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Finance Committee

Campus Governance

9-3-2020

Finance minutes 09/03/2020

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UMM FINANCE COMMITTEE MINUTES

9-3-20 (via Zoom)

Members Present: Brad Deane, Roger Rose, Kara Nell, Jon Anderson, Bart Finzel, Naomi Skulan, Cole Maxwell, Peh Ng, Bryan Herrmann

Member Positions Unfilled: USA Position, USA Position, Student Position

Others Present: Jessica Broekemeier

Agenda:

I. Introductions

Introductions were made. It was noted that there are currently still two USA positions and 1 student position that still needs to be filled. There has also been a change for Kara Nell's position from last year. She is now a regular voting member. Jessica will upload a copy of the Finance Committee's annual report from the last academic year to the Finance Committee Google Drive.

II. Reading the Finance Committee's charge

Brad read the charge of the committee, which includes:

1. Reviews annual campus budget and advises the Chancellor on the formation of budgetary proposals
2. Considers allocation of financial resources to and within the campus and examines the financial impact of all major proposals and policy initiatives.
3. Reviews and recommends policies on financial management within the Morris campus. It monitors deficits, reserves, and endowments

Brad noted that this is not a decision making committee but instead chiefly advises the chancellor. What review means has been a question for this committee. The Finance Committee's review capacity only has time to react or comment on what is told to us instead of having more collaborative role in the creation of the budget as decisions were being made rather than after the fact. Brad mentioned that he did write to the Chancellor to see if there is anything she'd like the committee to pursue this year. Cole asked how information from the Finance Committee gets funneled back to the Chancellor. Brad replied that she could look at the annual report, the minutes, or speak with Bryan who she meets regularly with. Peh said that the committee also has the prerogative to invite the Chancellor to meetings. Brad said that usually the committee plans to meet with the Chancellor at least

once a year. He mentioned that last year there were plans to speak with the Chancellor on revenue generation, but this was derailed due to Covid-19, and instead the meeting ended up discussing the CARES Act. Peh also noted that we have a system-wide new SVP for Finance and Operations coming on board, and noted that the Finance Committee should plan to meet with him if he visits the Morris campus. Brad agreed, and noted that last year the committee did meet with his predecessor.

III. Suggested topics for this year's meetings

Brad asked if anyone had any topics they'd like to discuss for this year's meetings.

Jon reminded old members and informed new members that he has been examining student retention using UMM student retention data and has worked with a student over the summer doing data cleaning and primitive modeling. He said that this is something that could be scheduled for him to report on, and noted that he could do so mid to late semester as long as he has a few weeks' notice.

Cole said that he is interested in the state of the University's financial health at some point. Brad said that the committee will spend several meetings talking about this and how the University ended up at FY20, projections for FY22, and where we are with FY21.

Brad then reviewed other topics the committee was interested in pursuing from last year, including:

- Financial implications of strategic visioning process implications of strategic visioning process and any ramifications on how we are allocating resources.
- SEM initiative – any financial implications that are being proposed or contemplated as a result of the studies the SEM group is doing.
- Student outreach and helping students understand our financial information easier to see on where the money is coming from and how the campus is spending.
- Consideration of equity concerns: budget cuts may fall unevenly in our community. How can we be proactive that there aren't any uneven distributions of cuts that interrupt our commitments?

- Shifts over time in staffing compensation patterns. If we are shifting money away from core staffing positions to admin/other positions.
- Do we need to think differently about the right size of this University and should we continue to budget at a higher student enrollment if it isn't a realistic goal?

Peh noted that Jon brought up retention data and Brad brought up the "right size" of the campus and said that these are items that are important for the committee to talk about. Peh added that this should be a joint conversation with the Planning Committee because we can't talk about the finance pieces without the planning pieces. Brad said that he would be happy to do joint meetings. Bryan said that the Planning Committee meets on Tuesday. Roger added that there have been joint meetings in the past with mostly the Chair being a part of the other committee's meeting. He said it's been recognized for years that these joint discussions need to happen but hasn't felt like there has been a lot of progress.

Bart said that it is hard to think about priorities until we have a financial overview. He said that things happen quickly and that issues may come out of discussion about financial issues and these topics should perhaps be revisited at a later meeting. Brad agreed that this was a good idea.

IV. Potential timeline for September and October meetings

Brad said that the schedule for the next few meetings includes reviewing FY20, FY21, and FY22. He also noted that in the past members of the committee have felt that the review of finances have occupied so much of the committee's time that there hasn't been much to do except react to them. Bryan mentioned that last year the committee didn't meet until October 3 so we have a head start already. He said by October 17 overviews of FY20, FY21, and future FY22 should be presented.

V. PowerPoint Review of Introduction to the Finance Committee (Bryan Herrmann)

Bryan reviewed a PowerPoint presentation on financial information for the University. This PowerPoint is in the Finance Committee Google Drive. Some key information includes:

- The University's fiscal year is from July 1 to June 30. We are currently in FY21.
- UMM is one Academic Unit (1 RRC)

- In the fall/winter we begin to budget for next Fiscal Year. There are two rounds of budget: Support Unit budgets in October/November and Academic Unit Budget in January. UMM has a budget compact meeting that is usually in February or March. In the spring detailed budgeting is done. Allocations are disbursed to Departments in the summer.
- Capital budget requests are done in even years with the Legislature in February.
- The “Budget Five” puts together and proposes budget to the President, who then goes to the Board of Regents on their decisions for tuition/salary and they approve the overall budget. The “Budget Five” committee includes:
 - o Rachel Crosen, Provost
 - o Myron Frans, SVP for Finance and Operations
 - o Julie Tonneson, AVP for Finance
 - o Chris Cramer, VP Research
 - o Jakub Tolar, VP Health Services
- Budget for three cycles: Past (FY20), Present (FY21), and Future (FY22)
- FY21 is an operating year. The State has a giant hole in their operating budget so it will be interesting to see what the University will be able to receive/preserve/maintain for dollars from the state.
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VI. Review of the end of FY20 and other news from the summer (Bryan Herrmann)

Bryan noted that over the summer the University received CARES funding that was allocated from the federal government. Morris received roughly \$1.4 million. Half of this was for the students, half was for the University. Most of that went to support auxiliaries that refunded students in the spring. Bryan said that the Budget office also asked Regents for some central reserves that were disbursed across campuses. The Senate committee also worked on a furlough plan which is in effect right now. The Regents also approved a retirement incentive option for faculty and staff who meet certain criteria. Bryan added that there is still a lot of question with Covid-19 and the movement in the budget office also creates uncertainty in the budget.

Bryan then reviewed the following documents, which are in the Finance Committee Google Drive:

UMM FY20 Expenditures, All Funds

This shows expenses for all funds. There are two major areas we spend money: O&M Maintenance and auxiliaries. Most is spent on salaries and fringe. Student Aid makes up 20% which includes pell and state grants. This is “expenditures” on student aid but we also receive this as a revenue from the state and federal financial aid.

UMM FY20 Expenditures, Fund 1000

This chart shows expenses for operations and maintenance only. The Student Aid includes UPromise and merit scholarships. The Supplies excludes dining services contracts.

UMM FY20 Revenues, All Funds

38% of all revenue is received from state O&M. The bulk of external sales is from housing and dining. UMM FY20 Revenues, Fund 1000

In looking at the Fund 1000 only chart we can see that Morris is highly dependent on state allocation. More than 60% of revenue comes from the state.

Bryan noted that next time we will review where we ended up with tuition, our contingency balance. Cole asked if we have the numbers for fall enrollment yet. Bryan said that the 10-day count has just been reached a day ago but hasn't seen the near final numbers yet. He noted that it will be a little confusing as students are still making decisions and the Twin Cities campuses have been delayed.

Brad asked if there were changes to the budget over the summer with our enrollment projections. Bryan said that the budget submitted to the Regents did not change but there were adjustments to the contingency 2 budget.

Brad asked how salaries ended in 2020 and if we planned to cut \$900K. Bryan said that another big change was the salary freeze for P&A and faculty by the Regents. Brad asked how much we saved from the salary freeze. He will provide the total amount the next time we meet.

The meeting was adjourned.

