UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Work Session

March 10, 2004

A work session of the Board of Regents was held on Thursday, March 10, 2005, at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: David Metzen, presiding; Clyde Allen, Anthony Baraga, Peter Bell, Frank Berman, Dallas Bohnsack, John Frobenius, Steven Hunter, David Larson, Richard McNamara, Lakeesha Ransom, and Patricia Simmons.

Staff present: President Robert Bruininks; Senior Vice President and Provost Thomas Sullivan; and Executive Director Ann Cieslak.

Chair Metzen called the work session to order, noting that today's session is a follow-up to the December 2004 work session and will provide the Board with a financial framework for the University that is flexible and adaptable across a range of different assumptions.

President Bruininks noted that the strategic positioning model has been designed to ensure that the University's plan and direction are determined by its mission-related responsibilities and aspirations rather than by its budget. In developing a long-term budget strategy, the goal has been to provide a flexible and adaptable model that will help the Board and University leaders assess alternative courses of action as they guide the institution toward its strategic objectives.

Bruininks introduced Lincoln Kallsen, Director, Office of Budget and Finance, who led the discussion. Kallsen explained that the administration has developed an integrated financial planning model based on the following key assumptions:

- balanced annual budget;
- system-wide analysis of all funds;
- focus on funds available to support the academic enterprise; and
- projections for the current and two additional bienniums.

Kallsen described two heat maps used to identify which revenues and expenditures are significant because they account for a substantial share of, or pose a substantial risk to, the University's budget (materials on file in the Board Office). He also defined core costs (in the areas of personnel, facilities, non-facility inflation, and academic investments) and recurring resources (e.g., biennial budget, tuition and fees, gifts and endowments) and illustrated the additional revenues required under different revenue and expenditure scenarios.

In response to questions from Regents, Bruininks and Kallsen indicated that:

- the model's enrollment component presumes that the University can sustain current enrollments through effective management;

- some revenues are more easily controlled than others, such as tuition and fees, which are within the purview of the Board;
- substantial emphasis has been given to the *Internal Savings and Leveraging of Assets* component of the model because it enhances public credibility and encourages bottom-up solutions that can become part of the institution's continuous improvement strategy; and
- there will be a contingency plan should revenues fall short of projections.

Suggestions from Regents included extending the projection period beyond 2011 and consultation with representatives of other components of Minnesota's higher education system if fundamental restructuring of the University is necessary.

Bruininks stated that he remains optimistic that modest tuition increases and good management practices will address most of the University's future revenue challenges, but long-term success will depend on continued state investments and a variety of actions to advance the strategic position of the institution.

Next steps include implementing the University's strategic plan and priorities, identifying and managing opportunities for containing operating costs, and identifying opportunities to enhance revenues.

The work session adjourned at 2:20 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary