

UMD Financial Planning with the Twin Cities University Budget and Finance Office: Agreement between Chancellor Black and Vice President Pfutzenreuter, January 2014

Step 1: Develop Updated FY14 Expected Results

Review fiscal year revenue and expense amounts, as well as net transfers in/out, based on actual activity to date plus expected remaining fiscal year activity to estimate the FY14 projected deficit. All funds should be included in the analysis (i.e., not just State Appropriations). As a result of this work, it will also be necessary to gain an understanding of the FY 14 recurring revenues and recurring expenditures by major fund group.

Expected outcome: Updated FY14 Results as compared to FY14 Approved Budget in Budget Development Worksheet format, with supporting detail as necessary- with clear separation of recurring vs. nonrecurring components. Finish this step by the first week in February, 2014.

Step 2: Review Options to Address Current Year and/or Structural Deficit and Move Forward

Once the projected current year financial status is understood, various options can be explored to address the FY14 deficit and any ongoing structural imbalance. These options could include (but are not limited to):

- Sequestering of a deficit with a defined repayment plan
- Use of reserves and balances, including GIP balances, for one-time issues
- Enrollment management/recruitment strategies - resulting in increased tuition, through increased enrollment/SCH, tuition rate adjustments, etc.
- Increase in other revenues
- Restructuring long term costs or other expense reductions
- Increased O&M allocation- one-time or recurring funding provided

The Vice Chancellors should plan to meet with you and me (Black and Pfitzenreuter) in mid-February to discuss the financial situation so we can jointly discuss options for resolving the identified financial issues. At that point, we will not only be in a position to understand the projected year-end financial situation for FY14, but we will be able to put the estimate of any recurring structural imbalance in the context of the planning parameters for FY15 (tuition changes, compensation increases, cost pool changes, etc.) and will be able to make preliminary decisions on a strategy to solve the problems. This task is a shared responsibility between the campus and the University. We should leave this meeting with a clear plan for immediate implementation of the "next steps".

Step 3: Approval of Final Decisions with the FY15 Budget

Between our mid-February meeting and the budget/compact meeting in March, UMD leaders should work with the campus community on more specific plans for campus action as necessary. At the budget/compact meeting, we will summarize the results of our February meeting for others, and help them understand how these issues correspond to the other FY15 budget variables, so all participants leave the meeting with an understanding of what needs to be done. Recommended O&M increases will be part of this conversation, but approval of the allocation and the planned reallocations, etc. will not be final until President Kaler reviews all the budget recommendations in April.