

**Northern Kentucky University Board of Regents
Budget & Finance Committee
Meeting Minutes
October 21, 2025 | 11:00 a.m. | Student Union 106**

Call to Order and Roll Call

The meeting of the Budget & Finance Committee was called to order at 11:01 a.m. by Chair Zapp. Roll was called, and a quorum was confirmed.

Members Present: Shea Conley, Cori Henderson, Greg Mecher (joined at 11:02 a.m.) and Brad Zapp

Absent: Sandra Spataro

Approval of Minutes

The minutes of the September 15, 2025 Budget & Finance Committee meeting were presented for approval.

Regent Cori Henderson moved to approve the minutes of the September 15 committee meeting. The motion was seconded by Regent Shea Conley.

The minutes were approved as presented.

CFO Report

Fiscal Year 25 Final Audit Report and Financial Statements

- Vice President Chris Calvert presented the Fiscal Year 2025 financial report and audit results.
- The external audit, conducted by Dean Dorton, was issued on October 3, 2025.
- The Audit and Risk Committee accepted the audit report; a copy was provided in the Budget & Finance Committee Dropbox.
 - The audit identified:
 - No significant issues or material weaknesses
 - No internal control deficiencies or recommended improvements
 - No management disagreements
 - Result: a clean audit opinion, reflecting strong financial management.
- Compared to the preliminary results presented at the prior committee meeting, the only change involved a GASB 101 accounting calculation, a one-time accounting adjustment.
- The final audit confirmed a \$3.3 million budget-to-actual net surplus on a year-over-year basis.
- After adjustments, NKU reported a small \$11,000 unrestricted and auxiliary net deficit, a major improvement from prior years' deficits of \$10 million and \$25 million.
- KPI Net Tuition Revenue vs. Personnel Expenses reviewed by the committee from FY15-FY25, and its correlation to net deficits.

Fiscal Year 2026 Results – First Quarter (as of September 30, 2025)

- VP Calvert presented the Fiscal Year 2026 first-quarter financial results covering the period July–September 2025.

- The report included key fiscal performance indicators (KPIs) and early-year trends, highlighting the university's overall financial position.

Key Highlights

- Cash flow and reserves increased year-over-year.
- The unrestricted and auxiliary net surplus improved significantly compared to the prior one and two fiscal years.
- Net tuition revenue (NTR) was higher than in prior years but slightly below budget projections for Fall 2025, primarily due to lower-than-budgeted undergraduate headcount and credit hours.
- Operating and personnel expenses remained closely aligned with expectations:
 - Personnel expenses were nearly on target, with only a \$174,000 variance on a \$34 million base.
 - Operating expenses were running below budget, partially offsetting tuition revenue shortfalls.
- Spending reductions implemented after September 30 are not yet reflected in the Q1 results but are expected to offset part of the NTR negative variance.

Budget-to-Actual Performance

- The university is running a small deficit against budget, primarily due to the tuition revenue shortfall.
- The FY26 NTR forecast is approximately \$1 million below budget.
- Updated information since the September committee meeting includes:
 - Actual data for second five-week courses, and
 - The first two RisePoint payments, which were lower than anticipated, narrowing the variance range and improving forecast accuracy for Fall 2025.

Enrollment and Tuition Revenue:

- NKU increased tuition and fees for FY26; however, headcount and credit hours are slightly below budgeted levels, which explains the shortfall in tuition revenue.

Spending Reductions and Board Direction

- Following Board direction in September, the university targeted \$2.5 million in spending cuts (net of the FY25 budget).
- To date, \$2.1 million in reductions—including position eliminations and operating expense savings—have been implemented, effective October 2025.
- The \$2.5 million target reflected a worst-case scenario for Fall 2025 enrollment.
- Actual results are trending better than the worst-case scenario, though still below best-case levels—closer to the expected baseline forecast.
- These reductions are expected to have a material positive impact on the FY26 forecast and overall financial outlook.

Next Steps and Discussion

- VP Calvert noted that financial performance will continue to be monitored closely, with updates to be provided alongside the FY26 forecast and FY27 pro forma later in the meeting.
- President Cady Short-Thompson and committee members discussed the results and confirmed alignment with previously approved financial strategies.

FY 27 Budget Discussion

Overview of Known Budget Factors for FY27

- Tuition and Revenue Forecasts:
 - FY27 allowable tuition rates are fixed by CPE.
 - Net tuition revenue for Fall 2025, Spring 2026, and Summer 2026 can be estimated.
 - Enrollment projections for Fall 2026 are based on Fall 2025 data.
- Cost and Contractual Assumptions:
 - Benefits costs are known through December 31, 2026.
 - Inflation estimates are available for most existing contracts.
- Uncertainties:
 - State appropriations and performance funding model remain unknown.
 - Department of Revenue policy changes are unresolved.

Budget Priorities for FY27

- Balanced Budget and Cash Flow:
 - A balanced budget with a \$3 million net surplus is targeted.
 - FY26 surplus was approximately \$70,000.
- Salary Increases:
 - A 3% salary increase is planned, effective retroactively from July 1, but implemented in Fall 2026 due to Workday implementation and enrollment timing.
- Surplus Target of \$3 million:
 - Emphasis on building a more significant contingency fund and rebuilding net position.

Revenue Generation and Cost Management Strategies

- Revenue Strategies:
 - Increase net tuition revenue or reduce costs to meet priorities.
 - Focus on traditional undergraduate enrollment as the primary revenue driver.
- Cost Concerns:
 - Personnel expenses and AOL costs are major budget pressures.
 - Discussion on whether staffing levels are sustainable.
- Retention and Enrollment:
 - Strategies to improve student retention and persistence.
 - Expansion of programs like Pathfinders and the North Networking Hub.

Forecast Assumptions and Pro Forma (FY26–FY31)

- Enrollment Trends:
 - Declining traditional undergraduate enrollment projected.
 - Graduate and law programs remain flat or limited in growth.
- Tuition and Discounting:
 - Continued implementation of the “three-state one rate” model.
 - Reduction of non-recurring scholarships improves net tuition revenue.
- Operating and Personnel Costs:
 - Health benefits projected to increase 10–12% annually.
 - Personnel expenses modeled with 3% annual increases.
 - Operating expenses remain inflated compared to actuals.
- Debt Service:
 - Relief expected starting FY29 as older debt is retired.
 - Current debt service is approximately \$23.6 million annually.

Budget Risks and Opportunities

- State Appropriations:
 - Performance funding model may not yield significant gains.
 - Advocacy efforts ongoing to address funding inequities.
- Operating Expense Opportunities:
 - Potential to reduce inflated operating budgets based on FY25 actuals.
- Surplus Targets:
 - A 3% surplus target discussed; may be unrealistic without additional revenue or cuts.

Workday Implementation Update

- Project Scope:
 - Nearly 60 staff involved in finance and HR platform implementation.
 - Unit testing begins soon; end-to-end testing starts in January.
- Budget and Timeline:
 - Project remains under budget (~\$7.5M to date).
 - FY27 costs estimated at \$7.2M.
 - Student module implementation begins in early 2026.
- Risk Mitigation:
 - Pre-implementation due diligence underway to avoid issues like those experienced by Miami University.

Open Discussion and Strategic Considerations

- Debt and Housing:
 - Discussion on East Village housing debt and potential divestment.
 - Interest in state assistance or refinancing options.
- Athletics and Auxiliary Costs:
 - Need to manage scholarship and athletics spending.
 - Consideration of tiered scholarship models.
- Legislative Advocacy:
 - Efforts to secure \$5M base funding adjustment.
 - Concerns about regional political support and funding equity.

Call for Agenda Items & Adjournment

Following the open discussion, Chair Zapp asked the committee for agenda items for the next meeting. There being no suggested items nor further business, Chair Zapp adjourned the meeting at 12:09 p.m.

The next Budget & Finance Committee meeting is scheduled for Thursday, February 27, 2026, at 9:30 a.m. in Votruba Student Union 106.

Respectfully submitted,



Tammy Knochelmann
Secretary to the Board of Regents

The October 21, 2025 meeting minutes approved by Budget & Finance Committee on 2/27/2026.
/tkk