

University of Central Missouri
Board of Governors
Finance and Administration Committee of the Whole
April 27, 2017

The University of Central Missouri (UCM) Board Committee on Finance and Administration Committee of the Whole convened on Thursday, April 27, 2017, at 11:00 a.m. in UN 237A on UCM's main campus. Presiding over the meeting was Board President Gus Wetzel II. Others in attendance were Governors John Collier, Mary Dandurand, Marvin E. Wright, Mary Long, Weldon Brady and Walter Hicklin. Also present was University President Charles Ambrose; General Counsel Hayley Hanson; Assistant Secretary to the Board Monica Huffman; Provost – Chief Learning Officer Deborah Curtis; and Associate Vice President for Finance – Chief Financial Officer Toni Kreke.

Call to Order – Agenda Item No. 1

Dr. Wetzel called the meeting to order and determined a quorum was present to conduct business. He then turned the meeting over to Finance and Administration Committee Chair John Collier to preside.

President Ambrose stated there are many people involved in developing the FY 18 budget. From a financial perspective, the University is experiencing a budget crisis; however, there are resources available that will assist us in addressing the challenges ahead. President Ambrose said the budget presentation would raise many questions and stressed the importance of making as many budget decisions sooner rather than later in an effort to conserve funds to meet the FY 18 financial challenges.

President Ambrose reminded the Board that each member received a copy of Administrative Memorandum 26 – Fiscal Year 2018 Budget Challenges, that described a series of steps to be taken based on the Strategic Resource Allocation Model. He reviewed Slide 1 of the presentation, which reflects a model detailing how UCM will work together to reset its FY 2018 budget, maintaining a collective focus on UCM's KPIs of growth with quality, student success, and sustainability and efficiency. The University is currently in Step 1 of the process and has worked hard to reach a consensus enrollment and revenue.

President Ambrose noted there are still challenges to overcome and the news is not positive for state appropriations. The House made an attempt to penalize the University of Missouri System with a 9% reduction in state appropriations and to maintain a 6% reduction for all other Missouri public institutions. However, the Senate was not agreeable and recommended a 6% reduction for the University of Missouri System and a 9% reduction for all other Missouri public institutions. Currently, President Ambrose is anticipating a 9% reduction in state funding.

As we think forward beyond FY 18, President Ambrose said the University should anticipate additional funding cuts to higher education that will require us to begin addressing these sooner rather than later. During a House hearing yesterday, President

Ambrose told the House Budget Committee that a \$22 million budget reduction would impact human resources. He shared with the Board that May 15 is the last day for eligible employees to apply for the Voluntary Retirement Incentive Benefit. Of the 270+ employees eligible to take advantage of the program, 58 have applied to date.

Mr. Brady noted that although revenues are reflected earlier in the budget year, expenditures aren't typically shown until nearly half the year is over. President Ambrose agreed that due to transfers, revenue, etc., at an aggregate level our operating budget doesn't do a great job of reflecting what it takes to run the place. However, once we have a better sense of what we can affect to gain savings over the next six weeks, we will be able to provide a broader degree of what those expenditures will be in building the budget.

FY 2018 Operating Budget – Agenda Item No. 2

Ms. Kreke reviewed a table that showed the amount of state appropriations received by the University for the past 10 fiscal years including the amount of withholdings and the percentage change in net appropriations from the prior years. The withholding for 2016-17 does not take into account the withhold Governor Greitens implemented in January 2017. In addition to the unexpected \$4.15 million withhold in January, UCM experienced declining tuition revenue totaling \$7.8 million. Ms. Kreke stated that the University was able to address this shortfall using one-time dollars from institutional contingency and departmental budget redistributions. President Ambrose added the campus community has been good stewards of funds, which will contribute to the FY 2018 budget reset.

Following a review of FY 2018 Enrollment Projections, tuition history, and competitor rates, Ms. Kreke discussed two budget scenarios for the FY 2018 Proposed Operating Budget - one based on a 9.1% appropriations reduction and another based on a 6.6% appropriations reduction. Although expenditure details were not available at the time of the meeting, Ms. Kreke stated that they would not be greater than revenue. A more detailed budget will be presented as an informational item at the June Board meeting.

To help bridge the 2017 budget, \$2.5 million in institutional reserves will be used. President Ambrose said this would help to reduce the overall amount of budget reductions from departmental units to bridge 2018, in addition, support the administrative review outcomes which could take a couple of years to actually realize savings. Additionally, \$2.5 million of institutional reserves will be used to help bridge the fiscal year 2019 budget if needed as we wait for the savings to come to fruition.

Mr. Collier asked how UCM compares to other institutions with regard to reserves. President Ambrose responded that UCM's reserve total approximately \$26 million; where other institutions are approximately \$4 million. He noted that the \$26 million does not include auxiliaries. Mr. Wright asked how long we could continue operating if we had to rely completely on our reserves. President Ambrose responded three to six months. A range of one-time solutions will be considered for resetting the FY 18 budget and a full accounting of these solutions and how they help to meet budget reductions will be provided at the June meeting.

Mr. Wright stated that in light of President Ambrose’s earlier report of an anticipated 9% funding reduction, Scenario 1 as shown in the FY 18 Proposed Operating budget is the option UCM should use to plan for the next fiscal year.

Ms. Kreke reviewed the mandatory cost additions for FY 18, noting an increase in MOSERS’s cost by 14.9%. MOSERS has indicated that some of the other participating schools have not paid their obligation in full. UCM is current. President Ambrose expressed concern that UCM could begin to experience this type of increase annually, which places added pressure on the revenue side of the budget if MOSERS increases \$1 million each year. With regard to the rising cost of health insurance, UCM is working towards seizing more control.

President Ambrose reviewed FY 18 budget reduction initiatives noting a target of approximately \$10 million savings from the listed initiatives. Provost Curtis provided an update on the Academic program review. She stated the Missouri Department of Higher Education (MDHE) has asked universities to review existing programs that are low-producing. UCM must be cautious about removing certificate programs or any programs that don’t result in cost savings. It will take a couple of years to see savings from programs removed from the curriculum because students currently enrolled in the program must be able to complete prior to any program removal.

President Ambrose said the University will look to the Board for affirmation or agreement of the strategy for building the FY 18 budget.

Request for Closed Session – April 27, 2017

There being no further business to discuss, Dr. Long moved pursuant to Missouri Revised Statutes, Section 610.021, that the UCM Board of Governors meet in closed meeting, with closed record and closed vote, for the purpose of considering real estate matters, legal actions and personnel matters. The motion was seconded by Mr. Wright and carried with the following roll call vote:

<i>Weldon Brady</i>	<i>aye</i>	<i>John Collier</i>	<i>aye</i>
<i>Mary Long</i>	<i>aye</i>	<i>Mary Dandurand</i>	<i>aye</i>
<i>Marvin E. Wright</i>	<i>aye</i>	<i>Gus Wetzel II</i>	<i>aye</i>
<i>Walter Hicklin</i>	<i>aye</i>		

The meeting concluded at 12:30 p.m.