

UNIVERSITY BUDGET COMMITTEE

MINUTES OF NOVEMBER 12, 2008 MEETING

I. Time, Location and Attendance:

- 9:30AM, Provost's Conference Room at Administrative Center
- UBC members present: Gail Hackett (Chair), Betty Drees (by telephone), Curt Crespino, Lawrence Dreyfus, Gary Ebersole, Laura Gayle Green, Tony Luppino and Karen Vorst. UBC members absent: Paris Saunders and Lanny Solomon.
- Others present: Chancellor Leo Morton, Rick Anderson and Karen Wilkerson.

II. Preliminary Administrative Matters:

- The minutes of the October 2, 2008 meeting of the Committee, and the October 30 special meeting of the Committee, in the forms circulated prior to and presented at the meeting, were approved.

III. Preliminary HR Report on Faculty Salary Initiative

- Provost Hackett reported that she and Karen Wilkerson had been discussing a preliminary report compiled by UMKC's Human Resources office regarding the results of the FYE 2009 Curators-mandated initiative to bring faculty salaries closer to market using a pool of funding available because of a reduction in costs of employee benefits plans.
- The report schedule was circulated at the meeting and discussed by the Committee. It showed that all but three schools (SBS, SCE and Medicine) had relatively minor discrepancies between the target amounts of raises (and associated benefits) to be assigned and the actual amounts that have been assigned. The reports regarding SBS and Medicine showed significantly less allocated to raises than the targeted amount from the pool in question, and the report for SCE showed significantly more raises assigned than its targeted amount from the pool.
- For the schools other than Medicine it was decided that the Provost and HR would work with the Deans and fiscal officers to determine whether there were "rounding" or other errors in the data collection or if corrective actions were needed. With respect to Medicine, Dean Drees explained that, in

accordance with discussions with former Chancellor Bailey, the targeted amount for Medicine was utilized largely to allow that school to go into the market for some critical new hires rather than for salary increases for existing faculty.

- The Committee's discussion of the HR report ended with the conclusion that Chancellor Morton would deliver a report to the Curators consistent with the above-described information and decisions.

IV. Updated FYE 2009 General Revenues and Relationship to the Targeted Obligations List

- Karen Wilkerson confirmed that current projections show that the total amount of General Revenues for FYE 2009 will exceed the amount assumed when General Revenue Allocations were made last Spring.
- The Committee acknowledged that (a) in connection with the Spring GRA apportionment it had recommended, and Chancellor Bailey had agreed, that any such excess would be assigned to the five schools showing "positive variances" under the Spring projections, in the ratio of such positive variances, but (b) that assignment of such excess had been interrupted to address funding needs for unfunded scholarships/waivers, the Chancellor's Office and External Affairs.
- After discussion of these circumstance it was decided that an amount equal to the excess of the FYE 09 aggregate General Revenues over the amount projected at the time of the Spring GRA apportionment would be treated as an "IOU" amount (i.e., added to the Targeted Obligations List) owing to the five schools showing positive variances in the Spring projections, in the ratio of such variances (and without change to the revised model weighting factors approved for years beginning with FYE 2010).

V. Scholarships/Waivers, Accounts Receivable and Fund Balances

- The Committee discussed the possibility of applying existing positive balances in all types of Current Expendable Unrestricted Fund Balances categories to eliminate the negative balances showing as of 6-30-08 in the Scholarships/Waivers and A/R Write-offs (i.e., bad debts) accounts.
- With respect to the Scholarships/Waivers account it was decided that the Administration and Finance offices would work with personnel in other appropriate offices to attempt to trace in a reasonable way to the schools whose students benefited from them the excess unfunded scholarships and waivers that created that deficit. A report on that study will then be

presented to the UBC and the Chancellor for discussion of the possibility of charging positive fund balances of those schools for such excess scholarships/waivers as a means to eliminate or at least reduce the Scholarships/Waivers account deficit. The Committee also decided that in terms of developing plans to more accurately predict and budget for the amounts of unfunded scholarships/waivers that will be assigned going forward, representatives of Student Affairs/Enrollment Management and Financial Aid should be asked to attend the next regular UBC meeting for identification and discussion of related issues.

- With respect to the A/R Write-offs deficit, it was suggested by Chancellor Morton, and agreed by the Committee, that Vice Chancellor of Administration Rick Anderson should prepare a plan for elimination of that deficit and present it to the Committee for discussion at an upcoming UBC meeting.
- As for the possibility of using positive fund balances to address other one-time items on the Targeted Obligations List, it was decided that issue should be deferred until the upcoming meeting with various UMKC constituencies to work through that list collaboratively, in the context of current circumstances and fiscal challenges, as discussed further in VII below.

VI. Plan for Completion of Budget Model Phase-In by FY12

- The Committee then addressed its continued desire to present to the Deans and other unit leaders as soon as reasonably possible projections of the application of the General Revenues for the remaining phase-in period for the new budget model (FYE 2010 through FYE 2012), and discussed some assumptions that might need to be updated in order to run and circulate such projections in a responsible manner (with appropriate disclaimers regarding possible changes in circumstances).
- After extended discussion of various items, the Committee decided that the Finance office should prepare for the Committee's initial review new projections that are based on the most recent projections prepared by the Finance Office (the projections that included the previously discussed increases in weighting factors that put Dentistry and Medicine at 2X Pharmacy, and also made an upward adjustment for SBS, in the modified Texas weights portion of the Appendix 4 formulae for apportioning the bulk of the State Appropriation), with the following additional assumptions:
 - *Weighting Factors.* No further changes to the Appendix 4 weighting factors will be made at this time (a possible further adjustment for SBS for higher levels of instruction having been discussed but not approved).

- *Curators-Mandated Faculty Market Salaries Initiatives.* For the time being we will assume in the projections that our last information about the anticipated FYE 2010 and FYE 2011 completion of a three-year faculty market salaries initiative started in FYE 2009 (i.e., the figures currently included in the Targeted Obligations List for this item) will have to be funded off the top of the State Appropriation.
- *Other Off-the-top Priority Allocations.* An additional \$1 million contingency amount will also be taken off the top of the State Appropriation in such projections and not at this juncture assigned to any specific unit(s)/account(s).
- *Overall Amount of the State Appropriation.* The new projections will be run at various alternatives as to the total amount of the State Appropriation, including one at the same level as budgeted for FYE 2009, and one showing 3% decrease.
- During the course of these discussions, a few possible areas for priority allocations were identified, but each was deferred for further study by the Chancellor and Provost, to be followed by presentation to the UBC of any proposals regarding such items so that the Committee can then provide input in its advisory committee. The areas discussed included SBS special infrastructure considerations and Bloch School considerations relating to endowment fund matters and the Institute for Entrepreneurship & Innovation.
- Discussion of the phase-in discussion also included a report by Tony Luppino, a Committee member who also serves as Co-Chair (along with Committee member Paris Saunders) of the Support Costs Review Committee (“SCRC”) and Chair of the Faculty Senate Budget Committee (“FSBC”), regarding the work the SCRC is doing, with assistance from the FSBC, to study the budgets and operations of key support functions.
 - Tony reported that the study on internal “charge-backs” is essentially complete, and that the SCRC will soon be circulating to Deans and other unit leaders data and narratives describing the charges imposed for them to review with their fiscal officers to determine if there is common understanding of and experience with such charges.
 - As for the more challenging matter of preparing reports on the budgets of UMKC’s key support functions that include comparisons to national benchmarks and also to about a dozen specific “comparator” schools, Tony reported that the work is proceeding, but some obstacles have been incurred that are making this effort somewhat slow going, particularly with respect to getting sufficient

information from the comparator schools. Provost Hackett suggested, and the Chancellor and the Committee agreed, that the SCRC should split this aspect of their work into two parts, accelerating completion of a report to the UBC comparing UMKC's key support functions to national benchmark studies, and then subsequently reporting to the UBC on comparison to the specific comparator schools. Tony said that he would promptly carry that directive to the SCRC and arrange for it to proceed in that manner. It was also agreed that the Provost and SCRC would look into coordination of support costs review with work on which Bruce Bublitz is consulting with UMKC.

VII. Chancellor Morton's Presentation of Suggested Collaborative Budget Planning Format

- Chancellor Morton then presented a one-page planning format schedule (hereinafter the "Strategic Budgeting Schedule") for use in a collaborative approach to working through the Targeted Obligations List and addressing other fiscal challenges, utilizing input from various pertinent UMKC offices and shared governance constituencies.
- The Strategic Budgeting Schedule was praised by the Committee for its comprehensive, logical and straightforward approach, which included a call for various actions to proceed on parallel courses in performing such critical tasks as: determining the legitimacy and priority of the items on the Targeted Obligations List; developing a plan to satisfy all obligations determined to merit satisfaction, in a sensible order of priority and over reasonable time frames; making updated and realistic assumptions about all existing and potential new sources of revenue; and planning for strategic and efficient utilization of available sources of recurring revenue and cost savings/reserves.
- Discussion of the Strategic Budgeting Schedule then led to discussion of planning for what was referred to in the minutes of the October 30 Special Meeting of the UBC as the "Combined Budget Leadership Session." The following decisions were made in that regard:
 - *Preliminary Step Re: Targeted Obligations List.* The Targeted Obligations List will be reformatted to more clearly separate completed items, indefinitely recurring items not yet matched with a funding source, and as yet unfunded one-time and finite multi-year commitments. It will then be promptly delivered to the Deans Council, the Faculty Senate Budget Committee and "direct reports" to the Chancellor, in each case emphasizing that the list

predominantly involves commitments solely within UMKC as opposed to debts to outside creditors.

- *Participants in Combined Budget Leadership Session.* At a minimum the Combined Budget Leadership Session will include the UBC, the Faculty Senate Budget Committee, the Deans Council and the Direct Reports (to the Chancellor).
- *Timing and Agenda of Session(s).* It was acknowledged that there may well be a need for more than one Combined Budget Leadership Session. The first such session will be held as soon as reasonably practical and will be designed to (a) present information about the Targeted Obligations List and the Strategic Budgeting Schedule, and provide updates on assumptions regarding Curators' mandates and the State Appropriation and (b) begin to solicit suggestions from the participants on ways to address the Targeted Obligations List and other fiscal challenges. The Chancellor and UBC will emphasize that we are looking for an exchange of ideas and identification of alternatives (so, by way of example, although the Committee has discussed the possible use of fund balances to satisfy some of the one-time obligations, it will be made clear such an action is only one of many possibilities, and no decisions have yet been made in this regard). The Chancellor, Provost, Vice Chancellor of Administration, Finance Office and the UBC will need to collaborate in identifying appropriate written materials to be circulated to the participants in advance of the session.

VIII. Administrative Matters Going Forward

- Planning of the Combined Budget Leadership Session will proceed as described in VII above.
- The UBC's next regular meeting will be held in December and will include the above-described focus on unfunded scholarships/waivers and discounts, with representatives of Student Affairs/Enrollment Management and Financial Aid in attendance.