

## BUDGET SUB MEET & CONFER

Tuesday, January 21, 2014

1:30 p.m. – CSU238

**Please note: Budget Sub Meet & Confer agendas and supporting documents are located on web site <http://www.mnsu.edu/finadm/submeetconfer/>.**

Attendees: Rick Straka, Co-Chair, Marie Pomije, Co-Chair, Casey Duevel, Nancy Fitzsimons, Roland Nord, Colleen Royle, John Seymour, Brian Schneider, Kristel Seth, Sandra Loerts, Norleen Turensky, Mike Peters, Kevin Buisman, David Cowan, Joe Reising, Joan Roca, Walter Zakahi, Steve Smith, Sandra King, Debra Norman, Helen Walters and Vickie Hanson.

### 1) Changes/Additions to the Agenda

### 2) Governor's Bonding Recommendation (Rick Straka)

The Governor came out with his bonding recommendation last week. There is quite a bit in there for the Mankato region, with the exception of the \$25M for the Clinical Sciences Building, which was left off. The Mankato area, South Central got a renovation project, and the Civic Center is in Governor's priorities along with Rochester and St. Cloud and \$63M for the regional treatment center in St. Peter. Already what he has given the region is \$80M. There is a FAQ out from the System Office. The first question, if it's not in the Governor's bonding proposal does that mean there is no chance of funding? No, there is still a significant legislative process to happen with the House and Senate. The President released a press release that he will be working with local legislators, both Republican and Democrats, to try to get the Clinical Sciences Building introduced into bills in both the House and Senate. The second question-If it's in the bonding proposal from the Governor, is it guaranteed to be funded? No, there is still a long legislative process. The House and Senate generally come up with different bills, it goes to conference committee. If something is not put forward by the legislature to the Governor, he cannot add a project, he can delete projects (line item veto). It has to come from the legislature to be included. A couple of things telling in the Governor's recommendations:

- 1) Within MnSCU, the Governor did skip over Mankato and St. Cloud and Rochester projects. Doesn't think that is coincidence that those three all have civic center funding in them. In addition, the only other major capital project, would be brand new space, in the Governor's request is the Metro State Sciences Building. Everything else funded in the MnSCU list, other than HEAPR, is a renovation project. In addition, in the dollar value, not funding Mankato at \$25M, he was able to put in six or seven other MnSCU projects below us for the same dollar value. Lots of politics involved. The Governor was clear his top priority is the three regional outstate projects. His top priority was to get the Rochester, St. Cloud and the Mankato Civic Center projects.

As we move forward beyond the projects in the loop, the Board of Trustees has clearly stated a preference for renovation and demolition it will be much harder for institutions to justify new square feet in the capital plan as we move forward.

### 3) Budget Update (Rick Straka)

We are a little down in enrollment from last year, FYE isn't down as much as the head count. Our tuition as of December 31 was similar down to where we were in the fall. We are up a little in non-resident students, grad students and Midwest compact students. Though our enrollment may look down, budget wise we're not going to see as big of impact. David Jones did say his first run through enrollment last week appeared a lot of the numbers down where in concurrent enrollment which isn't going to have a direct tuition impact, because we do contract for individual schools. We hope to have a better idea by the end of this month. The last system-wide comparison we were down about .7% FYE similar to Metro. Our colleagues were down from 2.5% to 5% in

enrollment from a year ago. I don't think we will see a tremendous change this year, we maybe even in tuition for our budget. We are in pretty good shape this year.

#### A) Revisit FY14-15 Budget Projections (Rick Straka)

Two columns were added for the department chairs meeting to give an idea of the importance of tuition, retention and recruitment. In March 2013, our assumptions included 2.6% for inflation, for the contracts settled right now inflation is running more like 3.6%-3.9%. If we were to apply the same to the remaining settlements, it would create a shortage of about \$1M this year (which we can take care of with reserves), but an additional \$1M next year and that would leave us with a structural deficit of \$2M. That was assuming a flat enrollment/tuition. What would happen if we look at a 3% tuition decline? The \$2M goes to \$4.7M. If we were to get a 2% increase, we would be \$200,000 from our current base, which is something we could deal with without much impact. So you can see without a lot of change in enrollment, it has a significant impact on what we are doing. It's important for us to consider as we move forward where we might be. Going back to what's the politics behind this, right now this doesn't allocate the \$17M given in the legislature to retain quality faculty and staff. There were strings on that. Our share of \$1.6M would take our projection to \$300,000 deficit instead of \$2M. In addition, the Board of Trustees is seeking a supplemental budget appropriation with a request for additional funds for the year. If we could get away from the strings going away and being long-term base, \$22M would make us whole and move forward with a budget similar to what we have right now. There's a lot to happen within the next three months. We are in budgetary uncharted waters. The talk is there will be discussion of tax relief so state revenue reduction as much as they will about how to spend any surplus that is there.

Joan Roca-Are there any changes to the allocation formula? VP Straka-Good question, I am sitting on the Technical Allocation Advisory Committee and we've been meeting and talking about where is the formula going. FY16/FY17 might be the earliest, as part of Charting the Future the final recommendation is that we change the financial model in order to try to support the rest of the goals of Charting the Future. There is some debate among the Presidents and the leadership group about whether we should do more work on the first five so the model can support it or should we move forward and make the change of the financial model to put some bit into doing that. Will say the biggest pieces of discussion is a move more toward performance funding and outcome based funding as opposed to input based funding. There is a lot of debate in measuring that. The most difficult thing is can we have some kind of a model that will have a financial incentive to cooperate and collaborate as opposed to the current model which is based on competition (who can get the most FYE).

#### 4) FY10-FY12 Facilities and Administration Costs (formally called Indirect Costs) (Steve Smith)

**Discuss the process and create a subcommittee to review/update the policy**

[www.mnsu.edu/finadm/budgetoffice/fy10/fy10\\_12facilitiesadministrativecosts1\\_22\\_10.pdf](http://www.mnsu.edu/finadm/budgetoffice/fy10/fy10_12facilitiesadministrativecosts1_22_10.pdf)

The university gets external funding from grants or contracts in and we have a process where we charge overhead when we get those. The overhead can vary depending what our policy says, what our negotiated rate is with the federal government or any stipulations the grantor has. We collect overhead on these external grants and contracts and we have a process to distribute that overhead back to different parts of the university, part to support administrative functions of the Business Office, Grants and Contracts Accountant and the RASP Office and also funding goes back to support library services and each of the college deans get a portion.

The policy has evolved over the years, one of the reasons for the distribution model which is essentially 50%, goes to the college or division that generated the money, 30% to RASP, 10% to library and 10% to Student Affairs or Finance Administration.

The policy originally set to expire FY12 needs to be reevaluated. The task is to generate a committee to look at the policy and recommend any potential changes back to this group for additional feedback for final review and approval.

Committee volunteers include: Steve Smith, Barry Ries, Krystal Seth, Tricia Anderson, Casey Duvall, Mike Wells, Marie Pomije, others interested can email Steve Smith.

The question was asked on Page 4 of the document “A subgroup of Budget Submeet & Confer (BSMC) the Dean of Graduate Studies and Research and representatives of the Research and Sponsored Programs Office will manage the grant and contract incentive fund process.” Is this happening now? Krystal Seth-A call went out a few years ago for EFG grants it only happened when colleges did not provide plans on how they would carry forward and spend their indirect allocations. That only happened once, from then on Deans made sure that they submitted a plan on how it would be spent. For the future, the process is in place there just hasn’t been any funds. Right now there may be \$30,000, but the intent of those funds is the request is to be no less than \$10,000, for larger projects. Steve Smith-That is an area we will definitely be discussing how we might change the carry forward rules that exist.

Nancy Fitzsimons, not sure if this is a college or university policy, was there ever a policy in place that the 50% that went to the college, that there was an allocation formula of how much of that went to the college, department and PI? Steve Smith, this policy has evolved over time, when the distribution formula was created in the late 90s, there was a distribution back to the college, department and PI, what we found is we were creating all these cost centers for this distribution process but by the time the allocations ended getting split up so much and became so small we were allocating very small dollars, hardly enough for them to do anything with and the money wasn’t getting used. That’s why they pulled back to the Dean level to try to have the Deans come up with a plan to prioritize how the money would be spent in the whole college. It didn’t work out well. VP Straka-This led to the policy of if you don’t use it, we will bring it back in so that the budget can be used for research and sponsored programs. There were a fair number of accounts that weren’t being used and accessed. Steve Smith-There are general limitations to what the money is supposed to be used for such as to support existing grants or contracts and to provide additional resources to get new grants and contracts.

**5) Feedback on Proposed FY15 Passenger Fleet/Parking Plan (David Cowan/Helen Walters)**

We are proposing a purchase of six units for FY15 and to help pay for this we are proposing a rate increase to the passenger vehicle fleet. The increase includes:

- Sedans increase \$8.00 from \$45 to \$53/daily rate
- Mini-vans increase \$12.00 from \$73 to \$85/daily rate
- 12 Passenger large vans increase \$14 from \$96 to \$110/daily rate

If these rate increases were to be put in place for FY15, we would generate enough money to pay for the rotation out of six units and rotation in of six new units. We currently have 12 sedans, 12 mini-vans, 1 large van and 1 cargo van. We haven’t had a lot of rate increases in the past, last year we ended up with a carry forward balance of \$70,000. By the end of this year (column 5), we will have \$30,000 in reserve going into FY15.

VP Straka-Last time we did a rate increase, on the instructional side, we did try to do an appropriation and supplement the budgets to help offset those increases. Student activities fees and non-general funds would have to eat their increases. We do have a policy requirement that for auxiliary funds like this, in the general fund, that we allocate all of the appropriate costs, the revenue instead of continuing to give them supplements as we are asked to do the cost accounting to show the full amount of the cost. David Cowan was asked to come up with a plan with a level of reserve and a self-sustaining plan that allowed for reinvestment of vehicles to help pay for the total costs.

Bryan Schneider-Is there going to be an effort to go for more Prius and hybrid vehicles? Helen Walters-At this point we would not be asking for any due to cost and individuals hesitant to use. VP Straka-We have some expectations of alternative fuel use, executive order and expectations of efficiencies to make sure we are following. Helen Walters-We do have a department of energy report we complete on an annual basis. Dr. Bruce Jones helps out through his AT program has a large number of vehicles they use for alternative fuel, MSU is up to status at this point by using that, and we do encourage E-85 fuel. VP Straka-On behalf of the

environmental committee, as we look at the campus of the future strategic goals, one is sustainability and looking at our carbon footprint. So we should encourage use of E-85 vehicles.

The state contract is utilized for our vehicles, so it depends on which vehicles are on the contract to be the best deals. Typically, mini vans are there for the head count. There are not a lot of larger hybrid vehicles that are on the state contract.

In order to follow the MnSCU policy, VP Straka requested a plan that makes reinvestments so it can fund its own replacement of vehicles and doesn't come to the general fund and equipment allocation every year asking for vehicle allocation. We will look at the possibility, like last time we had a vehicle increase, to give an offsetting allocation to those departments who use vehicles.

David Cowan-In November we gave a revenue update over the next seven years, the Parking Advisory Committee will be meeting soon. Last year the Parking Advisory Committee had a public hearing in March with a go ahead for the first year to increase rates 3%. The model on the revenue side with the parking permits is 3% increases for future years. Also included on the spreadsheet are capital improvements, with the biggest one is \$951,000 for Gage Lot 1 of 477 stalls. The new green transportation fee, which the students proposed and was implemented a year ago, has brought us more ridership, lessened our carbon imprint, but the downside has affected permit sales. The proposal remains to do the 3% increases for future years.

VP Straka shared some information requested at last month's meeting on the external activity we have on campus. Athletics and theatre attendance was around 48,000 attending athletics, theatre attendance was 35,000, so we have 80,000 in attendance. Not sure how many of those are students or existing permit holders. If we were to add a .50 facility and parking charge to every ticket, we could generate \$30,000-\$35,000; \$70,000 at \$1.00 charge. We would have to talk to those areas to see what the impact would be as we try to pass the costs on. We do charge the orientation account for the traffic control, we do not charge for the actual lot maintenance. We do charge District 77 for traffic control, but do not charge for lots. Science Fair might be similar, we charge for traffic control. For smaller events, visitors park and pay in the pay lot. Vikings we do charge for parking.

The primary process for parking is there is a hearing with an opportunity for the public to give input at the hearing and then David Cowan will make a recommendation to the Cabinet and will take to the Meet & Confers. Last year we were fairly close to eliminating the free lot. We are going to have a hard time getting students on board this year considering that was the primary promise this group of student leadership made on their election stance. The parking fee is one of the mandatory fees under the MnSCU Board policies, Student Activities fee and Student Union facilities fees is an elective fee. We do have an expectation under statute that parking revenues will offset the costs of parking operations.

Marie Pomije-Bus ridership has impacted permit sales. Is the assumption that we will continue to see a decline in sales due to bus ridership and is a consistent 3% increase in permit sales something we should think about with a slow step-up, instead of 3% increases in future years. If we do have issues with permit sales, why are we repaving all of Lot 1, why not cut that down to a smaller amount of upkeep? The other thing we are doing is minimizing pedestrian traffic at the top of the hill.

David Cowan-Parking 500 people in Lot 1, we don't get the surge traffic we did with the two towers there. We took the hit with the bus issue a year ago we are now seeing this fall similar numbers to what we had last year. Permit sales have stabilized. We do have another wild card in play, which is a 410 stall parking lot coming in where the old Gage footprint was. The PAC may put some gold and purple permits in there in addition to the dark green. Casey Duevel-Seven years of 3% increases may drive the sales of parking permits down as there may be bad will on campus, where people may walk. David Cowan-A year ago we did demonstrate to this committee, as far as other campuses go, we are in the middle of the pack, not too high or too low.

Nancy Fitzsimons-With more online learning in the future, are we investing in parking spaces and lots that at some point will be sitting unused or vacant, because of the foot traffic? VP Straka-At the Cabinet level, the President would like this to be a 17,000 to 20,000 student university, so there are certainly thoughts that we would grow while we will have a certain percentage of our enrollment online, I don't think the increase will have an impact on parking. Our enrollment management goal is to be at 17,000 students in 3-5 years. David Cowan-Next fall we will be at 5,600 parking stalls.

**6) FY15 Institutional Equipment Process/Committee (Steve Smith)**

Steve Smith is looking for volunteers to serve on the committee to start the evaluation process. Committee volunteers include: David Cowan, Bryan Hoffman, Mike Peters, Bryan Schneider, Casey Duevel, Colleen Royle, Sandra Loerts and Kim Greer. The group will put together a prioritization of the list and bring it back to this group for feedback before it would go to Cabinet for final review. We have up to \$1M set aside in the budget.

**7) Structure of General Fund Policies (M&E Budget Policies FY05-FY07)**

*(Discussion time 15-20 minutes)*

[http://www.mnsu.edu/finadm/budget\\_info/policies/msu\\_budget\\_policies\\_2005.pdf](http://www.mnsu.edu/finadm/budget_info/policies/msu_budget_policies_2005.pdf)

*This topic was tabled to next month's Budget SubMeet & Confer meeting.*

Particular areas to look at would be the carry forward policies, salary and non-salary and the flexibility regarding salary savings.

John Seymour-How much of this is state regulation of how we have to decide, MnSCU policy and local discretion on how can we implement it, what part of this is in our purview? VP Straka-Most of it, we have expectations at an aggregate level of what our reserve levels should be, these are institutional policies.

Where you see M&E is not general fund. "Division" means Academic Affairs.

**Other:**

The meeting was adjourned.