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Finance minutes 02/09/2016

Finance Committee

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UMM Finance Committee Minutes

2.9.16

Members Present: Dennis Stewart, Michael Korth, Kerri Barnstuble, Pieranna Garavaso, Jess Larson, Mary Zosel, LeAnn Dean, Laura Thielke, Bryan Herrmann, Jong-Min Kim, Mark Logan, Kyle Hakala

Members Absent:

Guests: Colleen Miller, Melissa Bert, Melissa Wrobleski -Note Taker

Agenda:

1. Approval of February 1st, 2016 minutes:

There were no corrections to the minutes and they were approved as is.

A new student has joined the group due to the scheduling conflicts with the other two student members. The new student is Kyle Hakala from MCSA. Since he is new to the group, introductions were made.

2. Budget Challenges: \$1.48 M Challenge

Recommendations were brought up by Chancellor Johnson at the Community Meeting held last week, February 4th, to help cover the budget challenges and it is the responsibility of this committee to give our recommendations on what levers we believe should be used and what levers should not be used in balancing the FY17 Budget.

The topics listed on the board for this meeting:

- \$700,000 used previously for paying off sequestered deficit (recurring)
- \$150,000 'tax' of carry forward balances (one-time)
- \$100,000 'churn' in employee salaries (recurring)
- \$50,000 from Non-Resident, Non-Reciprocity (NRNR) (recurring, will increase year to year)
- \$400,000-\$500,000 from the Contingency Fund (one-time)

The first topic discussed was the \$150,000 'tax' on carry forward balances. A member asked if there was a rate in mind for this tax. Bryan Herrmann stated that this has not been discussed and no rate has been set. He also wanted to remind the committee that when looking at doing this 'tax,' that this would only be on Fund 1000 funds, and that there are special account strings that would not be touched (e.g. Imagine Funds, Horace T. Morse, Grant-in-Aid, just to name a few). If this turns out to be a choice used to help offset the FY17 budget challenges, a rate should be set in the next two weeks before the Budget/Compact materials are due on February 26th.

- A committee member had a comment about this 'tax.' She stated that people on campus need to know what this tax is going to be in order to know how to spend for the rest of this year. Maybe departments wouldn't be so generous with additional funds.
- Another committee member stated that according to a prior hand out from December 7th (UMM Central Allocations FY09-FY16), that there were \$11 million in carry forward funds in FY16. That could be a lot of money to help cover the budget challenges.

- Bryan and Colleen stepped in and reminded people that the \$11 million was a total from all funds on this campus. The ‘tax’ would only be on fund 1000 funds (O&M Funds), and they also reminded the committee that there are those special funds that are restricted and then there are other funds like: plant funds, the contingency fund, there is also a large amount that is from an insurance claim from hail damage that should be excluded from the ‘tax’. There are many account strings that may have a carry forward but would be excluded from the tax. *Reminder*- this ‘tax’ would be one-time funds.
- Dennis then stated that it is understood that our contingency fund grew in part from the excess funds in fringe development, but with the updated way of calculating fringe now this is no longer going to happen. He proposed that maybe this tax should be routine every year at a certain percentage (5%, 10%) to help with building the contingency fund.

The next topic discussed was the \$700,000. Michael stated he would like some sort of reassurance that the funds are really there to be used. Colleen explained how she tracks revenues and expenses. She told Michael she wasn’t sure how to reassure him, but based on her spreadsheet, the funds are still available for use. Michael then said that he thought the budget should not be balanced with one-time funds. We should do what is going to continue to help the situation and not just find a temporary solution; otherwise the problem is going to continue.

- Bryan commented that UMM, with the assistance of this committee, has chosen to use a lower enrollment number (1710) for budgeting purposes, hoping this will help since the past four years we have had an enrollment projection of 1790 and in FY16 did not hit this target.
- Discussions continued on a prior hand out form January 26th named, “Comparison of Tuition and U Fee FY13-FY16” to try and understand the past projections and how we got to the point where we are at today.
- UMM needs to figure out what the factors are that are causing the deficits so that we can turn it around and try to permanently fix the problems. We may need to make some hard choices/cuts to fix this and stop taking the “easy way out” by using one-time funds.

Committee members are having some reservations on using \$400,000 to \$500,000 from the contingency account also. Maybe we need to look at a cut to our compensation and/or programs. Those are hard conversations but may need to happen. Salary is a large part of our fund 1000 expenses.

Next the conversation turned to the in-lieu of tuition. It is understood that we receive funds for in-lieu of tuition, but what the American Indian Tuition Waiver? UMM has covered most of the cost repeatedly. We should be getting recurring funds for this.

- A committee member asked if there was a schedule tracking the cost that amounts received in reference to the American Indian Tuition Waiver?
 - Colleen and Bryan assured the committee that there is a schedule and is updated yearly and included in our Budget/Compact Materials. We keep asking for funds to help support this waiver.

As the meeting was nearing the end, Dennis said the committee should make recommendations on what the committee is in favor of and not in favor of regarding Chancellor Johnson’s recommendations. We went through the list and voting members voted:

- \$700,000 – 8 yes-use, 0 no-don’t use
- \$150,000 ‘tax’ – 6 yes, 2 no

- \$100,000 “churn” – 5 yes, 3 no
- Non-Resident, Non-Reciprocity (NRNR) – 7 yes, 1 no
 - MCSA student representative commended that the MCSA group passed a resolution last week stating that they opposed the NRNR tuition differential and would instead be in favor of a minimal tuition increase across the board for all students.
- \$400,000 to \$500,000 Contingency - 5 yes, 3 no

Meeting adjourned.

Next meeting will be Monday, February 15th at 9 am in the Moccasin Flower Room. Discussion will continue on other levers available that were not part of Chancellor Johnson’s recommendations.