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Finance minutes 10/04/2012

Finance Committee

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UMM Finance Committee Minutes

10.4.2012

Members Present: Brad Dean, Michael Korth, Dennis Stewart, Bryce Blankenfeld, Sara Haugen, Pieranna Garavaso, Mary Zosel, Timna Wyckoff, Lowell Rasmussen, Tara Winchester

Members Absent: Reed Olmscheid, Laura Thielke

Guests: Bart Finzel, Colleen Miller, Amanda Krosch-Note Taker

Michael: Approval of the minutes: Unanimously approved
Continue of discussion on FY13 Budget... any questions? None
Now to Colleen for the Actuals from FY12

Colleen Presenting:
Refer to Linc's model.

More students at the Fall 2011 10-Day count than budgeted and therefore generated more tuition, variance went into contingency fund.

Timna: Do we automatically get to keep the tuition variance?

Response: The tuition is automatically put into UMM, if UMM generated less tuition than budgeted, UMM needs to find funds to pay that back to Twin Cities. If UMM generated more revenue through tuition, thus far, UMM has been allowed to retain those dollars. However, that is not a given! At some point UMM may NOT be able to keep the excess tuition. It shows up as revenue and it might be asked back for it by Twin Cities if we have more revenue than budgeted for a given year.

Everything Else line includes: Indirect Cost Recovery (grant related), Internal Sales (duplicating, fleet, Center for Small Towns), Other Revenue (wind turbine generated extra kilowatt revenue), and Stimulus Appropriations.

Fringe was unfavorable by (\$236,913) because of Retirement Incentive Option; the medical expenses were not budgeted but were recorded in expenses as fringe.

Supplies were \$894,496 favorable to budget. Generally, actual supplies expense has been increasing but not by as much as budgeted.

The U Promise Scholarship's cost is about \$2M, but the Twin Cities' estimated the cost around \$1.1M and since U Promise program is managed by Central, \$951,406 was transferred to UMM to off-set the deficit in the U Promise program.

Utilities were favorable due to good weather conditions.

Repairs and Maintenance up drastically but can be attributed to the Higbies, Info Center and Turtle Mountain Café upgrades, which amounted to around \$555,000. So that brings the R&M to a comparable expense amount compared to previous years.

Sara: Didn't Sodexo pay for all the remodeling for Higbies and Turtle Mountain Café?

Response: No, Sodexo supplied the up-front money to cash flow the project, but the cost is built in the 15 year Sodexo contract so UMM is paying in the long run.

Gwen: Is the Departmental Budget figure always higher for repairs and maintenance than Compact Budget number?

Response: In the past 4 years, in Colleen's experience, that is true for both supplies and repairs and maintenance.

Timna: Are columns F and I budgeted by the same groups just for 2 different years?

Response: Yes.

Cost pools are relayed prior to the budget and therefore no variance would be expected.

Everything Else: spent more on capital equipment than budget by (\$85,420) and the remaining variance is due to net transfers.

Michael: Is Central concerned that some of these lines have variances or do they just care if the bottom line is favorable?

Response: Colleen: As far as central is concerned do they worry about variances and the bottom line. For the individual lines, Central "cares" about ICR, Cost Pools, Salary, Fringe, and O & M Tuition. Salary/Fringe is highly scrutinized if there's a variance. Budget office cares if the budget is in balance and not in deficit. Accounting services primarily cares about actual spending more than last year. So it depends on what area of Central you are talking about.

Lowell: Carry forwards allow us to budget in excess of what the current year's revenue stream.

Gwen: What exactly was the problem with fees rolling into tuition?

Response: Tuition waivers and some scholarships pay for tuition, but not fees. Students who received such waivers or scholarships still had to pay the fees. When the U fee was rolled into tuition, UMM gave up the fee revenue that was previously paid by those students.

"UMM FYE 2012 Available balances" Handout about carry forwards:

The preliminary ending balance of \$9.858M in FY12, note that there are differences between cash-basis and accrual-basis ending balances.

Fund tells us the purpose of the money:

1000 Unrestricted

1024 ICR

1026 Other Unrestricted

1100 Auxiliaries

1150 ISO
15XX 16XX Financial Aid
17XX Foundation/Endowment
9XXX Agency- RFC, Student Organizations

Goal of the exercise: How much money is available to put into contingency? But can only use 1000 funds that are not already reserved for another purpose: Quasi restricted: can't use for contingency, Specific goals: Other Restricted, Established reserves: safety net.

Nothing outside of fund 1000 will be moved to contingency. Supplemental worksheet asks how much the department needs to keep from their carry forward and that amount is not brought into the Contingency.

Carry forwards are broken down by DeptID in the hand-out "UMM Review of FY2012 Year End Balances" which is as of June 30, 2012.

Colleen: point out that the large deficit in DeptID 10529 is the authorized sequestered deficit. When many DeptIDs had deficits prior to 2009, all the deficits were put then in one chart string and there is an agreement with Central that UMM pays back \$700,000/ year in July. So the deficit as of today is \$1.7M.

Michael: So to summarize the concerns that are raised by carry forwards:

1. Money that is not being used well, is just sitting in that department and not doing anything
2. Departments then budget to spend that money without actually planning to and so it appears that the department is spending more than their current allocation.

Colleen: budget should be a realistic plan used as a management tool to be fiscally responsible. If there is no plan to use the carry forward, don't budget to spend it.

Pieranna and Michael: How should they budget if a department is saving up for several years to buy a large ticket item? Should they budget to use their carry forward or budget so they have a carry forward or left over funds?

Response: They should budget so they have a carry forward. This does not seem to be to happening, but departments are instructed to do so.

Gwen: Education has Accreditation every 8 years, which takes lots of money that needs to be saved up, but the budget needs to balance. Where do I show that I need the carry forward for Accreditation?

Response: It should be explained in supplemental budget worksheet every year you are saving your carry forward.

Pieranna: So the problem is the departments budget to spend carry forwards, but don't actually spend them and don't budget a carry forward either.

Sara: I want the flexibility to spend department carry forward. If future spending of carry forward is "unknown," still want to be able to keep and use that money later. Some money was given to Commission on Women for "future programming." \$10,000 was scooped from Commission on Women and that money was given specifically there.

Response: Colleen: If a department has a need for a specific purpose to keep their carry forward it needs to be included in the supplemental budget sheet. If a carry forward is not asked to be kept for a specific purpose, then it is subject to being transferred into the Contingency account. To address the Commission on Women example, it should have been mentioned that the carry forward was for future programming and that would have been reason enough to have the carry forward kept. "I will use the money next year for supplies and repairs" is not a good reason to keep a carry forward because that is why they departments get allocations every year.

If there is a specific purpose when money is received that's how it should be spent.

Bart: If gift, it needs to be in a gift fund and if it's in a 1000 fund, then that's improper use of funds.

Under the current handling of funds, if money is in a gift fund then that would completely eliminate that possibility of being transferred into the contingency.

Lowell: Prior to establishing a Contingency account, Departments had to manage their fluctuations in the carry forward balance. Two years ago this committee asked to start a contingency fund that allows departments to have flexibility. Parameters have not been set on what the Contingency funds are to be used for or how to request funds.

Bart: some of the carry forwards are due to allocating money to departments incorrectly and it will take years to correct, but Academic Affairs is working on trying to better align budgets with the needs of the campus.

Mary: Will a department be able to put money into the contingency fund and ask for the funds back later when a need arises?

Response: There are no parameters for a department to ask for the return of funds, this committee will most likely give a recommendation on that.

Michael: this is to be continued.

Meeting adjourned, next meeting October 18th, 2012 in Moccasin Flower Room 8AM.