

NEW INTERNAL FINANCIAL MODEL STEERING COMMITTEE - August 17, 2011

The August 17th Steering Committee meeting began with a presentation by Mark Hampton (Core Work Group Chair) of four university financial profiles. The Steering Committee (SC) had requested at the July 20th meeting that the Core Work Group (CWG) develop financial profiles for the following institutions for their review:

- University of Delaware, which recently implemented an “RCM” type budget model.
- Stanford University, which has a ‘thick’ common good similar to the University of Virginia, although it is a private university.
- NC State University, which implemented RCM and then returned to centralized budgeting when they experienced a substantial cut in state funding.
- Cornell University, which is illustrative of a hybrid model.

Susie McCormick (Assistant Vice President for Information Technology Budget Administration) of the Uses subgroup of the CWG presented a set of conceptual cost allocation scenarios. The scenarios grouped cost centers into broad categories, and illustrated varying approaches to common good, service and revenue centers based on a set of initial definitions and assumptions. The set of scenarios was developed using ‘11-12 budget information for illustrative and discussion purposes only. The CWG sought SC guidance as to the ‘right’ level of variation and complexity/simplicity for cost allocation.

Michael Cline, (Finance Director of Facilities Management), presented a detailed view of Facilities Management as an example of a University of Virginia service center. The presentation explored the ways that services can be allocated, and the range of methods for monitoring these services such as usage metering, square footage, and headcount within one department’s various activities. The Facilities Management example was given to inform the types of decisions regarding service centers within the financial model in the next phase of the project.

Bob Bremer (Associate Dean of Management and Finance, School of Engineering and Applied Science) represented the Sources subgroup of the CWG that reviewed the tuition model presented in July. The SC will need to decide determining factors for school allocation while considering the challenge of state tax appropriation. Discussions followed on balancing complexity and simplicity, the use of state appropriation for subventions, and base budget adequacy.

The Steering Committee discussed upcoming agendas and the schedule for the remainder of Phase 1, which was planned for completion by the end of October 2011. An update on the search for the project director was reported. A review of the current status report showed the project has a “*current or potential risk to the schedule and project deliverables.*” The co-sponsors had approved a change to the timing for the end of Phase 1 (from the end of September to the end of October). Both the Core Work Group and the Steering Committee required additional time to review and determine the approach and design principles that the team will use in Phase 2.