

**Minutes of Budget & Finance Committee Meeting**  
**Northern Kentucky University, SU105**  
**February 20, 2025, 9:30 am**

This meeting was conducted as a video teleconference pursuant to KRS 61.826.

Committee Chair Brad Zapp called the Budget & Finance Committee of the Board of Regents to order at 9:32 am, Thursday, February 20, 2025, and asked Tammy Knochelmann, Secretary to the Board, to call roll.

Roll Call: The following committee members answered the roll call: Shea Conley, Cori Henderson, Ken Perry, Sandra Spataro, and Brad Zapp. (Regents Conley and Henderson joined on Zoom).

A quorum of the Committee was confirmed.

NKU Senior Staff in Attendance: Cady Short-Thompson, President; Chris Calvert, Vice President for Administration & Finance/CFO; Diana McGill, Executive Vice President for Academic Affairs & Provost; Grant Garber, Vice President for Legal Affairs & General Counsel; Tammy Knochelmann, Secretary to the Board of Regents; Christina Roybal, Vice President and Athletic Director; Karen Mefford, Associate Vice President, Financial Services; Jamie Younger, Director of Budget & Financial Planning, Sharon Criss, Assistant Director, Business Ops, Athletics; Mary Paula Schuh, Sr. Director, Planning, Design, and Construction; Jen Moeves, Director of Shared Administrative Services; and Syed Zaidi, Assistant Vice President for Facilities Management,

Approval of Minutes: Regent Henderson seconded Regent Spataro's motion to approve the minutes of the October 31, 2024 Budget & Finance Committee Meeting. (Motion carried)

CFO Report

A. Fiscal Year 25 Financial Report:

VP/CFO Calvert presented an overview of the fiscal year 25 financial report, covering year-to-date results for December and January and updates on the year-end forecast and enrollment.

A review of the key performance indicators (KPIs) was provided:

- Cash Investments: There was a year-over-year increase in cash, primarily due to reduced Unrestricted/Auxiliary deficit and improved timing of drawing financial aid funds from the Department of Education, compared to issues in 2024.
- Deficit: As of December 31, the trailing 12-month net deficit was slightly better than the budgeted deficit, showing positive movement.
- Net Tuition Revenue: A positive variance was noted, with an increase of \$4.8 million year-to-date as of January 31, benefiting from strong spring 2025 semester revenue.

Forecast: The year-end forecast for FY25 is now a \$2.7 million deficit, improved from the original budgeted \$4.8 million deficit. Revenue, particularly from net tuition, is running ahead of budget, while personnel expenses are slightly over budget.

Cash Flow showed significant improvements compared to the prior year, with a positive trend from August through December.

## Net Tuition Revenue

- Net tuition revenue from Summer 2024 through Spring 2025 is nearly \$7 million over previous semesters.
- Enrollment has improved compared to 2023 and 2022, though it remains lower than in 2021. This includes positive movement in AOL and traditional student enrollment.
- Net Tuition Revenue Per Student: Due to pricing and discount adjustments, net tuition revenue per student has significantly increased.

## Questions:

Regent Henderson inquired about the specifics of the 3% salary pool decision. It was confirmed that the wage increase is currently budgeted as across-the-board, with a decision expected from the President and Cabinet. The increase would take effect July 1, pending enrollment outcomes for Fall 2025.

## B. FY26 Draft Budget & Five-Year Pro Forma

VP Calvert discussed the fiscal priorities for the FY26 budget:

The goal is a balanced budget with positive cash flow for FY26, addressing previous deficits and ensuring sustainable financial health. Other priorities include increasing wages, supporting student services, and building the university surplus for future investments. VP Calvert noted a 3%-5% net surplus target as a longer-term goal.

## Budget Calendar & Process:

- Current Status: Finance Committee and Board of Regents Review.
- Next Steps: Spring Budget Forum, further engagement with Staff Congress and Faculty Senate, finalization of the budget, and Board approval in June.
- Key uncertainties: Tuition rate guidance from the state and state performance funding are still pending.

At the request of committee members and President Short-Thompson an Enrollment and Retention Update was provided by Ryan Padgett:

- Spring Enrollment: Enrollment is up by 300 students, with a significant number being traditional students.
- 81 new students for the Spring term.
- Fall 2025 Enrollment: Pay confirmations for current students align with expectations, and the numbers track similarly to the previous year.
- Retention Rate: Fall to Spring retention is above target, reaching 90.6%, surpassing the institutional record of 90.0%. The overall persistence rate is also strong, with more students retained despite the flat rate.

## Performance Funding & State Appropriations

- State Appropriations: General appropriations are static, but performance funding is expected to increase by approximately \$487,000, subject to potential legislative changes.

- Salary and Wages: The budget has factored in a 3% wage increase, amounting to about \$3.3 million.
- Benefits: Health benefits will renew on January 1st, and rates for the first six months of the new fiscal year have been set. The final benefit cost will be updated in March.

#### Operating Budget

- Operating Expenses: The draft budget shows that the university currently has limited room for additional spending beyond personnel-related expenses.
- Auxiliary Services: Housing and food services are included in the draft budget based on fiscal year 25 actuals, while athletics is based on the fiscal year 25 budget.

#### Tuition and Fees

- Undergraduate Tuition: Undergraduate tuition is anticipated to increase by 2.5%, though the Council on Postsecondary Education (CPE) is still awaiting approval.
- Graduate Tuition & Course Fees: Discussions with RisePoint are ongoing regarding recommendations for rates and course fees.
- Fee Requests: Non-tuition, non-course related fee requests will be presented to the board for approval at the February Board meeting.

#### Housing and Vendor Contracts

- Housing for Faculty and Staff: No significant increase in housing applications has been observed yet, though faculty and staff were recently made aware of the option to live in residence halls.
- Chartwells Contract: A change to the Chartwells contract was approved at the January Special Board Meeting to ensure the university can retain the vendor and continue food services.

#### Future Considerations

- Salary Adjustments: While a 3% increase has been budgeted for the upcoming year, there is acknowledgment that the real purchasing power of wages has declined due to inflation. A commitment to balanced budgets is a priority, and future salary raises will be considered as the budget allows.

#### AOL and Enrollment Trends

- Undergraduate Traditional: The trend has been down but is flattening.
- Undergraduate AOL: Shows a rising trend but is still smaller in scale compared to traditional undergraduates.
- Graduate Programs: Graduate traditional enrollment has remained relatively flat, while Graduate AOL shows a slight increase.

#### Tuition and Funding Models:

- There will likely be a 5% tuition increase over two years, focusing on flexibility and potential adjustments for students at the lower end.

- Legislative Updates: No immediate changes to the performance funding model are expected this year, though it will be revisited in future sessions.
- Future Strategy: Continued focus on maintaining competitive pay, addressing inflation, and making careful budgetary decisions to ensure the university remains financially stable.

#### Net Tuition Revenue for Fiscal Year 2025:

- Discussion: Net tuition revenue projections for FY 2025 indicate an increase of 7.3% for Fall 2024 and just under 5% for Spring 2025. However, when compared to pre-2021 revenue levels, there is still a notable gap.
- Concern: We may need to adapt to a reality where net tuition revenue will not reach previous levels. The focus will shift to resizing the institution to fit current realities, including demographic factors contributing to enrollment challenges.
- Action: Prioritize managing expenses effectively and focus on adult learners as a critical demographic for enrollment growth.

#### Enrollment Forecasting:

- Discussion: A multi-year enrollment forecast is needed to help align budgeting with expected enrollment trends. The institution is exploring potential markets for adult learners, notably those aged 24 and above, as a substantial percentage of this group lacks a degree.
- Outcome: Efforts are underway to forecast enrollment in key markets, and innovations in the product offerings, such as non-degree programs, may help address enrollment declines.

#### Fiscal Year 2025 Draft Budget:

- Discussion: The fiscal year 2025 forecast shows a deficit of nearly \$3 million, which is lower than the previous year's deficit. However, the goal is to bridge the remaining gap of just under \$1 million.

#### Key Factors:

- Tuition Rates: Adjustments in tuition rates will play a critical role in bridging the budget gap.
- State Appropriations: There is an expected slight increase in state funding.
- Salary and Wages: Increased costs related to salary and wages are also factored in.
- Timeline: The final budget, including more accurate numbers, will be presented at the Finance Committee meeting scheduled for May 29th.
- Action: Continue to refine the budget, considering potential tuition rate adjustments, state appropriations, and student financial aid considerations.

#### Tuition, Financial Aid, and Enrollment Adjustments:

- Discussion: The institution continues to forecast changes in tuition fees, student financial aid, and the AOL (Accelerated Online Learning) revenue share. As projections for traditional undergraduate and AOL enrollment vary, the budget must reflect these changes.
- Outcome: A more accurate forecast will be finalized once the institutional research department provides updated enrollment projections and tuition rates are determined.

### Budget Approval and Priorities:

The institution's main priority is to present a balanced budget, address the current deficit, and ensure the long-term financial health of the institution. The focus is on avoiding a repeat of last year's deficit and ensuring that the budget meets the expectations of the Board of Regents.

Action: Final adjustments will be made before the May Finance Committee meeting. The goal is to present a balanced budget with a surplus, aligned with final enrollment and financial aid projections.

### Next Steps:

- Finalize FY 2025 budget and present at the May 29, 2025 Finance Committee meeting.
- Continue refining tuition rate assumptions and enrollment forecasting based on institutional data.
- Monitor enrollment trends, particularly in the adult learner demographic, and adjust strategies accordingly.

### General Budget Discussion:

#### Revenue & Expenses:

- Discussion around the impact of increased fees and tuition. There was concern about the balance between increasing fees and potential negative impacts on enrollment.
- Regent Perry shared his experience with price increases at his online school and emphasized the need to generate additional revenue or cut expenses to maintain a balanced budget in the coming fiscal years.
- There were considerations for employee benefits, including waiving campus recreation fees for employees, which would have a minor impact on the budget but could improve morale.

### Information Items & Discussion:

#### A. Athletics Budget:

Challenges in Meeting Budget: The athletics operating expense budget was been decreased from \$12.9 million to \$11 million for FY25. VP Roybal provided insight into how athletics is handling its budget. She mentioned the necessity to cut expenses, primarily through reducing scholarships, which remains a slow process.

Revenue Generation & Expense Mitigation: Athletics is exploring revenue-generating activities and cost-saving measures, such as reducing travel expenses, limiting competitions, and cutting broadcasting for certain sports. Broadcasting is mandated for all basketball games, but sports like baseball and softball may see cuts in broadcasting to reduce costs.

Team Budgets: Athletics has already communicated cuts to certain programs, but key sports like men's and women's basketball, being premier in the Horizon League, have not yet been cut.

Exploring NIL & Alston Payments: Discussion included the possibility of using travel guarantee payments to help fund NIL (Name, Image, Likeness) or Alston payments. This approach aims to leverage additional guarantees to offset NIL and Alston costs. The NIL space remains dynamic with many uncertainties, but it could provide flexibility moving forward.

#### Next Steps:

Short-Term Planning: The athletics budget will be closely monitored in the coming months, with a focus on maintaining balance through May and June.

Continued Financial Reviews: The committee agreed to continue assessing the budget and potential adjustments throughout the year.

#### Action Items:

- Review of financial details related to athletics and general budget will continue, with an emphasis on transparency and long-term planning.
- Exploration of NIL and Alston opportunities will continue, especially in relation to additional revenue generation.

#### B. Housing Rates and Budget:

- A proposed 3% increase in housing rates was discussed.
- The housing department ran a surplus in fiscal year 24, but additional costs were incurred due to HVAC repairs in Callahan, resulting in a lower surplus than projected.
- Future expectations are for housing to maintain a similar budget moving forward.

#### Housing and Enrollment Correlation:

- Housing enrollment is closely tied to undergraduate enrollment, with traditional enrollment numbers influencing housing occupancy rates.

#### Housing Adjustments:

- Proposed adjustments include moving first-year students to Boothe Village and adding eligibility for graduate students, staff, and recent graduates in Northern Terrace.
- The Housing department will be moved under the VP of Student Affairs, effective in April.

#### C. Duke Negotiations (Easement and Route Adjustment):

- Discussion about the revised route for Duke's easement, which should preserve opportunities for future development.
- The compensation offered by Duke is still being finalized and will likely be lower due to the route adjustment.
- The Board agenda for next week will likely exclude this item until all questions are resolved.

#### D. Asset Preservation Funds:

- Request for additional funding for the Science Building to replace aging HVAC units during the ongoing construction.

- The funding request requires Board approval to move forward.

E. Arena Management:

- Proposal to extend the arena management contract with ASM for three years, with two additional three-year renewals.
- The new contract will include performance-based adjustments to management fees and food and beverage sales, saving the institution about \$100,000 based on current attendance.
- The arena has continued to add events, which is positively impacting financial performance.
- This item will be presented for Board approval next week.

Closing Remarks: The meeting concluded with a positive outlook on the current direction of finances and ongoing projects.

Chair Zapp adjourned the meeting at 11:03 a.m.

The next meeting of the Budget & Finance Committee is May 29, 2025.

Respectfully Submitted,



Tammy Knochelmann  
Secretary to the Board of Regents