11-7-2019

Finance minutes 11/07/19

Finance Committee

UMM FINANCE COMMITTEE MINUTES

11-7-19

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

Others Present: Melissa Wrobleski, Jessica Broekemeier

Members Absent: Arne Kildegaard

Agenda:

I. **Approval of Minutes**

The minutes from the 10/17/19 and 10/31/19 meetings were approved.

II. **Review of Documents**

Bryan and Melissa reviewed the following documents:

Document 1: University of Minnesota Morris Fund 2019 – Fund 1000 Only Revenue

This document was the same document as last week but this updated document separated the State O&M that was for the American Indian Tuition Waiver, from the rest of the O&M allocation. Mary Elizabeth asked how much the waiver allocation covers for the tuition waiver and if we just absorb the rest. Bryan responded that it covers all but around $1 million. Michael pointed out that the total revenue was more than what was on the same document from last week. Melissa mentioned this was a typo, and she will fix this and provide a correct document at the next meeting.

Document 2: System proportion of O&M + Tuition

Bryan said this document came from when the Budget Office came out to Morris and presented the Finance Academy. It showed the FY16, FY17, and FY18 O&M and Tuition breakdown by academic units in the system. Mary Elizabeth asked if the tuition waiver is included in this amount. Bryan responded that it is, but noted that with the $2.4 million for the waiver taken out, we would still receive more O&M in comparison with tuition than UMC and UMD. Marie added that Morris students with tuition waivers receive the tuition waiver at another University of Minnesota campus (such as UMC or

UMD) through Multi-I, and asked if that college gets reimbursed. Bryan replied that they do not get reimbursed. Roger asked if the student transfers if they still get that waiver. Bryan said if the student transfers they will lose whatever waivers they had at Morris.

<u>Document 3: TC Colleges/Major Academic Units & System Campuses Total FY16 Actual Revenues (sponsored & non-sponsored)</u>
This document shows O&M (State Appropriation) as well as all other revenue compared for academic units and system campuses. Mary Elizabeth asked if this document shows that it is cheaper to come here then the TC Liberal Arts School. Bryan replied that no, this document shows what the TC Liberal Arts School receives in State Appropriation.. Bryan also noted that the Medical School receives large amounts from grants and contracts. Mary Elizabeth pointed out that Duluth receives more O&M than Morris. Bryan said they do, but on a percentage base they receive less than Morris. Michael said that Duluth's enrollment is about 7 times the size of Morris and Brad added, they don't have 7 times the buildings and staff. Angela asked if the state O&M percentage we receive remains stable or if we should wonder if the state will decrease their allocation. Bryan said there is always a chance they will decrease it. He said in 2010 (there was a lag after the recession) there was a retrench in O&M and Morris actually had to give some O&M back.

<u>Document 4: Sources and Uses of Incremental O&M Funding: FY20 – Planning</u>
This document depicted the difference between what UMM presented at the Budget/Compact meeting in March, and what we actually received in our fall letter. There was a tuition increase of 1.5% and compensation savings/reduction as planned. Morris received over $900,000 of recurring funds for operating budget support and structural imbalance support. Mary Elizabeth asked what the reduction in FY20 compensation means. Bryan said that we planned on reducing salary/fringe in FY20 and that this number included unfilled positions and retirement savings. Mary Elizabeth said that when we hire new faculty they get paid less but over time they will hopefully stay and end up making more money so this is something we shouldn't count on. Melissa added that we have received additional allocation yearly for close to what the increase in compensation is for that budget year. Bryan noted that we had compensation savings, but compensation also increased at the same time. Even though positions were identified for reduction, we also had

an increase in the fringe rate for all current salary amounts, plus a 2.25% salary increase plus fringe on that salary increase. Bryan also mentioned that currently step and stability pay is still under negotiation and may change from what we budgeted. Bryan said that we have contractual obligations that we must follow when paying salaries. Brad asked if the salary and fringe increase was 2.5% or 2.25%. Bryan said that for the budget instructions it was at 2.5%, but the actual increase was 2.25%. Melissa said she will change this percentage on the document, as it is listed incorrectly, but the dollar amounts were correct. Marie asked where the amount captured in FY19 carryforwards is shown. Bryan said it will appear on the next document.

<u>Document 5: Contingency Reserve Projected Balance as of June 30, 2020</u>
Bryan pointed out where the one-time carryforward amount collected from FY19 was. He noted that the budget office also gave Morris another $800,000 in one-time funds on top of the $964,000 in recurring dollars. Mary Elizabeth noted that the contingency balance has been decreasing over the last 3 years. Melissa said that we anticipated the contingency balance to be much less than it is and it was helpful that we ended the year in FY19 on the positive end. Mary Elizabeth wondered at what point will there be no contingency funds left if we keep taking from the contingency. Bryan stated to keep that in mind as we move forward and review the next financial documents.

<u>Document 6: Comparison of Tuition and U Fee – FY16 to FY20 (Projections)</u>
Bryan said that FY20 tuition projection includes the actual amount of fall student enrollment with estimates for Spring and Summer terms. He reviewed that the Midwest Student Exchange Program (MSEP) includes the states of Illinois, Kansas, Indiana, Missouri, Nebraska, and Ohio). With the MSEP, a tuition difference is in place so students from the states listed will pay less than other out-of-state students, but more than the resident rate. Bryan pointed out that we are collecting about 75% of the tuition we bill after all waivers. He said for spring enrollment projections they looked at a 3-year average to get an idea of what was reasonable to estimate. He noted the green highlighted information on this document is a projected amount only that is for budgeting purposes. Marie asked if there was no NRNR tuition or waivers for summer. Bryan said there is not but the NRNR students are left in that category until we see that amounts will look like the first summer this is implemented. The tuition difference in the summer isn’t much for NRNR

students and it is better to have these students taking a class. Bryan noted that if these projections are accurate, Morris will be short. Mary Elizabeth asked if in FY21 we will budget for less students. Bryan responded that we will, but noted that we also budgeted for less last year as well and this is a hard number to project. Roger asked if we will have to receive more money for this variance to budget in FY2021. Bryan said he wasn't sure if we will get more money in the current year and that tuition numbers are less as a system also. Bryan also added that we are currently told to plan for a salary increase for next year, and added that we will likely need to review salary savings with open positions, and etc. again next year too. He added we won't know more about these numbers until spring. Roger asked if we know what the Budget Office will suggest for what we need to do this year for our budget. Bryan said that the Budget Office already knows we are short in tuition and that it will be hard to make savings this year. He said the contingency will need to help cover the deficit and that we will hopefully meet with the Budget Office in December. Michael commented on how the contingency fund shows resilience by having a positive balance and has been replenished. Bryan added that it was planned to have less funds but with the salary variance, there is a reasonable balance still. Mary Elizabeth said that reductions in salary can't keep happening as it is not strategic. Brad noted that this is something that we should discuss in future meetings.

Brad said that the next Finance Committee Meeting is in 2 weeks. Roger added that this is the time that the VCAA/Dean finalist will be here. Brad replied that he will look into this.

The meeting was adjourned.