

**Subcommittee on Twin Cities Facilities
and Support Services Meeting Minutes**

September 14, 2010

8:30 ~ 10:00 a.m.

Weisman 111

[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 represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

[In these minutes ~ Capital Planning and Project Management (CPPM) restructuring presentation]

Present: Lyndel King (chair), Bernadette Corley Troge, Jeremy Todd, Denny Olsen, Gregory Cibuzar, Keith Carlson, David Crane, Stephan Roos, Kevin Upton

Regrets: Mike Berthelsen, Tony DeAngelis , Joseph Jameson, Lorelee Wederstrom, Laurie Schiech

Absent: George Wilcox

Guest: Michael Perkins, Associate Vice President Capital Planning and Project Management

Lyndel King called the meeting to order and welcomed those present. She asked the committee members to introduce themselves and describe their experiences with facilities.

She also indicated the committee would not be able to meet at the Weisman Art Museum after December due to construction work on the expansion of the museum. Beginning in January, meetings will be held in Morrill Hall.

Ms. King indicated the October committee meeting would include a hardhat tour of the Weisman Art Museum Expansion. She also asked the committee to consider what topics they are interested in addressing this year and to e-mail her with their suggestions.

CPPM - Michael Perkins

Ms. King introduced Michael Perkins Associate Vice President of Capital Planning and Project Management (CPPM) who gave a presentation on CPPM's restructuring and the impact it will have on the University. Mr. Perkins provided the committee with a handout to accompany his presentation. He began by discussing the reasons for restructuring. He stated financial constraints were driving the restructuring. CPPM's funding is 27% from central funds and 73% from internal service. As an internal service organization any work done by CPPM's project delivery group must be paid for as it goes. CPPM was allocated \$4 million for their overhead for projects, however, when entities within the University cut back on projects, the demand for CPPM services

decreases, and CPPM must cut its budget. Due to CPPM's structure it could not take an incremental approach to cutting their organization, and instead cut 20% at once.

The goals of the restructuring plan include: restructuring objectives, service, accountability, stewardship, and partnership. Mr. Perkins emphasized objectives of leadership consistency and cohesive, high performance teams. He also indicated the need for understanding the academic enterprise and infrastructure, and delivering the approved product on time and within budget. With regard to the partnership objective, he emphasized the need to look at outside models to change CPPM's structure and financial management, and the need to build partnerships with innovative organizations that model best practices. He stated some outsourcing must be considered.

Mr. Perkins elaborated on the economic downturn as a driver for restructuring; explaining that architecture and contracting firms had been particularly hard hit. He stated that CPPM normally lags behind the outside market by 18 months. So although the financial markets bottomed out in 2008, the University's projects dried up 18 months later. He further stated, project volume is down significantly, from a high of 600 projects in 2004 to 21 projects today, and the value of those projects has dropped by fifty percent.

Other drivers behind restructuring are:

- FM construction, an outside contractor, became effective six months ago. FM handles smaller projects at the University.
- The project backlog is now maturing. The 300 projects that were in backlog are now in the construction phase. CPPM is closing projects twice as fast as they are starting new ones.
- Although CPPM received \$50 million in HEAPR/stimulus funding, most of those projects are already assigned.
- Finally, he said the State government mandated a change in the charging structure in order to have a consistent rate model on all projects. The new rate model revenue impact is uncertain.

Several questions followed regarding the impact and function of FM construction. Mr. Perkins explained that CPPM would evaluate the simplicity of the requested project and make a determination of whether it is an appropriate project for FM, but the CPPM customer should not notice any difference in the service. He further explained, there is a call center with an FM coordinator who assists in filling out project request forms. Then CPPM determines if CPPM or FM handles the project. Mr. Perkins added that four or five CPPM staff were transitioned to FM.

Next, Mr. Perkins discussed what CPPM wants to accomplish with the restructuring:

- A stronger organization over the next three to five years.
- A structure that will hold everyone accountable for his or her individual actions and for the success of the organization.
- A structure that will help CPPM focus its efforts, resources and vision for the coming years, and add value to the University.

Mr. Perkins presentation continued with the timeline for the restructuring and the personnel reductions that were required. The planning took place from December 2009 to April 2010 and the announcement was made to CPPM employees on May 17 and 18, 2010. He stated all the employees were walked through the plan on an individual basis. He further noted, 12 civil service employees left on June 30 and five P&A employees left on August 18. Overall, CPPM had a 37% staff reduction.

He then explained the impact of the restructuring on CPPM's work. He stated they must change the way they have been doing business. They must carefully evaluate the effectiveness of everything they are doing, and do more with less. In response to Ms. King's question about what things CPPM will no longer be doing, he stated they were working to simplify process and policy. Mr. Perkins gave an example of simplifying the purchasing process. For instance, when working with Indefinite Demand Indefinite Quantity contracts, there could be pre-established groups of contractors available to give a proposal. Having good quality teams in place ahead of time rather than going through the bid process would be more efficient and give a better quality result. Mr. Todd echoed Mr. Perkins sentiments. Stating this type of approach would create performance gains. Mr. Perkins responded that it would be helpful if the committee provided a recommendation or statement supporting process simplification within CPPM.

Mr. Perkins went on to state CPPM must be more practical and nimble and spend more time in planning and less in execution. They must have good partners within University departments and outside the University. CPPM wants the restructuring to have little or no impact on its University customers. But, it will need to charge for all of its time on projects now. Projects will no longer be charged on a percentage-based formula. Now each individual and team must be 75 % productive or billable. This process makes customers a partner in making financial decisions. Stephan Roos asked if this is a time and material system or if CPPM provided a bid up to a certain point. Mr. Perkins answered that CPPM currently has a rate structure for all functions in the organization. But they want to be able to do an estimate system, more like the outside world by next year. Mr. Perkins mentioned next year he could provide the committee with information on the efficiencies the restructuring has created.

Mr. Perkins then reviewed the CPPM reduction summary provided in the materials, and completed his presentation with a discussion of the positions subject to future evaluation. He stated eight positions are in line for reevaluation in FY 2011, and the organizational chart is now structured with three project delivery teams. Rather than four geographically aligned teams.

Following Mr. Perkins remarks, committee members asked several questions. Bernadette Corley Troge asked, if a CPPM customer presented CPPM with a \$500,000 project would they be required to immediately provided CPPM with \$10,000 for pre-design costs. Mr. Perkins advised if a capital project is over \$500,000 it should be in the capital budget otherwise it must be presented to the Board of Regents as a capital budget amendment, and this is a more cumbersome process. Also if the project is over \$500,000, it needs pre-design work and CPPM must receive \$10,000 for this work.

Gary Davis asked if there are sufficient systems in place to insure disappointments like the underground library storage project do not happen again? Mr. Perkins explained that the physical aspect of the CPPM system works but is sometimes overridden by political or functional consideration or the availability of funds. Mr. Davis commented further that he wanted assurance that the hard fought learning is not lost with the restructuring of CPPM. Mr. Perkins responded that the personnel who remain at CPPM are good process managers, but that they are not always listened to and under the University system, the customer prevails.

Mr. Roos asked to what extent it is wise for the University to outsource. Mr. Perkins responded with regard to CPPM, there are two basic service functions to be examined, planning and architecture. The University needs people with a big picture stewardship view of the projects. But outside contractors bring background and experience in architecture, engineering and project management that CPPM does not have. So outside firms can better handle this aspect than CPPM.

Ms. King thanked Mr. Perkins for his presentation.

Hearing no further business, Ms. King adjourned the meeting.

Dawn Zugay
University Senate Office