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Finance Committee

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Finance minutes 02/04/2013

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UMM Finance Committee Minutes
2/4/2013

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

Guests: Chancellor Jacquie Johnson, Bart Finzel, Colleen Miller

1. Approval of minutes. The committee unanimously approved minutes from January 28, 2012.

2. Note taking. The committee chose to assign note taking duties to its members in alphabetical order.

3. Review of Compact and Budget Development Process and Instructions for Fiscal Year 2014. Colleen Miller summarized and explained the preparations for the budget and compact materials for FY14, which are due on March 1, 2013. Among the assumptions that will guide the budgeting process are:

- a projected increase in the central allocation of \$525,000 in lieu of a 3% tuition increase. (The University has requested \$14.2 million for each of the two biennium years from the state legislature to fund this.)
- a 2.5% general increase in salaries (this pool is estimated for budgeting purposes only)
- a savings of about \$95,000 based on reduced fringe benefit rates
- an increase in the Enterprise System Assessment rate amounting to \$95,000
- increases and decreases to various cost pools that, because of the double step-down process used to allocate these resources, are difficult to predict

In addition to these assumptions, UMM has been directed to budget for a decrease in centrally allocated O&M funds in the amount of \$291,000. Colleen also reviewed the guidelines for the submission of our Compact materials (due at the same time as the budget), and explained that she will be coordinating the gathering and submission of detailed budget materials in the coming weeks.

Timna: Does the assumption of a 3% increase in tuition revenue based on last year's enrollment, or does it account for our recent estimate of a smaller figure for the coming year?

Colleen: The budget begins with an assumption of a 3% increase. Our campus will later adjust that figure, but for now, the projections do not account for the anticipated reduction of enrollment on our campus.

Colleen then circulated a document summarizing the impact on our campus of the FY14 reallocation from central, the assumed changes in tuition, salary, fringe, and Enterprise System Assessment, the reallocation of funds for scholarships, the restoration of resources to the

contingency fund, and the anticipated downturn in enrollment for next academic year. Altogether, these estimates suggest a recurring fund shortfall of \$1,118,000.

4. Discussion of budget projections and directives from central administration.

Michael: \$1,118,000 is a big number, and the committee will need to discuss its implications over the next few weeks.

Jacque: Administrators are having daily discussions about ways to meet the new recurring needs. In the background of these figures is a directive from the university to demonstrate a reduction of administrative costs, which is tied to the \$291,000 reduction in O&M, though there is no real way of reaching that figure solely through reduced administrative costs.

Brad: Is there some figure for administrative costs that we will set as our target?

Jacque: There is no fixed target, but we are considering meeting the new needs through a number of strategies. Changes in the merit scholarship program allow us to use endowed accounts to offset O&M costs, though an exact figure for this is unavailable. We are also considering some spending from auxiliary funds. We will look at retirements and ask whether positions need to be replaced. We may look at contingency funds to offset the reduction (there is currently \$3.2 million in contingency). Though exact numbers are not yet ready, we are confident that we'll be able to explain our needs in March.

Michael: Will there be some figures for the committee to look at before the March submission?

Lowell: We'll have a draft, but what we submit may be different.

Jacque: A draft may potentially be available the week after next.

Pieranna: Are our auxiliary units self-sustaining and producing money?

Lowell: The auxiliaries are now all in the black, thanks in part to an increase in the student body.

Jacque: Also because more students have become interested in living on campus.

Lowell: Some O&M costs can be shifted to the budgets of the auxiliaries, though this complicates the allocation of salary increases.

Timna: Are salaries the only costs that can be reassigned to the auxiliaries?

Lowell: We could transfer other expenses, but salaries are our biggest expense.

Mary: Does the bookstore pay rent?

Lowell: We take a percent of their gross. [Note: subsequent discussion clarified that UMM takes a percentage of the bookstore's *net* income.]

Gwen: Given the general directive about cutting administrative costs, could you say more to explain administrative costs on this campus?

Jacque: Our campus doesn't have the same depth or range of administrative costs. The directive recognizes three categories of employees: those who are directly involved in instruction (who are protected by the directive), those who fall into the category of support, and those in the category of administration. If there are ways of addressing the \$291,000 cut without cutting employees, we should look at those first, perhaps by remapping positions. The *Wall Street Journal* article that raised concerns about the university's administrative costs doesn't seem to apply to our campus, as we don't have an administrative glut. In fact, in recent years we have already made changes to reduce administrative costs: we no longer have an Assistant Dean or a Vice Chancellor for Enrollment. But if we see opportunities for further administrative reductions, we'll certainly pursue them.

Gwen: On the Twin Cities campus, there are units that sound a lot like us, wondering where they can find further cuts.

Jacque: It is interesting how media can drive decision making. The *Wall Street Journal* article hasn't produced much popular response outside the state legislature, though the point it makes is not insignificant.

Lowell: The first thing we need to do is to reevaluate the current organizational structure.

Jacque: Our Resource Allocation Review won't be able to help us by the March 1 deadline. New methods of organizational analysis (such as the metrics of spans and layers) will relate to our smaller campus differently than they will to the Twin Cities campus.

Brad: I've been under the impression that our administration has in fact grown substantially over the last decades.

Jacque: Once upon a time there was no Chancellor here, and other changes to the top of the structure have also taken place. But though there is a common perception that the administration has grown, that judgment is complicated by other questions, such as who counts as an administrator, what's the nature of the job, and how has the workforce changed over time.

Timna: So it sounds as though we're being directed to cut \$291,000 in administrative costs, but that you're suggesting that we find other strategies to meet this demand, such as remapping positions.

Jacque: We're starting with other approaches like retirements and position mapping, but right now we're just exploring.

Colleen: Position mapping isn't an alternative to making administrative cuts; it's something we already do every year.

Jacque: We've decided not to *begin* by cutting administrators, and we don't yet know what impact such cuts would have.

Bart: Part of the mandate is to protect instructional personnel, so there should be no concern about cuts in that category. Given the complexities of the budget it's hard to ferret out exactly where changes can come from without affecting other areas.

Meeting adjourned.

Next meeting will take place on Monday, February 11 at 4:30 p.m.