

Minutes*

**Senate Committee on Finance and Planning
April 14, 1992**

Present: Charles Speaks (chair pro tem), David Berg, David Biesboer, William Gerberich, Karen Geronime, Michael Hoey, Thomas Hoffmann, Irwin Rubenstein, Mary Sue Simmons

Guests: Senior Vice President Robert Erickson, Ken Janzen (Regents' Office), Assistant Vice President Susan Markham, Roger Paschke

1. Report on the Regents' Action on Steam

Professor Speaks convened the meeting at 3:15 and explained that Professor Shapiro was out of town. He then turned to Ms. Markham and Mr. Paschke for a report on the Regents' decision on the steam provider.

Mr. Paschke told the Committee that there is now a need for a game plan with the Board to take up the options, issues, and timetables for options in the Foster Wheeler contract (in particular co-generation of steam and electricity, the clean coal grant, and fuel mix). The clean coal technology grant application requires immediate attention; the Board will be asked to act on it at their June meeting. The other issues can be dealt with somewhat later.

Senior Vice President Erickson confirmed that the Regents will make the decision on the clean coal technology application. It is a sensitive issue, he said, because if the University obtains the grant, it will be burning mostly coal at the Minneapolis plant.

Mr. Erickson also told the Committee that the final form of the contracts was due in large part to the efforts of the Steam Plant Advisory Committee, particularly in the provisions for environmental protection and co-generation.

The issues that the administration now needs guidance on from the Committee include the clean coal technology grant, co-generation, and the fuel mix. It was suggested that the Committee designate a small number of individuals to work with the administration on these issues, which would then be brought to the full Committee for discussion. One Committee member urged that the issues also be framed in financial terms, with alternatives and costs, inasmuch as this is a finance committee.

It was agreed that Ms. Simmons, Professor Kittelson (from the Steam Plant Advisory Committee), and either Professor Shapiro or someone he designates will constitute the small group to work with the administration on the issues.

Ms. Markham briefly explained to the Committee the operational steps that are being taken to implement the Regents' decision, such as employee transition and property transfer.

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One Committee member said he had felt shock at the decision to select Foster Wheeler and wished to explore a mechanism by which the Committee could express its displeasure at the decision and inquire about the meaning of giving advice which is totally ignored. Mr. Erickson responded that the advice had NOT been totally ignored. He said that the members of the administration could not tell what the outcome would be prior to the vote--and they did not attempt to learn because they did not wish to influence the outcome. He recommended that the Committee members read the transcript of the discussion (Ms. Markham agreed to provide it); it will reflect the fact that Board members spent a lot of time on the issue and developed well-articulated positions. There was ample discussion and time for support of each vendor, he said, and Board members made definite decisions based on definite reasons.

Ms. Markham also commented that the decision has not been fairly reported in the press and that Committee members should read the transcript before making comments about the decision. What the Regents did, in their 9 - 3 vote, was to select a business partner for the next 25 years--they only selected a vendor. The Board explicitly deferred action on the questions of fuel mix and co-generation pending further study.

Another Committee member observed that while he, as an individual, would have favored a different decision, as a Committee member he did not feel the advice had been ignored. Once the administration had made the decision not to express a preference, the Committee departed from the administration's position and DID express a preference. But it was ONLY a preference; the decision was clearly up to the Board to make.

2. Status of the Subcommittee on Physical Plant and Space Allocation

Professor Speaks next distributed a letter from Professor Maruyama to Professor Shapiro about the future of the Subcommittee (PPSA) and solicited reactions to the three options it proposed (abolish PPSA, continue the status quo, or make it a free-standing committee).

One Committee member commented that if Senior Vice President Infante is serious about devoting 1% of the annual budget to deferred maintenance, there will be a huge amount of money that the Subcommittee would be involved in advising on. The Finance and Planning Committee cannot handle that subject but it should obtain the results of another committee's work.

Mr. Erickson observed that there is clearly a big agenda on the physical plant side of the house. It would be important for the administration to have a group that understands the issues and can disseminate information. The size and complexity of the issues are more than the Finance committee can spend time on.

Ms. Simmons reported that the Subcommittee had considered the letter as well. It was not clear why it was thought that its activities were beyond the scope of the governance system, as suggested in the letter. Subcommittee members tried to disassociate their personal positions from their views about governance, and nonetheless concluded that either the status quo or establishment as a free-standing committee were desirable. What has not been clear is how much the Finance Committee really wants a subcommittee; if it serious about it, PPSA needs to have more faculty appointments, representatives from the coordinate campuses, a representative from Environmental Health and Safety, and perhaps a

representative from Assistant Vice President Tschida's office. The name change, to eliminate the confusion about the charges to PPSA and Associate Vice President Kvavik's Space Advisory Committee, as well as to reflect the name change of Physical Plant/Physical Planning, should be made in any event.

Assistant Vice President Markham told Committee members that the Subcommittee has been EXTREMELY valuable to her since she came to the University. It is a haven, a sounding board, and a place to seek advice; she said she STRONGLY supported continuing the Subcommittee. Further, she commented, while not wishing to presume to advise the faculty on how they structure their governance system, everything they do in Facilities Management is linked to financial issues, so it is not inappropriate that the Subcommittee retain that status vis-a-vis the Finance and Planning Committee. That would permit her to bring program and policy issues to the Subcommittee and the financial options and strategies to this Committee. This option, she later said in response to a question, would also save time, because it would preclude the necessity of duplicate presentations to two different committees.

Several Committee members expressed support for having a larger overlap in membership between the Subcommittee and the Committee.

It was unanimously voted to recommend that PPSA remain a standing subcommittee of the Finance and Planning Committee, that its name be changed to Facilities Management Subcommittee, and that at least two individuals serve on both the Subcommittee and the Committee. It was also agreed that some minor tinkering with the charge to the Subcommittee will be necessary.

3. The Role of the Committee

[Note: This part of the meeting addressed a paper I prepared for the Committee entitled "Consulting on Money: Administrator Views of the Committee on Finance and Planning." It reported the results of interviews with four administrators at the University and one former administrator (Shirley Clark) who had also chaired the Finance and Planning Committee. Although awkward, in appropriate instances I will refer to myself in the third person. --GE]

Professor Speaks next inquired of Committee members if they had any comments on the paper which had been distributed earlier. He told the Committee that one thing he had gleaned from it was the genuine feeling among central administrators about the importance of the Committee. He also noted a change from the past, when he felt the Committee's time was badly used and it was presented with information rather than consulted.

Another Committee member noted the exquisite timing of the steam discussion and one observation reported in the paper: that universities are unique environments where the faculty can replicate any study the administration can do--but reach different conclusions.

Asked if there were any recommendations for improving the performance of the Committee, Mr. Engstrand reported that there had been surprisingly few. The prevailing view appeared to be that the Committee was functioning superbly and that improvements were hard to envision.

Another Committee member pointed out that he had been involved with the Committee longer than

anyone and could affirm that the Committee was more effective and efficient than at any time in the past. That situation could turn around quickly, he said, and the Committee could become useless, but that would not be the fault of the Committee. **[One thing that the Committee should think about, he said, is WHY it is operating as well as it is; in his judgment, he told the Committee, it is because the quality of the staff support provided to it is higher than it has ever been. It is easier for administrators to do a good job with the Committee when they have an agenda, when they know what issues need to be discussed, and what they need to present. In the past things have often been thrust upon the administration without notice and they have been unable to respond--or if they have later responded, the Committee had forgotten about its request. --Inserted by C. Speaks.]**

Mr. Engstrand concluded the discussion by telling the Committee that the most disturbing finding, in his opinion, was that all of those interviewed believe the status and quality of the consulting relationship is extremely fragile and depends largely on the occupants of the administrative offices and, on the other side, the chair of the committee.

4. Agenda Items for the Remainder of the Year; the Budget

Professor Speaks then inquired what items would without doubt be before the Committee in the near future; issues associated with steam are one, as Mr. Paschke indicated earlier in the meeting.

Once the budget is determined, said one Committee member, presumably there will need to be consultation on the \$15.7 million cut; after the legislative session, the University can lay its cards on the table. Senior Vice President Erickson noted that they have tried to avoid self-fulfilling prophecies. He told the Committee that Senior Vice President Infante spent last Friday night, Saturday, and Sunday at the legislature simply being available for questions because he felt so strongly about the University's position.

As part of the process, Mr. Erickson explained, budget targets have been provided to units, which are in turn to provide plans based on those targets. The administration is committed to bringing a budget and supporting documents to the Regents at their May meeting--so the timetable is tight. Professor Speaks noted that the Committee has indicated its willingness to meet on call when needed.

ATHLETICS Mr. Erickson was asked if the Committee would have any role to play in the decisions made about providing gender equity in intercollegiate athletics, since it seems likely there will be financial implications. He said that one thing that must be worked out is a definition of equity--which is not easy, because there is no simple measure. The only funds available in athletics are those generated by the three men's sports, the legislature (for women's athletics) and privately-raised money. The administration has taken steps to encourage attention to budget controls, and has included incentives in contracts to achieve cost-effectiveness in the operation of the sports; those same clauses will be included in future contracts as they come up. The administration has also now separated revenues from expenditures, so there is no assumption that if a dollar is taken in, that dollar can be spent (as has been the case for many years).

Mr. Erickson said he was optimistic that Dr. Boston and Ms. Voelz would be able to cooperate in developing a plan to achieve equity. It must be realized, he cautioned, that the University cannot do damage to the men's revenue-producing sports--if it does, there will be no program at all.

CAPITAL BUDGETS It was noted by one Committee member that the Board of Regents is to receive an update on facilities needs of the Twin Cities campus. Mr. Erickson said that a five-year capital plan is to be presented in November; the Committee will be able to have preliminary discussions in September and October. The administration has, for the first time, collected information about the capital budgets (and for the first go-around, the results will not be a work of art). Historically, the term "capital budget" has referred only to legislative funds. Now, and in the future, ALL major capital expenditures will be included (e.g., the construction of the new athletic facilities).

UNIVERSITY HOSPITAL The University Hospital, it was said by one Committee member, is similar to athletics; will the Committee be involved in the discussions? It is important, it was said, that the University retain an economically-viable hospital when circumstances are in great flux. Mr. Erickson responded that the Committee needed to be aware that the Hospital is doing a strategic plan and also has a capital expenditure plan (which entails a great deal of money); he was uncertain whether any of the governance committees had been involved in the discussions.

There is a parallel between athletics and the Hospital, it was said: "If all is OK, I could care less about either one; if something is going wrong, it can have a tremendous impact on the University." Mr. Erickson responded that the Hospital is running a significant deficit and there are serious long-term issues that need to be addressed. The patient flow to the Hospital is being reduced because of the managed care environment of the Twin Cities.

It was agreed that the Committee should invite Mr. Dickler to a meeting to discuss the financial status of the Hospital.

CUFS Mr. Erickson was asked whether or not there will be some assessment of CUFS now that it has been in operation for six months. He told the Committee that while it has been INSTALLED, the system is still being run centrally; decentralization has not been started. The administration is reporting to the Regents' Audit Committee (and copies of the report will be provided to the Committee). Decentralization is a massive project, but it will be accomplished because it is necessary to achieve the benefits of CUFS. At that point the University can improve services, reduce costs, and also ask why it is doing many of the things that it is.

The Committee adjourned at 4:30.

-- Gary Engstrand