Huron Consulting Group is pleased to return in support of UW-Platteville’s budget assessment and implementation initiative.

The goal of today’s meeting is to:

- Conduct introductions
- Provide an engagement update and Phase 1 approach refresher
- Confirm current understanding of funds flow, timeline, incentives, and reporting
- Provide an overview of interview themes
- Facilitate guiding principles discussion
- Review next steps
Introductions

Steering Group Members:

- Rob Cramer, VC for Administrative Services (Chair)
- Mike Compton, School of Agriculture Director
- Melissa Gormley, History Department Chair
- Maggie Immerfall, Director, CUNA Mutual Group
- Abulkhair Masoom, General Engineering Department Chair
- Tera Montgomery, Animal Science Program Coordinator
- Mesut Muslu, Interim Dean, College of EMS
- Cathy Riedl-Farrey, Controller
- Joe Sigwarth, Student Representative
- Elizabeth Throop, Dean, College of LAE
- Wayne Weber, Dean, College of BILSA
- Huron Consulting Group: Andrew Laws
  Jaime Ontiveros
  Bob Woodruff

As members, we would like to request that each of you:

- Respect each other’s input
- Actively participate in meetings and complete requested tasks
- Provide prompt feedback and encourage others to do the same
- Support resulting decisions reached through group discussion
- Represent the Steering Group as one
**Tasks Completed:**

- Engaged over 50 stakeholders to discuss Platteville’s current approach to budgeting (week of 7/14)
- Conducted two open forums to discuss budget market trends and approaches (7/16 and 9/22)
- Facilitated initial Steering Group meeting to review project approach (7/16)
- Completed initiative communications plan for all three phases:
  - Chancellor message to announce initiative kick-off distributed on 7/30 to all staff
  - Launched initiative web resources: [www.uplatt.edu/budget-assessment](http://www.uplatt.edu/budget-assessment) & [budgetproject@uwplatt.edu](mailto:budgetproject@uwplatt.edu)
- Reviewed over 55 Platteville reports, policies, data workbooks, etc. related to budgeting to build understanding of current budget function

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<thead>
<tr>
<th>Task</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
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<tr>
<td><strong>Pre-Work:</strong> Project Initiation</td>
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<tr>
<td><strong>Phase 1:</strong> Develop goals and criteria for assessing alternative allocation models</td>
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<td>Today</td>
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<td><strong>Phase 2:</strong> Assess alternative models against goals and criteria process</td>
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<td><strong>Phase 3:</strong> Assist UW-Platteville in transition to new budget model</td>
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Phase 1 Refresher
Assessment Goals and Criteria

Understanding UWP’s budgeting goals is a critical redesign element, as there is no “ready-made” resource allocation model, and the University’s goals will serve as the foundation for model customizations.

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<tr>
<th>Focus Area</th>
<th>Discussion Points</th>
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| **Process** | ✓ Review alternative resource allocation approaches in higher education (open forums and initial SG meeting)  
  - Engage Steering Group in a facilitated discussion to highlight current trends in resource allocation (today)  
  - Develop a set of guiding principles to guide the development of a new model  
  - Share guiding principles with broader community for feedback and adjustments  
  - Conduct an alignment analysis to test how the principles and other criteria align with the budget current state |
| **Deliverables** | ✓ Steering Group Presentations  
  ✓ Open Forum Presentation  
  - Principles Document (score card) for Sign-Off  
  - Alignment Analysis (funds flow, timeline, incentives inventory, management report diagnostic) |
| **Challenges** | ✓ Articulating goals and desired outcomes that are broadly applicable yet specific enough to be actionable  
  ✓ Gaining general agreement on desired budget goals |

The alignment analysis will be a critical element of this phase, as it will document agreements and/or violations between the current and desired future state, helping to create a strong rationale for change.
Confirm Current Understanding
An analysis of the alignment between the developed principles and the current budget model will be conducted to identify potential gaps.

The detailed review of four specific factors of the budget model will show varying degrees of alignment with the guiding principles.

A model that more closely aligns the analysis factors with the guiding principles will provide Platteville with the foundation to meet its strategic goals while maintaining the current strengths of the University.

Huron initiated the current engagement by conducting various interviews to determine how the budget needs of the University are currently addressed.

**The Analysis Will Aim to:**
- Identify current gaps by considering developed guiding principles and known best practices
- Capture pain points within the current budget process as perceived by interviewees
- Dive into aspects of the budget function that are unclear or not well known

**The Analysis Will Not:**
- Evaluate every aspect of the budget function at the same level of detail
- Focus on aspects of the budget function that are done well. Examples:
  - Level of budget transparency
  - Ease of access to policies and other resources via budget webpage
  - Willingness for budget staff to provide support as needed
A detailed review of the UW System 2013-14 Redbook and discussions with budget office stakeholders resulted in the illustrated high-level funds flow.

Numbers will not perfectly add up due to rounding; Percentages provided equal 100% at each tier depicted.

**Fund Source**
- General Purpose Revenue: $63MM (34%)
- Program Revenue: $27MM (15%)
- Program Revenue (Federal): $51MM (28%)
- Auxiliary Enterprises: $43MM (23%)
- State Appropriations and Academic Student Fees: $84MM (46%)
- Operational Receipts: $5MM (3%)
- Gifts and Trusts: $1MM (<1%)
- Financial Aid: $49MM (26%)
- Grants, Contracts, ICR: $2MM (1%)

**Division Recipients**
- Non-Colleges: $97 (53%)
- Colleges: $32 (17%)
- University-Wide: $22 (12%)
- Auxiliary Enterprises: $32 (17%)

**Expense Area**
- Academic Support: $21 (11%)
- Administration: $24 (13%)
- Athletics: $2.5 (1%)
- Financial Aid: $50 (27%)
- Debt Service - Academic: $9 (5%)
- University-Wide (Fringe Benefits): $13 (7%)
- Debt Service: $8 (4%)

* State Appropriations and Academic Student Fees are depicted together as dollars are commingled and redistributed based on tuition targets.
** Auxiliary = Athletics, Housing, and Dining
*** Academic Support = Admissions, Financial Aid Operations, Provost Divisions
Financial Incentives

A review of the budget policies along with stakeholder interviews uncovered a list of financial incentives currently available to deans.

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<tr>
<th>Incentive</th>
<th>Description</th>
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<tr>
<td>Distance Learning Revenue Sharing</td>
<td>Distribution of distance learning revenues back to programs based on prior year enrollments.</td>
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<tr>
<td>Fund Carry-Over</td>
<td>Authority to retain a percent of unspent balances to provide additional flexibility and to support short or long-term funding needs; Retention percent dependent on fund type.</td>
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<tr>
<td>Indirect Cost Recoveries</td>
<td>F&amp;A Revenue from sponsored grants and contracts shared with various stakeholders as an incentive for grant writing. Policy currently directs 25% to financial services, 25% to university grant office, and 50% to division or college.</td>
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<tr>
<td>Provost One-Time Funding</td>
<td>Funds allocated from the Office of the Provost for purposes of funding select initiatives.</td>
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<tr>
<td>Reserves</td>
<td>Authority to retain balances within a 0% to 12% range as established by the Board of Regents for funds 123, 128, 131, 132, 136, 184, and 189 based on four categories of funds: tuition, auxiliary operations, general operations, and other unrestricted program revenue.</td>
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Our current understanding of the UW-P budget process was derived from reviewing a System Budget Office memorandum and internal budget office documents and timeline.

Budget Timeline
Reflects 2014-2015 Build
Centrally developed reports were reviewed in an effort to identify what type of reporting is made available or provided to University leadership to aid in financial management.

**Monthly Account Review Reports**
- Report provides accounting of expense budget, revenue, sales credits, encumbrances, expenses, cash balances, and burn rate
- Report created for all divisions on a monthly basis to review respective accounts
- Data obtained from WISDM and has a 1 day delay between production entries and data availability

**Budget to Actuals Reporting**
- Report provides accounting of budget, expenses, encumbrances, budget balance and percent of budget spent
- Report is accessed directly from WISDM
- Has a 1 day delay between production entries and data availability
Centrally developed reports were reviewed in an effort to identify what type of reporting is made available or provided to University leadership to aid in financial management.

**Budget Planning Report/Form**
- Budget office provides a report containing last five full fiscal years of data and an estimate of current year operations
- Intent is to support the development of a proposed budget for the upcoming year plus projections for an additional four years

**PR Balance Report**
- Created to capture year end balances for program revenues to comply with recent Board of Regent balance policy
- Provides accounting of funds remaining for the two most recent fiscal years by fund type and calculates the balances as a percent of expenses
- Provides documentation for intended use for remaining balances by classification type (obligated, planned, designated, reserves, and undocumented funds)
Interview Themes Overview
Four primary themes emerged as a result of discussions with more than 50 stakeholders regarding Platteville’s current approach to resource management, allocation, and planning.

**Allocation Rationales**
- Stakeholders expressed the increase in transparency has been positive, but it was coupled with a lack of understanding of how budget allocation decisions are made, an unclear alignment between funding rationale and mission, and a perceived lack of data-informed decision making.

**Infrastructure**
- Some of the most frequent comments made on today’s budget model were that it does not have necessary training for individuals with budget responsibilities, is perceived to lack a consistent timeline and process, and that fund silos are not well understood or may not be accurate.

**Information**
- Stakeholders commended the increase in communications. However, concerns regarding data access and lack of consistent communications were expressed. As a result of limited information flows, the current model was said to detract from individual’s primary responsibilities and cause frustration across various units.

**Responsibility & Accountability**
- The recent delegation of budget responsibilities was said to lack corresponding guidelines to properly hold units accountable. Additionally, several comments were made regarding a lack of understanding of who and when units should pay for select administrative services.
The majority of interviewees agree the current budget approach is not suitable to fulfill the needs of the University. In doing so, some expressed change readiness concerns and also noted special topics that should be considered as part of the evaluation process.

**Change Readiness**

- Concerned that due to current skill sets, an increase in administration will be needed
- Faculty appear receptive, but may not be fully aware of the cost associated with change
- Lack understanding of where resources would come from for leadership strategic investment
- There is a lack of focus on revenues outside of tuition and a lack of understanding of how necessary those are for the university
- Concern that performance metrics selected will be applied equally across all units

**Evaluation Prospects**

- How do we come up with a report to tell us how our programs are doing?
- We don’t look at the overall university – are we growing in a balanced manner?
- There is a lack of feedback loops for services being provided – are they really aligned to the university’s needs?
- Faculty don’t believe their actions can play a big impact on creating resources – how can we show they’re actions are critical?

Expressed reservations are common when considering budget changes, and proper consideration for each item will have to be made, planned, and executed to build support for change.
Guiding Principles
A principles-based approach to model development ensures that financial management reflects institutional strategies.

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<tr>
<th>Common Element</th>
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<td>Mission</td>
<td>▪ Ensure key stakeholders that the University is committed to its core academic and research mission and that the budget model is merely a tool to facilitate that mission</td>
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<td>Strategy</td>
<td>▪ The strategic plan is an articulation of university goals, and resource allocations should align and support institutional strategy</td>
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<tr>
<td>Stakeholders</td>
<td>▪ Articulate the importance of the budgeting process to institutional stakeholders and their decisions about resource prioritization</td>
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<td>Future</td>
<td>▪ Focus on the reality that the budget model is not a zero-sum game, but that it is an opportunity to strengthen the university through win-win opportunities and outcomes</td>
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<td>Transparency</td>
<td>▪ The model should provide full transparency, both with respect to what decisions are made, as well as why those decisions were made</td>
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<td>Authority/Responsibility</td>
<td>▪ The core of incentive-based models are ensuring the alignment of authority for financial management decisions and responsibility for those decisions (e.g. feedback loops and responsiveness)</td>
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<td>Balance</td>
<td>▪ Balance and compromise may be required with respect to many model elements, for example, central vs. local services and economic reality vs. simplicity</td>
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<td>Entrepreneurship</td>
<td>▪ The principles should support a culture of rewarding performance and entrepreneurial behavior</td>
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<td>Matching</td>
<td>▪ Matching should be incorporated to ensure revenues are aligned with the expenses incurred to generate them, not for a profit motive, but so clarity is given to institutional subsidies</td>
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<tr>
<td>Simplicity</td>
<td>▪ The model and processes should be simple to use, explain and maintain</td>
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In August, Steering Group members were asked to review sample guiding principles, to engage fellow colleagues, and tasked to submit their own ahead of today’s meeting.

**Main Categories Submitted:**

- Accountability and Responsibility
- Incentives
- Information
- Long Range Planning
- Mission Alignment
- Resource Allocation
- Simplicity and Transparency

The Steering Committee discussed draft guiding principles that were submitted by members of the committee.

Currently, the Steering Committee is evaluating a condensed set of guiding principles to arrive to a draft set that will be shared broadly across campus.

The goal of today’s discussion will be to discuss submitted input to create an initial set of guiding principles.
Next Steps

**Huron**
- Incorporate feedback from today’s discussion
- Work with Steering Group members to finalize draft principles
- Support sharing of draft principles with broader Platteville audience
- Conduct alignment analysis
- Schedule next Steering Group discussion
- Prepare for Phase 2

**Steering Group**
- Help finalize draft principles
- Share confirmed guiding principles with respective units
- Encourage individuals to submit feedback
- Attend next Steering Group meeting
  - Time: TBC
  - Topic: Updated Guiding Principles and Alignment Analysis Results