SENATE COMMITTEE ON FINANCE & PLANNING (SCFP)
MINUTES OF MEETING
MAY 27, 2014

[In these minutes: FY15 Quality Metrics Allocation Plan, Enterprise System Upgrade Project Update, FY15 Capital Budget]

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these minutes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

PRESENT: Gary Cohen (chair pro tem), Catherine Fitch, Ann Sather, Lincoln Kallsen, Jill Merriam, Paul Olin, Daniel Feeney, Jennifer Gunn, Michael Korth, Samantha Jensen

REGRETS: Russell Luepker, Kara Kersteter, Fred Morrison, Pamela Wheelock

ABSENT: David Fisher, Laura Kalambokidis, Richard Pfutzenreuter, Arturo Schultz, Michael Volna, Karen Ho, Terry Roe, Erik van Kuijk, Aks Zaheer

OTHERS ATTENDING: Belinda Cheung, assistant vice provost of graduate education

GUESTS: Sally Gregory Kohlstedt, acting vice provost and dean of graduate education; Dennis Wenzel, executive program director, Enterprise Systems Upgrade Program; Santiago Fernandez-Gimenez, director of change management, Enterprise Systems Upgrade Program; Brian Swanson, assistant vice president, Office of Budget and Finance; Dean Bob Elde, College of Biological Sciences

I). Professor Cohen called the meeting to order and welcomed those present.

II). Professor Cohen welcomed Dr. Sally Gregory Kohlstedt, acting vice provost and dean of graduate education, who was invited to provide a summary of the process used for the FY15 Quality Metrics Allocation Plan. She distributed a handout to supplement her presentation, and walked members through it highlighting the process that was used:

- Data from graduate programs offering the Ph.D., M.S., M.A., and M.F.A. degrees were taken into consideration in an effort to try and look at comparable data (quantitative and qualitative) across all programs.
- The following data were sent to the college deans and graduate associate deans in September 2013:
  - Median time to degree from students who graduated between July 2003 and June 2013 for both doctoral and master's degrees.
  - Four, six and eight-year (if applicable) Ph.D. completion rates from cohorts entering from 1999-2000 to 2006-2007 and two, four and six-year (if available) completion rates from cohorts entering from 2001-2002 to 2008-2009.
  - Bostrom Efficiency Index from 2004 to 2013 for Ph.D. degree programs.

    - Doctoral time to degree comparisons that included data from five of the University's 10 peer institutions as well as all members of the Association of American Universities that reported time to degree data to the data exchange (AAUDE).
- On September 17, 2013, a briefing session was held on narratives to provide information on what should be included in the narratives. All review committee members attended this meeting to explain what they would be looking for in the narratives.
- A strict deadline of October 25, 2013 was set for colleges to submit narratives for each of their "eligible" programs. Colleges that did not submit their narratives by the deadline were not eligible for central graduate funding for FY15.
- The metrics review committee made up of mostly associate college deans for graduate education met several times from mid September to mid November and provided input on the allocation plan and process, reviewed all the narratives and placed each program into one of three categories:
    - Excellent (the total number of programs in this category was capped at 20% of all submitting programs or 18 Ph.D. and 4 master's-only programs).
    - Successful, which was defined as programs that were working toward and had attained many of their stated goals.
    - Concern.

  NOTE: Data trends over time and not absolute values were primarily used for the evaluation.
- A scale factor, based on the total number of degrees granted over the 10-year period from 2003 – 2013, was introduced (Ph.D. and master's degrees granted were considered separately).

After outlining the process, Dr. Kolstedt turned members' attention to the resulting allocations. She noted that after the process was completed, the team met and recommended that the process be repeated every three years, but this decision will ultimately be left up to the Provost. On a final note, Dr. Kolstedt reported that in the past, grants were given directly to the programs, but under this new model the money will be given to the colleges instead and the colleges will make final allocation decisions.

Professor Cohen thanked Dr. Kolstedt for this information and asked if there were any questions. Questions and comments included:

- What are the restrictions on these grants? What can the money be used for? Dr. Kolstedt stated that the money must be used directly for graduate students, e.g., direct funding, travel grant, recruiting funds.
- Please explain the differences in the allocations between FY13 & FY 14 and FY15? Programs ranked either higher or lower and if a program's allocation was being reduced by more than15%, a transition grant was given.
- For the two units that did not meet the narrative deadline, what happened with those funds? Dr. Kohlstedt stated that these funds were put in the base allocation and all the money was distributed.
- Did the review committee have any recommendations for changing the methodology the next time this allocation process is done? No, stated Dr. Kohlstedt, not in any dramatic way. Belinda Cheung, assistant vice provost of graduate education, added that the review

committee suggested that the data be held in a central place where it can be accessed by programs and colleges. Secondly, the review team agreed it would be a good idea to let the programs know as much in advance as possible what information they will be expected to collect and also to get job placement information.

- What percentage of programs received transition grants versus an allocation? Assistant Vice Provost Cheung stated that the amount of transition grants was not pre-fixed, but it helped to limit the excellent category to 20% in terms of the scale.
- The larger colleges that are deeply invested in Ph.D. programs have substantial supplements. Without these supplements, the block grants would be significantly reduced, which bears on the welfare on some of the University's most important Ph.D. programs and the health of the research efforts that are connected in those areas. This is not a point that has been lost in this process, reassured Dr. Kohlstedt. With the reorganization, certain parts of the institution are more vulnerable and thought needs to be given to what this vulnerability means and how it should be addressed.

Dr. Kohlstedt turned members' attention to a few additional items that she thought may be of interest to the committee:

- A chart depicting the graduate assistant fringe rates and salary floor from FY09 to FY15, which showed that tuition is now higher than the salary floor.
- A chart showing the FY15 cost comparison between post-doctoral and graduate assistants, which indicates that the number of students getting support is going down and the number of post-doctoral appointments is going up.
- A new tuition and fees billing schedule that provides for a change in when tuition payments and fees are due starting in the fall of 2014. The first billing statement for fall 2014 will be due before graduate assistants receive their first two paychecks. This change will affect graduate teaching assistants, graduate research assistants, graduate fellowship students, and graduate trainees. There has been student pushback on this schedule change, which has resulted in further discussion about whether the new schedule will be implemented or not; a final decision has not yet been made. [UPDATE: There has now been a resolution that will allow graduate research and teaching assistants and trainees to use the installment plan at no cost (and thus postpone until the second installment is due) so that they will have two paychecks before needing to pay fees or other charges.]

Professor Cohen asked who made the decision to move up the tuition and fees billing schedule. Mr. Kallsen explained that the University has historically had one of the latest collection dates among its peers. There has been a desire for quite some time to move these dates closer to the average dates for our peer institutions.

Professor Cohen thanked Dr. Kohlstedt for her presentation.

III). Professor Cohen welcomed Dennis Wenzel, executive program director, Enterprise System Upgrade Program (ESUP) and Santiago Fernandez-Gimenez, director of change management, ESUP, who were invited to provided the committee with an ESUP update. Before their presentation began, Professor Cohen called for a round of introductions. Following introductions by members of the committee, Mr. Wenzel and Mr. Fernandez-Gimenez each introduced themselves and provided information about their respective backgrounds.

The overall mission of ESUP, noted Mr. Wenzel, is to streamline and integrate the databases that manage the University's various systems in order to bring about greater efficiencies. Three PeopleSoft technical platforms are being upgraded 1) Student, 2) Human Resources (HR) and 3) Finance systems. Once the upgrade is complete, there will be integrated reporting and data management and MyU will be replaced with a new portal.

The overall budget for the project is $83.5 million and currently the project is on budget. The project is considered a foundational piece of President Kaler's Operational Excellence initiative. Over 250 University staff and contractors (approximately 50% staff and 50% contractors) are working on the project, which will have 35,000 hours invested in development alone.

Professor Cohen asked which of the three components being upgraded will see the most change and what are the most sensitive areas being upgraded. Mr. Wenzel stated that both the Student and HR platforms will see the most change. He added that this is a major enterprise upgrade and it is very complex.

Will changes be made to the payroll module, asked Professor Cohen? Mr. Fernandez-Gimenez stated that there will be changes in this module allowing for custom entry of information.

Professor Cohen asked about the timeline for the project. Mr. Wenzel stated that launch activities are expected to begin around February 11 – 13, 2015. There is no perfect date to go live with an upgrade of this magnitude, but it was determined that this would be the best "worst" date timeframe. Once live, a plan has been developed to provide enhanced user support for the first 60 days and continued support thereafter but to a lesser degree.

Mr. Wenzel cited a few examples of some of the changes to expect once the system has been upgraded:

- Single entry point for grades.
- Online tracking of time for employees, e.g., vacation and sick leave.
- PCard automation.

With such a large and complex upgrade, regardless of the amount of testing that is done beforehand, stated Mr. Wenzel, there will be some issues that arise. However, every attempt will be made to address and resolve them as quickly as possible. Plans are in place to conduct between 70,000 – 80,000 hours of system testing between now and December in an effort to minimize potential problems.

In response to a question about the reason behind choosing the timeframe of February 11 – 13, 2015 go live, Mr. Wenzel explained that the University's business cycles, e.g., year-end financial reporting, student registration, played a significant role in determining the go live date for the upgrade.

Professor Cohen recalled the many serious problems of the Enterprise Financial System (EFS) when that system went live, and asked whether, given the ESUP testing that has been done thus far, the University community can expect to have a workable system when it is turned on? Mr. Wenzel stated that when the system goes live, there will be a workable system. Based on the development and testing plan, all expected capability will be there in February 2015. With that said, the process of testing and managing metrics will track all scenarios to completion through multiple passes, which will include end-to-end testing, usability testing, and operational readiness testing. At each testing phase, go and no go decisions will be made. For reporting purposes, a project commitment to the University community is that the new system will not deliver less than the current system offers. Mr. Fernandez-Gimenez added that a lot of lessons were learned from the difficult EFS rollout and these lessons have been fully incorporated in the strategy for ESUP. The system will not be perfect and will likely encounter glitches but it will be nothing like the EFS experience. Ms. Merriam noted that she was on the EFS Functional Steering Committee and is on the ESUP Functional Steering Committee now and the whole process for ESUP is vastly different from EFS.

Mr. Wenzel directed members' attention to a PowerPoint slide with information about the ESUP budget. Based on the current trend line, the forecast is to end the program at a net expenditure of $78 million, compared to the budgeted $83.5 million. There are some additional likely expenditures on the horizon such as extending the service of some of the developers. There are 60 developers on the team, 25 are University employees and the rest are contractors. Extending some developers will not absorb the $5.5 million balance, but that is the primary additional spend risk right now.

Is the post rollout support included in the $78 million estimate, asked Professor Cohen? Yes, stated Mr. Wenzel. He added that there will be expenditures on support after the system goes live but that will be operational support. The goal is to have a full team and staff through the end of April 2015. In Mr. Wenzel's experience, most system problems are detected and solved in the first 60 days.

Mr. Wenzel noted that the critical path date is to have all system build done by August 1, but the team is trying for a July 1 build down. Currently, it is looking like the system build will be done by mid July, but this still gives a two-week buffer before August 1. Developers are currently working diligently to build the system by July 1, which buys the University more risk mitigation as defect resolution is conducted.

In terms of testing practices, stated Mr. Wenzel, a comprehensive library of scenarios is being developed. Of the 1,000 scenarios that are expected for the system, all that are critical have passed.

Are there major data migration challenges facing this project, asked Professor Cohen? Mr. Wenzel replied that Human Resources has a lot of data migration challenges. Currently, a re-migration is underway. Every effort is being made to cleanse the data.

Mr. Wenzel turned to Mr. Fernandez-Gimenez to spend the last few minutes talking about change and the ESUP communication plan. Mr. Fernandez-Gimenez stated that starting from the top leadership down every effort is being made to build a broad understanding of ESUP. He then gave examples of communication tools that are being used to get the word out about ESUP, e.g., sneak peeks (short two to three minute videos on different aspects of the system), quick courses, demos and some classroom and online tutorials. The targeting of communication and training will be determined by particular business processes and will not be a one size fits all approach. Mr. Fernandez-Gimenez stated that if the committee is interested in receiving another update on the project at some point in the future, he and Mr. Wenzel would be happy to come back.

Professor Cohen thanked Mr. Wenzel, Mr. Fernandez-Gimenez and Dean Elde for the ESUP update.

IV). Professor Cohen then welcomed Brian Swanson, assistant vice president for University Services for Finance and Accounting, who was invited to provide information about the FY15 capital budget. Mr. Swanson distributed a handout to supplement his presentation and proceeded to walk members through it, highlighting the following:

- A Board of Regents policy directs the administration to develop a capital budget with a six-year time horizon, updated annually. There are two parts to the capital budget 1) the annual capital budget (year 1), and 2) a six-year capital plan (years 2 – 6).
- Year 1 of the six-year capital plan includes individual projects over $500,000, which need to have a completed predesign and be fully funded. Once projects are approved by the BOR, they move into design and/or construction phase.

Mr. Swanson took a few minutes to review the 2014 capital request. In this capital request the University asked the State of Minnesota for $232.7 million and received $119.4 million.

Next, Mr. Swanson talked about the two ways facility renewal is funded on campus. Facility renewal is funded out of either:

1. Repair and replacement dollars, which come out of the operating budget.
2. Higher Education Asset Preservation and Replacement (HEAPR) funds, which are state bond funds.

The University spends approximately .43 cents per square foot every year to maintain its supported space. In reality, the University should be spending about $3.00 per square foot. This represents a significant challenge for the University.

HEAPR is a category of legislative funds where the state gives the University a pool of money (specific projects are not stipulated as line items). The University has flexibility on how to spend this money; however, there are strict guidelines. HEAPR funds are intended to preserve and renew existing campus facilities by funding five kinds of projects:

1. Accessibility.
2. Building systems.
3. Energy efficiency.
4. Health and safety.
5. Infrastructure.

For 2014, the University received $42.5 million in HEAPR funds, which will fund approximately 20 projects system-wide. The largest of these projects will be Mechanical Engineering – Phase II on the Twin Cities campus.

Next, Mr. Swanson highlighted some of the annual capital improvement budget projects. Regarding the Bell Museum project, while this project was not included in the University's funding request this year, it had been in previous requests. Mr. Swanson explained that the chair of the House Capital Investment Committee was instrumental in the Bell Museum project moving forward, and, as a result, the University received an increase in its operating appropriation and a request that it issue debt to pay for a new Bell Museum. The University will be issuing $51.5 million in debt to pay for the new museum, and, in turn, the state will increase the University's appropriation to cover the debt so that O&M money will service the debt.

Professor Cohen asked whether there would be a need for additional private fund raising for the Bell Museum project. The request that will go to the BOR, stated Mr. Swanson, will be for the value of the Bell Museum project, which includes $51.5 million in debt plus the fund-raising that has already been completed.

Is the University still getting fairly good interest rates on the debt it issues, asked Professor Cohen? Mr. Swanson stated that Vice President Pfutzenreuter would know for sure, but he believes the University is getting good rates. [POST MEETING RESPONSE FROM VICE PRESIDENT PFUTZENREUTER: With regard to the topic of interest rates, the University is still getting good rates. The University will be in the market next week for the Ambulatory Care Center (ACC) and the rate could be in the range of 3.7% to 4.0%.]

Professor Cohen thanked Mr. Swanson for his presentation.

V). Hearing no further business, Professor Cohen adjourned the meeting.

Renee Dempsey
University Senate