

Rosary Finance Committee Meeting Minutes – May 24, 2022

In Attendance: Rob Hoertz, Steve Ruszak, Shawna Pautsch, Dave Bigley, Tom Meyer, Emily Egkan, Rob Curry, Rick Price

Absent: Jim Welch

Minutes: The minutes from the March 30, 2022 meeting were reviewed and approved.

New Committee Member: Shawna reported that the Diocese has suggested that the new Diocese CFO, Steve Pellegrini, be the replacement for Lisa Sison to sit on the Rosary Finance Committee. A discussion was held regarding the pros and cons of having such a high-ranking Diocesan financial representative participating on the Committee. It was agreed that Shawna and Rob would meet with Mr. Pellegrini to share our comments and concerns as well as to obtain his objectives and vision for his role. **Shawna will attempt to schedule that meeting within the next 30 days.**

Solar initiative/Roof replacement: Steve reported that the main building roof replacement was completed in April. The contract for the solar installation has been executed between the Diocese, Enlighted Solar and Collective Sun at a cost of \$413k and installation will begin in June. Steve discussed the possibility of obtaining a loan from the Diocese to pay for the solar (as well as other capital improvements/expenses – total loan of \$670k). The Diocese's initial reaction for such a loan was negative and suggested that Rosary should pay with their cash reserves. This will be further discussed in Rob/Shawna's upcoming meeting with Steve Pellegrini (Diocese CFO). The Committee also discussed the possibility of obtaining a working capital loan with Farmers & Merchants (F&M) bank. Steve will follow up with F&M to obtain a current proposal. If either alternative does not pan out, Rosary will pay for these capital improvements from cash reserves (currently \$6.1m).

Admissions/Enrollment/Financial Aid: Shawna reported that Rosary currently has 110 registered Freshmen - 102 have paid registration fees with 7 additional pending applications (total Freshmen enrollment in 2021/2022 was 105). There are 4 pending transfer students and 2 international Freshman students. Shawna is now projecting total enrollment of 445 (vs. 461 in 2021/2022). There was discussion regarding the possible need/benefit of increasing the current Admissions staff from two to three to assist in increasing Freshman enrollment in future years. It was agreed that a revised budget will include this additional staff position.

Steve provided a Financial Aid (FA) **Freshman** update – 72 awards have been given for a total of \$525k (\$102k over budget) with 10 pending FA applications. The average award to date for Freshmen is \$7,282 vs. a budget of \$6,500.

Servite and Rosary are investigating more collaboration on FA awards for those families that have students at both schools so that there are not large discrepancies between the two awards for each family.

Upper-class FA awards are in process with approximately 70+ applications still pending. Steve is currently projecting total FA awards for all classes will be approximately \$1.715m (\$88k over budget - and 'flat' in comparison with 2021/2022). The Committee continued to reinforce the notion of being more aggressive with FA awards, if necessary, to ensure enrollment projections are maintained.

Advancement: The current Advancement Report was reviewed. Advancement's YTD results are \$2.601m (vs. the \$1.8m annual goal).

The TEL grant (\$70,000) has been approved but will not be disbursed until July so this will not impact this year's fiscal results. Shawna is still anticipating another \$100k in donations between now and the end of the year.

Shawna has expressed the desire to expand the Advancement department headcount from three to four personnel in 2022/2023. The Committee agreed that this position should be included in next year's budget as an 'investment' with the 'return' intended to more than pay for the associated salary expense.

AR/Aging Report: Steve reported that 'past due' AR has slightly increased (\$76k over 90 days in the current fiscal year). Steve provided supporting data for the amounts being reserved for past due AR. Approximately 20 families have been turned over to a collection agency. No major concerns were noted with the AR report.

Balance Sheet: The current Balance Sheet was reviewed. Steve reported that the 'Deferred Income' (Liability) has been significantly reduced due to a change in reporting for next year's tuition and fees. This has been discussed and approved with our auditor.

The Cash reserves (currently at \$6.149m as of 4/30/22) could be negatively impacted (by approximately \$670k) if Rosary is unable to obtain a loan for the previously mentioned capital improvements.

The projection for this year's "Capital Assets Additions" is now estimated to be \$1.99m - including the leased school laptops (\$689k). Steve provided a "funding source" for the non-leased capital assets additions (\$1.3m) that covers the cash outlay for these additions. Next year's budget has been scaled back with a 'placeholder' amount of \$150k. The Investment Committee has recommended that Rosary develop a long range (multiple year) strategic capital improvement investment/strategy.

Shawna indicated there are still four additional classrooms that need to be renovated (not including the labs) - beyond the three that are included in the current plan. Discussion was held regarding the implications, costs, funding sources and timing for these improvements. As a result, **the Committee recommended that Rosary move forward with the current class room renovation proposal (three classrooms) from Vancrest (\$97k)** and also investigate with Vancrest the potential costs and timing for completing the four remaining rooms at the same time for possible economies of scale savings.

Rob Curry offered assistance to investigate possible savings for the vehicle (van) maintenance plan.

Current P&L and Cash Flow: Steve is currently projecting a year-end GAAP surplus of \$863k and a positive cash flow of \$762k (assuming Rosary obtains a loan for the \$670k capital improvements/investments). A positive note from the previous forecast is that school “Program revenues” vs. “Program expenses” now show a modest surplus, which is a continuous improvement initiative.

2022-2023 Budget planning: A discussion was held regarding the proposed 2022/2023 budget that was submitted to the Diocese on Feb. 28 and the fact it does not appear to be a realistic and achievable plan based on current projections for enrollment, financial aid, fundraising, salary increases, capital improvements, expenses, and staffing attrition/additions. The obvious concern is that a recast budget, based on these revised assumptions, will imply a relatively large deficit and negative cash flow. The Committee agreed that effort should be made to quickly develop a new ‘draft’ budget for 2022/2023 to determine where, if any, adjustments can be made, and if necessary, to improve an anticipated negative situation. Shawna indicated that her leadership team will be meeting in early June to discuss revenues/expenses and that a revised budget can be immediately developed after that meeting. Rob H. was invited to attend a portion of that meeting to observe and comment where appropriate. Rosary has the option/opportunity to submit a “recast” budget to the Diocese in early September.

Investment Sub-committee: Tom Meyer (chair of the new Investment sub-committee) presented the results of this committee’s first meeting and the follow-up action items. The major issue on the table for this committee is to determine if forming a “Rosary Foundation” makes sense. Shawna will contact the Diocese and begin a dialogue between the sub-committee and the Diocese regarding this subject matter. Tom also reiterated the need for a long-term capital expenditure strategy to support the time horizon for future investments.

Next meeting: The next Finance Committee meeting is scheduled for **Tuesday, August 16, 2022 at 4:30 pm** and will be conducted in person at Rosary.