

Minutes*

Senate Committee on Finance and Planning
Tuesday, July 1, 1997
3:15 - 5:00
Room 238 Morrill Hall

Present: Fred Morrison (chair), Jean Bauer, Cynthia Gillette, Stephen Gudeman, Gerald Klement, Catherine French, Richard Pfutzenreuter, Jane Phillips, Charles Speaks, James VanAlstine

Absent: none for a summer meeting

Guests: McKinley Boston, Ronald Campbell (Office of Student Development and Athletics); Stephen Cawley

[In these minutes: Food service funding and contract; enterprise systems]

1. Committee Business

Professor Morrison convened the meeting at 3:20 and called for introductions of new Committee members. He then noted that there would be a fall retreat, on September 16 from 11:30 - 5:00, which would focus on the work of the Committee and the need for a much larger role in planning. They will also address larger funding issues.

He also said there would be a need for a meeting or two in late August or early September to deal with a number of issues coming (the capital request, a possible legislative supplement, and more information on matters the Committee has recently dealt with, such as the Gateway center and information technology).

2. The Food Service

Professor Morrison next welcomed Dr. Boston and Mr. Campbell to the meeting to discuss negotiations for "outsourcing" the campus food service.

Dr. Boston began by noting that the University was negotiating with Aramark, after receiving task force recommendations that outsourcing be considered; if they do not reach closure with Aramark, the next steps are unclear.

Mr. Campbell reported that for the time being, the food service would operate as it has, although with reduced services. He reported on the status of the negotiations with Aramark; he also said there had been many meetings with constituents to understand all the interests, although not all of them may be met. They believe they must have a partner in food service operations, want high quality with hours of

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operation that make sense, and will make recommendations that are in the best interest of the University. The ensuing discussion touched on a number of issues.

- Originally, the vendor would take over; now it appears the University would or may retain the capital expense and employees for two or more years, so there would have to reduced service or increased cost. Mr. Campbell explained that the question of the University's continued involvement remains a question; the intent is to have a partnership. There is value for the University and a corporation in operating the food service.
- The solution is to grow out of the problem, not shrink, but it is not clear what is being operated; the west bank has been shut down. There are limited hours in the summer, Mr. Campbell said.
- What went wrong 2-3 years ago, so the food service went from being profitable to unprofitable? The University required it be run like a business, with no more subsidies within various parts of the food service; when Support Services split up, the reserves did not provide the funds needed. Bad business practices could no longer be supported, and the University did not have the capability to deal with the competitive practices in the food business. Sales and productivity declined, and there was a deliberate decision that some revenues would go back to the University, not the food service.
- Did the Coke contract take funds away from Food Services? Dr. Boston replied that the University was not doing well in the retail food business; should it continue to subsidize it? They could not deliver quality food, so had to subsidize a failing operation when there was pressure to find money to support other University priorities; the Coke money was used for them, rather than to support the food service. The question is, can anyone else do better? The University culture does not allow maximization of productivity in the food service.
- Who decided on the allocation of funds? The student fees committee does for student organizations; the O&M funds to student services were declining; the Coke money went to five initiatives, with a committee deciding how to allocate the money, through grant applications. There is about \$200,000 annually to support community and student life. Other Coke funds are used for other purposes; the Committee will be provided a list of the expenditures.
- If an external partner could run the food service so it was profitable and without compromising quality or service, then it is not a matter of University culture but rather of not hiring people who were knowledgeable and able to run it. Mr. Campbell agreed that was part of the problem; inadequate training and equipment plus a resistance to change made it hard to run the food service like a business, and they ran out of time trying to make the effort.
- The delay in the timetable will not cause stumbling blocks; it is important the University be comfortable with the idea, with corporate involvement, and the critical issues must be dealt with.
- People may want services that are not profitable; will the bottom line determine everything, or will the vendor provide services that may themselves not be profitable, even though the entire operation is? Mr. Campbell said the University can get what it wants, depending on what it is willing to pay. They do not expect cutbacks, but rather GROWTH in service and hours of operation.

- What about the problems with Aramark? They have followed up on them in a number of ways; there is no food service business that has not had the same complaints, and Aramark has had fewer than the others. Aramark also has the flexibility to solve the problems.
- How will controls and service standards be established? The RFP set out the environment that must be created (in hours and service), and that the vendor must build on what already existed; negotiations are about making improvements and not relinquishing controls. They also include the extent to which full service operations will be offered, hours, distribution of quality food, and upgrades. The priorities are the residence halls and retail operations.
- There are 200 retail food operations in Stadium Village and Dinkytown; they are not upset that the University has a low market share, and if the University regained market share, they could be hurt.
- The concern is University life, said one Committee member; as hours of service decline, people leave the campus, and they do not return. That is the reason to push for service standards; without service on campus, people leave and do not come back, and the University becomes a place where one goes in the morning.

Professor Morrison thanked Dr. Boston and Mr. Campbell for joining the meeting.

3. Enterprise Systems

Professor Morrison next invited Mr. Cawley to sit at the table, who began by providing a handout and said he wished to provide an update on the enterprise system projects.

The planning process led to the handout, Mr. Cawley said, with detailed project plans, schedules, integration with each other, methods, and costs. The cost went from \$62 million to \$49 million, because several items were pulled from the projects (grants management, because it was funded from other sources; a reduction in the use of consultants and no provision for additional desktop computers for departments). The schedule of costs and dates has not been approved by the administration; President Yudof wants to understand it more fully before he approves them going forward.

Key decisions to make include whether to replace CUFS (they have assumed it will be, but have taken no action on the issue). The human resources and student systems are well under way to being implemented, are on tight timeliness, and are spending money (but they could be cancelled, cut, or stretched out). It is expected that President Yudof will make a decision and presentation to the Regents in September.

In response to a question, Mr. Cawley said the year 2000 problem was one reason why the systems were being redone. It would have cost \$14 million to deal with the year 2000, but the same systems would have remained in place, with no benefit to anyone. Semester conversion is another decision driving replacement of the student systems. One Committee member observed that student systems are far along in development, will be in place before the change to semesters and the year 2000; the financial management system change has not been started, and CUFS will be patched to deal with 2000. Can the existing human resources system operate with the year 2000? It can, but would cost about \$6 million to fix, and a decision to implement a new system is needed soon.

Senior Vice President Jackson said that a major issue is the relationship between the systems, so they are not stand-alone systems creating problems. Mr. Cawley agreed with an observation that some will be stand-alone for a period, because they would be coming on line at different times, but human resources and student systems would be together, and they use the same data base and systems and are highly integrated. It would make more work, however, to add systems on piecemeal.

Asked if the human resources system would change the flow of information and decisions, Mr. Cawley said it would be radically different, and would cut the labor involved in the core processes. The changes have not been well articulated to date. Ms. Jackson agreed the process had been too inwardly focused, and not enough attention given to articulating the changes in process that have been needed in order to obtain support for the changes. The self-service nature of the student systems has helped make the changes known.

In response to comments about problems and lack of communication in grants management and human resources, Mr. Cawley said that is the reason the enterprise team was created, so that commonalities could be identified. It is his job to be the integrating manager, with help from consultants.

Mr. Cawley described web service delivery and how the student systems made clear the value of a self-service system. They decided to pull web service out of each individual project and make it part of the overall effort, so there would be a seamless approach to the web. The self-service model did not come out of a box, and the University is on the leading edge of development in this area, and the student system has won national awards; the University is in discussions with a corporation about possible marketing.

Mr. Pfitzenreuter reported that in the budget presented to the Regents, the enterprise projects are authorized to spend \$10 million to carry them for the next 3-6 months. The budget also calls for an assessment on departments equal to 1.2% of salaries, which provides \$9+ million. The original proposal was that this assessment would run for five years, producing about \$49 million. The current proposal is for one year, and it has not been implemented yet. President Yudof is concerned about the \$49 million; each delay, however, requires the assessment must be kept, because the enterprise projects are spending money that is not any accounts. Ms. Jackson added that Dr. Yudof wants to review the assessment.

A guesstimate of the cost of CUFS was \$23 million; one Committee member asked what was being done to ensure that the enterprise systems won't again produce a system that everyone hated. Ms. Jackson said they are being evaluated for how they benefit the University, and said the University had never done anything like the CUFS project before; with that experience, they are in a much better position to proceed. Software is also much more flexible than it was, Mr. Cawley said; there can be changes without needing to customize it, and while there will be some customizing with the PeopleSoft programs, it will be very little.

Asked about filters on access to data, Ms. Jackson said the administration is proceeding on the assumption (endorsed by the Committee) that public information should be available to everyone, and that filters will be embedded in all systems to protect legally-private information.

Asked about the ability of the systems to interface, Mr. Cawley said that human resources, payroll, and student systems use the same database; the financial system would be separate but would interface

with the others. One reason to replace CUFS early is that the interface costs would be lower.

One Committee member inquired about the longevity of the systems; Mr. Cawley said that with upgrades, they could last for a long time. CUFS will be the last system that operates in the older computing environment, and it will be gradually turned off and the expense eliminated.

Another Committee member said he would anticipate the assessment on departments would run forever, with the need to replace the financial system (not included in any cost figures thus far) and to add upgrades or eventually replace the systems now being installed. Ms. Jackson repeated her comment from the last meeting that one subject the Committee could profitably address at a retreat would be how the University should pay for its infrastructure.

Professor Morrison thanked Mr. Cawley for the discussion, and adjourned the meeting at 5:00.

-- Gary Engstrand

University of Minnesota