

**Minutes of the Budget and Finance Committee
Northern Kentucky University Board of Regents
Monday, September 15, 2025, 1:30 p.m.
Student Union 106**

The Northern Kentucky University Board of Regents Budget & Finance Committee convened on **Monday, September 15, 2025**, at the Votruba Student Union, 106.

Chair Brad Zapp called the meeting to order at 1:32 p.m. and asked Tammy Knochelmann, Secretary to the Board, to call the roll.

Roll Call:

Present: Shea Conley (via Zoom), Cori Henderson, Sandra Spataro, and Brad Zapp.

Absent: Greg Mecher

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, Budget and Financial Planning, and Bob Alston, Asst. Vice President & Dean of Students.

Others in attendance: Steve Slone

Approval of Minutes:

Regent Henderson moved to approve the minutes of the May 30, 2025, meeting.

Regent Spataro seconded the motion. The minutes were approved without corrections.

CFO Report:

Vice President/CFO Calvert reviewed the following topics:

Interim FY 2025 Year-end Financial Statement

The Committee received the Interim Fiscal Year-End Financial Report from CFO Calvert.

Interim financial statements were distributed to members in advance of the meeting.

- **Audit Status:** The audit for Fiscal Year 2025 is substantially complete, with no financial statement adjustments discussed to date. The final report is expected within one week. While all numbers remain interim until issuance, they are anticipated to align with the final audited statements.
- **Key Performance Indicators (KPIs):**
 - *Cash and Investments:* Increased by \$7.3 million in FY25, the first increase since 2020, reversing a multi-year downward trend.
 - *Unrestricted and Auxiliary Net Surplus:* Net deficit of \$3.63 million, an improvement of more than \$6 million compared to FY24 and nearly \$21 million compared to FY23.
 - *Net Tuition Revenue:* Increased by \$10.2 million compared to FY24, marking a significant improvement.

- **Balance Sheet and Cash Flow:**
 - Cash and investments increased \$7.3 million year-over-year.
 - Several significant variances were driven by one-time adjustments, including a Kentucky Department of Revenue accounts receivable write-off and new Government Accounting Standards Board (GASB) requirements for employee liabilities.
 - Capital activity, primarily state-funded, significantly increased, contributing to higher balances in buildings, land, and related assets.
 - Net position increased by \$22.9 million compared to the prior year, largely due to capital activity.
 - Statement of cash flow reflected improvements driven by increased tuition revenue and state appropriations, as well as cost control in personnel and operating expenses.
- **Budget to Actual Results:**
 - FY25 budget projected a \$4.8 million deficit; actual results reflected a \$3.3 million surplus, an \$8.1 million favorable variance.
 - Revenues exceeded budget by \$4.7 million, with net tuition revenue increasing by 5.1%.
 - Expenses were \$3 million lower than budget, despite personnel costs exceeding budget. Some operating expenses were transferred to personnel, however, overall operating expenses were significantly lower than budget.
 - Auxiliary revenues remained consistent with prior years, though original budget assumptions were determined to be unrealistic.
 - One-time adjustments included:
 - Kentucky Department of Revenue accounts receivable write-off (\$5.7 million).
 - GASB 101 requirement for increased liabilities (\$6.2 million).
 - Debt service adjustment (\$4.9 million).
 - After reconciling adjustments, the KPI deficit of \$3.6 million reflects a \$6 million improvement from FY24.
- **Summary:**
 - Cash increased by \$7.3 million, the first increase since 2020.
 - Actual performance exceeded budget projections by \$8.1 million.
 - Net position increased by \$22 million across all funds, driven primarily by state-funded capital projects.
 - Reported results exclude two significant one-time accounting changes.

Fall 2025 Net Tuition Revenue and Enrollments

The Committee received a detailed report on Fall 2025 net tuition revenue and enrollment.

- The University achieved a balanced budget and positive cash flow for FY25; however, achieving FY26 targets will be challenging due to reduced state performance funding and Department of Revenue collections.
- Net tuition revenue remains the University's most critical financial metric, given its scale compared to other revenue sources.
- FY26 net tuition revenue is currently forecasted at approximately \$1.5 million below budget. The committee asked about and discussed the range of NTR forecast, which is \$700k to \$2.5 million.
- Year-to-date Fall 2025 tuition revenue is \$3.1 million above Fall 2024, but \$1.2 million below the FY26 budgeted increase of \$4.3 million.

- Enrollment shifts are driving variances: undergraduate traditional headcount declined, resulting in significant revenue loss, while increases in online and graduate enrollments provided only partial offsets.
- The three-state/one-rate tuition model and new non-resident rates functioned as designed; however, the enrollment mix did not meet projections.
- A decline in new undergraduate transfers contributed to the shortfall, with competition from peer institutions offering deep tuition discounting identified as a factor.
- Direct-admit students added new enrollment from outside NKU's traditional markets, though further analysis is needed to assess long-term impact.
- Net tuition revenue per undergraduate traditional student remains significantly higher than other categories, underscoring the importance of stabilizing this segment.
- Scholarship and discounting changes, including the elimination of EDGE awards and reduced AOL discounts, resulted in lower aid expenditures as planned.
- Residential housing revenue exceeded budget by 29 residents, aided by increased rates.
- The University continues to target an additional \$1.5 million in cost containment through deferred maintenance, personnel adjustments, and unfilled positions. Contingencies include a higher-than-average budgeted bad debt expense.
- The Cabinet is considering the timing of a future voluntary separation or retirement incentive program.

Discussion followed regarding enrollment patterns, scholarship impacts, transfer competition, and future cost containment strategies.

FY27 Budget Priorities

The Committee received an overview of the FY26 budget priorities, which included: maintaining a balanced budget, achieving positive cash flow, implementing a 3% salary increase, supporting student services, and building a university surplus.

In this beginning discussion of FY27 priorities, members identified several challenges:

- **Enrollment** – declining traditional undergraduate enrollment and the need to evaluate the university's business model for accelerated online (AOL), hybrid, and traditional programs. Consideration was given to whether NKU should develop additional in-house online or hybrid offerings to align with market demand.
- **ERP Modernization** – implementation of Workday will require funding beyond the state appropriation, impacting cash flow.
- **State Appropriations** – NKU's base funding remains significantly lower than that of peer institutions, leaving the university more vulnerable to volatility in the performance funding model.
- **Compensation** – administration stressed the importance of annual salary increases, with a 3% adjustment planned for FY27, subject to timing and funding availability.
- **Workforce and Efficiency** – the transition to Workday will affect workforce needs and institutional efficiency.
- **End-of-Life Assets** – significant facility and equipment replacements (e.g., roofs, HVAC, scoreboards) remain unfunded due to restrictions on state asset preservation dollars.
- **Residential Housing** – the university's housing inventory remains of poor quality and heavily leveraged, creating long-term financial strain.

Opportunities and recent successes were also noted, including positive cash flow and surplus improvement, tuition revenue growth, receipt of state capital funding, implementation of a FY26 wage and salary increase, and emerging development opportunities around campus.

A preliminary list of FY27 budget priorities was presented for consideration, with the Committee to refine and finalize its recommendation at the next meeting. Tentative priorities include:

1. Balanced budget and positive cash flow (net of ERP implementation costs).
2. Increasing net tuition revenue.
3. Funding wage and salary increases.
4. Supporting student success initiatives.
5. Increasing unrestricted and auxiliary net position.

The Committee agreed that 3–5 priorities would be appropriate and will revisit the discussion with updated financial information, including first-quarter results and tuition revenue forecasts, at the next meeting.

Committee Self-Evaluation

Members expressed overall satisfaction with the committee's work. Chair Zapp emphasized that the original purpose of the committees was to address issues specific to their respective areas, and that the full Board must trust committee members to carry out their responsibilities in accordance with the Board's Duty of Care. Chair Zapp also encouraged the committee to focus on one area of functional improvement over the next 12 months.

Next Meeting

The next meeting of the Budget & Finance Committee will be on Tuesday, October 21, at 11:00 a.m. Agenda items will include:

- Plan to address the Workday shortfall
- KPI Conversation

Following the agenda, Chair Zapp thanked the committee and adjourned the meeting at 2:59 p.m.

Respectfully submitted,



Tammy Knochenmann
Secretary to the Board of Regents

Approved by the Budget and Finance Committee on October 21, 2025.