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UMM Finance Committee Minutes 4/1/2013

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

1. Minutes

Sara asked about some comments in the March 11, 2013, minutes that were attributed to her. The minutes will be changed to attribute these comments to “a committee member.” Per Pieranna’s request, a comment attributed to her was deleted. The minutes were approved as amended.

2. Resource Allocation Review (RAR)

Brad asked if this committee will ask the Chancellor about RAR results and request to see them. Brad gathered from Campus Assembly that the results could be available as early as next week. This would be partly in our purview, so we could request the Chancellor send the RAR results to us, or let us know when they will be available.

Mike reported that the Chancellor had said earlier that this committee would see them. He is not certain that anything can happen before fall.

Timna suggested the question for the Chancellor may be, “What is the timeline?”

Mike said the report was submitted during the spring break, March 19. Beyond that, he has no idea what the schedule is.

Pieranna stated that approximately a year ago the Chancellor said she was disappointed RAR took so long because she hoped to use it for budgeting two years ago, and again this year, too. It will be important that the people who need to make the budget get to start next fall. So if we have a role, we should read the RAR report soon.

Mike will inquire, yet this semester, about the expected timeline.

3. Contingency Reserve Guidelines

Mike revised the draft, trying to incorporate the will of the committee. If he made a mistake, tell him. If there is an investment pool, how will it run? Mike drafted something & proposes to discuss it today. The significant changes start at the bottom of page 1.

Pieranna said the investment pool is confusing. She proposes we define it.

Timna asked about #3, talking about things that are unanticipated or so expensive UMM cannot pay for them with operating funds. Equipment breaking is not completely unexpected.

Sara, using the stage curtain as an example, pointed out that it would take a long time for theatre to save the cost of a replacement with their small budget. Not all units can save for such big items.

Lowell wants to see some differentiation between “unanticipated” & “deferred.” Managers cannot plan for unexpected things. Deferment is a management process.

Mike said departments defer too long because the cost is not manageable.

Lowell said we have known for 15 years that we need to replace the curtain. Departments could decide they will not even attempt to save for it, so they are eligible for a bigger pot of money (the contingency fund). The campus needs to do a better job of managing big ticket items.

Timna said we have an autoclave that will break someday, so we should be telling someone to expect to replace it.

Pieranna described how equipment was purchased for the Recital Hall. Faculty said the equipment was getting rusty and could be dangerous for students. Pieranna talked to Lowell & Robert. Plant Services & Music combined funds. Is this the normal procedure now?

Lowell said we almost evaluate each specific item to find the correct funding for it.

Timna asked if the wording of #3 is fine.

Lowell replied, “Yes, unexpected is fine.” The curtain is a bad example because we knew it would need replacement & chose to defer. If we make the purpose of the contingency fund too all-encompassing at the start, everyone gets \$50 and no one is happy.

Sara said we talked about being flexible.

Lowell suggests we start smaller with “unexpected.” If the campus has more funds later, then we can expand the purpose.

Sara said we should not have to wait until it fails if we know it is getting in poor condition.

Pieranna noted that before she made an informal request to Lowell & Robert and the process was very fast. Now the process is more complicated.

Lowell said the urgency of an issue would speed a decision.

Gwen noted this is all in Lowell's area. The disciplines do not put things like desks in their budgets. Nothing should be in the emergency fund. Everything should be in a well-planned "keep campus running" column.

Mike said it is not unexpected that equipment breaks down.

Mary asked if all departments have computer maintenance/repair contracts.

Timna said biology cannot get grant funding for basic equipment but has no operating funds for replacement.

Lowell said the contingency fund is not the place to solve these problems.

Timna's discipline used alumni funds to purchase a new freezer.

Lowell said HEAPR would fund this if there was enough HEAPR funding. Equipment like microscopes is programmatic, so not eligible for HEAPR.

Pieranna confirmed Lowell needs to look at each item individually to find the correct funding.

Lowell said the campus needs a better long term maintenance/replacement plan & should not have to use emergency funding. He said the campus should build up the R&R and HEAPR funding before using the contingency fund. The campus is chronically underfunded in R&R and HEAPR and is making the case for higher funding.

Brad confirmed with Lowell that covering expenditures from the contingency fund would not hurt our appeal for R&R and HEAPR funding.

Lowell mentioned a current legislative request for improving classroom space but only on the Twin Cities campus. This campus needs more funding for programmatic needs like improving classroom space and information technology besides more funding for repairs.

Lowell stressed that the purpose of the fund should be kept small & narrow. Not a lot of money is expected in this fund for awhile.

Mike said there is \$3 million in the contingency fund, and we are not saying the campus cannot use it.

Lowell said we cannot run the contingency fund down. If it gets down to \$2 million, everyone will be nervous.

Mike recalled that even \$2 million is more than we ever had in the first 50 years of the institution.

Lowell said that we do not want to be out of contingency funds.

Brad said he is happy to leave the wording as it is and follow Lowell's recommendation to keep the purpose small & narrow.

Timna added she is OK with Lowell's recommendation as long as we are working on a better plan for maintenance.

Sara said we can revisit this in the future.

Mike asked if equipment that has broken down is an incorrect example now.

Lowell answered that if the equipment is part of a building that will last 20 years or more, it is eligible for HEAPR. If not, it is O&M or programmatic cost or other R&R. It depends on the piece of equipment.

Gwen said we need this contingency fund until we have other funding. We could still need the contingency fund if equipment breaks earlier than expected.

Mike confirmed we are not changing that sentence for now. The next paragraph explains the sliding scale.

Brad asked Dennis if the paragraph is consistent with what he proposed.

Dennis said we could add \$4.5 million and \$175,000.

Mike said we could certainly tinker with numbers.

Gwen likes it since it grows the reserve fund and gives people some funding.

Mike said the next paragraph tries to explain a process.

Brad asked Mike to explain how he arrived at this.

Mike replied that he does not think governance committees should be in the business of distributing money; that should be the job of administrators. He has some desire to have the committee tied into decision making, so he hastily made something up, as far as a group to see proposals.

Pieranna clarified proposals would be submitted to Lowell & Mike.

Mike added that Lowell would take proposals to administration.

Dennis & Mary clarified if this group is advising or making a final decision. This committee is advising the chancellor who makes a decision.

Dennis suggested more faculty members be involved; he would have one from each division, assuming all are faculty initiatives, but that may not be true.

Lowell said the chancellor will get the recommendations so may not need to be on the advisory group.

Mike thought it might be efficient to have the chancellor on the advisory group. It could be a sub-committee of the Finance Committee, but we do not want to create more committees and more work.

Gwen sees the attempts to flatten hierarchy & save time as strengths of this committee.

Lowell said we could say “Chancellor or his or her designee” & then the Chancellor can decide if he/she wants to be on the advisory group.

Mike said it is an efficiency that vice chancellors & division chairs meet regularly already.

Pieranna added that some of their regular meetings could be devoted to this topic.

Dennis asked if some Planning Committee members should be on this advisory group.

Lowell expected that planning issues would be vetted before they got to this stage.

Dennis mentioned the contingency fund could provide seed money & then faculty would apply for a grant to get recurring funding. Maybe have one member from Finance Committee & one from Planning Committee.

Sara said that initiatives do not seem like long term planning.

Timna asked what is eligible for investment fund—not a speaker series, curtain, equipment. Someone said that a speaker series for one year’s non-recurring funding would be eligible.

Brad suggested that, if new initiatives are to be raised, maybe we want new voices, not the usual group that meets often. Does the group need all the vice chancellors? He imagines a different committee from those who usually make fiscal decisions. The investment fund only gets to a maximum of \$200,000 if the contingency fund gets to \$5 million.

Lowell asked if Mike would put investment proposals on the agenda of the Finance Committee.

Mike said no. The chair of Finance Committee would be on the advisory group just as a point of contact with the Finance Committee for awareness on the Committee’s behalf. Finance Committee would not take time looking at the proposals if another group is

looking at them. It would be an extra step to have a recommendation come to the whole committee; Mike does not want another step.

Pieranna asked if it would work to have a small committee & recommendations go straight to the chancellor or if we could never decide how to fund initiatives without going to vice chancellors & division chairs.

Mike said a sub-committee could send recommendation directly to the chancellor.

Lowell asked if we are investing in curriculum. He does not want to make any programmatic decisions without division chairs there.

Dennis asked if a proposal would have to be approved by the division chair before it comes to the committee.

Pieranna said she would not necessarily have to approve, but she would want to know about the proposal before it went to the committee.

Mike said he is hearing some sentiment for a smaller group with the chancellor not particularly in the group & maybe all four division chairs need to be there.

Dennis asked if it would be “division chair or designee.”

Sara said it makes sense that vice chancellors want to know what their staff are submitting like division chairs want to know, so they should be the committee.

Lowell said the committee could meet in fall to collect proposals & make recommendations & then be done. It would not be as big of time commitment as governance committees.

4. Campus Budget

Mary asked when the committee will discuss the budget again.

Mike said the committee will get a budget update in fall.