Financial Planning Committee

Financial Committee: November 14, 2024: 4 PM
Steven Karpowicz: Chair
Members: Elisabeth Valenzuela, Rey Martinez, Stephen Owusu-Ansah, Siri Gurunam Kaur (Secretary)
Ex-officio Member: Stephanie Gonzalez.

The October meeting minutes were reviewed by Steven before the meeting and corrected some misspellings of names.

Stephen Owusu-Ansah moved that the October meeting minutes be approved as corrected by Steven Karpowicz. October minutes approved by Stephen, Steven and Siri. No Nays or Abstentions. Steven will forward the revised faculty minutes to faculty senate.

Steven updated some of the survey questions and forward them on to Rey. Rey, who created a google form. The reviewed survey questions in the google form were reviewed and the asterisks removed some a couple of questions which would allow participates to leave the comment boxes empty and unanswered if need be.

Ted Gonzales emailed Steven the list of department chairs and their contact information. It was suggested that with the question, "Do you have a graduate program" be a yes or no question. If the department answers yes, then the remaining questions are available to answer. If answered no, then the remaining questions are left invisible to the participant. Steven will work with Rey to see if we can do that.

The purpose of the survey is to collect information about how departments decide the minimum enrollment for courses. Once collected it was the intention to find out the financial impact of minimum enrollment on the university budget.

At this point Stephanie is unaware of how to run a report out of banner to find out how much tuition was raised or brought in for a course. What is seen in the revenue postings is information labeled as undergraduate, graduate, in-state or out-of-state, etc. in the general ledger. She believes that the information is there, but unsure how it can be retrieved from the banner system. Stephanie has not seen information such as the tuition fee, revenue received, then the breakdown by class, then the breakdown by enrollment by class. She has not seen anything like this. It would take time to put together a report on that. If you have this many students in a class, this is where it breaks even or this is where it cost the university, or this is where the university can see a profit. It would take some time to work on this. She thinks it is important to know. There are classes are offered which are pre-requisites for other classes. There are core classes that are essential to take for different degrees and programs. Information is not just based on the numbers, like you only have 5 students. If the class is a pre-req how do you eliminate that when there is only a couple of students. Chemistry will provide a class to one student if it is a required course.

There may not be a global minimum, but a department minimum. Lower division courses may have higher enrollment whereas upper division courses usually have lower number of students.

It will be a challenging project with everything that needs to be factored into it. This concern came up due to courses in the English department were at the last moment cancelled, due to low enrollment whereas in other semester the courses took. Then departments stated that they use different numbers. Then it was stated that there was not a general policy for a minimum number but there have been recommendations.

Do we know who actually cancelled the English classes this summer? The dean cancelled the courses. Low enrollment may be more of a concern during the summer classes than during the school year because faculty during the fall and spring semester are contracted. Summer classes are extra for contracted faculty. In the summer, from a business point of, the cost and revenue are more important with the need to break even. The university is not obligated to offer summer classes unless it can be financially feasible. Need to look the cost considering adjunct pay, overload pay, online courses versus in-person courses.

Need to look at the situation where a third-party entity, like Wiley is receiving a percentage of the online tuition and the profitability. Wiley is tracked separate. The university record the tuition revenue from the undergrad and grad asynchronous courses. This is recorded and track this separately. There is a separate account where we decrease the revenue shared piece and pay out to Wiley. This shows the true revenue to Wiley. NMHU has this information.

It seems that the nursing students when asked state that they enroll at NMHU through word of mouth. We understand the importance of enrollment and how to increase that enrollment. The question is, is it cost effective to have Wiley do and get paid for the advertisement if the students are coming to NMHU through other routes. There is an unsureness of what Wiley is doing exactly in the increase of enrollment. It is known to upper administration that there is a student which Wiley has claimed who may have come to NMHU through word of mouth or through the dependent waiver. We have some employees who are classified as Wiley students, which does not make sense. Stephanie has had some concerns on how some students are being bucketed as a Wiley student. At the meeting that Patrick had with Wiley/Academic Partners in this last year, Wiley said that they could not separate out which students came to them through their advertisement and how many students came to NMHU from familiar ties. It would be important to understand from a financial point of view how students find out about NMHU. Our enrollment stated pretty flat this year. There is a concern with the opportunity scholarship and how that means of educational payment is impacting enrollment. There was an observed trend with the Lottery scholarship which covered tuition costs, that enrollment for NMHU had decreased instead of increased because the students could attend a more expensive state school such as UNM or NMSU.

How can we as a state message that we provide a quality education in-state versus out-of-state.

Stephanie provided a report. Stephanie is not able to discuss the university audit because NMHU missed the audit deadline of November 1. There was more work to be done and hiccups to remedy. The cyber attack in April delayed the closing of the university books. The accountants who work remotely were unable to access Banner through VPN until the end of May. There was two months of time in which the university could not access Banner to finish the reconciliation and closing the books. There was some key staff turnover. There was the testing of another major program for single audits. There is the financial statement audit and there is a Federal financial audit. The federal financial audit is called a single audit. For the single financial audit, they were planning on testing three programs but ended up testing four major programs which had grants. This caused more work. There was extra work in regards to the Banner-Paycom transition. The NMHU Foundation and the NMHU Isotopes books did meet the

November 1st deadline. Stephanie is hoping to submit the NMHU books by Thanksgiving. There is a meeting with the audit manager tomorrow for an update. Unsure what the results of the audit findings will be. Anticipate to receive an HR Payroll finding. There has been good work in moving forward on the HR concerns. The staff person in charge of benefits went on an extended leave. There were a lot of mistakes within the benefits, especially with health insurances. The Associate HR position will be eliminated. A Benefits Manager position will be created in order to fix this. There mistakes from retirement, vision, health insurances, etc.

It is important for all of us to provide good customer service and be kind. ON September 15, a report was sent to HED, a report of actuals. This report states what our real revenue and expense numbers are for fiscal year 2024. Stephanie needs to update it and resubmit it because of some of the changes. And updates. HED did place the university on fiscal oversight watch. EFOP- Enhanced Financial Oversight Program. We have to provide timely financial reporting to the president, the board and HED. The State auditor had concerns about the number of audits for fiscal year 2023. There were 13 audit findings for fiscal year 2023. The Foundation had one, so 14 overall. There is a corrective action plan matrix (Cap-Matrix) which is updated every quarter which states the progress that is made in meeting the corrective action plan interventions. The quarterly report is one of the requirements for the EFOP. The other reporting requirement is the statement of Net Assets, Statement of Revenues and Expenses, and a cash-flow, and unaudited cash flow reports on a quarterly basis.

The other reason we were placed on Fiscal watch was because on the FY 23 financials, it looked like there was a purchase of a building. But because of GASB Accounting reporting requirements for finance purchase agreements, but it wasn't that. The Rio Rancho campus leases the building from the Foundation. There was a new lease purchase agreement between the University and the Foundation. At the end of this lease purchase agreement, we have the ability to purchase the building from the Foundation. The university reported to HED that they have not bought the building and the title of the building was not transferred to the university. Any purchase of buildings and land has to have State Board of Finance and HED approval. We are participating with everyone involved in this financial oversight situation. We are being transparent. HLC knows that we have this situation going on.

Open enrollment is going on with HR. HR employees have assigned tasks with Open-enrollment to make sure everything occurs smoothly by January 1, 2025. Everything has to be manually updated. Paycom does not automatically roll employee information over.

FLSA: Fair Labor Standards Act: The rule does not impact faculty. A rule was created in April that said that effective July 1st, exempt employees who make under a certain dollar amount are adjusted in a manner that if they are working overtime, they will be paid the correct overtime. The first threshold was $43, 000 would be adjusted to $58, 686 on January 1. All the VPs and Dean are going through the list of all exempt employees who earn $58,668 and under and see if the employees need to be reclassified as non-exempt. This impacts the staff and any staff who is in the union can not be reclassified and will receive the increase. This will cause compression issues, but we can not deal with this quite yet. We need a full, comprehensive compensation study done to look at all the positions and get them reclassified appropriately. The Evergreen Study that was completed a couple of years ago, was not very good. This will impact the budget. When this FLSA rule was made public, the budget was close to being completed. This was not included in the original budget. The Ivan Hilton costs were also not included in the original budget. All of these unexpected financial costs are impacting the budget.

The IT Director interviews will happen on 12/3, 4, and 5th. The three applicants for IT directors will be on campus those 3 days. There will be interviews with the extended cabinet, with the IT department, and then the campus forum. This is finals week.

Silvia Baca provided information to Faculty Senate yesterday. Apparently, the state will provide funding for maintenance for the academic buildings but not for the dormitories. How do schools like UNM support their dorms. Housing is considered auxiliary buildings. The auxiliary programs are considered self-supporting. Housing does have a large positive balance of more than 2 million dollars. There are concerns of tapping into that positive fund balance because of cash flow challenges. There have been situations where entities have gone into a negative fund balance state. So those negative fund balances borrowed funds from the university to operate with out sufficient support. The golf course is an example of that. The gulf course had a negative 3.3 million dollars fund balance. The golf course is an auxiliary program as well. So, the housing fund balance was keeping the gulf course in the black. There was also an old Day Care that had a negative fund balance. There is a concern about the HVAC in one of the dorms. It will take more than a million dollars to replace. There is over an 80 million deferred maintenance demand on the dorms. At this point, we do not have the cash. Housing did have a large rate increase for 2025 due to the deferred maintenance. We are still paying for the Viles and Crimmin dorm to the year 2034. Every year we pay over 2 million dollars on the debt obligation for the Viles and Crimmin and the student union building. The FEMA money could help. If we can get some FEMA money from the federal government for those claims. We could endow that money towards investment money in support of those maintenance needs. The state has money for demolishing a building. There are some buildings that will need to be torn down, like Archuleta. It is condemned. It would take millions of dollars to get the Archuleta building up to code.