Minutes[*]

Senate Committee on Finance and Planning
Tuesday, November 5, 2002
2:15 – 4:00
238A Morrill Hall

Present: Charles Speaks (chair), Brittny McCarthy Barnes, Jean Bauer, Stanley Bonnema, Bruce Brorson, Charles Campbell, David Chapman, Robert Cudeck, Tom Gilson, Gary Jahn, Thomas Klein, Michael Korth, Timothy Nantell, Kathleen O'Brien, Daniel O'Connor, Richard Pfutzenreuter, Susan VanVoorhis, Michael Volna, Warren Warwick, Susan Carlson Weinberg

Absent: Abu Jalal, Cynthia Jara, Marvin Marshak, Terry Roe, Thomas Stinson

Guests: Professor Dan Feeney (Faculty Consultative Committee), Associate Vice President Steven Cawley, Linda Woock (Controller's Office), Vice Provost Al Sullivan (Office of the Executive Vice President and Provost); Joel Maturi (Director of Athletics, Twin Cities campus), Professor Eugene Borgida (Advisory Committee on Athletics), Professor Laura Koch (Faculty Academic Oversight Committee for Intercollegiate Athletics), Elizabeth Eull (Office of Budget and Finance, moving to Intercollegiate Athletics)

Other: none

[In these minutes: (1) new financial system--costs and options; (2) discussion with Athletic Director Joel Maturi about athletic finances; (3) land acquisition for the east bank campus]

Professor Speaks convened the meeting at 2:15 and noted that there would later in the week be a work session of the Board of Regents devoted to stadium issues; he encouraged Committee members to attend if they were interested. Both the predesign and the Memorandum of Understanding are being worked on and will go to the Board of Regents on November 27 for discussion at their December meeting.

1. New Financial System

Professor Speaks then welcomed Mr. Volna to the meeting to discuss the planning for a new financial system. He said he would like to hear about the status of the vendor option and the consortium option as well as whether or not the current system could be fixed, with what risks, and about what the University can afford to do at this point given the financial climate of the state.

Mr. Volna introduced Mr. Cawley, Chief Information Officer, and Ms. Woock, from his office, who is leading the effort on a new financial system. Why replace the current system? He recalled that he had talked to the Committee about this issue in the past, but it has taken on more urgency with the financial condition of the state. There are several reasons to replace the existing system (CUFS): it is old

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

technology (mainframe, Cobol, and proprietary software), there is limited internal and no external support, the cost of operation is higher because the University is supporting duplicate systems (most of the others are web-based) and because it is becoming harder to find the expertise to support the system, a new system would increase "functionality" by allowing more interfaces with other systems, and there are increasing risks and high "failure costs" with the existing system.

Mr. Volna outlined the risks and impact associated with a CUFS failure for 1-2 days, for 2-5 days, for 5-10 days, and longer. Professor Speaks asked if Mr. Volna could make a probability statement about each of these failures. Mr. Volna said he could not. The consulting company they are using to evaluate vendors said it is difficult to predict possible failures; it depends on support talent and changes that are made. What about the last year or two, Professor Speaks asked. Ms. Woock said the system has only been down for one day--and that was because of a human mistake. Otherwise it has only been down for short periods. Mr. Cawley said the risk now is not high (perhaps 1-2 days; if there were a building failure, it could be down longer, but that is unlikely). The problem is the longer the University goes, the more complexity works against it. It is not just CUFS; a lot of other software depends on vendor support, and as the system gets older, they will soon find they do not have support for key programs. So if the University spends the money for a new system, Professor Speaks said, the risk of failure will decrease and the opportunity to correct problems is improved? Upgrading the existing system could cause outages, Ms. Woock agreed; every time an upgrade is installed there is a risk the system will break, Mr. Cawley confirmed.

Would there be a higher risk of failure in phasing into a new system, Professor Speaks then asked? Mr. Volna said the University has a pretty good track record in the last six years of changing to new systems (e.g., human resources, payroll). Professor Speaks said he wanted to explore the options for getting through the current financial climate; could the University take the risk of having no vendor support and spending $5-6-7 million now, rather than $50-60-70 million for a new system? Mr. Cawley said he did not know what would be fixed. The basic problem is that the University does not have the source code for CUFS; it does not have the material to make the necessary modifications. That is why the consortium option is interesting; it would consist of a group of universities looking to do what Professor Speaks asks: it would take one source code and rewrite it to make it modern.

Ms. VanVoorhis asked what communication there would be to ensure the right people are involved in a new system. Mr. Volna said they have a steering committee of about 19 people around the University. They also started collecting requirements for a new system about two years ago and came up with 2300 requirements, which were given to the vendors. During the review of proposals about 35 users across the campus will be involved and there will also be scripted demonstrations. These results will be reviewed in January. Ms. VanVoorhis expressed surprise that her office has not been involved.

Professor Konstan asked if the mainframe would be needed once CUFS were replaced (it would not). How much would the University save as a result, he asked? About or more than $1 million per year, Mr. Cawley said.

Where in the evaluation criteria is usability, Professor Konstan next asked? Functionality is irrelevant if people cannot use the system. It is at the core of functionality, Mr. Volna said; can the user understand it? The scripted demonstrations will determine whether or not the systems are user-friendly. Professor Konstan said this sounds great but he has seen the problem before. Ms. Woock said they are setting up a scoring system and the proposals will go through Office of Information Technology usability labs; she said she believed they are covering the concern about usability. Mr. Volna added that the cost to each vendor is about $100,000 and each is being given live University data to use in showing the functionality of their system. The next step, Professor Konstan said, is to have University people use their system, not vendor employees.

In a year when the University could face a 10% cut in its base, how will this system be funded, Professor Speaks asked? Mr. Pfutzenreuter noted that the new financial system had been included in the biennial budget request. But what if the University is forced to make a 10% cut, Professor Speaks persisted. This system will not happen, Mr. Pfutzenreuter said. A lot of things will not happen, he added. Mr. Volna said they are getting in a position so that if the funds are available, the question in March or April will not be which vendor or system but rather can the University afford the system that has risen to the top.

Will there be tests with randomly-selected employees in departments, Professor Campbell asked? They will test the system with University employees, Mr. Volna said, although he was not sure they would be randomly selected. But there is a high level of interest in the system; some units have a VERY strong interest (e.g., the Academic Health Center); they will try to be sure that the employees who try out the system come from across the University. Professor Campbell reminded Mr. Volna of the horror stories when CUFS was installed; Mr. Volna said they are being careful and trying to learn from those mistakes. In that case, it was decided the University needed a new system fast; the decision was a fall-out from the blue-ribbon commission on University management, Mr. Pfutzenreuter pointed out.

Professor Speaks warned that they should not use high-ability, high-experience staff in the demonstrations and tests and conclude thereafter that the system is more user-friendly than it really is. Mr. Cawley said their commitment, as they roll out the system, is that it will be web-based and that it can be made easier as it is implemented. They can use random selection of employees during implementation to be sure the system makes sense. Professor Konstan said he has been impressed with usability at the University in the last couple of years. He said he was worried not that there would be problems with any particular piece of the system, or that any of the details would be wrong, but that there would still be a usability disaster. Most of the systems will test fine; the question is whether the system can be implemented in such a way that people do not have to bend the systems to make the screens usable.

Usability will of course be a high priority, Professor Cudeck responded, and the best plans can be tripped up. It is has been decided that CUFS will be phased out; the question is when and how the new system will be paid for. The Committee does not have to discuss the questions of usability; it should address the question of "when" and in what priority. And also the question of vendor versus consortium, Professor Speaks added.

Mr. Volna promised the Committee would be kept abreast of the choice of the best vendor, if that option is chosen, and on the decision about affording the system. It will also be kept informed of the risk of system failure and business interruption, Mr. Pfutzenreuter said.

Professor Cudeck again inquired about keeping the current system. Mr. Volna said keeping it would be like trying to use a 386 PC: one can boot it up, and it would still work, but as one layers more and more systems on, it is soon not feasible to keep it running. Professor Campbell said he was somewhat embarrassed to be supporting retention of CUFS but he remained concerned that the previous experience with it will NOT be taken into account. Professor Cudeck opined that of course that experience would be taken into account. Professor Campbell responded that the Committee has been told there is a moderate risk with the current system--but that there has only been one failure in the last two years. He said he agreed that the system must be replaced sooner or later but that he wanted to hear more about how the current system is not working before he would support any decision on a replacement.

Mr. Volna updated the Committee on the vendor selection process. There are currently four vendors; they may winnow the selection down based on the rankings of the four vendors after all preliminary evaluations have been completed. Each vendor will be given three days to conduct demonstrations so the University users will spend 12 days within a month evaluating the proposals. The investment team has analyzed the total cost of the system, including acquisition, implementation (University staff and consultants), post-project operations for five years, and teams of experts.

Professor Konstan asked if the cost included unit efforts or only central costs. Mr. Volna said they have included the cost of the interfaces at the department level but they have not included local costs for 600 departments. They will try to get all up to a base level of training so will put a lot of money in the training effort. Will the system lead to a need for more personnel in departments, Professor Campbell asked? The need for personnel has increased over the last five years. Mr. Volna said he did not know but his personal view is that some of the increase in department personnel has been a result of more accounts because of more sponsored research and also a result of increased regulation. He said he hoped the new system would add functionality but not require any increase in staff.

Mr. Volna then reviewed the status of the consortium proposal. Three of the universities have opted out. Indiana, Michigan State, Northwestern, and Minnesota remain. Asked if they would remain in, Mr. Volna said they will, to the end of the process, but each has their own caveats. Ms. VanVoorhis asked about costs; it seems that the consortium would be more expensive. Mr. Volna said they have costed it out; the consortium cost would be on the low end of the scale compared to the vendor proposals.

Would the consortium have the same range of issues that the University of Minnesota has or would some be unique to Minnesota, Professor Konstan asked? Individually none of the campuses are as complex as Minnesota, Mr. Volna said, but collectively they have all the same features and the same functions would be needed. Penn State has implemented systems much more cheaply, Professor Speaks noted, and they are proud of the fact they have spent far less than institutions using PeopleSoft or other systems. Theirs are homegrown, Mr. Volna said, and they have said they are happy with what they have.

It was agreed that Mr. Volna would return to the Committee in March, after the scripted demonstrations but before any recommendation to the President would be made. Mr. Volna also agreed to provide to Committee members a list of the steering committee members. Professor Speaks thanked Mr. Volna for his presentation.

2. Discussion with Athletic Director Joel Maturi

Professor Speaks now welcomed Mr. Maturi to the meeting. He recalled that this Committee and others have talked about athletic finances and the institutional subsidy; they would like to have his best estimate of the year-end balance and the financial picture for the next 2-3 years.

Mr. Maturi said he appreciated the opportunity to share with the Committee what he has learned. When he came he told the administration and the staff in athletics that he inherited this year's budget and could not change it--but he did promise that the department would stay within the proposed expenses. (He has as a result become known as "Dr. No": coaches and staff may have wonderful ideas and he says no additional funds will be provided.) While he can guarantee the department will meet its obligations on the expense side, he can make no such guarantee on the revenue side. The department has not met its revenue expectations the last few years; this year's projections were conservative and the department may be able to meet them. (It will not help, however, that two football games were moved to Thursday night; that change had a significant impact on revenue. Men's basketball and hockey are stable; he said he was optimistic the department could reach the modest goals set for revenue from women's events.) On the fund-raising side, Mr. Maturi said he believes the department can reach revenue projections with a new development officer.

Mr. Maturi said he was aware of campus feelings about the $10 million annual subsidy to athletics and that they must be dealt with. He has told the athletic department staff that they cannot expect the present subsidy to continue for an extended period. The department will need it for the time promised--the next 2-3 years--but in the meantime he hopes to increase revenues in two areas (football and fund-raising).

He said he knows a lot of people with whom he can meet to raise money. Some are disgruntled, they do not feel connected, but they are still attached to the University even though repelled by some recent events in athletics. He said he has not promised anything to anyone except a lot of energy and that he will do what is right.

In the immediate future the department can achieve savings. Mr. Maturi noted that Ms. Eull will be joining the department as chief financial officer (a position that has not existed in athletics before this); this is a steal for athletics, he said, because she is highly respected by the administration as well as by the people in athletics. Her appointment will not answer all the questions but it will help to address a number of policy problems. There will be salary savings as a result of retirement and administrative changes. In addition, when the two athletic departments were merged, he inherited two of everything. There are probably more staff than the department needs. Mr. Maturi said he has told everyone they have a job for this year but there will be no such guarantee next year. Some will retire, some will leave; in both cases, some positions will not be replaced, and the immediate savings will be about $250,000 per year. The coaching staffs are in place, are mostly well paid, and have the funds they need to be successful.

The "arms race" in athletics is a reality but that does not make it right, Mr. Maturi told the Committee. The first meeting of Big Ten athletic directors that he attended was devoted to cost reductions, something that is very difficult to achieve in the "crazy culture" of athletics. One possibility, for example, might be a Conference rule requiring that all trips less than a certain distance be made by bus rather than plane. What about squad size, Professor Speaks asked? The travel squad size is set by Conference rules, Mr. Maturi explained; athletic scholarship limits are set nationally. If the Big Ten were to reduce the number of scholarships unilaterally it would get killed competitively. Mr. Maturi agreed that it would be reasonable to have 65 scholarships in football, rather than the present 85, but the big football schools are opposed to reducing the number because that would lead to more parity. The big schools prefer to be able to stockpile athletes. But he said he believed there is slow movement to sanity; the new NCAA president is a university president--its first academic chief executive--who will be in a position to lead the way to significant changes.

There is a lot of money in intercollegiate athletics and too much emphasis on winning, Mr. Maturi commented. Football bowl games are not controlled by the NCAA--because the big schools do not want such control in order that they can get all the money from the games (whereas NCAA control would likely mean distributing at least some of the funds across NCAA members). The Big Ten has seven ties to bowl games--but it may not have seven teams eligible to attend a bowl game (Minnesota will be even if it ends up 7-5; at the same time, Miami of Ohio was 10-1 in 1998 and not invited to a bowl because those games are about big schools and TV revenues). The top eight teams (playing in the top four bowls) will receive $13 million each; it is best for the University of Minnesota if two Big Ten teams are there: the Conference would receive $26 million, which is divided among Conference schools. But it is not healthy to play for this much money, Mr. Maturi said.

The same is true in men's basketball. Every game a team plays in the NCAA men's basketball tournament generates $106,000 to the teams for the following six years. Seven Big Ten teams were in the first round of the tournament last year; five won. By the end of the tournament the Big Ten had had teams in approximately 18 games, each of which will pay $106,000 for six years. So a player throwing a free-throw at the end of a close game is playing for $106,000 for six years. That should not be. He said he believed the money should go to institutions based on the number of sports, participation rates, and so on. But the big schools do not want the small schools in the basketball tournament to win because they want to keep the money for themselves. Mr. Maturi observed wryly that he is now part of the culture that he has disagreed with; that will not change who he is, he said, and while he may not be public about it he will continue to push for what he believes would be good for the University of Minnesota and for athletics.

In the best of all worlds, football would be more successful, private funds would increase, and a streamlined athletic department would save money, Professor Konstan said. What must happen for athletics to be self-supporting, if that is feasible? Mr. Maturi said he believed it is and that it would be before he leaves the position. What must happen, Professor Konstan asked--must there be NCAA rules changes? Mr. Maturi said it would be difficult for the University to make changes on its own unless it does not want to win; that is the "nuttiness of the culture." It may be that athletics will need anti-trust legislation (coaches should not be paid $1 million; there should be a rule that no coach can be paid more than the highest-paid faculty member on the campus). There are four full-time basketball coaches, he pointed out, to coach 12 athletes. There are three hockey coaches for twice as many players, and there are ten coaches in football for 110 athletes.

Ms. McCarthy Barnes said she had read that when athletes leave the athletic culture and the university and become alumni, they feel used rather than committed to the institution--in complete contrast to what one would expect. There is an opportunity to think about cultivating relationships with athletes before they leave so they become supporters of athletics. Mr. Maturi agreed and said that the public institutions have not done as good a job as private schools in this regard. He recalled that he has given money to his alma mater (Notre Dame) ever since he graduated.

Professor Speaks said he had recently been appalled to learn that only about half of the faculty respond to a request for an academic update on athletes. Professor Koch pointed out that the number has been lower in the past. Mr. Maturi said he has found refreshing and energizing the reception he has received at the University; he said he hoped he would be able to help change the "crazy culture" of athletics and return it to an earlier time when the situation was not so "out of whack." He said that he will not abdicate his responsibilities but to effect the necessary change the presidents will need to be involved.

Professor Speaks thanked Mr. Maturi for joining the meeting; Mr. Maturi said he would be glad to return any time.

3. Land Acquisition

Professor Speaks now turned to Mr. Pfutzenreuter to discuss land acquisition around the Twin Cities campus; Mr. Pfutzenreuter turned to Ms. Weinberg, who had prepared a map of properties targeted for acquisition. The focus was solely on the East Bank; there is little activity on the West Bank or the St. Paul campus.

Ms. Weinberg distributed copies of the map and pointed out the various parcels the University is interested in purchasing (all in the northeast section of the East Bank). Some of the land would be used for recreational fields, tennis courts; other possibly for charter buses and parking (e.g., at football games).

If there is no joint-use football stadium, Professor Speaks asked, would the current land use continue or would there be changes? Mr. Pfutzenreuter said there are no plans afoot other than for a stadium; if that does not come to pass, the surface parking would remain. Dr. Cerra has talked about the need for a clinic; could it be sited there? It could be, Mr. Pfutzenreuter said, depending on the stadium issue and the site plan.

Is it reasonable to assume that there is always a higher-value use for land than parking, Mr. Klein asked? Is that a natural progression? Vice President O'Brien commented that when the state moves forward on light rail transit through the area, the land will be near where a number of lines come together and that could have an impact on the value of the land and what it is used for. The football site is highly polluted, Mr. Pfutzenreuter said, and any use will require tens of millions of dollars to clean up. The University capped the land with parking lots when it acquired it.

Mr. O'Connor asked if the University were interested in purchasing the land on which the fraternities on University Avenue sit. Mr. Pfutzenreuter said that President Yudof had been concerned about fire and life safety in student housing and directed that sprinklers be installed in dormitories. Fraternities and sororities face the same problem but did not have the money to meet code requirements. The University did not own them, however, so proposed to buy the underlying land, lease it back to the fraternities and sororities on long-term leases, and require that they use the money from the land purchase to bring the buildings up to code. That offer is still on the table; there has been a lot of communication about it. It is NOT the goal of the University to acquire the property in order to eliminate fraternities and sororities.

Are there any other proposals to acquire property in the Dinkytown area or elsewhere, Mr. O'Connor asked? There are not, Mr. Pfutzenreuter said.

Mr. Pfutzenreuter said he wished to provide the Committee on a debt briefing; Professor Speaks said he would put it on the schedule and then adjourned the meeting at 3:50.

-- Gary Engstrand

University of Minnesota