

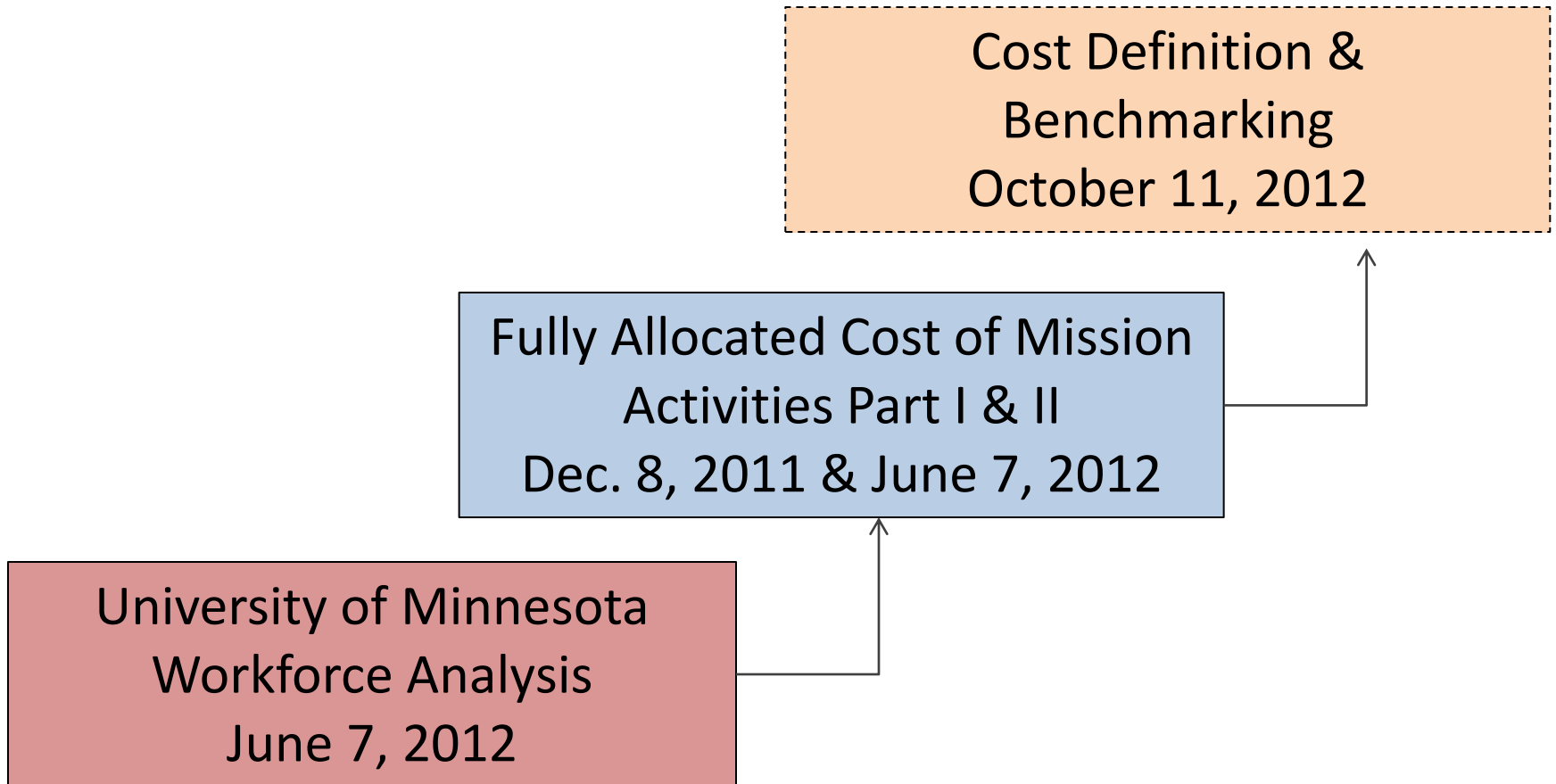
# University of Minnesota: Cost Definition & Benchmarking FY 2012

Finance & Operations Committee  
October 11, 2012

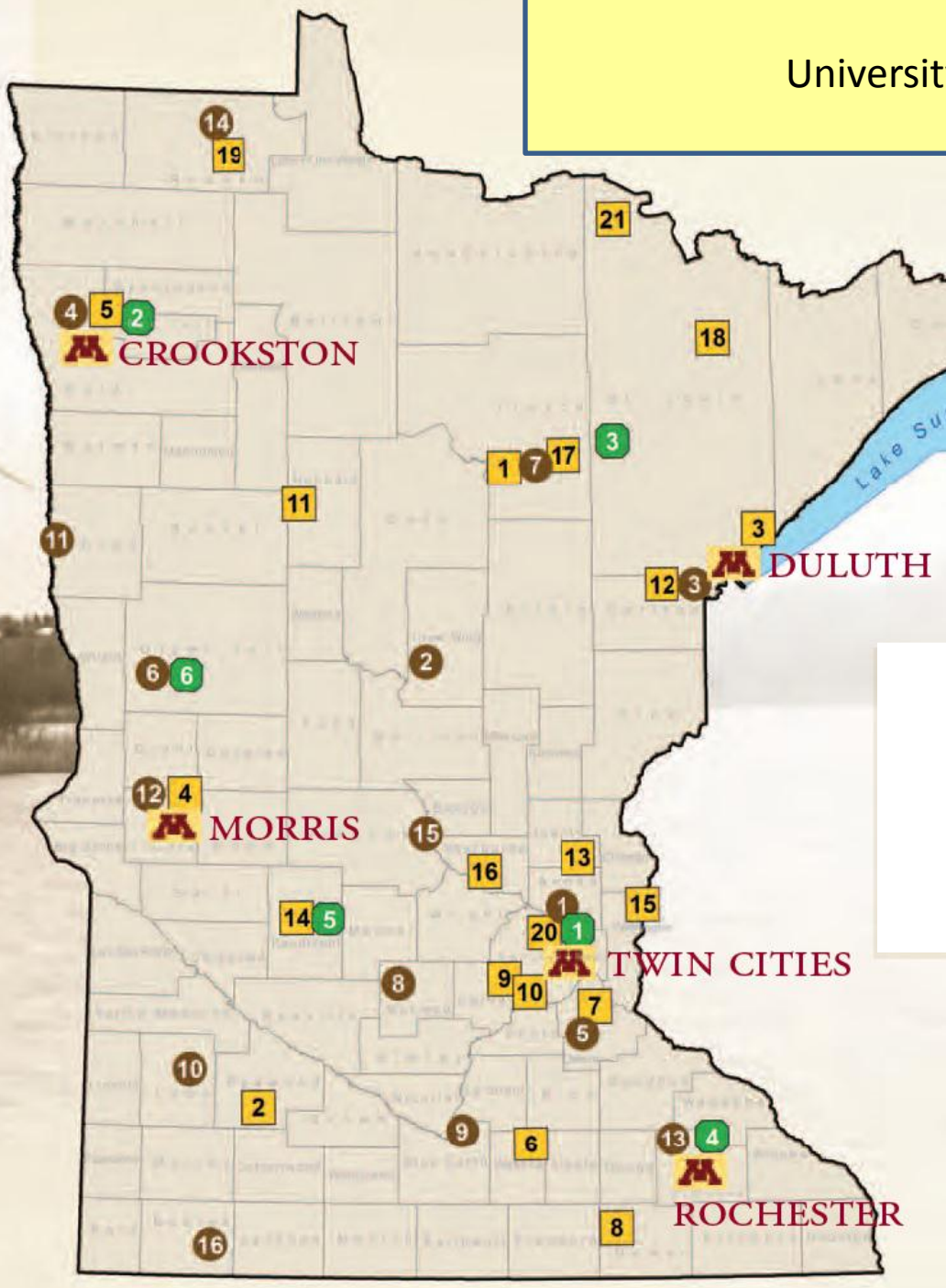
# Goals for Cost Definition and Benchmarking

- Develop a shared understanding of University spending
- Promote a broader dialogue of our cost structure – where the money goes
- Identify gaps in processes, data and information
- Establish a repeatable methodology to monitor changes in spending over time
- Improve the University's ability to set its own spending benchmarks

# Building on Prior Analysis



# University of Minnesota System



- 68,000+ students
- \$769 million in sponsored research
- 5 campuses
- 21 Research and Outreach Centers
- 16 Regional Extension Offices
- 6 Area Health Education Center (AHEC) Regional Offices
- 28 million square feet of space
- 863 buildings
- 27,000 acres of land

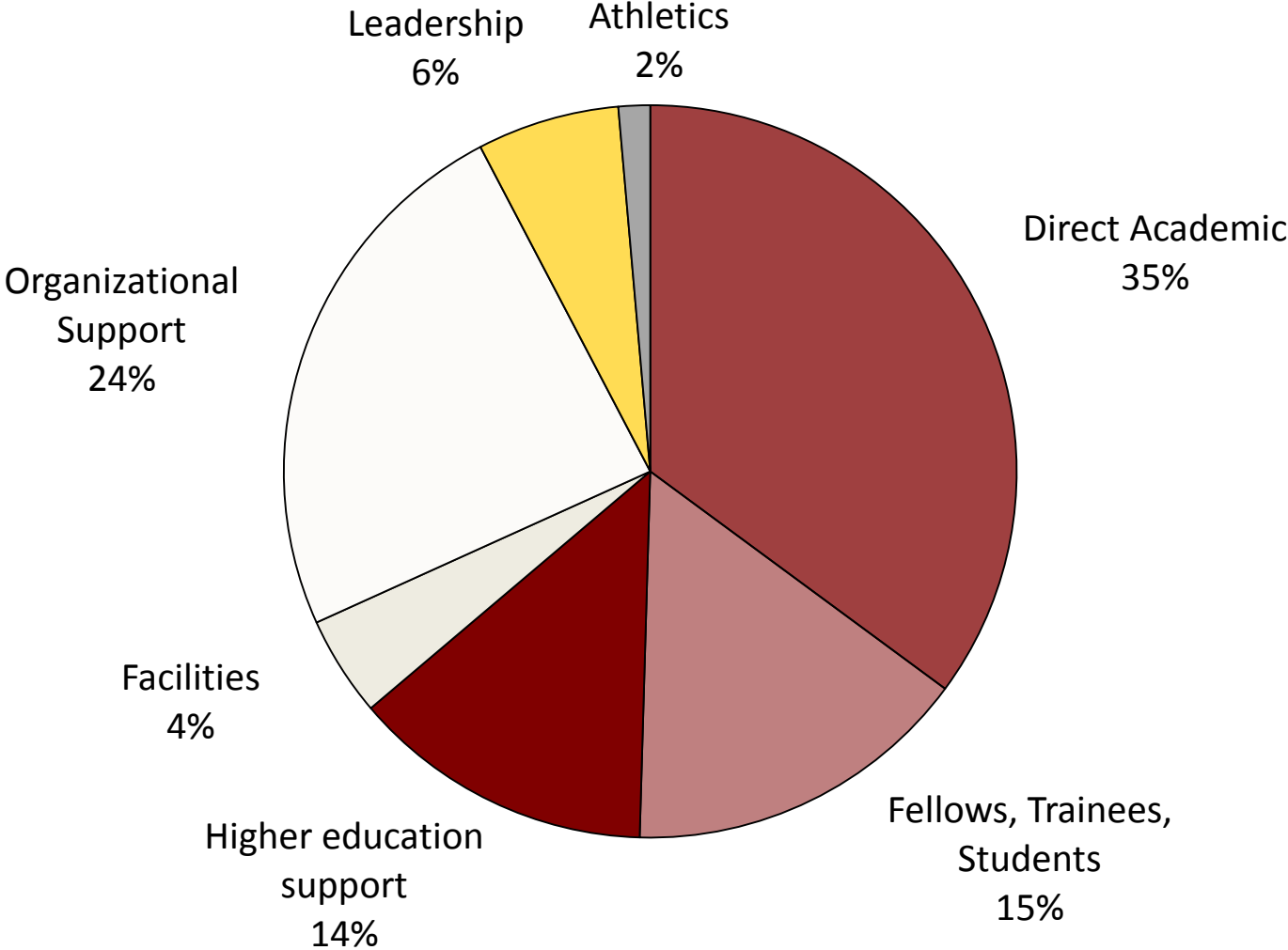
# IPEDS Data: Executive/Administrative and Managerial Totals

Trend Report for: Full- and part-time medical and non-medical staff by faculty status and primary function/occupational activity, Total employees, All employees, Executive/administrative and managerial total (Primary function)

| UnitID | Institution Name                    | Fall 2001 | Fall 2002 | Fall 2003 | Fall 2004 | Fall 2005 | Fall 2006 | Fall 2007 | Fall 2008 | Fall 2009 | Fall 2010 |
|--------|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 166027 | Harvard University                  | 1,930     | 1,986     | 2,150     | 2,161     | 2,198     | 2,289     | 2,431     | 2,628     | 2,547     | 2,335     |
| 162928 | Johns Hopkins University            |           | 1,492     | 159       | 93        | 100       | 98        | 1,509     | 741       | 743       | 736       |
| 228778 | The University of Texas at Austin   | 685       | 694       | 692       | 717       | 709       | 749       | 802       | 834       | 846       | 862       |
| 110635 | University of California-Berkeley   |           | 534       | 562       | 602       | 580       | 683       | 717       | 771       | 274       | 718       |
| 134130 | University of Florida               |           | 483       | 491       | 529       | 537       | 435       | 436       | 441       | 453       | 636       |
| 170976 | University of Michigan-Ann Arbor    |           | 1,043     | 1,037     | 1,051     | 1,625     | 1,657     | 1,703     | 1,719     | 1,745     | 1,758     |
| 174066 | University of Minnesota-Twin Cities |           | 669       | 670       | 782       | 799       | 818       | 2,239     | 2,628     | 2,645     | 2,732     |
| 236948 | University of Washington-Seattle    |           | 828       | 930       | 432       | 455       | 480       | 429       | 459       | 470       | 478       |
| 240444 | University of Wisconsin-Madison     |           | 1,262     | 473       | 480       | 473       | 467       | 468       | 478       | 488       | 506       |

# University of Minnesota Workforce Analysis

June 7, 2012



# Fully Allocated Cost of Mission Activities Part I & II

Dec. 8, 2011 & June 7, 2012

Faculty compensation  
Teaching assistants  
  
Scientists  
Sponsored research  
  
Extension services  
Clinical trials

Mission Direct  
Costs  
  
Instruction  
Research  
Public Service



Fully Allocated  
Costs

Advisors  
Registrar  
  
Dean's Offices  
Libraries  
  
President's Office  
General Counsel  
  
Utilities  
Repair & Maintenance

Indirect (Support)  
Costs  
  
Student Services  
Academic Support  
Institutional Support  
Physical Plant

# Cost Definition & Benchmarking

## October 11, 2012

### Fully Allocated Costs of Mission Activities

Direct Expense

Indirect Expense

Direct Mission  
Delivery

*The expenses of the  
'doers' of the mission*

Student Aid

Mission Support & Facilities

*The expenses to 'support' the  
delivery of mission activities*

Administrative Oversight

*The expenses for the 'leadership,  
direction, control and management'  
of the mission*

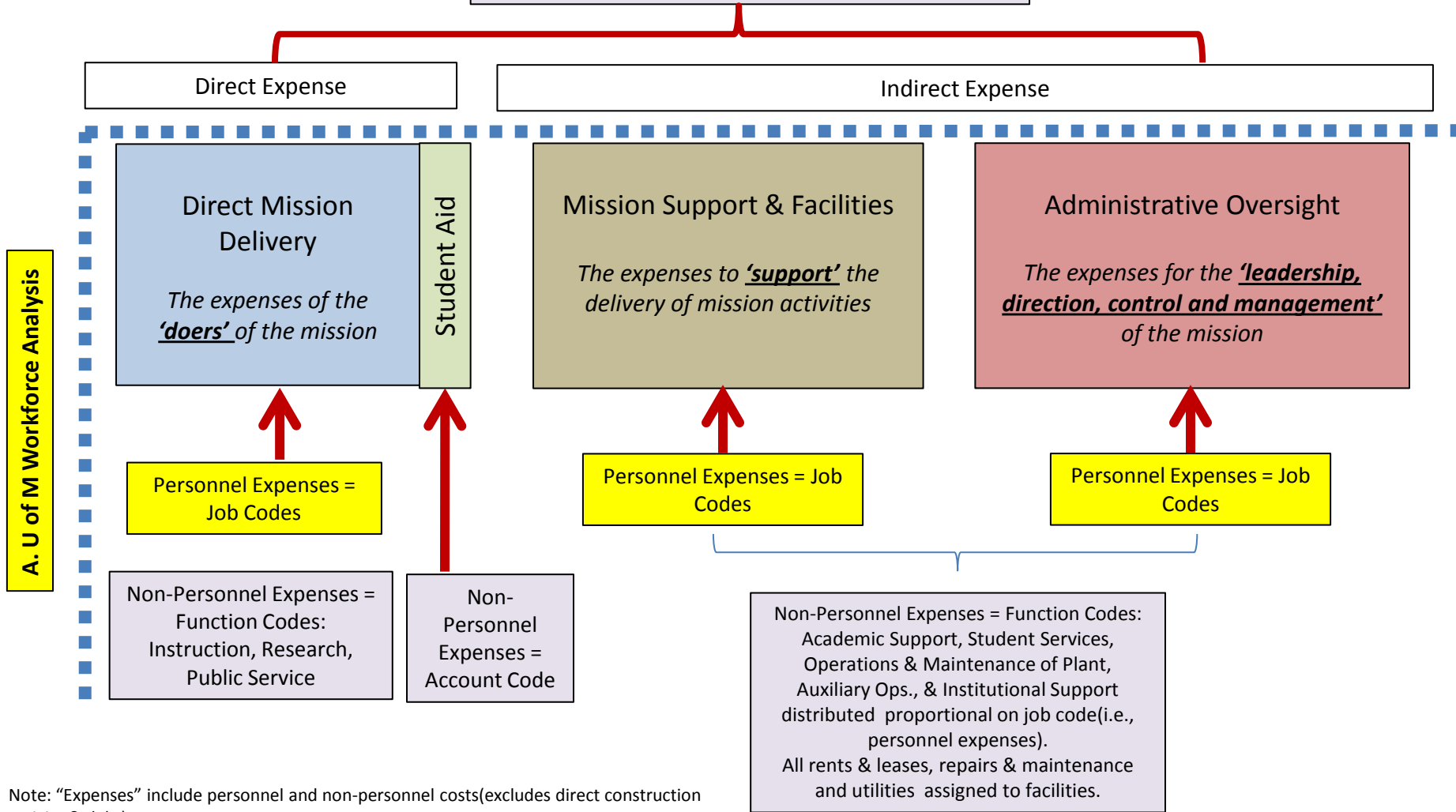
Costs in all of these categories....  
Occur throughout the organization  
Have multiple funding sources  
Benefit from operational excellence ideas



# Cost Definition & Benchmarking

## October 11, 2012

### B. Fully Allocated Costs of Mission Activities



Note: "Expenses" include personnel and non-personnel costs(excludes direct construction activity & debt)  
 Expenses related to agency activity(personnel and non), ISOs, and cross-unit charges have been eliminated

Direct Mission  
Delivery

*The expenses of the  
'doers' of the mission*

Student Aid

# Direct mission delivery

57% of personnel spend  
50% of overall spend

- Tenured and tenure-track professors
- Adjunct instructors, lecturers, clinical professors
- Extension educators
- Health science professionals
- Scientists and laboratory technicians
- Students in teaching assistant, research assistant, or fellowship roles
- Non-personnel expenses with instruction, research, or public service function codes

## Mission Support & Facilities

*The expenses to **'support'** the delivery of mission activities*

# Mission Support & Facilities

32% of personnel and overall spend

- Support categories – **all non-supervisory**
  - Audit/Finance/HR/Info Tech/Legal
  - Clerical Support
  - Other specialized support
    - Examples: Advisors, librarians, curators, child care workers, coaches
  - Non-descriptive job codes
    - Coordinators
    - “Skilled generalists” – analysts, associate to, administrative professional, etc.
  - Prorated share of supplies, services, equipment, etc.

# Mission Support & Facilities

- Facilities support – **all non-supervisory**
  - Buildings and grounds workers
  - Skilled trades
  - Engineers, safety technicians, environmental health and safety workers
  - Utilities, repair & maintenance, rents & leases

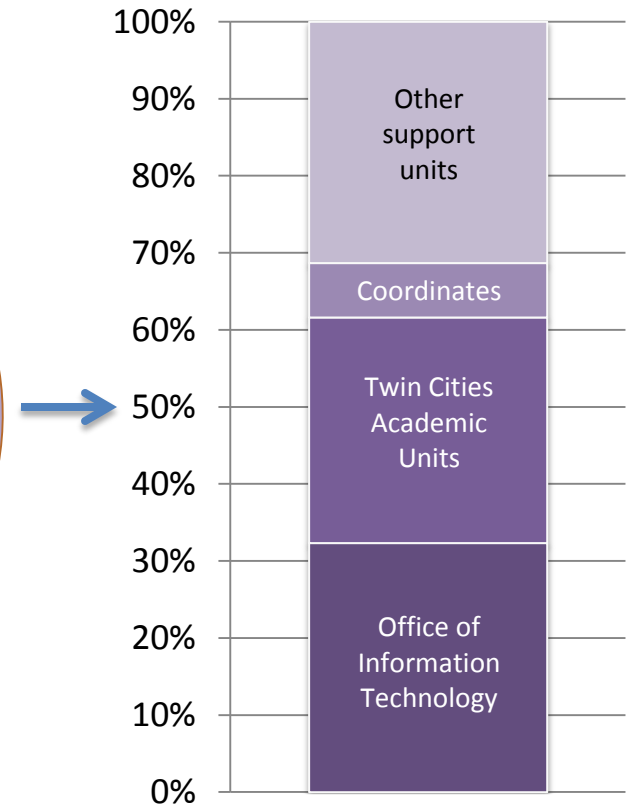
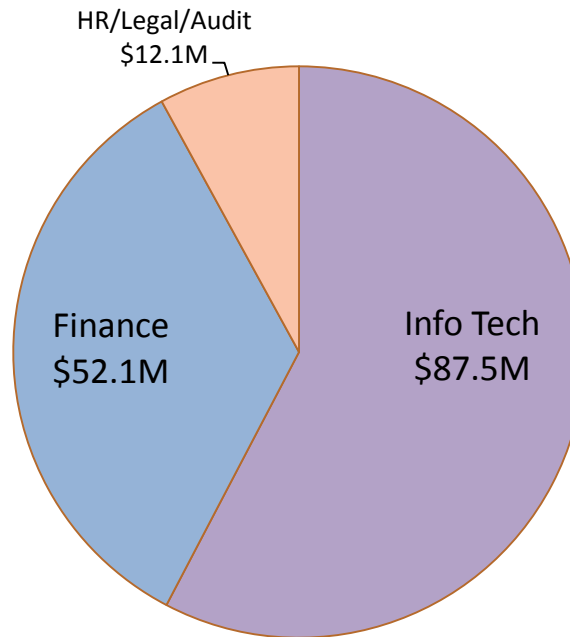
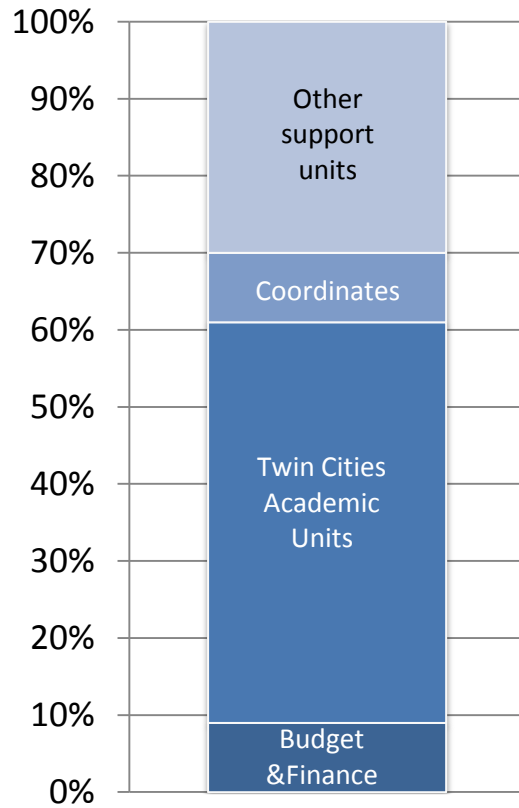
4.3% of the total personnel costs of the University  
8.3% of the overall FY12 annual spend

## Mission Support & Facilities

The expenses to **'support'** the delivery of mission activities

# Mission Support & Facilities

Audit/Finance/HR/Info Tech/Legal  
5% of total spend

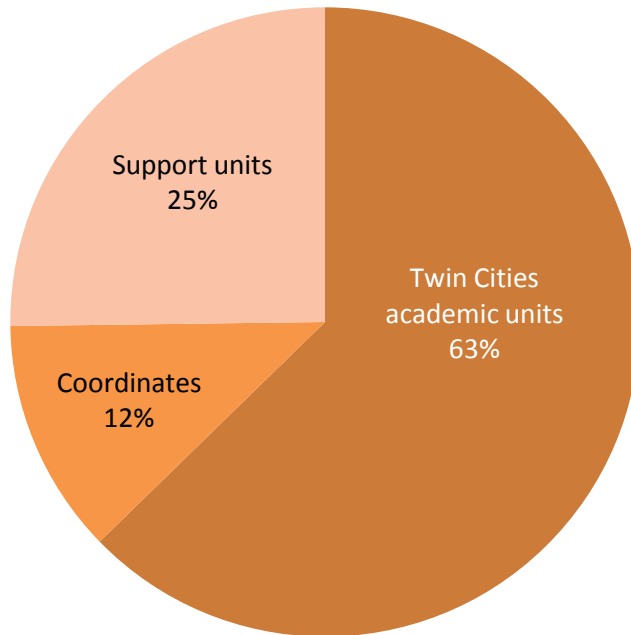


## Mission Support & Facilities

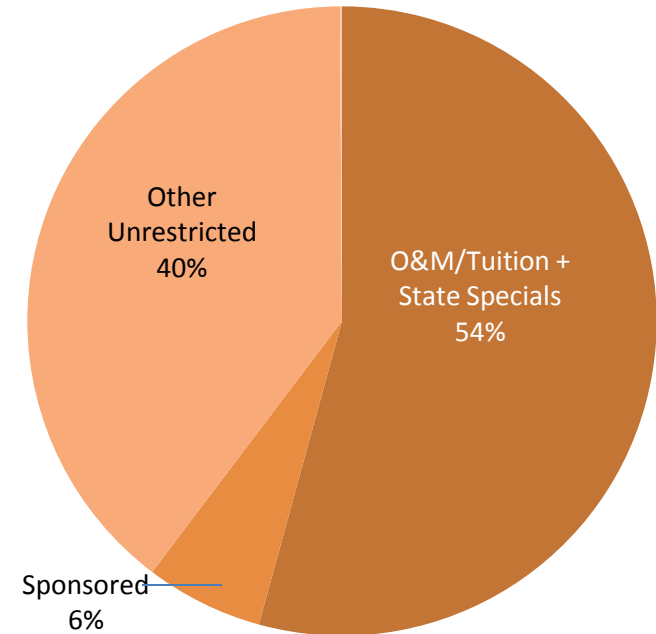
*The expenses to **'support'** the delivery of mission activities*

# Mission Support & Facilities

Clerical Support  
3% of total spend



75% of clerical support is in academic units/coordinate campuses



46% of clerical support is supported by non-State O&M/tuition funds

## Administrative Oversight

*The expenses for the **'leadership, direction, control and management'** of the mission*

# Administrative Oversight

11% of personnel spend  
9% of overall spend

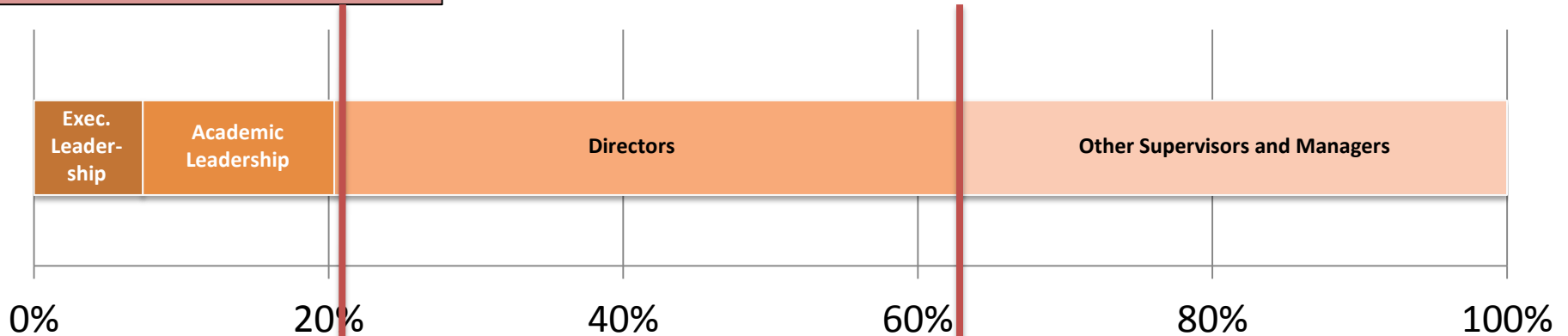
## Leadership and management job codes and expenses

- **Executive leadership** – President, Vice Presidents, Chancellors, Provost & Vice Provosts
- **Academic leadership** – Deans & Associate Deans, Department chairs and heads
- **Directors** – program, department, campus, and system-wide
  - Another “non-descriptive” set of job codes
- **Supervisor and managerial titles** across the organization
- Prorated share of supplies, services, equipment, etc.

## Administrative Oversight

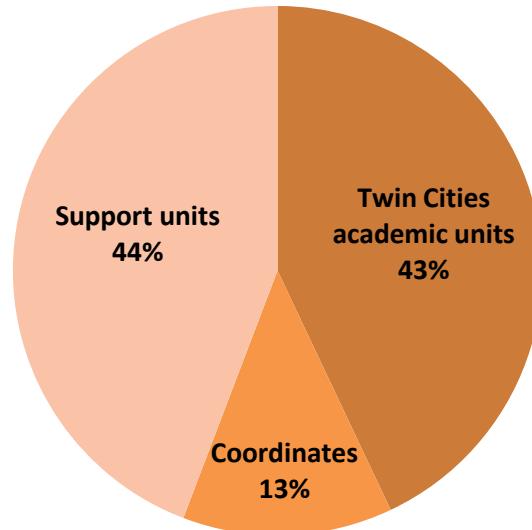
The expenses for the ***'leadership, direction, control and management'*** of the mission

# Administrative Oversight



0.5% of total University expenditures is in Executive Leadership

### Director Titles



### Illustrative examples

- Nurse Manager
- Operations Supervisor
- Finance Manager
- Info Tech Supervisor
- Senior Office Supervisor
- Communications Manager
- Library Supervisor
- Food Operations Manager
- Asst. Director, Student Services



## Expense Summary: Cost Benchmarking

FY 2012

### University of Minnesota - Systemwide

|    | a                                       | b                    | c                     | d                  | e                         | d                                       | e                  | f                               | g                   | h                    | i              |
|----|-----------------------------------------|----------------------|-----------------------|--------------------|---------------------------|-----------------------------------------|--------------------|---------------------------------|---------------------|----------------------|----------------|
| 1  | <b>PERSONNEL</b>                        | <b>Mission</b>       | Mission as % of Total | <b>Student Aid</b> | Student Aid as % of Total | <b>Mission Support &amp; Facilities</b> | MS&F as % of Total | <b>Administrative Oversight</b> | Admin as % of Total | <b>Total</b>         | <b>% Total</b> |
| 2  | Direct Academic                         | 836,554,293          | 100%                  |                    |                           |                                         |                    | 3,442,550                       | 0%                  | 839,996,843          | 27%            |
| 3  | Students                                | 256,379,027          | 87%                   |                    |                           | 36,948,318                              | 13%                |                                 |                     | 293,327,345          | 10%            |
| 4  | Leadership                              |                      |                       |                    |                           |                                         |                    | 103,242,906                     | 100%                | 103,242,906          | 3%             |
| 5  | Facilities                              |                      |                       |                    |                           | 75,856,922                              | 90%                | 8,225,484                       | 10%                 | 84,082,406           | 3%             |
| 6  | <b>Support:</b>                         |                      |                       |                    |                           |                                         |                    |                                 |                     |                      |                |
| 7  | <i>Audit/Finance/HR/Info Tech/Legal</i> |                      |                       |                    |                           | 151,659,889                             | 79%                | 39,293,797                      | 21%                 | 190,953,686          | 6%             |
| 8  | <i>Clerical Support</i>                 |                      |                       |                    |                           | 97,508,937                              | 96%                | 3,583,369                       | 4%                  | 101,092,306          | 3%             |
| 9  | <i>Coordinators</i>                     |                      |                       |                    |                           | 52,294,866                              | 100%               |                                 |                     | 52,294,866           | 2%             |
| 10 | <i>Skilled Generalists</i>              |                      |                       |                    |                           | 48,625,316                              | 85%                | 8,300,007                       | 15%                 | 56,925,323           | 2%             |
| 11 | <i>Other Support</i>                    |                      |                       |                    |                           | 153,254,524                             | 78%                | 42,457,166                      | 22%                 | 195,711,690          | 6%             |
| 12 | <b>Support Subtotal</b>                 | 0                    | 0%                    | 0                  | 0%                        | 503,343,532                             | 84%                | 93,634,339                      | 16%                 | 596,977,871          | 20%            |
| 13 | <b>Total Personnel</b>                  | <b>1,092,933,321</b> | <b>57%</b>            | <b>0</b>           | <b>0%</b>                 | <b>616,148,773</b>                      | <b>32%</b>         | <b>208,545,279</b>              | <b>11%</b>          | <b>1,917,627,372</b> | <b>63%</b>     |
| 14 | <b>NON-PERSONNEL</b>                    | <b>Mission</b>       | Mission as % of Total | <b>Student Aid</b> | MS&F as % of Total        | <b>Mission Support &amp; Facilities</b> | MS&F as % of Total | <b>Administrative Oversight</b> | Admin as % of Total | <b>Total</b>         |                |
| 15 | Direct Mission Subcontract/Participant  | 98,000,347           | 100%                  |                    |                           |                                         |                    |                                 |                     | 98,000,347           | 3%             |
| 16 | Supply/Service/Misc                     | 214,870,647          | 55%                   |                    |                           | 131,590,695                             | 34%                | 44,538,948                      | 11%                 | 391,000,291          | 13%            |
| 17 | Equipment/Other Capital Assets          | 47,581,892           | 50%                   |                    |                           | 35,175,423                              | 37%                | 11,905,677                      | 13%                 | 94,662,992           | 3%             |
| 18 | Consulting/Prof Services                | 70,103,147           | 67%                   |                    |                           | 34,815,696                              | 33%                |                                 |                     | 104,918,843          | 3%             |
| 19 | Repair & Maintenance Supply             |                      |                       |                    |                           | 53,411,510                              | 100%               |                                 |                     | 53,411,510           | 2%             |
| 20 | Utilities                               |                      |                       |                    |                           | 89,386,458                              | 100%               |                                 |                     | 89,386,458           | 3%             |
| 21 | Rents/Leases                            |                      |                       |                    |                           | 28,113,412                              | 100%               |                                 |                     | 28,113,412           | 1%             |
| 22 | Student Aid                             |                      |                       | 282,510,892        | 100%                      |                                         |                    |                                 |                     | 282,510,892          | 9%             |
| 23 | <b>Total Non-Personnel</b>              | <b>430,556,034</b>   | <b>38%</b>            | <b>282,510,892</b> | <b>25%</b>                | <b>372,493,195</b>                      | <b>33%</b>         | <b>56,444,625</b>               | <b>5%</b>           | <b>1,142,004,747</b> | <b>37%</b>     |
| 24 | <b>TOTAL EXPENSE</b>                    | <b>1,523,489,355</b> | <b>50%</b>            | <b>282,510,892</b> | <b>9%</b>                 | <b>988,641,968</b>                      | <b>32%</b>         | <b>264,989,904</b>              | <b>9%</b>           | <b>3,059,632,119</b> | <b>100%</b>    |

# Key takeaways

- Highlights need to focus “operational excellence” in all 3 areas:
  - Direct Mission Delivery
  - Mission Support & Facilities
  - Administrative Oversight
- Cost saving strategies and efficiency improvements must come from all areas of University operations
- Need to refine job families to better understand what people do
- External benchmarking is difficult but not impossible
- Greatest value will be in monitoring data over time
- Focus of the annual budget process