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Finance Committee

Campus Governance

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Finance minutes 10/03/2019

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UMM FINANCE COMMITTEE MINUTES

10-3-19

Members Present: Brad Deane, Jon Anderson, Mary Elizabeth Bezanson, Michael Korth, Angela Anderson, Marie Hagen, Naomi Skulan, David Ayers-Morgan, Maddie Happ, Arne Kildegaard, Angela Hume, Bryan Herrmann

Others Present: Melissa Wrobleski, Jessica Broekemeier

Members Absent: Roger Rose

Agenda:

I. Introduction of Committee Members and Charge of Finance Committee

Chair Brad Deane started the Finance Committee meeting with introductions of the new and returning Finance Committee members.

He then stated the responsibility of the Finance Committee which is as follows: “reviews the annual campus budget and advises the chancellor on the formation of budgetary proposals. The committee considers the allocation of financial resources to and within the campus and examines the financial impact of all major proposals and policy initiatives. The committee reviews and recommends policies on financial management within the Morris campus. It monitors deficits, reserves, and endowments”. Mary Elizabeth asked if and what we actually vote on. Brad said that the committee may vote to concur or disagree with certain projections the Finance Department has. Naomi mentioned that she was curious as to what role the Finance Committee will have this coming year. Brad replied that the committee reviews anything involving financial decisions and presents recommendations to the Chancellor. He noted that the committee could plan to invite Chancellor Behr to a meeting and also mentioned the finance committee meetings are open meetings to the public. Mary Elizabeth added that everything done at the University has financial impacts the Finance Committee could become involved with.

Brad mentioned there are a few topics that are currently not on the draft schedule that has shown interest in being discussed. The first was changing hiring/staffing patterns and where money is allocated or reallocated. The

second was financial implications of strategic planning and the future possibilities of strategic plans not yet in action.

Bryan Herrmann stated that the Regents timeline has been adjusted and all of the Budget Compact Meetings will be completed before March 6th. Last year, this was about the time the Budget Compact Meetings started, and the University of Minnesota, Morris will now present on February 21. This means all budget materials must be turned in by February 14th which is 3-4 weeks earlier than in the past. Bryan noted that the result is having an initial presentation to the Regents in May instead of June.

Brad pointed out that some agenda items may have to be pushed back to spring so the Budget Compact meeting materials can be reviewed. He said the October 17 Finance Committee meeting will be reviewing HLC and we will look into the financial statements. Melissa Bert has already tentatively agreed to meet and explain this.

II. Introduction to the Finance Committee and Fiscal Year PowerPoint Presentation

Bryan Herrmann reviewed the PowerPoint presentation. He said the Finance Committee will review where we ended in FY19, where we currently are in FY20, and where we will be in FY21 and beyond. Mary Elizabeth asked if we can get access to this PowerPoint. Bryan said that it will be uploaded to the Finance Committee Shared Drive.

Bryan handed out the Comprehensive Summary worksheet showing the detailed budget process/cycle. He mentioned that Minnesota functions in a Biennial Budget, which means every other year the state gives universities operating dollars. In June 2020 we will develop what we'll ask the state for in 2021. In August we will request money. Last time the University of Minnesota requested money for core institutional needs. Mary Elizabeth asked how much the University of Minnesota received, which Bryan replied with about half of what was requested. He said Morris received \$800 thousand in non-recurring funds, and some in recurring funds which he will get into detail in the coming meetings.

Bryan stated that support units at the Twin Cities go through budget compact meetings first. He said that what is proposed is general, including salary increases, fringe increases, and other general budget. There will be an idea of what tuition will be but it won't be published by the support units. Melissa Wroblewski noted that these budget instructions came out a few weeks ago and are now posted on the System Budget Office website. Mary Elizabeth asked where tuition is placed in budgeting. Bryan replied that it will come out in January. With the budget being due February 21 the challenge can be that they adjust things depending on budget but tuition is still undecided. Brad asked who is "they" in this case, and if we get a voice before they respond and UMM presents at the budget compact meeting. Bryan said that "they" consist of the Budget "Five". The Budget Five includes: the Provost, the Senior Vice President (VP) for Finance & Operations, the Associate Vice President (AVP) for Finance, the VP of Research, and the VP of Health Services. Melissa added that we can request what we would like for a tuition increase but it just depends how reasonable our requests are as to if they are approved or not.

Bryan continued reviewing the PowerPoint, mentioning that the framework for budgeting is the same across all of the University of Minnesota. He added that our reallocation will be bigger than what is propose by the Budget Office. There will probably be \$0 request for new funding and will mostly be requests for critical needs. Melissa said that if there is a request for new money, we'd need a very compelling reasoning as to why. Bryan said the reallocation will be to get us to a balanced budget. All fees must be reviewed (new fees or any changes to current fees). He said that some fees are changed by AFRC, and this must be completed by May when the Regents approve a budget. Bryan mentioned that Morris will also have to submit ISO (Internal Sales Organization) information. Morris has only three ISO's (Internal Sales Organizations), which includes telephone, duplicating, and fleet.

Bryan then reviewed what to expect at the budget compact meeting. He said that last year Morris presented the materials and the budget "five" thanked them for the detail provided. Melissa added if they have any questions it will be in the first few weeks after the presentation. Bryan said it is then silent until May. Then, the detailed budget has to be entered and balanced by the first Friday of June. Melissa added that we need to make sure that it is completed before the deadline in case the budget is not balanced because it

takes time to find any differences, if any. Bryan said the budget includes SE&E expenses as well as salary. In the past, salary has been loaded before the Budget Compact meeting but may be challenging with the new deadlines this year.

The final slide Bryan reviewed went over the Capital Budget Process. Michael noted that Morris isn't individually listed in capital projects and that it is grouped for the University of Minnesota as a whole.

Arne asked what the cost share is on capital projects and how do we make those payments. Bryan replied that it is 1/3 by the unit and 2/3 by the state. A bond is issued and we make annual payments. The Science building has about 5 years left in payments and only 1/6 of the cost was owed by the unit Mary Elizabeth asked what the two capital projects going on now are. Bryan said that they are the Humanities building which was just completed and the Blakely remodel. He also mentioned that the HVAC in Humanities was a "HEAPER" project which requires no match. Mary Elizabeth asked how many capital projects Duluth has. Bryan said the Chemistry building was just finished and that another project was pulled out of a bill and not put back in by Legislature. This project will now be on a bonding bill. Mary Elizabeth asked if Duluth owes more money than Morris. Bryan replied that yes they do as they have bigger investment projects happening. He also noted that we have the opportunity to put projects on the list and that Morris currently has the Library, Academic Renewal (Mall buildings), and the Cougar Sport Center is currently on the list. Mary Elizabeth asked about the HFA Phase 3 project. Bryan said it is currently not on the list. He said that the 6 year capital plan takes longer than expected. He said the state bonds in even years but are known to bond on opposite years and that the university will continue to ask for bonding when given the opportunity.

III. Beginning Review of FY19 Expenses – Fund 1000 Only & All Funds

Mary Elizabeth asked if the budget submitted every year is balanced. Bryan said there is no sequestered deficit, but there is still debt on buildings. Melissa added that we have used one-time funds to balance the budget.

UMM- FY2019 Fund 1000 Only Expenditures Pie Chart

Bryan then reviewed this worksheet that included a pie chart of all the expense categories for fund 1000. Salaries and fringe make up a majority of

fund 1000 expenses, followed by student aid which includes the UPromise and Merit Scholars. Mary Elizabeth asked about what made up the roughly \$250,000 decrease in salary expenses from the prior year. Melissa said that part was reallocation of salaries and part was eliminated positions. Mary Elizabeth also asked why the Rents & Leases portion had fewer expenses. Bryan said we rented less and that most of the expenses goes to fleet. He also noted that Repairs/Maintenance had a negative expense because this can happen when project funds are carried over in the summer.

Jon asked where the increase in utilities came from. Bryan said that last winter was really cold and Morris was curtailed multiple times having to buy fuel oil. He added that the campus had to do this about every other day when it was really cold. Mary Elizabeth mentioned that this year there are predictions for a cold winter again and if we can plan for this. Bryan said we hedge our natural gas which overall we benefit from but can take a hit if we get curtailed. He also noted that part of the other increase in utilities came from the water bill. It increased about \$50,000 because of the water plant that went up but supplies will go down with the reduction in salt and should almost balance itself out (have bought \$55,000 in salt in prior years).

UMM – FY2019 Expenditures Pie Chart

Bryan reviewed this pie chart which includes all expenditures by the University of Minnesota, Morris. He said that a large portion is student aid which is mostly money from Federal and State grants. This money will go in on one side of the general ledger and go out on the other side of the ledger. He mentioned that the biggest Supply/Service expense is the Sodexo contract. Mary Elizabeth asked when the Sodexo contract is up. Bryan replied that it has just been extended three years and will be reviewed at the end of the extension. Angela asked if it is mandatory to do an RFP after so many years. Bryan replied that yes it is, and that most RFP's are done every 3 years. He said food service is a little different because there is such a large investment for Sodexo to come in.

Bryan mentioned that the plan in upcoming Finance Committee meetings is to review FY19 on October 31, go over the current fiscal year on November 7th and then review FY21 and beyond in future discussions. He said December 5th currently has only one agenda item because agenda items in prior meetings

may get pushed back. Brad said that if anyone has questions on deficits to bring questions on the 31st. He also noted that if anyone has questions for Melissa Bert at the next meeting to email him and he will submit her the questions so she is prepared to discuss them. Mary Elizabeth asked where she could find the document Melissa Bert has submitted. Michael said it is on the UMM Accreditation Process page.

The meeting was adjourned.