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Finance minutes 02/08/2012

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UMM Finance Committee Minutes-2/8/12

Members Present: Roland Guyotte, Sara Haugen, Laura Thielke, Timna Wyckoff, Mary Zosel, Pieranna Garavaso, Michael Korth, Manjari Govada, Reed Olmscheid, Andrew Sharpe, Lowell Rasmussen

Member Absent: Gwen Rudney

Guests: Bart Finzel, Bryan Herrmann, Colleen Miller, Sheila Windingstad, Note taker

Agenda: Enrolled students-Merit Scholarships

Roland would like to start the meeting with work on student numbers to go into the budget for next year. He asked Colleen, Lowell & Bryan to give their recommendation. Lowell replied that they have come to an agreement with a number they would like to start out with. That number is 1795. Colleen handed out the FY2013 Budget Planning-O & M Budget dated 2/7/12 which they have used for planning purposes to get started. The committee should feel free to go in either direction, up or down, from there.

Lowell reminded the committee of the comfort level vs. risk in setting the number lower/higher. Michael Korth asked if we set it 10 students too high, can we tuck the extra money away if we don't use it. Colleen responded that the number we turn in for tuition is set and we have to meet that. Lowell clarified that what Michael is saying is he wants to have some 'insurance money' to plug the holes. Lowell stated, yes, you could do that; but you would be obligated year after year (recurrent) for that amount. We no longer maintain tuition reserves; we now have the Chancellors contingency fund.

Sara asked Bryan what are some of the reasons he felt we might not reach this year's class size for the Fall Class 2013? Bryan replied that we know we have 10 less Shanghai University of Finance & Economics (SUFE) students in the pipeline, applications (NAS, NHS) are coming in more slowly, and retention rate is down 1-2%. Even if we come in with a large freshman class, but lose in retention, we still lose overall. That's why he feels better with the 1795 number than going higher. Mary asked what the total number of Degree Seeking Students was for spring. Spring 10 day count was 1678 (later updated by Bryan to 1703) versus the Fall 10 day count of 1822. To get to 1795 we need to add 5-10 students to each category of Bryan's model. Mary asked if it was true that high school graduating classes are lower than last year. Bryan agreed that, yes that is a fact. UMM's tuition will also cost more in FY2013 and the scholarship's purchasing value is less. We have the SUFE student groups, but we don't have enough of a track record to determine if they will stay all four years. We don't know the patterns yet. Sara asked if Pilar Eble or Nancy know of future plans of SUFE students. Bryan stated that the students can tell you one thing and do something else. It isn't reliable enough information at this time to be useful in predicting a number. Bart pointed out that this incoming class is the third year of SUFE students. After one more year we will have both incoming and outgoing SUFE students and should be able to get a better idea of retention.

Pieranna initially thought 1795 was a low number. Now she is wondering if that number is too high after all the revelations. What are some of the reasons for Bryan's optimism? Has the Admissions Office been able to analyze whether we're getting the right students? What else can faculty do to help? Bryan reassured Pieranna that 1795 is a number he feels we can obtain. Admissions counselors will continue to work for higher numbers and retention could very likely improve from spring semester to fall semester. If the Finance Committee thought the number needed to be higher, he would then start to get nervous. It's a matter of 10 students here, 10 students there. It was set at 1690 last year, so we

are already 100 students more optimistic than last year. Bart feels there is also reason for optimism. Bryan confirmed that he has figured retention factors into his numbers.

Lowell asked Bryan if he thought the Twin Cities campus is still competing for the same students that UMM is competing for to fill classes. Bryan indicated that whatever happens with the Twin Cities wait list will affect us. The numbers may seem small to them, but they are big to us. They're going to be a competitive force. Mary wanted to know if a student applies to the Twin Cities campus, can their applications be shared with the coordinate campuses. Yes, they can, but they are separate applications with separate fees.

Michael made a motion "I think 1795 is a reasonable place to start budget planning." Andy seconded the motion. Bart feels this is probably a very reasonable number. Colleen reiterated that the (\$151,000) shown on the handout is not a final budget number. This is more for the purpose of showing what impact changing the number of students will have on tuition revenue projections. Timna wanted to clarify; we're mostly budgeting on the number of students, not the dollars, correct? Colleen replied that the number of students will be used to calculate the adjustment to the number being proposed by the Budget Office. Roland called for a vote. "Are all in favor?" Yes, all in favor. None opposed. No abstentions. Motion carried.

Manjari asked if we budgeted last year based on 1690 and had a fall count of 1822, was there excess revenue available? Lowell replied that we still have holes to fill from the 1.8 million reduction that UMM took last year in O&M, in addition to the scholarship holes discussed previously.

That's a question from last week, Timna repeated. Those numbers are not hard numbers. Lowell explained that the budget for FY13 is still in flux at this point, as we don't have all the details yet. Colleen added that the "Tuition" line is just one of budget lines that we have to come up with for an all funds budget in order to be able to determine whether or not we have a balanced budget.

Pieranna wanted to verify that this discussion regarding the number of students will not affect 2013 scholarships. Bryan repeated that those scholarship amounts are already in place for FY13. Then Timna asked, "Should 2013 scholarships change with more students?" Bryan responded that it gets complicated and that is why he would like to do a presentation of his scholarship model. There are still numbers in flux. At this point, Colleen commented (as she rose to hand out another version of Linc's Model) that it doesn't affect the budget number to be used for purposes of planning the FY13 budget. It will impact actual results at the end of FY13 and how much excess tuition is available at that time.

Colleen walked through another version of Linc's High Level Budget Model." It includes four years of actual results (FY08 – FY11). She cautioned that FY08 data was the year of conversion to EFS. Assumptions for FY13 were reiterated: 1) use the same O & M Allocation number as FY12 for Line 1. Tuition, Line 3, is to be increased by 3.5%. Change in student numbers, Line 4, is where we can add to or deduct from the tuition projection provided by the Budget Office. (This is where we will decrease the number by 275,265 for using 1795 students, or 27 less students at \$10,195/each). Student Fees, Line 6, information is still in the process of being gathered. At this point Lowell asked if this Committee wants to review the fees that will be submitted (the fees come in from a number of departments across the UMM campus). Grants/Federal/State Aid, Line 9 is the revenue and Line 28 is the expense is the same since these funds are just a pass through. We are still working on Salaries and Fringe. Bryan's Scholarship Model is a predictor of the amount of merit scholarship expense. Colleen waits as long as possible to calculate lines such as the Promise scholarship, Utilities, Repairs & Maintenance so that we have the most current information available. The (\$151,373) difference between O&M revenues and

O&M expenses in the previous handout doesn't reflect all these expenses as Linc's Model is for all funds, all departments at UMM. The worksheet with the number of students is O&M fund based only.

Roland asked Committee members for additional questions or comments-

Michael personally feels the Finance Committee might want to look at the fees process in the future to get a better idea of what our students are paying for, and to possibly address broader policy questions, not question how the individual fee number is calculated.

What do we need to discuss in the upcoming meetings? Bart stated that in the past they have discussed how to deal with the projected deficit when we have been instructed to reduce O&M. Numbers are needed from Colleen with a completed set of numbers in order to discuss that.

Colleen would like the committee to talk about how we budget for items such as Repairs and Maintenance, Line 31. A number of \$600,000 was put in the Compact Budget for FY12 and yet departments budgeted \$3,008,453 when they submitted their departmental budgets. The difference has to do with carry forward balances. Departments do not want to lose their carry forward balances from prior years, so they budget to spend the balances during the current budget year. This really distorts our budget. Lowell suggested that departments such as Plant Services include projects in the event they can get them all done in the current year.

Lowell suggested that this group could do the campus a huge service by discussing how to come up with an orderly and logical way to request funds from the contingency reserve. So in the future, rather than have each and every department try to maintain its own "savings account," the money could reside in the campus contingency account and funds could be requested when appropriate. That would be committee time well spent.

Agenda items for next week-

Lowell Rasmussen: 10 minutes on capital budget, Committee to review the 3/4/11 CPRC meeting minutes where there was one-time money used to accommodate the reduction of \$1.8 million in O&M funds. If there is still time available, Bryan will talk more about merit scholarships programs at UMM.

Meeting Adjourned until Wednesday, 1/15/12- in Welcome Center @ 1:00 p.m.