BUDGET SUB MEET & CONFER
Tuesday, November 19, 2013
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, Brian Schneider, Mike McLaughlin, Kristel Seth, Sandra Loerts, Norleen Turensky, Sharon Sandland, Doug Hendley, Mike Peters, Kevin Buisman, David Cowan, Joe Reising, Steve Smith, Sandra King, Debra Norman, Helen Walters and Vickie Hanson.

1) Changes/Additions to the Agenda

VP Straka moved "Budget Update" to the end of the agenda.

2) Budget Update

VP Straka walked through what our budget projections were last March as we were heading into the operational planning for MnSCU, what we put in our budget projections and what has changed since then. Last March looking at the FY13 base we were projecting a balanced budget in March. We were looking at a 3% tuition rate increase and we were looking at an additional $725,000 appropriation increase based on what the Governor's and House bill was. In expenditures we were looking at insurance inflation around 10% for the year and non-health care inflation around 2.25%. That's pretty much a balanced budget, $3.3M in new revenue and $3.3M in new expenses that is what we sent forward as our new planning budgets to the Board of Trustees last year. We thought our inflation last year would be 2.6%. Now as we look at what happened, in tuition rate we were able to get some new dollars because of 3% on our graduate tuition, but our undergrad tuition rates are frozen by the legislature, but we did get $2.7M in lieu of that 3% tuition increase, also we are up in our tuition estimate, not so much in the number of bodies, but we had a shift in the make-up of non-resident students vs. resident students. That mix gave us about $300,000. Our insurance came in about 6.5% lower, actually 4.4% starting January 1, but with last year's increase of 8% and the 4.4% it comes to around 6.5%. That was less than we expected. What happened in the discussions and settlements of classified salaries as they move forward this year, because in order to get those savings in insurance, the employee share went up along with the deductibles and co-pays, there was more negotiating in salary than we had planned to help pay for some of those insurance costs. We are seeing our non-insurance inflation .5% more than we were projecting. This finalized September 21 when the legislative committee on employee relations approved those negotiations. Last year when we settled at the end of the year our inflation was higher than what we had planned for in FY12-13 we've now cost out what that is through the budgeting process which was $.5M more dollars than we had set aside. Some settlements that reached up to 4.9%, we set aside 4.04% compounded, so that's an issue and as we look into this year, we have proposed increases in utility rates, both from Center Point and Xcel so we put in 5%. We are about $1M out of balance this year, we can handle that this year out of our reserve. The issue as we move forward to FY15 we are looking at another $1M based on our projections and variables that could come into play as worst financial case for the university. If you take what we are out of balance in FY14, add the incremental changes in FY15 we could be out of balance in our on-going base budget about $2M if settlements happen similar to what they have. It is really hard to budget and project what we are doing when we were 24 months into a 24 month biennium before we knew what our expenses were. Here are some things that can help that, if enrollment stays steady, we are assuming that we don't have to come up with a certain value right now of reallocation as part of what MnSCU put forward as part of their legislative request last year, they built in a piece they had a 3-prong approach to fund their full legislative plan (a third tuition increase, a third asking legislature for money and a third get through internal reallocation). MnSCU currently is talking about an approach where they have $17M in the legislative process last year they set aside one-time money to retain quality faculty and staff. Don't know how you do that in a one-time load. If they were successful in getting this in base appropriation, our share would be $1.5-$1.6M (that $2M now becomes a manageable number without having to go through a major process). We have no idea if that approach is going to be successful or not. The final piece will be projecting an inflation value not knowing when that will be final to tell you what our costs will be as there are still a lot of variables. Everyone in the System is dealing with this in their budgets. We are fortunate that we are not adding tuition loss on top as many of our peers are.

Before we talk about what our institutional approach is it should be discussed at Meet & Confers and then Cabinet will talk about what the process will be and how to move forward. There is a cost containment link on the Budget website where individuals can put comments or ideas on.

3) **Update on Parking 7 Year Plans (David Cowan)**

The Parking Advisory Committee (PAC) met on November 7. The committee reaffirmed what was adopted last spring at the public hearing which was a multi-year plan for financing major parking improvements. The Gage Lot (Lot 1) repair at $1M and a phased repair of the Performing Arts lot which only has one drain for 600 stalls.

The PAC continues to support the revenue plan that would require 3% increases over a period of time to take care of major improvements in parking lots. They came up with a revenue plan for repair of the 29 areas of parking with 5,200 stalls. They are proposing that we continue with the 3% increase each year so that we will be able to take care of the major improvements outlined on the document. The committee is not done yet, but at least two of the three big pieces have been addressed.

VP Straka-We need to look at Board policy on auxiliary operations saying we need to have reserve levels. I don't think six years in a row of showing deficit (owing) would look good at the System level. We could create a loan to and from another part of the university, if we were to go with the general fund standard of 5-7%, we should have between $75,000 and $100,000 in reserve. The auxiliary standard would be $300,000. The parking fund is a standalone fund to be funded by parking users and fees. We may have to look at if we can afford to replace all of Lot 1 or something else that will filter through the bottom lines to leave us with some kind of reserve.

Steve Smith-Is it possible to delay or schedule some of the lot renovations so we can scale down what we are spending by $150,000? David Cowan-Absolutely, the Gage piece of 400-500 stalls could be taken in pieces. VP Straka-We may have to send back to the parking committee to talk about delaying parts of that lot in order to maintain a reserve. If we want to keep on our existing revenue stream and not look at borrowing from the institution for an internal loan or whether we look at the revenue fund to create a loan to take care of some of this infrastructure. There are parts of Lot 1 that may come unusable that are in rough shape. We are gaining significant new spots at no cost to the parking fund (410 stalls from the Gage project). If we were to turn this plan into MnSCU they may not approve of a plan that shows a 6 year operating deficit. David Cowan will take this back to the PAC for discussion and by law will go through a public hearing in March.

Nancy Fitzsimons suggested doing a market analysis on season tickets holders to possibly add a parking fee to tickets to assist with reducing the deficit. Rick Straka-market sensitivity is more difficult to determine. We could look at the actual number attending during events. An added fee during event nights could push parking into surrounding neighborhoods instead of using the lots. Kevin Buisman-typically you don't see a parking surcharge embedded into the ticket price. Most event parking is pay as you go and it's run as a for-profit-operation much like we do with the Vikings. VP Straka-We could look at some options what an additional charge per ticket would be if we were to raise our ticket prices, it would be like paying $1 per ticket for hockey tickets back to the Verizon Wireless Center for a facility charge. We would have to talk about the sensitivity of prices. Expect some vigorous feedback from the theatre department. The first step would be athletics could get their attendance and music could look at their attendance. David Cowan-We do charge for orientation, they give us a check for parking and we charge the commencement account and others who use the lots.

VP Straka-Except for one major area, it does look like over the next six years that each year seems to be decent, the bigger issue is if we can afford the one-time fixed cost.

David Cowan-We are proud of the success of our busing system. Last year we launched into something, never having a mandatory transportation fee or bus fee, this is the second year of the busing system, nor did we have a clue going into this that our ridership would pick up by 78% over the ridership in the prior year. Included in the packet is what the bus cost is, which was $348,000 last year, with your MavCard you can ride free. The mandatory fee which is .85 per credit hour brings in much of that revenue to pay off the five buses. Last year there were over 350,000 rides, before the fee we were at 250,000 rides. The benefits of this have been huge, with one drawback, our parking permit sales/permits were not as good as a year ago. VP Straka, that may play into if the demand requires that we replace all of Lot 1 if we have access capacity in some of our lots, maybe we can get by with a partial replacement? Cowan, if the Dining Service improvement over at Carkoski Commons comes to pass, the 90 stalls in front of Carkoski Commons would go away, so the timing of Gage turning into 410 parking stalls is good to offset this loss. Preska cost us 200 parking stalls. VP Straka, in addition as we look at the master plan proposal moves forward to MnSCU talk about removing more parking from the center part of campus. Especially along that west road and whether we would eliminate on-street parking. The master plan is to not have thru traffic going from Ellis and Maywood to Ellis and South Road (service traffic, but not public).

The parking plan will have to go through public hearing in March.

4) **Proposed FY'15 Passenger Fleet Budget (David Cowan)**

The passenger fleet budget is a self-sustaining program to provide vehicles to our academic and administrative programs on campus. In 2010-11 we got $92,047 to help buy new replacement vehicles. A couple of years ago we got support from the Big Ideas to buy Prius' which was a plus for us since it was money not off of this account, but budget. What is proposed for FY2014-15 we are anticipating to buy some additional vehicles. Of a fleet of 26 we try to rotate 6-7 each year. These include sedans and mini-vans. The proposal for FY14-15 is to purchase 7 new units at a cost of $124,056, less $20,840 for auction price. Our need is about $51,550 to make this $350,000 plan. Proposal includes a rate change on the sedans from $45 to $53; mini-vans from $73 to $85; 12-Passenger large van from $96 to $110. The department cost will be higher if either Enterprise or a personal vehicle is used. Steve Smith-If we bought 6 vehicles instead of 7 and we still did the rate increase, that would get us to a little over 5% reserve balance. Cowan-We have tried to look at vehicles when we have an auction trigger, should it be 100,000 miles or 130,000 miles to go off the fleet. VP Straka-We might want to consider a two-tier recognition, if doing activity around town is priced somewhat different than an activity going out of town. The vehicle get 20 miles to a gallon, round trip to Minneapolis. would take 8 gallons x $3 = $24 different than someone driving around town. Could 50 miles and less be one rate, and 50 miles and more another rate to have some level of understanding that if you are driving a car to Brainerd it's costing the parking budget a lot more and a 30 mile field trip. Helen Walters-The car is still off the books, whether they are gone for three days to Brainerd and back and we are getting the income with a larger amount of gas coming out of that pocket versus local. We did downsize our fleet some, but at the same time some of the vehicles we had are really being pushed and need to get off the fleet because the mileage count we like to use for auction is gone higher to hold them on longer and it is really hitting us this year. We try to use the highest mileage vehicles for local trips and offer a half-day rate for quick trips.

VP Straka-this is something we will have to talk about as it will have an impact on various people as they are planning for the FY15 budget. Rate increases will have an effect on non-salary budgets whether they are general fund or student fee funded. Thank you for bringing this today. Take this back to discuss with your departments, department chairs and areas you are representing and get some feedback on what we should do. The alternative to this is if we don't fund it this way, we'll ultimately end up funding it by having to take some institutional equipment money or something else to put in some fusion of capital for some new cars, although as you look at Board policy, the intent of self-supporting service centers is that they are truly self-supporting. Mike McLaughlin-St. Cloud has gone completely to using an external provider for their fleet vehicles. VP Straka-that would take some planning as we have to get a provider in town that would gear up their inventory to be able to handle that. There are some institutions in the System that have gone completely external. Helen Walters-We have used them in the past many years ago, it was very extensive paperwork to deal with and there were additional restrictions using them and departments had to pay for some unexpected situations. When it came down to saying our year is done, the money was gone and we had nothing to show for it. VP Straka-It may be a problem for student use of vehicles, students under the age of 25 may be restricted as to which vehicles they can use. There are a number of things we need to think about before we can move forward. Thank you for bringing the plan forward to comment on. Cowan-Last year we had over $300,000 that departments paid out in terms of reimbursements to faculty and staff for Enterprise. It's not that they don't use Enterprise or personal vehicles. What will happen in January is the reimbursement rates will change again, it's attractive if you want to take your own car. Helen Walters-Liability concerns are out there for vehicles going out of state since we are a no-fault state. Our vehicles are allowed to go out of state with Presidential approval. VP Straka-The concern there is something that was raised in the past with students being out of state, Minnesota has tort cap limits, if an accident happens in another state, that state does not necessarily have to respect and live by the tort cap limits in the state of Minnesota. There is a huge risk management issue about taking state vehicles outside of the state borders that's why it requires Presidential approval. We do put ourselves open to possible liability above and beyond state tort cap limits if an accident happened outside of Minnesota and someone wanted to litigate that outside of Minnesota, whatever state they litigated it in may not have to respect or be limited to the tort cap in place. When you see an Enterprise vehicle being rented to go out of town, the State of Minnesota rate is significantly higher than what their publicized rates are. That is recognizing that increased insurance of $2M. Helen Walters-As of November 1 with Enterprise, they did lower their driving age rate to 18 for in-state and 21 out of state. Main concern is the liability cap, trying to protect universities. David Cowan-Our insurance premium went down from $13,560 in FY12-13 to $8,781 in FY13-14. That reflects we are off high risk (which has taken us five years, since the accident with fatalities).

5) **Structure of General Fund Policy Review**

Rick Straka-how do you want to move forward on this policy? Cabinet is also looking at the general fund policies, carry forward policies and salary savings policies. It was decided to set 15-20 minutes aside at the next budget meeting to discuss the policy. The link will be sent out to the group to review and to come back prepared at the next meeting with comments and suggestions on the general fund policy.

6) **Telepresence and Room Availability**
Marie Pomije-At executive we had an interesting discussion about the inability for programs across the university to book rooms for telepresence in classes, which could be an issue if going forward we are recommending one of the modes of growth is telepresence. Do we need to investigate whether since we have a shortage now, what the plans are going forward, unless we grow some aspect of the university, revenue isn't going to change. If telepresence is one of the preferred modes in the short term then we have to be careful. VP Straka, do we have any feedback if that is a bigger issue with the rooms in Mankato, 7700 France or Normandale. Marie Pomije, all three locations. She has heard that Normandale is the worst from a select group. Do we negotiate with Normandale for their room use? VP Straka, this will be good to look into. This went through Extended with the guidelines of how to book the rooms and what the priorities were. Nancy Fitzsimons, the Provost has monthly meetings with the chairs who may have the best handle of use of telepresence or what's going on in their department. Is this appropriate to have this as a discussion item at this meeting? VP Straka, this is a good point to bring up, this is why it was brought to Budget as there are financial implications if we are going to expand. Let's see if we can pull some data on the use of the rooms and look if it is an issue of horizontal vs. vertical scheduling challenge. At 7700 France we have a mix of horizontal classes and been selling some public/meeting use of that. Great point of planning in the future, we are asking to grow efficiently, we better have the infrastructure as a university to do what we are asking. The question was asked if there is a charge for the use of the room and is that subject to the online tuition differential? VP Straka, students would not pay an online differential if they took a course in the metro. Part of that discussion is are we dual enrolling those courses as extended learning students are enrolling as extended learning and on-campus students are enrolling as on-campus, we have some cost accounting issues. Now that we have separated how we charge our on-campus students and how we charge our extended learning students. What we have assumed in Finance and Budget is that they might be dualed enrolled and have different course sections so that we can break out extended learning and the faculty load once we have determined what the enrollment was. VP Straka will look into if there is a charge at Normandale, he doesn't think there is; not close enough to the detail to answer that.

Other:

The meeting was adjourned.