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Finance Committee

Campus Governance

10-11-2018

Finance minutes 10/11/2018

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UMM FINANCE COMMITTEE MINUTES

10-11-18

Members Present: Roger Rose, Jon Anderson, Michael Korth, Angela Anderson, Isaac Hunt, Justin Terhaar, Kerri Barnstuble, Bryan Herrmann

Others Present: Melissa Wrobleski, Jessica Broekemeier

Members Absent: Ramsay Bohm, Naomi Skulan, Arne Kildegaard

Agenda:

i. Approval of 9/27/18 Minutes

The minutes of the meeting from 9/27/18 were sent to the committee prior to the meeting and were approved.

ii. FY 19 Budget Review & Situation

Melissa Wrobleski and Bryan Herrmann reviewed the following documents to review Fiscal Year 2018.

1. Sources and Uses of Incremental O&M Funding

It was noted that O&M funding means Operations and Maintenance, which is money from tuition we collect as well as funds from the state. Last March was the Budget Compact where discussions on UMM's request for funds, review of any reallocation cuts for current and budget year are listed, requests for new and/or increased fees is made, and an overall review of UMM's proposed FY19 budget is presented. Sources of O&M funding include internal recurring and non-recurring, and any new allocation of O&M. The following are recurring cuts that the University of Minnesota, Morris made. There was a reduction in compensation that totaled \$1.09 million which included salary and fringe reductions. It was noted that fringe includes tax, health benefits, and other benefits that are paid by the University. The University pays a certain percentage in fringe for each dollar paid towards salary. There was a 1% tuition increase from last fiscal year (FY18). There was a \$150,000 cut in O&M Supplies, Equipment & Expense. Student fees were increased by \$186,000. These student fees include activity fees that were raised by a vote of the Activity Fee Review Committee that is comprised of primarily students. The biggest change comes from an orientation fee that is added as a one-time charge for new incoming students. This orientation fee will offset the increase in

orientation costs. The non-recurring cuts are one-time cuts that are still in the budget. These included a one-time compensation savings, tax on FY18 carry forwards, and contingency funds. Uses of O&M funding include O&M compensation, tuition, cost pool changes, orientation costs, and utility costs. Salary and Fringe increased at 2%, and there were step and stability increases as well. The salary increase is an increase on the total salary pool, while the step and stability increase occurs on job anniversaries for labor represented employees. There was a new allocation of O&M from the state totaling \$609,687. This amount was not large enough to cover the \$904,509 increase in O&M compensation expense. Morris may now look at making previous year one-time reductions permanent for the next fiscal year.

2. Contingency Reserve (Page2 & 4 of handout)

The page shows the projection of the ending balance in the contingency reserve for FY19 where \$1.58 taken out to balance the FY19 Budget. Items that were discussed and planned for use when creating the FY19 budget included:

- An expected salary variance for FY19 that is planned to be captured and transferred back into the contingency account at the end of FY19 when salary variance is reviewed.
- Fund from a tax on FY18 carryforwards was collected in FY18, knowing it would be used to help balance the FY19 budget.
- Planned use of contingency funds.

Other items that make up the balance used from the contingency for balancing FY19 were:

- New fee revenue to be realized in FY19. Because there was uncertainty that the fee increases would be approved, there were no expenses budgeted using the expected increase of revenue and therefore one-time funds were needed to balance the budget at the time of entry.
- Funds to cover position that was not in position budgeting for the Office of Academic Success, and
- The remaining shortfall to balance the FY19 budget.

All of these items are what was used from the contingency account to bring us to the current balance.

3. Comparison of Tuition

Enrollment was budgeted at 1528 students, but there was actually 1488 (unofficial count as of September 17). Melissa and Bryan went through the amount of revenue from tuition and NRNR (Non-Resident, Non-Reciprocity) tuition, and also the amount of waivers (American Indian Tuition Waiver, Vision Impaired, Hearing Impaired, Ward of the State, etc.) and NRNR waivers. Bryan stated that the NRNR (waiver had gone down this year due to lower number of students that were here when UMM implemented the tuition differential back in FY17. It was agreed that students who were enrolled in FY16 would be held harmless of the tuition differential and received a waiver to the amount of resident tuition. Those students have been graduating and even though Admissions grants these waivers to some incoming NRNR students, we may see a little more of a reduction in this waiver in the next year or so.

Continuing on through the document, the projection estimate used from the fall to spring semester is 92.5% of students enrolled for spring, while the summer semester hasn't changed much throughout the years. Keri asked if the student's graduating in December are taken into account on these projections. Bryan said the percentage does include students who graduate in December as well as new students who enroll for spring semester. It was also stated that some summer tuition falls into the next fiscal year's fall semester tuition, so for the projections for FY19 the amount is only reflecting the expected amount to be received in this fiscal year. The Twin Cities calculates roughly 60% of summer tuition to the current fiscal year while 40% falls into the next fiscal year. It is expected for the variance to budget to fall short about \$250,000 for FY19, based on current projections (this could change after spring's 10-day count Bryan stated if we don't solve the \$250,000 it will come out of the contingency fund. Roger asked what else will Morris need to make up beyond the \$250,000 shortfall in tuition. Melissa stated that as long as the budgets entered in the system are followed, the campus is on track for everything else. Bryan noted that the variance to budget is a projected amount that is still changing. A question was raised about the increase in tuition being a gain or loss for NRNR tuition. Bryan noted that 20 of the students that were in the budget enrollment totals didn't come because there was a

concern about visas (which is a nationwide issue) and not because the increase in tuition. Keri asked that since Morris is budgeting more conservatively if we are in a better spot financially. The budgeted amounts for FY19 are more conservative and closer to actuals than prior years. Going forward, UMM will need to continue to be more conservative with projected tuition estimates due to the balance in the contingency account.

iii. Future Meeting Topics

Roger started this section by asking what the plans are to help stop the declining enrollment, and what connection the Finance Committee has to this. Keri replied that it would be good to hear from Admissions, but that it isn't the Finance Committee's place to help come up with recruiting techniques. Michael agreed with this and said the Finance Committee could look at Admissions's goals and look at the numbers they are projecting for new incoming freshman and transfer students for next fiscal/academic year. Roger said the committee can discuss with Admissions more about projections and not the strategies of recruiting.

Bryan mentioned that the biggest question right now is what the retention rate is. Of the 40 student difference in enrollment between the actual and budgeted, 20 were first time students and 20 were student retention lower than estimates. Angela asked if there is a known reason as to why students aren't coming back. Keri stated that there are a few offices that are currently working on finding this out, but there is no easy answer.

The meeting was adjourned.