

Long-range Financial Planning Model

Board of Regents – October 11, 2012

Financial Forecasting Plan

- ▶ May 2012 – Update current year and project next year's balance sheet for Board of Regents as part of President's Recommended Operating Budget
- ▶ June 2012 – Update six-year forecast for Board of Regents – Budget view based on FY13 budget and baseline assumptions
- ▶ October 2012 – Update six-year forecast for Board of Regents to include biennial request
- ▶ December 2012 – Use six-year forecast assumptions for debt ratio forecasting to inform the capital plan

Revenue Assumptions – June 2012

Revenues	FY2013	FY2014-15 Annual change	FY2016-18 Annual change	Projection Basis
Undergraduate rate increase	3.5%	0%	0%	Set at 0% to produce baseline
Undergraduate enrollment change	Updated Estimates	+0.8%	Flat	Enrollment mgmt. plan + UMR growth
Graduate and Professional rate increase	4.0%	0%	0%	Set at 0% to produce baseline
Graduate and Professional enrollment change	Updated Estimates	Flat	Flat	No material changes reported by colleges
Federal Grants and Contracts	OVPR Estimate	2%	2%	OVPR Projection
Sales and Services	3.0%	2.5%	2.5%	10 year average CPI
Gifts	Foundations estimates	Foundations estimates	Foundations estimates	Generally around 6-8%
Auxiliary Enterprises	2.75%	2.75%	2.75%	10 year average CPI + 0.25% for R&R
State Appropriations	\$545.3M	-0.7%	-0.7%	10 year trend - averaged

Expense Assumptions – June 2012

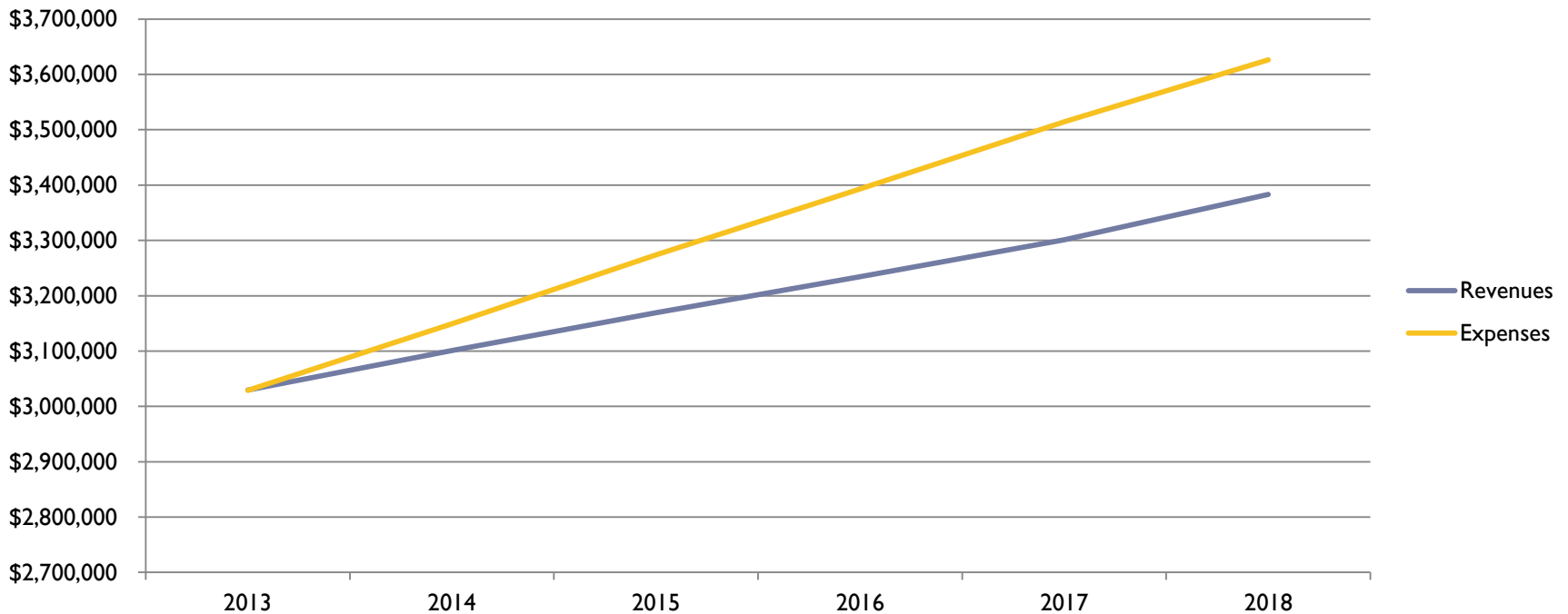
Expense	FY2013	FY2014-15 Annual change	FY2016-18 Annual change	Projection Basis
Salaries	2.5%	3.2%	3.2%	10 year HEPI weighted average of all employees
Fringe benefit costs	FY13 budget estimates	4.8%	4.8%	10 year HEPI average
Number of faculty	Updated Estimates	+1.0%	Flat	Proposed FY13 operating budget
Number of staff	Updated Estimates	Flat	Flat	No material changes reported by units
Remainder of Education and General expenses	FY13 budget estimates	3.1%	3.1%	10 year HEPI average of non-compensation expenses
Auxiliary enterprises	2.5%	2.5%	2.5%	10 year average CPI
Additional infrastructure investments	\$6.8M	\$15M	\$15M	New building expenses, software licenses, new tech expenses, etc.
New academic investments	\$33.9M	\$0	\$0	Set at \$0 to produce baseline
Internal reallocations (reductions)	\$0	\$0	\$0	Set at \$0 to produce baseline
Capital expenses	6-year capital plan			

Forecast model with baseline assumptions

June 2012

University Revenues and Expenses

(in thousands)



	2013	2014	2015	2016	2017	2018
Revenues	\$ 3,028,992	\$ 3,075,680	\$ 3,126,189	\$ 3,172,517	\$ 3,220,596	\$ 3,283,211
Expenses	\$ 3,028,992	3,149,518	\$ 3,273,749	\$ 3,392,875	\$ 3,514,517	\$ 3,626,133
Net	\$ (0)	\$ (73,838)	\$ (147,560)	\$ (220,357)	\$ (293,921)	\$ (342,922)

Assumes no tuition increases and modest declines in state support, but also no academic investment or extraordinary infrastructure investment

Revenue Assumptions – October update

Revenues	Original assumptions FY2014-15 Annual change	FY2014 Updated Assumptions	FY2015 Updated Assumptions	FY2016-18 Annual change
Undergraduate rate increase	0%	0% - Resident 3% - Non-res	0% - Resident 3% - Non-res	0%
Undergraduate enrollment change	+0.8%	+0.8%	+0.8%	Flat
Graduate and Professional rate increase	0%	3%	3%	0%
Graduate and Professional enrollment change	Flat	Flat	Flat	Flat
Federal Grants and Contracts	2%	2%	2%	2%
Sales and Services	2.5%	2.0%	2.0%	2.5%
Gifts	Foundations estimates	Foundations estimates	Foundations estimates	Foundations estimates
Auxiliary Enterprises	2.75%	2.0%	2.0%	2.75%
State Appropriations	-0.7%	\$577.5M	\$604.7M	-0.7%

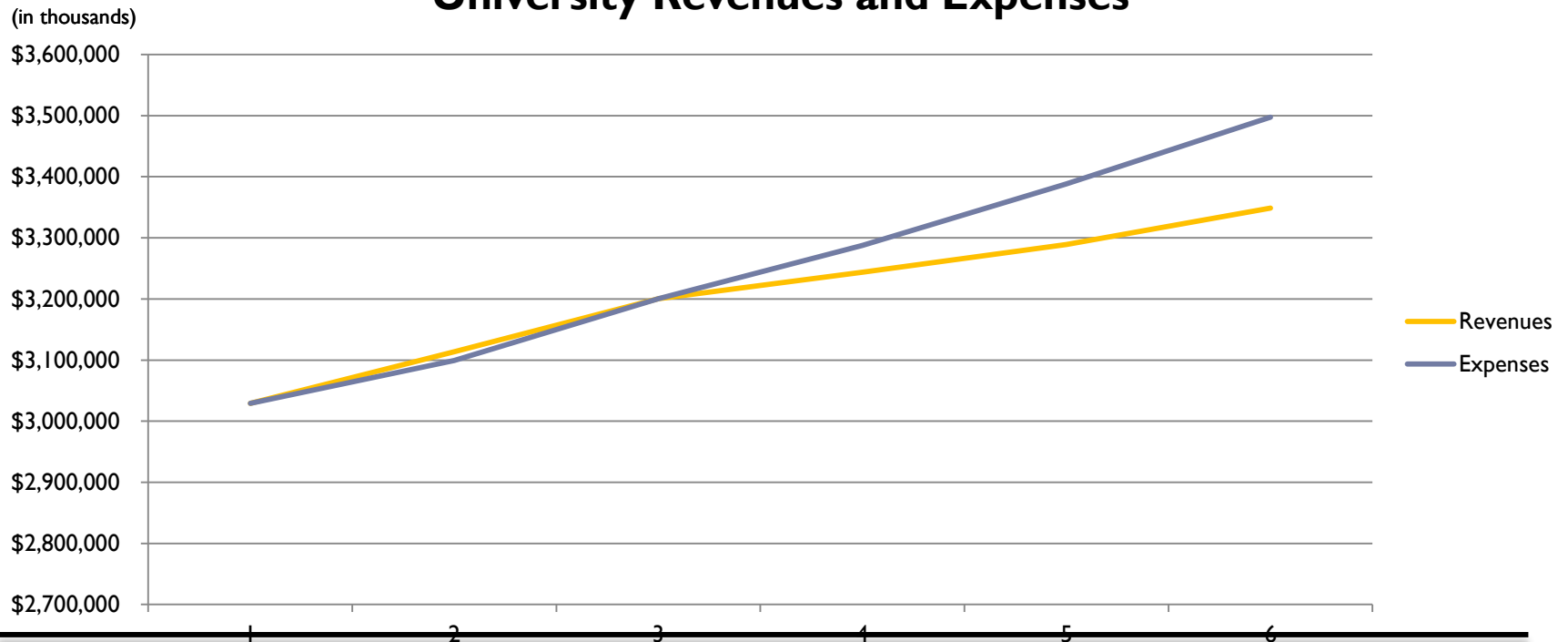
Expense Assumptions – October update

Expense	Original assumptions FY2014-15 Annual change	FY2014 Updated Assumptions	FY2015 Updated Assumptions	FY2016-18 Annual change
Salaries	3.2%	2.5%	2.5%	3.2%
Departmental fringe expenses	4.8%	-2.6%	4.8%	4.8%
Number of faculty	+1.0%	+1.0%	+1.0%	Flat
Number of staff	Flat	Flat	Flat	Flat
Remainder of Education and General expenses	3.1%	3.1%	3.1%	3.1%
Auxiliary enterprises	2.5%	2.5%	2.5%	2.5%
Additional infrastructure investments	\$15M	\$15M	\$15M	\$15M
New academic investments	\$0	MNDrive : \$18M	Accountability Fund: \$11.5M AHC Loan Forgiveness Program: \$1.5M	\$0
Internal reallocations (reductions)	\$0	(\$14M)	(\$14M)	\$0
Capital expenses	6-year capital plan			

Forecast model with baseline assumptions

October update

University Revenues and Expenses



	2013	2014	2015	2016	2017	2018
Revenues	\$ 3,028,992	\$ 3,113,706	\$ 3,200,477	\$ 3,243,980	\$ 3,289,134	\$ 3,348,722
Expenses	\$ 3,028,992	3,099,254	\$ 3,200,400	\$ 3,287,433	\$ 3,388,406	\$ 3,497,306
Net	\$ (0)	\$ 14,452	\$ 77	\$ (43,453)	\$ (99,272)	\$ (148,584)

Assumes President's proposed biennial request and additional updated assumption

Following biennia – FY16, FY17, and beyond

The President's overall budget framework provides for ongoing academic investments and a long-term sustainable financial model

Commitment from the State to reduce or eliminate tuition increases for Minnesota undergraduate students	~\$14M-\$16M annually
Partnership with the State to address and solve complex issues vital to its citizens and the industries of the region	~ \$15M - \$30M for MnDRIVE initiatives
Hold the University accountable for results	~\$10M - \$15M in accountability targets
Commitment from the University to operational excellence	~\$10M - \$15M in savings and reallocation
Create a responsible and realistic six-year capital plan	

Significant revenue and cost drivers only partially in the University's control:
Health care costs, market-rate salaries, utility costs, construction costs,
sharp spikes in enrollment