AY 2009-10 BUDGET ADVISORY COMMITTEE (BAC)

Minutes from the November 18, 2009 meeting

ATTENDEES
Dr. Sidney Ribeau - President  Dr. George Middendorf
Dr. Alvin Thornton – Chair  Dr. James Mitchell
Dr. Donald Bell  Dr. Joseph Reidy
Dr. Charles Betsey  Mr. William Roberts
Mr. Rufus Blackwell  Ms. Bridget Sarikas
Ms. Carole Borrggren  Dr. David Schwartzman
Mr. Rayford Davis  Mr. Bryan Smart
Mr. Thomas Lawson  Mr. Robert Tarola
Dr. Ivor Livingston  Mr. Leon Wyden
Ms. Roberta McLeod-Reeves  Dr. Dawn Williams

Committee Staff: Mr. Cecil Trotman, Mr. Terrell Allen and Mr. Eugene Cooper from the Office of Financial Analysis and Budget.

2:12 p.m.
Dr. Thornton called the meeting to order and welcomed the group to the AY2010-2011 BAC process. He made note that the first part of the meeting was being videotaped. Dr. Thornton thanked BAC for their efforts last year, and noted that HU continues to look to BAC to help shape the University’s plans and expenditures. Dr. Thornton then introduced President Ribeau, who asked everyone around the room to introduce themselves. Dr. Thornton then made note of BAC members who were unable to attend this meeting. After introductions, President Ribeau began his presentation.

President Ribeau thanked the BAC for their efforts and recommendation in the prior year budget process. He stated that he shared the results with the Finance Committee, and that body was also impressed. He noted that budget success is critically important, and that shared common dialogue leads to shared success, and enables more stakeholders to see the big picture of the budget. President Ribeau stated that he wants to continue with involved dialogue during this year’s budget process to help formulate multi-input solutions.

President Ribeau laid out the strong challenges facing BAC, and HU as a whole this year. He stated that the University is currently operating at a deficit, that expenses exceed revenue, which leads to predictable problems. The President noted that while expenses must be cut, you can’t “cut your way to financial health”. HU must maximize efficiency, while continuing to invest wisely for the future. He reiterated that continuing doing business as usual will lead to further damaging financial problems for HU. There is a definite need for a paradigm shift. He thanked the group for their efforts again, and stated that this year’s process would be just as time-consuming, if not more so, than last year.
Dr. Thornton thanked President Ribeau for his remarks, and also thanked the BAC for their support during the Middle States re-accreditation process. Dr. Thornton mentioned that an additional goal of this year’s budget process was to create similar opportunities for input in planning and budgeting in the schools and colleges.

Dr. Thornton then asked that the minutes from the final AY2009-2010 BAC meeting be reviewed and approved at the next BAC meeting. He then reviewed the meeting agenda.

Dr. Bell was asked to review the BAC charter. He thanked BAC for last year’s budget impact, and noted that BAC generated several specific recommendations, which were sent to the President. Mention was made of recommendation for improvements to the library system, research equipment, and smart classrooms. Dr. Bell noted that the recommendations were accepted by the Board with minimal revisions.

Dr. Bell noted that the budget should be referred to as a reflection of priorities and operating plans, supporting common goals and directions. He pointed out that the BAC membership should focus on overarching concerns, not detailed, school specific needs. He also complimented the transparent nature and openness of last year’s BAC process, stating that it gave the HU community a view into how difficult decisions were made.

Mr. Tarola was introduced to the BAC as the interim CFO. He expressed thanks for the work done on the operating plan, and stated that he looks forward to taking part in this year’s BAC process. He said that his goal is to put clearly defined performance measures in place for HU. He also said that he looked forward to utilizing his and Ms. Sarikas’ corporate finance background to benefit HU in the BAC process.

Ms. Borggren then walked the group through slides 3-9 of the BAC PowerPoint presentation, which summarized the FY2009-2010 BAC budget process and outcomes. The BAC was reminded of the revenue and expenditure assumptions they had reviewed for the current year. Ms. Borggren noted that the Board had supported a $22 million deficit this year because of the need to invest in critical areas even as we grapple with financial challenges. She made special mention of the $22 million of new funding provided for priority programs, as detailed on page 7, which was strongly based on BAC recommendations. The FY2010 approved capital budget is also based on the BAC’s work.

Mr. Blackwell asked whether BAC can monitor the results of their recommendations. Dr. Thornton stated that the Deans and department heads impacted by the new initiatives will have a chance to address BAC on the successes in these areas. Dr. Thornton then introduced Mr. Davis, an external operational planning specialist who has been engaged to assist with the upcoming budget process.

Mr. Davis walked the group through presentation slide 10, which details the FY2011 budget development process. Mr. Davis noted that the budget process was developed with a focus on inclusiveness and transparency. The process will go further to leverage external data and benchmarks in an effort to identify opportunities for efficiency improvements. The overall goal
is go to beyond creating a workable balanced budget to developing a budget that will have surpluses that can be used to invest in areas that will further enhance the HU community.

Mr. Davis noted that a detailed budget planning document is being developed that will lay out individual budget development responsibilities. He stated that the goal is to start with the current financial reality at HU and move forward from that point. Revenue and expense opportunities will be analyzed, and cross-divisional opportunities will be explored. Mr. Davis noted that the budget process will be iterative, and will have activity overlap.

Mr. Tarola pointed out a need for a focus on whether services were delivered as effectively and efficiently as possible. President Ribeau agreed that improvement is needed on service return in many areas. Mr. Davis confirmed that operational metrics will come out of the final budget product.

Mr. Davis then walked BAC through presentation slide 11, which shows a proposed meeting schedule that lays out BAC’s role through AY2011. Dr. Thornton noted that future meetings will be scheduled as needed. Dr. Bell noted that BAC is repeating the prior year’s actions, and going further, digging deeper into analyzing how the budget fits into the overall HU outlook.

Dr. Mitchell asked if a plan was in place to replicate BAC activities at the divisional level. Dr. Thornton stated that this was not in place yet, but he plans to meet with the divisional leaders to lay out an approach to accomplishing this.

Dr. Schwartzman asked about the definition of “structural deficit”, which President Ribeau referred to in his remarks. Dr. Schwartzman also asked about the investment strategy for the endowment in light of the stock market improvement, and state that BAC should make recommendations for how much of the endowment is used for operations.

Dr. Bell answered that part of the broader budget process includes inclusion of the Faculty Senate. He stated that “structural” refers to ongoing, continuing issues and trends, not one-time events. He also noted that the HU endowment has been managed better than that of comparable universities, and the endowment income represents 1% of the operational budget.

Dr. Thornton thanked Dr. Schwartzman for his questions, and stated that BAC is open to all types of questions; they are beneficial and will be posted on the website. Mr. Tarola stated that he would present more financial details in the next BAC meeting. He did note that HU has been deficit spending for the last two (2) years. He also stated that while the HU endowment is down 20% due to market losses, the unrestricted portion can be used pending Board of Trustees approval.

Mr. Lawson asked which Faculty Senate recommendations to President Ribeau were accepted. Dr. Thornton answered that this information would be sent out.

Dr. Schwartzman stated that the overall structure of the University needs analysis, particularly as relates to uses of administrative vs. faculty resources. Dr. Thornton stated that this effort is
ongoing as part of last year’s BAC process and will continue as a component of the FY2011 BAC process.

Mr. Lawson asked whether Howard University Hospital (HUH) was included in the budget included in the presentation. He followed up by asking was HUH included in the budget as an auxiliary enterprise. Mr. Tarola noted that HUH has its own budget not included in the $577 million University budget, and for the current year does not contribute to a deficit for the Howard entity as a whole. Dr. Mitchell noted potential duplication of effort at HUH, and suggested that as an opportunity for cost efficiency.

Dr. Middendorf asked whether historical budget can be reviewed to analyze trends. He also asked that budget files be sent out in EXCEL instead of PDF files to allow for better access to the numbers. Mr. Tarola stated that historical budget will be reviewed in the next BAC meeting. Ms. Borggren agreed to send out any future materials in EXCEL.

Dr. Middendorf then asked whether the $22 million budget deficit referred to earlier in the meeting was for the current year, or a cumulative figure. Ms. Borggren stated that it is a current year number, and confirmed that the cumulative deficit is larger.

Dr. Schwartzman asked why an external, private consultant, Mr. Davis, was engaged to study the HU budget process instead of this effort being internalized. Dr. Thornton stated that this was President Ribeau’s decision. This function will be internalized at a later date as appropriate.

Ms. McLeod-Reeves pointed out the need to promote and encourage HU community-wide fundraising. Dr. Mitchell agreed that HU should do a better job of tracking alumni and soliciting donations, using Iowa State University as an example of this being done successfully. Dr. Thornton stated that Ms. Bernard will come to a future BAC meeting to address fundraising.

Dr. Middendorf requested the creation of a third advisory group, along with BAC and PCAR, to address operations and support services issues. He stated that these issues called for a focused approach identifying problems and solutions to present to President Ribeau. Dr. Thornton stated that President Ribeau is aware of this need and will address it shortly.

Dr. Thornton then thanked the group for their work, and adjourned the meeting at 3:30pm.