

Minutes 11 March 2019  
Circulated 25 March 2019  
Approved 29 April 2019

THE UNIVERSITY OF MICHIGAN  
Senate Advisory Committee on University Affairs (SACUA)  
Monday, March 11, 2019 3:15 pm  
4006 Fleming Administration Building  
Ann Arbor, Michigan 48109-1340

Present: Atzmon, Beatty, Carlos, Conway, Malek, Lippert, Marsh (chair), Schultz, Spencer, Potter, Schneider, Snyder

Absent:

Guests: Executive Vice President and Chief Financial Officer Kevin Hegarty, Business and Finance Facilitator and Senior Project Manager Amy Bunch; Professor Riles; Members of the Press

3:18: Call to Order/ Agenda Approval/Announcements

The Agenda was approved.

Chair Marsh reported on a meeting he and Professor Beatty held with President Schlissel over Spring Break. They conveyed concerns about the failure on the part of some members of the central administration to include representatives appointed by SACUA in the development of new policies. President Schlissel said the failure to include SACUA appointees represented a process of education rather than ill will, and that he would take steps to remind the executive officers of the importance of including SACUA. Professor Beatty added that in a separate meeting of the Secretary's Advisory Council later in the week, Vice President Churchill said President Schlissel had indeed reminded the executive officers of the need to involve SACUA in the development of policy.

Chair Marsh and Professor Beatty also raised the issue of mandatory immunizations for members of the University community. President Schlissel reminded them there is a state law that prohibits schools and universities from using vaccination status as an admission criteria, and that the state law allows people who have religious objections to vaccination to obtain waivers from vaccination requirements and to attend public educational institutions (<https://www.nvic.org/Vaccine-Laws/state-vaccine-requirements/michigan.aspx>).

Chair Marsh and Professor Beatty also asked President Schlissel about the status of the Office of Institutional Equity (OIE) external review that SACUA, which was scheduled to have preliminary results by now. He said that he will brief SACUA on the external report concerning the Office of Institutional Equity (OIE) the next time he meets with it.

Chair Marsh said Regent Ilitch has tentatively offered to meet SACUA members for lunch on Monday, April 1 from 12-1:00, but the final dates are still being confirmed.

3:20: Opinion of the Faculty Survey Questions

The Administration Evaluation Committee (AEC) committee circulated a copy of the survey questions that will be used this year, and asked SACUA for input. Professor Riles, chair of the AEC committee, was invited to SACUA to discuss the survey process and to receive feedback. He said the annual evaluation of administrators contains general questions that deal

with the way things are functioning the way and other questions that address topical issues. For 2018/2019 topical questions will address the new policies concerning romantic relationships, and felony disclosure. There will also be two questions about the Senate Assembly resolutions on due process and governance at all levels.

Professor Beatty pointed out that people will stop answering surveys if they are asked too many questions about which they have no knowledge, or when they are asked to read additional material in the course of responding to a survey. Professor Atzmon suggested replacing the proposed question 4, which deals with the new SPG on romantic relationships, with two questions about the policy, one being about whether a revision of the existing policy was needed, the other being about the adequacy of the definition of “covered relationship.” Professor Riles asked Professor Atzmon to formulate a question about “covered relationships.” Professor Lippert said that she felt that the questions about the resolutions should be omitted. Chair Marsh asked Professor Riles about the need for professional advice in wording questions. Professor Riles, said that the AEC had sought such advice in the past from experts at the Institute for Social Research. Professor Beatty asked about Dearborn’s role in the survey. Professor Riles said the same AEC survey would sent to faculty on the Ann Arbor and UM-Flint campuses while the survey for UM-Dearborn would contain questions specific to the UM-Dearborn campus. Professor Schultz drew attention to the wording of question 3, “I support the new policy concerning felony disclosure by faculty and staff,” given that the policy requires reporting felony charges as well as convictions.

Professor Riles said the committee will delete questions 6 and 7 on Senate Assembly motions, and committee will review the wording of question 4. Chair Marsh said the question could be reworded to ask if the community was adequately consulted about the development of the new policy. Professor Atzmon suggested asking whether faculty feel the revision was needed. Members of the committee agreed that a second question about satisfaction with the definition of a “covered relationship” is needed. Professor Beatty drew attention to question 12 on SPG 201.15 which is “old news” as presently worded. Professor Riles said the question will be reworded.

### 3:51: Approval of Minutes and the Senate Assembly Agenda for March 18

The minutes for February 25 were approved

The proposed agenda for the March 18 Senate Assembly meeting is as follows:

3:15: Call to Order

3:20 Approval of Agenda, Minutes and Announcements

3:30 Guest Martin Philbert

4:00 SACUA Nominees Remarks

4:30 SACUA election

5:00 Adjournment

Professor Beatty said there will also be a group picture for Senate Assembly. The proposed revised agenda would be as follows:

3:15: Call to Order

3:20 Approval of Agenda, Minutes and Announcements

3:30 Guest Martin Philbert

4:00 SACUA Nominees Remarks

4:30 SACUA election

4:45 Senate Assembly Group Photo

5:00 Adjournment

The new agenda was approved.

3:50: Tri-Campus Committee Resolution on Appointment of Deans

A member of the Tri-Campus Committee requested that a policy be instituted because of procedural issues in the recent appointment of a dean resulting in the redoing of the appointment process. The discussion will continue.

4:10: Executive Vice President and Chief Financial Officer (CFO) Kevin Hegarty

CFO Hegarty said he has been with the University for four years. He was previously CFO at the University of Texas-Austin 14 years. Before that he had been in the corporate world. His portfolio, which includes administrative responsibility for 2700 individuals, encompasses business and finance, the endowment, maintenance, parking and Human Resources. He invited Business and Finance Facilitator and Senior Project Manager Amy Bunch to introduce a project connected with creating a positive and supportive work environment. She said the point of the project, which involved having two recent graduates taking “action shots” of employees across campus, was to enable staff to see how their work impacts the mission of the University. She offered a video these students made on the basis of the project.

Professor Malek asked how CFO Hegarty seeks to build a better culture. CFO Hegarty said the construction of institutional culture in the corporate world is a top down process. His approach, conversely, is to connect people to mission, encouraging them to build contacts across the institution. He wants to create a learning environment that will enable people to take risks, to which end he holds a leadership meeting each month for around 160 managers in the organization. He feels this is making a positive difference.

Professor Lippert expressed concern about resource management, adding that she does not see a culture of transparency and accountability that will provide checks and balances. CFO Hegarty replied that he would be concerned to learn that resources are not used as they are supposed to be used on the UM-Flint campus. He added that budgets are online, but allowed that, given the nature of accounting, these are so complicated that this material requires interpretation. Professor Lippert said she is aware of the available information, but observed that this is insufficient when faculty do not have access to departmental budgets; she is unaware of the mechanism that encourage accountability at the departmental level. CFO Hegarty says he regularly meets with senior financial officers at UM-Flint and UM-Dearborn, but tries to respect the independence of the campuses. He noted that the University of Texas system homogenized its nine academic campuses despite the fact they served very different mission. He regarded this as problematic and wants to make sure that University of Michigan continues to respect the differences between the missions of its constituent campuses.

Professor Shultz said that Chief Human Relations Officer Laurita Thomas could not say if M-Healthy was saving money, and that Shared Services Director Pamela Gabel is unwilling to say if Shared Services is saving money. He asked if SACUA could be provided with an internal review that evaluates the success of these programs. CFO Hegarty said Shared Services has savings estimates, noting that the budget has not increased in four years while the responsibilities of the office have expanded significantly. He believes that the University has the best Shared Services center in the country, saving several millions a year with additional non-economic benefits. Professor Atzmon observed that some savings may be illusory given that some units have taken over paying for staff whose jobs were taken away by Shared Services. CFO Hegarty allowed that there was anecdotal evidence suggesting that the institution of Shared Services at the University had not achieved the level of success that similar moves had achieved in the corporate

world, but he believes the center has a positive culture. Librarian Spencer asked if people could visit the Shared Services Center, observing that she has been told that she could not deliver data in person. CFO Hegarty said there are arranged tours.

Professor Malek asked CFO Hegarty about trends for the future. CFO Hegarty expressed concern about the current model for funding intercollegiate athletics, noting that the Athletic Department operates as an auxiliary unit with its own bottom line. Currently the department makes transfers to the general fund, and pays all the costs for its activities. He admits this is tenuous as one or two sports pay for everything else and there is discussion at the national level (e.g. “pay to play”) that could destroy the financial model. He also feels the need to be cautious about allowing any one component of the University to consume the institution’s borrowing capacity. He noted that even though it is a stand-alone unit, the Athletic Department has to come back to the capital committee before making a capital commitment. He also noted that half of the University’s nine-billion dollar operating budget is devoted to the medical system, that it is expensive to build new medical facilities, and that the medical school will have to build a major new facility. Currently that project has been paused because of issues with financial performance. A final decision with respect to this facility will be made once it is clear that the financial model has improved. He added that President Schlissel knows that decisions relating the health system will have an impact on the University’s academic side and will not allocate all the University’s bonding capacity to the health system, whose finances are subject to monthly reviews.

Professor Malek said he feels people who run their own labs are held to strict fiscal standards. CFO Hegarty replied that the hospitals produce resources that can be invested in other projects. Professor Malek pointed out that the business model has stayed the same while the funding models of big sponsors such as NIH have changed. The result is that investigators are working on tight budgets, which changes the culture of the institution and threatens the future of academic medicine. CFO Hegarty said he has an appreciation for what the culture of a university should be, and does not want to play down research, but noted that resources for research come from patient care as well as external funding. Professor Malek replied that depreciation costs are high and wondered if these charges are still necessary. CFO Hegarty replied that private institutions set aside money to build new facilities, while a public institution places depreciation costs in reserve to cover the renewal of facilities, that cash balances are an issue of risk (e.g. unexpended research dollars can be reclaimed). He also noted that when he first arrived, he was pleased to see that UM sets aside funds to maintain and update infrastructure since this requires careful planning and discipline.

Chair Marsh asked how CFO’s Hegarty’s job differs from that of the provost. CFO Hegarty said his job is highly interactive with the provost’s. When there is a problem, they will consult with business and finance provides on the development of the budget. He is trying to create an efficient financial culture. Chair Marsh said this message has not been received by Procurement, which has cumbersome workflows. CFO Hegarty allowed that Procurement has suffered through poor leadership in the past, and that he wants to look at the experience that a person would go through from in trying to make a purchase. Chair Marsh said that Procurement will interfere with reappropriations that the National Science Foundation allows him to make within a grant.

Professor Schultz said there is need for a discussion of our investment portfolio, especially with respect to the development of a “green campus.” CFO Hegarty responded that the over-riding concern is to obtain the highest rate of return. Chair Marsh said the community is always hearing that budgets are tight, and asked for CFO Hegarty’s vision for keeping the University solvent. CFO Hegarty believes the University will continue to find constituencies that will continue to fund higher education, but there is no silver bullet meaning the University will continue to prioritize and economize to support the core missions. He believes the faculty should

have a seat at the table in terms of the way major decisions are made. In terms of the endowment, he said the rule is to invest for maximum return and that the use of fossil fuels has not risen to the same level of antipathy to the University's values as had apartheid or tobacco use in the past. Professor Schultz said other institutions make more of an effort to avoid investment in fossil fuels. CFO Hegarty replied that the hands of the investment group cannot be tied in this regard, noting that the University has placed a small part of the portfolio in fossil fuels, while also investing in renewable energy. If the University moves out of fossil fuels it will be to investments that have a better payout.

Professor Malek asked if eventual procurement savings should be passed on to the people running labs. CFO Hegarty said that when problems are identified his office tries to understand why these problems exist.

Chair Marsh thanked CFO Hegarty for meeting with SACUA.

5:10: Executive Session

[Policy on relationships]

Respectfully submitted,  
David S. Potter  
Senate Secretary

University of Michigan Bylaws of the Board of Regents, Sec. 5.02:

Governing Bodies in Schools and Colleges

Sec. 4.01 The University Senate

"...[t]he Senate is authorized to consider any subject pertaining to the interests of the university, and to make recommendations to the Board of Regents in regard thereto. Decisions of the University Senate with respect to matters within its jurisdiction shall constitute the binding action of the university faculties. Jurisdiction over academic policies shall reside in the faculties of the various schools and colleges, but insofar as actions by the several faculties affect university policy as a whole, or schools and colleges other than the one in which they originate, they shall be brought before the University Senate."

Rules of the University Senate, the Senate Assembly and the Senate Advisory Committee on University Affairs:

Senate: "In all cases not covered by rules adopted by the Senate, the procedure in Robert's Rules of Order shall be followed."

Assembly: "The Assembly may adopt rules for the transaction of its business. In appropriate cases not covered by rules of the Assembly, the rules of the University Senate shall apply."

SACUA: "The committee may adopt rules for the transaction of its business."