University Senate Meeting

October 28, 2020

Susan Kerry
Chief Financial Officer and Senior Vice President for Administration
1. Fund Accounting
2. Fiscal Year 2020 Financial Results
3. Enrollment Update - Fall 2020
4. Michigan Tech’s Financial Health
5. CFO/SVPA Unit Initiatives
6. Questions
Fiscal Year 2020 Distribution of General Fund Revenues and Expenditures

Sources of Funds:
- Student Tuition & Fees: 68.6% of our revenue
- State Appropriations: 21.8%
- Other Revenue: 0.3%
- Indirect Cost Recoveries: 7.0%
- Gift Income: 2.1%
- Investment Income: 0.3%

Uses of Funds:
- Personnel Costs: 66% of our expenses
- S&W - Faculty & Staff: 45%
- Supplies & Services: 7%
- Student Financial Support: 25%
- Utilities: 2%
- Fringe Benefits: 17%
- S&W - Student: 4%
Fiscal Year 2020 Distribution of Current Fund Revenues and Expenditures

**SOURCES OF FUNDS**
FY20 CURRENT FUND (ACTUALS)

- Student Tuition and Fees: 48%
- Federal/State/Local Grants & Contracts: 19%
- Auxiliary Sales & Services: 3%
- State Appropriations: 15%
- Educational Activities: 1%
- Student Resident Fees: 9%
- Investment Income: 1%
- Gift Income: 4%

**USES OF FUNDS**
FY20 CURRENT FUND (ACTUALS)

- Scholarships and Fellowships: 21%
- Supplies & Services: 17%
- Utilities: 2%
- S&W Wages - Faculty & Staff: 40%
- S&W - Students: 6%
- Fringe Benefits: 14%
## Fiscal Year 2020 Financial Position
### University General and Current Funds

### Year Ending June 30, 2020 (FY20)

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Current Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adjusted Budget</td>
<td>Actual</td>
</tr>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td>160,536,721</td>
<td>156,367,706</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td>(200,920,810)</td>
<td>(193,349,291)</td>
</tr>
<tr>
<td><strong>TOTAL TRANSFERS</strong></td>
<td>(15,833,225)</td>
<td>(18,218,185)</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES (EXPENSES)</strong></td>
<td>56,217,314</td>
<td>49,952,418</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>$-</td>
<td>$ (5,247,352)</td>
</tr>
</tbody>
</table>

**Notes:** Revenues, Expenditures, & Changes in Net Position.
The original projection did not include estimates for the Pension & OPEB expenses or investment gains/losses.
Michigan Tech Enrollment History – Fall 10-day Census Data

<table>
<thead>
<tr>
<th>University</th>
<th>Preliminary Fall 2020 Enrollment Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferris State University</td>
<td>-10.5%</td>
</tr>
<tr>
<td>Northern Michigan University</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Western Michigan University</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Lake Superior State University</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Grand Valley State University</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Saginaw Valley State University</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Michigan Tech University</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Oakland University</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>-1.3%</td>
</tr>
</tbody>
</table>

2.4% Enrollment Decline YOY
### Enrollment Update
**as of 09/09/2020 - 10 Day Census**

<table>
<thead>
<tr>
<th></th>
<th>Actual Fall 2019</th>
<th>Budget Fall 2020</th>
<th>Budget as of 09/09/2020 10 Day Census</th>
<th>Change Budget</th>
<th>Change Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Undergraduate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>1,460</td>
<td>1,316</td>
<td>1,350</td>
<td>34</td>
<td>2.6%</td>
</tr>
<tr>
<td>Returning</td>
<td>4,304</td>
<td>3,882</td>
<td>4,292</td>
<td>410</td>
<td>10.6%</td>
</tr>
<tr>
<td>Total Undergraduate</td>
<td>5,764</td>
<td>5,198</td>
<td>5,642</td>
<td>444</td>
<td>8.5%</td>
</tr>
<tr>
<td>Change from 2019 to 2020</td>
<td>(566)</td>
<td>(122)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Graduate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>423</td>
<td>176</td>
<td>291</td>
<td>115</td>
<td>65.3%</td>
</tr>
<tr>
<td>Returning</td>
<td>854</td>
<td>720</td>
<td>934</td>
<td>214</td>
<td>29.7%</td>
</tr>
<tr>
<td>Total Graduate</td>
<td>1,277</td>
<td>896</td>
<td>1,225</td>
<td>329</td>
<td>36.7%</td>
</tr>
<tr>
<td>Change from 2019 to 2020</td>
<td>(381)</td>
<td>(52)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Students</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,041</td>
<td>6,094</td>
<td>6,867</td>
<td>12.68%</td>
<td></td>
</tr>
</tbody>
</table>

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**Board Approved Enrollment Assumptions**

**Scenario 2**

**Undergraduate Enrollment Changes:**
- New Students: -15%
- Returning Students: -7%

**Graduate Enrollment Changes:**
- New Students: -15%
- New Int’l Students: -100%
- Domestic Returning: -7%
- Int’l Returning: -25%
Undergraduate Enrollment Tracking Via Cohort – January 2020 Projection Analysis

Fall 2020 (FY21)
Bottom of the trough

Anticipate filling our pipeline with larger incoming classes
Undergraduate Enrollment Tracking Via Cohort – Actual Fall 2020 Enrollment Analysis

Fall 2022 (FY23) Bottom of the trough

Now filling our pipeline with larger incoming classes
Undergraduate Enrollment Tracking Via Cohort – Possible Scenario

Enrollment Tracking via Cohort (2% then 5%)

Fall 2022 (FY23)  
**Bottom of the trough**

Now filling our  
**pipeline with larger incoming classes**
Remaining Risks & Unknowns

• Another COVID-19 outbreak impedes our ability to have students on-campus

• Lost revenue from deceased traffic on campus already impactful due to duration of pandemic
  • Identification of appropriate expenditures for CARES and CRF funds, to ensure all eligible funds received

• Potential *claw back* on State Appropriations if COVID-19 Status impacts Michigan
  • Testing and Other COVID-19 Costs/Supplies are continuing to escalate
    • Elections destabilize markets
  • Class Action Lawsuit, which is currently impacting other Publics, affects MTU
<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th>FY10</th>
<th>FY20</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages - Employee</td>
<td>88,604,455</td>
<td>116,591,749</td>
<td>32%</td>
</tr>
<tr>
<td>Salaries &amp; Wages - Students</td>
<td>13,842,821</td>
<td>15,842,272</td>
<td>14%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>35,920,561</td>
<td>41,897,924</td>
<td>17%</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td>48,027,812</td>
<td>50,481,995</td>
<td>5%</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>39,273,731</td>
<td>60,905,396</td>
<td>55%</td>
</tr>
<tr>
<td>Utilities</td>
<td>8,421,166</td>
<td>6,303,889</td>
<td>-25%</td>
</tr>
<tr>
<td><strong>Subtotal: OPERATING EXPENSES</strong></td>
<td><strong>234,090,546</strong></td>
<td><strong>292,023,225</strong></td>
<td><strong>25%</strong></td>
</tr>
</tbody>
</table>
Total Compensation Trends

Salaries, Wages, Benefits Expenditures

- Salaries & Wages - Non-Faculty
- Salaries & Wages - Faculty
- Benefits Expenditures
Composite Financial Index (CFI)

CFI Components:

- Primary Reserve Ratio – Sufficient Resources
- Net Operating Revenue Ratio – Operating Results
- Return on Net Assets Ratio – Financial Asset Performance
- Viability Ratio – Debt Management

The Higher Learning Commission considers amounts greater than or equal to 1.1 as "Above the Zone" which means no further action is required. Amounts less than 1.1 but greater than 0 are considered "In the Zone" and further review is required.
Michigan Tech Liquidity Metrics

MTU Fiscal Year-End Monthly Liquidity (in millions)

- FY 19: $77.2
- FY 18: $73.3
- FY 17: $67.4
- FY 16: $67.2
- FY 15: $52.5

Monthly liquidity is defined as unrestricted cash plus unrestricted investments convertible to cash within 30 days. Additionally, Michigan Tech has access to a $20M line of credit.

MTU Days Cash on Hand

- FY 19: 114 days
- FY 18: 112 days
- FY 17: 105 days
- FY 16: 110 days
- FY 15: 87 days

Days cash on hand measures the number of days that the University could continue to pay for its operations, based on its monthly liquidity.

<table>
<thead>
<tr>
<th>University</th>
<th>Days Cash On Hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oakland University</td>
<td>304</td>
</tr>
<tr>
<td>Saginaw Valley State University</td>
<td>285</td>
</tr>
<tr>
<td>Central Michigan University</td>
<td>269</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>261</td>
</tr>
<tr>
<td>Northern Michigan University</td>
<td>256</td>
</tr>
<tr>
<td>Grand Valley State University</td>
<td>237</td>
</tr>
<tr>
<td>Ferris State University</td>
<td>217</td>
</tr>
<tr>
<td>Western Michigan University</td>
<td>195</td>
</tr>
<tr>
<td>Wayne State University</td>
<td>151</td>
</tr>
<tr>
<td>University of Michigan Ann Arbor</td>
<td>142</td>
</tr>
<tr>
<td><strong>Michigan Technological University</strong></td>
<td><strong>118</strong></td>
</tr>
<tr>
<td>Eastern Michigan University</td>
<td>96</td>
</tr>
</tbody>
</table>
Debt Metrics

### University Annual Debt Service Coverage 2019

- University of Michigan Ann Arbor: 6.3
- Grand Valley State University: 3.3
- Western Michigan University: 3
- Central Michigan University: 2.8
- Saginaw Valley State University: 2.7
- Northern Michigan University: 2.5
- Michigan State University: 2.4
- Wayne State University: 2.4
- **Michigan Technological University**: 2.4
- Oakland University: 2
- Ferris State University: 1.9
- Eastern Michigan University: 1.1

### Michigan Tech Debt Metrics

![Debt Service Coverage Ratio Chart]

Per debt guidelines, Debt Service Coverage Ratio should be greater than 1.25.
Annual Debt Service Requirements by Series
Updated: October 2020
Long-Term Planning for Sustainable Growth

Priority Assessments and Investments

“You measure what you value, you accomplish what you measure”

Faculty & Staff

- Depth & Succession Plans
- Achievements & Performance Metrics
- Identify Compensation Gaps & Set Closure Rates
- Enrollment Driven Growth
- Evaluate Benefits & Total Compensation Package

Operations, Campus Grounds, Physical Plant & Equipment

- Deferred Maintenance Schedule & Calendarized Budget
- Facilities Condition & Utilization Analysis
- Capital Needs to Accommodate Enrollment Growth
- Flow, Function, and Technology Updating Needs
- Campus Master Plan and Sustainability/ Energy Efficiency Goals

Financial Strength

- Liquidity Goals & Timeline to Reach Them
- Key Balance Sheet Metrics Goals & Timeline to Reach Them (reserves, liquidity, debt ratios, cash flow)
- Key Operating Performance Metrics Goals & Timeline to Reach Them
- Enhanced Budgeting & Modeling Capability
- Understanding the Pension & OPEB Exposure

Dashboard Sketch Board of Trustees

- Top Metrics
- Fall Enrollment
- Incoming Freshmen High School GPA
- Endowment Value
- Current Fund Balance
- Composite Financial Index
- Sponsored Program Awards

Michigan Tech
Leadership Update on H-STEM

H-STEM Engineering and Health Technologies Complex

- A Showcase Facility
- Facilitation of Interdisciplinary Collaboration for H-STEM fields
- State of the Art Research Space
- Partial Renovation of Chem Sci Office and Instructional Space

Project Cost: $44.7M
State of Michigan: $29.7M
Michigan Tech: $15M

Project Kick-off
- July 2019

Legislative Approval
- October 2020

Groundbreaking
- May 2022

Grand Opening
- August 2024
Campus Master Planning... What’s involved?

- Academic Strategic Planning
- Research Strategic Planning
- Student Life, Housing, and Campus Dining
- Student/Faculty/Staff Quality of Life
- Transportation, Mobility, Parking, Pedestrian, and Alternate Transportation Models
- Competitive Athletics and Recreational Sports
- Land Use and Community Integration
- Sustainability
- Infrastructure and Utility Condition and Capacity
- Suggested Renovation/Reuse of Existing Facilities, and Possible New Facilities
- Implementation, Phasing, and Cost Modeling
Campus Master Planning... *How long will it take?*

**Phase 1: Project Orientation**
- Site Assessment
- Data Collection
- Information Gathering
- Engagement Plan
- Schedule/Workplan

**Phase 2: Analysis**
- Development Considerations
- Infrastructure + Codes

**Phase 3: Scenarios**
- Development of Planning Options
  - Design Considerations
  - Implementation Strategy

**Phase 4: Implementation**

**Campus + Community Engagement**
- Kick-off
- Visioning Workshop
- Focus Groups
- Stakeholder Workshop 1
- Stakeholder Workshop 2
- Stakeholder Workshop 3

**Reviews + Approvals**
- Website
- Data/Study Summary
- Studies/Analysis
- Draft Plan
- Draft Plan
- Draft Plan
- Document

**Submit Milestones**
- 50%
- 75%
- 95%
- 100%

*Michigan Tech*
Thank You and Questions