

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES**

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities

**Date of Meeting:** April 19, 2011

**Agenda Item:** College and University Financial Performance

- Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring
- Information

**Cite policy requirement, or explain why item is on the Board agenda:** The purpose of this Board report is to present to the Finance committee of the Board of Trustees additional information for the 36 individual colleges and universities based on data from the 2010 financial statements.

**Scheduled Presenter(s):** Laura M. King, Vice Chancellor - Chief Financial Officer  
Colin Dougherty, Associate Vice Chancellor for Finance

**Outline of Key Points/Policy Issues:** The Minnesota State Colleges and Universities System maintained a relatively strong financial position in fiscal year 2010. The majority of the 36 colleges and universities also maintained strong financial position in fiscal year 2010.

This report shows several financial measurements for all 36 colleges and universities such as the composite financial index, and its four components, operating margins and net asset changes in fiscal year 2010 compared to fiscal year 2009.

The colleges and universities face anticipated state appropriation reductions coupled with pressure to limit tuition increases which will likely lead to significant budget challenges in future fiscal years. Collective bargaining agreements and anticipated increases in insurance premiums will also add to the challenges that colleges and universities will need to address to maintain strong financial management.

The leadership teams will continue to maintain their focus on aggressively managing costs to deliver efficient and effective services to our students

**Background Information:** The 2010 financial statements were presented to the Audit Committee in November 2010. Further information on the financial health of the system was presented to the Finance and Facilities Committee in January 2011.

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

<b>INFORMATION ITEM</b>
<b>College and University Financial Performance</b>

**BACKGROUND**

The purpose of this Board report is to present to the Finance committee of the Board of Trustees additional information for the 36 individual colleges and universities based on data from the 2010 financial statements. This report separates the Northeast Higher Education District into the five individual colleges that make up this district. This information was prepared by the Finance division of the Office of the Chancellor for a special study session in response to a request at the January 2011 Board of Trustees Finance Committee meeting.

**AUDIT RESULTS**

The system wide audit, revenue fund audit, and the thirteen individual college and university audits, received unqualified opinion letters from the respective audit firms. In addition, there were no reported material weaknesses or significant deficiencies in internal control. LarsonAllen remarked this is a notable accomplishment. The opinion letters provide the Board and other users of the financial statements with assurance that the information is accurate and reliable in all material respects.

Substantial progress was also reported on the two prior year significant internal control deficiencies: both deficiencies have been addressed and resolved. These prior year issues were related to system-wide technology data security and the timely reconciliation of local bank accounts for several colleges. A “significant deficiency” is an internal control deficiency or combination of deficiencies that based on auditor judgment may have more than a remote likelihood of failing to prevent or detect a misstatement that is more than inconsequential to the financial statements. It is a commendable achievement that no significant deficiencies were identified throughout the fiscal year 2010 audit process.

All audited financial reports may be viewed on the system’s website at:  
<http://www.finance.mnscu.edu/accounting/financialstatements/index.html>

## INFORMATION

### Summary of Financial Results - Consolidated level

Fiscal year 2010 operating results yielded significant improvement in financial position at June 30, 2010, with a \$57.1 million net operating revenue surplus, after rebounding from a prior year net operating revenue loss of \$9.3 million.

- Net assets increased \$179.6 million or 11.6 percent; this increase was due to fiscal year 2010 capital asset investments, along with the strong net income for the year.
  - Individual colleges and universities varied for this measurement as the following information shows, comparing 2010 to 2009. Attachment A illustrates the change in net assets between fiscal years 2010 and 2009.
    - Top 25% institutions had between 20-35 percent increases
    - Second 25% had between 13-18 percent increases
    - Third 25% had between 9-13 percent increases
    - Bottom 25% had between (4) -8 percent (decrease) or increases
  - Hibbing Community College is the only college with a decrease in net assets resulting in a negative return on net assets ratio as well.
- Income before other revenues, expenses, gains or losses, also termed “net operating revenue”, increased from a negative \$9.3 million in fiscal year 2009 to a surplus of \$57.1 million in fiscal year 2010. Net operating revenue surplus is the net of \$1,859.6 million of operating and non-operating revenues less \$1,802.5 million of operating and non-operating expenses. Additional information on this measurement for the colleges and universities is found later in this report. .
- Capital appropriation revenue of \$119.8 million plus other capital asset related revenue, combined with \$57.1 million net operating revenue surplus and generated a change in net assets of \$179.6 million, a significant increase from the \$106.8 million change in net assets generated in fiscal year 2009.
- The Composite Financial Index (CFI) for the Consolidated Financial Statements was 2.89 for fiscal year 2010. Details for each college and university CFI calculations are included in Attachment B1, along with the four components of the CFI, found in Attachments B2-B5.

### Measuring, Monitoring and Improving Financial Health: Composite Financial Index (CFI) and Financial Health and Compliance Indicators

#### *What is CFI?*

The Composite Financial Index calculation uses four financial ratios and assigns a specific weighting to each factor in computing a single, composite measure of financial health. The CFI methodology is contained within the *Strategic Financial Analysis for Higher Education* (Seventh Addition), jointly developed and sponsored by the firms of Prager, Sealy & Co., LLC, KPMG LLP and BearingPoint, Inc. This CFI calculation methodology is also used by the Higher Learning Commission as a gauge of member institutions’ financial health. Without detailing the actual calculation methodology, financial ratio values are converted into strength factors which in turn are weighted to allow summing of the four components into a single, composite value.

The *primary reserve ratio* and *viability ratio* are measures of financial condition based on expendable net assets found on the Statement of Net Assets with each weighted 35 percent in the composite calculation. The *net operating revenues ratio* and *return on net assets ratio* are measures of financial performance based on results contained within the statements of revenues, expenses, and changes in net assets and are weighted 10 percent and 20 percent, respectively.

Institutions may have differing values across the four component ratios but still have equivalent overall financial health as indicated by similar composite scores. This approach allows easy comparisons of relative financial health across different institutions. Looking at the composite scores, *Strategic Financial Analysis for Higher Education* suggests a composite value of 1.0 is equivalent to very little financial health, in the for-profit world it could perhaps be viewed as a “going-concern” threshold value, while a composite value of 3.0 is considered to signify relatively strong financial health, an organization with moderate capacity to deal with adversity or invest in innovation and opportunity. CFI scores greater than 3.0 represent increasingly stronger financial health.

### ***Is CFI new to the System?***

The System started using CFI as an internal measure of financial health about six years ago. The CFI is also now a part of the Accountability Dashboard overseen by the Board of Trustees. The CFI is included in the system procedure, “Financial Health and Compliance Indicators”, as a key metric for monitoring financial performance of each college and university. Colleges and universities incorporate CFI and other measures as deemed pertinent, including non-financial information, to prepare an annual “Financial Trends and Highlights” presentation. Audited colleges and universities present this annual assessment to the Vice Chancellor, CFO, as part of the external audit exit meeting. Colleges not subject to external audit, present the same assessment at one of several meetings with the Vice Chancellor, CFO, where college leadership for 3 – 5 colleges plus system office finance personnel meet using a round-table discussion format. These have proven to be good learning and sharing opportunities.

November’s Audit Committee meeting included a high-level discussion of CFI, and the System’s Annual Financial Report for the Years Ended June 30, 2010 and 2009 included much of the CFI information that follows within the FY2009 and FY2010 Management Discussion and Analysis.

### **Summary ratios for FY2010 and FY2009**

The system-wide financial ratios and other measures presented below are generally consistent with prior years’ presentations except that the 2010 numbers reflect a recent change to lower the cap on all ratios from -1 to -4 along with a change in the strength denominator for the net operating revenue ratio. The change was promulgated by the Higher Learning Commission. All System ratios are computed using financial data taken from the accrual financial statements. *Note: Higher values are deemed better for all*

ratios presented. The Supplement to the Annual Financial Report may be examined to view individual college and university financial statements.

(<http://www.finance.mnscu.edu/accounting/financialstatements/yearendstatements/index.html>)

The fiscal year 2010 System consolidated CFI of 2.89 improved from the fiscal year 2009 CFI of 1.87. The following table provides reference benchmarks for individual components of the CFI for achieving a total CFI score of 3.0, a sign of good financial position but with additional room for improvement.

	<u>Weight</u>	<u>Benchmark</u>	<u>MnSCU</u>
Primary Reserve – <i>resource availability</i>	35%	1.05	0.66
Viability – <i>debt coverage</i>	35%	1.05	0.83
Net Operating Revenue – <i>surplus or deficit</i>	10%	0.30	0.24
Return on Net Assets – <i>asset stewardship</i>	<u>20%</u>	<u>0.60</u>	<u>1.16</u>
Composite Financial Index (CFI)	100%	3.00	2.89

**Ratio Variability across Colleges and Universities**

There is considerable variability in individual CFI financial ratio values across the 36 colleges and universities. The following tables, calculated without foundation financial data, highlight the broad range in the results:

	<u>High</u>	<u>Low</u>	<u>Median</u>
Primary Reserve – <i>resource availability</i>	1.24	0.03	0.49
Viability – <i>debt coverage</i>	3.50	0.11	0.81
Net Operating Revenue – <i>surplus or deficit</i>	0.64	(0.40)	0.23
Return on Net Assets – <i>asset stewardship</i>	<u>2.00</u>	<u>(0.44)</u>	<u>1.30</u>
Composite Financial Index (CFI)	6.53	.52	2.83

Midpoints	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
Primary Reserve	0.18	0.41	0.60	.97
Viability	0.36	0.71	1.08	2.48
Net Operating Revenue	(0.18)	0.13	0.29	0.50
Return on Net Assets	<u>0.17</u>	<u>1.09</u>	<u>1.56</u>	<u>2.00</u>
Composite Financial Index (CFI)	.53	2.34	3.53	5.95

## Summary of Financial Results - Individual Colleges and Universities Level

Many of the System's colleges and universities experienced strong performance with the top two quadrants having CFI around 3 to as high as 6.5. Three colleges had a CFI below 1.

- Hibbing Community College
- Fond du Lac Tribal and Community College
- Alexandria Technical College.

All three of these colleges had a CFI above one in the prior fiscal year, which is something the Higher Learning Commission takes into consideration. It is also important to remember that when reporting to the Higher Learning Commission, that colleges can include their foundation information as well often increasing their CFI number.

Negative unrestricted net assets generally indicate a college or university has experienced ongoing operating deficits. All three of the colleges with negative unrestricted net assets from fiscal 2008 or 2009 had positive unrestricted net assets in 2010.

In fiscal year 2010, seven of the system's 36 colleges and universities generated negative net operating revenues using a generally accepted accounting principles measurement; this compares to 17 and 23 colleges and universities in fiscal year 2009 and 2008. Of the seven colleges and universities with negative net operating revenue in fiscal year 2010, all seven colleges and universities also had negative net operating revenue in fiscal years 2009 and 2008. Ongoing operating deficits negatively impact the ability of these institutions to maintain normal operations under adverse economic circumstances and to implement new strategic initiatives. The seven colleges and universities with negative operating margins were:

- Rochester Community & Technical College
- Southwest Minnesota State University
- Hibbing Community College
- Central Lakes College
- Ridgewater College
- Alexandria Technical & Community College
- Vermilion Community College

A three year trend for several key components is illustrated below. Overall, the financial performance of the colleges and universities when measured individually improved.

	<u>FY2010</u>		<u>FY2009</u>		<u>FY2008</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
<b>Net operating revenue loss*</b>	7	19%	18	50%	23	64%
<b>Negative unrestricted net assets</b>	0	0%	1	3%	2	6%
<b>Board reserves below 3%</b>	1	3%	2	6%	2	6%

\* As shown in financial statements on line titled “Income (loss) before other revenues, expenses, gains, or losses.”  
Attachment C shows the Net Operating Margin for each college and university for fiscal year 2010.

**Reasons for the variability**

There are several reasons for the variability, including;

- including increases or decreases in enrollment,
- changes in grant activity,
- new award or completion of capital projects,
- a planned spending of fund balances reacting to investment opportunities or student needs.
- Sometimes unforeseen or unplanned events occur as well such as asbestos removal.

Observation has also proven that often a college or university may be strong in one area but weak in another area, such as their revenue fund or auxiliary activity as compared to their general operating activity.

It is important to keep in mind these measures are based on full accrual financial statements which includes depreciation and other long term obligations such as compensated absences, whereas on a budgetary or cash basis, a college or university may appear in good health. Generally more of the rural colleges have shown operating losses compared to the metro area colleges and universities, in part due to less robust enrollment growth or smaller capital projects. However, the System we have strong colleges and universities in each of the state’s four geographic quadrants.

**Budgetary fund balance and reserves**

Overall, the System’s total year end fund balance grew from 17% of new general fund revenue in fiscal year 2009 to 21% of new general fund revenue in fiscal year 2010. All colleges and universities increased year end general fund balance between fiscal year 2009 and fiscal year 2010. This growth could be attributed to enrollment increases,

expenditure reductions, and/or use of ARRA federal stimulus funds to offset state appropriation reductions.

Individual colleges' general fund reserves from a budgetary perspective remained strong in fiscal year 2010, with a majority showing increases from prior years. Almost 50 percent of the colleges had seven percent in their general fund reserve, with all colleges having five percent. The universities had between two-six percent in their general fund reserve. From a system wide perspective the general fund reserve represents 6 percent of new revenue in fiscal year 2010 compared to 5 percent in fiscal year 2009 and 2008.

### **Financial Health and Compliance Indicators**

There are additional financial metrics which are used to measure, monitor, and improve the financial condition of each college and university. A new system procedure, "Financial Health and Compliance Indicators" defines the purpose and process for performing important, on-going analysis of financial condition. This procedure has been developed, approved and becomes fully effective July1, 2011.

Short term factors include the following

- Repair replacement expenditures per square foot (3 year moving average) of at least \$1.00 per square foot.
- Overdraft in a local bank account during the fiscal year.
- MnSCU to MAPS (SWIFT) reconciliation (including adjustments).
- Timely and complete bank reconciliation (including adjustments).

Long term factors include the following

- Negative accrual based net operating revenue ("Income (Loss) Before Other Revenues, Expenses, Gains or Losses").
- Low accrual primary reserve level.
- Low Composite Financial Index (CFI) score

The procedure also includes required action if certain performance levels are not achieved. It is a proactive approach allowing management at the Office of the Chancellor and at the institutions to stay ahead of the curve so corrective actions can be implemented earlier. The consequences require additional effort from the college and university with an incentive to keep the institutions above the triggers. The required action plans require some additional analysis and forecasting which will add benefits as well.

For the facility factor, a remediation plan will be required which identifies the specific steps that will be taken to move the college or university above the trigger level. A projected cash flow, with comparisons to actual, will be required for the other short term factors. A financial recovery plan will be required for those colleges or universities having low CFI or negative operating margin. The recovery plan will include specific steps that will be taken and expectations as to how these steps will improve the college or university financial health above the trigger level.



Based on data through fiscal year 2010, ten colleges or universities would have been required to do financial recovery plans (about 28%), twelve would have been required to do cash flow statements (about 33%) and twenty would have been required to do a facilities remediation plan (about 56%). This procedure intentionally set the triggers high so management can be proactive and respond quickly.

The Chancellor includes information concerning financial management and legal compliance in the annual performance review process for each president. Presidents are held accountable and activity is monitored in order to assure continued compliance.

## **CONCLUSION**

The Minnesota State Colleges and Universities System maintained a relatively strong financial position in fiscal year 2010, as measured by the \$57.1 million net operating revenue surplus and the \$179.6 million increase in net assets, despite a \$48.2 million reduction in state appropriation funding. The consolidated net operating revenue improved dramatically from a negative \$9.3 million in fiscal year 2009 to a positive \$57.1 million in fiscal year 2010. The majority of the 36 colleges and universities also maintained strong financial position in fiscal year 2010.

The colleges and universities face anticipated state appropriation reductions coupled with pressure to limit tuition increases which will likely lead to significant budget challenges in future fiscal years. Collective bargaining agreements and anticipated increases in insurance premiums will also add to the challenges that colleges and universities will need to address to maintain strong financial management.

Past performance reflects the strong financial management exercised both by the system and the colleges and universities leadership teams as well as the continued strong investment in capital assets. The System and the college and university leadership teams will continue to maintain their focus on short and mid-term strategic and financial planning and aggressive cost management to deliver efficient and effective services to our students.

*Date Presented to the Board of Trustees: April 20, 2011*

## FY2010 and FY2009 Total Net Assets Plus Percentage Change

## Total Net Assets

Colleges and Universities	FY10	FY09	% Change
Rainy River Community College	\$ 3,262,000	\$ 2,410,000	35%
Mesabi Range Community & Technical College	8,498,000	6,401,000	33%
Pine Technical College	6,626,000	5,079,000	30%
Century College	54,160,000	43,296,000	25%
Vermilion Community College	5,832,000	4,658,000	25%
Metropolitan State University	57,947,000	46,234,000	25%
South Central College	12,701,000	10,354,000	23%
Minnesota West Community & Technical College	14,894,000	12,078,000	23%
Hennepin Technical College	29,472,000	24,489,000	20%
Riverland Community College	17,957,000	15,214,000	18%
Minnesota State University Moorhead	89,088,000	76,371,000	17%
Inver Hills Community College	40,442,000	34,876,000	16%
Minnesota State Community & Technical College	32,370,000	27,894,000	16%
Anoka-Ramsey Community College	48,165,000	42,044,000	15%
Ridgewater College	28,901,000	25,057,000	15%
Normandale Community College	54,236,000	47,473,000	14%
Dakota County Technical College	32,107,000	28,386,000	13%
Minnesota State University, Mankato	187,101,000	165,206,000	13%
North Hennepin Community College	46,556,000	41,221,000	13%
Saint Paul College	46,127,000	40,952,000	13%
Lake Superior College	31,172,000	27,721,000	12%
Anoka Technical College	20,833,000	18,808,000	11%
St. Cloud State University	163,661,000	147,905,000	11%
Minnesota State College - Southeast Technical	14,822,000	13,331,000	11%
Southwest Minnesota State University	65,823,000	59,589,000	10%
Bemidji State University	66,110,000	60,775,000	9%
Winona State University	150,606,000	137,594,000	9%
Itasca Community College	8,332,000	7,733,000	8%
Northland Community & Technical College	31,675,000	29,474,000	7%
St. Cloud Technical & Community College	42,575,000	39,607,000	7%
Alexandria Technical & Community College	24,559,000	23,423,000	5%
Minneapolis Community & Technical College	94,074,000	89,259,000	5%
Rochester Community & Technical College	66,870,000	64,458,000	4%
Fond du Lac Tribal & Community College	21,781,000	21,231,000	3%
Central Lakes College	30,988,000	30,092,000	3%
Hibbing Community College	20,051,000	20,969,000	-4%
<b>System Total</b>	<b>\$ 1,723,766,000</b>	<b>\$ 1,544,125,000</b>	<b>12%</b>

**FY2010 Total Composite Financial Index (CFI)****Composite Financial Index**

<b>Colleges and Universities</b>	<b>Composite</b>
Rainy River Community College	6.53
Hennepin Technical College	6.41
Dakota County Technical College	5.57
South Central College	5.55
<b>North Hennepin Community College</b>	<b>5.21</b>
Minnesota West Community & Technical College	4.33
Inver Hills Community College	4.27
St. Cloud Technical & Community College	4.21
Century College	3.99
Anoka Technical College	3.94
Metropolitan State University	3.92
Ridgewater College	3.85
Normandale Community College	3.84
Minnesota State University Moorhead	3.41
Anoka-Ramsey Community College	3.24
Mesabi Range Community & Technical College	3.21
Saint Paul College	3.12
Minnesota State Community & Technical College	3.10
Riverland Community College	2.99
Pine Technical College	2.91
Minnesota State University, Mankato	2.89
St. Cloud State University	2.44
Bemidji State University & NTC - Bemidji	2.41
Winona State University	2.39
Minnesota State College - Southeast Technical	2.33
Minneapolis Community & Technical College	2.31
Lake Superior College	1.98
Itasca Community College	1.78
Northland Community & Technical College	1.76
Vermilion Community College	1.74
Southwest Minnesota State University	1.40
Rochester Community & Technical College	1.31
Central Lakes College	1.14
Alexandria Technical & Community College	0.99
Fond du Lac Tribal & Community College	0.93
Hibbing Community College	0.52
<b>System Total</b>	<b>2.89</b>

## FY2010 CFI -Primary Reserve

## Primary Reserve

		Midpoint
<b>Weight Factor</b>	35%	
St. Cloud Technical & Community College	1.24	
North Hennepin Community College	1.04	
Normandale Community College	1.02	
Inver Hills Community College	1.00	
Anoka Technical College	0.94	
Dakota County Technical College	0.91	
Minneapolis Community & Technical College	0.82	
Minnesota State University Moorhead	0.75	
Metropolitan State University	0.71	0.97
Winona State University	0.70	
Minnesota State University, Mankato	0.69	
Saint Paul College	0.66	
Hennepin Technical College	0.63	
Century College	0.63	
Bemidji State University & NTC - Bemidji	0.60	
Ridgewater College	0.58	
South Central College	0.51	
Hibbing Community College	0.50	0.60
St. Cloud State University	0.48	
Rainy River Community College	0.47	
Minnesota West Community & Technical College	0.43	
Anoka-Ramsey Community College	0.42	
Minnesota State Community & Technical College	0.39	
Central Lakes College	0.37	
Rochester Community & Technical College	0.36	
Fond du Lac Tribal & Community College	0.35	
Southwest Minnesota State University	0.35	0.41
Itasca Community College	0.34	
Minnesota State College - Southeast Technical	0.34	
Northland Community & Technical College	0.34	
Riverland Community College	0.31	
Mesabi Range Community & Technical College	0.29	
Alexandria Technical & Community College	0.28	
Pine Technical College	0.16	
Lake Superior College	0.12	
Vermilion Community College	0.03	0.18
<b>System Total</b>	<b>0.66</b>	

## FY2010 CFI -Viability

		Midpoint
<b>Weight Factor</b>	35%	
Hennepin Technical College	3.50	
Rainy River Community College	3.50	
Dakota County Technical College	3.10	
South Central College	2.67	
North Hennepin Community College	2.24	
Ridgewater College	1.85	
St. Cloud Technical & Community College	1.78	
Anoka Technical College	1.70	
Minnesota West Community & Technical College	1.46	2.48
Inver Hills Community College	1.33	
Anoka-Ramsey Community College	0.98	
Rochester Community & Technical College	0.96	
Minnesota State Community & Technical College	0.95	
Metropolitan State University	0.94	
Century College	0.87	
Saint Paul College	0.87	
Hibbing Community College	0.86	
Riverland Community College	0.83	1.08
Mesabi Range Community & Technical College	0.79	
Normandale Community College	0.79	
Minneapolis Community & Technical College	0.76	
Bemidji State University & NTC - Bemidji	0.74	
Pine Technical College	0.72	
St. Cloud State University	0.71	
Minnesota State University Moorhead	0.69	
Minnesota State College - Southeast Technical	0.63	
Northland Community & Technical College	0.63	0.71
Central Lakes College	0.62	
Minnesota State University, Mankato	0.54	
Itasca Community College	0.52	
Winona State University	0.44	
Alexandria Technical & Community College	0.39	
Fond du Lac Tribal & Community College	0.28	
Lake Superior College	0.26	
Southwest Minnesota State University	0.23	
Vermilion Community College	0.11	0.36
<b>System Total</b>	<b>0.83</b>	

## FY2010 CFI -Net Operating Revenue

## Net Operating Revenue

		<b>Midpoint</b>
<b>Weight Factor</b>	10%	
North Hennepin Community College	0.64	
Normandale Community College	0.60	
Rainy River Community College	0.55	
Century College	0.48	
Minnesota West Community & Technical College	0.44	
St. Cloud Technical & Community College	0.44	
Anoka-Ramsey Community College	0.39	
South Central College	0.38	
Lake Superior College	0.36	0.50
Inver Hills Community College	0.34	
Minnesota State University, Mankato	0.33	
Saint Paul College	0.32	
Minnesota State University Moorhead	0.31	
Winona State University	0.31	
Hennepin Technical College	0.29	
Metropolitan State University	0.28	
Dakota County Technical College	0.25	
Minnesota State College - Southeast Technical	0.24	0.29
Anoka Technical College	0.22	
Bemidji State University & NTC - Bemidji	0.19	
Minneapolis Community & Technical College	0.19	
St. Cloud State University	0.19	
Itasca Community College	0.15	
Minnesota State Community & Technical College	0.15	
Mesabi Range Community & Technical College	0.13	
Riverland Community College	0.06	
Fond du Lac Tribal & Community College	0.05	0.13
Northland Community & Technical College	0.04	
Pine Technical College	0.04	
Ridgewater College	(0.11)	
Central Lakes College	(0.15)	
Alexandria Technical & Community College	(0.16)	
Southwest Minnesota State University	(0.22)	
Rochester Community & Technical College	(0.39)	
Hibbing Community College	(0.40)	
Vermilion Community College	(0.40)	(0.18)
<b>System Total</b>	<b>0.24</b>	

## FY2010 CFI -Return on Net Assets

## Return on Net Assets

		Midpoint
<b>Weight Factor</b>	20%	
Century College	2.00	
Hennepin Technical College	2.00	
Metropolitan State University	2.00	
Mesabi Range Community & Technical College	2.00	
Minnesota West Community & Technical College	2.00	
Pine Technical College	2.00	
Rainy River Community College	2.00	
South Central College	2.00	
Vermilion Community College	2.00	2.00
Riverland Community College	1.80	
Minnesota State University Moorhead	1.67	
Inver Hills Community College	1.60	
Minnesota State Community & Technical College	1.60	
Ridgewater College	1.53	
Anoka-Ramsey Community College	1.46	
Normandale Community College	1.42	
Minnesota State University, Mankato	1.33	
Dakota County Technical College	1.31	1.56
North Hennepin Community College	1.29	
Saint Paul College	1.26	
Lake Superior College	1.24	
Minnesota State College - Southeast Technical	1.12	
Anoka Technical College	1.08	
St. Cloud State University	1.07	
Southwest Minnesota State University	1.05	
Winona State University	0.95	
Bemidji State University & NTC - Bemidji	0.88	1.09
Itasca Community College	0.77	
Northland Community & Technical College	0.75	
St. Cloud Technical & Community College	0.75	
Minneapolis Community & Technical College	0.54	
Alexandria Technical & Community College	0.48	
Rochester Community & Technical College	0.37	
Central Lakes College	0.30	
Fond du Lac Tribal & Community College	0.26	
Hibbing Community College	(0.44)	0.17
<b>System Total</b>	<b>1.16</b>	

## FY2010 Operating Margin

**Colleges and Universities**

Minnesota State University, Mankato	\$ 8,314,000
Winona State University	5,216,000
Normandale Community College	5,205,000
St. Cloud State University	4,993,000
Century College	4,617,000
Minnesota State University Moorhead	3,985,000
North Hennepin Community College	3,732,000
Anoka Ramsey Community College	2,660,000
Metropolitan State University	2,398,000
St. Cloud Technical College	2,099,000
Bemidji State University	1,982,000
Saint Paul College	1,920,000
Minneapolis Community & Technical College	1,881,000
Hennepin Technical College	1,799,000
Lake Superior College	1,731,000
Minnesota West Community & Technical College	1,695,000
Inver Hills Community College	1,672,000
South Central College	1,662,000
Minnesota State Community & Technical College	1,047,000
Dakota County Technical College	1,028,000
Minnesota State College - Southeast Technical	680,000
Anoka Technical College	597,000
Rainy River Community College	329,000
Itasca Community College	286,000
Mesabi Range Community & Technical College	234,000
Riverland Community & Technical College	211,000
Northland Community & Technical College	187,000
Fond du Lac Tribal & Community College	73,000
Pine Technical College	57,000
Vermilion Community College	(490,000)
Alexandria Technical & Community College	(535,000)
Ridgewater Community & Technical College	(571,000)
Central Lakes College	(660,000)
Hibbing Community College	(1,215,000)
Southwest Minnesota State University	(1,319,000)
Rochester Community & Technical College	(2,469,000)
<b>System Total</b>	<b>\$ 57,077,000</b>





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# Minnesota State Colleges and Universities Financial Overview

Presented to the Board of Trustees Finance Committee

April 19th, 2011

Slide 1



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## AGENDA

- Overview of monitoring activity
- Composite Financial Index- CFI
- Financial Health and Compliance Indicators

Slide 2



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## Proactive steps that are occurring

- Trends-Highlights meetings – 22 colleges
- Annual exit conferences - 13 colleges
- Higher Learning Commission submissions
- Financial management awards
- Interim statements
- Robust web site - dashboard, allocations
- Training & onsite work sessions
- Fin Health & Comp Indicators procedure

Slide 3



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## Networking that occurs

- Monthly CFO conference calls
- Regional co-horts- sharing of ideas
- Partnering new CFO's with a mentor
- Individual training sessions
- Movement within MnSCU
  - Retaining and New Opportunities

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## Composite Financial Index: Components

**Primary Reserve** *{resource availability}*

**Viability** *{debt coverage}*

**Net Operating Revenue** *{surplus or deficit}*

**Return on Net Assets** *{asset stewardship}*

**MnSCU CFI 2.89 vs. Mid-line Goal 3.0**

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## Composite Financial Index: Components

**Primary Reserve** *{resource availability}*

- MnSCU 3 months vs. 5 months

**Viability** *{debt coverage}*

- MnSCU 99% vs. 125%

**Net Operating Revenue** *{surplus or deficit}*

- MnSCU 3% vs. 2% – 4%

**Return on Net Assets** *{asset stewardship}*

- MnSCU 12% vs. 6%

**MnSCU CFI 2.89 vs. Mid-line Goal 3.0**

Slide 6



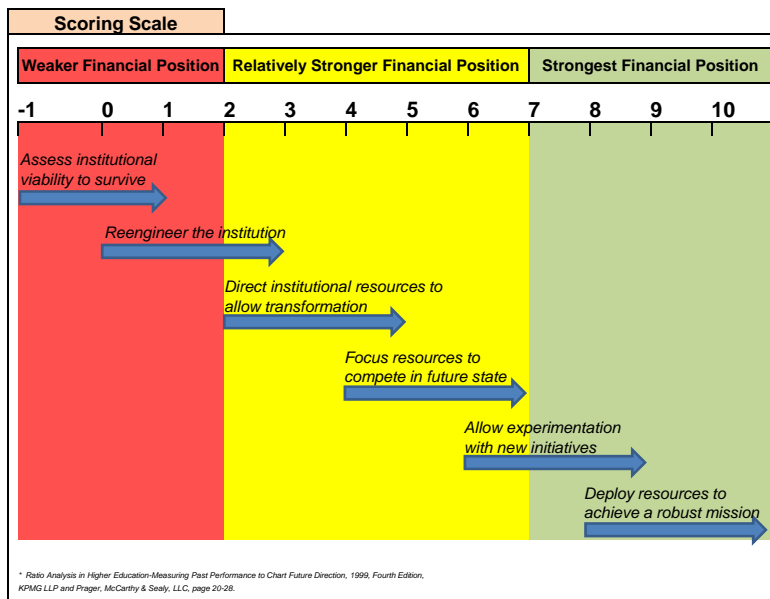
## Composite Financial Index: Variability in the 36 Colleges and Universities

	High	Low	System
Primary Reserve - <i>resource availability</i>	1.24	0.03	0.66
Viability - <i>debt coverage</i>	3.50	0.11	0.83
Net Operating Revenue - <i>surplus or deficit</i>	0.64	(0.40)	0.24
Return on Net Assets - <i>asset stewardship</i>	2.00	(0.44)	1.16
Composite Financial Index (CFI)	6.53	0.52	2.89

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## Scale for Charting Composite Financial Index (CFI) Performance



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## FY10 Top three – CFI

- Rainy River Community College
  - FY10 6.53 FY09 2.45
- Hennepin Technical College
  - FY10 6.41 FY09 5.69
- Dakota County Technical College
  - FY10 5.57 FY09 5.21

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## FY10 Lowest three – CFI

- Hibbing Community College
  - FY10 = .52 FY09 = 1.13
- Fond du Lac Tribal & Community College
  - FY10 = .93 FY09 = 2.62
- Alexandria Technical & Community College
  - FY10 = .99 FY09 = 2.43

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## Top 7- Positive Operating Margins

- Minnesota State University, Mankato
- Winona State University
- Normandale Community College
- St Cloud State University
- Century College
- Minnesota State University Moorhead
- North Hennepin Community College

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## 7 with Negative Operating Margins

- Rochester Com & Tech College
- Southwest MN State University
- Hibbing Com College
- Central Lakes College
- Ridgewater College
- Alexandria Tech & Com College
- Vermilion Com College

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## What are some of the reasons?

- Enrollments #
- Grants – swing from year to year
- Bonding projects- spike in the current year
  - Depreciation & debt payments – future years
- Operational issues
- Variability within the institution
- Planned spend down of Fund Balance
- Unplanned or unforeseen events

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## HLC's use of the CFI

- The review uses financial data reported in the spring by each college and university through the HLC Annual Institutional Data Update.
- HLC looks at two years
  - Not likely any of the three will have to do a financial recovery plan
  - Colleges & Universities may include foundations financials- generally improving CFI

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## Financial Health and Compliance Indicators

- A new financial health and compliance indicator procedure has been developed, approved and becomes fully effective end of June, 2011.

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## Short Term Factors

- MnSCU to MAPS (SWIFT) reconciliation
- Timely and complete bank reconciliation
- Overdraft in a local bank account during the fiscal year
- Repair replacement expenditures per square foot (3 year moving average) of at least \$1.00 per square foot.

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## Long Term Factors

- Low Composite Financial Index (CFI) score
- Negative accrual based net operating revenue (“Income(Loss) Before Other Revenues, Expenses, Gains or Losses”).
- Low accrual primary reserve level.

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## Consequences

- Financial Recovery Plan which identifies the specific steps that will be taken to move the college/university above the trigger level - *10 or 28% triggered*
- Cash flow statement- *12 or 33% triggered*
- Facilities Remediation Plan identifying specific steps that will be undertaken to move college/university above the trigger level - *20 or 56% triggered*

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## Questions

- Thank you for this opportunity

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