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Finance minutes 10/09/2014

Finance Committee

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UMM Finance Committee Minutes

10.9.14

Members Present: Dennis Stewart, Michael Korth, Sara Haugen, Pieranna Garavaso, Timna Wyckoff, Ellery Wealot, Brad Deane, Jong-Min Kim, Laura Thielke, Marco Riley

Members Absent: Jayne Blodgett, Mary Zosel, Lowell Rasmussen

Guests: Colleen Miller, Melissa Wrobleski-Note Taker

Agenda:

1. Minutes approval from September 25th, 2014:

Corrections were addressed, and then approved.

2. Continued review and discussion of FY14 budget and FY15 approved budget:

- Colleen started out the review with a handout of Linc's Model. This document showed the tracking of students enrolled each year, the revenues and expenses for the past 6 years (fiscal years 2009-2014), and also included the FY15 approved budget. Colleen stated that this document was used for tracking of prior years, and for forecasting projections for this campus.

An important fact pointed out during this discussion was that when projecting tuition for the year, it is crucial not to set this too high or low. It is also important to remember that even if the budgeted number of students is reached, that is doesn't mean UMM will have all the funds to cover spending. It depends on the actual yield each semester.

Colleen continued to run through the numbers for FY14 showing that UMM ended the year, compared to the FY14 budget, favorable by \$1,890,521. The excess revenue over expenses after the \$700,000 payment was \$399,956. She then pointed out, that because of the new fringe simplification initiative, the fringe variance will not occur in the future. Therefore, we cannot count on this to help balance the budget like it has the past few years.

- Questions that arose from the presentation were what caused UMM to over spend so much in Supplies, Equipment and Expenses? Colleen listed what was all included in this category: Supplies and Services unfavorable to budget by (\$382k), non-capital equipment unfavorable to budget by (\$430K), rents and leases unfavorable to budget by (\$28K), partially offset by consulting and professional services which were \$59K favorable to the budget. Members of the committee decided that they would like to further the conversation at another time about how much was being spent on consulting services and in what areas.
- Next Colleen started discussing the handout on the contingency reserve. She pointed out the different fund columns listed on the page. There is the fund 1000 column where there is a balance of \$3,238,445.37 (Fund 1000 is Tuition and State O&M funds). Fund 1100 has a balance of \$254,000.00 and these funds are auxiliary funds.

Fringe savings in the past years has been a great contribution, but UMM has still needed to take funds from the contingency reserve for the last few years to balance the budget. As stated earlier,

the balance in the reserve account is above the \$3,000,000 minimum for the Fund 1000. Last year the Finance Committee created the 'Morris Campus Contingency Reserve Guidelines' (copy found in December 5th, 2013 Finance Committee minutes) that explains how 20% of the funds exceeding the \$3,000,000 minimum are recommended to be "available for investment in new non-recurring initiatives that will benefit the campus broadly." Colleen advised the amount available this year for investment would be \$47,689 based on the recommendation.

- The Finance Committee would like to pursue investing these dollars in the campus. Committee Chair Dennis Stewart agreed to send Chancellor Johnson an email about going forward with the investing of the funds.
- The next handout Colleen discussed was the FYE 14 Available Balances. This handout showed which funds had different balances and if there were restrictions on certain fund balances. The departmental carry forward balances requested was \$1,743,815.63 in Fund 1000, which left a balance of \$74,343 that is available to be moved to the contingency fund. Colleen then mentioned that there have been not recommendations to move funds to the contingency for the past two years.
- The last handout that Colleen provided was the review of FY14 year end balances by DeptID. She explained why there are a couple negative balances, one of which was an error by the Twin Cities and has been fixed in FY15's and the other is the balance of Student Accounts Receivable. Carry forwards are calculated on a cash collected basis.
 - Questions:
 - So no funds were transferred to the contingency reserve this year?
 - No, but there have been transfers to the contingency in FY13, FY12, and FY11.

Dennis again said he would contact Chancellor Johnson about the proposal to invest excess contingency funds since the committee would like to move forward with this.

Meeting adjourned.

Next meeting is October 23, 2014 in the Moccasin Flower Room.