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Finance Committee

Campus Governance

10-1-2020

Finance minutes 10/01/2020

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UMM FINANCE COMMITTEE MINUTES

10-1-20 (via Zoom)

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

Member Positions Unfilled: USA Position, USA Position

Others Present: Jessica Broekemeier, Melissa Wroblewski, Mitchell Moris

Agenda:

I. Approval of Minutes/Review from Last Meeting

The minutes were approved with no oppositions and 1 abstention. Brad noted that the Finance Committee still has two unfilled USA Positions as well as a student position. Students Shelby Maloney and Mitchell Moris were new additions to the Finance Committee.

Brad asked if there was a follow up on summer tuition and if information on summer enrollment was brought up to the Chancellor or Division Chairs. Peh said the discussion will happen next week after we see the incoming proposals for summer 2021 courses (the deadline is next Tuesday). Brad asked if there was encouragement for more people to apply. Peh said there is encouragement and that the key thing is to make sure there are enough general education courses. Bryan said he spoke with Janet, and the Division Chairs had some conversation about this before the call went out in September.

Brad mentioned there was a budget meeting last week. With the discussion afterwards, it seemed that the general reaction is that we do have a plan to combat the deficits in the budget that we've been seeing within the next 4-5 years. Brad noted that the projections, while reasonable, still seemed like an optimistic forecast as there are modest incremental gains in tuition over the next few years. He said that growth isn't unreasonable but there are a lot of unknown factors right now, such as the Covid situation, a known demographic problem on the horizon, and having new officers in charge. The projections currently aren't predicting anything going wrong. Other predictions call for further cuts in salary over the years that amount to a few million dollars. Brad said that while this seems to work on paper, there is no clue what the

University will be like after these cuts and how it may affect our mission. He added that the committee could start investigating what peer institutions are doing that proves to be successful. Roger agreed that whatever strategic planning that is currently done are more aspirations than reality and that a viable plan needs to be created rather than counting on generous support year after year. He added that one of the fundamental things that's changing is that we are in a much better place because we were forced to do online teaching and have a better understanding of the online teaching process. He concluded that planning has to start dealing with realities as they exist. Bryan said that part of the strategic visioning planning process is supposed to be thinking about this. He added that the bulk of our expenses are in salaries and the bulk of our revenue comes from allocations and tuition. Brad said that the committee could form subgroups to look into this and see what other institutions are doing. Bryan agreed that this is something that could be explored and said that other institutions have found ways to be successful.

II. Fiscal Year 2021 review

Bryan reviewed the following documents:

Comparison of Tuition and U Fee – FY17 to FY21 document

The current enrollment for this fall is 1,242 but that number could still change. The NRNR waivers have been decreasing since tuition was changed in FY17. This amount comes from the students who were enrolled the year the tuition differential was implemented. Those students were kept in the NRNR waiver category and the bulk of those students have now graduated.

Admissions can still offer NRNR waivers and that is the reason it isn't as high as past years. AITW waivers are still changing and there will be some tuition refunds as well. Bryan noted that fall 2020's numbers are actual but anything from spring 2021 on are just projections. The same percentage of enrollment was used for spring 2021 as spring 2020. Summer tuition has been estimated to be around the amounts collected in prior years also. Bart asked if we know of any students who may have deferred enrollment to spring. Bryan said that there were some students who deferred to spring but most students who deferred did to next fall. Bryan then compared the total projected tuition for FY21 in comparison to the budget that was submitted in January. Bryan also added that everyone in summer is currently planned to be charged the same tuition rate so there isn't any NRNR or MSEP tuition. Peh confirmed that we didn't charge any online fees this past summer and asked if this is something

that will continue. Bryan said that is a little more complicated as some of the fees are a system wide decision and some are up to our campus. All fees have to be approved on a system level before they are available for use though.

Sources and Uses – FY21 document

Bryan said that this document has Covid-adjusted balances and was balanced at the start of the year. Salary and fringe include retirements that have already happened or are known to be happening. Jon asked if the salary and fringe savings were created in July or if this is an updated number. Bryan said it was created in July based on the people known to be retiring. The number was then updated with information on retirements known the first few weeks of August but haven't been updated after that. People have until October 19 to elect the RIO so salary and fringe may still change. It was also noted that the retirement incentive is paid at the unit level (campus level). Bryan said that the furlough savings listed includes the temporary pay reduction for anyone whose salary is \$60,000 and above. This amount is budgeted for the whole year in this document. In November/December there will be a meeting to see if this should continue into the second semester so this amount may change. There are carryforward savings from very few people travelling and these amounts will need to be captured to assist with the budget also. The projected tuition shortfall listed was taken from the prior reviewed document.

The projected auxiliary shortfall includes Housing, Dining, Fleet, and Duplicating. Housing is still projecting to be short after cutting 2.25 custodial positions and 2 professional staff out of this budget. The challenge with housing is that most costs are fixed. Last year housing balanced with CARES funding, but housing should have money in reserves and used those amounts in balancing the end of FY20. Dining is contracted through Sodexo. The campus is working with them to apply a management fee where they won't charge all of the overhead costs. We have less students on campus and aren't the only campus in the university worrying about shortfalls in their dining budgets. As a result of the calendar change and less days in the fall term, meal plan amounts were reduced. The staff at dining services are University employees except for the managers. We were able to adjust full time contracts a little but still need the same number of staff numbers because everything still has to be served. Fleet has been hit dramatically. Vehicles went from 20 to 10. It is hard to cut other costs because the reality is that

people still need vehicles. Vans have been kept for local travel. These are all leased vehicles and deciding to get rid of more is still being evaluated. Duplicating has also taken a significant cut because while no one was here no one was printing anything, or using their services. There was a retirement that had some savings for Duplicating.

Bart noted that the Twin Cities has been putting up fire walls between areas. He said that the Athletics budgets currently in deficit won't receive support from other areas and will need to cover the expenses on their own or may need to take out internal loans to cover their deficits. Bart then asked if there have been any conversation about doing that with some of our auxiliaries. Bryan said this has been discussed a little within the budget office as well as the possibility of taking out a loan. He said that next year, unless we dramatically change what we do, we may see rates increase.

Projected Contingency Balance document

Bryan said that the bulk of fund 1100 funds are from Residential Life. This has been kept separate for accounting purposes. To balance the budget, money was captured from carryforwards and included a one-time transfer from the Budget Office. There will be salary variance that will be captured as well but have to make sure it won't be double counted. Any position that isn't replaced will get counted in FY22 as well.

Cole asked if a second stimulus package were to be passed if we'd receive any money and asked where it would go. Bryan said that if a second stimulus package came, that it depends on what language is wrapped around it for how it can be spent. The last stimulus package came to us was used to support the refunds that were granted for housing and dining. That money was partially enough to cover the shortfall. We also received money from the System to help with Covid expenses that weren't covered by the CARES Act. Bryan concluded that if a second stimulus package came that it'd likely be directed more specifically and would have to follow the rules that comes out of that.

Bryan said that the state is also hitting a big budget crunch and added that during the Great Recession a few years back, that the state did take money back from the campus at that time. There hasn't been word at this point that

this will happen again but there is always that chance. Cole asked where those funds would come out of if the state were to do that again. Bryan said that it would come out of the O&M account, which could affect all departments on campus.

Jon asked what kinds of patterns and observations there are in electrical, heating, and cooling since we've changed our instructional style. Bryan said this summer the campus was aggressive on not using as much Air Conditioning which did have some savings. It is a little hard to track more specifically as there was also a significant upgrade to lighting over the summer so that also will help with energy savings. He said there might be savings on the heat side but it depends on the winter weather. Peh mentioned that it is an important point that if people are teaching in person that the air handling system is efficient for safety. Bryan said the air handling system has been running a lot more now than usual which in turn is taking up more energy. In the winter the air handling system will go through a lot more resources as fresh air from the outside will need to be heated as it is exchanged.

Bryan said that FY22 is uncertain but we need to start planning and continue to make updates as time goes on. Roger asked if the system is going to expect a "Covid" and "Non-Covid" budget or just one budget. Bryan said that support units should budget a 3%, 6%, and 9% reduction on the overall budget. He added that it also depends what will happen at the Legislature as well as next semester. Roger asked if Bryan will be bringing this multi-level perspective as we start the year ahead and said that maybe the committee could help discuss this when dealing with numbers going forward. Bryan said that we can talk through this and look into it a little more at the next meeting.

Brad noted that the committee should start thinking of ways to supplement the budget and explore modeling certain changes to the university or practices of other universities comparable to Morris.

The meeting was adjourned.