Sustaining New Synergies Initiative

March 12, 2010 • A.V. Diaz
Objectives

• Share additional information and data
• Continue dialog with campus community
• Provide updates on each initiative
Purdue’s Budget Assumptions FY 2012

- Assumptions
  - Flat appropriation
  - 3% salary increase
  - 1% supplies and expense
  - Mandatory costs increases
  - Maintain
    - Student Success initiatives
    - Instruction
    - Scholarships/financial aid

- Results: shortfall
  - FY 2011 $11.1M
  - FY 2012 $40.0M
  - FY 2013 $67.4M

(before fee considerations)
Understanding the Budget Challenge

What is the budget challenge?

$67 M
Recurring Budget Deficit

What makes up the $67 M?

- $50 M
  Planned Compensation Increases
- $17 M
  Unavoidable Costs & Strategic Plan Initiatives

How will we meet this challenge?

- $23 M
  Avoid Planned Compensation Increases
- $27 M
  Administrative Efficiencies (FY 2012 & FY 2013)
- $17 M
  Reduced Costs and Increased Revenue

What are the benefits?

- Benefit Rebalancing (TIAA-CREF Retirement and Medical)
  Competitive salaries, recruiting, reputation, flexibility
- $44 M
  Sustaining New Synergies Initiatives
  Compensation Increases
  Sustainable Budget
Sustaining New Synergies Initiative

March 12, 2010 • Ken L. Sandel
Task Force for Assessment and Implementation

- Project Manager: Ken Sandel, Office of the Treasurer
- Melinda Bain, Office of the Treasurer
- Denise Laussade, Treasury Operations
- Chris Martin, Business Office, Engineering
- Sharon Steen, Business Services
- Marissa Sura, Marketing & Media
- Julie Talz, Housing and Food Services
- Erick VanMeter, Physical Facilities
- Kevin Vedder, Human Resources
- Masters and Ph.D. Students (8)
Task Force Scope

Engage in a targeted assessment of Purdue University’s administrative processes, practices, policies, organizational structures and systems to achieve the financial targets established by the executive leadership of Purdue University.

Approach

• Collect, analyze and assess feedback
• Review current Purdue initiatives
• Determine, evaluate, prioritize and recommend opportunities
• Develop detailed implementation plans
• Work with units targeted for savings initiatives
• Maintain a project savings scorecard to established targets
• Develop a methodology for sustaining Task Force’s efforts
Initiatives

- Strategic Sourcing
- Information Technology
- Energy Conservation
- Compensation and Benefits
- Administrative Efficiencies

http://www.purdue.edu/sustaining/
Strategic Sourcing

Our approach:

• Look at how goods and services are acquired, and find ways to improve the overall price or quality.
  – May involve new bid process
  – Develop vendor alliances
  – Improve and simplify processes

• Strategic Sourcing consultant
  – March 1 – Engaged firm
  – April 30 – Complete analysis and prioritize quick wins
  – June 30 – Organizational structure review

• Gather peer/comparative data
Information Technology

- Formed Campus Information Technology Plan Committee (CITPC)
  - Chair: Connie Lapinskas, assistant provost for financial affairs
  - Committee: Broad campus representation

**Governance Sub-Committee**
- G. Logan Jordan, Management, Co-Chair
- Patrick Smoker, Agriculture IT, Co-Chair
- Emily Arentson, Foods & Nutrition
- Melissa Dark, Research and Strategic Planning
- Eckhard Groll, Mechanical Engineering
- Ellen Gruenbaum, Anthropology
- Sandra Monroe, Student Services
- Rabindra Mukerjea, Strategic Planning & Assessment
- Alan Rebar, Research and Discovery Park
- Terry Schroeder, Business Services Computing

**Cost-Savings Sub-Committee**
- Chris Martin, SNS Task Force, Co-Chair
- Julie Kercher-Updike, ITaP, Co-Chair
- Mimi Arighi, Director, Vet Teaching Hospital
- Dave Carmichael, Engineering Computer Network
- Wei Cui, Physics
- Steven Hare, Science
- Jaylene Nichols, SMAS
- Miguel Rivera, Science
- Carol Shelby, Environment, Health, Public Safety
- Sam Wagstaff, Computer Science
• **Charge:** Develop comprehensive IT plan for WL campus where the enterprise IT function will be seen as an integrated, university level service under the Office of the VP for IT and where $15 M in savings will be generated over time.

• **Goals:**
  – Design an integrated governance model
  – Identify cost saving approaches to generate $15 M recurring over time
  – Develop strategies to ensure responsiveness to IT needs across all units
  – Complete plan by March 30

• **Approach:** Two Sub-committee Structure – Governance and Cost Savings
Energy Conservation

• Kicked-off Building Control System (BCS) adjustments
  – Sent campus-wide communication (Feb. 2)
  – Identified initial 11 buildings

• Planning “Lights Out” campaign with campus groups

• Developing Web-based promotion and consumption tracking
  – Consumption data
  – Building-specific action plans
  – Feedback portal
Compensation and Benefits

- Reviewing options as part of total compensation rebalancing
  - Retirement contribution
  - Medical (healthcare split to average 80/20)
  - Off-set strategy

- Recurring savings options
  - Early retirement incentive
  - Benefits for part-time employees
  - Revision of overtime pay policy
  - Delay recurring annual merit increases

- Non-recurring savings options
  - Furloughs/pay reductions
  - Extend constrained hiring
  - Temporary suspension of retirement contributions

- Hewitt study – total compensation, benefits for part-time
Administrative Efficiencies

- Buy smarter
- Conserve energy
- Workforce adjustments
  - Attrition
  - Retirement incentives
  - Reductions
Communications

- Up-to-date information on Web site
- Purdue Today / Inside Purdue
- Department talking guides
- Initiative FAQs and Q&As with Executive Leadership
- Scenarios
- Upcoming forums
  - 10 colleges
  - 5 open forums
  - 3 regional campus forums
  - 2 staff forums
- Monthly summary reports
- Communication Advisory Board
- Communication plan and cadence
Campus Engagement

- Share ideas
- Identify best practices
- Be open to scrutiny
- Participate in energy conservation efforts
- Remain productive
- Keep a positive attitude
- Assist with special data requests
- Targeted tiger team efforts
- Stay up-to-date on team efforts

http://www.purdue.edu/sustaining/
Sustaining New Synergies Initiative

March 12, 2010 • A.V. Diaz
Benefits of Rebalancing

Benefit to the University
• More competitive salaries
• Improved recruiting opportunities

Benefit to the employee
• Provides flexibility
• Provides income opportunity

The level of total compensation remains the same.
## Rebalancing Example

<table>
<thead>
<tr>
<th></th>
<th>CURRENT</th>
<th>PROPOSED</th>
<th>DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$100,000</td>
<td>$104,218</td>
<td>$4,218</td>
</tr>
<tr>
<td>Retirement</td>
<td>$14,640</td>
<td>$10,422</td>
<td>($4,218)</td>
</tr>
<tr>
<td>Total compensation</td>
<td>$114,640</td>
<td>$114,640</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Before taxes*
## Retirement Contributions

<table>
<thead>
<tr>
<th>INSTITUTION</th>
<th>EMPLOYER REQUIRED CONTRIBUTION</th>
<th>EMPLOYEE REQUIRED CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purdue <em>(TIAA-CREF only)</em></td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>13%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Ohio State</td>
<td>10.5%</td>
<td>10%</td>
</tr>
<tr>
<td>Michigan State</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Iowa</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Michigan*</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Indiana</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Penn State</td>
<td>9.3%</td>
<td>5%</td>
</tr>
<tr>
<td>Illinois</td>
<td>7.6%</td>
<td>8%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>5.6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Voluntary 2:1 match until age 35
### Purdue Administrative/Professional Salary Comparisons

<table>
<thead>
<tr>
<th>JOB CATEGORY</th>
<th>PURDUE AVERAGE SALARY</th>
<th>INDEX TO MEAN</th>
<th>ADJUSTED INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$ 33,791</td>
<td>0.78</td>
<td>0.81</td>
</tr>
<tr>
<td>Business &amp; Administrative</td>
<td>$ 53,089</td>
<td>0.95</td>
<td>0.99</td>
</tr>
<tr>
<td>Human Resources</td>
<td>$ 48,811</td>
<td>0.93</td>
<td>0.97</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$ 60,326</td>
<td>0.98</td>
<td>1.02</td>
</tr>
<tr>
<td>Athletics</td>
<td>$102,277</td>
<td>0.81</td>
<td>0.85</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>$ 45,352</td>
<td>0.82</td>
<td>0.85</td>
</tr>
<tr>
<td>External Affairs</td>
<td>$ 49,075</td>
<td>0.89</td>
<td>0.92</td>
</tr>
<tr>
<td>Engineering/Research &amp; Agricultural</td>
<td>$ 44,996</td>
<td>0.99</td>
<td>1.03</td>
</tr>
<tr>
<td><strong>WEIGHTED AVERAGE</strong></td>
<td><strong>$ 51,594</strong></td>
<td><strong>0.95</strong></td>
<td><strong>0.99</strong></td>
</tr>
</tbody>
</table>

*2008-09 College and University Professional Association (CUPA) Salary Survey Comparisons for the Committee on Institutional Cooperation (CIC) – includes Big Ten institutions and the University of Chicago

**Based on number of incumbents
<table>
<thead>
<tr>
<th>INSTITUTION</th>
<th>AVERAGE SALARY (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of California-Berkeley</td>
<td>$111.9</td>
</tr>
<tr>
<td>Georgia Tech</td>
<td>$110.9</td>
</tr>
<tr>
<td>Michigan</td>
<td>$110.7</td>
</tr>
<tr>
<td>University of Texas-Austin</td>
<td>$104.4</td>
</tr>
<tr>
<td>Penn State</td>
<td>$101.8</td>
</tr>
<tr>
<td>Illinois</td>
<td>$101.1</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$100.5</td>
</tr>
<tr>
<td>Ohio State</td>
<td>$ 99.6</td>
</tr>
<tr>
<td>Iowa</td>
<td>$ 97.8</td>
</tr>
<tr>
<td>Michigan State</td>
<td>$ 95.7</td>
</tr>
<tr>
<td>Indiana</td>
<td>$ 94.3</td>
</tr>
<tr>
<td>Texas A&amp;M</td>
<td>$ 93.7</td>
</tr>
<tr>
<td><strong>Purdue</strong></td>
<td><strong>$ 92.8</strong></td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$ 91.8</td>
</tr>
</tbody>
</table>

Data Source: March-April 2009 Academe
### Annual Tax Implications of Rebalancing*†

<table>
<thead>
<tr>
<th>SALARY LEVEL</th>
<th>Option 1: Non-Tax Deferred (As Pay)</th>
<th>Option 2: Tax Deferred Account</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NET INCOME</td>
<td>INCREASED TAX</td>
</tr>
<tr>
<td>$ 25,000</td>
<td>$ 566</td>
<td>$ 243</td>
</tr>
<tr>
<td>$ 50,000</td>
<td>$1,362</td>
<td>$ 584</td>
</tr>
<tr>
<td>$ 75,000</td>
<td>$2,157</td>
<td>$ 925</td>
</tr>
<tr>
<td>$100,000</td>
<td>$2,953</td>
<td>$1,265</td>
</tr>
<tr>
<td>$125,000</td>
<td>$3,748</td>
<td>$1,606</td>
</tr>
<tr>
<td>$150,000</td>
<td>$4,544</td>
<td>$1,947</td>
</tr>
<tr>
<td>$175,000</td>
<td>$5,339</td>
<td>$2,288</td>
</tr>
<tr>
<td>$200,000</td>
<td>$6,135</td>
<td>$2,629</td>
</tr>
</tbody>
</table>

*Based on 30% marginal rate
†TIAA-CREF eligible employees only
Continuing to Evaluate Options

- **Decision timeline**
  - **March 30**: Completion of IT plan
  - **April 8-9**: Present balanced operating budget plan for FY 2011 to Board of Trustees
  - **May 27-28**: Report results of compensation assessments and present implementation plans for SNS initiatives to Board of Trustees