

University of Minnesota: Cost Definition & Benchmarking FY 2013

Finance Committee
October 10, 2013

Original 2012 Goals for Cost Definition and Benchmarking Analysis

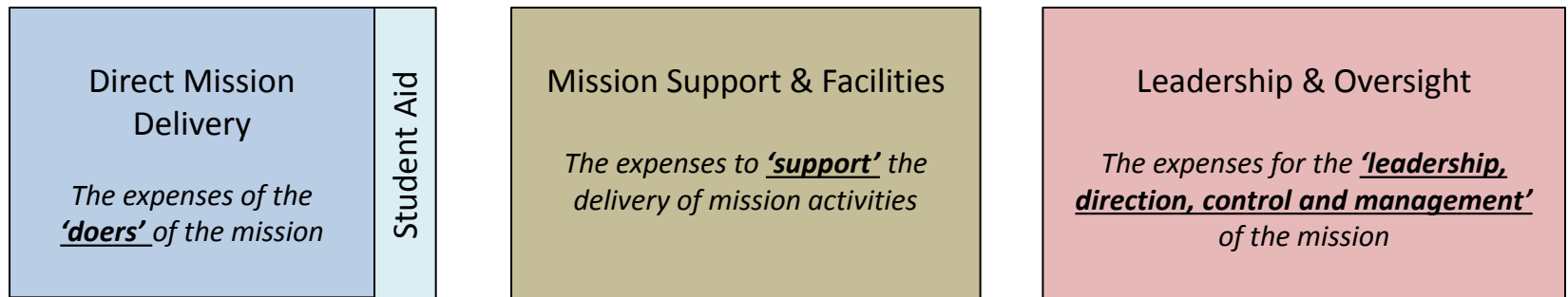
- Develop a shared understanding of University spending
 - Promote a broader dialogue of our cost structure – where the money goes
 - Identify gaps in processes, data and information
 - Improve the University’s ability to set its own spending benchmarks
- Establish a repeatable methodology to monitor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



2013 Analyses – Second Year “Snap Shot”

Cost Definition & Benchmarking

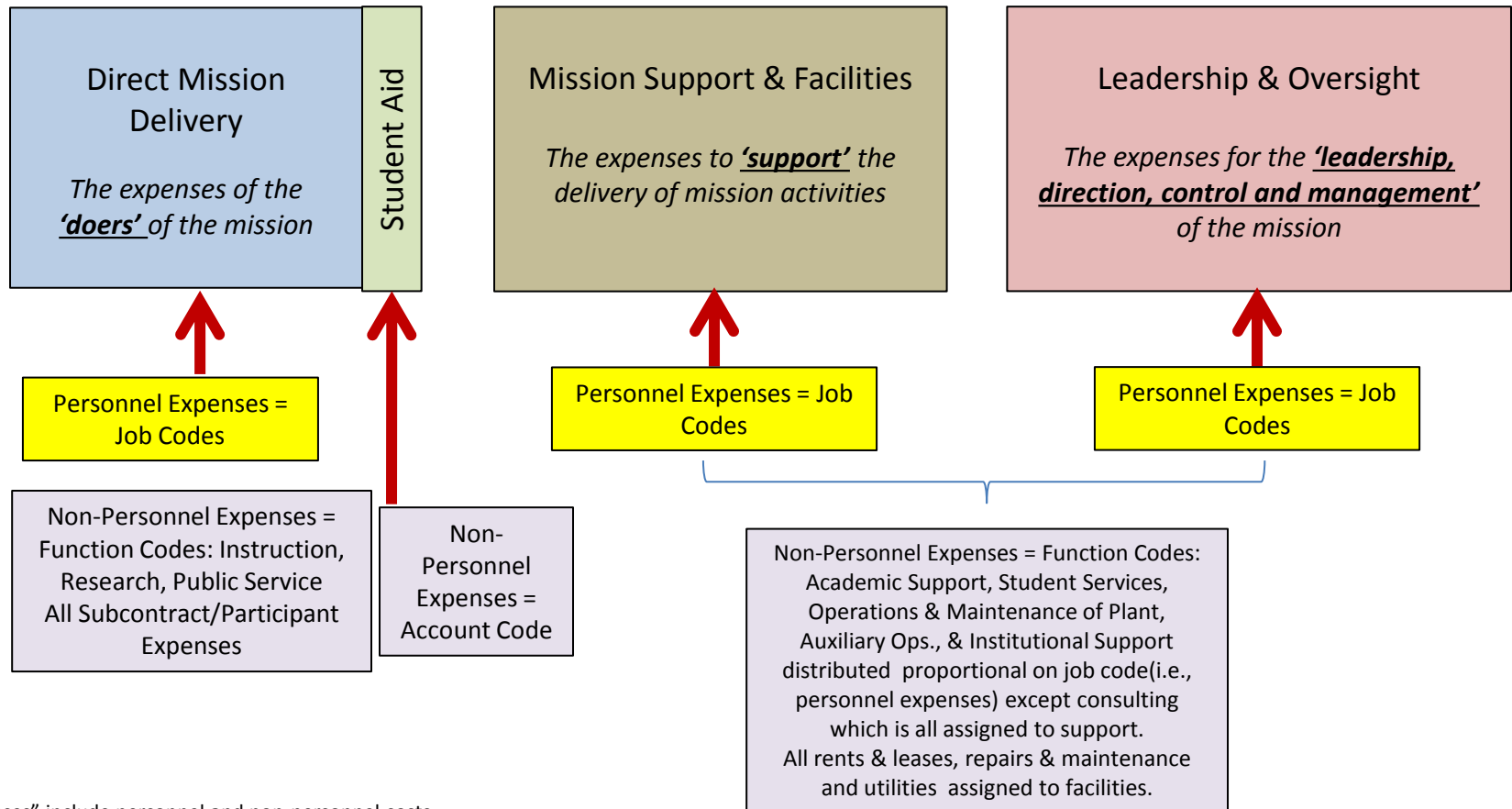
October 10, 2013



Costs in all of these categories....
Occur throughout the organization
Have multiple funding sources

Cost Definition & Benchmarking

October 10, 2013



Note: "Expenses" include personnel and non-personnel costs
 Expenses related to agency activity, direct construction, debt, ISOs, the Enterprise Systems Upgrade Project, and cross-unit charges have been eliminated

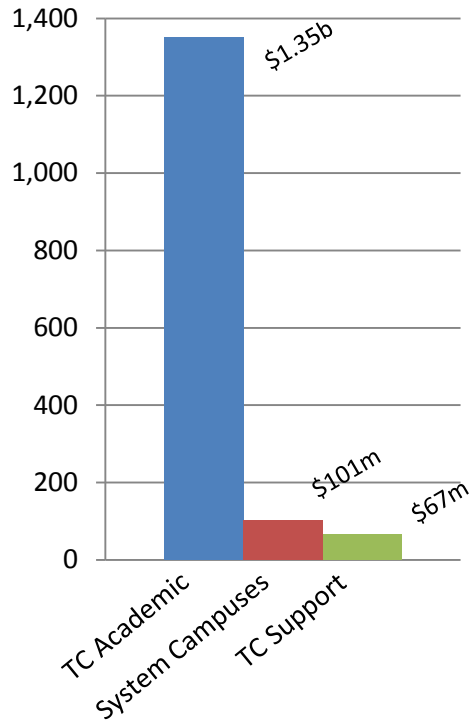
Costs Occur Throughout the Organization

Direct Mission Delivery
*The expenses of the **'doers'** of the mission*

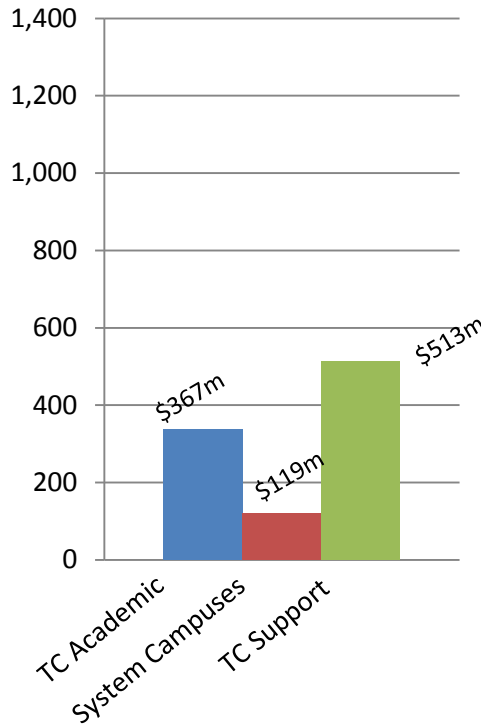
Mission Support & Facilities
*The expenses to **'support'** the delivery of mission activities*

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

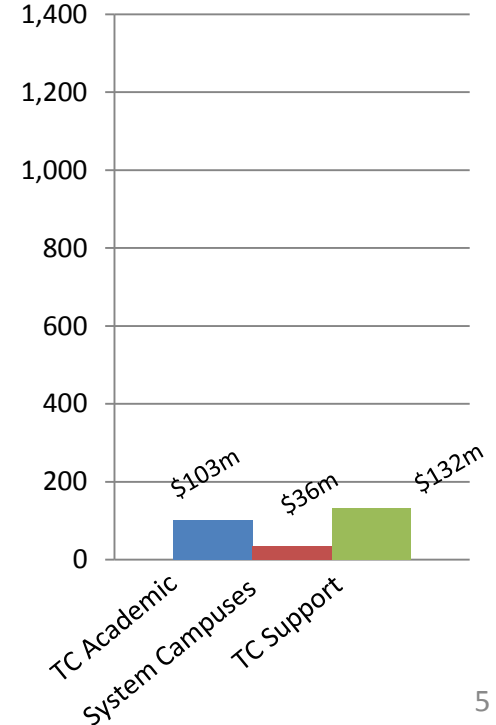
FY13 Costs – (\$ in Millions) - \$1,518b total



FY13 Costs – (\$ in Millions) - \$999m total



FY13 Costs – (\$ in Millions) - \$272m total



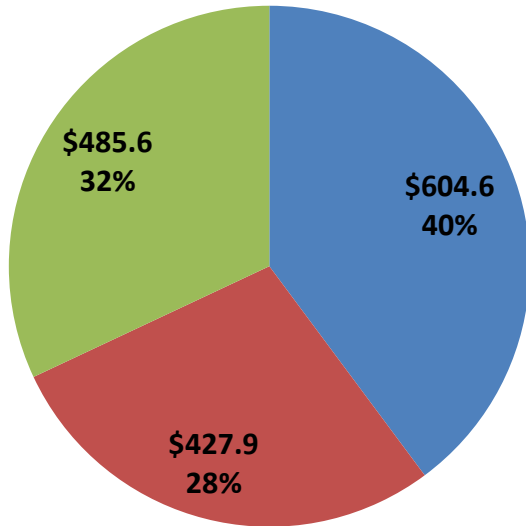
Costs Occur Across All Fund Groups

Direct Mission Delivery
*The expenses of the **'doers'** of the mission*

Mission Support & Facilities
*The expenses to **'support'** the delivery of mission activities*

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

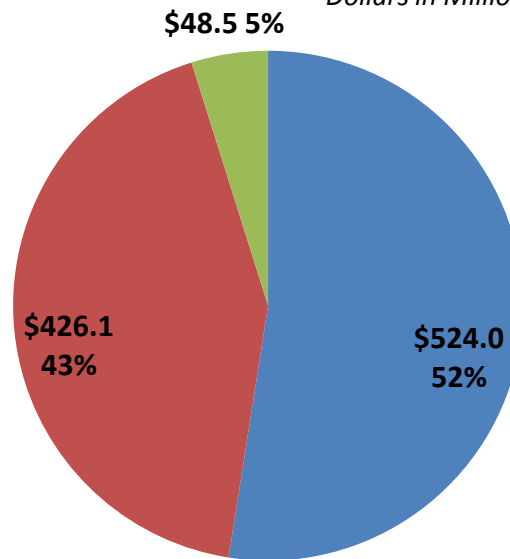
Dollars in Millions



- O&M/St. Special
- Other Nonsponsored
- Sponsored

\$1.518b Total

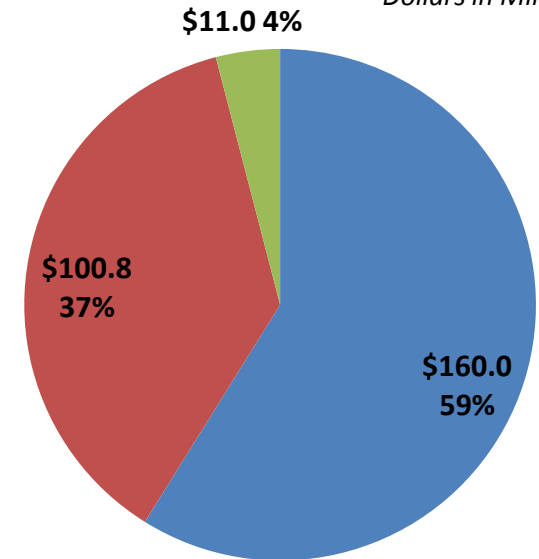
Dollars in Millions



- O&M/St. Special
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\$999m Total

Dollars in Millions

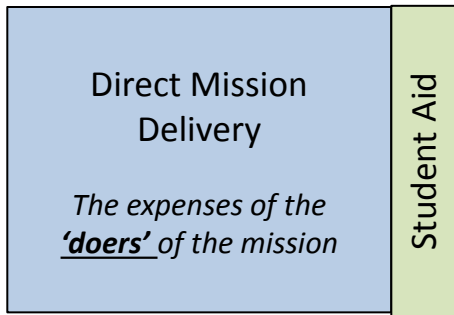


- O&M/St. Special
- Other Nonsponsored
- Sponsored

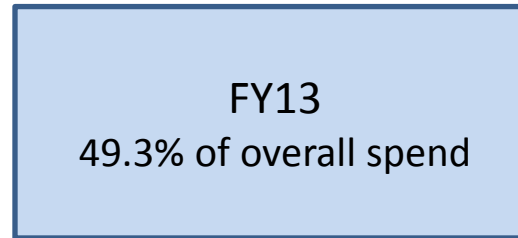
\$272m Total

FY13 Analysis – Summary of Results

- Total Spend Was \$3.1 Billion (up \$88m or 3% from FY12)
- Approved Budget for FY13 Followed Several Years of Salary Freezes and Cuts –
First Year in Several that Didn't Include Planned Reallocations
- Costs of Compensation Represent Half of the Growth in Expense Yr. to Yr.
- Leadership & Oversight as % of Total Spend Remained Unchanged at 8.8%
- Using This Analysis as a Tool to Gain an Understanding of “Normal” Expenditure Shifts and Spending Patterns, and Identify Areas for Further Investigation
- Notable Findings by Category Following....



Direct Mission Delivery



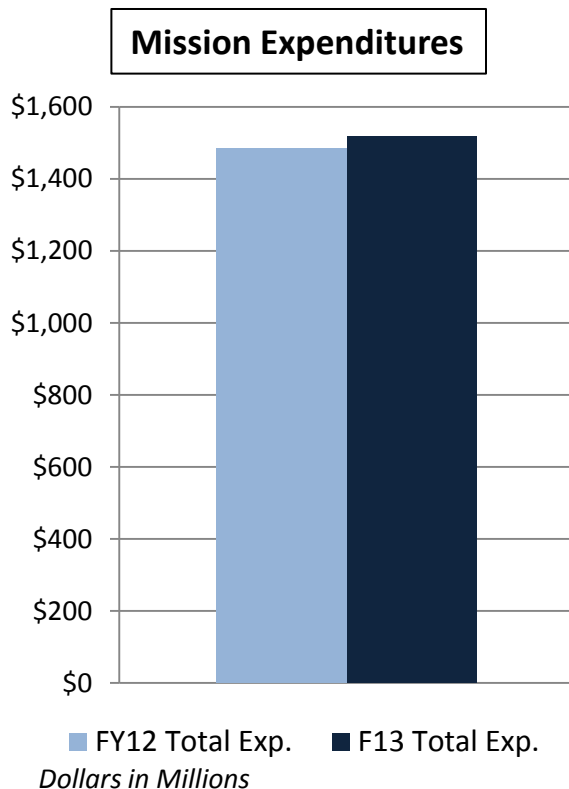
Types of Positions Included in this Category:

- 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

Plus all non-personnel expenses with instruction, research, or public service function codes (excluding utilities, rents, leases and repairs & maintenance – assigned to facilities)

Direct Mission Delivery

		FY12	FY13	Change	
				\$\$	%%
MISSION	Mission Personnel				
	Direct Academic	818,714,142	831,648,208	12,934,066	1.6%
	Students	255,959,610	260,393,899	4,434,289	1.7%
	Mission Nonpersonnel	410,149,464	426,020,431	15,870,967	3.9%
	Mission Total	1,484,823,216	1,518,062,538	33,239,322	2.2%
Mission - % of Total Spend		49.7%	49.3%	Dropped four tenths	



Notable Changes FY13 Compared to FY12:

Personnel:

- Compensation increases were \$17m of the \$33m increase (up 1.6%)
- In addition to the 2.5% general wage increase, compensation changed for promotional increases and changes in the number of personnel hours
- Sponsored fund compensation decreased \$7m due to a decline in grant activity in some areas
- Compensation for graduate fellows and post-docs increased

Non-personnel:

- MERC Payments increased \$13.4m – can swing dramatically year to year
- Subcontract/Participant expenses increased \$14.7m – over \$12m in CEHD, CSE, PUBHL
- Medical School – decrease in equipment purchases - FY12 one-time \$6m equipment purchase for Ctr for Magnetic Resonance Research, for example

Mission Support & Facilities

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

Mission Support & Facilities

FY13

32.5% overall spend

Types of Positions Included in this Category:

Support categories – all non-supervisory

- Audit/Finance/HR/Info Tech/Legal and Clerical Support
- Other specialized support - Examples: Advisors, librarians, curators, child care workers, coaches
- Non-descriptive job codes – Examples: Coordinators, “Skilled generalists” – analysts, associate to, administrative professional, etc.

Facilities support – all non-supervisory

- Buildings and grounds workers
- Skilled trades, Engineers, safety technicians, environmental health and safety workers

Plus Prorated Share of Supplies, Services, Equipment etc. in non-mission functions

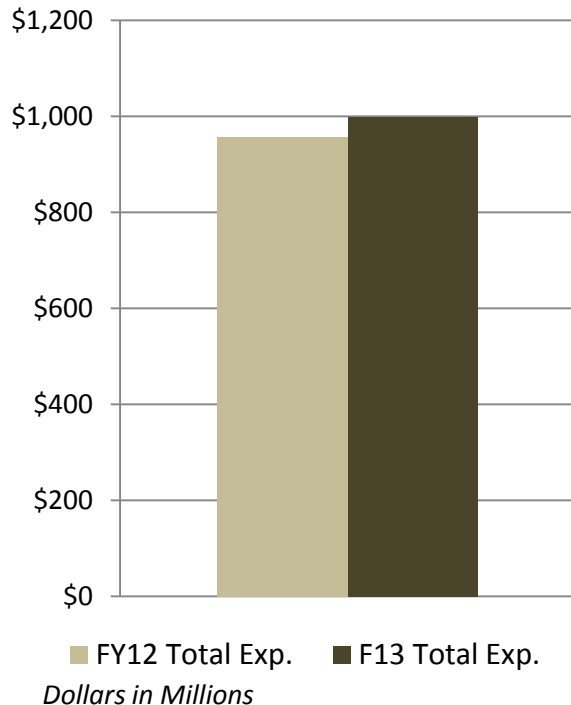
Plus All Consulting in non-mission functions

Plus Utilities, Repair & Maintenance, Rents & Leases

Mission Support & Facilities

		FY12	FY13	Change	
				\$\$	%
MISSION SUPPORT & FACILITIES	Mission Support & Facilities Personnel				
	Students	34,870,256	34,791,944	(78,312)	-0.2%
	Facilities	57,280,406	61,111,636	3,831,230	6.7%
	Support	483,431,564	501,817,893	18,386,329	3.8%
	Mission Support & Facilities Nonpersonnel	381,314,146	400,922,223	19,608,077	5.1%
	Mission Support & Facilities Total	956,896,120	998,643,697	41,747,577	4.4%
Mission Support & Facilities-% of Total Spend		32.0%	32.5%	Increased half percent	

Mission Support & Facilities Expenditures



Notable Changes FY13 Compared to FY12:

Personnel:

- Compensation increases were \$22m of the \$42m increase (3.8%)
- Majority of personnel increase is in academic-focused support
- Program growth in some areas leads to additional support (e.g. CSE growth in instruction and research = more academic support; Neutrino Lab requires shop foreman & lab mechanics-sponsored grants)
- Public Safety example – labor contract requires UMPD officer and Sergeant salaries to be equal to avg. of comparable agencies – FY13 payments included back-pay for that adjustment for FY09-FY12

Nonpersonnel:

- Utilities – Excel Energy rates up in FY13 & FY12 low steam consumption
- Can vary significantly year to year – more nonrecurring purchases
- Auxiliaries – increases in repairs & maintenance in housing and parking, food costs up slightly
- Video Board/Sound Systems for Williams and Mariucci Arenas
- Education abroad fees in Global Programs increased

Leadership & Oversight

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

Leadership & Oversight

FY13

8.8% of overall spend

Types of Positions Included in this Category (Leadership & Management):

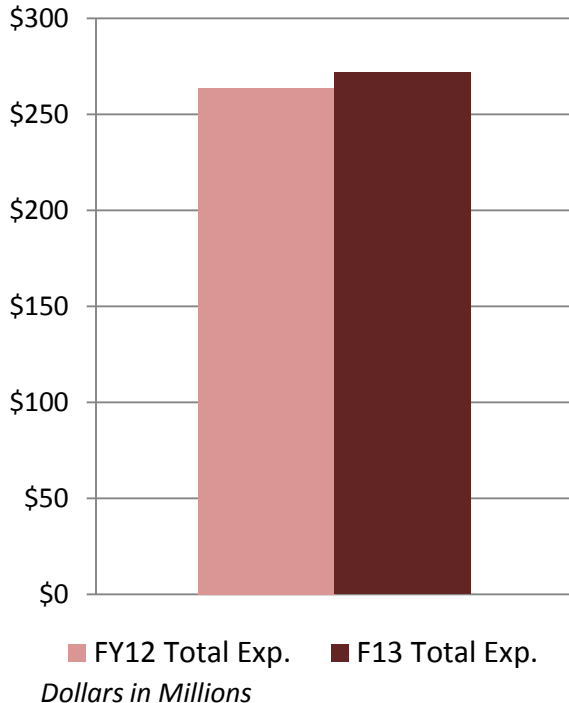
- **Executive leadership** – President, Vice Presidents, Chancellors, Provost & Vice Provosts
- **Academic leadership** – Deans & Associate Deans, Department chairs and heads
- **Directors** – program, department, campus, and system-wide (another “non-descriptive” set of job codes)
- **Supervisor and managerial titles** across the organization

Plus Prorated share of Supplies, Services, Equipment, etc. in non-mission functions

Leadership & Oversight

				Change	
		FY12	FY13	\$\$	%%
LEADERSHIP & OVERSIGHT	Leadership & Oversight Personnel				
	Leadership	101,837,895	104,088,093	2,250,198	2.2%
	Management/Supervisors	100,290,685	102,904,492	2,613,807	2.6%
	Leadership & Oversight Nonpersonnel	61,672,966	64,706,856	3,033,890	4.9%
	Leadership & Oversight Total	263,801,546	271,699,441	7,897,895	3.0%
Leadership & Oversight - % of Total Spend		8.8%	8.8%	No change	

Leadership & Oversight Expenditures



Notable Changes FY13 Compared to FY12:

Personnel:

- Compensation increases were \$4.9m of the \$7.9m increase (2.4%)
- The O&M/State Special costs in the “leadership” category were flat
- Reductions through the reorganization of the Office of the VP for System Academic Admin., as well as significant reductions in several other units
- OHR example – 23 positions open in FY12 were repurposed in VP’s first year to support new strategic priorities – some filled in FY13

Nonpersonnel:

- Equipment, Supplies & Services etc. (not coded instruction/research/public service) were prorated between Mission Support & Facilities & Leadership & Oversight – so items from prior category here too (Athletic equipment and the Education abroad fees for example)

Expense Summary for Cost Benchmarking

[FY 2013](#)

University of Minnesota - Systemwide *

	a	b	c	d	e	d	e	f	g	h
1	PERSONNEL	Mission	Mission as % of Total	Student Aid	Student Aid as % of Total	Mission Support & Facilities	MS&F as % of Total	Leadership & Oversight	L&O as % of Total	Total
2	Direct Academic	831,648,208	99.6%					3,406,160	0.4%	835,054,369
3	Students	260,393,899	88.2%			34,791,944	11.8%			295,185,843
4	Leadership							104,088,093	100.0%	104,088,093
5	Facilities					61,111,636	88.7%	7,760,681	11.3%	68,872,317
6	Support:									
7	<i>Audit/Finance/HR/Info Tech/Legal</i>					145,011,302	79.5%	37,346,545	20.5%	182,357,846
8	<i>Clerical Support</i>					92,384,704	96.7%	3,108,026	3.3%	95,492,729
9	<i>Coordinators</i>					50,530,742	100.0%			50,530,742
10	<i>Skilled Generalists</i>					51,106,144	86.7%	7,836,469	13.3%	58,942,613
11	<i>Other Support</i>					162,785,003	78.9%	43,446,612	21.1%	206,231,614
12	Support Subtotal	0	0.0%	0	0.0%	501,817,893	84.5%	91,737,651	15.5%	593,555,544
13	Total Personnel	1,092,042,107	57.6%	0	0.0%	597,721,474	31.5%	206,992,585	10.9%	1,896,756,166
14	NON-PERSONNEL	Mission	Mission as % of Total	Student Aid	MS&F as % of Total	Mission Support & Facilities	MS&F as % of Total	Leadership & Oversight	L&O as % of Total	Total
15	Direct Mission Subcontract/P participant	113,211,763	100.0%							113,211,763
16	Supply/Service/Misc	201,696,515	50.8%			145,296,831	36.6%	50,316,691	12.7%	397,310,038
17	Equipment/Other Capital Assets	29,180,021	34.3%			41,553,713	48.8%	14,390,165	16.9%	85,123,898
18	Consulting/Prof Services	81,932,131	69.8%			35,376,469	30.2%			117,308,601
19	Repair & Maintenance Supply					55,686,741	100.0%			55,686,741
20	Utilities					93,443,115	100.0%			93,443,115
21	Rents/Leases					29,565,355	100.0%			29,565,355
22	Student Aid			287,841,258	100.0%					287,841,258
23	Total Non-Personnel	426,020,431	36.1%	287,841,258	24.4%	400,922,223	34.0%	64,706,856	5.5%	1,179,490,767
24	TOTAL EXPENSE	1,518,062,538	49.3%	287,841,258	9.4%	998,643,697	32.5%	271,699,441	8.8%	3,076,246,934

* Excludes expenditures for Enterprise Systems Upgrade Project (RRC: Enterprise Resource Planning), direct construction activity, debt, agency funds activities, cross-unit charges, and ISO Funds

Administrative Cost Reductions And Cost Definitions & Benchmarking Analysis

Cost Benchmarking Categories

Mission

Personnel

Nonpersonnel

Mission Support & Facilities

Personnel

Nonpersonnel

Leadership & Oversight

Personnel

Nonpersonnel

\$15m Per Year
\$90m over 6 Years
Can Impact:

Strategies on the \$15 million Examples:

- Redesign work processes to increase efficiency and effectiveness:
 - ESUP - reengineering/restructuring current processes, applying best practices
 - Procurement – automation of vendor invoicing and payments
- Redesign & reconfigure organizations to increase efficiency and effectiveness:
 - Organizational design (spans, layers)
 - Shared services design across the enterprise
 - Targeted restructurings and attrition
- Leveraging the institution's technology capabilities to drive efficiencies
 - Automation and integration of travel expense processes
- Targeted operational budget reductions (e.g., travel, printing, consulting, supplies, equipment)
- Spending audits and controls; elimination of spending with low value-add

FY13 Analysis - Key Takeaways

- “Operational Excellence” activities in all 3 areas:
 - Direct Mission Delivery
 - Mission Support & Facilities
 - Leadership & Oversight
- Cost saving strategies and efficiency improvements will come from all areas of University operations
- Evidence of specific efficiencies or savings will not be detected in this level of analysis – masked by program growth & service increases
- Refining job families to better understand what people do will help analysis
- Greatest value will be in monitoring data over time
- Focus of the annual budget process

Extra slides

Unit types

Twin Cities Academic Units

- Agricultural Experiment Station (AES)
- Biological Sciences (CBS)
- Continuing Education (CCE)
- Education and Human Development (CEHD)
- Food, Agricultural, and Natural Resource Sciences (CFANS)
- Liberal Arts (CLA)
- Science and Engineering (CSE)
- Carlson School of Management (CSOM)
- Dentistry
- Design (CDes)
- Humphrey School
- Law School
- Medical School
- Minnesota Extension Service
- Nursing
- Pharmacy
- Public Health
- Veterinary Medicine
- AHC Shared

Coordinate Campuses

- University of Minnesota – Crookston
- University of Minnesota – Duluth
- University of Minnesota – Morris
- University of Minnesota - Rochester

University Support Units

- Academic Affairs & Provost Office
- Athletics
- Audit
- Auxiliary Services
- Controller's Office
- Capital Planning and Project Management (CPPM)
- Equity and Diversity
- Facilities Management
- Global Programs and Strategy Alliance (International Programs)
- Graduate School
- Health Sciences
- University Libraries
- General Counsel
- Human Resources
- Information Technology (OIT)
- President's Office
- Public Safety
- Regent's Office
- Research – Vice President
- System Academic Admin– Sr. VP
- Scholarly Affairs
- Student Affairs
- Systemwide accounts
- University Finance
- Undergraduate Education
- University Health and Life Safety
- University Relations
- University Services

Other funds

- 1023 – Clinical Services
- 1024 – Indirect Cost Recovery
- 1025 – Uncollectible Costs Sponsored
- 1026 – Other Unrestricted
- 1030 – Private Practice
- 1500-1504 – Federal Work Study
- 1510-1524 – Pell & SEOG Grants
- 1530 – Federal Agencies - LOC
- 1531 – Federal Agencies – Non LOC
- 1601-1604 – State Work Study
- 1610 – State of MN Non Sponsored
- 1613-1614 – ARRA
- 1700-1705 – Foundations
- 1730 – Local Governments
- 1750 – Endowment Target
- 1751 – Individual and Others
- 1752 – UofM, Mayo, Niotech Partnership
- 1780 – Business and Industry
- 1901 – Hatch Funds
- 1902 – McIntire-Stennis fund
- 1903 – Animal Health/Dis Vet Med.
- 1904 – Animal Health/Dis Ag Exp
- 1905 – Multistate Research
- 1907-1911 – Smith Lever Funds
- 1912 – Renewable Resource Program
- 1914 – EPA Pesticide Safety

Agency Funds and ISO Funds excluded from analysis