(1,375,151.29)	(2,440,670.28)	(3,510,393.59)	

Footnotes:
 Model assumes no change in tuition and fee rates.
 Model assumes a static rate of change in revenues and expenses based on the previous three years and includes a 2.1% HEPI inflation index on expenditures.
 Model assumes changes in personnel at the same rate as the last two years.
 Model does not include any new GASB mandates, CUPA, bonus, or any other changes in personnel, including additional personnel, for 2015-16.

Stephen Jones

From: Stephen Jones
Sent: Tuesday, November 03, 2015 11:24 AM
To: Brian Lasey; donna rankin; James Musser; Jeffrey Woods; Linda Johnson; Niki Schwartz; Pat Chronister; Sandra Cheffer; Shirley Goines; Skylar Combs; Stephen Jones
Subject: Today's Meeting

Meeting today at 3:00 in RPL 325 as scheduled.

Remember to create your list of priorities as Dr. Woods showed us in this email last week:

For our next meeting, it would be a good idea for each of us to come with a list of priorities for expenditures. This should include facilities, new personnel, raises for existing personnel, operations etc. Jason Warnick's survey generally put salary raises first, new personnel second, new facilities third, and remodeling facilities third. My list might look something like this (from highest to lowest priority):

1. Raises to 100 percent of CUPA
 2. Student housing enough to serve existing need
 3. New personnel in areas of key program development and most pressing need, including grants, development, and marketing and academic areas with most student demand (revenue producers)
 4. Faculty office space enough to serve existing needs and needs for next five to ten years
 5. Student research space
 6. Student and faculty recreational space
-

I have also asked Linda and Donna to create a series of projections based upon annual enrollment growths of 0%, 1%, 2% and 3% over the next five years. I know that these do not connect exactly with our projections from the last meeting, but they do provide a basis from which we can make suggestions. Part of the email I sent them is reproduced below:

Would it be possible for you and/or Donna to come up with a basic set of financial projections using the enrollment figures we spoke about in committee this week? Not looking for the detail that you both provided in the 17 and 22 documents earlier. I think we could get by with revenues (in large categories) and expenditures (again in large categories) and reserves (and any of the other areas I may have forgotten). On a spreadsheet, we would be looking at everything fitting on a one page printout for each set of five years. One sheet would look at 0% growth in enrollment (but expected growth in inflation), and each of the others would reflect an average of 1%, 2% and 3% growth rates per year. I know that 3% per year is above any of the numbers we discussed in committee, but if Tech enacted several initiatives that brought that growth about (unlikely as that might be), what impact would that have on our finances?

Here is a look at what those enrollment growth rates would be like using a base enrollment of 12000 for all ATU combined:

Year	Compounded Growth Rate (0%)	Compounded Growth Rate (1%)	Compounded Growth Rate (2%)	Compounded Growth Rate (3%)
1	12000	12120	12240	12360

2	12000	12241	12485	12731
3	12000	12364	12734	13113
4	12000	12487	12989	13506
5	12000	12612	13249	13911
Note: Assumes a Year 0 (2015/2016) enrollment of 12000.				

Again, we are not expecting any one of the rates, but it does give us something to work with as we make our suggestions in the white paper.

I will bring a copy of example white papers for each of us to the meeting today.

Steve

11/3/15

Financial Structure and Operation

Working Group ideas/notes – Cheffer

Please understand that this is an idea to enhance the outstanding work that the finance team already executes to ensure sound financial management of our institution.

Establish a sustainability plan that takes into consideration its ability to afford current operations and meet the current year's budgeted revenues and expenses, long range planned expenditures that are supported by reserves, and everything in between. A sustainability plan should include budgets; appropriate reserves; financial forecasting; financial ratios that include current ratio and quick ratio which are regularly measured now, as well as comparisons of expenditure categories as a percentage of revenues; and calculations that take into consideration the goals of the university. If these analyses can be put into place and measured regularly, the university can monitor its position and ensure sustainability.

Once a sustainability plan is in place, it is important to identify the current needs and plan for future growth. Growth may or may not be growth in enrollment, but rather how the institution identifies its growth through the strategic plan and in accordance with its mission.

Expenditure priorities include:

1. Appropriate expenditures to fulfill commitment to personnel
 - a. COLA
 - b. CUPA as defined by ability to maintain
 - c. Health insurance
 - d. Increased salaries and related expenses that arise through growing faculty and staff
2. Upgrades to physical plant for safety, security and ADA compliance purposes
3. Meet the needs of students for current and projections for future
 - a. Including but not limited to:
 - i. The addition of staff who support students
 - ii. Improvements to existing, or creating new spaces for student use
4. Achieve appropriate support of academic programs
 - a. Support of faculty, program and accreditation needs
 - b. Enhancements to the physical plant to align with goals
5. Broaden financial support of technology and physical plant to enhance and improve the campus
6. Establish budget to fund strategic planning initiatives to be implemented

Expenditure Priorities for finance working group:

1. Increase in faculty and staff salaries to 100 percent of the CUPA median.
2. Addition of new faculty and staff positions.
 - a. Faculty for growing degree programs
 - b. Staff for student success/safety (Advising, Student Services, Public Safety, Tutoring)
3. New academic classroom building with office space/remodeled space for offices
4. Student Success Center (an integrated, fully staffed entity)
5. Monies for new program initiatives
6. Addition of new faculty and staff positions
 - a. Faculty for new program initiatives
 - b. Staff for academic support (Registrar, Financial Aid, Student Accounts, Library, Information Systems)
7. Wellness initiatives for faculty, staff and students to include:
 - a. Information initiatives
 - b. Recreation facilities (i.e., new building, rental of existing space from fitness centers, etc.)
 - c. Child care discounts at local childcare facilities (supplemented by institution)
8. Increase in adjunct pay and benefits
9. Increase in graduate assistant pay and benefits
10. Increase in graduate assistant numbers
11. Grant writers/grants office developed in conjunction with the Budget Office



Office of Financial Aid

Doc Bryan Student Services Center,
Suite 117
1605 Coliseum Drive
Russellville, Arkansas 72801

Office: 479-968-0399

Fax: 479-964-0857

www.atu.edu/finaid

MEMORANDUM

TO: Dr. Stephen Jones, Chair
SPC Working Group, Finance and Operations

FROM: Shirley Goines, Director of Financial Aid

SUBJECT: Priority List

DATE: November 3, 2015

1. Obtain additional outside funding at the rate of 3% per year
2. Annually increase salaries with a goal of 100% CUPA
3. Prioritize space issues and address them in order

Shirley Goines

MUSSER LIST:

- INCREASE GRANTS + PROCUREMENTS TO INCREASE REVENUES
- INCREASE PAY FOR COMPUTER SUPPORT
- EQUITY RAISES FOR ALL AS A GROUP
- MORE FACULTY + STAFF
- INCREASE FACILITIES
- INCREASE STUDENT HOUSING

LASEY LIST:

- ADOPT AN ECO-PERSPECTIVE OF BEING GREEN IN ENERGY USE AND MEASURES SUCH AS RECYCLING, PAPERLESS OFFICES, MATERIALS, ETC.
- IF WE GO "PAPERLESS", DO WE HAVE AN ARCHIVING AND ACCESSING SYSTEM WHICH PROVIDES EASE OF USE.

JONES LIST:

- CREATE A 5-YEAR PLANNING PROCESS FOR MAINTENANCE AND TECHNOLOGY ISSUES TO BUDGET FOR ALL TECHNOLOGY AND BUILDING MAINTENANCE ON A 5-YEAR ROLLING BASIS.
- USE STATE ENROLLMENT DATA BY COUNTY AND SCHOOL DISTRICT TO PREDICT FUTURE ENROLLMENT AND TARGET FUTURE STUDENT MARKETING AND ADMISSIONS EFFORTS.