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Finance Committee

Campus Governance

11-15-2018

Finance minutes 11/15/2018

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UMM FINANCE COMMITTEE MINUTES

11-15-18

Members Present: Roger Rose, Jon Anderson, Michael Korth, Angela Anderson, Ramsay Bohm, Naomi Skulan, Isaac Hunt, Kerri Barnstuble, Bryan Herrmann

Others Present: Melissa Wrobleski, Jessica Broekemeier

Members Absent: Justin Terhaar, Arne Kildegaard

Agenda:

i. Approval of 10/25/18 Minutes

The minutes of the meeting from 10/25/18 were sent to the committee prior to the meeting. A slight addition was made to clarify that Morris' 90% student retention goal is from freshman to sophomore year. The minutes were then approved by the committee.

ii. Continue Discussion of FY 2020, focusing on the "gap" that exists to start next year with a balanced budget.

Roger opened the discussion by talking about the Budget Summit meeting held a few weeks ago. He asked what the amount is that Morris will need to cut for FY20. Bryan mentioned there was a document made last year that gave a 4-year budget projection that proposed various cuts over the next few fiscal years. It was proposed that there will be \$900,000 in salary cuts that will need to be made permanent for FY20. There would also be about \$300,000 in one time funds between contingency and a tax on carry forward funds. If tuition is allowed to be raised 1%, that will be about \$100,000. There will be roughly \$1.4-1.5 million going forward that would need to be balanced in future years. Last year, there was a salary cut of \$1.09 million. There are currently no set plans on how to get salary cut \$900,000 for this coming fiscal year.

Roger asked who is responsible for making the decision on where to make the salary cuts. Bryan said some positions are currently unfilled and some cuts may be made from those positions. Roger then asked where the Finance Committee can be useful on the path forward of finding savings. Michael stated he prefer cuts not to be opportunistic, but to have a plan behind them. The committee could ask Janet Erickson on the process of deciding where cuts

are in faculty, and what the process will be. Michael added that if unfilled positions are cut and made permanent that it may hurt in the long run. Keri also added that these cuts may not go with the strategic vision planning of the institution.

Roger mentioned there is another Budget Summit meeting next Wednesday (November 21) that may help provide more information to help with the discussion on the budget and cuts that need to be made. He wondered if some discussion should wait until the next Finance Committee meeting, after that meeting takes place. Ramsay thought it'd be important in knowing the process in the decisions for making cuts. Knowing more information would help the committee's ability to understand the way decisions are made and to help with contributing to this process. Michael noted that the timeline won't wait and decisions will need to be made soon. The Budget Compact meeting is in March and decisions need to be submitted earlier on the institution's plans for cuts next year. Bryan added that the budget materials must be submitted by the last week of February and typically UMM tries to have position budgeting entered before we finalize the Budget Compact materials to make sure we have accurate compensation amounts. Roger asked how precise the information needs to be that is submitted. Bryan said the plan needs to be precise and salary loaded into the financial system.

Roger noted that the Finance Committee has two meetings before the semester break (November 29 & December 13). He wondered what information would be useful to the committee in being objective in making decisions since we won't meet much before submissions are due. Michael noted that in the past, the committee has met weekly in January and February since that is a busy time with the budget. Roger mentioned possibly meeting the first week of classes in January to give the committee more time for further discussion.

Angela asked Bryan if he and others have ideas of where the salary cuts will come from right now. Bryan answered that they just know the amount needed to cut, and in the next Budget Summit meeting he hopes there will be more ideas.

Melissa furthered the discussion by asking the committee if they have any ideas on where the cuts should come from. She noted that on the budget planning document there is currently a 2.5% increase in salary on the budget. If allowed to lower this amount, would this be an option the committee would entertain in making cuts from? This has occurred on campus in the past (including 2010). Naomi asked if the 2.5% increase in salary is absolute, or if exceptions can be made. Melissa responded that the plan could be proposed, but there is no guarantee that it would be accepted. Bryan stated the system Budget Office and President determines what increases will be. In the past other colleges have had exceptions made. Naomi noted that if this plan was brought to the Board and is denied, that the campus may be in a worse spot unless a backup plan was ready to be put in place. Ramsay wondered if trimming pain to help people across the board would be better in the long run than to get rid of an academic program or specific positions. He wondered if the quality of the institution could go down if every place was trimmed. Naomi wondered if there were other places that could be reorganized better to increase efficiency. Michael noted that this idea sounds like RAR again. Bryan added that it would be challenging to discontinue programs. Roger noted that other schools that cut programs don't immediately discontinue them, but phase them out and stop taking majors. Roger said that realism and vision have never really met when it came to deciding cuts. He thought a community could rally around trimming everything as long as there was a commitment and meaningful outcome that would benefit the institution in the long run. Naomi wondered if the community decides not to take the 2.5% salary increase and it is proposed to the Board, would the Board agree to the no increase and still require the cuts to be made. Bryan replied that they already know the institution has made a lot of cuts, and that even with no salary increase, there are still other factors such as fringe increase and collective bargaining unit increases that are out of our control. Other cuts will still need to be made to cover the rest of the salary cuts.

Angela asked if other U of M campuses are struggling like us. Bryan replied that Duluth was. He mentioned that Crookston is structurally struggling. Rochester is so new and has no infrastructure and relies heavily on the Twin Cities, so it is hard to compare. Angela noted that she heard the Crookston campus is booming. Bryan replied that the online program is strong. Crookston has about a 50/50 ratio of student's online, verses on campus. The

online programs are geared towards degree completion. Crookston also counts high school students (College in the Schools, PSEO) with enrollment numbers which increases enrollment by the hundreds.

Moving forward, Roger said for the next meeting, we can hear about next Wednesday's budget meeting. Michael said we should ask the division chairs to explain the basis and method for choosing the upcoming cuts in order to help with decisions. Roger asked what the Budget Compact meeting will want in terms of Morris' plan. Bryan said they will look to a multi-year plan to see our vision moving forward.

Multi-Year Projection – FY19 to FY22 – DRAFT

Bryan briefly went over this document. The FY 2019 Budget is already entered and was entered as a balanced budget. While looking into FY 2020, he noted that after the cuts are made, there will still be a shortfall that we would have to ask for support from the central Budget Office. This document is just a model with a variety of facts can change from year to year.

Roger said at some point we can't keep cuts down by not doing a salary increase. Going forward, there will be more cuts and the institution will need to be strategic at making the decision on where to cut instead of opportunistically. Bryan noted that all cuts haven't been opportunistic and that the campus has still been hiring for needed positions. Roger said we need to see what programs can't take more cuts. Ramsay noted that this could go back to RAR. Jon stated that the information from RAR was there for the campus to use. Things could have been done that the campus wasn't willing to do at the time, and that something may need to go instead of shrinking everything. Michael doesn't support the no salary increase since it would not affect all salary pools on campus. He thinks it would be moving in the wrong direction since the University recently received funds to help increase faculty salaries closer to industry averages.

Naomi noted that last year cuts happened fast and the communication line wasn't great. She asked if there is a plan to communicate to help ease the process and understand as to why the cuts are occurring. Ramsay thought that it was a good question, but is out of the scope for the Finance Committee. Bryan added that it is a complicated situation in terms of

communicating personnel cuts, and understood that clear communication is needed going forward.

iii. Future Meetings

Bryan noted that more discussion on cuts will happen during Wednesday's Budget Summit meeting. This meeting will be a topic at the next Finance Committee meeting. Bryan also stated that Chancellor Behr will work with the Steering Committee and hopes to address the community in December.

The meeting was adjourned.