Minutes*

**Senate Committee on Finance and Planning**
**September 29, 1992**

Present: Fred Morrison (chair pro tem), Carl Adams, David Berg, Karen Geronime, Virginia Gray, Michael Hoey, Thomas Hoffmann, Craig Kissock, Jeff von Munkwitz-Smith, Roger Paschke, Paul Sackett, Jason Schmidt, Mary Sue Simmons, Paul Tschida

Guests: Jim Bannister, David Biesboer, Katherine Cram, Senior Vice President Robert Erickson, Carol Fleck, Associate Vice President Robert Kvavik, Associate Vice President Susan Markham, Acting Assistant Vice President Michael O'Connor, Harvey Turner, Janet Warnert

## 1. Charges for Facilities and Space

Professor Morrison convened the meeting at 3:15 and explained that Professor Rubenstein was not present because of the religious holiday. The first item on the agenda, facilities charges, is a question about the charges sometimes levied, sometimes not; the second item, space charges, is an update on the system proposed to be implemented on July 1, 1993. He turned to Mr. Erickson and Ms. Markham for discussion.

Senior Vice President Erickson recalled that there has been much discussion of charging for space; much remains up in the air and it is unlikely to be effected by July 1, 1993. At present the administration is trying to gather information, get it into the public domain, start discussions, and move the process along.

Associate Vice President Markham said she had reviewed the proposed agenda items for the year for the Committee, and of them, five or six were related to Facilities Management and space cost issues. Rather than dwell on specific issues, she said, it would be more useful to talk about the management of space at the University.

For two years Facilities Management has sought to get a handle on its internal operations to be sure that it is cost-effective. Now they are at an impasse, because broader University policy decisions are required in three areas:

-- The development of a workable, easily understandable, and accepted policy on supported and non-supported space. "Supported" space is that built, operated, and maintained by legislative funds (e.g., teaching space); "non-supported" is space where the department is the major source of funds (e.g., food services). Several non-supported buildings now pay for themselves; other do not. There are gray areas, where a building may have both supported and non-supported activities, and thus funds from both sources. A review of supported and non-supported spaces is needed. (One Committee member interjected that a

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possible solution to this dilemma is to eliminate the question altogether.)

-- Understanding of appropriate charges to be paid by Facilities Management and appropriate charges for departments to bear in the case of research equipment, etc. At present there are no rules; current practice is the result of historical arrangements and individual operating agreements--there is no consistency in the system. No one supports this manner of operation; whatever policy is decided upon, Ms. Markham said, Facilities Management will follow.

-- The appropriate allocation of ICR funds for space and equipment maintenance. The administration is working on increasing the ICR rate, because operation and maintenance costs can equal 50% of the increase in indirect costs--and it is important that ICR funds be used for facilities maintenance. The new research facilities in particular are VERY expensive; to the extent legislative funds are used for their upkeep, those are funds diverted from academic purposes.

In trying to determine an appropriate method for allocating, and accounting for, space, one needs a standard. The Minnesota Facilities Model (MFM) has been the solution proposed.

Facilities Management, Ms. Markham told the Committee, has not been in the space accountability business before but is now being involved; they have a group working on recommendations. The starting point for discussion is not charging for space but rather the behaviors that need to be affected--space charges are only one part of any plan, and they do have drawbacks. If there is agreement that space must be managed responsibly, and that it is a limited resource, then it is possible to reach agreements on its use without controversy, she said.

There has not been a great deal of internal discussion, Mr. Erickson cautioned; it will be important to have an active public debate on the issue because there is a need for a policy that makes sense. There is also a need to judge the space-rich and space-poor, ways to change things, and ways to have accountability. A major concern is the cost of doing things, the cost of running a program, is not known and not examined. He has urged that the subject be brought to the Committee early for a discussion of assumptions; once the assumptions are set, much of the policy follows.

It was agreed that the discussion of assumptions with respect to space management and accountability would be brought back to the Committee in the very near future.

One Committee member inquired about an alternative that had been proposed for consideration (central funding of space): If the University is moving to decentralized management, is it consistent to talk of centralized space allocation and management? Those seem to be contradictory directions in which to be moving. With central control, and decisions made in Morrill Hall, departments and everyone else will come to it rather than to the deans or chancellors. This runs along lines seen before; there is decentralization, but not of anything important. This is also related to the possible elimination of the distinction between support and non-supported space; the result could go either way, to a system of universal free space, a system of universal space charges--or something in between. With either clear answer, charging for space or only allocating it centrally, the three problems raised by Ms. Markham do not arise. Only if we have some in-between solution do we have to wrestle with those problems.

This is a decision about the currency or basis for space allocation decisions, observed another Committee member. If done on a costing basis, everything will be decided on the basis of dollars. If on a non-cost or central basis, arguments about space will be on other grounds, such as its importance to students, research, etc. It simplifies the system to rely on money--whoever has the money can buy the space--but it is not a very equitable system.

Mr. Erickson agreed in part; he noted that the Twin Cities campus in particular is a large and complicated organization and that he has talked of decentralization and reliance on market mechanisms. But there is a question if those mechanisms work at an institution such as this one, a question to which he does not know the answer. Clearly, however, what the University has been doing has NOT worked, he said, and he is arguing for accountability. Some foundations need to be established, and if a market mechanism is to be used, the playing field has to be made level in the beginning. It is for that reason that the MFM is being used--to establish benchmarks. Many are skeptical of the plan, he acknowledged, but that is due to the numbers being used--they are debated and few have confidence in them.

In addition, Dr. Kvavik noted, other institutional and unit policies create "noise" in the system. In terms of classrooms, for example, some units don't offer classes on certain days, others don't offer them after a certain point in the afternoon; these decisions build in barriers that require the University to carry a larger inventory of space than it might really need. Pricing space is only one solution.

Underlying all of this, Ms. Markham observed, is the fact that 95% of all space support costs are paid by legislative funds. If under-utilization of space or over-building were reduced, there are funds that could be freed up. And the "pot" of funds for space costs is getting smaller; if it can be put to better use, funds can be directed to other purposes.

At the University now, Mr. Erickson observed, there is no reason to turn off a light because of a good feeling for doing so--because the unit doesn't pay for electricity. Someone must be responsible, he said, and it cannot be the central administration. As scarce resources are being allocated, there must be incentives developed to save money. In addition, he said, simple principles must be kept in mind; the administration of the University must be kept as simple as possible--it has, in the past, been made too complicated.

One Committee member took issue with Mr. Erickson's assertion that there is no reason to turn off a light except that one feels virtuous; UBEEP has done a good job of education and training, it was said, and people do conserve. Moreover, it was pointed out, the small group assembled by Ms. Markham to develop recommendations consists entirely of administrators in Morrill and Johnston Halls; if the administration wants the faculty to buy into the recommendations, the group has to consist of more than administrators. Mr. Erickson agreed. This, another Committee member added, is similar to a major problem with CUFS--a lot of technicians have been talking to one another and there has been insufficient concern for the users.

Mr. Turner then told the Committee about the MFM. It is similar to models being used across the country at major research universities because they all need to identify and manage space use. He distributed a draft revision of the MFM (the original model was developed in 1982) and asked for the support and cooperation of the Committee as the revisions are deliberated. The University is currently updating the space inventory so that audits can begin; the only other audit was conducted in 1984. By December 1, he reported, they will send out questionnaires to units; the results will be used to make comparisons with the standards of the MFM. This effort, he assured the Committee, is not taking place in isolation; there has been contact with other institutions to learn what they are doing in order to develop the best possible management of space. Two areas in particular are receiving attention, classroom space and research space. The factors associated with those two kinds of space determine the amount of space needed as well as the extent to which ICR funds are required for funding space costs.

The faculty can help with these discussions, Dr. Kvavik pointed out. The amount of space needed by a program can change, for example, and there needs to be discussion of assumptions about space with respect to who gets it (e.g., emeriti faculty, graduate students on fellowships). On the point of emeriti faculty, one Committee member observed that preserving space for faculty members might encourage some to retire; many do not because they will lose their space--and thus their contact with the University. As a result, the University continues to pay an $80,000 salary in order to avoid $8,000 in space costs. It may be, especially when there will no longer be mandatory retirement, that the allocation of space to emeriti should be seriously considered.

The Committee discussed briefly with Mr. Bannister the problems associated with classroom space and the standards used for deciding how much is required. One standard is 30 hours in a five day week; usage could be increased if more classes were taught earlier and later in the day and over the lunch hour. The problem, Committee members pointed out, is that there are other unrelated problems: students here tend to be part-time rather than on campus all day, and offering classes at times that make better use of space could increase delays in graduation or non-completion. It is not that the faculty will not teach classes earlier or later, but rather that students will not enroll in them. A department which loses enrollment then faces other problems, so it DARES not schedule them at more "efficient" times.

Mr. Erickson reminded the Committee that the costs for space are not insignificant; the University starts out the next biennium with an increase of $9 million in space costs for commitments already made--an increase equal to 1% of the state appropriation. Total space costs for the Twin Cities campus may total as much as $130 million, which is 7 - 8% of the total expenditures of the institution.

It was agreed that the Committee would take up the draft revision of the MFM in the very near future.

**2. The Biennial Request**

Professor Morrison next inquired of Mr. Erickson if there were any additional information to be provided on the biennial request; he said there was not. There may be more detail, but the basic request has been established.

One Committee member had sent a letter to Senior Vice President Infante suggesting that more thought needed to be given to the "initiatives" that might be proposed; Dr. Infante had agreed. The essence of the concern is that the "balance" between research and teaching be maintained as initiatives are proposed. Information on the initiatives will be presented to the Committee at the end of October by Dr. Infante, it was noted.

Professor Morrison recalled that the Finance Department had asked for zero-increase requests; what was the University's response? Mr. Erickson said the administration felt it important to submit two proposals, one outlining actual needs and one to respond to the Governor's directions. In the case of the zero-increase request, the University provided a matrix showing the combinations between recognizing inflation (in salary and expense increases) and required tuition increases and program cuts.

Mr. Erickson agreed to provide to the Committee the documents submitted to the Department of Finance and agreed to keep the Committee up to date on events.

**3. Further Discussion of CUFS**

Mr. Erickson began the discussion by reporting on a memo he is preparing which reviews the issues which have been encountered with CUFS. Up to now, he said, CUFS has created additional work for departments because we have simply gone from one paper system to another. The benefits will come later, he said, and he expressed confidence those benefits WOULD be realized when the system is implemented. He repeated that the system has been installed, not implemented--it is in a development stage rather than in production.

The first year-end close has flushed out a lot of problems, he said, but that is not unexpected with a major new system. When a change of such magnitude was made at SuperValu, he recalled, it was accomplished one division at a time; the University, on the other hand, made the change all at once--an undertaking of much greater magnitude.

Because of the effort associated with the year-end close, he told the Committee, he has set a 90-day moratorium on any more changes to CUFS; the system is being managed by a dedicated group of people who are trying to concentrate on completing the close. He said he knew that department offices are frustrated with the system and that there are a lot of unsung heroes involved in it.

There are a number of decisions that were made, Mr. Erickson informed the Committee, that are now being re-examined because CUFS has more capabilities than the University initially elected to use.

Mr. O'Connor then reviewed his experiences when he had worked with the University, first as a consultant with Coopers and Lybrand and subsequently when he came to the University as an employee in June. The single vendor study that had been completed concluded that the departments had not been ready for CUFS when it was installed. Now we must help them get ready, he said. There has been discussion over the past six to eight weeks, among the CUFS team members, and two problems have been identified: the team is too small and the work is coming in too fast. The amount of work coming must be slowed (hence the 90-day moratorium), and since they are still only in a development "mode," the team has to stop consuming resources by putting out fires. They are now trying to stabilize the system from a technical standpoint. After that is completed, they will focus on transferring the system to the organizations that must use it. One difficulty has been that the project was "declared" completed in January, and the CUFS team shrunk from 100 people to 15--but there is much work that remains to be done.

An important first step had to be to acknowledge that there was a problem, Mr. O'Connor told the Committee. The team has sought help in the last eight to ten weeks, and now has a workable strategy to get itself dug out. The problems are not insurmountable, he said, but the first step is to recognize that there is a mountain yet to climb. One Committee member observed that the REAL mountain is the loss of faith in the process and the product because of the cost overruns and the vast increase in paper.

The original plan, Mr. O'Connor recalled, was for the system to be brought up centrally, because it was recognized that the departments had not been prepared for CUFS. This was not a bad idea--develop it centrally, iron out the kinks, and then roll it out to the departments. He said he was surprised to learn in January that while data entry was indeed centralized, everything else had been decentralized. Departments, as a result, were "buried" with new decisions, new reports, and new accounting with insufficient preparation.

The real problem, suggested one Committee member, is that departments STILL do not know what CUFS can do--except create additional work. Departments have learned to replicate old transactions rather than learn to use CUFS as a new system--and the opportunity for using it as a new system may already have been lost forever. And despite the claims that CUFS would be a big improvement for University management, there has not yet been produced any additional report which provides useful information.

Ms. Cram said that observation coincided with her own: the system is not being used as a management tool; the focus has been on the transactions. The 90-day moratorium will be used as a time to resurrect considerations about why CUFS was installed in the first place and to focus on making it a management tool that can be useful to the colleges and departments. If so, rejoined one Committee member, they must be sure they are talking to the right people--not those who enter transactions, but rather those for whom it could be a useful tool. The data entry education has been fine; there has been NO education above that level thus far--and as a result the managers--deans and department chairs--do not effectively use the system.

The underlying system is sound, Mr. O'Connor commented, but they have to approach their tasks in "chunks." First, however, they MUST get the system to run reliably--which is a technical problem that will be dealt with. When CUFS was installed, the focus was on central data entry and rolling the system out to the departments--but they were not standing in the department's shoes. The bad news is that there remains much to do; the good news is that the system does work. And how to get to where it works for US, he concluded, is not impossible.

The question of department balances, raised at the last meeting, was brought up again. One Committee member observed that "balances are interesting things that an accounting system might provide." The units need to know their balances; they have been often told why they do not need to know them, it was maintained, but no one has asked why they DO need to know them. CUFS was supposed to eliminate shadow systems but has created the need for more of them, in the last nine months, than were ever needed before.

Mr. Erickson observed that in fact decision-making at the University is ALREADY decentralized; the accounting system did not follow suit. They are now trying to get the system to reflect where decisions are actually made--and it MUST provide the information that people need to make those decisions. He reiterated the point that some of the original decisions made, which make the system less user friendly, are now being reviewed, and plans to correct them are afoot. He agreed that unless the system does what people need it to, it won't be used.

Asked when information would be provided to those who can use CUFS as a management tool, Mr. O'Connor outlined the four "chunks" of work that need to be done. First, the system must be stabilized (AIS will take the lead on this). Second, they will develop trainers to work with the system as it exists now (Brad Sparrish of AMS--the manufacturer--will head up this effort). Third, they are developing a list of required outstanding changes that need to be effected (under the direction of Tim Fitzpatrick, who is establishing priorities and tackling them in order). Fourth and longer-term, they will decide where to take the system in order to meet decision-maker needs. The last is the most important, and Ms. Cram will form a steering committee with membership drawn from colleges and departments. This group, Ms. Cram observed, will be drawn from the management level. It is expected that this fourth "chunk" of work is where the biggest payoff will come.

It was reported that the implementation of the TIP program will be delayed by perhaps a month because of the problems with the balances.

One Committee member then inquired about the human resources module. The single vendor study, Mr. O'Connor reported, was intended to advise the University on whether or not to purchase this module from the same vendor that manufactures CUFS. The team that conducted the study concluded that right now there is no "right" answer to the question because the needed underpinnings are not in place--an information technology plan and strategy. Without those, it is risky to decide on a vendor. There are fundamental processes in human resources and payroll that should be reworked before a vendor can be selected--and those questions are now being addressed. Ms. Cram emphasized that they learned from the CUFS project; they are taking the department perspective as they approach the questions.

One problem will be that payroll will be on the old system while everything else will be on the new one--a circumstance that will create twice as much work until the systems are integrated. Mr. Erickson suggested that the University had to abandon the "home run" mentality in these projects and adopt instead a "base hit" approach--it must do things as it can, not try to accomplish everything all at once.

The recent study of administrative processes in the College of Education, he said, illustrates how these processes have grown up without any overview. It has been 30 years since there has been serious attention to infrastructure questions (accounting, personnel, buildings), and trying to deal with them is a messy process. He said he did not have preconceived answers for the University and wants to discuss these issues widely. There must be debate, he insisted, and the administration will provide the unvarnished truth to help ensure it is conducted openly and honestly.

There are some bright spots, Mr. Erickson concluded. The STARS system (student accounts receivable) faced a lot of problems but the team dealt with them successfully and the result is a highly visible, very effective system which has materially improved the student experience by virtually eliminating the lines at the Bursar's Office.

The meeting adjourned at 5:10.

-- Gary Engstrand

University of Minnesota