Senate Committee on Finance and Planning (SCFP)
January 17, 2017
Minutes of the Meeting

These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the senate, the administration, or the Board of Regents.

[**In these minutes:** Facility Condition Assessment; Student Academic Experience; Administrative Cost Definition and Benchmarking; Gopher Athletics Update]

PRESENT: Dan Feeney (chair), Catherine Fitch, Daniel Lockren, Tracy Peters, Michael Berthelsen, Linc Kallsen, Jill Merriam, Michael Volna, Jennifer Gunn, Michael Korth, Carl Rosen, Karen Seashore, Erik van Kuijk, Danny Bernick

REGRETS: Robert Goldstein, Fred Morrison

ABSENT: David Fisher, Laura Kalambokidis, Paul Olin, Julie Tonneson, Karen Ho, Aravind Boddupalli, Mark Kanake, Varun Sood

GUESTS: Mike Berthelsen, interim vice president, University Services; Bill Paulus, interim associate vice president, Facilities Management; Brian Swanson, chief financial officer, University Services; Sue Van Voorhis, associate vice provost and University registrar, Academic Support Resources and University Registrar; Linc Kallsen, director of institutional analysis, University Finance; Michael Volna, interim vice president and controller, University Finance; Brian Burnett, senior vice president for finance and operations, Office of the Senior Vice President for Finance and Operations

OTHERS: None

Chair Dan Feeney welcomed the committee and members introduced themselves.

1. Facility Condition Assessment - Feeney introduced Mike Berthelsen, interim vice president, University Services, Bill Paulus, interim associate vice president, Facilities Management, and Brian Swanson, chief financial officer, University Services, to present a report on the Facility Condition Assessment (FCA). Berthelsen began by noting that University Services looks annually at this assessment of facility conditions, and uses the data to chart where the University should invest in facilities in the future. Every five to six years, external architects/engineers are hired to inspect University buildings, provide a visual assessment, and rate the facilities. A comprehensive report (information, assessment, photos) is then created to assess the value, condition, and the cost to update buildings, in priority order, said Berthelsen.

While most buildings built prior to 1951 were built very well and continue to last many years, post-war buildings are generally of lower quality and are not aging as well, said Berthelsen. Approximately 22% of University space was built prior to 1951, while 39% are post-war

(1951-1975), and 19% are modern (built between 1975-1990), with quick-flash construction of lower quality. ‘Complex’ buildings built since 1990 (20% of University space) are of good quality, highly technical, and costly. In comparing this University data to information from the Sightlines database (a company that provides facility benchmarking data for higher education nationally), on average, 16% of higher education facilities nationally were built prior to 1951, 31% in the ‘post-war’ period (1951-1975), 17% in the ‘modern’ period, and 36% in the ‘complex’ period. Many buildings from the same period come due for repairs at the same time, he noted. The FCA scope is very broad, and encompases:

- Building exterior - roofing, foundations, windows, walls, structure
- Building interior - elevators, stairs, interior finishes, classrooms
- HVAC systems - ductwork, piping, controls, etc.
- Electrical systems - generation, distribution, lighting, security
- Plumbing - fixtures and hardware, domestic water, drains, waste, vents, storm drains
- Fire/Life safety - equipment, alarm systems, sprinkler systems, stand pipes
- Site - walkways, plazas, lighting
- Code/Accessibility - internal building code, state code, MN Accessibility code

To calculate the Facility Needs Condition Index (FCNI), the cost of building needs over the next ten years is divided by the facility replacement value, and rated as follows:

- Excellent: 0.00 - 0.10
- Good: 0.11 - 0.20
- Fair: 0.21 - 0.30
- Below average: 0.31 - 0.50
- Poor: 0.51 - 0.60
- Critical: 0.61 and above

Poor and critical buildings are those that have been deemed unreliable, with an increased risk of outages, leaks, and floods, and are uncomfortable, unattractive, and unaffordable due to operational inefficiencies such as inferior windows, insulation, controls, and accumulated deficiencies relating to code and accessibility, said Berthelsen. Yearly “Occupant Opinion” polls show a strong correlation between satisfaction and the FCNI rating. Poor and critical condition buildings are increasing in number over time, he added, and it will cost approximately an additional $5 per square feet investment to sustain the current overall level of .34 FCNI for facility conditions (net of renovations for some and the continued aging for others). The University is seeking to address this problem through the use of Higher Education Asset Preservation and Replacement (HEAPR) funds, Replacement and Renewal (R&R) funds, and by removing buildings from the University’s inventory.

The Facility Investment Model is used to make decisions on which buildings to dispose of or to replace, sustain, or improve, said Berthelsen. The model ranks facilities based on their FCNI, renovation cost, annual operations and maintenance costs, energy demand, space efficiency, historical value, and code rating (which notes code deficiencies). This ranked list is then evaluated with consideration to building adaptability, fit with the master facilities plan, building image and aesthetics, site use, impact to programs, and economics. The University has made progress on several critical facilities; for example, the Tate Laboratory renovation. Future projects include the Plant Growth Research Facility, Pillsbury Hall renovation, and Mayo replacement, among others. Other projects are in the beginning stages of development, including Saint Paul campus lab investments, and renovation to the Biological Sciences Tower. Berthelsen added that since the revenue stream is unpredictable, it is difficult to know exactly when projects can begin.

Karen Seashore asked how many issues could be attributed to a building's' historical significance. Berthelsen replied that there are several levels of historical significance; buildings may either be on the Historical Register, or be eligible to be put on the Historical Register. If a building is on the Historical Register, it does not prevent taking the building down, but it requires additional steps. Using Tate Laboratory as an example, Berthelsen noted that it was less expensive to renovate the building than it would have been to take down the building and erect a replacement. Some pre-war buildings are built very well, and can be renovated to be made more useful. Another example is Pioneer Hall; there were sustainability and cost savings by renovating the hall rather than replacing it. Many post-war buildings, due to their poor quality, will have to come down, said Berthelsen.

Feeney asked if in general it costs more to renovate than to rebuild. To build quality buildings, new buildings could generally not be built for less than renewing an existing building, due to cost savings in place like existing exteriors, floors, etc., Berthelsen responded.

Tracy Peters asked if the data provided to the committee was for the Twin Cities campus only, or if it was system-wide. Berthelsen replied that this data is for the Twin Cities campus only, but there is data for the system campuses which could be provided to the committee.

2. Student academic experience - Feeney introduced Sue Van Voorhis, associate vice provost and University registrar, Academic Support Resources, to give an update on the student academic experience after the Upgrade. Van Voorhis began by noting her presentation would focus on updating the committee on the changes that had been made since the initial Upgrade launch two years ago.

The Campus Solutions Upgrade removed 53% of customizations in the student system; Van Voorhis noted that Academic Support Resources (ASR) communicated to users before the Upgrade that this would cause user frustrations and create some inefficiency due to previously available customizations. The expense of the Enterprise Systems Upgrade (ESUP) for the student project portion was $8.7 million, which included functional expenses only, and not development costs. This portion of ESUP included $5.5 million paid to Sierra Cedar consultants, and $3.2 million to University staffing and consultants.

Several applications were retired or replaced, said Van Voorhis, though a number were retained, including:

- Department Service for Scholarships
- Scholarship Service
- Education Abroad
- Law School Registration Lottery

- Advising Service
- Academic Progress Audit System (APAS)
- Graduation Planner
- APLUS
- Program/Curriculum Approval System
- University Catalog with PCAS data
- Electronic Course Authorization System (ECAS)
- Schedule Builder

Van Voorhis provided the committee with an overview of the timeline of upgrades to the Peoplesoft system, noting that between 1996-1998, the Human Resources and Class Scheduling systems were put into place; an upgrade to version 7.5 was completed in 1999; an upgrade to version 8.0 was completed in 2000; and an upgrade to version 8.9 completed in 2006. The Enterprise Financial System (EFS) was added in 2008, and ESUP took place from 2012 to 2015. Since the Upgrade launched in 2015, several bug fixes, enhancements, compliance changes, and vendor updates have been completed, and others are in progress. An average of 24 items were completed per month during 2016, noted Van Voorhis.

ASR has several student and academic priorities for this academic year, including a class/course project, which seeks to address issues related to compliance (e.g., financial aid, accreditation), improve access to course and class information (e.g., reporting), and improve the class search experience. Van Voorhis noted that other priorities include the rollout of the Grad Planning and Audit System (GPAS), student workstream reporting and analytics, and upgrade preparations for the Classroom Scheduling (CS) and APAS systems.

An internal audit of the CS upgrade was in progress, said Van Voorhis; this audit will provide an analysis of student system functionality, controls, and data accuracy by looking at administration information and communication, system functionality and support for users, and data integrity. Five advisors have been interviewed, and two surveys conducted for this audit. The audit findings are still in progress, but preliminary data indicates that while the student system is providing the necessary functionality, some users are frustrated by the simplified model. More specifically, there has been a lot of feedback from academic advisors that the upgraded system requires more "clicks" and more systems to perform their job, and that the advisor time to assist students could possibly jeopardize the student experience, noted Van Voorhis. Regarding data integrity, the internal audit found some issues with user access not being limited to business need, duplicate student and employee ID creation (at over 200 per month), and the need to increase monitoring of Satisfactory Academic Progress (SAP). In fall semester 2015 and spring semester 2016, there were 49,386 Not Reported (NR) grades posted. On November 1, 2016, 1,967 NR grades remained in the system because they had not been updated by instructors and colleges. It was recommended that ASR implement a follow-up process to notify instructors and colleges when grades had not been updated.

There are currently 300 Collaborative Class Schedulers (CCS) at the University, said Van Voorhis. There are several data entry errors made by schedulers which cause delayed grade entry, including entering graduate students as Primary Instructors (rather than as Teaching

Assistants), not listing a class instructor at all, and/or setting up meeting patterns incorrectly. ASR will be adding additional communications to CCS staff to highlight these issues and the importance of accuracy of information.

Van Voorhis noted that a recent survey of system users, which included responses from 246 advisors (38% of respondents), and 151 faculty go-to staff members (46% of respondents), highlighted the importance of and need for real-time help and training for processes, and better communication on the location of help guides on the Peoplesoft website. Additionally, survey respondents noted that reports were not helpful in the new system. 75% of advisors completing the survey said that students needed more of their time due to the registration process, while 69% of faculty go-tos said that Schedule Builder was not easy to use, and reported that faculty were not able to search for classes using any of the available tools. In response to feedback, ASR is is launching several projects, including improvements to class search functionality for better integration between the self-service tools students use to find courses (Schedule Builder) and the course registration system, said Van Voorhis. Additionally, ASR is working on a better long-term reporting solution for faculty after the loss of the Class Search tool.

After the Upgrade launch, ASR became responsible for operational reporting and analytics, including student degree progress, operational reports, and class enrollment status. Currently improvements to reporting and analytics are passing from the planning and discovery phase, and pausing for Peoplesoft Tools 8.55 through April of 2017. From April to October of 2017, the Peoplesoft 9.2 Technical Upgrade will take place, and new features and functionality are projected to begin review by November.

Van Voorhis added that there is an upgrade slated for APAS, the degree audit system, to upgrade the outdated system and replace the back bridge technology; the new program will be called U.Achieve. Currently, ASR is conducting a fit-gap analysis of U.Achieve, reviewing the analysis of the Academic Advisement module, and reviewing the functionality of the Grad Planner tool and future solutions. The next step will be product selection and implementation. U.Achieve is expected to serve as a self-degree service audit for students and their advisors, showing progress toward degree, and transfer credit details for pre- and co-requisite checking. Additionally, ASR is looking into implementation of a Transfer Evaluation System (TES) that will integrate seamlessly with the Office of Admissions, APAS, and colleges and directors of undergraduate studies who made decisions, said Van Voorhis.

Karen Seashore asked about CCS errors, and what was causing the issue. In her department, she noted, most errors seem to be staff errors and not system errors. Van Voorhis replied that for staff errors, sometimes more training is needed, though staff do not always attend training sessions held by ASR. When there are serious and repeated issues with staff entry, she added, sometimes she will notify the dean of the college so that training needs can be addressed.

Seashore asked about the TES system, and if it will be available to graduate students as well as undergraduates. Van Voorhis responded that currently, the Graduate School has indicated they are not interested in the system, but if this changes, graduate students could be included.

3. Administrative Cost Definition and Benchmarking - Feeney introduced Linc Kallsen, director of institutional analysis, University Finance, and Michael Volna, interim vice president and controller, University Finance, to discuss administrative cost definition and benchmarking. Volna provided an overview of cost definition and benchmarking, which included an analysis of four spending areas: direct mission delivery, student aid, mission support and facilities (which support the delivery of mission activities), and leadership and oversight (the leadership, direction, control and management of the mission). Volna noted that costs in all three of these categories occur throughout the organization and have multiple funding sources. Personnel costs are based on job codes that are assigned one-by-one to each category, while non-personnel costs are assigned based on a combination of function designation (instruction, research, etc.) and account code (consulting, subcontract expenditures, etc.). All types of expenditures are included, and this ties to the general ledger, said Volna. Types of positions in direct mission delivery include tenured and tenure track professors; adjunct instructors, lecturers, and clinical professors; Extension educators; health science professionals; scientists and laboratory technicians; and, students in teaching assistant, research assistant, or fellowship roles. Mission support and facilities includes non-supervisory positions in auditing, finance, human resources, information technologies, legal and clerical support, advising, and trades. Leadership and oversight includes executive leadership (president, vice presidents, chancellors, provost, and vice provosts), academic leadership (deans and associate deans, department chairs), directors (program, department, campus, and system-wide), and supervisor and managerial titles across the organization.

Kallsen provided some methodology updates regarding how expenses were analyzed, and noted that analyzing the data was made more complicated by the Job Family Study. University Finance has right-sized this data so that personnel expenses reflect the FY16 job family placement when comparing to data from FY15 and FY14. All capital expenditures that are not coded as instruction, research, and public service were included in the mission support and facilities category; none in leadership and oversight. For FY16, across the entire system, 49.1% of total expenditures were in the mission category ($1,657,199,000), 9.5% in student aid ($321,866,000), 32.8% in mission support and facilities ($1,105,261,000), and 8.6% in leadership and oversight ($289,878,000). Volna noted that the data is essentially unchanged from previous years; while the $15 million per year reallocation is often discussed, very little change is seen when monitoring expenditures at this high level.

Kallsen noted that 60% of total spending for FY16 was in the Twin Cities academic units, which represents 89% of total mission spending, 39% of total mission support and facilities spending, and 49% of total leadership and oversight spending. 61% of total spending was on personnel costs, with 46% of that number supporting direct academic positions (faculty, instructors, scientists). Growth in personnel costs was even across all categories (3.5%-3.8%) after the job family restructuring was implemented, said Kallsen.

In reviewing trends over the past three years, Kallsen noted that administrative reallocations are increasingly necessary to cover core cost increases in all categories, and not just for investment in new mission activities (library materials, technology licensing and maintenance, regulatory compliance, debt service, utilities, salaries, benefits, etc.). The lack of growth in available sponsored funding increases the University's mission spending and investment, he added.

Volna provided an overview of the original 2012 goals for the cost definition and benchmarking analysis, which have to date, been achieved:

- Develop a shared understanding of total University spending;
- Promote a broader dialogue of the University's cost structure;
- 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.

Kallsen said that colleges also receive this data, for their college only. Data at the unit level offers a different view of spending, helping leaders to better understand the components of their costs and how to manage them. Additionally, Kallsen noted, this information is used to frame directions to units for implementing reallocation plans, and is available as a tool for investigating unit activities, or identify trends outside of a normal range.

The Board of Regents have found this data helpful, said Volna, and have elected to continue to receive the data in a yearly report. In the future, University Finance will continue the analysis on an annual basis and share unit level results with campuses, colleges, and support units as part of the annual budgeting process.

Seashore noted that from the faculty perspective, administrative tasks seem to have been redistributed to faculty members due to administrative staff cuts. Seashore asked if University Finance had looked at how work was being redistributed at the college level. Kallsen responded that there is likely variance between colleges, but that University Finance had not looked at this data; these types of reports can technically get down to the DEPTID level, which might provide some clear data.

Feeney added that SCFP, in discussions with the provost and college deans over the past two years, were told by some colleges that their unit was having trouble with their teaching and research mission in face of administrative cuts.

4. Gopher Athletics update - Feeney introduced Brian Burnett, senior vice president for finance and operations, Office of the Senior Vice President for Finance and Operations, to discuss the recent Gopher Athletics issues and provide an update. Feeney also drew attention to a recent article in Bloomberg, *College football's top teams are built on crippling debt*, which indicates that the University has the ninth most heavily-indebted program in the country, at around $200 million, and asked Burnett to respond. Burnett said that with the decision to make a coaching change in the Gopher Football program, a combination of one-time and recurring cost increases would be incurred by intercollegiate athletics. The University has, in the past, provided assistance in these cases, and is able to do so again. The department currently has $1.45 million available in a "coaching transition reserve" account, and that full amount will be utilized first in covering the costs of the coaching transition. The total cost of the transition, including buyouts, will be approximately $3.5 million, and could be as much as $7 million depending on final negotiations and decisions, said Burnett. The University will commit to loaning central reserves to the Department of Intercollegiate Athletics to to cover the amount above $1.5 million, and will work on a multi-year repayment plan once final costs are known and department annual budgets solidified. Recurring cost increases are also needed, based on an upward market adjustment in salaries to secure a competitive head coach and assistant coaches for the program. Burnett noted that the department estimates these changes will range from $1.5 to $2 million in additional annual expenses, which is approximately 2% of the department’s $105 million annual operating budget. The salary for P.J. Fleck, head coach, Gophers Football, he said, is in the middle of the Big 10 conference, and these costs are not uncommon.

Addressing the Bloomberg article, Burnett said that the numbers provided in the article were misleading. For example, the $200 million debt figure includes $100 million in debt that the State of Minnesota owes for TCF Stadium; this debt is not owned by the University. Additionally, TCF naming rights cover an additional $20 million of the $200 million figure, and an additional $10-$15 million includes commitments for Gopher Athletics facilities. The actual debt of the program is about $62 million, which is supported by television revenues, ticket sales, and fundraising, said Burnett. Many items will be paid off within the next year, and the department will then be able to devote resources to other debts. Currently, Gopher Football revenue nets $23 million, and Gopher Basketball nets $1.5 million, he added; the Gopher Athletics budget is in the middle of the Big 10.

Daniel Lockgren asked if there had been negative feedback on the coaching transition from the legislature. Burnett replied that many in the legislature were supportive of the coaching change, and that Mark Coyle, director, Intercollegiate Athletics, was determined to change the tenor, tone, and culture of the football program. It is the goal of Fleck, he noted, to help change that culture and to increase game attendance and therefore ticket revenue.

Seashore asked how this issue might affect non-athletic fundraising. Burnett responded that he had been in conversations with the University of Minnesota Foundation, and they had not reported any fundraising issues tied to the Gopher Athletics issue. Big capital investments are already underway, he added, and the University needs to find the best talent; that comes at a high cost, but is also a high revenue-generator.

Hearing no further business, the meeting was adjourned.

Barbara Irish
University Senate Office