

**Financial Status Update and Administrative Review and
Other Cost Saving Initiatives
UM
May 2020**

At the May finance committee meeting, Vice President for Finance and Chief Financial Officer Ryan Rapp will present regarding financial actions taken to date and the planning process for FY2021. The remainder of the committee meeting's focus will be on the size of administration at the University of Missouri and include discussion of the path to reducing administrative spend. The University's leadership team remains focused on directing resources towards the following priorities:

- Ensuring our students receive a high-quality education
- Supporting retention and recruitment of our students
- Continuing research and scholarship, especially related to the public health crisis and precision health
- Supporting the University's response to the public health crisis and other engagement activities
- Supporting activities that sustain and/or grow revenues for the University

Update of Fiscal Year 2020 Financial Results

The onset of the pandemic created a crisis that rapidly disrupted the University's revenue streams. The University's leadership team responded, first by taking the appropriate steps to ensure public, student, faculty and staff safety and then by evaluating the economic impacts and adjusting spending patterns accordingly.

To date, the University has experienced significant unexpected disruptions in revenue due to COVID-19:

- State revenue declined necessitating a \$37 million withholdings of state.
- The University issued approximately \$27 million of room and board and activity fee refunds or credits for spring semester 2020.
- MU Health Care experienced an operating loss of \$3 million in March compared to a gain of \$7 million over prior year, for a \$10 million increase in operating losses.
- Received CARES Act funding of \$34 million for higher education and \$20 million for healthcare operations including the School of Medicine. For the higher education funding, \$17 million must be provided as aid directly to students in need.

The University responded to these unexpected changes with the following actions:

- Cut non-personnel spending significantly through the imposition of new controls and spending restrictions. For April 2020, the University realized \$30 million in non-personnel spending savings over April 2019.

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- Froze hiring and mid-year increases. Turnover rates declined so the University is not counting these freezes as dollar savings to projection but rather avoidance of additional cost. To date, the University realized \$7.9 million from pay reductions and \$2.2 million from layoffs and furloughs. The 75% of labor savings and 66% of the people impacted have been salaried with pay reductions and layoffs as the most common tools. Furloughs have been a more common tool for the hourly employees. Additional savings will continue as the University continues to take further action.

With these actions and the additional cost reductions measures planned for FY 20 the University should achieve break-even operating performance for the fiscal year-ended June 30, 2020.

Planning for FY21

The University faces a wide range of possible outcomes for FY21. The University can historically predict key revenue streams with some degree of certainty well in advance to allow leaders to plan for spending needs for the year. This context supports the annual budgeting process where academic leaders get a “fixed” allocation to manage their expenses to cover the year. In general, the University’s budgets tend to be predictable, as student enrollment and matriculation patterns follow historical trends. As students generally attend for four years, the higher education business cycle trends longer than most industries, spreading any enrollment challenge over four budget cycles. The state budget tracks the same timeframe as the enrollment cycle, with likely outcomes becoming generally known following the spring legislative process.

The COVID pandemic presents a new challenging paradigm for the academic enterprise. Universities used to stable and predictable operations with ample lead time to make organizational decisions are now dealing with a crisis with a wide range of potential outcomes while being required to make decisions on a compressed schedule. In response to the health and economic crisis, the University will implement a quarterly budget adjustment process to reflect the uncertainties in revenues and allow for adjustments (upward or downward) as conditions shift and outcomes become more certain. This budgeting process represents a shift and a shock to an organization that is used to defined planning and financial decision-making horizons. There will be no certain date in the FY 21 budget where all cost cutting decisions are complete. For the foreseeable future, leadership anticipates further personnel reductions will remain a potential necessity. The University remains committed to making the hard but necessary decisions in a manner to match its expenditures to its revenues.

MU Healthcare also faces disruption with the pandemic as patients forego elective procedures and volumes decrease. Increasing unemployment and state budgetary pressures will place downward pressures on reimbursements. The leadership team remains focused on balancing financial performance and ensuring the health system is prepared to respond to any local outbreaks. MU Healthcare will manage labor and other expenses to related volumes. As a hospital, MU Healthcare has more variable cost and flexibility to manage cost in line with revenues than the academic units. For FY21, MU Healthcare will move to a quarterly budgeting process and continue to manage to a targeted operating margin. The University expects the health system’s FY21 performance to balance operationally and not contribute to any additional losses. However, the support traditionally provided by the health system to the academic operations will be at risk in the current environment. The projections that follow will exclude the health system reflecting this expectation.

As a framework for FY21 budget planning, UM System Finance created three separate scenarios for the academic organization with related financial outcomes based on the progress against the pandemic. The finance team presents these as a range of possible outcomes, but has planned for a process to manage against any of these outcomes to ensure the University of Missouri continues to sustain its mission. These three scenarios represent

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the range of possible outcomes, and actual events will likely vary significantly from the assumptions outlined in these scenarios.

Virus Contained Scenario: Programs remain disrupted through the summer, students return to full in-person instruction in the fall. The FY2021 school year operates almost normally with new health controls in place. In this scenario, enrollment and state support remain relatively solid at historical levels. Some revenue disruption occurs from decreased consumption and lower athletics revenues resulting in a small decrease over the FY2020 budget, but the University improves over the FY2020 actual revenues.

Regional Resurgence Scenario: One of the two main semesters experience a disruption requiring a shift back to online learning. University experiences a major decline in auxiliary revenues as a result. Second shift causes enrollment loss, especially among non-resident students. State support decreases slightly as the state deals with revenue disruptions and federal stimulus replaces some of the lost dollars.

Pandemic Escalation Scenario: The pandemic continues, uncontrolled by public health measures, through the entirety of FY2021. Learning only occurs online and students switch to schools with more mature online capabilities. Auxiliaries are significantly disrupted, enrollments drop, and the state experiences further budgetary shortfalls requiring cuts to higher education. The University increases discounting to students to maintain enrollment through the crisis. Giving and grants and contracts drop significantly as the pandemic escalates.

Figure 1: Range of Revenue Change for Public Health Crisis

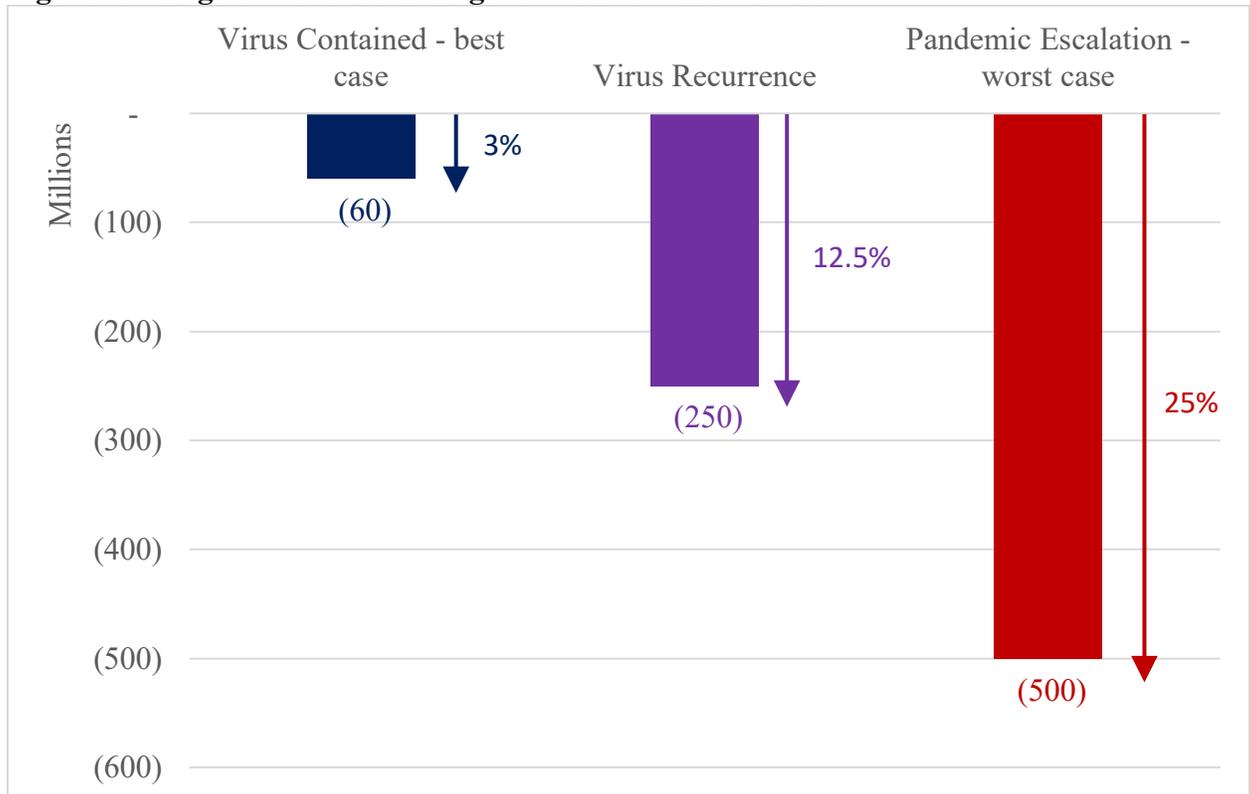


Figure 1 demonstrates the range of potential outcomes from the three different scenarios, with a decline projected between 3% and 25% over FY2020 budget. Current planning scenarios at each of the Universities track in line with the middle option of some form of virus recurrence and impact. Enrollment moves from flat in the best-case scenario to down double digits in the worst case, with increasing losses in non-resident enrollments. Auxiliary enterprises drop significantly in the Pandemic Escalation scenario, as dormitories and bookstores realize significant losses in revenue without students on campus. These scenarios represent a range of possible outcomes, and it is likely these outcomes will look different across the four Universities within the system. The virus could impact different areas at different times, and it is likely each institution will experience a different impact from the public health crisis based both upon the virus and their relative position in the higher education marketplace. The University is planning for the potential for a wide range of outcomes based upon the current uncertainties, hence the quarterly approach to budgeting. It would be harmful to cut too far, too fast and not have the resources in place to educate students in the fall. Conversely, it is equally if not more damaging to continue spending at levels exceeding precipitously falling revenues.

Each institution’s leadership team will make the necessary decisions as the environment shifts to adjust operations to revenue disruptions or improvements. To successfully manage through this crisis, the University’s leadership team must enhance its understanding of revenues and what drives them, and cascade that expectation throughout

the organization. Implementation of the university-wide financial performance and accountability framework and new budget model on the MU campus will vastly improve this understanding, as leaders now have direct insight into revenues generated by their unit and the relative impact of those revenues.

Budgets and related actions are due to the UM System President and UM Finance Office by June 7th. Consistent with state law and Board bylaws, the operating budget will be presented to the Board for approval at the June meeting. The budget provided to the Board for approval will represent the culmination of each University's most likely plan, realizing this budget process has a wider range of outcomes than the University's steady state due to the pandemic. The University's finance team expects to update plans and allocations quarterly and keep the Board informed of progress against those plans. The budget will set the targeted operating margin for FY21. The University will continue to follow the financial performance accountability policy and hold leaders accountable for adjusting expenses within revenues within a reasonable period of time.

Administrative Review – Update on Completed Work

Budget crises invariably raise questions around administrative efficiency, and rightfully so. In general, cuts should first come from administration before impacting mission related areas. However, some level of administration is necessary to run the University; employees do not get paid without a payroll process, students don't pay bills unless they get them, and computer networks don't work without support. The University of Missouri continues to work on implementing priorities identified from the administrative review to improve efficacy and efficiency of key administrative functions. The primary focus of these activities has been the transformation of Finance, IT and HR functions at the University. As a reminder, the timeline and key activities of the administrative review included:

- 1) Spring 2017: Administrative review announced as a part of FY18 budget process
- 2) December 2017: Administrative review [initial report](#) presented to the Board
- 3) April 2018: [Activity Analysis](#) results presented to the Board of Curators
- 4) May 2018: [Collaborative Design Session](#) held for University Leadership on Finance, HR, and IT operating model design.
- 5) June 2018: [Administrative Transformation](#) presented to the Board of Curators
- 6) Fiscal Year 2019: Finance, HR, and IT begin implementation of plans from operating model design.

Administrative Review Report

Given the significant challenges faced by the University of Missouri following significant enrollment drops after the November 2015 protests, the Board of Curators requested a review of administrative spending at the University to ensure the institution undertook every cost action possible to preserve as much mission spending as practical through the period of financial stringency. In 2017, the University engaged PricewaterhouseCoopers

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(PwC) to perform an independent analysis of administration, including Finance, HR, Facilities, and Information Technology.

Initial results of the administrative review were presented at the December 2017 Board meeting. Overall, the initial report reviewed \$644 million in addressable spend, of which \$423 million was benefits spending that applied to all business units. The remaining \$221 million in addressable spend was for Finance, HR, IT and Facilities cost at MU and UM System. In total, the initial assessment report found \$27 to \$44 million in opportunities for administrative functions, with an additional \$17 to \$30 million in opportunities within benefits. The report also identified concerns with the University's operating model for administrative functions, with a lack of alignment between Universities and the central and distributed labor force. The report noted more study was necessary to identify actual amounts the University could save through administrative redesign, including an activity analysis to identify decentralized work effort.

PwC's recommendations and observations in the report included:

- 1) Look across the system and in academic departments to identify savings
- 2) Central units have already implemented readily attainable cost savings
- 3) Clarify how and where decisions are made throughout the organization
- 4) Enable leaders to manage expenses across operational lines and departments
- 5) Develop a Transformation Management Office
- 6) Perform an activity analysis survey to identify non-faculty labor effort
- 7) Rapidly implement near-term opportunities to build momentum and success
- 8) Include faculty and staff in the definition of strategy and vision

After the report, the University took actions recommended by PwC:

- 1) Formed an advisory group of faculty and staff that oversaw the process
- 2) Created the Transformation Management Office and appointed a leader of the Office
- 3) Formed the University Taskforce to define decision-making and clarify roles across the enterprise
- 4) Continued with the activity analysis to better understand labor spend

Activity Analysis

In January – February of 2018, the University of Missouri completed an activity analysis that measured the work effort of all non-faculty positions across the Universities and UM System Administrative Offices. The Activity Analysis expanded the Administrative Review from just MU and UM System to the four universities and UM System. The survey classified the work by:

- **Functions:** High-level areas of business (e.g. Finance, HR, IT)
- **Processes:** Categories of tasks within each Function (e.g. Accounts Payable)

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- **Activities:** Individual activities or tasks housed within each Process (e.g. Check Processing)

The survey represented employee’s perceptions of work effort and classified the work performed regardless of title. The survey achieved a 96% completion rate with nearly 16,700 unique responses equivalent to 11,815 FTE’s of work. The survey included mission-related work done by staff, and was meant to capture all staff time rather than the staff time only related to “administrative” work.

Table 1: Results from Activity Analysis

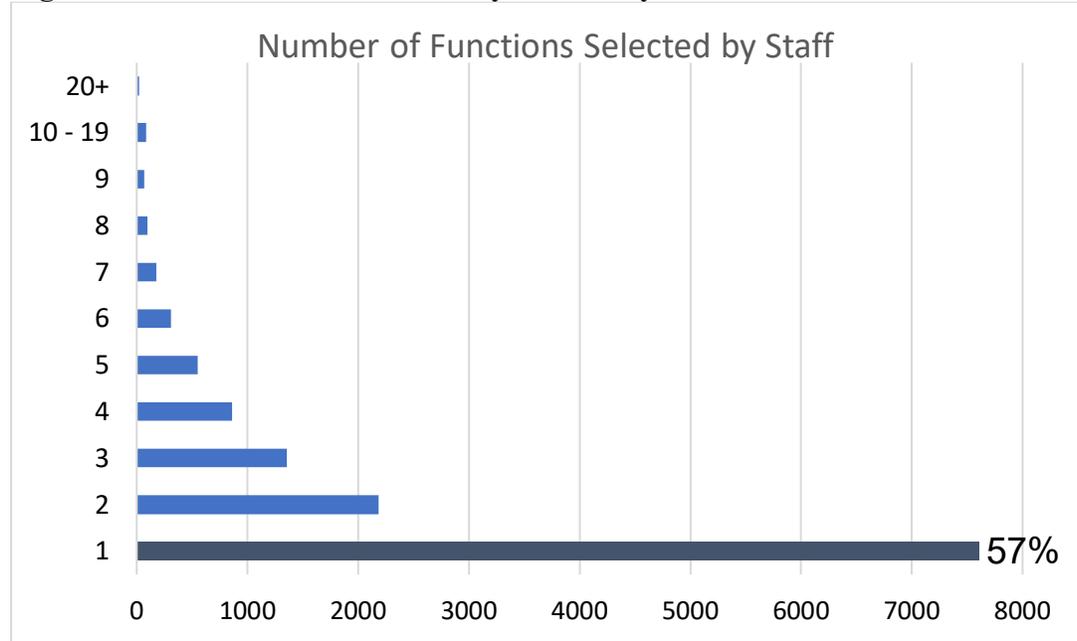
| # | Function | FTEs | % of FTE | Gross Salary |
|-----------|--|-----------------|--------------|-----------------------|
| 1 | Facilities | 1530.4 | 13.0% | \$ 59,983,340 |
| 2 | Student Affairs and Services | 1255.4 | 10.6% | \$ 37,493,756 |
| 3 | Research and Economic Development Engagement | 1029.5 | 8.7% | \$ 47,557,997 |
| 4 | Information Technology | 980.5 | 8.3% | \$ 53,333,684 |
| 5 | Clinical | 892.3 | 7.6% | \$ 46,211,642 |
| 6 | Academic Affairs | 806.1 | 6.8% | \$ 34,715,579 |
| 7 | General Administration | 619.1 | 5.2% | \$ 23,410,175 |
| 8 | Auxiliary Services & Business Operations | 610.4 | 5.2% | \$ 22,092,860 |
| 9 | Enrollment Management | 590.2 | 5.0% | \$ 23,187,767 |
| 10 | Finance | 578.6 | 4.9% | \$ 29,873,647 |
| 11 | Community Service and Extension | 451.4 | 3.8% | \$ 16,626,553 |
| 12 | Teaching | 428.4 | 3.6% | \$ 12,016,865 |
| 13 | Communications and Marketing | 392.8 | 3.3% | \$ 18,911,560 |
| 14 | Human Resources | 358.6 | 3.0% | \$ 18,738,497 |
| 15 | Intercollegiate Athletics | 351.3 | 3.0% | \$ 24,283,619 |
| 16 | University Advancement | 322.5 | 2.7% | \$ 19,310,470 |
| 17 | Libraries and Museums | 215.9 | 1.8% | \$ 6,258,051 |
| 18 | Supply Chain and Procurement | 156.9 | 1.3% | \$ 6,700,650 |
| 19 | Diversity, Equity, and Inclusion | 120.2 | 1.0% | \$ 5,936,014 |
| 20 | Printing and Publishing | 85.4 | 0.7% | \$ 3,363,856 |
| 21 | Legal | 31.5 | 0.3% | \$ 2,638,501 |
| 22 | Real Estate Services | 7.1 | 0.1% | \$ 449,476 |
| | Total: | 11,814.4 | 100% | \$ 513,094,559 |

Note: **Bolded** lines represent areas of focus for Administrative Review.

Key findings of the Activity Analysis include:

- The majority of staff are focused within a single function. For administrative functions, this was especially true for facilities and information technology

Figure 2: Concentration of Effort by University Staff



- University staff spent 31% of their work effort on Functions from the Administrative Assessment (Finance, HR, IT, Facilities, and Supply Chain/Procurement)
 - Facilities was the highest activity in the entirety of the survey with 1,530 FTE
 - Information Technology was the second highest administrative activity with over 980 FTE and encompassed more than HR and Finance combined
 - Staff work responsibilities for HR and Finance are diverse and spread among multiple administrative functions, with inconsistent reporting lines
- Centralized Finance and HR staff tended to be focused on their respective functions. There is a significant portion of staff imbedded within units where HR and Finance are only pieces of their roles. These individuals tended to be focused on completing transactional work.
- PwC only performed the centralized, compared to decentralized, analysis for in-scope functions. The University still retains activity analysis data that could be used for functions originally out of scope for Administrative Review.

After completion of the activity analysis, Finance, Human Resources, and Information Technology worked on plans to address the findings and data collected through the activity analysis. Each function also completed a “Voice of the Customer” survey that identified the quality gaps within the function and identified areas where additional value could be added. Leadership of each function across the four universities (CFOs, CHROs, and CIOs)

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worked with PwC to develop a framework/plan to address cost and effectiveness gaps of their function. With effectiveness gaps identified within functions, initial reduction estimates dropped as there were some clear gaps in the effectiveness of administrative functions. Similar to University's experience with Accenture and Hackett in the mid-2000's, there is generally a gap between what consultants initially identify and what can actually be implemented. However, the work still remains valuable as it helps identify where to look first for change.

The leadership team of each function then presented plans to the entire University leadership team, including Deans, in a Collaborative Design Session in May of 2018. The Collaborative Design Session allowed leaders from across the organization to provide input on how to make Finance, HR, and IT better. The conversations in Collaborative Design shifted the focus of administrative review from how to get smaller to how to make Finance, HR, and IT more effective. The key takeaways from the session by function included:

Finance:

- Defining and driving financial accountability and better management reporting is key to driving results.
- Talent needs to be better aligned and resources should have the skills to effectively perform their roles.
- Processes need to be simpler and technology easier to use.
- Finance needs to be mindful of not impacting the faculty's ability to educate students.

Human Resources

- HR can position the University as the "Employer of Choice" and a great place to work through efforts around attracting, retaining, and developing talent.
- Leadership development is a key gap; Human Resources should create and maintain a platform to develop leaders and high potential faculty and staff.
- Leaders want timely advice and guidance related to employee relations, performance management, and other workforce planning matters.
- Human Resources needs more clearly defined and consistent policies and procedures.

Information Technology

- Determine which functions need to be standardized versus those that are key differentiators for the University
- Central IT should serve as a steward for new technology rather than providing one off solutions
- Hesitancy to collaborate with IT, as some universities believe their needs are beyond IT's current capabilities
- Participants had disconnected views on which IT services should be delivered

A key point of feedback from the session from across the organization to the leaders of each administrative function, was for the central leaders to focus on the "back-end" of administrative processing with a top down approach while allowing other leaders to work

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on the “front-end” of the process from bottom up. Leaders asked central functions to provide the technology platform along with necessary policy and processes, while leaving their individual units to improve their own operations with new data from the Activity Analysis. Leaders expressed a desire to see and act upon their own data from the Activity Analysis and Administrative Transformation, rather than solely taking a centralized top down approach. Much of the discussion from the session centered around how each administrative function could become more effective and shift their focus to adding additional value, rather than just becoming a smaller function.

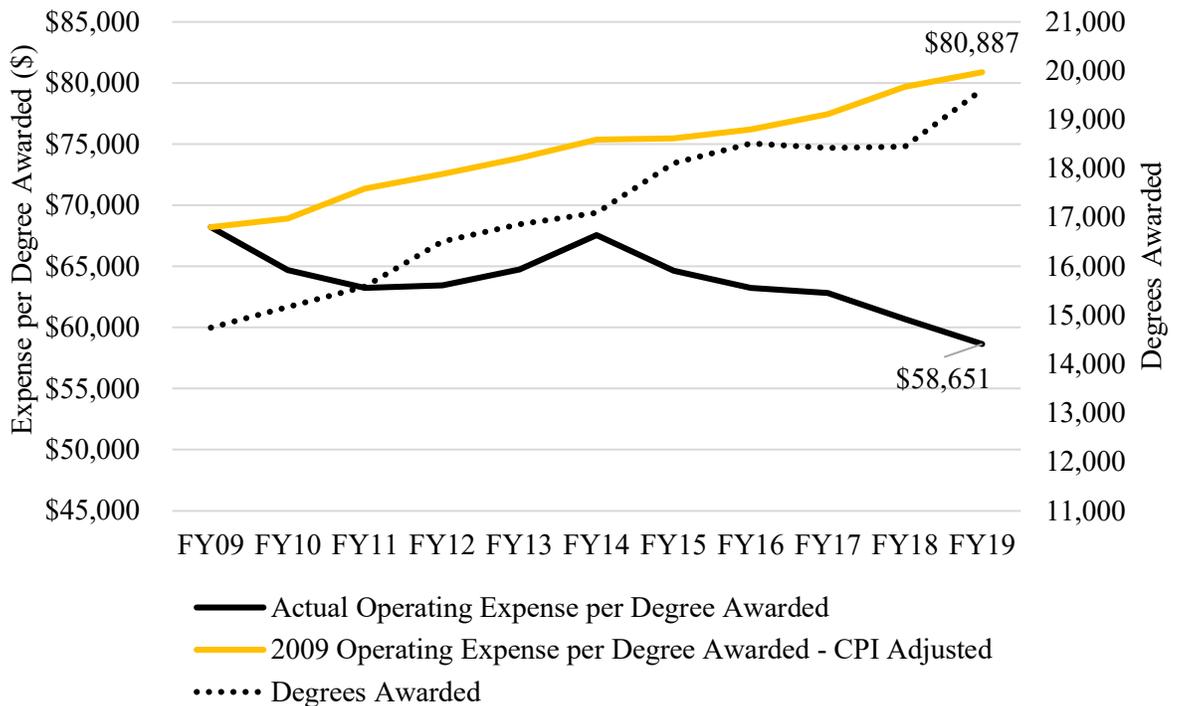
From the Collaborative Design Session, each function began to work on implementing recommendations and feedback received from the session. At this point, each function had a roadmap to implement changes to better meet the needs of leaders across the enterprise. The University shifted focus of the project from “Administrative Review” to “Administrative Transformation”.

Results from Administrative Transformation Project

The Administrative Transformation Project yielded results, including:

- Identification of 384 positions totaling \$17 million in salary that were eliminated in the 2018 budget process and identification of an additional \$5.2 million in non-personnel spend.
- Cross-University shared services developed including ecommerce, payroll processing, shared leave administration, leave administration, and international payroll taxation.
- Focused the Universities on implementing administrative efficiency and effectiveness initiatives, including:
 - Colleges restructured workflows to reduce effort in the academic units
 - MU utilized a donor gift to fund process improvement projects
 - UMSL changed the role of fiscal officers
 - UMKC implemented a shared services model for HR partners and fiscal officers
 - S&T built an integrated finance structure out into colleges
- Improved technology user design to reduce clicks and steps in completing administrative transactions, and this work continues
- Provided detailed views of the activity analysis to every College and Unit across the organization so their leaders could review the data and act upon it.

Figure 3: Operating expense per degree and degrees granted since 2009



Source: University of Missouri General Ledger, IR Degrees, CPI-U from BLS

Figure 3 demonstrates the University of Missouri’s efficiency in spending since 2009, with a 30% reduction in amount spent per degree granted. This is one of the best measures of

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the University's overall efficiency, as it measures academic and administrative spend per degree granted, the ultimate outcome of a student's education. Over the same period, the University increased degrees produced by over 20%. Note that over the past five years, divergence between inflationary (gold line) and actual cost line (black line) has increased as the University has significantly reduced cost over this time, reducing cost in nominal dollars as inflation continues to increase. This chart demonstrates the University's continued focus on reducing cost of producing a degree, including actions taken via Administrative Transformation, along with all actions taken within academic units to better manage the cost of a degree.

Summary of Finance Activities Since the Administrative Review

With support of the President and in coordination with the Board of Curators Taskforce Report, Finance implemented organizational accountability changes to reflect a more integrated function, with each Chief Financial Officer (CFO) now having formal joint accountability to the chancellor and the UM System Chief Financial Officer. At each University, the finance function further integrated with either direct lines or dotted reporting lines into the central finance function for college/division fiscal officers. The accountability changes allowed for fiscal officers to support multiple colleges or divisions, further leveraging financial expertise across a wider swath of the organization. Fiscal officers are still expected to form good relationships with their academic and operational leaders, but further involvement of finance professionals in the accountability process ensures better quality and redundancy of staff. Multiple units have also found it better to have a smaller piece of a more qualified, higher performing individual rather than maintaining their own support.

Strategic Finance: Implementing comprehensive financial planning

Since the administrative review, the finance function focused on development and implementation of a financial planning and accountability framework. The finance function worked to build the capabilities to move the organization's financial focus past individual budget cycles to a longer-term framework that focuses on the relationship between margin and mission. The President issued Executive Order No. 47 with support of the Board's finance committee to define an accountability framework for the leaders of each University and the Health System related to financial performance. The plans serve as a connection point between the strategic plan, budget cycle, and capital plans, underpinning strategic priorities and mission of each institution. By looking across budget cycles over multiple years, the University can make tradeoffs and invest intentionally in its strategy over time, rather than approaching each budget cycle as an independent exercise.

Work completed to build out the University's capabilities in more comprehensive financial planning and performance has positioned the organization to deal with the pandemic invoked financial crisis. The team is currently utilizing planning models built in the five-year planning process to evaluate the impacts of various scenarios on the University's financial health. These scenarios were presented in the earlier section of this paper.

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Finance Service Delivery

The majority of the effort within the finance function focused on improving finance's support of strategy delivery and appropriate planning and use of resources. Each operating unit has begun to set up shared services to deliver finance services at scale to their units, especially smaller units that don't have the capability to fund service on a full-time basis. This was identified as a key gap for finance in Administrative Review and the Activity Analysis, connecting central units with the distributed units and realizing more efficiency as a result.

To facilitate delivery of better finance transactional processing, the System Finance Office began to streamline technology solutions and processes to facilitate easier processing. Since the administrative review, improvements in technology have included:

- Moving all purchasing card transactional processing into an electronic system from paper
- Improving PeopleSoft user interfaces to reduce the number of clicks and improve compatibility with mobile phones
- Building custom electronic workflows into delivered PeopleSoft through bolt-on software to ease process flows and eliminate the need for co-location of staff.
- Development of the contracts portal to allow for electronic routing of contracts for services.

The finance function focused on reorganizing how and where work gets done, attempting to bring previously smaller units together to add scale through development of shared service models. Over the past two years, the finance functions have made the following changes:

- Created the Marketplace shared service for payment receipts and electronic storefronts (ecommerce). The shared service allows departments to set up small storefronts and receive web payments without the need for support staff. This shared service also reduces risk by eliminating physical risk of cash receipt with small sales volume.
- Combined contracting functions on three of the four universities into a single group for contract term and condition review and approval.
- UMSL implemented a proximity-based staffing model for administrative support within their units. The model allows for departments to share administrative staff in the same large building or geographic area of smaller buildings.
- MU implemented a shared service model for finance and HR transactional processing, taking care of accounts payable and payroll entry and processing aspects, with the departments serviced approving the transactions. The current model continues to grow as departments convert into the service center.
- UMKC implemented a shared services model for transactional processing and budget development and planning. Currently 75% of units have converted into the shared services model for financial transactions.

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Most of the efforts to deliver a shared service function focused on converting the willing departments into the function via a bottom up approach. This process is slow and less disruptive to the University and supports a mindset of better service. However, the downfalls of this approach are both the speed of implementation and ability to realize significant savings quickly. If there is a need to deliver faster results and higher dollars of savings, service will degrade and segments of the organization may build shadow functions.

Summary of Human Resources Activities Since the Administrative Review

Human Resources (HR) made significant progress over the past two years in reducing duplication and rationalizing service delivery across the University. HR changed the accountability structure for HR leaders within each University to have joint accountability to the Associate Vice President for Human Resources at UM System and their respective campus leader. The accountability change provides a more unified approach to Human Resources, and allows the division to function more efficiently and collaboratively across the organization.

Since the administrative review, HR improved service delivery and added services to meet the University's needs:

- Employee Value Proposition – In collaboration with University leaders, designed a strategy to position UM as an Employer of Choice. The [*Who We Are*](#) has been incorporated into several programs to build culture around the five pillars.
- Recruitment COE - Systemwide recruiting center of excellence was established to improve the recruiting function at the University after being identified as a key gap during the Collaborative Design Session. The center provides service to University departments needing to recruit new administrators, faculty, and staff, and has helped reduce the amount of spend on search firms for higher level positions within the organization.
 - Enhancements to campus recruiting and branding activities have been established for recruitment of all faculty, staff, and student vacancies. Emphasis has been placed on recruiting diverse applicant pools and automating the job posting processes to national websites to market opportunities at the university.
 - Business processes for all staff recruitment have been reviewed and are currently being revised to be launched consistently across all four campuses. Emphasis has been placed on reducing time to fill positions, implementing technology-driven screening methods for increased applicant volume and improved overall candidate experience.
 - Implemented full-cycle recruitment efforts to include passive candidate sourcing, increased national outreach, enhanced screening and selection methods, and elevated vetting and referencing procedures.

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- In partnership with MU Inclusion, Diversity and Equity division, created a tool to track and report impacts of faculty recruitment efforts at MU.
- Learning and Organizational Development COE – Systemwide learning and organizational development functions are provided to all universities. New initiatives include:
 - Held the first systemwide conference for department chairs, deans, and other academic leaders.
 - Developed a technology-enabled systemwide onboarding program to be delivered over the first 12 months of employment; prepared a pilot for staff.
 - Designed new leadership development programs for staff outside the scope of existing options.
 - Implemented a new performance management tool to improve data integration and enable additional owned PeopleSoft modules, improving technology and reducing spend by leveraging existing contracts.
 - Provided regular virtual learning and leadership development opportunities for academic and staff leaders.
 - Procured an employee experience tool to gather data on exit, onboarding, and engagement to provide metrics for future decision making.
 - Created an executive coaching program for academic and administrative leaders, recognizing the individualized approach required for successful leadership development at the highest levels of the organization.
- Affirmative Action Planning (AAP) efforts have been standardized and streamlined across all campuses and MU Health Care. Less time is now spent on gathering data and compiling Affirmative Action Plans, with more time now available to analyze information within the plans and to act on identified problem areas. Improvements include:
 - Centralized data gathering efforts and established standard definitions around data elements required for the plan. All data files are running centrally out of UM System Human Resources and distributed to the campuses to ensure data integrity and consistency in the process.
 - Along with the Recruitment COE, worked to initiate and operationalize a partnership with Local Job Network, which provides OFCCP compliance assistance by ensuring openings across all campuses and MU Health Care are posted to the State of Missouri Employment Service Delivery System.
 - Collaborated with all campuses and MU Health Care to facilitate updates to employee demographic data to ensure plans are based on the most complete and up-to-date information possible.
- Shared Services and centralization of processes have been implemented to improve efficiency, cost reductions, consistent customer experiences, and ultimately drive value to departments by increasing their ability to focus on the Universities core mission.
 - Payroll process centralized with three of the four universities

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- Non-resident alien and taxation administration processes administered with two of the four universities
 - askHR implemented to streamline HR questions unique to MU Health Care
 - Shared Leave administration centralized system-wide
 - FMLA administration outsourced for the first time in University history; paid leave standardized and centralized system-wide for those on FMLA leave
 - Background check policy and processes standardized, eliminated inefficiencies and waste, increased areas of checks, and ensured institutional risk is mitigated
- Process and Policy Standardization – Several processes have been standardized and automated systemwide including self-service processes, eliminating manual paper processes, and implementing automated routing, review and approvals.
 - Evidence of Insurability for life insurance approvals
 - Position Classification Questionnaire (PCQ) to review employee position classifications
 - Telework Arrangement Form to obtain approval to work remotely
 - Family First Coronavirus Response Act (FFCRA) paid leave request
 - Payroll Reduction Measures as a result of COVID-19
 - Educational Assistance and Tuition Reduction
 - Benefit-enrollment changes for employees to make changes due to family status changes such as marriage, divorce, new baby
 - Enhanced automation to identify discrepancies to ensure medical and ancillary benefit plan enrollments are accurate
- Benefit and Retirement Plans
 - Premium Development for the Medical Plan – In collaboration with TRAC, Finance, and consultants, a multi-year strategy has been implemented to align premiums with the actuarial costs associated with dependents and retirees covered under the University medical plans. The impact will be to proportionally shift premium costs to employees with insured dependents and to retirees to cover medical costs for these populations.
 - Cost savings for specialty drug – In collaboration with MU Pharmacies to become an in-net pharmacy for specialty drugs for the University medical plans. This resulted in allowing employees and retirees to fill specialty Rx through MU resulting in cost savings to the University.
 - Defined Benefit Plan – Post implementation of the defined contribution plan, UM is assessing what strategies need to change as a result of plan closure to ensure the liability remains at manageable levels while maintaining legal and other regulatory commitments in the plan. UM leaders will continue to collaborate with TRAC, university advisory groups, and outside consultants.
 - Defined Contribution Plan Development - In collaboration with TRAC and Finance, designed and implemented a new retirement plan, “Defined Contribution Retirement Plan” for newly hired and rehired employees on or after 10/1/2019, as approved by the Board of Curators in April 2019. The anticipated impact will be

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reduced pension liability and increased recruitment and employee value proposition due to transferability of investments.

Summary of Information Technology Activities Since the Administrative Review

Over the past several years, in keeping with the Administrative Review and other directives, IT has established better governance processes and has worked more closely together (across all IT units) to make a positive impact in a number of areas. IT implemented organizational changes to reflect a more integrated function, with each campus Chief Information Officer (CFO) now having a dual reporting role to the UM Vice President for IT and campus administrator. A couple of key projects that demonstrate this includes Project Unify and IT Transformation.

Project Unify

In early 2017, a project was initiated to identify and standardize key business processes within the student information systems (SIS) across all Universities. In 2018, that project was superseded by Project Unify which maintained the goal of process standardization and added three software implementations (Slate, Canvas and Starfish).

The project team identified 42 processes as priorities. The status of those priorities is as follows: 26 completed, 13 in progress, one not started and two deemed out of scope. Examples of completed items include, modification for last day of attendance (LDA), add/drop/swap/edit date alignment and student refund processing. In process examples include transcript digitization, optical character recognition software for transcript processing, process streamlining, processes for residency petitions, and summer registration date alignment.

IT Transformation

In 2018, teams were established across the system-wide IT organization. Each team focuses on a specific IT domain (infrastructure, applications development, research computing, etc.) to identify ways to collaborate, standardize, and reduce costs. Those teams have made significant progress in creating cross-campus inventories, developing common strategies, sharing documentation, and establishing common tools and standards. A few projects include; working with MOREnet to collapse state-wide network infrastructure, sharing storage resources, and leveraging expertise at a single campus to build tools for all (e.g., the satisfactory/unsatisfactory grading process was built by UMSL but used by everyone).

The move of our on-premise email and communications tools to the cloud via Microsoft 365 is another example of cross-campus cooperation. This is the first time all users (faculty, staff, and students) at all of our Universities will be on the same email, calendaring, and collaboration platform. This project will also allow for elimination of duplicative services such as Box and Skype.

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It should be noted one of the most important benefits to the IT Transformation process has been in relationship building and collaboration. All team members have expressed gratitude in being able to contribute to the goals of their cross-University teams and in the comradery that has been established with their peers.

IT Priorities

IT has a number of technology related priorities that will be important in supporting the University's mission. The priorities listed below, however, focus on how IT can continue to make progress outside of specific technology-related projects.

- Invest in enterprise-wide data management and analytics capabilities
- Accelerate IT shared service opportunities
- Normalize/centralize IT budgets
- Continue to improve IT governance
- Establish system-wide IT metrics
- Improve technology mobility options for students

Based on the Administrative Review and other initiatives, IT is poised to make more progress across the UM System so long as UM and University leaders agree pursuing more standardization and consolidation is in our collective best interest.

Taskforce Report

In FY2018, the University Board of Curators appointed a taskforce to review the University of Missouri's patterns of governance, leadership, and operations. The University is organized as a system to achieve more collectively than its component parts could achieve individually and this principle will guide decision makers in managing affairs within the UM System, whether academic affairs or business affairs. The taskforce affirmed the fundamental responsibility of all those employed by the University was to seek and manage resources necessary to achieve the vision and mission of the University of Missouri. This fundamental responsibility compels the leadership team to look beyond individual universities and interests to enable the University to meet the needs of Missouri. The taskforce further outlined that authority among leadership and accountability for actions will be linked and outcomes will be measured against results.

The taskforce further defined the framework necessary to manage the University. The report explicitly outlines the authority for leadership to act, and leaders will be held accountable for their actions in leading the institution towards achievement of the mission. The President, with input from the Board, utilized this framework to create the financial accountability process now used to manage financial performance across the enterprise.

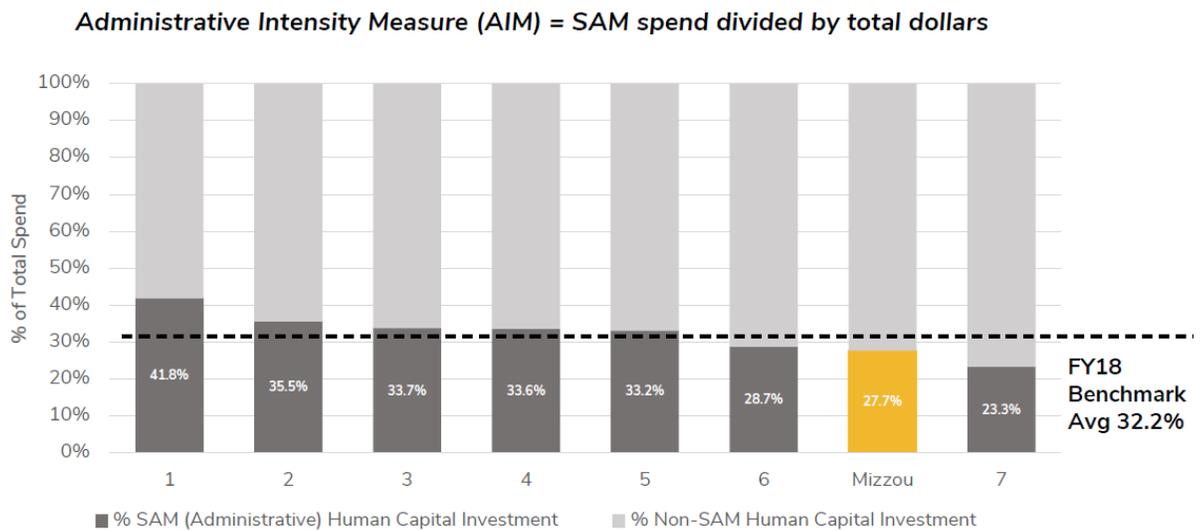
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Recent Benchmarking: ABC Insights

One remaining gap from the activity analysis was a benchmarking to peer institutions to determine how the University compares in administrative staffing and size. In 2019, MU joined the Academic Benchmarking Consortium (ABC Insights) to help further evaluate and benchmark administrative spend. Data from ABC is new to the institution and has been provided to MU’s leadership team to help inform the budget process.

ABC Insights took the University’s payroll spend and classified the spend by standard job descriptions to other Universities. This data differs from the activity analysis in that it uses the job description to classify an employee rather than asking the employee about work effort. Additionally, the data below only represents MU and MU’s pro-rata share of UM System, not the entirety of the four universities like the Activity Analysis. Unlike the activity analysis, ABC Insights can benchmark the relative effort to like peers who participate in the consortium. The data below only represents MU and the share of UM System that supports the MU campus. ABC benchmarks institutions that are part of systems in a similar manner. The following chart shows a summary of the data for the University of Missouri compared to peers for key administrative functions:

Figure 4: Percentage of Workforce Dedicated to Administration to Peers



The “Administrative Intensity Measure” represents the percentage of total labor spending on administration (Communications, Development, Facilities, Finance, General Administration, Human Resources, Information Technology, Research Administration, and Student Services). ABC Insights only benchmarks the administrative functions listed above. Overall, the University of Missouri benchmarks as a smaller administration than peer institutions (Colorado, UC-Davis, Buffalo, Florida, North Carolina, Oregon, Wisconsin) in this analysis. Peer institutions were chosen based on comparable size and profile, and only institutions that participate in the consortium are available for

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benchmarking. In aggregate, the University has the second smallest spend on administration compared to peers. ABC Insights further breaks out administrative spend by administrative function:

Figure 5: Centralized and Decentralized Spend to Peers as a Percent of Total Spend

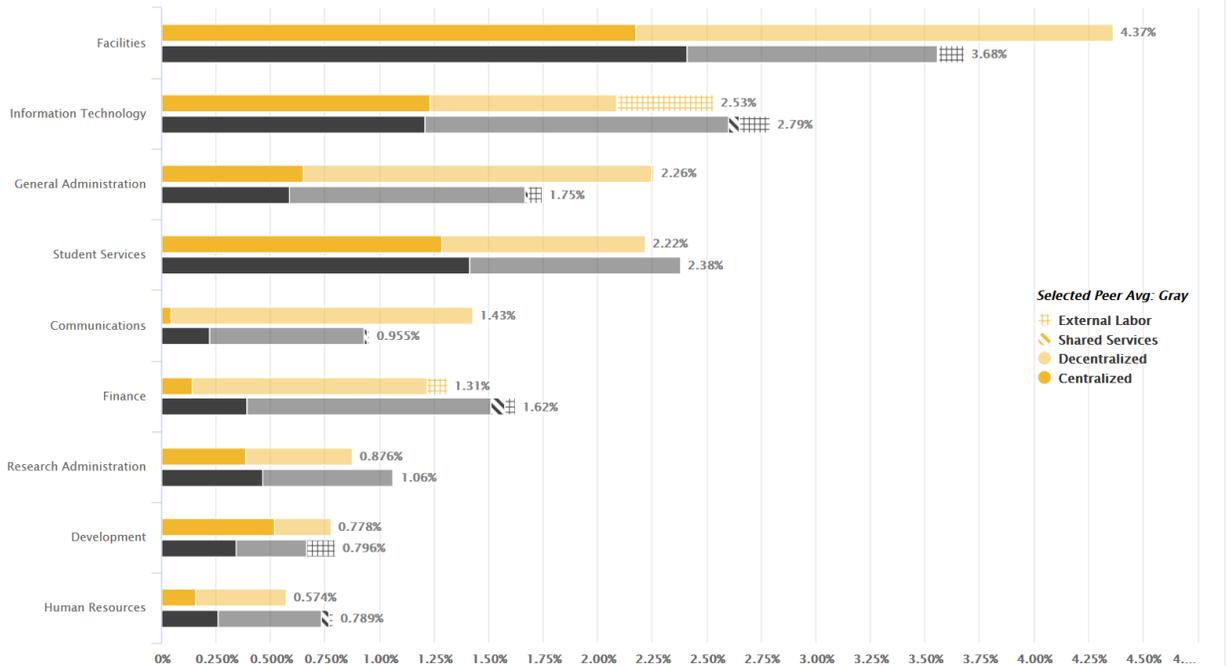


Figure 5 benchmarks the University to the same peer set, with labor spend in the related administrative buckets. Centralized spend is defined as spend that reports directly into the functional unit, so for finance this represents staff that report directly into the MU CFO. System functions are represented as “external labor” and several peers in this analysis have a system office. Overall, the chart demonstrates the University’s central functions are generally smaller than peers. Additional administrative size is generally in the decentralized function and spread across the institution.

On figure 5, the three areas undertaken under the administrative review are all below the average for peer institutions. This data allows the University’s leadership team to investigate areas that are of a larger size than comparable institutions. One reason for the higher than average communications spend is the University’s TV station, a unique aspect no other peer has. On the facilities side, the research reactor produces significantly more spend than peer institutions. Both of these operations are key to the University’s educational and research missions, but also drive additional cost. The tool and analysis beneath it allows the leadership team to get underneath variances and evaluate changes in context of the institutional mission, including sub-functions underneath the overall function. The drilling allows leaders to investigate even the “efficient” areas to identify potential opportunities. The ABC Insights data represents a new, valuable data point; but it also remains just an additional data point that provides potential new ideas for leaders to act upon.

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The findings from the ABC Insights administrative benchmarking track in line with findings from the Activity Analysis. The University has significant staff FTE supporting key administrative functions across the institution. The majority of the administrative staff are imbedded in academic or operational units to support institutional needs, with a relatively small number both in total and in relation to peers in central administrative units. Any administrative cost control measures will need to address the entirety of administrative structure and consider how to address the distributed FTE. The University will also need to thoughtfully consider infrastructure and technology components in making the change, and a service erosion is likely necessary to achieve significant cost reduction.

The University joined ABC Insights to help identify additional areas to review on administrative functions before the public health crisis began. Overall, administrative units are subject to the same economic pressures applied to the rest of the institution. If total resources shrink, administrative units will need to shrink together with those resources. There are no easy solutions in this data, the University has been through significant downturns over the last decade and has cut the necessary costs to adapt. Administrative functions at the University will continue to do their part to help contribute to the organization's future.

Administrative Space Consolidation

The MU campus started a proactive management plan to reduce the space footprint on campus. As the facilities unit identified significant issues with old and outdated space and available resources to fund them. The facilities group knew there was too much and too poor of space available and started a plan to decrease the amount of space utilized by the University and eliminate the worst space by issuing a goal to vacate 750,000 square feet of space. The pandemic and rapid shift to working from home will accelerate this effort. Currently, University of Missouri System Administration is asking all managers to re-evaluate the need for office space in light of the rapid shift in the work environment. Part of UM System Administration's budget reductions will include a significant space reduction. MU Facilities remains focused on bringing unproductive space offline, and concentrating leftover spend on more dense and mission critical uses.

With implementation of the new budget model at MU, units are now charged for all space occupied at a rate per square foot. This creates incentive for departments to manage their square footage which was not present when MU funded space centrally. The rapid shift in the work environment, and realization larger portions of the workforce can be successful in working from home, along with units now bearing space costs in their budgets at a time when significant pressure exists to reduce costs, is expected to accelerate the reduction of space system wide. A key focus for the institution will be realizing these net square footage savings and moving towards a smaller and more efficient footprint. Successful execution of a space consolidation plan will further maintain resources to be invested in the institution's mission.

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Conclusion

The leadership team of the University of Missouri will continue to proactively address the pandemic. The pandemic has in part changed but moreover accelerated necessary changes for the institution. To take the next step on administrative spend, the leadership team must look across organizational boundaries and couple changes in people with processes and technology to bring the University's administrative function into the future. The majority of administrative spend remains outside of "central" functions. The University has hired multiple consultants to evaluate its administrative profile over the past two decades, and each consultant has concluded some cuts can be made centrally but by and large the opportunity for significant cost savings can only be realized by addressing functions distributed throughout the organization.

If the need remains to realize significant administrative savings to fund budget shortfalls during the pandemic and drive reinvestment in the academic mission of teaching and research, the University needs to take a different approach to operationalize the key finds of past consultants such as Hackett, Accenture, and PwC. Irrespective of the approach taken, the current budget crisis will be disruptive to the workforce, no matter what decisions are made. Accordingly, the time is now to endorse an administrative restructuring plan that integrates previously horizontal functions into a single vertical organizational structure for administrative work to support our academic leaders and the mission. This will align interests towards reducing administrative costs, setting a minimum baseline service level and re-investing in the academic mission. This approach will disrupt the workforce but will provide a comprehensive approach to minimizing administrative spend while maintaining adequate support for the academic mission. The need for a different approach spans wider than the original administrative review that only covered Finance, HR, and IT; encompassing all administrative and staff support functions.

The question for leadership at current, is when and how to pull this lever, or if it needs to be pulled based upon today's facts and circumstances. The question regarding the economy remains the same: "How bad is this?" This is a question nobody can answer with certainty, and the only factor that will provide the necessary certainty is time. Severe economic depressions do happen, and the University has survived them in the past, but only by taking decisive actions and adhering to business fundamentals that have withstood the test of time. The following excerpt from the 1931 financial report demonstrates the decisive actions taken by University leadership in the midst of one of our country's most severe economic depressions. The University is pulling many of the same levers today:

"When, in the fall of 1931, it became apparent that the income from State revenues would be greatly reduced and that the money available to the university would fall far below the appropriations that had been made, the administration at once set about to meet this financial crisis. So complete was the cooperation of the entire University staff including all employees that the expenditures for the biennial period were far less than the sums appropriated and fell within the total which was recommended by the Governor of the State after having held out large sums.

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The result produced as follows: (1) by cutting down severely on operating expense; (2) by making no purchase of additional equipment and supplies; (3) by eliminating much clerical help; (4) by the elimination of assistants; (5) by not making replacements in the case of resignations or upon the expiration of contracts when the work could be distributed by the members of resident staff; (6) by surrender of a part of the University salaries; (7) by the elimination of entire University projects.”

During 1931, the Great Depression was only beginning. This is not to say the current set of circumstances will lead to a decline of the same magnitude as the Great Depression. It is to say that we must set about preparing for the uncomfortable reality that it could. It may turn out the actions above are enough. But by 1933, these actions were not enough:

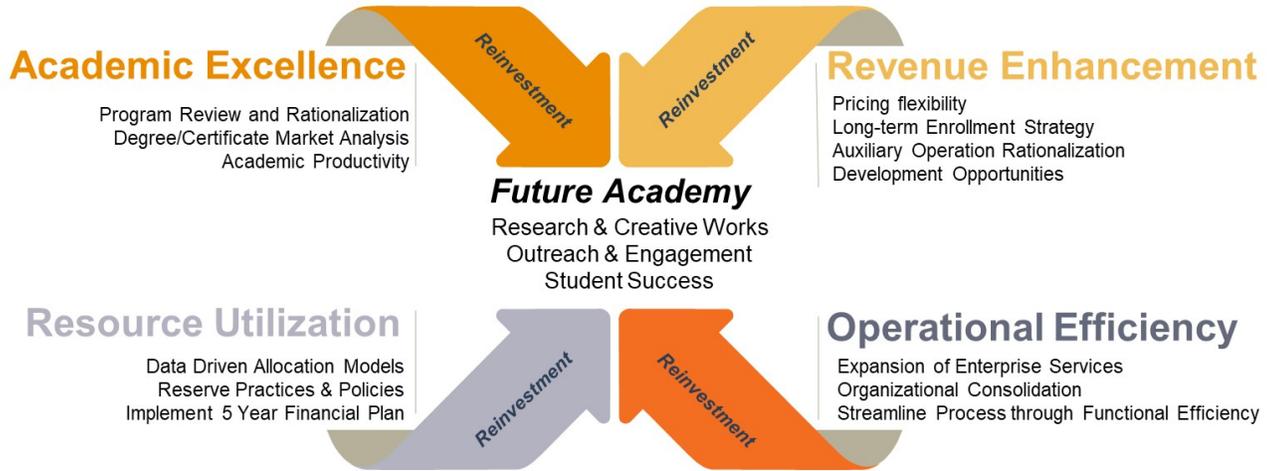
“It is but natural that the University of Missouri, along with other enterprises, should have found its resources severely limited during the years of depression. The income from all sources for activities alone has been reduced by approximately thirty four percent. To balance the budget and operate within the limits of available funds, it has been necessary to reduce the expenditures for personnel by thirty eight percent. This has been accomplished by reducing the staff and by reducing the salaries. The University pay roll has been reduced by over two hundred names within the last biennial period and salaries through all brackets of pay, have been reduced sufficiently to make the total necessary reduction of thirty-eight percent in the salary item in the budget. This, as will be shown later, has been done at a considerable loss in educational efficiency”

The outcome of the current health and economic crisis remains unclear and the depth of the dip or the pace and magnitude of the recovery remains unknown. The University’s Administration will continue to prepare for the worst and hope for the best. Using history as a guide, it is prudent to prepare for a significant administrative consolidation. This was a key aspect of leadership’s response in the great depression, and will be a key response if economic activity continues to erode or fails to rebound in the near term. To continue making progress, University leadership along with the Board will form a working group to look at administration and develop a plan to address spend. The proposed approach will seek to identify what can be done and how it can be done in a way that both delivers the necessary savings, but also meets the needs of the organization through the crisis.

Administrative reorganization has the potential to deliver significant savings, but it alone will not solve every problem the University faces. Every University and most private enterprises are currently struggling to manage cost to the point of offsetting the significant revenue disruptions caused by the pandemic. The University’s future will be determined by re-emergence from the crisis, and that re-emergence will be determined by how the University’s revenues recover from the crisis. Administrative functions are a necessary condition to operate the business. The organization’s success, however, is not strictly aligned to these functions and therefore the path to re-emergence cannot be limited to

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focusing on our administrative capacity. The organization will succeed if and only if it delivers on the needs of all Missourians in a way that generates income from the state, students, patients, granting agencies, donors, and all of its other major sources of income.



University of Missouri System Board of Curators May 19, 2020 Finance Committee

Financial Status Update and Administrative Review and Other
Cost Saving Initiatives – UM

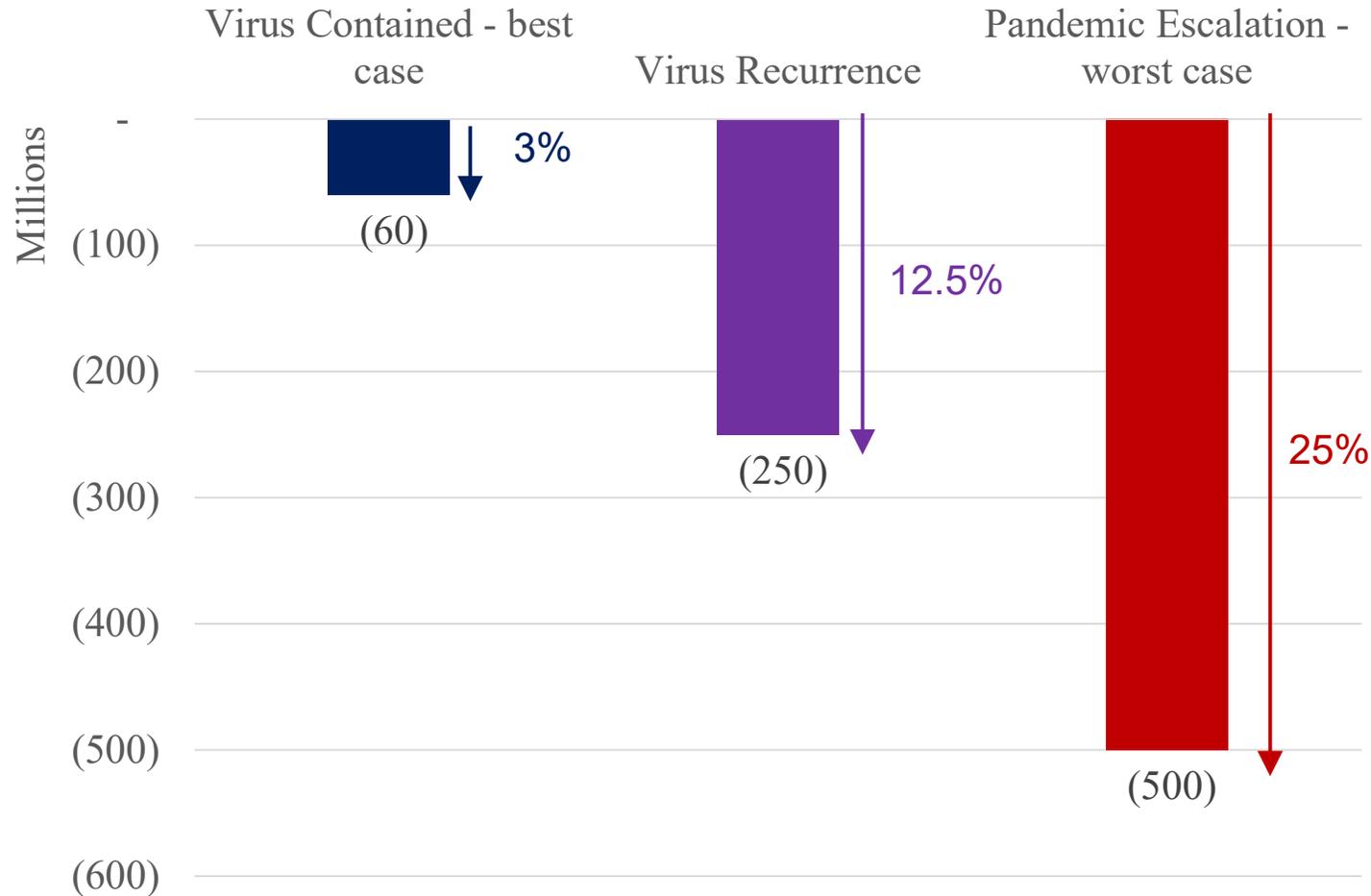
May 2020



Financial Status Report Overview

- FY 20 Financial Results Update
- FY 21 Planning Process
- Review of Administrative Spend
- Conclusions and Discussion

FY 21 has a wide range of outcomes



- *Virus Contained* Scenario: Students start and stay whole year
- *Virus Recurrence*: One of fall or spring semester experience a return to depopulation and online learning
- *Pandemic Escalation*: Remote learning both semesters

Plan for FY2021

- Moving to a quarterly budgeting process to adjust for the uncertainty
 - Budgets can go up or down each quarter based on operating conditions
 - Turning the right dials the right amount will be important – too much cutting can be as bad as not enough
- FY 21 budget will be presented to the Board in June. Will represent each units best thinking at that time.
- We will continue to provide quarterly updates to the board and university community on financial position until the pandemic passes

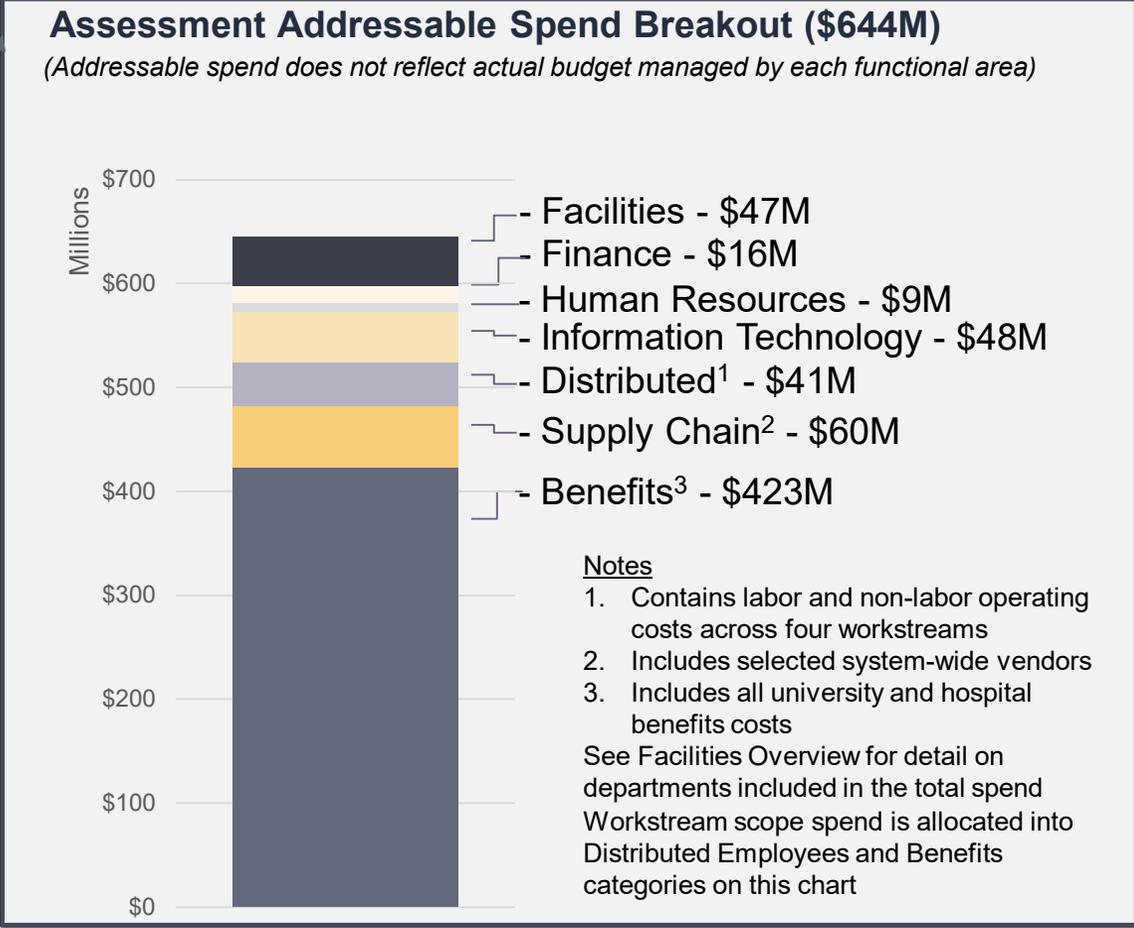
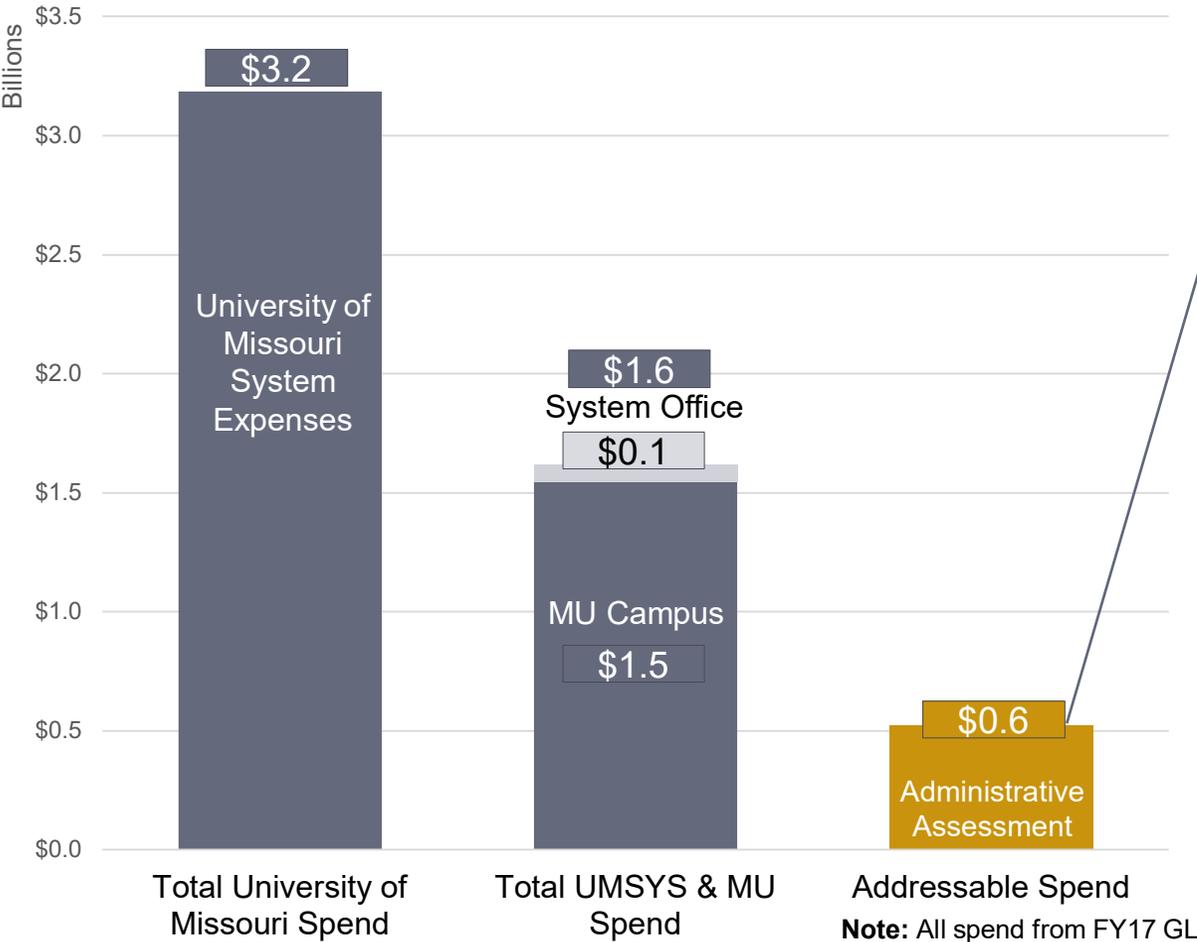
2017 Administrative Review: Overview

This document represents the findings related to the University of Missouri's "RFP #31018 -- Consulting services for identification of administrative performance and process improvement opportunities"

| Scope | Approach | Limitations |
|---|---|--|
| <ul style="list-style-type: none">• UM system office and MU campus• Facilities, Finance, Human Resources and Information Technology at the UM system office and MU campus have been analyzed• Findings that expand beyond system office and MU campus are noted accordingly | <ul style="list-style-type: none">• Based on Fiscal Year 2017 data• For those changes that already occurred in FY18, findings have been adjusted• Performed over 70 interviews with key leaders and stakeholders• Over eight weeks the four teams collaborated to identify and quantify opportunities• Many opportunities will require robust planning to ensure successful execution | <ul style="list-style-type: none">• Opportunities were based on currently available data and assumptions reviewed by UM leads• Findings, while based on best available data, are directional and shouldn't be taken as final as they will be refined during future stages of work• Applicability of opportunities to other campuses will require further study |

Spend Overview

Assessment scope includes 20% (~\$0.6B) of total UM spend; a significant portion represented by benefits expenses (note benefits is 2/3 of the in-scope spend)



Observations

Based on the information gathered through interviews and data analysis, several observations are noteworthy and possibly explain the challenges to date in maximizing administrative operations. Consideration of these observations is needed when advancing forward with implementation



Decision Rights & Norms



Information & Data



Structure



Change Management

| | | | |
|---|--|---|---|
| <ul style="list-style-type: none"> • Solutions to operational issues are generally known, but coming to agreement on how to implement is a challenge • Sustainability of changes unwinds due to lack of accountability, metrics and oversight • Near-term budgetary constraints have hindered long-term strategic planning | <ul style="list-style-type: none"> • Executive decision making not always informed by robust and timely data • Few leaders have access to information across organizational boundaries • Multiple instances of key systems diminishes integrity and utility of data | <ul style="list-style-type: none"> • Campus independence overrides “systemness” • Inefficiencies have been created by distributed roles and accountability across system, campuses, and divisions • Similar administrative functions and processes exist across campuses and between departments | <ul style="list-style-type: none"> • Recognition that the status quo is unsustainable • An atmosphere of uncertainty and desire for transparency exists • Communication and alignment across the university, including faculty and staff, will be a key to success |
|---|--|---|---|

Initial Summary of Financial Opportunities

\$44M - \$74M of net financial impact identified out of \$644M in total addressable spend (7%-12%)

\$27M - \$44M of net financial impact identified out of \$221M in non-benefits spend (12%-20%)

| Workstream | # of Opportunities | Low Estimate | High Estimate |
|--|--------------------|--------------|---------------|
| Facilities | 6 | \$7M | \$14M |
| Finance | 6 | \$9M | \$13M |
| Human Resources | 2 | \$3M | \$5M |
| Information Technology | 6 | \$4M | \$8M |
| Supply Chain | 4 | \$4M | \$4M |
| Total Administrative Efficiency | 24 | \$27M | \$44M |
| Benefits | * | \$17M | \$30M |
| TOTAL | 24 | \$44M | \$74M |

Activity Analysis Survey Results by Function

Administrative review only focused on 1/3 of staff effort

| # | Administrative Assessment Functions | Sum of FTE | % of FTE | Sum of Gross Salary (m) | Headcount |
|---------------|-------------------------------------|----------------|--------------|-------------------------|--------------|
| 1 | Facilities | 1530.4 | 42.5% | \$56.5 | 2,772 |
| 2 | Information Technology | 980.5 | 27.2% | \$49.9 | 1,672 |
| 3 | Finance | 578.6 | 16.0% | \$28.8 | 1,920 |
| 4 | Human Resources | 358.6 | 9.9% | \$17.8 | 1,480 |
| 5 | Supply Chain and Procurement | 156.9 | 4.4% | \$6.4 | 912 |
| Total: | | 3,604.9 | 100% | \$159.4 | 8,756 |

The Functions from the Administrative Assessment comprise of 3,605 FTEs – **ONLY 31% of the overall workforce effort**

Bolded functions represent administrative benchmarking from ABC on slide 13 & 14

| # | Other Functions | Sum of FTE | % of FTE | Sum of Gross Salary (m) | Headcount |
|---------------|---|----------------|--------------|-------------------------|---------------|
| 1 | Student Affairs and Services | 1255.4 | 15.3% | \$33.5 | 4,115 |
| 2 | Research and Economic Development Engagement | 1029.5 | 12.5% | \$43.9 | 1,800 |
| 3 | Clinical | 892.3 | 10.9% | \$43.8 | 1,397 |
| 4 | Academic Affairs | 806.1 | 9.8% | \$31.7 | 2,399 |
| 5 | General Administration | 619.1 | 7.5% | \$21.6 | 2,620 |
| 6 | Auxiliary Services & Business Operations | 610.4 | 7.4% | \$19.4 | 1,821 |
| 7 | Enrollment Management | 590.2 | 7.2% | \$21.3 | 1,616 |
| 8 | Community Service and Extension | 451.4 | 5.5% | \$14.9 | 1,298 |
| 9 | Teaching | 428.4 | 5.2% | \$10.6 | 1,529 |
| 10 | Communications and Marketing | 392.8 | 4.8% | \$17.9 | 1,627 |
| 11 | Intercollegiate Athletics | 351.3 | 4.3% | \$23.0 | 647 |
| 12 | University Advancement | 322.5 | 3.9% | \$17.6 | 820 |
| 13 | Libraries and Museums | 215.9 | 2.6% | \$5.0 | 516 |
| 14 | Diversity, Equity, and Inclusion | 120.2 | 1.5% | \$5.2 | 873 |
| 15 | Printing and Publishing | 85.4 | 1.0% | \$3.1 | 440 |
| 16 | Legal | 31.5 | 0.4% | \$2.6 | 178 |
| 17 | Real Estate Services | 7.1 | 0.1% | \$0.4 | 71 |
| Total: | | 8,209.5 | 100% | \$315.5 | 23,767 |

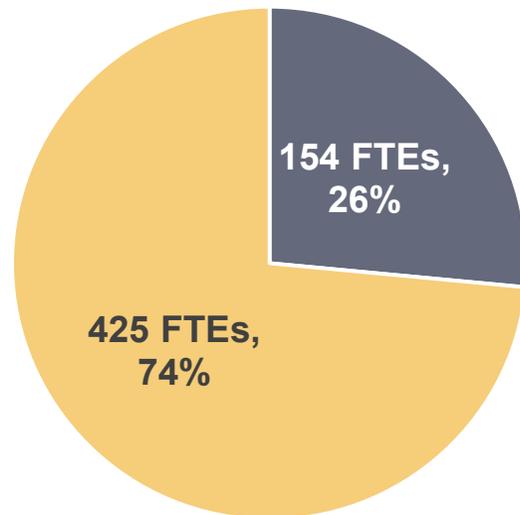
Direct and Indirect FTEs

Finance and HR work is largely distributed, while the majority of IT work is performed by employees within a Chief Information Officer's (CIOs) reporting line (Direct)

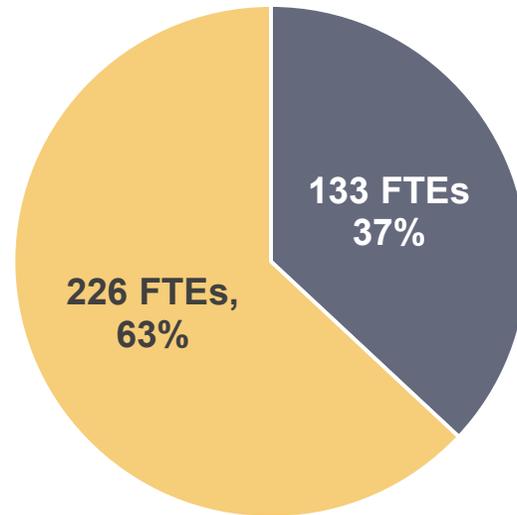
Direct: Staff that are organized directly within the reporting line of their respective C-Suite

Indirect: Staff that perform Finance, HR, or IT work outside of direct functional reporting lines

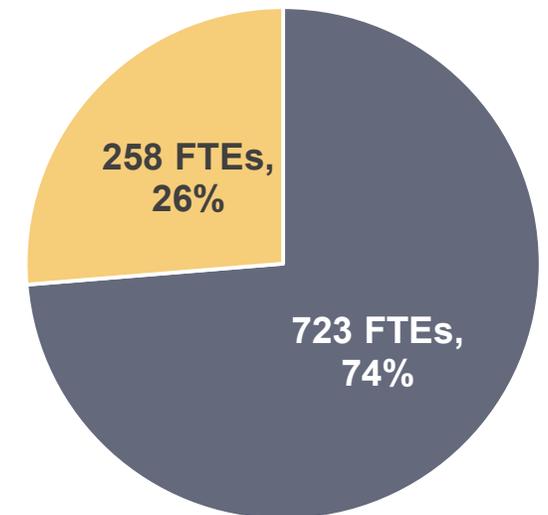
Finance



Human Resources



Information Technology



Note: Figures are rounded.

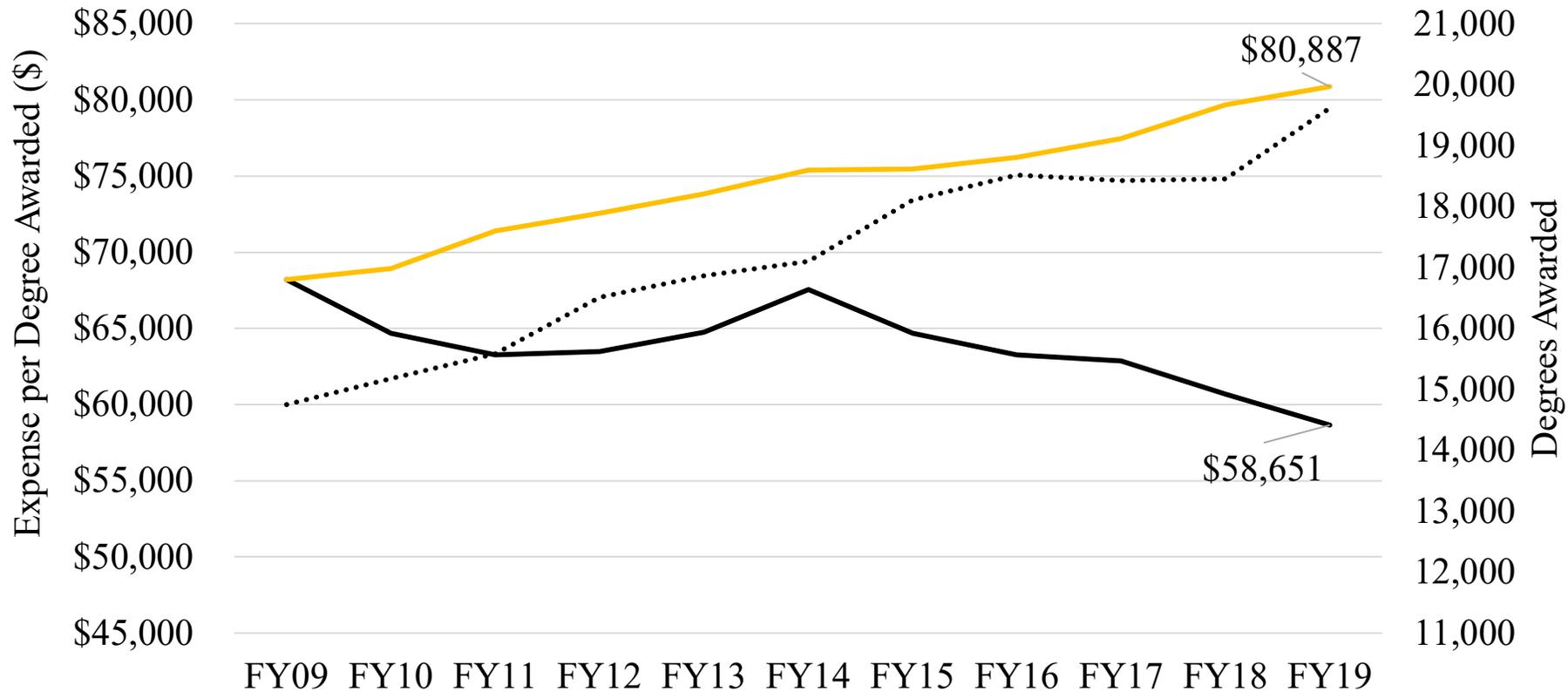
Actions Since Administrative Review:

- The University cut and reallocated \$100M from the FY2018 budget cycle, including \$17M in salaries.
- Formed and completed the University Taskforce to define and clarify accountabilities
- The review process started work to improve efficiency and effectiveness of administrative functions:
 - Finance implemented financial planning and financial accountability
 - HR in-sourced recruiting and built learning and development
 - Both functions consolidated services – but more progress can be made
- Outsourced FMLA monitoring and compliance

Actions Since Administrative Review:

- Shared Services work continues at every level
 - College-level efficiencies continue on a “bottoms-up” approach, with colleges electing to move into various shared services across each campus
 - Payroll, contracting, and ecommerce shared services implemented across Universities
- Technology and process standardization continue to improve with a focus on electronic workflows and ease of use for the end-user
- Each College received access to the Activity Analysis data set to inform design of administrative work
- Closed the University’s pension plan to new employees
- Began space consolidation plan to reduce the size and number of facilities

Operating Expense per Degree Drops



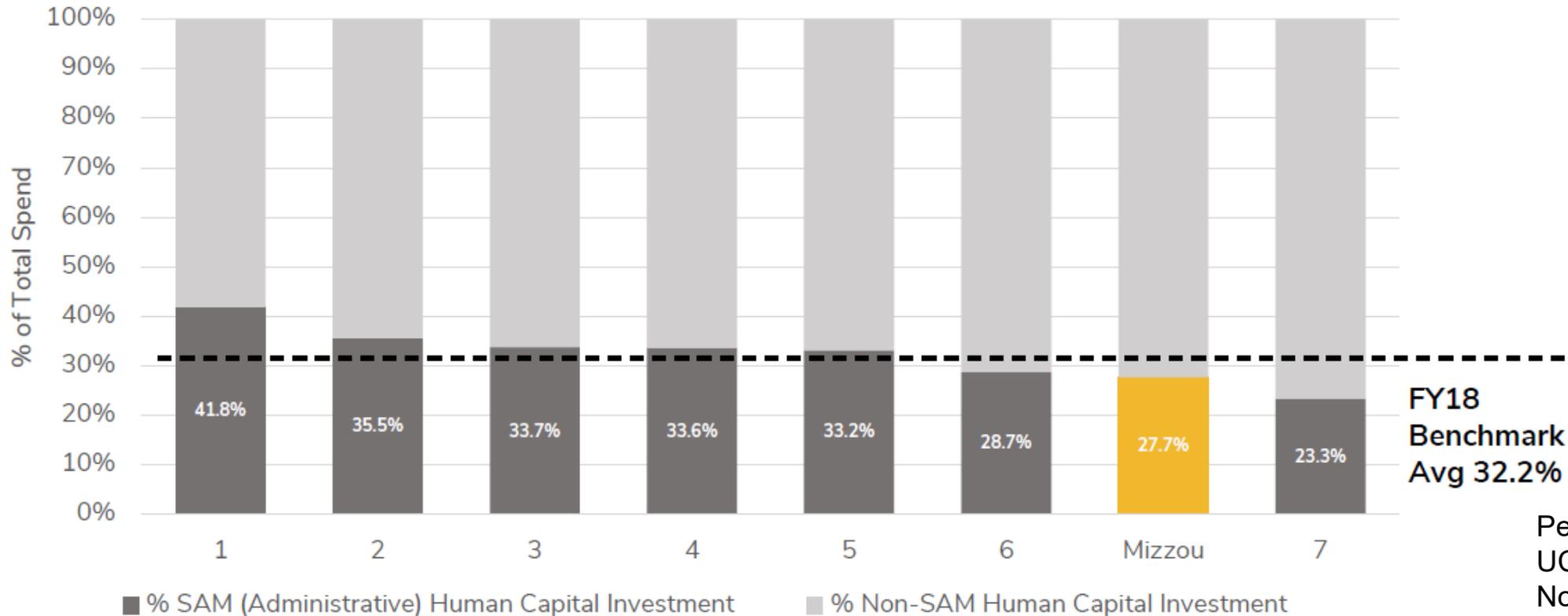
- Actual Operating Expense per Degree Awarded
- 2009 Operating Expense per Degree Awarded - CPI Adjusted
- Degrees Awarded

- Amount spent per degree reduced by 30% over inflation
- Degree production increased by 20%
- The University managed to significantly reduce cost, without an increase since FY14

New Data: ABC Insights (Mizzou and UM only)

MU (including pro-rata share of system) is below peer average on administrative spend

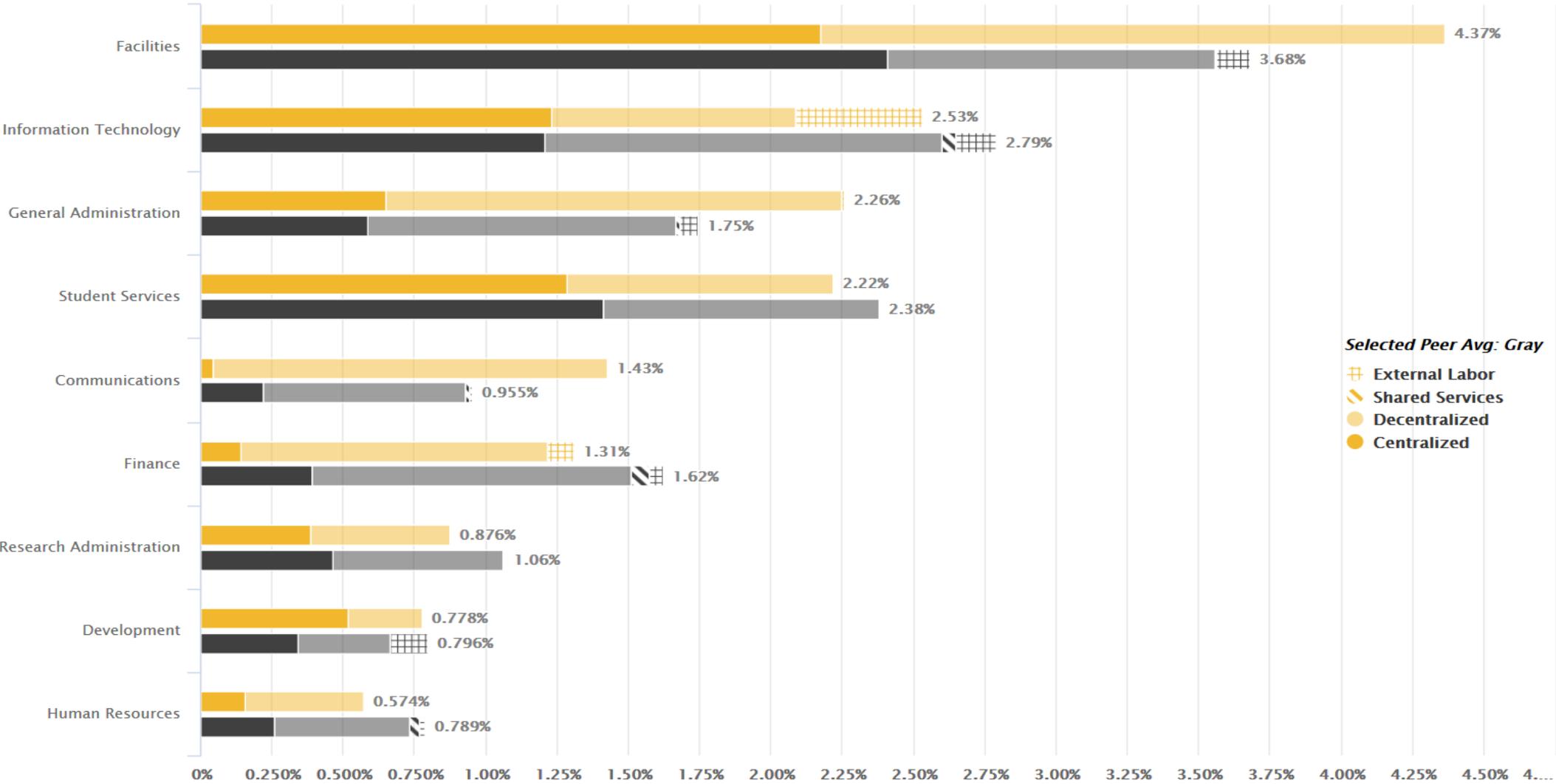
Administrative Intensity Measure (AIM) = SAM spend divided by total dollars



**FY18
Benchmark
Avg 32.2%**

Peers include: Colorado, UC-Davis, Buffalo, Florida, North Carolina, Oregon, Wisconsin

Benchmarking to percent of budget



Conclusion

- The University undertook significant steps to reduce administrative cost, but more can be done
- Level of action will coincide with the severity of the economic challenge
- This is something we can start on now.
 - Propose forming a work group to address spend
 - Utilize trial and error to see what works, and expand to other staff functions if successful
- Administrative cost cutting will not solve the entirety of the shortfall – a focus on maximizing revenues from students, the state, granting agencies, donors, and patients will sustain the University of Missouri for generations to come.

Academic Excellence

Program Review and Rationalization
Degree/Certificate Market Analysis
Academic Productivity

Reinvestment

Reinvestment

Revenue Enhancement

Pricing flexibility
Long-term Enrollment Strategy
Auxiliary Operation Rationalization
Development Opportunities

Future Academy

Research & Creative Works
Outreach & Engagement
Student Success

Resource Utilization

Data Driven Allocation Models
Reserve Practices & Policies
Implement 5 Year Financial Plan

Reinvestment

Reinvestment

Operational Efficiency

Expansion of Enterprise Services
Organizational Consolidation
Streamline Process through Functional Efficiency



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS