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Finance Committee

Campus Governance

10-3-2013

Finance minutes 10/03/2013

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UMM Finance Committee Minutes

10.3.2013

Members Present: Gwen Rudney, Michael Korth, Dennis Stewart, Sam Fettig, Sara Haugen, Pieranna Garavaso, Mary Zosel, Timna Wyckoff, Lowell Rasmussen, Ellery Wealot, Jayne Blodgett

Members Absent: Brad Deane, Laura Thielke

Guests: Colleen Miller, Melissa Wroblecki-Note Taker

Agenda:

1. Approval of minutes:

Corrections were requested to the minutes from both 4/29/13 and 9/19/13. Committee approved the amended minutes for both meetings.

2. FY 14 budget – Continued Discussion:

Colleen continued on the topic of the FY14 budget. She referenced the handouts made available at the previous meeting and the following questions were asked:

- Will the recurring deficit be less because of salary changes due to people leaving and rehiring, and will the \$700,000 used for the payment of the sequestered deficit help with this problem?
 - The \$700,000 may be able to be used but many people have come up with many different ways to spend that money. This committee needs to keep in mind what would be an appropriate way to spend this in the future to benefit the college.
- Regarding the \$579,000 in recurring expense, what is the role of this committee? Who is talking about this debt and how to take of it?
 - Enrollment needs to be taken into consideration when discussing this topic. We need to have good enrollment and retention rates. The committee needs to keep this in mind also. The \$3,000,000 reserve is a good thing to have in case it is needed to subsidize, but in the meantime it is our responsibility to come up with ways to stop overspending. We should not depend on the \$700,000 to cover deficits. Spending reductions need to be found. If UMM seriously wants to change salaries on campus, funds from the \$700,000 will need to be used for that.
 - There are three main areas to look at when we discuss reduction in costs: Operations/Capital Expenditures, Salaries, & Scholarships. Reductions in cost will come from one or all of these places. Using the RAR reports to help find ways to save will help, but will most likely not be enough. Enrollment can provide additional revenue, but we can't depend on that in case there is a bad recruiting year.
- Where can we look to change spending/revenues?
 - This year we have about 80 more students than we budgeted for which is a positive. Things to look at are that we don't want bond debt. We need to pay close attention to personnel when hiring new employees. We need to look at scholarship pools and if they need to be modified. Currently the ESCO contracts and Wind Turbines have helped control costs here.

- In a perfect world, what is the best enrollment number for this campus?
 - 2,100 students is a goal that Chancellor Johnson has looked at. The Planning Committee has not endorsed 2100. If we were at 2,100 students, we would need new residence halls. Currently we are running a capacity in our residence halls. If we did get to the goal of 2,100 students, besides housing, classroom availability and faculty and staff numbers would also be affected.
- Would we have to build a residence hall, or could it be outsourced?
 - Some of the Regents would like us to look at outsourcing, but here in Morris, that may not be an option if we can't find a company willing to manage a residence hall.
- So it was mentioned there were extra students registered this year. Where is the money going from the additional enrollment?
 - Excess tuition revenue has been going directly into the contingency reserve. If we didn't, the contingency wouldn't be where it is today. The contingency fund is only for one-time money, not for recurring expenses. We had no reserve when UMM went through its re-organization and we cut many dollars. President Kaler said the University will cut \$15 million this year and next year. The contingency reserve gives us "breathing room" rather than having to cut quickly.
- Why can't we be more optimistic in increased enrollment rather than cutting staff?
 - In the past we did depend on increased enrollment and that is how we ended up with the \$579,000 deficit. At that time we made conscious decisions to budget with one-time funds and we don't have the funds to continue these expenses. Last year we didn't reach the enrollment numbers we were expecting therefore money came from the contingency reserve to supplement what we were short. But enrollment shortfalls are not the major driver of the \$579,000 deficit.
- What opportunities are we not exploring that would increase revenue? Are we able to out-source anything here? Also if we are looking at an enrollment goal of 2,100, we are going to need faculty to support those students also correct?
 - Bart keeps an eye on the ratio of students to faculty and will hire more faculty if needed. Also if our enrollment did get up to the 2,100 mark, we would likely need to increase many things to accommodate that volume.
- Who is watching staff levels in the same way?
 - When we go to the Compact and write up the Compact Budget each year, these kinds of things are looked at. With more students we would need to have more faculty and staff needed to provide services to the students. Everything would need to be ramped up to support the increased volume of students.
- Can you please separate the difference between carry forward, revenues and resources?
 - Revenues do not equal resources. Resources include carry forwards people will spend in the next fiscal year as well as revenues.

3. FY13 year end – balances, deficits, carry forwards

Colleen referred to the handout showing the “super high level campus financial model” (aka Linc’s model). She commented on columns 5 (FY13 actual), 6 (FY13 budget), and 7 (the variance between columns 5 and 6), explaining where UMM ended the year. She hit on tuition and fees, external sales, gift revenue and foundation revenue, salaries, fringe, supplies expenses, consulting expenses, U-Promise, utilities, capital expenses, ICR, and enterprise tax assessment. The favorable variance shown in line 33 (non-capital SE&E) needs to be considered together with the unfavorable variance in line 47 (which includes capital expenses). The unfavorable variance of \$311,209 on line 36 is due to the U-Promise program and we still expect the central administration to pay for that. On line 47 (“Everything else”), there was an unfavorable \$1.8 million variance in the transfers between budget and actuals. This occurred because of transfers out to the Twin Cities for the projects that are planned, but not necessarily started or in progress. Some examples of these projects include: the Green Dorm, the parking lot, One Stop, Business Office, and the wind tunnel. If the project has been planned the Twin Cities takes the money right away. If we do not do the project(s), the money is sent back. Colleen then concluded that FY13 actuals were \$229,000 favorable to the FY13 budget.

Time ran out and the topic will continue on to the next meeting.

Meeting adjourned.

Next meeting is October 17th, 2013 in the Moccasin Flower Room at 8am.