

Budget and Administrative Committee

Wednesday, October 6, 2021, 2:30 p.m.

Zoom Virtual Meeting

Link: <https://ucf.zoom.us/j/98646387559?pwd=SUxWT0lCQUtKdENxLzJSZExCOEhBZz09>

1. Call to Order, 2:32

2. Roll Call: PRESENT: Pamela Baker, Tina Buck, Peder Hagglund, Gerald Hector, Bobby Hoffman, David Mitchell, Kausik Mukhopadhyay, Nina Orlovskaya, Rebeca Richards, Keri Watson, Adam Wells

3. Approval of minutes from *March 17, 2021*

Request minutes be amended with one spelling correction

Motion to approve, seconded, minutes approved as corrected.

4. Announcements and Recognition of Guests

Sean Simmons, director of Financial Planning and Analysis (FP&A)

5. Old Business - none

6. New Business

a. UCF's New Budget Model Presentation – *Gerald Hector, Senior Vice President, Administration and Finance*

Dr. Hector shared his budget model presentation from the Board of Trustees meeting in September; the committee learned about the university's new budget model, which is based on the Responsibility Center Management (RCM) philosophy. This is a change from the incremental budget model that UCF has used in the past.

Attached are his October 15, 2021 "Dollars and \$ense" slides, which discuss the same budget model/philosophy presented on October 6. After the presentation, Hector addressed the following topics and questions:

- 80/20 allocations
- participation fee
- support for the library.
- does support (e.g., library) for new programs get addressed by the new model?
- Will there be efforts made to bring colleges posting a deficit in line? CAH keeps having departments with HIGH SCHs taken from them.
- How will individual colleges budget using SCHs?
 - GH: SCH money will be college-wide, the dean allocates from there.
- Public Admin has doubled, many trying to take summer classes but it's hardly affordable. Will new model make it easier for colleges to offer/afford those summer classes?
 - GH: up to the dean, they have the responsibility and accountability

We SHOULD be raising up to \$150M/yr, only now set a goal for 100M. Fundraising will be a priority for Deans going forward.

Dollars and Sense program will be launching soon to educate UCF about how our budget will work

Entertained a motion to extend 5 minutes, moved and seconded, extended 5 minutes.

7. Other Business

Request that committee members alternate taking minutes, so we don't have to appoint a secretary. David volunteered for the November meeting.

8. Nina moved to adjourn, Kausik 2nded. Meeting adjourned, 3:44pm.



Dollars and Sense: The New University Budget Model

October 15, 2021

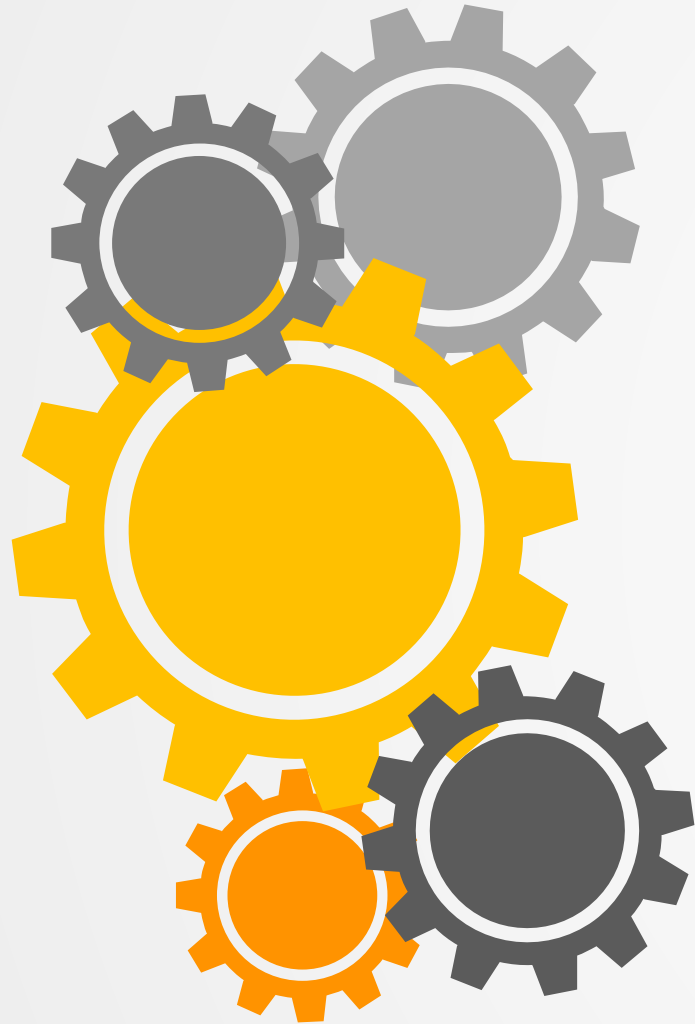
Gerald L. Hector
Senior Vice President for
Administration and Finance



Workday Discussion

- Knight Vision
- Key Themes
- Dimensionality & Transparency
- Workday & Budget Model Alignment
- Workday is the Foundation
- One Institution with Many Pieces

Key Themes



Consistency across companies

One source system – Workday

Configuration not customization

- What's best for the university as a whole

Dimensionality & Transparency

Workday and the Foundation Data Model will give our data **dimensionality** allowing us to connect multiple data elements to **cost centers** and **divisions**.

Using **one** system we can create **transparency** and view our data **holistically**.

Dimensionality gives our data depth and allows us to track and analyze at a detailed level.

Workday's worktag structure connects our data giving us visibility into the **big picture**.



Workday and Budget Model Alignment

Workday

Simplification

We will seek to make processes and technology **consistent** across units.

Transparency and Inclusivity

We will make decisions **transparently** and share information frequently and in numerous formats.

The Power of One

One shared foundation data model for the entire institution. **One** common data structure.

Budget Model

Methodology

Distribute resources using a **predictable** and **consistent** methodology that allows for multiyear planning.

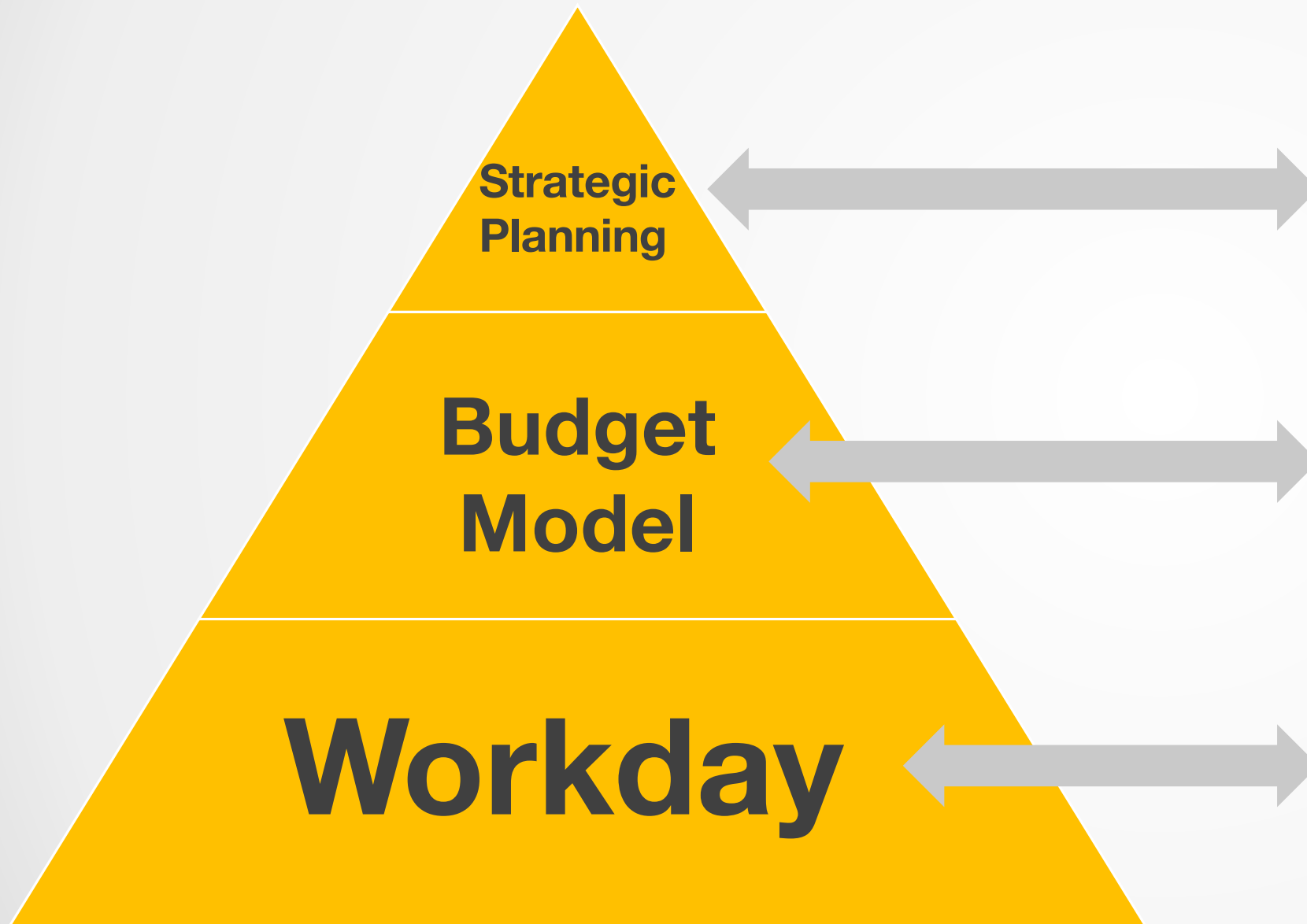
Transparency and Accountability

Ensure **transparency**, accountability, and fiscal responsibility by requiring that all aspects of resource management are supported by data-informed decisions.

Holistic View

Incorporation of an all-funds approach provides **one** holistic view of the institution's operations.

Workday is the Foundation



From the budget model we can inform our strategic planning decisions and better allocate University resources.

Through the lens of the budget model, we give our data context to tell the financial story of the institution.

Workday provides the foundation for our data management. It gives us the ability to connect and visualize our data in new and effective ways.

One Institution with Many Pieces



- The balancing act to support the unique needs of each unit while providing for the strategic planning of the entire institution requires new tools.
- Workday and the flexibility of the FDM gives units the autonomy to track and decide what information is important to them.
- Having everyone in one system under one unified chart of accounts allows for holistic and transparent analysis that is critical to strategic planning.

How to Get Involved



Keep up to date by visiting the Knight Vision website at knightvision.it.ucf.edu



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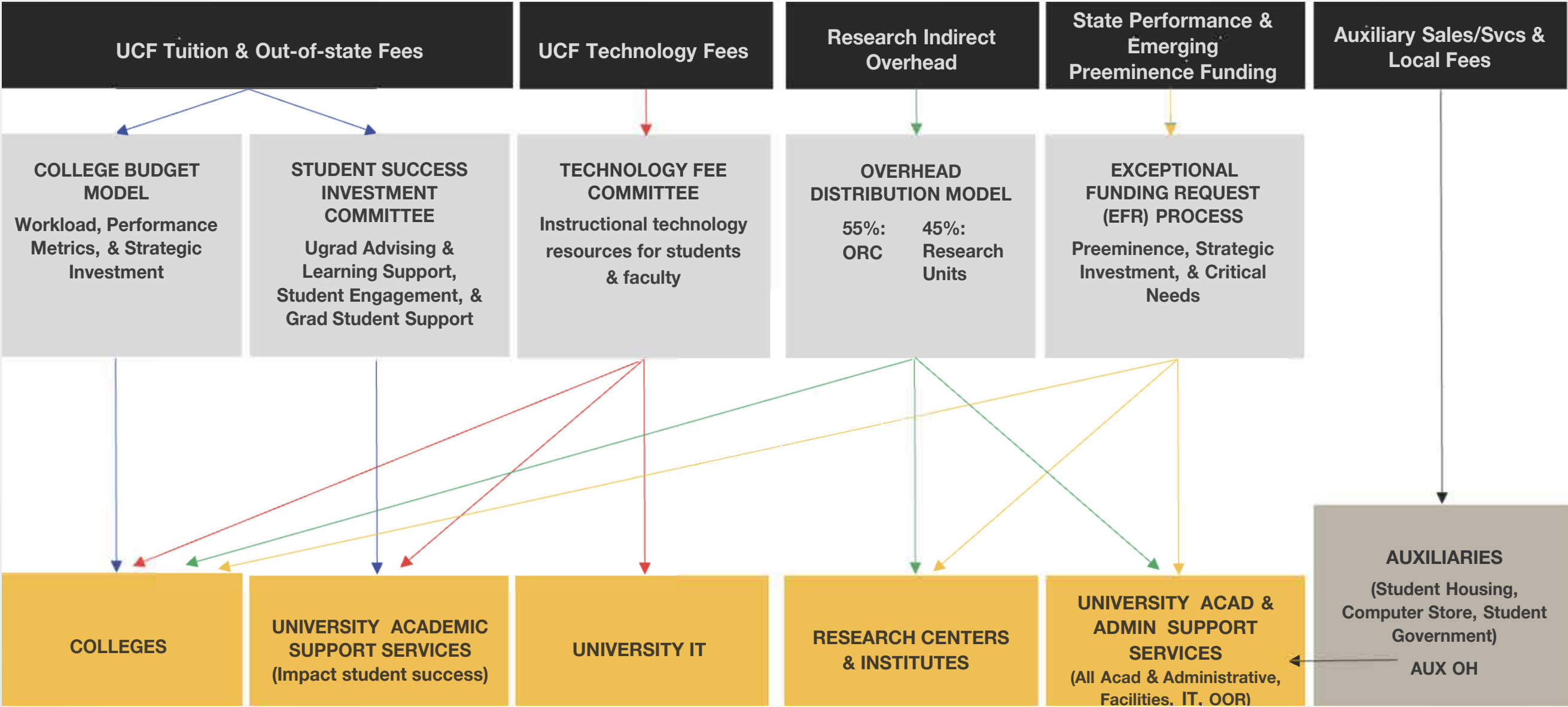


New University Budget Model

- Current Budget Model
- New Budget Model
- Financial Update
- SET Transformation

UCF College Budget Model

UCF’s current resource allocation model is a hybrid approach based on incremental budgeting (rolling budgets forward from one year to the next—adding or subtracting a small percent) and performance funding to reward mission delivery.



UCF College Budget Model

An Incremental Budget Model:

- Utilizes historically-based incremental budgeting
 - Rolls forward academic and administrative budgets each year
 - Built on a base that has not been revisited in many years
- Requires leaders to compete for finite incremental resources as they aim to expand strategically
- Limits the leadership team's ability to direct significant resources to initiatives for the greatest impact or return
- Lacks sufficient mechanisms for strategic re-allocations
- Inadequately aligns revenues with costs or activity levels at a unit level
- Focuses on short-term allocations in lieu of long-term planning for all funds

Key Terms for Finance and Budgeting

Auxiliary

Revenues generated from self supporting activities (e.g., Business Services).

Concession Funds

Commission-based revenues from beverage and pouring, snack vending, and student housing laundry machines.

Contracts and Grants

Research and work study awards from federal, state, local, and private sponsors, as well as funds from Direct Support Organizations (DSO reimbursements for use of university resources).

Direct Support Organizations

Revenues generated on behalf of the university but not in its base operations (e.g., Foundation).

Key Terms for Finance and Budgeting

Local Funds

Funds including Student Activities, Financial Aid, Concessions, Technology Fee, other Board-Approved Fees, and university Self-Insurance Plans.

Education and General

General Revenue funds and Educational Enhancement funds (from the Florida Lottery) appropriated by the Legislature, student tuition and matriculation payments, and certain collected student fees.

Carryforward Funds

Unexpended E&G funds that roll forward for spending in the following fiscal year in support of operating activities. Interest or investment earnings on carryforward funds are also considered E&G and must only be used for operating activities.

New Budget Model

Responsibility Center Management (RCM) is perhaps closer to a management philosophy than a budgeting strategy. It is designed to support the achievement of academic priorities within an institution and allows for a budget which closely follows those priorities.

RCM **delegates operational authority to schools, divisions, and other units within an institution**, allowing them to prioritize their academic missions. Each unit receives all of its own revenues and income, including the tuition of its enrolled students. In this way, units effectively compete for students. Each unit is also assigned a portion of government support (where applicable). However, **units are also responsible for their own expenses**, as well as for a portion of expenses incurred by the university's general operations.

– Hanover Research

Guiding Principles

Ensure the resource management, planning, and allocation decisions are aligned with the institution's mission as a public multi-campus, metropolitan research university.

Align budgetary authority with responsibility and accountability.

1

2

3

Ensure transparency, accountability, and fiscal responsibility by requiring that all aspects of resource management are supported by data-informed decisions

Guiding Principles

Provide significant incentives for promoting efficiency, innovation, responsiveness and entrepreneurship using data-based decision-making.

Distribute resources using a predictable and consistent methodology that allows for multiyear planning.

4

5

6

Balance complexities of the economic realities with a methodology that is financially viable and easy to understand.

Key Assumptions

18% Participation Fee

Charged to unrestricted revenues of academic units to create a pool for subvention and strategic priorities

State Appropriation

Instructional Effort - 42.5%
Student Completion - 42.5%
Research Activity - 15%

20% of SCH

To “home” school for the student

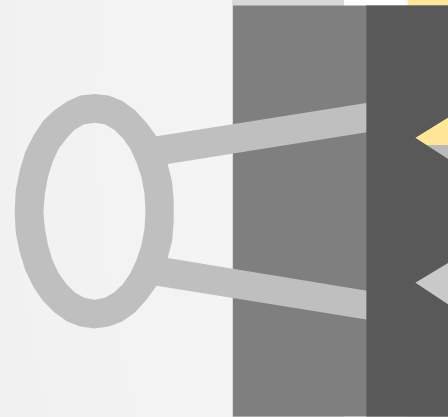
Central Support Unit Costs

Allocated on several bases that include faculty headcount, space, direct expense, employee headcount, etc.

80% of SCH

To the school where students are instructed

Status of Budget and Model



Current State Budget loaded into PeopleSoft

01

ZBB requests are logged and some will become part of strategic discussions in FY 2022

02

The volume and accounting for transfers within the university still poses an issue

03

Final SCH will not be known until the end of August for presentation to the Board

04

“Hold Harmless” was a laudable goal, but is being stress tested given variables moving

05

Financial Update

**University of Central Florida
2021-22 Proposed Operating Budget**

All Budget Entities

<u>Education and General (E&G) Budget Entities¹</u>	2020-21 BOT Approved Operating Budget	2020-21 Final Operating Budget	2021-22 Proposed Operating Budget	% Increase (Decrease)	\$ Increase (Decrease)
E&G, Main					
State Appropriations	\$ 336,391,302	\$ 329,001,670	\$ 335,794,312	2.1%	\$ 6,792,642
Student Tuition and Fees	304,640,516	304,640,516	318,133,474	4.4%	\$ 13,492,958
Interest and Other Revenue	3,070,000	3,070,000	3,070,000	0.0%	\$ -
Total E&G Main	644,101,818	636,712,186	656,997,786	3.2%	20,285,600
E&G, College of Medicine					
State Appropriations	30,773,894	30,995,142	30,781,275	-0.7%	(213,867)
Student Tuition and Fees	15,708,657	15,708,657	16,024,899	2.0%	316,242
Interest and Other Revenue	300,000	300,000	300,000	0.0%	-
Total E&G, College of Medicine	46,782,551	47,003,799	47,106,174	0.2%	102,375
E&G, Florida Center for Students with Unique Abilities (FCSUA)					
State Appropriations	8,984,565	8,984,565	8,984,565	0.0%	-
Total E&G, FCSUA	8,984,565	8,984,565	8,984,565	-	-
Total E&G Budget Entities	699,868,934	692,700,550	713,088,525	2.9%	20,387,975
<u>Non-E&G Budget Entities</u>					
Auxiliary Enterprises	302,385,900	302,385,900	305,999,077	1.2%	3,613,177
Contracts and Grants	188,528,000	271,000,000	319,991,191	18.1%	48,991,191
Local Funds					
<i>Student Financial Aid</i>	659,877,204	659,877,204	727,540,204	10.3%	67,663,000
<i>Intercollegiate Athletics</i>	68,086,641	65,781,150	74,209,459	12.8%	8,428,309
<i>Student Activities</i>	24,760,828	24,760,828	24,197,328	-2.3%	(563,500)
<i>Technology Fee</i>	10,028,400	10,028,400	11,863,810	18.3%	1,835,410
Self-Insurance Plan	576,878	576,878	563,167	-2.4%	(13,711)
<i>Concessions</i>	400,000	400,000	800,000	100.0%	400,000
Total Local Funds	763,729,951	761,424,460	839,173,968	10.2%	77,749,508
Faculty Practice Plan	9,603,362	9,603,362	8,246,368	-14.1%	(1,356,994)
Total Non-E&G Budget Entities	1,264,247,213	1,344,413,722	1,473,410,604	9.60%	128,996,882
Total Proposed FY 2021-22 Budget	1,964,116,147	2,037,114,272	2,186,499,129	7.3%	149,384,857

SET Transformation

Drivers of Transformation

- Alignment with Workday
- Professional Growth
- Service Coverage
- Budget Redesign



Functions Impacted by SET



**Human
Resources**



Payroll



Finance



Procurement



**Unit-Based
Post Award**

SET Operating Model

The SET design for UCF will unify most of the finance and HR activity at the college and division level.

Central offices will be **connected to the college and division staff** for functional accountability and to provide the **support, training, and development** opportunities they will need to succeed.

Central Offices

- Finance
- Office of Research
- Human Resources
- Provost



College/Division Finance Business Centers + HR Business Centers



Administrative Service Center



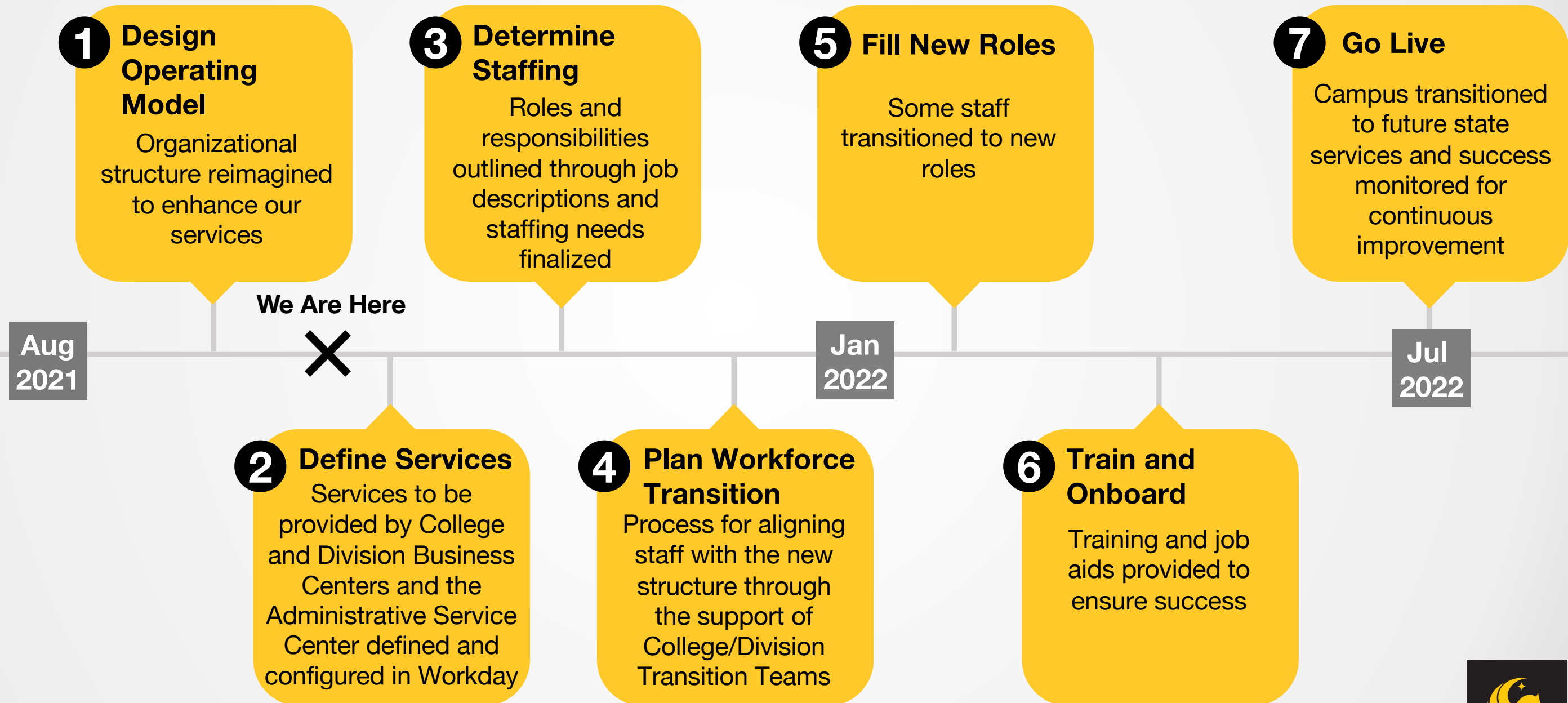
The **College/Division** Finance Business Centers and HR Business Centers will

- unify the HR and Finance work being done in departments at the college/division level.
- provide **specialized support to departments** within the college or division.

The Administrative Service Center will provide

- customer **support for employees and Workday self-service support.**
- backup support for colleges and divisions.
- select high volume transactions for the institution.

SET Road Map



How to Get Involved



Keep up to date by visiting the **SET page** on the Knight Vision website:
knightvision.it.ucf.edu/service-enhancement-transformation/



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Questions?

Thank you.