



Date:	5/27/2020
Time:	2:00 p.m. – 4:00 p.m.
Facilitators:	Committee Chairs Kristie Harris and Paul Jarley, and Huron Consulting
Attendees:	Paige Borden, Danny Cavallo, Maribeth Ehasz, Sheila Amin Guitiérrez de Piñeres, Elizabeth Hamilton, Chris Ingersoll, Mike Johnson, Elizabeth Klonoﬀ, Shawn Putnam, Rebeca Richards, Jeff Jones, Lynn Gonzalez, Misty Shepherd, Rhonda Bishop, Donna DuBuc, Derek Horton, Hina Behal
Absent:	Kyler Gray, Sejal Barden, Kathy Mitchell
Invitees:	Huron Consulting Group: Greg Bedell, Michael Lee, Adam Meyer, and Jaime Ontiveros
Minutes:	Tracy Slavik

Meeting Agenda

Meeting #9: Design Recap and Operationalization of the New Model

- Project Recap and Summary
- Model Design Revisions
- Model Adjustment Requests
- Implementing the New Model
- Next Steps

Project Recap and Summary

Budget Process Redesign Timeline

Paul Jarley opened the meeting by recapping the budget process redesign timeline thus far and discussing what lies ahead.

Recap of Project Activities Since Last SC Meeting

The committee was informed of what has occurred since the last steering committee meeting on April 2:

- Deans and Budget Administrators reviewed individual baseline models.
- Academic and Administrative Budget Administrators were solicited for feedback on the design process.
- Dean’s Retreat with all Deans that reviewed model methodology and academic views.
- Provost and CFO made university-wide strategic model decisions.
- President Cartwright was provided an update on the proposed new model.
- Board of Trustees were provided an update on the process to date.

Dean's Retreat Recap

The Deans of the primary academic units voted unanimously to support the design baseline model during the Dean's Retreat and provided the following remarks:

- Some Deans expressed confusion surrounding the clarity of incentives and the magnitude of incentives under the historic college budget model versus the baseline model.
 - Note: The College Budget Model had \$7.3 million in incentives/allocated revenue compared to \$600.0 million in the baseline model.
- Some Deans commented that the units should be monitored to ensure that modeled incentives do not lead to perverse behavior and/or activities that go against the mission of the university.
- Several Deans commented that the structure, organization, and the effectiveness of the governance structure for the new budget model is critical for its success and requested extensive representation from the Academic Enterprise in the structure.
- Some Deans requested additional information on how to manage and navigate the factors that were outside of their control, including relationships/service levels from the central support units and the economic uncertainties with future tuition and state appropriation.

Deans were very enthusiastic and supportive of the direction of the new budget model, even with the noted remarks above.

Wrap-Up Questions

Meyer asked the committee members to keep three questions in mind that they will be asked at the end of the meeting:

1. Is the proposed model an improvement over the one we use today?
2. Is the new model directionally correct?
3. Do you support using the proposed model to initiate the parallel process?

Model Design Revisions

Model Design Recap

Since the last Steering Committee meeting, several design considerations have been made through consultation with Project Sponsors (Interim Provost Mike Johnson and CFO Joe Trubacz) and the President, including:

- Central Support Units
 - Academic Support
 - President/Government Relations & Compliance Central Support Units
 - Central Support Allocations for Self-Supporting Units
- Designated State Appropriations
- Indirect Cost Recovery Distributions
- Model Participation Fee
- Potential College of Medicine Central Support Unit Adjustments (not implemented; for discussion at this meeting)

Central Support Units: Academic Support

Earlier iterations of the central support units had each of the following areas as individual and discrete central support units: Burnett Honors College, Division of Digital Learning, College of Graduate Studies, Division of Student Learning and Academic Success, UCF Connect, and UCF Global. However, given their connection to academic support and similar scaling factors, they have been combined into one central support unit called Academic Support.

Several committee members asked why this occurred. Meyer said it was a matter of direction and organization and added it does not affect allocated costs.

Central Support Units: President/Government Relations and Compliance

At the request of President Cartwright, two central support units, formerly President and Government Relations, have been adjusted to more appropriately illustrate transparency into financial operations. The new central support units are now Compliance and President and Government Relations. Compliance includes General Counsel, Environmental Health and Safety, University Audit, and University Compliance, Ethics, and Risk. President and Government Relations includes the President's Office, Athletics, Diversity and Inclusion, Research Initiatives, Partnerships and Innovations, and Government Relations.

Central Support Units: Self-Supporting Unit Allocations

The self-supporting units were previously allocated the CSU costs using the same metrics as the academic units. However, after discussions with Project Sponsors (CFO Joe Trubacz and Interim Provost Mike Johnson), the decision was made to utilize an 11 percent flat rate like the current practice. A detailed study during the parallel year might be necessary to determine the appropriateness of the 11 percent for these units, including any differences in function (e.g. academic/research orientation compared to auxiliary orientation).

Designated State Appropriations

Two additional designated appropriations were identified within the total E&G state appropriation, limiting the general state pool by \$9.1 million.

State appropriations were classified into two categories: general and direct. General state appropriations do not have a direct restriction imposed by the state for how resources should be used. Direct state appropriations are restricted for specific purposes (at UCF, the College of Medicine, Florida Center for Students with Unique Abilities, and Institute for Human and Machine Cognition (IHMC) within CREOL).

General state appropriations are split among an instructional pool (total student credit hours; 42.5 percent), student completion pool (degrees awarded; 42.5 percent), and research pool (total grants and contracts revenue; 15 percent).

Indirect Cost Recovery Distributions

Indirect Cost Recoveries were adjusted from their central withholding of 55 percent, to returning 10 percent of the indirect to the units that generated them, net of \$4 million that is withheld for the bond obligations. Regardless of approach, the model does not lower or alter the Office of Research budget, but rather increases the cost pool's net allocation across campus due to revenue being redistributed. Neither method changes the net amount in the model. The decision made changes the dynamic between OOR and units by providing greater transparency into legacy OOR investments.

Participation Fee Analysis

The participation fee was reduced from 20 percent to 18 percent and in FY19, this rate would have generated sufficient funding to cover all academic unit subvention needs and produced \$14.5 million for strategic initiatives.

Model Adjustment for Consideration

COM Allocation Adjustment: GME & UCF Health

The College of Medicine asked the Steering Committee to consider adjustments to its central support unit allocations for GME (the Graduate Medical Education program) and UCF Health.

They requested its share of central support units, allocated via a direct expense metric, be adjusted to exclude the portion of GME and UCF Health comprised of the COM total. Their rationale was that these programs do not lead to incremental additional effort on behalf of the identified central support units that would warrant full cost allocations. Also, these auxiliary operations are required with having a college of medicine and function as effective pass-through operations, providing little “margin” or “profit” for the COM to utilize in paying for incurred central support unit allocations.

After debate, the committee decided to keep including GME and UCF Health for now, but to evaluate this during the parallel year to see if changes can be made in the future.

Implementing the New Model

Timing of Model Variables (i.e. Model Responsiveness)

At the retreat, the deans discussed the timing of model variables and model responsiveness, with the spectrum ranging from a five-year historical average (least responsive) to a budget-year forecast with end-of-year adjustments to reflect actuals. Consensus among the deans was to have two-year weighted average (two historical years with the most recent being weighted higher).

The steering committee agreed.

Budget Model Governance Overview

Huron recommends three groups:

1. Operational support teams: perform data collection and analysis to inform decisions
2. Advisory committee: makes recommendations to decision makers
3. Decision makers: determine final budget decisions

Recommended Committee Guidelines

Committee Composition: Each committee should be designed to assure broad stakeholder representation. At three-year intervals, the chair or co-chairs of each committee should assess committee composition and make recommendations for adjustments in membership. Over time, committees tend to evolve into smaller and more focused groups that lessen the challenges of managing large committees.

Decision Authority: Decision authority must be clarified early-on so committees and individual members understand whether they are charged with an informational, advisory, or decision-making role. Often, clarifications include setting expectations around voting, allowability for members to bring in representatives on as-needed basis, and communications within the governance structure.

Appointment Length: Committee terms should be set for three-year periods to achieve broad and diverse representation while providing time for members to understand their roles and maximize their contributions. A phased roll-on / roll-off approach is recommended to ensure these committees establish a consistent approach to decision-making and transmit this approach to new appointees.

Concerns on Governance

Concerns already shared with Huron were discussed. Jarley emphasized training for budget personnel working in the colleges will be essential, and Kristie Harris concurred.

Questions were asked about direct margins, but the committee brought up no additional concerns.

It was emphasized the model is not set in stone, and changes can be made over time to accommodate university needs.

Budget Process Overview

The annual planning and budgeting process starts with budget modeling and scenario planning by the central finance and administration budget team. Next, Central Support Units prepare budgets and supplementary documentation and present materials to their leadership. Then, Academic Unit financial statements are populated with allocated revenue and Central Support Unit amounts, and deans are able to build budgets for direct revenues and expenses. Lastly, the executive budget committee reviews and approves budgets. The timeline from start to finish is eight to nine months, compared to the current three-to-four-month process.

Reports are provided to Academic Units on an ongoing basis to monitor actual revenues and expenses against budgets; Central Support Unit allocation amounts will remain fixed.

Next Steps

Wrap-Up Questions

Meyer polled all the steering committee members on three questions:

1. Is the proposed model an improvement over the one we use today?
2. Is the new model directionally correct?
3. Do you support using the proposed model to initiate the parallel process?

Every committee member answered yes to all three.

Implementation Considerations and Next Steps

Meyer highlighted items to consider as the budget model redesign process continues toward implementation:

- Implement effective budget model governance.
- Provide ongoing education and communication regarding the new budget model.
- Review historical spending levels for administrative and academic units.
- Identify opportunities to increase revenues (research, change in student mix, etc.), reduce expenses (duplicative expense, reallocations, etc.), and enhance service delivery.
- Leverage technology to increase data accuracy and availability across campus (ERP).

- Integrate budgeting into the larger financial context (e.g. scenario planning, balance sheet, cash flows, etc.).
- Review and update budget process development to provide appropriate level of detail for financial forecasts and model alignment.

Next Steps:

- Once the governance structures are established, project sponsors will identify committee participants to provide support and guidance through the parallel year.
- Identify appropriate campus communication opportunities.