I. **Time, Location and Attendance:**

- 2:00PM, Provost’s Conference Room at Administrative Center

- UBC members present: Curt Crespino, Lawrence Dreyfus, Betty Drees (by telephone, and for part of meeting), Gary Ebersole, Provost Gail Hackett (Chair), Tony Luppino, Mel Tyler and Karen Vorst. Absent: Laura Gayle Green and Lanny Solomon.

- Others present: Chancellor Leo Morton, Rick Anderson, Margaret Brommelsiek, Larry Bunce, Carol Hintz, and Karen Wilkerson.

II. **Preliminary Administrative Matters:**

- The minutes of the September 16, 2010 meeting of the Committee were approved in the form last circulated prior to the meeting.

III. **Report on September 23/24 Curators Meeting**

- Chancellor Morton reported on possible effects on budgeting of discussions at the September 23/24, 2010 Curators’ meetings, relating that:

  o There were no significant changes in the basic assumptions we have been using in planning for FY 2012 budgeting.

  o There was discussion of the System study of possible uses of current bonding capacity and low interest rates on borrowing to help meet anticipated capital needs. UMKC’s related planning is discussed in Section V below.

  o Support was expressed for the UMKC one-time employee incentive payment plan initiated by the Chancellor and Provost, which is discussed further in Section VII below.

IV. **Composition and Selection/Rotation of Members of UBC**

- Provost Hackett indicated that she had put this item on the agenda in part because of requests from the Deans’ Council for more or varied representation on the UBC. She reminded the Committee that, unlike many other UMKC committees, the UBC appears to have no formal rules regarding its composition or the election or rotation of its members.
• UBC Secretary Luppino provided the following information from recollection and from recent discussion with the Faculty Senate Budget Committee:

  o Chancellor Bailey formed the UBC in 2006, disbanding the much larger Budget Advisory Committee in favor a smaller group he charged with intense work to develop a Responsibility Center Management type of budget model for UMKC, with emphasis on each school being assigned its own tuition and an appropriately determined share of the State Appropriation.

  o Members were invited to serve by the Chancellor through the then Interim Provost. Recommendations of faculty members to serve on the UBC were made by the Faculty Senate, and recommendations of Deans to serve on the UBC were made by the Deans’ Council.

  o In addition to the initial charge of budget model development, the UBC has also served as the type of advisory committee to the Chancellor on resource allocations that the UM System Collected Rules & Regulations mandates exist and have faculty representation.

  o During Faculty Senate Budget Committee discussion of the composition of the UBC for purposes of providing the Committee with input on this agenda item, support was expressed for both increasing the number of units represented and having some continuity due to the levels of detail and complexity involved in the UBC’s work.

• Ensuing discussion by Committee members and the Chancellor included the following observations/suggestions:

  o With the new budget model now substantially implemented, this is a good time to restate the ongoing charge of the UBC as a resource allocations advisory body to the Chancellor.

  o There should be opportunities for more diverse representation on the UBC, facilitated by term limits and staggered terms.

  o To meet the continuity objectives (a) terms should be rather long (perhaps 3 or 4 years) and (b) consideration should be given to having some ex officio members who have experience on the Committee and UMKC budgeting matters.

• The Committee recommended that the Provost and her staff create a proposal for the Chancellor on the UBC’s composition, and the election/appointment of regular and ex officio members, taking into account the foregoing observations and suggestions, and incorporating concepts similar to those being used for other significant UMKC committees and task forces.
V. Leveraging Bonding Capacity to Meet Capital Needs

- Chancellor Morton led the Committee through review of a schedule prepared with input from Karen Wilkerson, Rick Anders and Bob Simmons, which (a) projected UMKC’s Operating Fund balance through FY 2015, (b) provided related historical information dating back to FY 2007, and (c) illustrated projected debt service and operating cost effects on the Operating Fund balance of pursuing five optional construction projects.

- The schedule showed both revenue and expense detail, and the Chancellor identified the key assumptions underlying the figures used. He explained that given our anticipated need for more classroom space in particular to accommodate planned enrollment growth, the purpose of this study is to determine whether to go forward in proposing to the System one or more UMKC projects from the list of options shown on the schedule. He noted that there is a pool of $200 million of bonding capacity being discussed, and it appears there are good opportunities for UMKC to be assigned a significant portion of the pool to meet our growth-related capital needs.

- The Committee discussed the schedule and the list of optional projects in detail, resulting in the following observations and recommendation:
  - The assumptions on which the Operating Fund balance was projected through FY 2015 all seemed reasonable in our current circumstances. The Operating Fund balance is reasonably projected to stay in rather good shape, even with the anticipated State Appropriation reduction for FY 2012, and there is justification for using some of it to leverage current bonding capacity to meet capital needs.
  - Options that would increase the number of large classrooms with relatively modest reduction in the Operating Fund balance are particularly attractive.
  - Utilizing a combination of the favorable cost of borrowing at this time and a capital campaign from private donors the Chancellor described is a sensible way to pursue satisfaction of UMKC capital needs associated with its enrollment growth strategic initiative.
  - The Committee recommends the Chancellor proceed in seeking System authorization for one or more of the options discussed, consistent with the foregoing observations.
VI. Modification of Frequency of Budget Model Apportionment of Bulk of State Appropriation

- Tony Luppino described an issue that he and Dean Drees had previously mentioned (Dean Drees had to end her telephonic participation in the meeting before this agenda item was reached). He reminded the Committee that, under the budget model, after several clearly identified special allocations, the bulk of the State Appropriation is allocated annually among the principal academic units based on student credit hours weighted by costs of instruction under a formula approach included in the model. As this has the effect of Deans not being able to meaningfully project their unit’s share of the State Appropriation without having SCH detail from all other units, the question presented is whether to facilitate longer-term planning by changing from an annual recomputation of each academic unit’s share of the State Appropriation (after the special allocations) to a less frequent re-computation.

- After discussion of this issue, the Committee recommend exploration of adopting a three-year rolling average approach to setting the academic units’ relative percentages of the State Appropriation (after special allocations).

VII. One-Time (end of FY 2011) Employee Incentive Payments Plans

- The Chancellor reiterated that the one-time employee incentive payments plan proposed for the end of FY 2011 appears well-supported by System officials with whom it has been discussed. He also noted that it appears to be similar to a payment program used at the Medical Center in Columbia.

- Provost Hackett reported that the Deans’ Council has also expressed support for the plan, and that she will be presenting it to the Faculty Senate as well. She indicated that much of the input submitted on earlier drafts is being incorporated into revised drafts currently in process.

- The Committee discussed the plan. It recognized that it would involve a one-time departure from the budget model’s preference for each unit retaining 100% of any Operating Fund balance increase it generates, and supported it as a desirable measure at this time, recommending that the Chancellor and Provost proceed with its vetting and, if all goes as planned, implementation.

VIII. Other Matters

- As the meeting came to a close the Committee briefly discussed the ongoing System study of possible adoption of a defined contributions retirement plan for new hires. Committee members stressed the importance of fully informed input, from all significant constituencies, and with adequate time for data gathering and analysis, given the nature, complexity and magnitude of such retirement plan matters.