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Finance minutes 02/15/2012

Finance Committee

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UMM Finance Committee Minutes-2/15/12

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

Members Absent: Gwen Rudney

Guests: Chancellor Jacqueline Johnson, Sheila Windingstad, Note taker

Capital Requests-Lowell Rasmussen

Lowell Rasmussen started the meeting with the news from the February Board of Regents meeting on our Capital Budget requests. The request for Briggs Library improvements for 2014 has been pushed back to 2018 and has been raised to \$24 million. They felt our numbers were too conservative, but we are concerned about the bond debt. The proposal for the UMM Mall Buildings for 2016 were dropped off the request and not mentioned at all. We assume that this is because they only look at the next 6 years, and they are probably looking at 2020 before work would begin on this project.

The Chancellor has had many conversations with Robert Jones about the UMM library, stating that this has been on and off the bond plans for many years. The situation could change if we find a donor who would provide a significant portion of the funding. We should continue with planning, and continue the HEAPR planning, and not let it rest. One of the biggest challenges with this and many other buildings on campus continue to be the lack of accessibility for physically challenged people. This is discouraging, but we won't give up. (Lowell will supply the Capital Budget spreadsheets)

Good news from Lowell! We are able to move ahead with the Green Prairie Learning & Living Center. We hope to have six contractors bid by May, and start construction by 7/1/12. All of this is subject to Board of Regents approval. This would be a 72-bed living center and also be used for summer conferences, ready for fall 2013. Lowell said they are hoping for "Platinum" for Energy Efficient Rating on the building. It should be a self-supporting project through bond funding over a 20-year time period. It could serve as an opportunity for commercial retailers to publicize product, as a demonstration platform, etc. per Chancellor Johnson. It is approximately a \$7 million project.

Manjari asked, "Isn't there anything we can do for the library?" Lowell replied that we can continue planning. Manjari countered whether we should do that when it will be out of date by 2014? Lowell responded that there are things that we need to continue planning for. Sara added that people are working on it. Chancellor Johnson has taken pictures of the library and various other areas on the UMM campus that were proposed for upgrades as encouragement (e.g., an office with an old shower/bathtub) of how necessary these improvements are. She didn't get much response to that other than someone commented they also just removed bathtubs from offices somewhere on the Twin Cities campus.

CRPC Meeting Minutes from 3/4/11 were reviewed - Lowell Rasmussen

The proposal for handling the \$1.7 million cut to State O&M Allocation for the FY2012 budget was brought to CRPC by the Chancellor. In addition to recurring cuts, one-time dollars were to be used to fill the "hole." The Resources Allocation Review Committee was charged with making recommendations to help find a way to find recurring savings, but that won't have an impact until FY13, or maybe not even until FY14.

Using Linc's Model, the proposed budget for FY13 will need to be in balance whether we choose to use carry forward balances (one-time money) or recurring funds. We must decide whether we choose to balance the budget on a one-time basis or to do something to reduce costs permanently. The Retirement Incentive Option (RIO) expenditures for FY12 were estimated to be approximately \$775,000 (a one-time charge). That will come out of the Contingency fund. (The Committee would like to know the status of RIO charges.) It involved approximately 19-20 people leaving. The total costs are not known yet, but the majority has been accounted for. Chancellor Johnson clarified there were a couple of layoffs, not retirements, included in the charge to Contingency in FY12.

The one-year strategy used in FY12 planning, by necessity, is turning into a multi-year strategy. Excess revenue from FY12's higher-than-budget number of degree seeking students is being used to cover FY12 scholarship program costs that are higher than budget. For FY13 we are increasing the number of degree seeking students to 1795. However, some of the strategies used to balance the FY12 budget, such as furlough dollars (Chancellor and Vice Chancellors) might not be something people want to do again since it meant a pay cut.

Manjari asked how big the FY12 financial "hole" is. Per Andy and Lowell's calculation, the hole is around \$425,000. There is no anticipated reduction to FY12's O & M base, there is at least a \$425,000 hole from FY12, and there are still scholarship demands that we need to meet. (Again, this is for FY13, not this year.)

There is another problem that we were just made aware of – the Cost Pool Allocation for FY13. UMM's costs have increased by approximately \$175,000 rather than the \$66,000 as originally estimated.

Discussion continued with questions on FY12 activity. Timna asked whether this year's enrollment increase resulted in a significant increase in tuition and fee revenue. Chancellor Johnson said there was very little increase. Lowell replied that only 13% of the tuition is available so it is very little. Michael pointed to a spreadsheet distributed by Colleen at the previous week's meeting where on line 3 it shows a projected tuition and fee increase of \$1.3M and asked whether, after subtracting off the effect of the proposed tuition increase, there was actually around a million dollars of additional revenue as a result of the enrollment increase. Chancellor Johnson and Lowell agreed. Timna then asked why there was only \$136,716 shown in Colleen's February 7, 2012 handout. Lowell offered that the questions being asked would best be addressed by Bryan and Colleen, and that they were not available today.

Chancellor Johnson reminded the group that Carry forward balances would be a good subject to come back to. She has never worked at an institution where Carry Forwards were allowed to remain in the departments before. There are other ways of addressing budget issues.

Sara came back to the discussion of RIO costs and whether there would be savings on the premise that we would be hiring people at a lower salary than those individuals who had been at this institution for a number of years. Can we determine how much we saved as a result of the RIO at this point? Lowell advised that we have not completed the exercise of replacing all of these positions as of yet. Almost entirely, replacements have been made with less senior people. However, we pay less than a lot of competitors, so it is hard to be competitive in the market. We did put placeholders in the FY12 budget for people we thought we would replace and the savings that were projected to result were used to balance the budget in FY12.

Pierrana tried to sum up the difficulty that the Committee was having in that it doesn't have the entire picture. The Committee wants to know, "Where are the holes?" and, "What are the dollar amounts of the holes?" Lowell stated that we are still receiving information from the Budget Office that needs to be

incorporated into the FY13 Budget (like the information we received this past week for the Cost Allocation Pools). Andy is reviewing last year's model from this same time period and last year had more numbers filled in by this time. Lowell said that he doesn't know why that is the case. It's basically the same week as last year. Roland proposes that anyone who has a specific question e-mail it to Lowell so he can prepare for next week.

Roland would like to address Michael's request to discuss the Faculty and P & A salary report. The Chancellor will take the report forward to the Budget/Compact Meeting on March 9. However, we have not shared the report electronically yet. Roland asked Committee members whether they want to invite Mary Elizabeth Bezanson to the discussion. Michael is concerned about waiting another week while the budget is being built. Michael went on to recommend that addressing the faculty salary problem should be among the priorities considered in the preparation of the FY13 budget. He suggested that the central administration would be more likely to help with the problem if UMM were to invest some of its own funds in the problem first. Chancellor Johnson said she agreed completely, but there isn't any money to put into the problem.

Michael and Timna expressed a need to make decisions within the next two weeks. Chancellor Johnson suggested that maybe we do want to reallocate and reduce, but doesn't believe the Committee is ready to do that. If we had a few extra million to play around with, it would probably go to reserves. We need to get preliminary numbers for the FY13 budget; and we probably don't have the amount of money we need in order to do what's being discussed related to Faculty and P&A salaries. We will need to get very creative and nobody wants to give up anything. We are not going to get to where we want to get if we are not willing to give up some of what we already have. Another thing we need to look at is entry level salaries. These are big and important conversations. Lowell reminded the Committee that we can't use Contingency funds or Carry Forward funds (one-time money) to solve this (recurring funds required).

Time for next week should be spent-

Faculty and P&A Salaries
3/4/11 CPRC \$1.8 million-Colleen
Scholarships-Bryan

Meeting Adjourned until Wednesday, 1/22/12- in Welcome Center @ 1:00 p.m.