I. Time, Location and Attendance

- 2:00PM, Law School Administrative Conference Room
- UBC members present: Gail Hackett (Chair), Betty Drees, Curt Crespino, Lawrence Dreyfus, Gary Ebersole, Laura Gayle Green, Tony Luppino, Paris Saunders, Lanny Solomon and Karen Vorst.
- Others present: Interim Chancellor Leo Morton, Rick Anderson, Larry Bunce, John Morrissey and Karen Wilkerson

II. Purpose of Special Meeting and Related Background

- This special meeting of the Committee was called for the purposes of reviewing and discussing with Interim Chancellor Morton the list of “UMKC Outstanding Operating Commitments and Funding Requirements” (sometimes referred to as the “IOU List” and hereinafter referred to as the “Targeted Obligations List”).
- In preparation for this special meeting Karen Wilkerson had circulated to the Committee members (a) a copy of the October 6, 2008 updated Targeted Obligations List and (b) a variety of schedules showing the unaudited figures for the various UMKC “fund balances” as of the end of the fiscal year ended June 30, 2008, on both an aggregate and per unit basis.

III. Discussion of Targeted Obligations List

Introductory Matters:

- Karen Wilkerson briefly described the major categories of items set forth on the Targeted Obligations List and the reasons for the groupings shown.
- The Committee decided to not review at this juncture every line item in the List, but to instead explore major categories/items.

Budgeted and Completed Items Category:

- During the course of this discussion, the following clarifications were made as to significant items in the Budgeted and Completed category:
o **IEI Allocation.** The $700,000 annual figure for the Institute for Entrepreneurship & Innovation (“IEI”) is correct, as the other $300,000 of the $1,000,000 per year committed to the IEI by Chancellor Bailey has already been built into the Bloch School’s “base” annual funding.

o **Marketing Program.** UMKC is committed to the Marketing Program Funding, so we must plan on funding that line as indicated on the Targeted Obligations List ($400,000 in FYE 2009, $400,000 in 2010 and $200,000 in FYE 2011).

o **Faculty Compensation Plan.** Further clarification from the UM-System and appropriate UMKC personnel will be sought regarding the Faculty Compensation Plan line, as to verification of the amounts required, determination of how those amounts were computed, what they mean on a per-unit basis for UMKC, and how individual faculty salary increases to be funded out of this revenue allocation we be assigned.

o **Scholarships/Waivers.** There will be further study of the Scholarships/Waivers line. There was substantial discussion of this matter. After working through some of the accounting terminology and university accounting constraints, it became apparent that UMKC budgeting/forecasting has in recent years underestimated the amount of unfunded scholarships/waivers (hereinafter “Tuition Discounts”) that would actually be given to our students. This has had the effect of assigning out through General Revenue Allocations more “net” tuition than actually existed and causing a resulting approximately $3,500,000 deficit balance in the Campuswide Scholarships/Waivers Account. While this problem should be eliminated by the approach to net tuition attribution described in Appendix 2 to the new budget model when it is fully implemented, the Committee needs to explore and advise the Chancellor and Provost on (i) how to properly eliminate the existing deficit balance and (ii) how to address Tuition Discounts during the transition years over which the new budget model is being phased in.

**Other Items on Targeted Obligations List:**

- After discussion of major items in the *Budgeted and Completed* category, a question was raised as to whether the appropriate decision-makers have concluded that all other items on the Targeted Obligations List are in fact commitments which must be fulfilled. It was noted in this connection that although the UBC is an advisory committee only, its members have responsibilities to various constituencies which necessitate that it develop a good understanding of these commitments, but without inefficiently veering into micro-management. After receiving guidance from Interim Chancellor Morton and Provost Hackett, as well as comments from several Committee members agreeing with the sentiments expressed by the Chancellor and
Provost, the consensus reached by the Committee on the question of the merits of the various items was:

- As a general proposition items included on the Targeted Obligations List representing commitments made to unit leaders by prior UMKC administrations should be honored.

- We cannot reasonably expect dean or other unit leader searches to produce strong candidates who are willing to commence their positions with their unit in a “deficit” position.

- We will operate on the assumption that all items on the Targeted Obligations List are valid commitments to be funded as best we can, but with the understanding that the Provost, the Vice Chancellor of Administration and the Finance Office will enter into discussions with applicable unit leaders to verify amounts and to determine if some amounts may be deferred for funding in stages over time so that funding needs of a more emergency nature can first be addressed. The Provost, Vice Chancellor of Administration and Finance Office will report back to the Committee on the results of those discussions.

**Existing Current Funds Unrestricted Fund Balances as Potential Source of Funding of One-Time/Non-Permanent Commitments:**

- It was noted that UMKC has some substantial Current Unrestricted Expendable Fund Balances, including an Operating Fund Balance well in excess of the UM-System 5% minimum balance. While acknowledging that maintaining reserves in excess of minimum requirements may very well be prudent, it was suggested that we explore the possibility of applying some portions of these fund balances to fulfill commitments that are one-time or otherwise non-permanent (such as commitments to be funded over a few years, but not as additions to indefinitely recurring “rate money”).

- As is in the past (and consistent with the policies in this connection set forth in the new budget model), the Committee was in consensus that a rigorous exploration of the varied types of reserves and levels of commitment of portions of fund balances should be discussed in collaboration with the applicable unit leaders, and that the “flat tax” approach sometimes taken in the past is not desirable. As discussed further in Section IV below, the Committee expressed the importance of a UMKC-wide team approach to this and other fiscal challenges, hoping that candid conversations can be had with leaders of units with significant positive fund balances (both academic and administrative/support units) about the differences between specific commitments (such as start-up packages promised to faculty) and “contingency funds” which are nice to have, but perhaps are now needed to address other fiscal exigencies at UMKC.
• During the course of this discussion, it was noted that some of the most important discussions will have to be had with Medical School Dean Drees. This is because the Medical School has over 40% of UMKC’s aggregate net positive Operating Fund Balance, (i.e., approximately $9.75 million out of approximately $23 million), as well as an approximately $7.6 million item on the Targeted Obligations List (representing a promise to the Medical School from the System President regarding retention of its tuition generated in recent years). It was noted that the Committee has discussed in prior meetings the circumstance that the Medical School has financial issues to deal with from an accreditation perspective, and that the budget model in essence includes the assumption that the Medical School is transitioning from the form of operation it had been in under the prior budgeting practices to a much more research-intensive operation. Accordingly, that whole picture must be carefully considered to determine the extent, if any, to which UMKC can reasonably ask the Medical School to free up funds from its existing fund balance, its tuition retention commitment from the System President, and/or its GRA during the phase-in of the new budget model to help with other UMKC funding needs.

IV. Process to Address Financial Challenges

• The Committee then turned to discussion of the best process to deal with not just the Targeted Obligations List, but also the context in which we are considering it (including the overall economic climate and possible effects on the levels of the Missouri State Appropriation to the System in coming years).

• Interim Chancellor Morton suggested, and the Provost and the Committee readily agreed, that a good starting place would be to get the UBC, the Deans Council and other UMKC unit leaders together in a session (hereinafter the “Combined Budget Leadership Session”) to comprehensively review the challenges before us and determine how to address them collaboratively.

V. Administrative Matters Going Forward

• Because of scheduling conflicts for several Committee members, the Committee meeting previously scheduled for November 6 will be rescheduled to occur approximately a week thereafter.

• That next regular meeting of the Committee will again be with Interim Chancellor Morton in attendance and will be devoted principally to development of an agenda for the above-described Combined Budget Leadership Session.