

NEW FINANCIAL MODEL STEERING COMMITTEE - JUNE 6, 2012

TASK FORCE UPDATES

The Steering Committee (SC) meeting began with task force updates.

Dean Bob Pianta reported that the Communication and Change Management task force has met several times. He requested input and approval from the SC on behalf of the task force for the following recommendation of the group. The task force recommends the formation of a corps of speakers who, once equipped with consistent training and materials, can inform and engage faculty and staff at meetings across Grounds. This grassroots effort will help create opportunities for informal shared conversation, and will continue to feed current questions and perspectives back to the communications effort.

This is a three phase project: 1. Identify individuals 2. Develop the process for vetting as leaders 3. Develop what messages to roll out when.

Pianta would like the SC to comment back on their observations of the plan, any input for ideas and suggestions are welcome. Send comments to Bob Pianta or Sharon Strine.

A concern over consistent messaging was answered by the plan to provide training and a common PowerPoint presentation. The suggestion was made to videotape M. Strine and Simon and post on website, embed in emails, however, the co-chairs expressed there would be value in others representing the project, too. Additional speakers may be more accessible and more able to have discreet, specific department level discussions.

Top questions -

What's in it for me?

For those universities who transitioned to NIFM, how is it 3-4 years later?

Dean Mahoney shared the history of the Law School's transition to self-sufficiency. It took about 5 years to educate alumni that the Law School had become entirely dependent on private giving, not state funds; it took that same time for them to understand why this had changed.

The transition started a decade before when Governor Wilder dramatically cut funding; tuition was then raised in small cumulative increases. Faculty had to earn the tuition.

Per Gerry Starsia, The McIntire School had the E&Y Master's program with 150 graduate students, which started their path to a hybrid model and distributed tuition.

B. Allen stated that the Darden Foundation had \$6M coming into Darden from the beginning, which was a large part of the money needed. Darden wanted tuition to compete with peers.

We have to be careful not to distract or disrupt current activities; faculty positions may not change much at all with the new financial model.

Financial Reporting

The Task Force has been meeting every couple of weeks for an hour; trying to explore the alignment of scope. Considering what reports and data will be needed if every tub is on its own bottom. The team thought there would be a need to model thin, fat, variable, constant; then discovered it really didn't matter what type because for having all the data and reporting available would be important in every case.

The task force conducted a quick assessment of Darden, McIntire, and Law school reports; they are in the process of diving into documents regarding the Academic and Administrative assessments conducted by the Core Work Group of the financial reporting needs of these two groups. The Task Force is focused on three areas: 1. what are the minimum requirements for the NIFM; 2. what are the needs in two or three years out; 3. what can the current systems provide either with or without modification?

Finally, what is the business case for a more aggressive approach to analysis; determining what can oracle do with or without modifications to the system. Looking at the short horizon, quarterly reports will be required; Multi-year planning and tracking will ultimately be needed for maximum benefit.

Revenue - the Task Force reviewed the matrix of how revenue allocations could be done with the pros and cons at a high level of allocation. Budgeting process will be starting in the fall. General fund appropriation basis is not yet known.

FY13-14: Revenue is complex and need to think of implementing in phases - what can be allocated in 13-14 and what revenues can be done in 13-14.

Identification and a timeline by the fall should be our goal.

Some costs will generate revenue and revenue can also generate additional costs. Units could get more revenue and not the costs and vice versa. Need to ensure that schools are balanced out; uncoupling the costs and tax is an exercise that will need to be done.

At highest level we're moving from a centralized, controlled model - to a model that places accounting as close to the activity and close to the academic as possible. Need to identify the buffers that central provides and the role of central to make it work.

Costs and Services -

Several proposals considered by the TF. Began by identifying service centers, agreed that costs would be covered by measuring use and charging based on use; or some proxy for use depending on size-based components (i.e., FTE students/faculty); then need to create the right incentives.

Service Centers can be categorized: $\sim 3/4$ are easy to do; $1/4$ are difficult and are the most costly service units (i.e. Development, Research, and Library); Service level agreements are already in existence; perhaps they can be generalized to other cases. Next, the need to get to an operational level and determine what is the best measure of use or size to determine the costs.

The Task Force will have conversations one at a time with each service unit – breaking down service units into components to assign to a category or a service level agreement.

Likely that taxing revenues may be the way to go versus expenditures, which are more granular and more complicated.

Next steps: review service centers; actual tax design – one rate, multiple rates; create incentives for academic units to become self-sufficient; determine strategy for state appropriations; need to have the opt out discussion in a way that doesn't create problems for other units.

Discussion followed regarding: analysis of cost drivers; the need for prioritization and a phased approach – which service centers first; consideration of common good and economies of scale values; what is done now and incentives in existence.

Assumption that there would be a pool of money for services that have no “owners” (rotunda, the Lawn, access to debt market/banking, brand value, risk management).

Next step is a look at expenses.

Governance -

Several meetings of this TF; conducted case workshops to get up to speed since there are many new members. Created a wiki to write policy of policies. Focused on latent principles - those that were not included in any SC materials. Decisions need to be made by those closest to spending money; once a decision is made they need to be reevaluated at some point and time – perhaps committees need to be formed; a combination of deans, VPs, etc., ultimately the President in a final escalation.

Governance processes and structures regarding consistency across schools, each unit should not be re-inventing its own governance;

All discussions are at University level; all for good of University; University committee decisions – tuition flows to schools and Deans decide how to govern and allocate that tuition.

Service providers need to be represented in the TF to resolve if governance is parsed differently w/in schools and service units.

The committee could develop a set of broader principles that are brought into governance models, for example, how do we insure transparency up and down the chain - what are the oversight mechanisms and how are principles evident. Need processes and feedback loops to move projects forward.

A recent transition with SCPS could be helpful in providing working principles; the suggestion was made that this be provided to Dean Tanzer.

Need to be sure that we do not lose the ability to align cost structures and incentives.

There is a fundamental question about a Dean model versus the University model.

SUMMER PLANS

Modeling the various principles will continue through the summer. The SC will resume in September; the Task Forces will continue through July and August. Progress is essential; if any TF needs the SC, the TF chair will request through Strine or Simon that the SC convene.

Certain TFs will need to meet with others. Revenue and Costs, for example.

Suggestions regarding communications are welcome: srstrine@virginia.edu

Upcoming Steering Committee Meeting Schedule

September 5	3:00 - 5:00 p.m.	President's Conference Room
September 19	3:00 - 5:00 p.m.	President's Conference Room
October 3	3:00 - 5:00 p.m.	President's Conference Room
October 17	3:00 - 5:00 p.m.	President's Conference Room
November 7	3:00 - 5:00 p.m.	President's Conference Room
November 19	3:00 - 5:00 p.m.	President's Conference Room
December 5	3:00 - 5:00 p.m.	President's Conference Room
December 19	3:00 - 5:00 p.m.	President's Conference Room