2-25-2013

# Finance minutes 02/25/2013

Finance Committee

**UMM Finance Committee Minutes**
**2/25/2013**

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

Guests: Jacquie Johnson, Colleen Miller

1. **Update on FY14 Budget.**

   Colleen Miller distributed three handouts. The first handout listed incremental changes in fund 1000 categories. The reallocation assigned by the central administration remains at $291,000, as was discussed at a prior meeting. The tuition increase (or legislative allocation in lieu of tuition increase) increased very slightly to $526,432. A more detailed analysis of the cost of the 2.5% salary increase has led to a reduced projected increase in salaries ($371,655) and in related fringe benefit costs ($35,360). Required increases due to contractual negotiations for teamsters and peace officer unions are expected to increase costs by $107,572. Bridge funding costs are expected to be $87,380. The saving in fringe costs due to a rate reduction is expected to be $95,928. Savings of $666,590 are anticipated from retirements, replacements at lower salaries, reorganizations, and shifting costs to other funding sources. The enterprise tax assessment rate is still budgeted to increase costs by $95,000. Cost pool charges are expected to decline by $24,411 and the impact of an additional $200,000 allocation toward cost pool charges will now be reflected in the budget. Another installment of $128,174 will be reallocated to UPromise financial aid. The merit scholarship program will cost an additional $194,109 in FY14 because a plan to repackage scholarships using more central funds was not approved. The use of alternative funding from foundation accounts will provide an additional $205,000 of revenue to support financial aid. The FY13 budgeted deficit of $389,000 moves forward into FY14 and the anticipated enrollment reduction leads to a projected revenue reduction of $371,000. When it is all added up, the FY14 budget plan shows a net deficit of $351,889. The plan is to cover this from the contingency reserve.

   Colleen's second handout provided more information about the plan to save $666,590 through retirements, reorganization, and shifting costs to other funds. The savings would come from the three benchmarking categories as follows: Administrative Oversight -- $144,734, Mission Support -- $521,856, and Direct Mission -- $0.

   Colleen's third handout showed the budget model ("Linc's Model"). For FY13, revenues are on track with budgeted amounts. Projected spending appears to be lower than budgeted. Expenditures in Repairs & Maintenance look to be significantly below budget. The projected net for FY13 is a deficit of $293,189.

   Brad Deane: Are the details of the reorganizations referred to in the second handout worked out?

Jacquie Johnson: It's all tentative. Supervisors are involved in the discussions.

Michael Korth: Will there be any more changes before this is submitted?

Colleen Miller: Not much can be done.

Jacquie: We might ask for some consideration with respect to the teamster and peace officer increases. We might ask about the scholarship repackaging again.

Brad: Will central be comfortable with the proposed $369,000 deficit?

Jacquie: There is confidence in how we have managed finances on this campus. I think it will be well received.

Pieranna Garavaso: How much longer do we have to pay the $700,000 per year?

Colleen: Three more years.

Jacquie: How many more years do we have to reallocate the $128,000?

Colleen: Two more years.

Michael: Is the projected enrollment decrease reflected in the third handout?

Colleen: The $371,000 has not been deducted from Line 12.

Jacquie: We are still thinking about how to present that.

2. **Discussion of Idea for Financing Capital Projects Differently.**

Lowell Rasmussen was unable to be present so Chancellor Johnson began the discussion of Lowell's proposal. Plan A is to resubmit our prior request for the six-year capital plan. The University has already pushed our requests out to at least 2018. Plan B is to offer the central administration a deal. We will remove ourselves from the bonding list in exchange for increased funding such as HEAPR. This will avoid incurring further bond debt. We will pursue both plans at the same time so as not to lose our place on the University bonding list. There has been some positive response to the second plan from central administrators.

Michael: The plan would use $400,000 per year of the campus funds currently being used to repay the $700,000 per year once that repayment is completed.

Dennis Stewart: Are we selling our position on the University list for too little?

Michael: The deal does require central to give millions of dollars to the Morris campus.

Jacquie: Our projects are small, yet they take up slots on the University list.

Pieranna: Isn't HEAPR only for renovation of buildings?

Jacquie: A stricter interpretation of that may be taking hold but Lowell thinks a case can be made for this plan.

Sara Haugen: The library project was listed before for $15 M but this says $10 M. Has the project changed?

Jacquie: I don't think so.

Sara: The prioritization order has also changed.

Jacquie: The Planning Committee can revisit the order of the projects with Lowell.

Timna Wyckoff: Should we really commit to no new projects for 20 years?

Jacquie: The plan can be revisited if something big comes up. Exceptions could be possible.

Gwen: If we use HEAPR funds this way, is there other work on campus that won't get done?

Jacquie: Good question.

Michael: We can pursue these questions at a future meeting with Lowell present but we are out of time for today.

Meeting adjourned at 5:30 pm