

BUDGET SUB MEET & CONFER

Tuesday, October 21, 2014

1:30 p.m. – CSU238

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

Attendees: Steve Smith (for Rick Straka) Co-Chair, Roland Nord, Co-Chair, John Seymour, Casey Duevel, Lynnette Engeswick, Avra Johnson, Marie Pomije, Bryan Schneider, Joe Lehman, Sharon Sandland, Deb Norman, Mike Peters, Deb Schultz, Kevin Buisman, Joan Roca, Susan Ward, Sandra King, Mariah Haffield and Vickie Hanson

1) Changes/Additions to the Agenda – 2) Budget Update and 8) Tuition Freeze Possibilities were combined on the agenda.

2) Budget Update / Tuition Freeze Possibilities (Steve Smith for VP Straka)

Fall term enrollment review: Metro tuition revenue (7700 France and Normandale) is up 17%. On-campus undergrad enrollment is down 1.8% which equals \$500,000 less in fall term tuition revenue and if it continues to spring term would mean another \$450,000 reduction in tuition revenue for spring. We are looking at \$900,000 to \$1M less in tuition revenue because of the on-campus enrollment decline. We have good news in the graduate/doctoral enrollment is up 5.8%. That helps offset some of the reduction in FYE.

System-wide enrollment is down somewhere between 4%-5% on average.

The decrease in tuition revenue and the unanticipated \$650k reduction to our state appropriation calculation for FY15, means we will have a significant decrease in available funding. We will need more precise information on the actual costs of our recent employee contract settlements once the increases are approved and entered into our payroll and accounting systems.

VP Straka met with the City of Mankato who are changing their billing structure for water/sewer services. The rate structure is being changed to charge more depending on the size of the pipelines directed to properties and will significantly affect larger entities. We were told to expect a 15% increase beginning January 1, 2015 and we have asked for a delay in the rate change to be effective July 1, 2015 to allow time for us to build the additional cost into our rates, especially for residential life and the student union.

The System Office is putting together their proposal for a biennial operating budget for FY16-17. The Legislature and Governor put into effect a tuition freeze FY14 and FY15 for undergraduate students. The System office will likely be proposing another request for an additional \$142M for the system in new money and in return for that there could be a tuition freeze. The goal that the System Office is trying to show is that they want to steer the funding model back towards a point where we would be at 50% supported by state appropriation and 50% supported by tuition revenue. Before the tuition freeze we were getting closer to 70% in revenue and 30% in state appropriation.

MnSCU's budget proposal could include:

- Request more state appropriation to allow us to keep tuition rates frozen (similar to last year).
- Request more state appropriation with a minimal tuition rate increase.
- The legislation could step in and provide additional state appropriation to actually reduce tuition rates to advance more quickly the goal of 50/50 support from appropriation and tuition.

We should know more about the state's overall financial position and how likely state appropriation increases might be when get information from MMB in about six weeks when they do their revenue forecasts later in November.

The University's general fund reserve is in good shape right now at 7% of the prior year's revenue.

The question was asked if the freeze applies to fees. Steve Smith-The freeze does not apply to fees, however, the Board has adopted a stance each year in limiting the overall increase in fees. The last years they have asked us to keep all fee increases under 3%.

3) Summer Session Distribution Review

The summer session financial model takes total estimated tuition revenue collected less estimated instructional expenses to arrive at a total net proceeds figure. 20% of this total net proceeds figure is distributed back to the overall general fund allocations. Of the remaining amount after this 20% is distributed to the general fund, 77% is distributed to colleges based on the portion of net proceeds generated by each college, 16% is distributed to the Library, 4% is distributed to Academic Affairs initiatives and 3% is distributed to Graduate Studies.

A handout was provided showing the FY13 and FY14 distributions. We have not calculated the distributions for FY15. We are waiting to see what the impact will be for the IFO back pay once the new contract is implemented. Dean Roca put a plug in for the early distribution rather than waiting. The colleges especially use these dollars in ways the sooner the dollars are available to the departments it's more strategically allocated rather than waiting. Steve Smith, we are down slightly in total revenue for summer, but we are also down slightly in terms of our costs. Part of that is a one-time factor. The summer of 2013 the College of Allied Health and Nursing changed some curriculum which caused a lot of additional courses to be offered that summer that would help students stay on track for the new curriculum, it increased more credit hours (one-time), so it will definitely be down from last year in that area, but other than that it should be fairly stable. Typical dates for distribution range usually starting in September so we are not too far off from the past. We'll probably do the estimate route and get the dollars out and when we do get final numbers we can run the model again, compare the two and distribute whatever else comes through.

4) Indirect Process/Policy

http://www.mnsu.edu/finadm/budgetoffice/fy10/fy10_12facilitiesadministrativecosts1_22_10.pdf

When the University accepts external funding stemming from grants or contracts, it is generally accepted that there will be some overhead costs associated with administering these projects. The University will generally charge some indirect cost to the external grantor or contractor to assist with covering overhead costs. These rates vary significantly. The federal F&A cost rate is 42% (based on salary and fringe basis). Other rates can be from 8%-12% or some other figure if that is what was negotiated at the time the grant or contract was accepted by the University. Some grants have pre-determined indirect cost rates.

When the University collects funds from external grantors or contractors for indirect costs, the funds are deposited into one cost center account. These funds are then distributed back as follows:

- ❖ 50% distributed to the division/college generating the activity (PI's division/college)
- ❖ 30% distributed to the Research and Sponsored Programs Office for administrative support
- ❖ 10% distributed to Library Services for research support
- ❖ 10% distributed to either Finance & Administration or Student Affairs for grants accountant and other support

These funds are then supposed to be used to support externally funded proposals/projects.

Last year we had a group from this committee volunteer to assist in reviewing the University's indirect cost policy. We were not able to get a meeting scheduled so we will try again this year. Last year we had:

- 1) Steve Smith
- 2) Barry Ries
- 3) Kristel Seth
- 4) Marie Pomije

- 5) Casey Duevel
- 6) Michael Wells

Please email Steve Smith if you are interested in serving on the committee this year. Would like feedback by the end of the month to get a meeting scheduled to start the process.

5) Pouring Rights Update

Last spring we worked with the Planning SubMeet & Confer committee to seek volunteers to provide input in developing the RFP for an exclusive beverage pouring rights partner and to assist in the evaluation of the vendor responses. Our RFP requested vendors to provide us with both a 5 and 10 year proposal. MnSCU board policy requires any contract that exceeds \$3M receive approval from the MnSCU Board of Trustees before we can negotiate and finalize a contract.

Last May VP Straka requested that the System Office put a placeholder on the June Board meeting agenda so that we could request approval to enter into a contract. The topic did not make the June agenda and was pushed back to today's Board of Trustees agenda. We anticipate that we will get the necessary approval and begin negotiating a new contract within the next few weeks. We should have a new contract in place by December 31, if not sooner. St. Cloud State University had a similar request that was approved by the Board last year. Our legal counsel has asked us not to publicly disclose the vendor selected from RFP processes until a contract is finalized.

6) Third Party Contracts/Dining/Pouring/Bookstore

Back in 2007 former Provost Scott Olson developed a process whereby certain major contracts that had significant curriculum impacts, significant campus wide impacts, were exclusive in nature and had large dollar amounts would be reviewed at the Planning SubMeet and Confer committee meetings. Additionally, if deemed appropriate by the Planning SubMeet, volunteers from that committee would assist with developing RFP's and the evaluation of the vendor responses. Although Budget SubMeet & Confer is currently not charged with this oversight process, VP Straka and Co-Chair Roland Nord thought it might be a good idea to share some of the information that is being reviewed with the Planning SubMeet & Confer committee.

- 1) Exclusive Beverage Pouring Rights Partnership expires December 31, 2014 (we are seeking Board approval to enter into contract - \$3M).
- 2) Verizon Wireless Civic Center Hockey Lease expires March 1, 2015.
- 3) ISD #77 All Seasons Arena Hockey Lease expires June 30, 2015.
- 4) North Star Aviation-Flight Training Services expires June 30, 2015. We need to form a group to begin work on new RFP over the next few months.
- 5) City of Mankato Bus Service and Shuttle Service contract expires August 16, 2015.
- 6) Minnesota Vikings Training Camp contract expires August 31, 2015.
- 7) Sodexo Food Services contract expires June 30, 2016 (System-wide consultant hired to assist with individual campus RFP process).
- 8) Barnes & Noble Bookstore Services contract expires June 30, 2016 (has two-year extension option).
- 9) 7700 France Avenue, Edina Lease expires July 31, 2017.

7) Update on COB Laptop Fee

COB Technology/Laptop fee will be discontinued in the spring. The fee will be changed to a personal property/service type of fee whereby students would pay for the cost of getting a subscription to the Wall Street Journal. The fee would change from \$125 per semester for the current fee to \$25 per semester for students taking College of Business 100-499 courses. The \$25 would cover the cost of the Wall Street Journal paper and online subscriptions. The College of Business is working hard on an extensive communication plan for this.

The meeting was adjourned.