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Finance Committee

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10-17-2019

Finance minutes 10/17/2019

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UMM FINANCE COMMITTEE MINUTES

10-17-19

Members Present: Brad Deane, Roger Rose, Jon Anderson, Mary Elizabeth Bezanson, Michael Korth, Marie Hagen, Naomi Skulan, Angela Hume, Bryan Herrmann

Others Present: Melissa Bert, Jessica Broekemeier

Members Absent: Angela Anderson, David Ayers-Moran, Maddie Happ, Arne Kildegaard

Agenda:

I. Approval of Minutes

The minutes from both the 5/9/19 and 10/3/19 Finance Committee meetings were sent to the committee prior to the meeting and were approved with the following corrections. Brad Deane's name was put in the "Others Present" section as he was not yet a member of the committee in the 5/9/19 minutes. The date on the 10/3/19 Finance Committee minutes was corrected. Also, on page 3 of the 10/3/19 Finance Committee minutes, "before" was added into the section where Brad Deane asked if the Finance Committee had a voice before the UMM presents at the budget compact meeting and the Budget "Five" respond.

II. Melissa Bert & the Assurance Argument

Brad asked Melissa Bert where she got all the information for the Assurance Argument. Melissa replied that a group of 5 teams got together and each team had an area of focus. There are 5 criterion for the Assurance Argument: Mission, Integrity, Teaching and Learning (Criterion 3 & 4), and Resources, Planning, and Institutional Effectiveness. The groups collected evidence and dug into the core components to see our institution succeed. The criterion groups met in fall 2017. After meeting they moved into the writing phase. Melissa Bert did the initial writing using the groups work as we needed to make sure we present one voice.

Mary Elizabeth asked how many years it will be before doing this again. Melissa replied that there is a site visit this month and there will be a written update to the Assurance Argument in 4 years. 6 years after that there will be a site visit with a 4-year guidepost. We can then convene a group of people to

go through the evidence & criterion to look at what we have done and to provide updates.

Mary Elizabeth asked if there is a timeframe for a response after our site visit this month. Melissa said after the HLC visit they will draft and have a group review it for checks and balances. This process should take a few months. The team chair has already said they won't give any indication of their thoughts. They are only here on Monday and part of Tuesday, which is shorter than previous visits, the team is not leaving early so the campus shouldn't be alarmed. Melissa replied that they will determine areas of focus and any additional evidence that we may need. Melissa said that we anticipate areas of focus to be on the academic side and co-curricular assessment. Melissa mentioned that Liz Thomson will be taking on the role for co-curricular assessment. She said another area of focus could be the budget, which is why we are intentional about being clear on our budget process. Mary Elizabeth agreed that those will likely be areas of focus the HLC team will tell us.

Melissa Bert had a PowerPoint presentation prepared and said she will send this to the campus. She noted that at the end there are some possible questions that the peer review may ask that everyone should note. She said it is sometimes difficult to remember all the good things that do happen across campus, but it's important to point those things out also.

The Finance Committee then reviewed section 5 of the Assurance Argument. Michael asked Melissa how they submitted numbers to the Composite Financial Index (CFI) (Section 5.A.1.). Melissa said these numbers have to be supplied annually and are calculated centrally. Michael also asked how many years these numbers go back. Bryan said it was more than 10 years.. Jon asked where to go to access the Composite Financial Index. Bryan said that the Composite Financial Index is linked in the Assurance Argument document. Melissa Bert brought up the document. The GASB rule is excluded in the CFI because it adjusts the amount in a negative way for future. GASB 68 accounts for pension liability retirement systems.

Bryan then reviewed the rest of the financial information in the CFI. Our viability ratio shows the debt we have which is at 0. We have no debt listed here because it is held at the Regents level. For the total CFI score there is an

acceptable range which ours is above. If we were below 1 for the total CFI score then we would have a red flag. Bryan said that Return on Net Assets includes buildings and plant and total assets. Mary Elizabeth asked if the buildings and assets are losing money each year. Bryan replied that it wasn't that simple because money is invested by the State and doesn't count within that. Brad asked if he is correct that the takeaway from this is that these aren't concerning numbers. Bryan said he was correct. Jon asked what would be an instance that makes the CFI fluctuate. Bryan said if you are an institution in trouble and are borrowing to keep operations open the number would be smaller..

Mary Elizabeth asked if the Primary Reserve Ratio decreasing and rebounding is something the HLC will note. Melissa Bert said they probably won't. Mary Elizabeth also noted section 5.A.1. states "operating reductions have ensured that the NIR remains positive". She asked how long the University can keep cutting operation budgets and wondered if the HLC will ask the same question. Bryan said we will have to keep making operating reductions until enrollment balances expenses. Melissa Bert noted that we aren't the only institution in this position and we are better off because we have the system support.

Naomi asked how much information we gave the HLC for the structural imbalance part. Bryan said they look at the FY20 Planning worksheet. The Finance Committee will review these documents in the coming meetings. These documents show the structural imbalance. Marie asked if the University of Minnesota as a whole would help our campus make sure our CFI ratio doesn't go down. Bryan said they don't look at the ratios specifically but more the budget. If the CFI was below 1 they would already know well before that with the information they already have. He noted that FY18 data was submitted in February 2019, and that by the time we submit the ratio they already have that information. He mentioned that the Regents and the University of Minnesota wouldn't want our University to go below 1. Roger asked if the HLC group will go to the budget office in the Twin Cities with questions or just focus on us and our campus. Bryan said the Regents are involved a little because one of the sections is who the governing board is. Melissa Bert said that the HLC group could come back and want to meet with these people but we don't know.

Mary Elizabeth noted that we were short \$1.7 million last year and asked how much we are currently short now. Bryan said we are around the \$1 million mark and will discuss this in detail in future meetings. This amount is currently only a projection. He mentioned the shortfall projection is for this fiscal year.

Brad mentioned how 5.A.3. is a small section and asked how the strategic vision is realistic and there is not much information in that section. Melissa Bert said that the Assurance Argument had a word limit and she had to make cuts to hit this limit. Roger asked if each section had a word limit or if it has a word limit as a whole. Melissa said it was as a whole. Bryan noted that 5.A.3. has information in other sections that tie into this section.

Jon had a question on the second bullet in section 5.D.1 where it talks about the University Progress Card. He wondered if the Regents see this at a system level or if it is broken down by campus. Bryan said some measures are specific to each campus and some are system wide. Melissa Bert said this is in the accountability report and that it will be changing this year and alterations may be made to this component. Bryan mentioned that this started 5 years ago because the Regents wanted high points of what they can watch. Mary Elizabeth questioned why the Twin Cities campus graduates so many students. Roger said they are more selective on the students they get and Marie mentioned that they are pushing students to graduate. Mary Elizabeth mentioned she tried getting students who are one class short to graduate, but it seems finances play a big role on this.

Brad asked what budget questions will be expected from the HLC group. Bryan said they expect questions on enrollment, how we deal with the structural imbalance, and the relationship within the University of Minnesota system. Michael added that it depends on the experience with the HLC group that comes here. Melissa Bert said there are 5 people who come. Each individual has a different area they are responsible for and they also are the backup for another area. All of them will read the Assurance Argument. Brad asked what the short answer to getting out of the structural imbalance is. Bryan said we will show a multi-year plan and this will be important to show them we are thinking about this issue. He said a significant portion of the document is what we are planning on doing and they would be more

concerned if we had no plans. Mary Elizabeth mentioned she had questions about the HLC visit and will email Brad those questions.

Bryan said that Michael was a big part of the last group and asked what his thoughts are on the process. Michael replied that it seems similar to the last time having 5 criterion with sub parts and a lot of information. Mary Elizabeth said she was hoping this will be used in the next document that is done. Michael said that 10 years from now a lot will change and this information may no longer be relevant. Mary Elizabeth asked what the cost was to create this document over the last 2 years. Melissa Bert replied that they tried calculating this at other institutions . We haven't tried to calculate how much time has actually been spent working on the HLC documentation. Mary Elizabeth mentioned that it takes a lot of time to do this. Michael said we don't count time with this and Brad mentioned there are no billable hours. Michael mentioned that after RAR (Resource Allocation Review) it was estimated that it took over 1000 hours to do. Mary Elizabeth said since we created this we should be able to say what the cost to do this was because it becomes a tax on the students, faculty, and campus as a whole. Melissa agreed but said this will also benefit the campus as a whole. Michael added that this is a process that we must do.

The meeting was adjourned.