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Finance Committee

Campus Governance

10-1-2019

Finance minutes 10/31/2019

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Recommended Citation

Finance Committee, "Finance minutes 10/31/2019" (2019). *Finance Committee*. 130.
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UMM FINANCE COMMITTEE MINUTES

10-31-19

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

Others Present: Melissa Wrobleski, Jessica Broekemeier

Agenda:

I. Approval of Minutes

The minutes from the 10-17-19 Finance Committee meeting were uploaded onto the Finance Google Drive this morning. Not everyone has had a chance to review these minutes so they will be approved at the next Finance Committee meeting.

*Note: Brad Deane sent out an email that suggested reading last weekend's [article in the Star Tribune](#) about UM Duluth's ongoing budget challenges prior to the Finance Committee meeting. This article was referred to in some discussions throughout the meeting.

II. Review of FY2019 Documents

Bryan and Melissa reviewed the following documents:

Document 1: University of Minnesota Morris FY2019 – Pie Chart of all Fund Revenues

This document showed the gross revenue for the University of Minnesota, Morris. Bryan noted that the percentage that makes up internal/external sales is mostly dining (Sodexo) and Residential Life. Jon asked how the contract works for paying Sodexo and Residential Life. Bryan said we bill the student, collect the money, then pay Sodexo for dining plans. For Residential Life the student is billed and the revenue goes straight into Residential Life's account. Bryan also noted that the bulk of the grants/contracts is made up of financial aid. Mary Elizabeth asked if tuition is at a higher percentage of the total when we have more students. Bryan replied yes and noted that there would be more gross revenue but there would also be more internal/external sales.

Document 2: University of Minnesota Morris FY2019 – Pie Chart of Fund 1000 Only Revenues

Bryan noted that fund 1000 revenue is more flexible and we can use or move these funds around as needed. He said the majority of Fund 1000 only revenue is made up mostly of State O&M funds. The O&M funds also make up a majority of all revenue, regardless of the fund. Mary Elizabeth asked if the Twin Cities pie chart would look similar. Bryan said the O&M funds are less than Morris except for the Medical School. He mentioned he can post information from the Financial Academy that shows what each RRC gets for O&M funds. It was also stated that about \$2.4 million of O&M funds is an allocation for the tuition waiver, so we could really look at that amount as part of tuition instead. This would decrease the percentage of O&M revenue and increase the percentage of tuition revenue. Brad said that what makes Duluth mad is that they have a lower O&M per student compared to Morris. Mary Elizabeth asked why Duluth has a lower O&M per student. Roger said that it is partially because of economies of scale. Duluth has a bigger institution and bigger budget but the student population is significantly larger than Morris also. Arne noted that this is why it is important to know that part of the O&M funds for Morris goes to the tuition waiver. Mary Elizabeth added that it was also important to note the \$1.2 million that is missing from tuition in Morris as well. Mary Elizabeth asked why Duluth needs to cut \$5 million in faculty positions. Bryan said they have to make these cuts and they could achieve it elsewhere besides faculty alone. Brad said that the article was to raise awareness because faculty members are concerned.

Document 3: Budget Development Worksheet

Bryan said that this document shows the total budget and includes all funds. He noted the campus has a carryforward balance which is usually money that is already encumbered for different things and can't be moved around easily. He said that for Endowment Income (line 17), it is important to note that this amount doesn't include everything that the foundation has collected. Melissa added that this is the money that we've requested from the Foundation to use on the Morris campus. Marie asked if this line included the University's matching funds. Bryan replied that no, it doesn't, and that the match amount is mostly taken from O&M.

Bryan went on and added that about \$3 million that we receive in revenue goes to Sodexo. Mary Elizabeth asked if we make a profit with having Sodexo. Bryan said yes, and this profit is used for building maintenance. For Cost Allocation Charges (Line 37), Bryan said the debt portion is mostly debt in buildings. He added that the Science building has about 3-4 years left and that some other debt payments have gone down with refinancing. Mary Elizabeth thought that the last time we spoke Bryan had mentioned a deficit and wondered where that shows. Bryan said that will be coming in future Finance Committee meetings and wouldn't be included on FY19 documents. Michael asked what was going on with line 33 (ICR/Subcontracts & Participants) since the budgeted amount was extensively larger than prior years. Melissa said this was likely an entry error and that the amount wasn't actually spent in FY19. Jon asked if ICR stands for Indirect Cost Recovery. Melissa responded that yes, it does.

*Later in the meeting Melissa corrected that expenses that were included in line 33 should have instead been included in line 23. This budget was for Pell Grant Funds.

Document 4: Comparison of Tuition and U Fee – FY15 to FY19

Bryan said that for FY19 the enrollment was less than what was budgeted. The enrollment number includes degree seeking students only. He noted that NRNR stands for non-resident/non-reciprocity when it comes to the NRNR tuition and NRNR waivers. While looking at the waiver portion (non-NRNR), Bryan mentioned that the bulk is the American Indian Tuition Waiver but also includes exchange waivers and any state waiver programs. Mary Elizabeth noted the decrease in student enrollment from fall to spring. Bryan said that a portion of this is due to graduating students. While looking at the totals, he mentioned that the summer deferral adjustment can include multi-I enrollments, tuition refund appeals after the year end, etc. This isn't typically a large amount and is mostly just cleanup. While looking at the Variance to Budget amount, Bryan said he had anticipated a larger shortfall than what we actually had. He also added that the large shortfall in FY15 was because of multiple factors, including more students with tuition waivers, more study abroad students, and a significant number of students enrolled in 12 or fewer credits. Michael added that the way enrollment projections are transferred to tuition projections appear to be getting more accurate. Mary Elizabeth asked

if in the year we had more enrollment we also had more debt. Bryan noted that this it is important to note that this is shortfall and not debt. Michael added that the shortfall is from missing the budget target. Naomi asked how we estimate how many people are on the American Indian tuition waiver. Melissa replied that we have no idea how many students will actually come that are eligible for the American Indian Tuition Waiver but we take an average of the past few years and are typically close. Mary Elizabeth noted that Dave Israels-Swenson said the students that receive tuition waiver has been constant but may look like a greater loss because enrollment has decreased.

Document 5: Contingency Reserve Balance as of June 30, 2019

Bryan reviewed that the contingency reserve was used to balance the budget. He noted that there was a carryforward reduction for FY20. He also noted that there was an excess in scholarship funds with declined enrollment that were put into the contingency fund as well. Michael asked if the excess scholarship funds came from funds that were never offered to students or were offered but the students didn't come. Bryan said that the funds could also come from students who don't stay for the next semester. Mary Elizabeth asked where the scholarship money comes from and if we need to give it back. Melissa and Bryan answered that it is merit scholarship that comes from O&M funding so we don't need to give it back. Jon asked where the Shortfall in Tuition/U Fee total was relevant on the Comparison of Tuition and U Fee document that was reviewed. Bryan replied that it was relevant to the Variance to Budget amount. Mary Elizabeth asked what we lost in the contingency reserve. Bryan replied that about \$400,000 was lost to balance last fiscal year. Jon confirmed with Bryan that in 2015 the contingency fund balance was \$2.8M. Michael also noted that on June 30, 2013 the contingency fund was at \$3.5 million. Mary Elizabeth asked what happened in 2018 that made the contingency reserve balance that made the balance increase. Bryan noted that there was one-time allocation funds and salary savings. Melissa added that there was also a larger carryforward balance.

Document 6: FYE 2019 Available Balances

Bryan noted that the carry forward for fiscal year 2019 (row 17, column C) is the total spread across multiple funds. He reviewed the Quasi-restricted balances, mentioned that the tech fee amount under Other Restricted

balances is carryforward and is a cushion for the next year. Melissa added that the ability to disburse tech fee funds depends on what is received in fees. Bryan also stated that in Other Restricted balances are Financial Aid funds, with the largest portion being the Morris and Distinguished Scholars stipends. He said that this is money set aside so if a student receives a stipend with their scholarship that we have the money. Upromise scholarships are also included and are restricted funds. Bryan reviewed the Established reserves and said that ORL must have at least a \$500,000 reserve. The wind turbine reserve is where funds are put away in case maintenance on the wind turbines occurs. Mary Elizabeth asked if Morris is still making a profit with the turbines, which Bryan replied with yes. Bryan said that after subtracting the restricted balances and reserves, the remaining balance is what the campus has that isn't restricted. He also explained that the note in row 58 means that Morris used to have to account for all Accounts Receivables and if we didn't collect that money we had to hold it in reserve funds. Now, Accounts Receivables are held at a system level. After about 6 years the uncollectable funds are written off, but will stay on a student account forever. Melissa added that we do have students that request a transcript or take courses later on and we can collect those balances at that time. Jon asked what the amount in Row 12, Column C meant and if this is the total amount UMM has that is held by the Twin Cities. Melissa responded that this amount is on campus. Bryan added that endowments go to the Foundation and Morris bills the Foundation for that money. The amount shown is only what has been requested.

Mary Elizabeth asked if Duluth's documents would look worse with a larger shortfall. Bryan replied they would look different as Duluth has a significantly larger budget to spread cuts across. Michael added that we have a bigger shortfall on a percentage base. Mary Elizabeth mentioned that in the coming weeks we should read and discuss the plan that Duluth comes up with. She added that it doesn't seem that it is sustainable model for Duluth or Morris to keep making cuts in salaries.

The meeting was adjourned.