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UMM Finance Committee Minutes

3/11/2013

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

Guest: Colleen Miller

1. Minutes

The minutes from February 25, 2013 were approved.

2. Contingency Reserve

Continued to discuss guidelines for the contingency reserve and to consider the questions posed for the previous meeting.

Questions

1. What is a reasonable size for the fund?
2. Should departments be able to request funds back? ("savings account")
3. Would the self-supporting units be eligible to request funds?
4. Should the reserve be divided into portions--one for catastrophic events, one to act as a buffer against "ebb and flow", and a "grant account" to which departments can apply for funds?
5. Should the funds be available for investments? What is meant by "investments"?
6. Who will decide when to use funds from the contingency reserve? Should a process be created? Should the Finance Committee be involved?

Michael - We are now at question number 4. Do we wish to divide the fund into pieces for different purposes. Is there a minimum to be held for risk mitigation?

Brad - What was the answer to the first question?

Gwen - \$5 million.

Sara - When CRPC first endorsed the idea of this fund, we endorsed splitting the money. 75% was to go into a contingency reserve and 25% into an investment reserve.

Dennis – Applying the CRPC ratio to the \$5M, would mean \$3.75M in a fund for risk mitigation and \$1.25M for investment.

Lowell - This committee can make recommendations to change that number.

Timna - Is there an example of what to ask for from this investment reserve?

Brad - I would be inclined to keep this amount rather small, less than 20%. It should not be used for regular budget purposes.

Dennis - Is it possible to set up a sliding scale -- as the size of the reserve increases, a higher percentage is made available for investments?

Gwen – Replacing a stage curtain or the biology sterilizer should be appropriate expenditures from the contingency fund. They would not be new initiatives.

Lowell - Keep it open and allow for a multitude of things.

Michael – I am concerned that if this fund is available for new initiatives, we will create an expectation that people who write solid proposals will get money. There should be guidelines so that people know in advance whether an idea has a fair chance of being funded.

Gwen - Are we talking about two important accounts? Can we keep them separate?

Dennis - When we pay off our debt of \$700,000, can that money go into the contingency fund?

Lowell - Well part of it can go to it, but there are already many ideas for using that money.

Michael - There seems to be some sentiment for dividing the reserve.

Timna - Would the investment portion be spent each year?

Brad - I don't think it would be necessary to spend it down every year.

Sara – Let's imagine we have \$5M in our contingency reserve and there is a surplus from tuition, where would the extra money go once we hit our goal?

Lowell - It would go into the contingency reserve.

Colleen - The fund is not likely to get above \$3M this year and we still haven't balanced the budget. I have no problems setting out general guidelines, but worrying about something that might happen in 2017 is too far out to take into account right now. Then Colleen gave an example against the notion of splitting the funds.

Pieranna - We are not at the point of deciding if we should split the funds right now. The discussion of an investment pool is premature.

Lowell - We talked about the contingency being for risk aversion, but how much risk do we take on by not allowing for investments for the campus?

Colleen – People can always bring up new ideas.

Dennis - Isn't there a chancellor's fund that covers things like this?

Colleen - Yes she does have an initiatives fund but it is small.

Dennis - So maybe we should look at other avenues of funding if we have them already in place.

Brad – At what time of year could money be designated for an investment pool?

Colleen - There is a time period where we make all our year-end adjustments, which tends to be in July so in August we should know how much we have available.

Michael - So is this the idea of an annual competition? For example, say there is \$100k for initiatives, then would people have to fill out a form by some date and in essence compete for the money? Does it harm the reserve to take even \$50,000 out of \$3 million a year to make people feel better about their carryforwards going in when they see some coming back?

Lowell – We should be optimistic and have a policy in place.

Brad - I can see a new set of issues being brought up if this is not transparent enough.

Michael – I wonder, if \$50,000 is available, would there be \$50,000 of requests?

Pieranna - If we allowed people to ask for their research, of course we will use the \$50,000 because that is not that much in respect. The initiative possibilities are very big.

Dennis – How about a sliding scale: \$50k is available if the reserve reaches \$3 million, \$100k if the reserve reaches \$3.5M, \$150k if the reserve reaches \$4M, and \$200k if the reserve reaches \$5M?

Brad - Seems like the only objection I'm hearing is that as long as we are defining what the contingency is for, what happens when we have excess. Do we want to define a sliding scale, do we need 3 million or 4 million or what to define it?

A committee member - There is a lot of time consumed in planning, so handing it off to a committee may be a good idea. I do think we have to change our ideas about giving back our carry forwards. So talking about and justifying this to people is important.

Michael - Does there need to be a large threshold before something begins? If the contingency decreases to say \$1 million is taking out \$50,000 going to affect it?

Timna - If we have \$50,000 every year, it would stir up a buzz on campus.

Brad - Can we get a general sentiment about this threshold idea, because I'm in favor of a ladder idea. This amount of money would not be available every year.

Pieranna - spoke in favor

Michael - It is a question of what the threshold is.

Brad- How high should it be?

Michael - The contingency reserve tends to go up and down by six figure amounts so \$3M seems a little high to me. I am hearing support for \$3M as the threshold.

A committee member - So you want it smaller than 3 million? We have talked last week of about 5 million, so at 5 million we would have room for other things like Dennis's sliding scale. I'm thinking 3 million is a good choice.

Michael - Right now the reserve is below \$3M and is not expected to be above \$3M in the near future so it gives us some time to deliberate. I will revise the draft based upon our discussion.

Meeting adjourned - 5:33 pm