11-21-2019

Finance minutes 11/21/19

Finance Committee

UMM FINANCE COMMITTEE MINUTES

11-21-19

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

Others Present: Melissa Wrobleski, Jessica Broekemeier

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

Agenda:

I. **Approval of Minutes**

The minutes from the 11/7/19 meeting will be approved at the next meeting.

II. **Corrected Documents:**

The corrected documents from last week were disbursed to the Finance Committee members.

III. **Review of Documents**

Bryan and Melissa reviewed the following documents:

Document 1: Enrollment Prediction – Continuing Students

This document is color coordinated by each incoming cohort. The top portion of the document illustrated each cohort and the retention rate of each year starting with Fall 2002 to Fall 2018. This section had actual retention rates to 5th year students. From Fall 2019, estimates for retention rates were input into the document to help estimate what UMM may anticipate for enrollment numbers to be used in FY21 budgeting. In the bottom chart, it pulled in the information from above by each cohort (freshman, sophomore, junior, senior, 5th year). Bryan then went on to state that transfer (NAS), new anticipated freshman (NHS), and other re-admits, and inter-University transfers are also incorporated to help estimate enrollment predictions for budgeting purposes. Bryan said that these are only estimates. Melissa Wrobleski noted that this document is for budgeting purposes only and does not reflect Admissions goals or predictions. Mary Elizabeth asked if the NAS/NHS section was accurate for the Fall 2019. Bryan said that it is up to date.

Document 2: UMM comparison of Tuition FY21 to FY 25

This document shows the tuition estimates based on the enrollment prediction from the previous document. These estimates are based on past years. The tuition waiver as a percent of tuition is currently kept constant for FY21 but it could fluctuate. Currently, it is estimated to collect roughly 75% of tuition charged. The fall to spring ratio of tuition collected is also kept constant. The tuition on this document is also, currently held flat. Bryan noted that FY2021 starts with Fall 2020 for the University's fiscal year.

Document 3: UMM FY21 Budget Planning

This document shows one-time reductions that Morris will need to make permanent in order to balance the FY21 budget. Morris also needs to take into account the estimated reduction in tuition collected as noted in the last document reviewed. The Financial Aid and One Stop position funding listed is due to the Perkins loan program ending which effects more University of Minnesota campuses than us. This program may disappear altogether, and there are salaries on these administrative funds. .

Continuing through the document, it was illustrated that for compensation, fringe will go up regardless of what happens to salaries. This document shows a projection of 2.25% increase for salaries, which would increase fringe another 2.25% (bargaining unit increases are all subject to negotiations). There is also a 1.75% enterprise tax that is charged on all salary dollars paid.

The 27th pay period will occur this next fiscal year. This is an extra pay period with how the calendar works and happens every 11 years. Michael asked if this is what Central Administration fixed so there isn't a discontinuous cost. Bryan said this was fixed and Central Administration started collecting money every year and put in an accrual to pay this amount. Melissa said that every November the Budget Office looks at one pay period and charges a percentage of all salaries paid in that pay period. These amounts are typically charged to individual departments in March but will most likely occur by the end of period 6 (December). The idea was to charge a set rate yearly between the years of a 27th pay period year to have funds to cover salaries on the years where there is an extra pay period. Michael asked if this is an extra expense and if there are funds currently to use for it. Melissa replied that there is. Bryan said the 27th pay period is shown on this document to recognize the difference still needed. Michael asked why some classes of employment will receive this and some won't. Melissa said anyone that is salaried will get their yearly salary split across 27 (instead of 26) pay periods and anyone paid hourly will get an additional paycheck. Mary Elizabeth asked if salaried employee's paychecks will look smaller since it is spread across more pay periods. This will most likely be the case depending on increases earned during the year.

Roger asked if the first line on this document is the one-time carryforwards from the contingency document. Bryan replied yes. Roger then asked if this is the amount of real cuts that will need to be made. Bryan replied that these are one-time cuts that will need to be made recurring going forward to have a balanced budget.

<u>Document 4: UMM Multi-Year Projection FY20 to FY24</u>
This document shows how Morris plans to get out of deficit. Duluth also does this as well. These projections listed included reductions in compensation, a 1.5% increase in tuition (subject to Regents approval), a modest amount shown in carryforwards collected across campus and there isn't any amount included for money from the contingency account because it is unsure how much will be in the account. We will also need Central support to help with the remaining shortfall. Roger asked where the one-time adjustments to be made permanent fits into this document. Bryan says it is shown on line 4. Bryan said that future plans to get out of deficit include salary cuts, a tuition increase, enrollment growth and receiving an allocation increase from Central.

Roger asked how many positions will get cut. Bryan said he wasn't sure and that the Division Chairs have these numbers and are working on this currently, along with the Chancellor and other Vice Chancellors. Brad asked if this process is happening late. Bryan replied that it is actually happening earlier than usual. Usually, this process starts in December or January, but are working on this now so we are not trying to offer classes to students that may end up being cancelled. There is also a need to start this earlier as the budget meeting is February 21st, which is about a month sooner than usual. Angela Hume asked how the campus can obtain these salary reductions. Bryan said that it can be obtained from a position going from 100% to 75% time or if someone leaves the University and a replacement is hired at a lower salary, or if a position is not hired or eliminated. Mary Elizabeth noted how we are looking at more salary reductions and are also projecting more in the coming years. Mary Elizabeth also wondered how there will be enrollment growth as there hasn't been in the past few years. She asked how this will change now. Bryan said that Morris can achieve enrollment growth by retaining more students. He noted that we have new students coming in but our retention rate hasn't changed. Mary Elizabeth thought these enrollment projection numbers may be false and noted that we can control why some people stay but not all. Brad is optimistic that Morris can get more NHS students in the future if we work on our recruiting efforts. He felt that our campus isn't doing as well as other campuses in getting these students. Melissa also added that Morris has an ASR (Academic Support Resources) group now to make collaborating between some offices easier to better serve our students and hopefully affect retention. Brad mentioned that Morris has put a lot of efforts into the HLC visit. Now that the visit is complete we could have more time to focus on retaining students.

Brad said that the incoming President suggested to find new revenue strings and wondered what Morris is doing with this. He felt we won't be able to keep cutting salaries. Bryan said that this is part of the challenge as many revenue strings that are being worked on include private giving. Also, nothing generates as much revenue as tuition. One way Morris has made money is from renewable energy. Brad wondered if there could be a new program added at Morris. Bryan said that Janet Ericksen is working on links to the Twin Cities Campus College of Nursing to hopefully work better with students in Morris. He said with any potential revenue streams we must do a cost-benefit analysis. Roger added that online programs could be a struggle to benefit from as there is already a saturated market and the Crookston campus has most of the U of M online courses. Roger said that Minnesota State system should have been in effect long ago to have stronger relationships with other community colleges to potentially increase student enrollment. He also thought we need to raise awareness of our campus and to figure out how to better market.

Marie mentioned that salary cuts could come from people retiring, but wondered what would happen if the amount of people retiring isn't what we expect. She asked if we will cut someone else if they don’t retire. Brad agreed with this because there are people that want to retire but don’t because they don’t want their discipline to fail or be discontinued once they leave. He wondered what the strategy behind the savings was and thought Morris should have a strategy to keep what positions we should keep instead of timely retirements. Brad asked if the Finance Committee could get a breakdown of the salary distribution and to see how it’s changed over the last few years. Bryan said that we can look at P&A and faculty as a pie chart. He said there is already a report that breaks out Mission, Mission Support & Facility, and Leadership & Oversight where we could look at past years.

Angela Anderson mentioned that there have been some big searches done over the last few years and asked how much money has gone to replacing these administrative positions. Roger added that if a consulting firm was used this cost would dramatically increase. Angie asked if the Twin Cities helps with these costs or if it all is an expense incurred by Morris alone. Bryan said that the President’s office helped support the Chancellor search for us but the other positions are on us to find these costs. The costs for meals and travel are easy track, but the cost of having people on the search committees are harder to track. He added that the cost of a search is relatively small compared to how important the hire might be for the campus.

The meeting was adjourned.