

Minutes*

Senate Committee on Finance and Planning
Tuesday, November 29, 2005
2:30 – 4:15
238A Morrill Hall

Present: Fred Morrison (chair), Charles Campbell, Arthur Erdman, Steve Fitzgerald, Lincoln Kallsen, Joseph Konstan, Michael Korth, Ian McMillan, Kathleen O'Brien, Kathryn Olson, Richard Pfutzenreuter, Justin Revenaugh, Karen Seashore, Michael Sertich, Alfred Sullivan, Kate VandenBosch

Absent: Calvin Alexander, Christina Bachmeier, Rose Blixt, Daniel Feeney, Dan Hennen, Thomas Klein, Judith Martin, Jacob Olson, Charles Speaks, Thomas Stinson, Susan Van Voorhis, Michael Volna, Warren Warwick

Guests: none

[In these minutes: (1) administrative strategic positioning task forces; (2) six-year capital plan and 2006 capital request; (3) faculty salary goal]

1. Administrative Strategic Positioning Task Forces

Professor Morrison convened the meeting at 2:30 and turned to Vice President O'Brien to provide an update on the work of the administrative strategic positioning task forces. He noted that there will be a report to the Regents next week on this same topic; this meeting is a chance for the Committee to get its oar in if it wishes to do so.

Vice President O'Brien distributed copies of a set of slides and began by discussing the relationship between vision, strategies, plans, and budgets. She recalled President Bruininks's declaration, in his inaugural address, that "the University of Minnesota will be known as much for its service and business innovations as for its high quality research, education, and outreach." Those in support services see the President's statement—vision— as a challenge; they appreciate the recognition and need help in strengthening what they do.

The guiding principles—the strategies—define the playing field. These include (and are largely direct quotes) working toward optimal alignment of administrative services with the academic mission, openness to reviewing all and any administrative process, structure, and policy (that is, everything is on the table), recommending administrative initiatives that can be implemented within the targeted timeframe, identification of structures and processes that can remove barriers, eliminate duplication, and reduce regulation, assumption that any such recommendations will be University-wide (with minimal opt-out provisions and only for specific reasons agreed on in advance), emphasis on the need for decision-making that is driven by reliable information rather than past practice or anecdote, and understanding the impact of change on individuals and units and planning appropriately.

The objective, Ms. O'Brien said, is to provide administrative services at the best value to support the education, research, and service missions of a top-ranked public research university. The

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administrative culture and services will be integrated and cross-functional. The action areas include recognizing the University (campuses, colleges, departments) as a single enterprise; embracing and achieving a culture that is committed to excellence, service, and continuous improvement; transforming the "centralized versus decentralized" administrative structure; adopt best-practices management tools; focus administrative support on serving students, faculty, and academic units; maximize opportunities for people of the University to grow, develop, and contribute; and optimize the use of the University's physical, financial, and technological resources.

Vice President O'Brien then identified foundational work and current projects for four of the action areas. In the area of a single enterprise, for example, foundational work includes development of "single enterprise" systems and current projects include Resource 25, the new classroom scheduling system, and a single IT network. On the example of Resource 25, Professor Konstan asked if there is place where resolution of conflicts will take place. For instance, perhaps the University could serve students better (by having classes when they want them, concentrated early in the day) and faculty research (by concentrating classes, allowing larger blocks of time) by being INEFFICIENT in the use of classrooms. He would not argue that is the case, but is there a place where these potential conflicts can be resolved? Ms. O'Brien said there are a number of places, including the administrative task force steering committee. She noted that space is debated holistically during the capital planning process (what is the right kind of space, how much is needed, and so on). Professor Konstan's question is important: is the process asking all of the questions and the right questions? Professor Konstan commented that there needs to be someone watching to see when optimizing (in one area) might not be optimal (overall).

The vision of administrative strategic positioning is to break down barriers between and across units so that resources can be leveraged to achieve transformational change and achieve the President's objective. The task forces are at work, identifying projects and keeping focused on action areas, and there is substantive work in each area that one can point to as implementation. Ms. O'Brien reviewed the implementation structure, the responsibilities of the steering committee (and its membership), its objective, and the general responsibilities of the task forces (achieve system-wide success, refine and periodically verify the scope and direction, and provide direction and resources to project implementation efforts). She said that she expects to receive reports from the task forces in January and they will be on line in February for review. That will be when the Committee reviews them as well.

Professor Erdman asked two questions. One, how will the reward system for faculty and staff change to ensure the success of these efforts? Two, how will the process sustain itself over the years? Vice President O'Brien noted that one of the administrative task forces is "People," and that group has talked with Human Resources Vice President Carol Carrier about compensation and performance. There is a recognition that if the University is to develop people, compensation and reward need to be looked at. Professor Morrison said that this would also involve the creation or changing of job families so there would be progression opportunities; job satisfaction as well as cash compensation will be part of the equation.

As for the second question, Vice President O'Brien said the President has asked that the task forces remain in place for two years to assess the changes for their efficacy. The reports from these task forces will look different from the academic task forces. The task forces will meet to assess projects, whether they require redirection, and whether they are on track.

Professor Seashore asked what is meant by "transforming the 'centralized versus decentralized' administrative structure." The objective is a defined, distributed administrative structure, not centralized or decentralized, but rather aligned and integrated, Ms. O'Brien said. The goal is to restructure activities so they are at the level they belong (central, college, department) and that they have appropriate

resources. They are assessing each management system and functional area to determine what needs to be centralized, what decentralized, and where there are core competencies and appropriate resources. Professor Seashore said that a one-size-fits-all model could be difficult because colleges vary in size so much; CLA may be able to do things on its own that the Humphrey Institute could not. Professor Morrison noted that another task force is looking at small colleges to see if there are economies of scale that could be achieved. Ms. O'Brien said that there are discussions with the small college task force and she agreed that one size would not fit all; they will need to fine-tune the system to meet the needs of the colleges. Professor Seashore observed that it would not be desirable to rationalize the University by making all colleges the same size. Ms. O'Brien agreed but said that a defined and distributed system does work in large, complex organizations and it can work at the University; such a system is necessary to eliminate duplication and ensure quality. There are also regional and sub-regional approaches, Mr. Kallsen said; Professor Morrison concurred, noting that some activities could be collegiate and some regional in order to ensure all units are covered (e.g., West Bank, St. Paul, AHC, etc.). Ms. O'Brien said they expect a mixed model. Are they looking at other universities doing the same kind of vigorous planning, Professor Seashore asked? They are, Ms. O'Brien said, in particular UC San Diego and the University of Illinois.

Professor Konstan asked if Vice President O'Brien had any sense of how information would be disseminated to unit levels. Departments are managed by people who have been promoted for things other than their management skills and they do not receive a lot of training. If information is to filter down, they need to be sure department heads receive advice based on the profile and budget of the department. Ms. O'Brien said that is exactly right and which is where the challenge of implementation will come in. A broader group from across the University must be engaged to achieve implementation. One project might be a "chair camp," Professor Morrison said, which would be a more fulsome training program for people appointed to management positions.

A number of service unit heads can do things without cross-unit work, Professor Konstan said. For example, Parking successfully spent effort years ago to consolidate parking spots centrally when they had been considered, in some cases, the property of colleges or units. On the other had, Parking still has a line in its publications stating that the only reason justifying special reciprocity in parking is for teaching- which is strange for a university that has as its goal being one of the top three public research universities. In fact, Parking does not enforce that rule and recognizes that research is important, but the rhetoric sends the wrong message.

Professor Morrison thanked Vice President O'Brien for her report.

2. Six-Year Capital Plan & 2006 Capital Request

The six-year capital plan went to the Regents in November for information and will be acted on by the Board in December, Professor Morrison reported. In the meantime, Vice President O'Brien met with the Subcommittee on Capital Projects and Campus Master Planning, chaired by Professor Erdman.

Vice President O'Brien distributed another handout and, with Vice President Pfitzenreuter and Executive Associate Vice President Sullivan, led the discussion of the six-year capital plan. The principles guiding the plan are: "ensure long-term academic excellence by aligning capital projects with the University's strategic positioning goal and action step, promoting asset stewardship by investing in existing facilities and infrastructure, addressing academic and service unit priorities, leveraging space utilization opportunities, [and] upholding the institution's financial position and debt capacity." In other words, if the University is to be among the top three public research universities, Ms. O'Brien said, what

does that mean for facilities? In terms of "promoting asset stewardship," the University has existed for over 150 years and will be here a lot longer; how can it get the best use of its buildings and its information technology and research infrastructure? In terms of "leveraging space utilization," the University cannot afford to add 28 million gross square feet of space every 50 years, it would probably not build that much space if it were starting anew, and it needs to make the best possible use of the space it has. "Upholding the institution's financial position" means that it has to have the money to pay for facilities.

Vice President O'Brien reviewed the schedule and components of the six-year capital plan. The 2006 capital budget plus the plans for the next five years make up the plan. The 2006-2011 plan will continue to include an all-funds debt projection and financial planning parameters, will include a separate section for projects that have permission to seek federal funding (this is the first time this element has been included, but it will require a disciplined decision about what is most important and cannot be a license for many projects to seek federal funding), and adds flexibility to the 2010 capital request by limiting specific projects (because strategic positioning could lead to identification of projects that are not known today).

Dr. Sullivan, alluding to the principles that Vice President O'Brien had enunciated, observed that many projects fit under more than one principle. Some examples of the principles in action, however, are inclusion of Physics and a new Medical Biosciences Building in the six-year capital request as part of aligning capital projects with strategic positioning; addressing academic and service unit priorities is exemplified by including the Science Teaching and Student Services building (replacing the Science Classroom Building at the end of the Washington Avenue Bridge), the UMD Labovitz Business School, and Research and Field Stations, Land Care Facility (the University is a small city and has much it must take care of), and Land Purchases; seeking to leverage space utilization is represented by the Carlson School of Management expansion (which also provides space for CLA) and the Strategic Positioning Reallocation Fund (\$15 million to cover reallocation costs that are expected although not yet identified). The Carlson School expansion, planned in the context of the West Bank as an area, will save the University approximately \$18-20 million and yet another project on the West Bank. "Promoting asset stewardship" is represented by including funding for HEAPR, Folwell and Northrop exterior stabilization (e.g., tuck pointing, roofs) and the Briggs Library at Morris. (Folwell and Northrop stabilization will cost \$15 and \$21 million, respectively, but will save having to pay more later.) Professor Morrison noted that part of the façade of the U. S. Supreme Court recently fell off, and a similar incident at the University "would be bad."

Mr. Pfutzenreuter next reviewed the University's debt capacity. The University has approximately \$596 million in debt capacity for 2006-2011; the question is how to pay for it were it to be used. The proposed six-year capital plan, if fully funded, plus other projects (including a new football stadium), would use \$392 million of that capacity, leaving \$204 million unused. He also reviewed the sources of funds for the six-year plan (state funding, University funds—central reserves, etc.—debt, and other sources such as grant funding and donations).

Professor Seashore noted that one of the strategic positioning goals is an increased capacity for human service training by consolidating two or three colleges. That is a wonderful idea but there is a physical plant problem: the new college will be scattered across 16-17 buildings on several campuses and the goal will not come to fruition without changes in space allocation. How will this academic priority be translated into a capital priority? A big part of the issue is timing, Mr. Pfutzenreuter said; the capital plan has to be done before strategic positioning is completed, which is why the 2010 request has largely been left a blank (there is a big "to be determined item" for that year, amounting to \$170 million). Second, they have set aside the \$15 million for relocation, recognizing that some things would have to be done.

Third, the 2008 projects to be requested could change. Professor Seashore said she understood that items move up and down on the capital plan; the simple question is when do academic priorities come into play in the planning process. Dr. Sullivan said the compact process includes a facilities section. The administration reviews these requests and builds a "contenders" list. He observed that there can only be one "number one" priority at a time and deciding among facility needs is an excruciating process. Professor Seashore said that her college is only one example of a situation that will arise a number of times, and the three deans currently in place will not make a joint request for space for the new unit. Any new dean will take a couple of years to become acclimated to the job. Ms. O'Brien agreed the process does rely on college leadership; Professor Seashore said that is why she brought up the centralized/decentralized question: there is a need for visionary deans. Some units have them, some do not.

The compact is a starting point, Dr. Sullivan said, but the central officers and staff have an institutional memory and are aware of these kinds of issues. Professor Campbell said that he has been on this Committee a long time and in his view it was VERY important that capital project planning was added to the compact process. That makes capital planning more tied to academic priorities. It also reinforces the centrality of collegiate units, Professor Seashore said, and regionalization will not address college needs. Regionalization works on the administrative side. She said she believed the process is a good one but the administration needs to look for holes.

Mr. Pfutzenreuter said that a key issue in the six-year capital plan is science facilities. There are few \$20-million science buildings any more (the Physics building is projected at \$72 million, medical biosciences facility at \$60 million), so they have raised the issue of how to pay for these expensive science buildings. As the University goes to the legislature for capital funding, there will be HEAPR and four projects—and soon, as these prices go up, it could be HEAPR and two projects. The University cannot build these buildings without state support, but there needs to be a different approach so the big science buildings are not competing with a lot of other small projects across the state.

Professor Konstan pointed out that the 2006 request consists of buildings for the business schools at Duluth and the Twin Cities plus science buildings. That will not get a lot of internal support across the University unless it can be shown that other units benefit as well. Professor Morrison said the faculty would soon receive an email from him identifying the benefits of the proposed projects to other units.

Is there any top-three university that is not strong in the core arts and humanities, Professor Konstan asked? Is there any way to say that the request is pushing toward the mission, even though there are not funds for those programs? The money is being sought so that space can be freed up for the arts and humanities, Professor Morrison said. That raises the question about who speaks for the entire University, Vice President O'Brien said. Someone must look at where investments have been made rather than just provide rhetorical support. Across ten years of capital requests, however, some areas have done well some times and others have done well at different times.

But the strategic positioning process is not taking into account space needs that result from college consolidations, Professor Morrison observed, and it will have to do so explicitly at some point. It will, Mr. Pfutzenreuter said. Ms. O'Brien said there is not specific information available yet for each consolidation plan. Professor Morrison said that any task force plan will be incomplete if it omits how space should be configured. Professor Seashore disagreed; she said the task forces cannot identify which groups of faculty from the three colleges will get together. Professor Erdman also noted that the task forces have been asked not to address space issues. Professor Seashore said this is a 4-5-year project. Dr. Sullivan said that he, Mr. Pfutzenreuter, and Ms. O'Brien have talented staff with a lot of walking-around experience of campus buildings. They will not make decisions but will think about opportunities; at this

point, however, there is not enough information to make any decisions. He said he wanted the Committee to be assured, however, that there are people thinking about space questions.

Professor Morrison thanked Ms. O'Brien, Mr. Pfitzenreuter, and Dr. Sullivan for their report.

3. Faculty Salary Goal

Professor Morrison said the Committee needed to continue to work on the question of the faculty salary goal vis-à-vis the strategic positioning goal. He believed there were two conclusions from the last meeting: the preliminary resolution that will be brought to the Faculty Senate ("If the University aspires to be among the top three public research universities in the world, the aspiration must include salaries commensurate with that aspiration"), and that the Committee needed more study and data. What does it wish to do, he inquired?

Professor Konstan said he would like to see salaries normalized by discipline, length of service, etc., so the case can be made. One question is how much of the University's faculty is in highly-paid areas; if a lot, the data may understate the problem. Professor Morrison said the first set of data, normalized by discipline, does not exist; data by discipline exist, but the farther down one goes, quality and accessibility decrease. And comparisons exist for some disciplines but not others. Those to whom the University wishes to compare itself may not release disciplinary data. The salary data the Committee has already received—by rank in the Big Ten, top 30, and AAUP institutional data—are as robust as it will get.

The Committee needs to provide a more complete statement to the Provost by December or January if it is to be effective, Professor Morrison said. He asked that Committee members provide him with suggestions on what might be included in an additional statement; a draft will be on the agenda of the next meeting or so.

Professor Korth inquired if the statement would include Morris; he provided salary data for Morris comparison groups. Professor Morrison said it would; this is a University-wide commitment to excellence, and for Morris perhaps the goal is to be among the top three public liberal arts colleges. Professor Seashore, looking at the two lists provided to the Committee, expressed a preference for the "Morris 14" because it has institutions that are known locally. The only problem is that it is heavily private, Professor Morrison said. It has, however, been used for over a decade, Professor Korth pointed out, so is generally recognized as the appropriate group for the Morris campus. Professor Konstan wondered if Morris had not already achieved the goal of being among the top three in its category; what incremental changes are needed? Professor Korth said if one believes the U.S. News and World Report rankings, Morris has been number three a few times and in the most recent rankings it was number four.

Professor Morrison adjourned the meeting at 4:20.

-- Gary Engstrand