Members/Staff in Attendance:

Members Absent:
Peter Alfonso, Thorr Bjorn, Steven D’Hondt, Jeff Johnson, Glen Kerkian, Ann Morrissey

See the complete list of member information at the Strategic Budget and Planning Council website at http://www.uri.edu/budget/sbpc.html

Presentation:
Auxiliary and Enterprise Funds, presented by Linda Barrett

Meeting Minutes:

1. Meeting called to order at 3:07 pm by Council Chair DeHayes.
2. Minutes of June 16th, 22nd, 25th, 30th, September 16th and October 26th approved.
3. Glen Kerkian will speak on fundraising at December meeting.
4. The group was asked to discuss models of reallocation, especially in regard to mechanism that help us stop doing things in order to fund something new.
5. Chair passed the meeting over to Council Staff Member Linda Barrett for presentation on Auxiliary and Enterprise Funds. Copies of the presentation were distributed.
   a.) Discussion began with an overview on the definitions of auxiliary funds versus enterprise funds.
   b.) Each auxiliary unit must reimburse the University for Indirect Costs incurred by the University for its Operation, according to a formula approved by the Board of Governors in response to the Education Act of 1981. State support to any auxiliary is prohibited. The formula is available to anyone interested. Please contact Linda Barrett.
   c.) A parking fee for faculty and staff is charged and paid from the unrestricted budget. The FY 2011 Allocation paid to parking was approximately $500,000.
   d.) The upcoming Roger Williams wellness Center project was discussed. It will cost $11M and $9M will come from the fund balances of the auxiliaries. See slide 8. All of the auxiliary units make a contribution back to the unrestricted budget. One example of such contributions was shown.
   e.) Discussion ensued about the FY 2011 Bookstore budget. Members asked about the impact of digital books. Vice President Dougan said the bookstore is planning for this. He said URI sells books online and they are watching their income very closely. The bookstore margin was lowered, which makes it more competitive but reduces income. They are considering a
loaner program. The purchase of textbooks by first year students contributes significantly to the Bookstore revenue. More conversation on the tablet approach (Kindle, iPad). This is the first year in a long time that the bookstore may not have a surplus.

f.) In reference to slide 13, Vice President Dougan wanted the Council to know that HRL is not running on a negative budget, HRL is not running a negative budget, unlike the representation seen.

g.) Memorial Union has a drawdown due to challenge course with climbing wall expected. Student Affairs will fund climbing wall. This is their investment.

h.) Discussion followed on the W. Alton Jones campus. The property was acquired after Mr. Jones’ death in 1962. It was moved to auxiliary until 1996 due to banking crisis and reduction in state appropriations. Then in 1996, Alton Jones was moved to enterprise classification. In 2010, the operations were moved back to unrestricted. They now have more events, more capacity, weddings, telescope dome, etc. Question was asked if the Council can get a breakdown as to how many that people who used the campus last year for conferences are from outside the URI community.

i.) When looking at other New England state Universities, we are the least expensive for instate tuition and fees. Once you add room & board, we rise to third. If room & board were to cost less, we could provide funds to HRL (which we cannot due to statues), but then tuition would be higher. Other states do not have a law stating auxiliary funds must be self sufficient, which puts us at a disadvantage.

j.) The issue arose of tripling in dorms. While tripling is not uncommon, last year we tripled 80% of first year students, which is unhealthy. With new halls coming, this will decline. Anything over 50% of freshman in triples, there are problems, more conflicts & related issues. There was discussion as it whether or not tripling relates to student retention rates.

k.) If we want to build more dorms in the future, we should consider a private partner as the cost is so high. Debt service is 24% of Dougan’s budget but it should be 15%. With new building, it will be 27%. He needs another $150M to finish project.

l.) Question was raised if there is anything that precludes the University from spending fund balances from auxiliary any way they want. For example, the $9 M dedicated to the new Roger Williams projects. While we can use it to reduce tuition, to a project, etc., we need to reserve a certain amount for unexpected (i.e. - new roof, new ovens in dining, etc.) We need those reserves for our bond rating as well, so we cannot fall below a certain level.

m.) It should be noted that fund balances are not necessarily CASH. Its can include furniture & other non cash assets but Linda Barrett is seeking confirmation from Controller on this issue. She will follow up with council when she has clarity. Also cumulative fund balance will never go negative.

6.) Reallocation Investment Process

a.) Chair DeHayes stated there are universities that have annual investment funds. Every year, each unit (college or division, not dept) would contribute 1-3% of its budget into an investment group. The unit may get 8% back; it likely will not lose that money. This creates an investment pool of resources that would help the University move forward. Then the
budget managers at the unit level must reassess low priority items & make the decision to cut smaller ticket items. This is a priority setting mechanism. This is a model only - not a decision. If you reallocate without a mechanism that defines what low priority is, then you will get nowhere. This is not a budget cutting exercise but more an investment exercise. This "loss" equals a growth opportunity.

b.) Trust is an issue and we need to discuss this carefully with the public so they trust us. We need to be careful to communicate that priorities doesn't equal demand. And often priorities are not financially beneficial. Student demand does not always equal the best route. If we cut something the public doesn't want it cut, there should be discussion. Example - the debate club is now gone. We redefined the art gallery to increase the revenue by tenfold. If you make a cut without dialogue, then you lose trust.

c.) Observation was made that it seems this concept implies that that someone loses what they want every year so money can be invested.

d.) Members would like to see more information and comparisons from other institutions. Chair DeHayes will try to obtain more information.

Meeting was adjourned at 4:44 pm

**Information requested**

1. Auxiliary Indirect Cost formula
2. Stats on the number of people outside the URI community who used the W. Alton Jones Campus.
3. Information on fund balances. An inquiry is in to the Controller’s office.
4. Reallocation models from other institutions.