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UMM Finance Committee Minutes

12.6.2012

Members Present: Brad Deane, Michael Korth, Dennis Stewart, Bryce Blankenfeld, Sara Haugen, Pieranna Garavaso, Mary Zosel, Timna Wyckoff, , Lowell Rasmussen, Gwen Rudney, Tara Winchester, Laura Thielke

Members Absent: Reed Olmscheid

Guests: Colleen Miller, Melissa Wroblewski-Note Taker

Approval of the November 29th, 2012 minutes:

Jacque Johnson had requested changes via e-mail and they will be made. Timna Wyckoff also requested changes to a statement of hers that will be made.

Minutes, as amended, from November 29, 2012 were approved: 9 approvals

Michael Korth opened with the agenda item - discussion of the carry forward balances and reserve funds here on campus. He went on to mention that it is the goal of this committee to come up with a statement of main recommendations of what the contingency reserve is to be used for, as well as a process and approval process for transferring funds out of the reserve. He said we need examples of this; and we need to hear what the funds have been used for already to decide from there if we should stay with the way things have been done or change the process.

Brad: What is the amount that we are looking to save? I think it is a discussion the committee should think about. Do we know what other Universities do?

Michael: Someone at a previous meeting had brought up information about contingency funds and where they come from.

Timna: We should talk about what the contingency fund has been used for thus far.

Colleen: Referring to the contingency balance on a table produced in the October 18th, 2012 meeting, you can see what the balance of the fund has been and what it is currently projected to be on June 30th, 2013. You can see that the funds come from a variety of places including excess tuition, variances in O&M salary and fringe costs, and RIO (Retirement Incentive Offer) costs. The contingency reserve works in a manner such that if tuition and fee are less than anticipated, we will move funds from the contingency reserve account into the tuition clearing account to cover any deficit balance. Same goes for any of the other accounts listed on the worksheet from October 18th, 2012. Policy states that we are not allowed to spend into a deficit balance. We have the contingency fund to help with these short falls.

Pieranna: Do we have an existing policy that governs this contingency reserve?

Colleen: It is a best practice to have a contingency reserve. Richard "Fitz" Pfitzenreuter, the University's VP and Chief Financial Officer, has a reserve for the University as a whole. Having the reserve allows us more time to react to unfavorable trends and to be more flexible financially.

Gwen: Are we going to discuss a target number we would like in the reserve?

Colleen: Linc Kallsen discussed ideas about a target amount we should have. We want to be able to react to any facilities emergency if necessary; or if revenues are down significantly in a given year, we want to be better able to react. Having the reserve gives us more time to plan accordingly.

Lowell: We agreed on a debt repayment plan with the Budget Office/Fitz. When we had excess funds, it was decided it would be best to create a contingency reserve rather than to pay down the balance of the debt owed to the University. It also allowed us to keep the funds on our campus.

Pieranna: Are we going to come up with rules and a policy on how to use these funds? How are the funds going to be accessible? What is the job of this committee?

Michael: We should come up with guidelines for using the contingency reserve.

Dennis: Is it appropriate to ask if the committee can set an amount for the contingency fund? What would a catastrophic number be?

Colleen: Budget reductions in prior years have been at \$1.7 million and \$900,000. Those are large numbers for UMM. We also need to keep in mind that once money from the reserve is used, it is gone. It is not recurring.

Timna: Then it should be a question of best practice. What should be a dollar amount to work with the ebb and flow of the University?

Colleen: In the \$5 to \$6 million range would be an appropriate number for UMM, or about 10% of the current revenues. This amount should work within the ebb and flow. Referring to the spreadsheet from 10/18/12 - in the last few years we have been able to set aside between \$2 and \$3 million; and this year we will probably be lucky to have any extra balances go into the contingency reserve account.

Michael: Is a goal valuable? If there are no excess funds to go into the contingency fund, we will just deal with that.

Colleen: There are some departments with O&M funds in their 6/30/12 carry forward balance that have not identified a purpose for use of those funds. These funds could be transferred into the contingency reserve so that they are available to be used for other purposes.

Dennis: If we think a goal of \$3 million is a good goal, but we don't get the funds, then what?

Pieranna: If we have a goal we know money is to go there. If we don't have a goal, there are too many options on which to spend the money. I think this would be useful to think about.

Sara: Our campus needs some financial flexibility. The fund needs to be flexible and there should be a way for departments to come and ask for money in extenuating circumstances. The goal of \$5-6 million may be more of a longer-term goal for us.

Colleen: Retaining excess tuition funds is not a given. Typically, excess tuition funds from any campus or college go back into a central pool in the Budget Office in the Twin Cities. We cannot just do what we want with excess funds. Central ultimately has control of excess tuition. They have made exception to let us keep the excess tuition funds over the past several years and this has gone into our contingency reserve.

Michael: Do you know if there were other exceptions made within the University system?

Lowell: We know Crookston did not get to keep their funds last year.

Brad: We shouldn't be talking about funding for new initiatives until we set a goal that we want in the account.

Lowell: Central knows that UMM wants to set money aside for new initiatives within the contingency reserve.

Michael: We also have another reserve people may not remember or know about, the Chancellor's Reserve.

Colleen: The Chancellor's reserve has \$100,000 allocated to it each year: \$33,000 comes from Plant Services; \$34,000 from commissions on Bookstore sales; and \$33,000 from ORL.

Pieranna: How is the account spent?

Colleen: Tilka, Noel Levitz and Stamats are vendors who have been paid from this account. The balance of this reserve is carried forward each year. At times there may be a larger balance in the account, but most of the time the money is committed upfront but not spent yet.

Lowell: The Chancellor uses this account for new undertakings that will benefit the UMM campus for which another funding source has not been identified.

Pieranna: If departments have excess balances and they go into the contingency reserve, we should have guidelines on how to easily get money out of the reserve. If departments put excess funds in, they should be able to get the funds out if needed.

Michael: Are you proposing sub-dividing the contingency fund? A section each for: ebb and flow, catastrophic events, department use, etc.?

Pieranna: Yes, it may be a good idea.

Brad: Does UMM earn interest on the money in the contingency fund?

Colleen: No we don't.

Michael: Was \$389,000 actually taken out of the contingency reserve to balance the budget and transferred to other accounts?

Colleen: Yes, the money is distributed from a central "pool" to departments. Last year we needed \$389,000 more in resources than what we had been transferred. We took this amount from the contingency reserve to balance the budget.

Sara: So we cannot expect excess revenues to go the contingency fund this year?

Colleen: Correct, we may be asked to cut our budget again this year (FY14).

Michael: The RIO savings that we were expecting did not seem to materialize?

Sara: We hired all of the positions back, but at lower salaries.

Lowell: Correction, we did have savings from the lower salaries of new people.

Michael: I thought we were told there was no savings?

Brad: We need to come with a predetermined set of questions to our next meeting, in order to have a more productive meeting. Maybe that will help us be more efficient.

Michael: Are there any other comments for today?

Colleen: By the time we meet next, I will be well under-way with the FY14 budget preparation.

Meeting adjourned.

This was the last meeting for the semester.

Next meeting will be next semester, mid January.