

University Budget Committee Minutes

Meeting Date: 11 / 12 / 2020	
Meeting Topic(s):	
<p>Attendees, Members: Uduak Akpan, Molly Jacobs, Holly Wei (Chair), Cindy Elmore, Steve Garrett (Secretary), Page Varnell (Vice Chair), Jennifer McKinnon</p> <p>Ex-officio Members: Wendy Sergeant, Gary Venderpool, Becky Welch, Sara Thorndike, Susan Chapman, Purificacion Martinez, Tucker Robbins, Beth Thompson</p> <p>Attendees, Guests: Bill Bagnell</p>	
Meeting Purpose(s): Review landing page	
Objectives/Outcomes:	
Agenda Item #1	Approval of minutes from prior meeting
Options/Points Raised:	None
Decisions or Recommendations:	Minutes approved as amended
Agenda Item #2	Bill Bagnell, Associate Vice Chancellor for Campus Operations discussing his department; original question was about the deferred budget process and potential effect of state funding cuts
Options/Points Raised:	<p>His department's primary responsibility is to maintain the structural integrity of the buildings on campus. This is primarily related to HVAC, water, steam, electric and the structural elements of the buildings (walls, floors, roof, etc.) plus systems and components with a life expectancy. The average age of our buildings is 40+ years.</p> <p>We have more repair needs than funds, so there is an on-going deferred maintenance program – we use the available funding to perform necessary preventive maintenance (PM) to avert bigger problems in the future. This is a common issue at the other state universities.</p> <p>Some buildings require more than general maintenance and need Repairs and Renovations (R&R). Funding for R&R comes from the State. ECU recently submitted its 6-year capital and R&R plan to the System Office. The Howell Science building is currently the highest priority for a comprehensive renovation request. Mendenhall also needs extensive work and may be a candidate for R&R as well. We</p>

	<p>receive around \$3-4 million annually in R&R funding, so we'll never get caught up without additional massive state funding.</p> <p>There is an on-going effort to eliminate off-campus leased space to reduce operating expenses. We do still need available campus 'swing space' (flexible space that we can re-purpose as needed during renovation periods).</p> <p>A major challenge for the department is the combination of an aging workforce and the inability to offer competitive wages to attract tradesmen in a 'seller's market' (there is much more demand for workers than there are qualified workers available – electricians was the example Bill used).</p> <p>We also discussed opportunities to possibly save money by centralizing or consolidating service contracts that are currently managed independently by colleges.</p> <p>Lastly, we discussed converting existing space to 'swing space' and possibly removing buildings. Bill suggested that to do so on a serious level would require significant executive leadership to encourage new thinking and a cultural shift that would lead to more of a collaborative approach to fixed asset management (in areas like offices, department turf, dedicated resources (converting to open lab spaces, for example) vs. more flexible resources, and so on.</p>
<p>Decisions or Recommendations:</p>	<p>This was an informational presentation to help the committee learn about the Campus Operations function. There were no decisions or recommendations made at the meeting.</p>
<p>Agenda Item #3</p>	<p>Sara discuss budget site effort</p>
<p>Options/Points Raised:</p>	<p>Sara reviewed the documents she sent by email and explained why they were selected and how we might use them on the website. She also discussed how the system-wide effort to create a common reporting template might make this task easier to complete. The effort to create a comprehensive report is difficult and possibly misleading, given the variety of funding sources/revenues and spending options/flexibility. There were several questions about our financial processes, as detailed below.</p>
<p>Decisions or Recommendations:</p>	<p>Everyone should review the documents, address questions to Sara and/or other UBC members by email before the next meeting</p>
<p>Agenda Item #4</p>	<p>Holly postponed discussion of questions for future meetings, requested that everyone send proposed questions by email</p>
<p>Options/Points Raised:</p>	<p>January meeting - Ron Mitchelson, Interim Chancellor and Kitty Wetherington, Associate Vice Chancellor for HR February meeting – Jonathan Gilbert, Athletics Director</p>

Decisions or Recommendations:	Members should send questions to Holly by email by 12/15	
Agenda Item #5	Puri discussed the Fiscal Sustainability Committee meeting from earlier today, suggested how to prepare for our meeting on Wed 11/18 with Van Scott	
Options/Points Raised:	The committee will review the previous reports and evaluate input from the campus committee to develop recommendations for 2021. The committee has invited members of the UBC to participate in working groups.	
Decisions or Recommendations:	Review the previous Fiscal Sustainability Report prior to the meeting on 11/18, consider volunteering for a working group	
Action Items		
Task to Be Done	Person Responsible	Due Date
Develop questions for: January meeting - Ron Mitchelson, Interim Chancellor, and Kitty Wetherington, Associate Vice Chancellor for HR February meeting – Jonathan Gilbert, Athletics Director	All committee members	12/15/2020
Review the documents that Sara sent, send questions or suggestions	All committee members	11/30/2020
Volunteer for Sustainability sub-committees	All committee members	11/17/2020
Review the previous Sustainability report to prepare for Wed meeting with Van Scott	All committee members	11/18/2020 at 1 pm
Send the link to the previous Sustainability report	Puri Martinez	11/15/2020

Agenda (screen capture)

AGENDA	
UNIVERSITY BUDGET COMMITTEE	
Thursday, November 12 th at 4 p.m. Via WebEx	
1. 4 pm	Call to order
2. 4 – 4:02 pm	Approval of the October 15 meeting
3. 4:02 – 4:30 pm	Associate Vice Chancellor for Campus Operations <u>Bill Bagnell</u>
4. 4:30 – 4:45 pm	Construct questions for <ul style="list-style-type: none">○ Interim Chancellor Ron <u>Mitchelson</u> (January Meeting)○ Associate Vice Chancellor for Human Resources Kitty <u>Wetherington</u> (January Meeting)○ Athletics Director Jonathan Gilbert (February Meeting)○ Interim Vice Chancellor
5. 4:45 – 5 pm	Feedback on the projected website Next Meeting – January 28, 2020 via WebEx
6. 5:00 pm	Adjourn

Freeform Notes

1. Minutes from the previous meeting were approved as amended.

2. Bill Bagnell – deferred maintenance backlog –

Bill started with a description of the Department he leads. The Functional areas are housekeeping, grounds, building maintenance, grounds design and construction. Bill has been at ECU for 26+ years, with 12 years in his current role

The current deferred maintenance is at \$650 million maintenance – this is on state-funded buildings. This is focused on addressing infrastructure – steam, HVAC, electrical, water, walls/floors/stairwells/elevators, roofs, doors, etc. This also includes internal systems and components that ‘expire’ (or have an expected lifespan).

Some buildings require more than on-going PM – these need R & R (Repair and Renovation). This money typically comes from the General Assembly.

R&R allocation is \$3 to \$4 million per year. At that rate, we'll never finish the list. Bill's department compiles a priority list. The focus since 2014 – 2015 has been the infrastructure items mentioned above.

Bill stated that the state seems to be moving to a PM mindset versus R&R as much as possible. As such, we have to hope / pray that the PM process avoids a major catastrophe (for example, rewinding a motor before it crashes and takes out something else – equipment failure costs 2 to 3x more than PM due to other damage).

Bill's responsible for over 7.3 million ft² of space – there are no plans to take any space offline. We will typically have to choose safety over 'nice'.

This led to a discussion of what it takes to do a R&R project. The first thing is what Bill called 'swing space', or space that's flexible and can be used / repurposed while a building is being renovated. For example, we would move the classes / offices of building X to building Y while we renovate X. We don't have much swing space available, which complicates any efforts to re-do an existing building.

Bill mentioned that the major project on the current budget / request to the state is the Howell Science Complex. I didn't recognize the name and thought we were talking about Mendenhall (which needs an R&R treatment), so I emailed him after the meeting to clarify this point and he replied with the following additional information:

Howell Science was the highest priority targeted renovation project at \$65M (we have it broken into 3 phases, 30M Howell South, 25M Howell North, and 10M Howell East). I will caveat my responses though to say that the first two years of the biennium budget request were limited to critical infrastructure or renovations less than 10M. So, Howell is in the 3 year of the biennium prioritizations. We do have Mendenhall in the 2nd year of the request at 10M as a phase I project.

The R&R process is a biennial budget with 3 components – large buildings, self-funded projects, and R&R.

This led to a discussion of what we can do to manage the buildings – can't we just stop using them and save the funds? Not really, as they will still require utilities and at least some level of PM. Unused buildings deteriorate quickly and become big problems. We typically don't raze buildings, as it would be extremely difficult to replace any buildings that we knock down.

Bill mentioned that he has had some non-recurring funds recently (thanks, Sara!), which is great, but is a one-time infusion.

Q from Sara – How does ECU compare with the rest of the system?

A from Bill – We're 'normal' – every state entity has a huge deferred-maintenance backlog. The last big state bond was in 2000 for \$3 billion. This was to be phase 1 and would focus on the sciences. There was no phase 2.

Q from Cindy – what keeps you up at night?

A from Bill – we have more than 50% of the departmental staff eligible for retirement within 3 years, with no backfill capability. The trades (electrical, plumbing, etc.) are in high demand. Our people can leave and get paid more. It's a seller's market for trades employment. There's also no clear path for the state to compete with the private sector and there's a general shortage of qualified young people.

Q from Jennifer – Are there options for repurposing space?

A from Bill – The Master Plan update in 2012 was an overall review. We need to seriously consider rethinking things like permanent offices and departmental locations. As mentioned, simply stopping use of buildings isn't feasible. There's no easy solution to take space offline.

Q from Jennifer (follow-up) – If a building is empty, what's the cost/benefit to razing it?

A from Bill – We don't have sufficient swing space to even start thinking about this option. Sara also commented that once a building is gone, it's really hard to get a new one.

Q from Beth – are we moving to decentralizing services? (note – I didn't get enough detail written down to completely describe the set-up; this deals with specialty service required for department-specific assets)

A from Bill – There is no move to centralize these operations. Core utilities are what his department maintains. Specialty things in Health Science and Sci/Tech are generally paid for and managed by departments. There is a varying level of attention to this process among the departments.

Facilities and the Sourcing department (I didn't catch the 'official' name) are very happy to help with contracts and evaluations. There is no current plan to change this process. R&R / conversion projects will typically come from non-recurring funding or budgeted state money.

Q from Beth – Is there value from centralizing?

A from Bill – yes and no – we have examples of both approaches. For example, ice machines and most auto-claves are on a campus-wide contract. Centralized management of RO/DI systems (I had to Google this, BTW – I learned something new on Thursday) may not work because different departments have different needs and requirements.

Q from Puri – The Fiscal Sustainability Committee met earlier on Thursday. Some of what Bill mentioned should be a focus of that effort – terminating leases, consolidating, and closing buildings, for example. How are we doing at getting out of leases?

A from Sara – This has been an active effort for 2 years. We've eliminated several leases already, with more to come. The focus is on Admin and support areas which can move into on-campus space.

Q from Puri (follow-up) – what steps are required to convert to swing space and eventually close buildings for repair?

A from Bill – It will require executive leadership to make this happen. Bill mentioned that open lab space is more economical and efficient, however sometimes faculty have been possessive of their turf. We need to change our 'corporate' culture and how we do things – move away from previous habits / ways and consider how we can re-think methods and increase collaboration.

3. Sara reviewed the website project (the new landing page for budget information)

Sara started with a discussion of the PDF and other files she sent to us, and why these were selected. In general, most were directly related to the wish list and ideas we generated. These documents are already in use and regularly updated, so it would not require a new burden on the finance department.

Sara then walked through the PDFs and described possible uses in a website format – most would be a hyper-link on the new website

- Financial Statements
- Budget Primer
- The following would have hyper-links to the latest versions, which are updated more regularly than annual reports
 - Board of Trustees Metrics
 - Comprehensive Report
- Charts and ratios
- Budget Presentation
- Trends Analysis
- Complete budget reviews

Sara is a member of a system-wide effort to create a common template (financial reports in a common format) that will eventually help with our effort. The current level of complexity in both revenues and expenditures and budgeting makes it extremely difficult to generate a simple "how are we doing" report.

Q from Paige – Is there a document showing the current facilities plans for maintenance and R&R

A from Sara – Bill mentioned the 6-year plan, which was submitted this year. We don't normally post this because so much of it won't happen as written in the document. Sara is willing to consider sharing this with the committee and speaking with higher-up people to see if it's OK to publicize further.

Bill's budget is operations – it doesn't have much for R&R.

There's no incentive for any university to spend its capital on state buildings. In the past, we've done that and had that amount cut from future allocations. State R&R money comes from bonds and debt. As mentioned earlier, there was a \$3b bond in 2000. Since then, new building construction has come from debt.

Q from Jennifer – Docs are excellent, but a bit overwhelming. We all agree that we need a clear / simple site for faculty to view and comprehend the budget information. How does what we've compiled so far fit that request?

A from Sara – We don't have a comprehensive budget, so those documents don't exist. It's exceptionally complex and misleading to aggregate the various components to come up with a total. (some of the funds expire, some are dedicated, etc.)

We can compare ourselves to other state universities, but not to all universities (particularly to private universities). We have reporting and accounting requirements from the state because we must create financial reports that roll up to the state reporting system. The proposed Board of Trustees (BoT) template should help with this effort.

Q from Paige – At a previous job at a community college, we had a monthly funding allocation. Also, there were sometimes budget reversions. Is ECU funded the same way?

A from Sara – we also must request cash from the state to write checks, particularly for payroll or a large A/P disbursement.

For the most part, we must spend what we're allocated up to 97.5%. We can request permission to roll up to 2.5% to capital. That isn't always approved. In the last cycle, the message was "don't even ask..."

Budget reversions are possible for this year – the state may need to take some previously approved funding back. ECU is preparing to return 15% to the state if required.

Sara then invited us to look at all the docs and discuss via email.

4. Holly made the call to skip an agenda item and replace the in-meeting discussion with individual questions submitted by email – these are for Jan and Feb meetings
 - a. January
 - i. Ron Mitchelson, Interim Chancellor
 - ii. Kitty Wetherington, Associate Vice Chancellor for HR
 - a. February meeting – Jonathan Gilbert, Athletics Director
5. Puri gave an update on the Fiscal Sustainability Committee meeting from earlier on Thursday in advance of our session with Van Scott on Wed 11/18 at 1 pm

The committee's initial strategy is to review the recommendations from previous reports and then collect specific feedback from the current website. The committee will meet after Thanksgiving and review each line item. They will have at least 3 meetings (2 hours each) to do the analysis and set priorities.

They will then work with the various constituencies across the university to address topics.

The FSC is open to members having the UBC members join working groups / sub-committees.

Puri suggested that we look at the previous fiscal sustainability report to prep for the meeting next week. She will send the link by email.

Holly closed the meeting with 3 requests

- a) Consider volunteering for a working group on the FSC
- b) Look at Sara's documents
- c) Send questions for the Jan and Feb meetings

The meeting adjourned at 5:07 PM

Respectfully submitted,

Steve Garrett
UBC Secretary