



April 26, 2022 UCF Board of Trustees Budget Workshop
Board of Trustees
Virtual Meeting
Apr 26, 2022 3:00 PM - 5:00 PM EDT

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Board of Trustees

Meeting Agenda

Board of Trustees Budget Workshop
Virtual Meeting
April 26, 2022
3:00 p.m. – 5:00 p.m.
(or upon adjournment of the previous Board meeting)

Livestream: <https://ucf.zoom.us/j/97232711045?pwd=N25vamFpL0Y1UzIiWXYxZ3I3QzkwUT09>
Webinar ID: 972 3271 1045

Conference Call Number: 929-205-6099; meeting ID 972 3271 1045

AGENDA

- | | |
|------------------------------|---|
| 1. Call to Order and Welcome | Alex Martins, <i>Chair, UCF Board of Trustees</i> |
| 2. Roll Call | Karen Monteleone, <i>Assistant Vice President, Board Relations</i> |
| 3. Remarks | Chair Martins |
| 4. Discussion | |
| | DISC - 1 |
| | Budget Workshop
Gerald Hector, <i>Senior Vice President for Administration and Finance</i>
Misty Shepherd, <i>Senior Associate Vice President for Financial Affairs</i>
Jonathan Varnell, <i>Vice President for Facilities and Business Operations</i> |
| 5. Adjournment | Chair Martins |



Board of Trustees Workshop | April 26, 2022

DISC - 1: Budget Workshop

☐ Information

☒ Discussion

☐ Action

Meeting Date for Upcoming Action: May 26, 2022

Purpose and Issues to be Considered:

The purpose of the workshop is to prepare the Board for upcoming approvals (May 2022 and beyond) associated with the University Operating Budget, Strategic Use of Carryforward Funds, and Capital Improvement Planning. The workshop will be led by Gerald Hector, Senior Vice President for Administration and Finance.

Presenters will discuss how the university will change the way it manages its operating budget such that funding can be appropriately allocated across the colleges and units to carry out the mission of the university. Presenters also will share the results of a year-long review of cash flow, colors of money, carryforward, treasury and liquidity management, and facilities' needs.

Key topics include:

- Review of the FY2022 Budget
- Review of the FY2022 starting carryforward balances
- A preview of items for action and discussion during May Board of Trustees meetings
- Lessons learned from the year in review
- Anticipated changes in FY2023
- The tenets of the new budget model

Additionally, Jon Varnell, Vice President for Facilities and Business Operations, will provide updates about the Capital Outlay Plan and the university's PECO submissions. He also will update the Board on key hires within the Facilities and Business Operations Division, including the university's first-ever Assistant Vice President for Real Estate.

Background Information:

At the May 2020 Board of Trustees retreat, a summary and timeline for implementing a new budget model was shared and discussed with the Board in conjunction with the business case for procuring a new ERP system. Since that time, the university worked with Huron Consulting to put the model in place. The university will launch the model on July 1, 2022.

The timing of this move to the new model coincides with both the new ERP system and budgeting tool. The three combined provide a platform from which the future management of the university's finances will sit.

The new model:

- Brings the concept of OATE (Ownership, Accountability, Transparency and Empowerment).
- Switches how funds flow at the university. Ten colleges are deemed revenue-generating colleges. All central support units presented operating budgets to the Central Support Units Allocation Committee (CSUAC), which is a subset of the University Budget Committee (UBC). From those two committees, a recommendation for the fiscal year 2023 budget will then be presented to the president.

The new model, in a transparent manner, compares all funds flowing into the university against the proposed expenses for a fiscal year. The proposed expenses for this inaugural year of the new model were garnered through a zero-based budgeting exercise where colleges and units were tasked with looking at their programs for the fiscal year starting on July 1, 2022 and provided the necessary expenses to meet the mission of the institution. The cumulative totals of expenses submitted (sorted by the various colors of money) were then compared to the total sources of revenues to determine a balanced budget.

Several of the university's past practices of budgeting have changed. To prepare the campus community for these changes, the Administration and Finance Division has:

- Developed a [dedicated website](#) that explains to the campus the tenets of the new model
- Led campus-wide discussions through a quarterly *"Dollars & \$ense"* campus meeting
- Launched a series of campus-wide communications, including a monthly article entitled "From the CFO." Examples include:
 - ["From the CFO": The New Budget Model](#)
 - ["From the CFO": The Colors of Money](#)
 - ["From the CFO": Get Ready for Knight Vision](#)
- Convened small group discussions with Deans and Budget Directors.
- Developed and recently launched a web course on the new model. More than 300 individuals have registered to take the course.

With this change in budget methodology, the university's Budget Office will:

- Oversee the assumptions in the budget, monitoring spending within the colors of money and the cash burn rate within those colors by hosting monthly check ins with Budget Directors and other responsible parties
- Carefully merge the budgeting and financial management of the university into a cogent and repeatable set of steps that can be reviewed, quantified and amended where necessary.
- Have a greater role in managing in a prospective manner versus the current reactive manner.

The Budget Office will continue to ensure that reports are properly recorded, summarized, and reported as the capabilities of both systems are developed. This is typical with conversions of the size being undertaken by the university. The team also will continue to work collaboratively with colleagues across the institution to ensure that expectations for operational excellence are met.

**Recommended Action:**

For information only.

Alternatives to Decision:

N/A

Fiscal Impact and Source of Funding:

N/A

Authority for Board of Trustees Action:

N/A

Contract Reviewed/Approved by General Counsel ☐ N/A ☒

Committee Chair or Chair of the Board has approved adding this item to the agenda ☒

Submitted by:

Gerald L. Hector, Senior Vice President for Administration and Finance

Supporting Documentation:

Attachment A: Budget Workshop Presentation

Attachment B: Capital Project Planning Presentation

Attachment C: Lessons from the Pandemic

Facilitators/Presenters:

Gerald L. Hector, Senior Vice President for Administration and Finance

Misty Shepherd, Senior Associate Vice President for Financial Affairs

Jonathan Varnell, Vice President for Facilities and Business Operations

Board of Trustees Budget Workshop

April 26, 2022

Presented by:
Gerald L. Hector
Senior Vice President for Administration and Finance

University Operating Budget – What is Expected In May?

Description	Action to be Taken	Context
Preliminary 2022-2023 Operating Budget	Vote to approve the preliminary budget for the operations of the university for the 2022-2023 fiscal year. This is the preliminary budget. A final budget will be presented at the September BOT meeting after enrollment is seated for the year	This is the first time the university is sharing a “bottoms up” budget where expense were analyzed separately from revenues
Spending Authority	Vote to approve the annual spending authority limits required by the Board of Governors	Historically the BOT voted on this schedule as the “budget” for the university; however, it was not a complete budget because it did not match spending authority to the true economics of the university
Capital Outlay Plan	Vote to approve the annual Capital Outlay Plan that highlights progress on the plan from the prior year, and to update how the remaining projects will be completed and funded	We have completed a new Facilities Conditions Assessment that will be factor for future strategic projects
Carryforward Plan	Review tenets of the annual Carryforward Plan that includes an update on “new” carryforward generated, and how we are progressing on the plan from the prior year. Action comes later.	We have a new carryforward policy that will significantly change how we manage carryforward in the future
Quarterly Update	Review third quarter budget to actual for the university for the period ending March 31, 2022	Challenges with PeopleSoft continue, but a report will be provided based on changes in the new Adaptive Planning budget system

University Operating Budget – What Has Changed?

Description	Process	Context
Responsibility Center Management (RCM) model has been adopted	Our former “incremental” budget model has been replaced and will go live on July 1, 2022. This model was voted on by the BOT in May of 2020 for adoption	This new model significantly changes the way resources are allocated at the university by adding greater transparency and accountability
Revenue variables and factors were analyzed separately from the Expenditure variables	In prior years, the university did not budget expenses, but adopted a strategy of allocating revenues and then having Deans and Vice Presidents spend those funds to meet the mission of the university.	The current budgets of colleges and units do not align with future strategic needs. Several key areas have historically not been funded at appropriate levels (e.g., Facilities and Information Technology)
Budget presentations were conducted to two committees	Central units presented requested budgets to the Central Support Unit Allocation Committee (CSUAC), and the full University Budget Committee (UBC).	All costs were presented to these committees for deliberations and recommendations to the President
Carryforward plans and process changed from prior years	A new Carryforward Policy was adopted for the fall of 2022. Carryforward will be presented outside of the budget model, and will be given focused attention for cash and liquidity management	Central units will no longer receive carryforward. Colleges can only keep up to 5%. The Provost and CFO will manage the process prospectively
All Funds have been researched for inclusion in the budgeting authority	Funds that will be forwarded to the university has been included in the total spending authority to be approved by the BOT.	Endowment spend and current use funds were not included in the either the operating budget or the spending authority voted on by the BOT

University Operating Budget – What Have We Learned?

Issue	Discovery	Future Strategy
Sources of Funds were not included in our annual planning	Given our distributed nature, funds at the Foundation and other pockets of funds were not placed into our annual planning for “all sources” that should be utilized by the university on an annual basis	All funds, regardless of source will be placed into the new budget model with colleges and units being held responsible for spending to mission
Carryforward is being generated in pockets across the university because there was not a centralized way to monitor	Carryforward is generated each year in a myriad of ways that include: (i) units and colleges “saving” E&G funds, (ii) financial aid year end rollover for Summer School, (iii) budget practice of providing same as last year (SALY), plus an amount allocated for encumbered funds at the end of each fiscal year, and (iv) lack of education that carryforward rules changed July 1, 2019	Purchase order roll forwards will be discontinued, and annual spending will have to take place in the confines of the annual budget by units and colleges. Additionally, educational opportunities will continue
Financial aid is not fully administered centrally	The Office of Financial Aid does not have the authority to centralize all sources of aid to package students; therefore, aid awards go unspent, and strategies to lessen restrictions need robust attention	All sources of financial aid for the university must be placed in a repository to be utilized for students
Budgeting process causes differential tuition not be utilized strategically	The budget still has funding vehicles that are assigned at midpoints during the year, this takes away the ability for financial aid to have a full year’s view on awarding all funds.	University budgets prospectively will estimate all sources of revenues and how they apply to the operations of all aspects of serving our mission
There are too many transfer transactions 90% of cost centers	Some units are not budgeting their full costs of operations because of transfers between units. These transfers do not add any economic value, and makes it difficult to truly assign budgets by cost centers that then roll up into monthly, quarterly and annual financials	Cost centers will be populated with all budgeted costs at the start of a fiscal year. Our current 9,000 accounts will be reduced to 1,000

University Operating Budget – What Have We Learned?

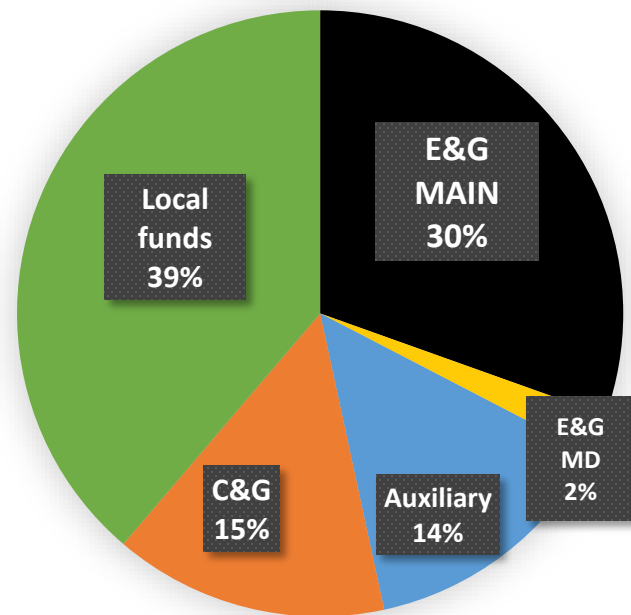
Issue	Discovery	Future Strategy
Auxiliary Operations included events and projects that are “special events”	Due to limitations with PeopleSoft, “special events” were treated like true auxiliaries, and by extension created a significant number of extra accounts in the ledgers. This in turn caused taxing of “special events” that is not in line with BOG regulations	All special event will be tagged differently in Workday, and the tax on “special events” will be discontinued
Facilities is operating on “charge back” model for its basic operations	Facilities does not have the full funding that is needed for some of its base operations and relies on units across campus to primarily meet its needs to maintain the campus. Funds that qualify to assist are housed in units that are outside of Facilities, and at times might cause deferred maintenance decisions to be delayed or overlooked	Fund a proper base allocation for Facilities, and implement Service Level Agreements for units and colleges to pay for services needed inside the new budget model
Facilities is not an umbrella organization for maintenance	Facilities operations are distributed among several units in housing, academic affairs, Lake Nona and other areas across the university	Collapse all operations for Facilities under one umbrella and move to Service Level Agreements
Key university employees are not funded with Education and Grant Revenues	Employees that are critical to the university operations are not funded with E&G funds, but are supported with auxiliary and investment income	Create a full staffing table and assign positions to E&G funds in a declining balance manner, while juxtaposing it against the other sources
Information Technology is not adequately funded to up with demand	Like Facilities, Information Technology is not funded appropriately to meet the recurring needs of the university in terms of system refreshes, upgrades and stabilization over time	Place all “needs” of Information Technology squarely in the UBC discussions and find ways to properly fund it



The Current Budget and Process

2021-22 Operating Budget

Budget Entity	2021-22	% of Total
Education & General – UCF Main	\$665,982,351	30.46%
College of Medicine (E&G)	47,106,174	2.15%
Auxiliary Enterprises	305,999,077	13.99%
Contracts and Grants	319,991,191	14.63%
Student Financial Aid	727,540,204	33.27%
Student Activities	24,197,328	1.11%
Technology Fee	11,863,810	0.54%
Concessions	800,000	0.04%
Intercollegiate Athletics	74,209,459	3.39%
Faculty Practice Plan	8,246,368	0.38%
Self Insurance Plan	563,167	0.03%
2021-22 Operating Budget	\$2,186,499,129	100%



2021-22 Carry forward Plan

College/Division	Faculty Startup and Awards	Other Restricted/ Contractual	Committed	Plan \$'s (In millions)	% of Plan Total
Arts & Humanities	\$ 0.1	\$ 0.9	\$ 0.4	\$ 1.4	0.72%
Business Administration	\$ 0.4	\$ -	\$ 1.2	\$ 1.6	0.82%
Community Innovation & Education	\$ 0.5	\$ 0.1	\$ 2.3	\$ 2.9	1.48%
Eng. & Computer Sciences	\$ 3.2	\$ 0.9	\$ 4.1	\$ 8.2	4.20%
Health Professions & Sciences	\$ 0.5	\$ -	\$ 0.4	\$ 0.9	0.46%
Medicine	\$ 5.2	\$ 0.8	\$ 4.3	\$ 10.3	5.27%
Nursing	\$ 0.1	\$ -	\$ 0.4	\$ 0.5	0.26%
Optics & Photonics	\$ 0.6	\$ -	\$ 0.6	\$ 1.2	0.61%
Rosen - Hospitality Sciences	\$ 0.1	\$ -	\$ 0.1	\$ 0.2	0.10%
Division of the President	\$ -	\$ 1.9	\$ 4.6	\$ 6.5	3.33%
Division of Administration & Finance	\$ -	\$ 5.0	\$ 20.9	\$ 25.9	13.26%
Division of Academic Affairs	\$ 3.3	\$ 6.0	\$ 20.8	\$ 30.1	15.41%
Knight Vision	\$ -	\$ 13.8	\$ 15.8	\$ 29.6	15.16%
Florida Center for Students with Unique Abilities (FCSUA)	\$ -	\$ 15.5	\$ -	\$ 15.5	7.94%
President's Strategic Fund – Academic Excellence Fund	\$ -	\$ -	\$ 5.0	\$ 5.0	2.56%
President's Strategic Fund – Jump Start Fund	\$ -	\$ -	\$ 15.0	\$ 15.0	7.68%
University non-recurring reserve	\$ -	\$ 7.9	\$ 25.8	\$ 33.7	17.26%
Total	\$ 17.6	\$ 53.9	\$ 123.8	\$ 195.3	100.00%

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

University Operating Budget – Funding Sources

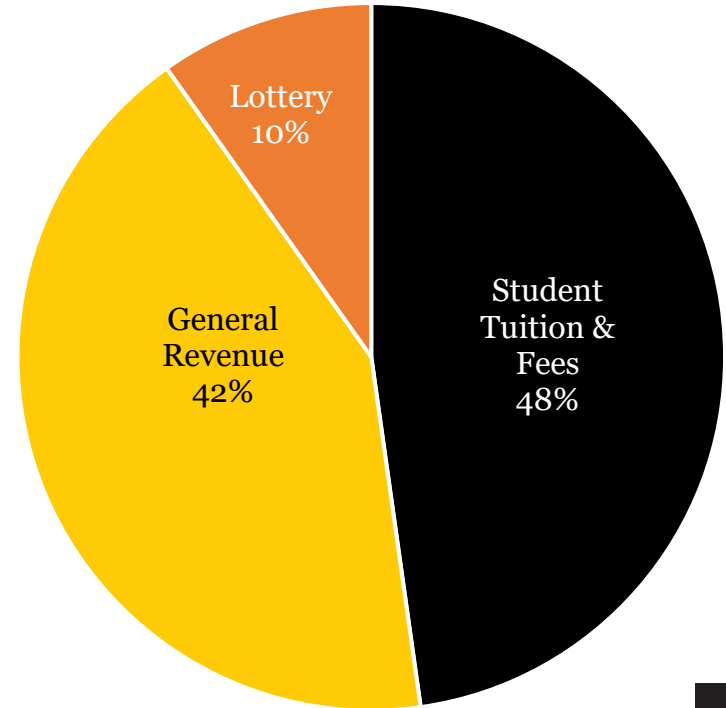
Budget	Activities, Constraints	Funding Source
Education & General	Must be spent on for general instruction, research, public service, plant operations and maintenance, furniture, fixtures, equipment, student services, libraries, administrative support, and other enrollment-related operations of the university.	General revenue (taxes), lottery, tuition, differential tuition, and out of state fees
Auxiliary Enterprises	Includes areas such as housing, parking services, bookstore, dining services, and computer store. These activities must be self-supporting. Revenue generated must cover all expenses, including salaries, utilities, and payments on debt (bonds).	Housing rent, transportation access fees, student health center income and fees, dining services, bookstore and computer store income, distance learning fees, other auxiliary income
Sponsored Research	Represents activity of grants provided for specific purposes. The funds must be spent for the intended purpose.	Federal, state, local grants
Student Financial Aid	Includes activity from loans, scholarships, grants, and financial aid fees collected from students. Funds must be spent on aid.	Federal, state, local funds; financial aid fees
Student Activities	Represents student government, clubs, and operation of the Recreation & Wellness Center and the Student Union. These activities must be self-supporting.	Activity & service fee paid by students, income from Student Union and Recreation & Wellness Center

University Operating Budget – Funding Sources

Budget	Activities, Constraints	Funding Source
Technology Fee	Includes expenditures of the technology fee paid by students. Expenditures are defined by Florida statute.	Technology fee paid by students
Concessions	Represents expenditure of funds from vending and the pouring rights contract.	Proceeds from vending machines and pouring rights contract
Intercollegiate-Athletics	Includes the revenues and expenditures associated with maintaining the UCF NCAA sports programs.	Athletics Fee, ticket sales, game guarantees, corporate sponsorships, NCAA distribution, private support and gifts
Faculty Practice Plan	Supports the clinical and education missions of the UCF Medical School. Clinical faculty must have a practice to remain current in the field of medicine, while simultaneously teaching medical students.	Clinical revenues for patient services
Self-Insurance Plan	The UCF College of Medicine program provides comprehensive professional and general liability protection in connection with delivery of health care services.	Fees billed to those covered by the self-insurance plan.

2021-22 E&G Revenue Sources

E&G Funding Source	2021-22 Budget
State Appropriations – General Revenue	\$ 282.5 M
State Appropriation – Lottery	65.4 M
Tuition & Fees	318.1 M
Total	\$ 666.0 M



Redesigned Budget Model Framework

Guiding Principles

1. Ensure the resource management, planning, and allocation **decisions are aligned with the institution's mission** as a public multi-campus, metropolitan research university.
2. **Ensure transparency, accountability, and fiscal responsibility** by requiring that all aspects of resource management are supported by data-informed decisions.
3. **Align** budgetary **authority** with **responsibility** and **accountability**.
4. Provide **significant incentives** for promoting efficiency, innovation, responsiveness and entrepreneurship using data-based decision-making.
5. **Balance** complexities of the **economic realities** with a methodology that is **financially viable** and easy to understand.
6. Distribute resources using a **predictable** and **consistent** methodology that allows for multiyear planning.

Redesign Element Overview

Element	Description
1. Organizational Framework	<ul style="list-style-type: none">▪ Categorization of organizational units-based role in model revenue management (Academic, Self-Supporting, and Central Support Units)▪ Identification of how hybrid units (e.g., units that have auxiliary and service-provider components) fall into organizational unit categories
2. Devolution of Revenue	<ul style="list-style-type: none">▪ Sources of revenues and methodology for allocation (formula vs. direct)▪ Specific incentives for: tuition and fee revenues, appropriations revenues, indirect (F&A) research revenues▪ Overall local vs. central management of revenue streams
3. Allocation of Costs	<ul style="list-style-type: none">▪ Approach to sharing indirect costs to units to reflect full costs of activities▪ Categorization of costs into cost pools and selection of allocation mechanism (i.e. driver) to share costs
4. Use of Subvention Pools	<ul style="list-style-type: none">▪ The provision of resources for strategic initiatives benefits the whole of the institution, including a “tax” on revenues or central retention of select revenue streams▪ Allocations from central sources to units called “subventions” to offset mission-critical units with high operating costs

Organizational Framework: Model Structure

Academic Units		Non-College Self-Supporting	
	<ul style="list-style-type: none">• College of Arts & Humanities• College of Business Administration• College of Community Innovation & Education• College of Engineering & Computer Science• College of Health Professions and Sciences• College of Medicine• Biomedical Sciences• College of Nursing• College of Optics and Photonics• College of Sciences• Rosen College of Hospitality Management	Academic	<ul style="list-style-type: none">• Florida Center for Students with Unique Abilities• Florida Solar Energy Center• Florida Space Institute• Institute for Simulation and Training• NanoScience Technology Center
		Auxiliary	<ul style="list-style-type: none">• Business Services• Housing & Residence Life• Parking Services• Student Health Services• Continuing Education

Devolution of Revenues

Historical Practice

Undergraduate, graduate tuition, and state appropriations were received centrally, then allocated to campus units as spending authority through a mostly incremental budgeting process

Budget Model Practice

Undergraduate, graduate, and online tuition would be allocated to the Colleges based on share of student credit hours (SCHs):

- **80%** to academic units based on instructed SCHs (i.e., College of Instruction)
- **20%** to academic units based on enrolled SCHs (i.e., College of Record)

State Appropriations would be divided into three pools for allocation to the Colleges in alignment with both the University's core strategic functions and the state's metrics utilized for allocations

- **42.5%** for instruction based on number of SCHs instructed
- **42.5%** as an incentive for student completion based upon degrees completed
- **15.0%** as an incentive for research based on 3-year average of total grants and contract revenue

Undergraduate E&G Tuition Allocation Illustration

Tuition per SCH	\$136
Total SCH	5000
Total Tuition	\$680,050

Example assumes all tuition is in-state

	College 1	College 2	College 3	Totals	
SCH - Instructed	1250	1550	2200	5000	
	25%	31%	44%	100%	
80% of tuition allocated to College of Instruction	\$ 136,010	\$ 168,652	\$ 239,378	\$ 544,040	80%
SCH - College of Record	1500	1500	2000	5000	
	30%	30%	40%	100%	
20% of tuition allocated to College of Record	\$ 40,803	\$ 40,803	\$ 54,404	\$ 136,010	20%
Total Tuition Allocation	\$ 176,813	\$ 209,455	\$ 293,782	\$ 680,050	

State Appropriation Allocation – Illustrative

Appropriation pools	
42.5% to support instruction	\$ 425,000
42.5% to support completion	\$ 425,000
15% to support research activity	\$ 150,000
Total State Appropriation	\$ 1,000,000

Metric for allocation	
Total SCH instructed	5,000
Total degrees awarded	1,000
3year average of C&G revenue	2,800,000

	College 1	College 2	College 3	Totals	
SCH - Instructed	1250	1550	2200	5000	
	25%	31%	44%	100%	
42.5% to support instruction	\$ 106,250	\$ 131,750	\$ 187,000	\$ 425,000	42.50%
Degrees awarded	250	250	500	1000	
	25%	25%	50%	100%	
42.5% to support student completion	\$ 106,250	\$ 106,250	\$ 212,500	\$ 425,000	42.50%
3-year average Contracts & Grants revenue	\$ 1,000,000	\$ 800,000	\$ 1,000,000	\$ 2,800,000	
	36%	29%	36%	100%	
15% to support research activity	\$ 53,571	\$ 42,858	\$ 53,571	\$ 150,000	15.00%
Total Tuition Allocation	\$ 266,071	\$ 280,858	\$ 453,071	\$ 1,000,000	

Allocation of Support Unit Costs

Topic	Commentary
Allocation Metrics	<ul style="list-style-type: none">Support unit net expenditures are allocated formulaically using allocation metrics.While the allocation metrics are intended for alignment with service use to determine directional consumption, they are not expected to identify a precise cost for each activity based on actual consumption (e.g. tickets, direct bill, etc.).
Cost Allocation Transparency	<ul style="list-style-type: none">The current cost pools provide transparency into the cost of each operation as well as component costs of the operation (e.g. Academic Support has five sub-units).
Validity	<ul style="list-style-type: none">Figures are based on fiscal year activity to reframe the past activity within model to visualize and inform on past budgeting decisions.Additional conversations are expected during the parallel year regarding potential budget alignment and service expectations.
Stakeholder Input / Governance	<ul style="list-style-type: none">Committees are often formed to review the relationship of service levels and cost to the primary units.
Service Level Agreements/ Expectations	<ul style="list-style-type: none">Central support units should consider developing service level agreements to clarify base level services associated with cost pool allocations.

Allocation of Costs: Allocation Methods

Central Support Unit	Allocation Metric
Academic Affairs	Faculty Headcount
Academic Support	Total Student FTE
Administration	Direct Expense
Facilities	Assignable Square Feet
Public Safety	Faculty, Staff, and Student Headcount
President and Government Relations	Direct Expense
Finance	Direct Expense
Compliance	Direct Expense
Communications and Marketing	Direct Expense
University Development	Direct Expense
Human Resources	Employee Headcount
UCF IT	Faculty, Staff, and Student Headcount
Office of Research	Grants & Contracts Distribution
Student Development & Enrollment Services	Undergraduate Headcount
University Libraries	Faculty, Staff, and Student FTE

Allocation of Costs: Illustrative Example

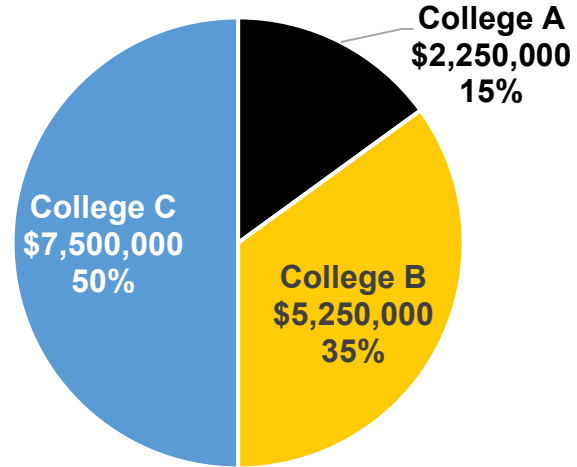
Illustrative Student Development and Enrollment Services (“SDES”) Allocation

SDES Net Expenditures

\$15 MM

College	Total Headcount (HC)	HC %
College A	300	15%
College B	700	35%
College C	1,000	50%
College Total	2,000	100%

Illustrative SDES Net Expenditures



- In this example, the SDES allocation would generate a \$7.5K per institutional headcount within the academic units

Note, in future years, this amount will vary depending on the approved budget of the SDES organization

Use of Subvention Pools: Central Funding Mechanism

One of the most critical elements of an incentive-based budget model is the creation of a Central Funding Pool, to address mission-subsidies, university priorities, and revenue growth strategies.

Central Funding Mechanism Overview	
Rationale	<ul style="list-style-type: none">The sum of the parts is not optimal for the whole therefore the university needs the ability and flexibility to act as one entity with respect to key initiatives
Funding Source	<ul style="list-style-type: none">Central funds are centrally retained and/or generated revenues purposed for mission and strategic investment
Fund Principles	<ul style="list-style-type: none">The Strategic Initiative Pool can be a useful management tool to help fund long-term initiatives by advancing capital, provide critical subsidies to kick-start initiativesFunding size should enable leadership to “steer,” which will ultimately benefit the university mission as a wholeFunds provided to any unit should never be viewed as an annual entitlement only as a way to kick-start initiativesThe model uses a participation fee to generate the central fund, applying a participation rate to selected revenues. Having a diverse revenue portfolio rather than a single source allows for stabilityParticipation fees need to ensure “neutral starting points” at implementation; thus the rate needs to be high enough to ensure surpluses are available to fill all Revenue Unit deficits



Sample
College
Statement
(1 of 2)

RESOURCES	Totals	
Allocation of E&G Tuition	44,797,708	Allocated Revenue
Scholarships, Fellowships and Student Financial Aid	(7,139,299)	
Waivers	(4,764,183)	
E&G State Appropriations	42,205,825	
Direct Tuition and Fees	2,301,214	Direct Revenue
Federal and State Student Financial Aid	-	
Contracts and Grants	26,536,680	
Foundation-Unrestricted Support	357,233	
Foundation-Restricted Support	7,097,560	
Sales and Services	37,986	
Investment Income (Realized)	-	
Other Income	445,951	
Total Resources	111,876,675	
USE OF RESOURCES		
Compensation and Benefits	60,456,467	Direct Expense
Service and Supplies	11,148,370	
Utilities and Communication	358,287	
Capital Assets	3,148,142	
Debt Service		
Other Expenses	279,931	
Expenses Paid by Foundation	7,454,793	
Participation Fee	13,788,633	
Total Uses of Resources	96,634,623	

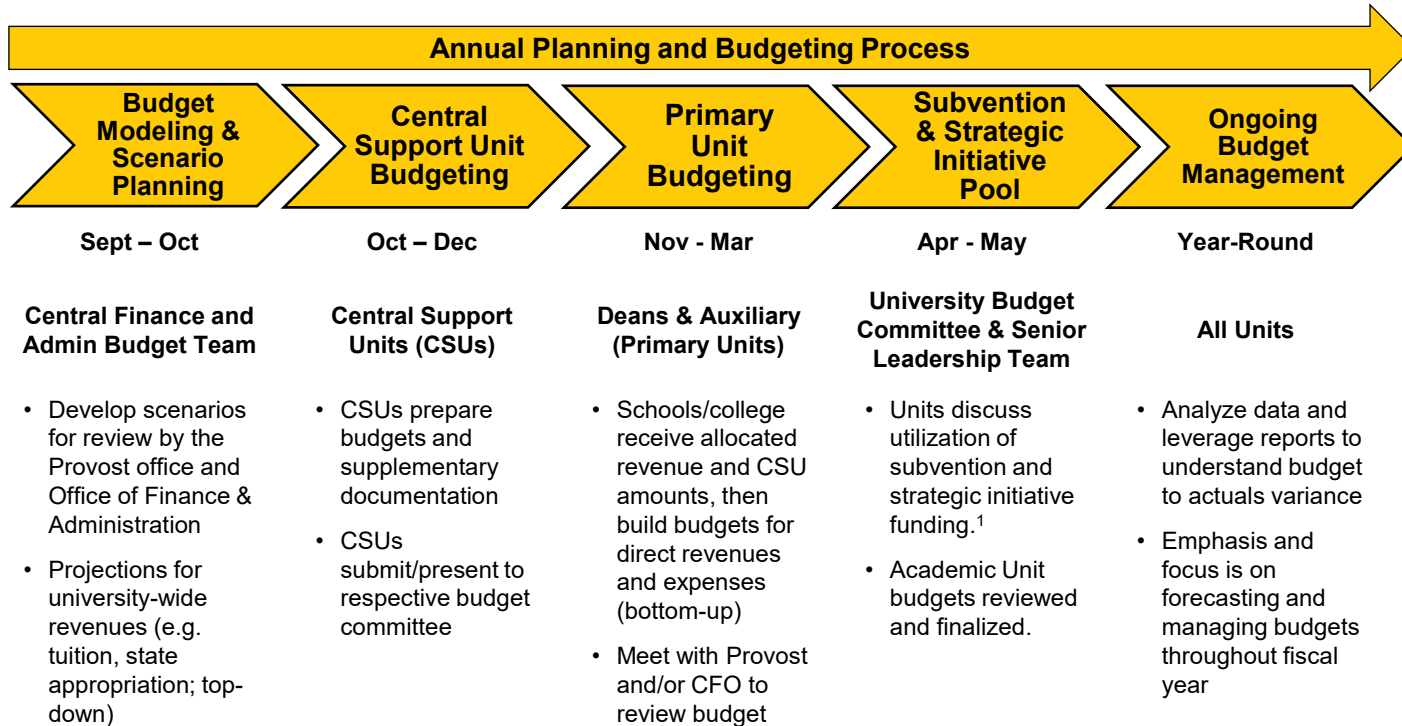
Sample College Statement (2 of 2)

Central Support Unit Allocations		Central Support Unit Allocations
Academic Affairs	2,387,225	
Burnett Honors College	364,917	
Division of Digital Learning	322,588	
College of Graduate Studies	2,787,780	
Division of Student Learning and Academic Success	3,871,802	
UCF Global	246,090	
Administration	807,359	
Communication and Marketing	1,176,533	
Facilities	4,292,035	
Finance	1,049,793	
Compliance	1,604,567	
Human Resources	1,035,873	
UCF IT	5,552,322	
Office of Research	1,428,285	
President and Govt. Relations	1,587,553	
Public Safety	2,498,468	
Student Development & Enrollment Services	3,692,144	
University Development	1,551,070	
University Libraries	3,393,195	
Total CSU Allocation	39,649,601	
Net from Operations	(24,407,549)	Subvention & Strategic Funding
Provost Subvention Annual Allocation	24,407,549	
Provost/President Strategic Funding	-	
Net Earnings After Subvention	-	

Process and Timelines

FY23 Budget Development Process Overview

The illustration below outlines the budget development process milestones and the groups with primary accountability and responsibility for their completion.



¹The process for strategic initiative funding has not yet been determined

UCF Budget Model Redesign

The redesigned budget model implementation timeline featured stakeholder review and decision making throughout the design process and continues the momentum into the parallel year for providing time for additional engagement, infrastructure development, and training.

	FY20				FY21				FY22				FY23			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Proposed Implementation Timeline			Budget Model Development		Parallel Year				"Live" Model Year 1 / Hold Harmless				"Live" Model Year 2			

- Budget Model Development in FY2020 provides foundation for next steps in Budget Redesign Roadmap
- Parallel Year allows time for any final tweaks to the model and additional stakeholder engagement
- Project momentum should be maintained to build key infrastructure (**governance**, processes, policies, **training**, **planning tool**)
- Implementation timeline allows benefits of the model to be realized sooner, while still allowing a Parallel Year

Thank you



Capital Project Planning

Facilities Planning and Construction

CAPITAL PROJECT PLANNING

1

INSTITUTIONAL FRAMEWORK FOR
CAPITAL PLANNING

2

PREVIEW OF THIS YEAR'S
CAPITAL IMPROVEMENT PLAN

WHY NEEDED?

- Aligns capital project requests with the current **PRIORITIES** of the university
- Provides **TRANSPARENCY** to the process for all stakeholders
- Allows for an **OPEN PROCESS** to understand all needs
- Clarifies **RESOURCE CONSTRAINTS** that impact the university
- Improves **LONG RANGE PLANNING** tied to the Campus Master Plan
- Addresses strategic **CAPITAL REINVESTMENT**
- Assists **FUNDRAISING** to set clear priorities and goals
- Strategic project selection for highest chance of **FUNDING SUCCESS**
- Allows for **CHANGING PRIORITIES**

PLANNING FRAMEWORK

CAMPUS MASTER PLAN

ELEMENT 10.0 - CAPITAL IMPROVEMENTS & IMPLEMENTATION

GOAL 1: Provide implementation procedures for monitoring and updating the Campus Master Plan and prioritizing Capital Projects, by guiding University decision-making, responding appropriately to unforeseen or changing conditions, encouraging public involvement, and maintaining transparency.

OBJECTIVE 1.1: Establish criteria to evaluate and prioritize capital improvement projects.

OBJECTIVE 1.2: Implement transparent procedures that engage campus stakeholder participation in prioritizing Capital Projects.

COMMITTEE ENGAGEMENT

Capital Project Planning Committee (CPPC)

10 year - Campus Master Plan

5 year - Capital Priorities

1 year - Annual Capital Improvement Plan

University Master Planning Committee (UMPC)

Advisory Committee

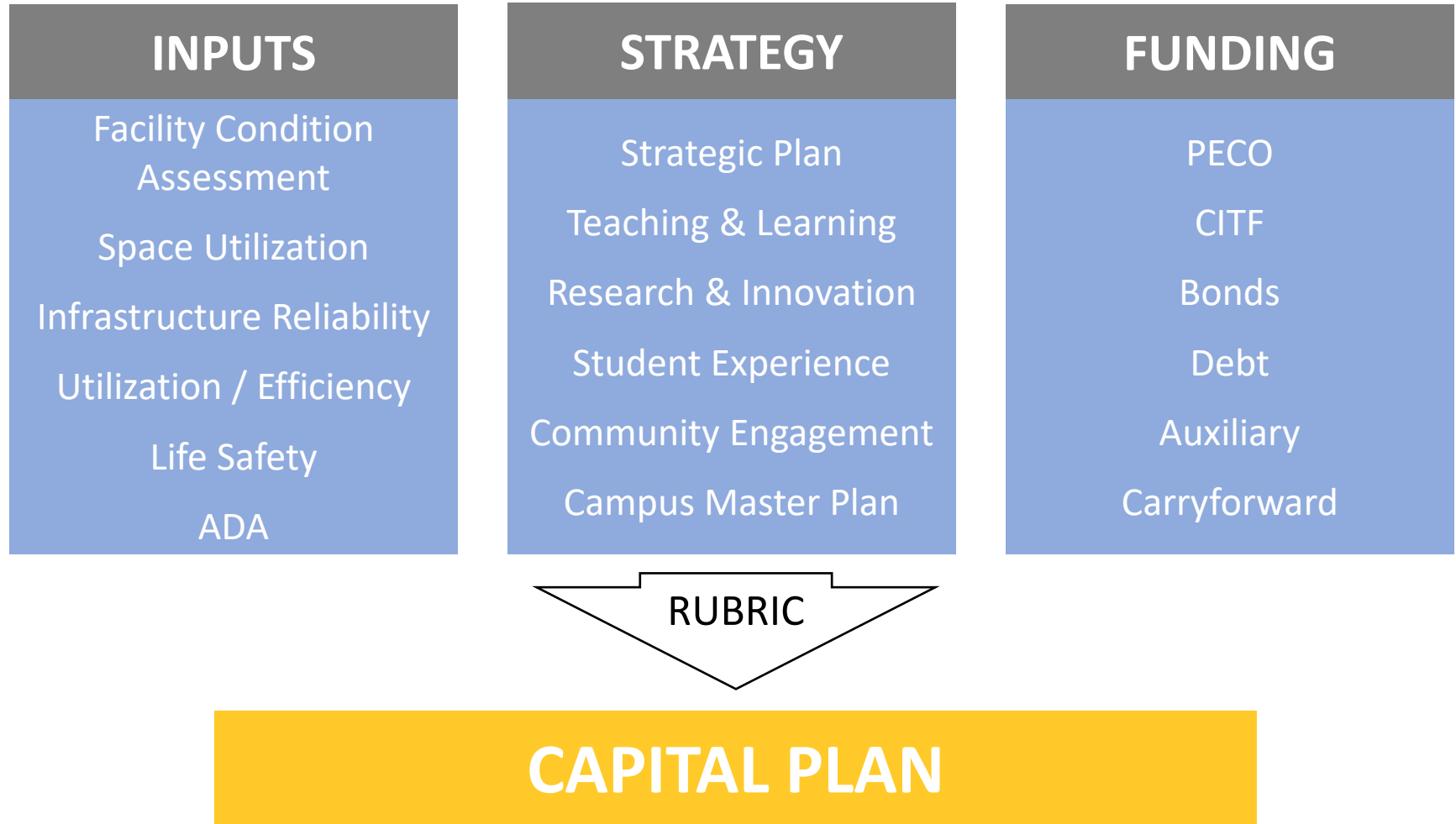
Land use, campus aesthetics, public art

University Space Committee (USC)

Advisory Committee

Real estate, space initiatives

The Making of a Plan



TWO PLANNING LEVELS

UNIVERSITY PLAN

Strategic Plan
Alignment

Larger Projects,
typically over \$2M

Annual request to state
for funding

Capital Improvement Plan
(CIP)

UNIT PLAN

Support Strategic Plan
at Unit level

Smaller Projects,
typically under \$2M

Annual plan to state,
updates reported quarterly

Fixed Capital Outlay
Budget (FCOB)

TERMS

Campus Master Plan (CMP)

10-year plan, approved every 5 years

Current CMP 2020-30 approved by BOT 11/14/19

If a project is not on the CMP, it cannot be requested on the EPS

Educational Plant Survey (EPS)

Survey of physical plant space by BOG & peer university staff

Current EPS 2021-26 approved by BOT 4/22/21

If a project is not on the EPS, it cannot be requested on the CIP

Capital Improvement Plan (CIP)

Annual request for state funding submitted through BOT to BOG

Multiple parts – PECO request, CITF request, Debt/Bond (Back of Bill)

Must be approved by BOT by June 30 of each year

PECO

Public Education Capital Outlay

State funding source for academic projects

PECO scoring criteria determine SUS priorities for funding consideration

CITF

Capital Improvement Trust Fund – student fee based funds

State funding source for student priority projects

Fixed Capital Outlay Budget (FCOB)

Annual budget for projects that exceed designated thresholds

E&G Operating projects, Carryforward small projects, Carryforward large projects

Quarterly reporting of all projects that exceed designated thresholds

CURRENT PECO SCORING CRITERIA

- Scoring criteria:

- 1 PRIOR LEGISLATIVE FUNDING** projects that have received funding in prior years
- 2 MAINTENANCE AND INFRASTRUCTURE** maintenance/infrastructure/safety projects
- 3 SPACE NEEDS MET** projects that increase the overall campus instructional or research space
- 4 UNIVERSITY PRIORITY**
- 5 RENOVATION OR REPLACEMENT** renovation projects
- 6 NEW CONSTRUCTION** new construction, renovations, remodels not previously funded

- Five projects may be listed, but **ONLY THE #1 AND #2 PROJECTS ARE SCORED**
- UCF must provide reoccurring funding for PO&M/Utilities on new construction
- UCF must annually provide 1% of building value into an escrow account for new construction/renovations/remodels, for future Capital Renewal / Deferred Maintenance

NEW PECO SCORING CRITERIA

- Scoring criteria:

- 1 PRIOR LEGISLATIVE FUNDING** up to 20 points for prior funding; no changes
- 2 MAINTENANCE AND INFRASTRUCTURE** up to 15 points based on cost; raising to 20 points
- 3 SPACE NEEDS MET** up to 25 points based on % add to campus; lowering to 20 points
- 4 UNIVERSITY PRIORITY** #1 project = 5 points, #2 project = 3 points; no changes
- 5 RENOVATION OR REPLACEMENT** up to 15 points based on cost/sf; raising to 20 points
- 6 NEW CONSTRUCTION** up to 20 points based on private and university funds; lowering to 15 points

- UCF must annually provide 2% of building value into an escrow account for new construction, for future Capital Renewal / Deferred Maintenance. Renovations/remodels remain at 1%.
- Changes encourage renovations/remodels, discourage new construction

CAPITAL PLANNING PROCESS FEATURES

Annual Process

Begins at the start of the fiscal year
Ends with BOT approval of the annual CIP

Capital Project Planning Committee

Committee composed of broad university representation
Oversees submissions, evaluations, scoring, draft plan, final plan

Call For Projects

Formal submission process, structured requirements
Requirements driven by strategic and operational priorities
Transparent and open to campus stakeholders

Strategic Fundraising

Coordination with UCF Foundation
Clarity to fundraising priorities for more successful outcomes

Scoring Rubric

Step 1 – Strategic Need evaluation
Step 2 – Funding Alignment

PROJECT SUBMISSION REQUIREMENTS

BASIC PROJECT INFORMATION

Project Description

Cost
Schedule

Source of Funds

CMP?
EPS?

Interdisciplinary?
Support Projects?

Consequences
if not funded?

STRATEGIC PRIORITIES

Teaching &
Learning

Research &
Innovation

Student
Experience

Community
Engagement

OPERATIONAL PRIORITIES

Compliance &
Life Safety

Infrastructure
Reliability

Capital Renewal
Deferred Maintenance

Improve Utilization
& Efficiency

STEP 1 – SCORING FOR STRATEGIC NEED

Strategic Need	Funding is not a primary criteria Score based on priorities & impact
Strategic Priorities	Teaching & Learning – 20% Research & Innovation – 20% Student Experience – 20% Community Engagement – 5%
Operational Priorities	Compliance & Life Safety – 10% Infrastructure Reliability – 10% Capital Renewal / Deferred Maintenance – 10% Improve Utilization / Efficiency – 5%



Capital Project Evaluation Rubric
Date: 4/1/22

Capital Project Evaluation Rubric						Strategic Priorities					Total Strategic Score	Operational Priorities				Total Operational Score	Total Combined Score			
						Teaching and Learning	Research and Innovation	Student Experience	Community Engagement	Compliance Life Safety ADA		Infrastructure Reliability	Capital Renewal Deferred Maintenance	Improved Utilization / Efficiency						
Project Name						Funding Request	Building Value	Annual Escrow Required	Annual PO&M Required	20		20	20	5	65			10	10	10
PROJECTS	1	Biology Renovation/Remodel	\$21,630,000	\$35M	\$350K	n/a	15	12	6	0	33	7	0	9	3	19	1	52		
	2	Chemistry Renovation/Remodel	\$10,000,000	\$28M	\$280K	n/a	17	13	7	0	37	10	0	10	3	23	2	60		
	3	Howard Phillips Hall Renovation/Remodel	\$12,400,000	\$40M	\$400K	n/a	8	3	2	0	19	5	0	7	5	17	3	36		
	4	Learning Laboratory	\$69,159,431	\$61M	\$610K	\$1.7M	20	5	15	2	42	0	0	0	0	0	4	42		
	5	Performing Arts Complex, Phase II	\$77,500,000	\$69M	\$690K	\$1.8M	1	20	10	5	35	0	0	0	0	0	5	35		
	6	Research II	\$88,285,689	\$78M	\$780K	\$1.5M	5	20	5	2	32	0	0	0	0	0	6	32		
	7																7			
	8																8			
	9																9			
	10																10			
	11																11			

STEP 2 – EVALUATE FOR FUNDING STRATEGY

Funding Strategy	Determine correct funding source for each project
CIP	PECO CITF Debt Fundraising
FCOB	E&G Operating Carryforward DSO Auxiliary Contracts & Grants Other

PECO Scoring Evaluation Rubric						Anticipated PECO Scoring, based on BOG Methodology						Total Score				
Project Name						Funding Request	Building Value	Annual Escrow Required	Annual PO&M Required	Criteria 1 Prior Legislative Funding	Criteria 2 Maintenance & Infrastructure		Criteria 3 Space Needs Met	Criteria 4 University Priority	Criteria 5 Renovation or Replacement	Criteria 6 New Construction
										0	15		25	0	15	20
PROJECTS	1	Biology Renovation/Remodel	\$21,630,000	\$35M	\$350K	\$1.6M	0	12		0	15					27
	2	Chemistry Renovation/Remodel	\$10,000,000	\$28M	\$280K	\$1.1M	0	11		0	9					20
	3	Howard Phillips Hall Renovation/Remodel	\$12,400,000	\$36M	\$360K	\$1.4M	0	9		0	7					16
	4	Learning Laboratory	\$69,431,431	\$1M	\$10K	\$1.7M	0		11	0			0			11
	5	Performing Arts Complex, Phase II	\$77,000,000	\$9M	\$90K	\$1.8M	0		13	0		0				13
	6	Research II	\$88,285,689	\$8M	\$780K	\$2.5M	0		9	0			0			9
	7															
	8															
	9															
	10															
	11															

SCHEDULE

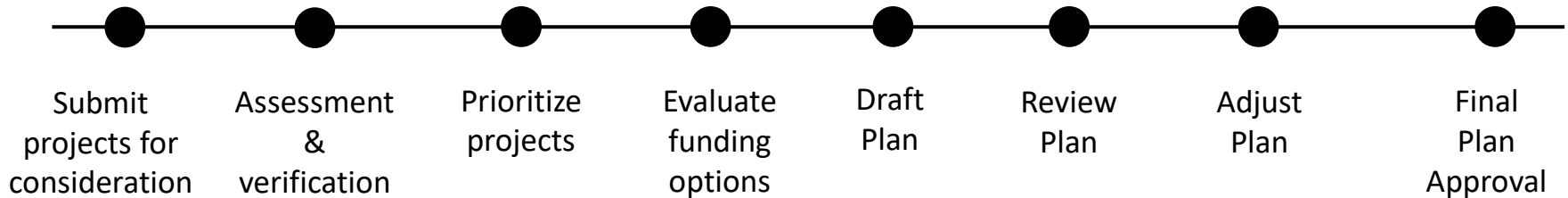
JUL AUG SEPT OCT NOV DEC JAN FEB MAR APR MAY JUN

Identify & Assess

Align & Prioritize

Review Refine Recommend

Approve



Campus
Stakeholders

Facilities

Planning Studies

Facilities Planning
Capital Project Planning
Committee
Finance

President
Review

President
Cabinet
Board of
Trustees

CAPITAL PROJECT PLANNING

1

INSTITUTIONAL FRAMEWORK FOR CAPITAL PLANNING

Next Steps:

- Establish New Capital Project Planning Committee
- Review CITF approval process

2

PREVIEW OF THIS YEAR'S CAPITAL IMPROVEMENT PLAN

LAST YEAR'S CAPITAL IMPROVEMENT PLAN

JUNE 2021

FY 2022-23

to

FY 2026-27

PECO

#1 Biology

#2 Chemistry

#3 HPH Renovation

#4 Learning Lab

#5 Performing Arts Center

CITF

Library Renovation

Back of Bill (Debt, P3)

Nursing

Athletics Projects

* ONLY THE #1 AND #2 PECO PROJECTS ARE SCORED

THIS YEAR'S CAPITAL IMPROVEMENT PLAN

MAY 2022

FY 2023-24

to

FY 2027-28

PECO

#1 Chemistry

#2 Nursing

#3 HPH Renovation

#4 Learning Lab

#5 Performing Arts Center

CITF

Library Renovation

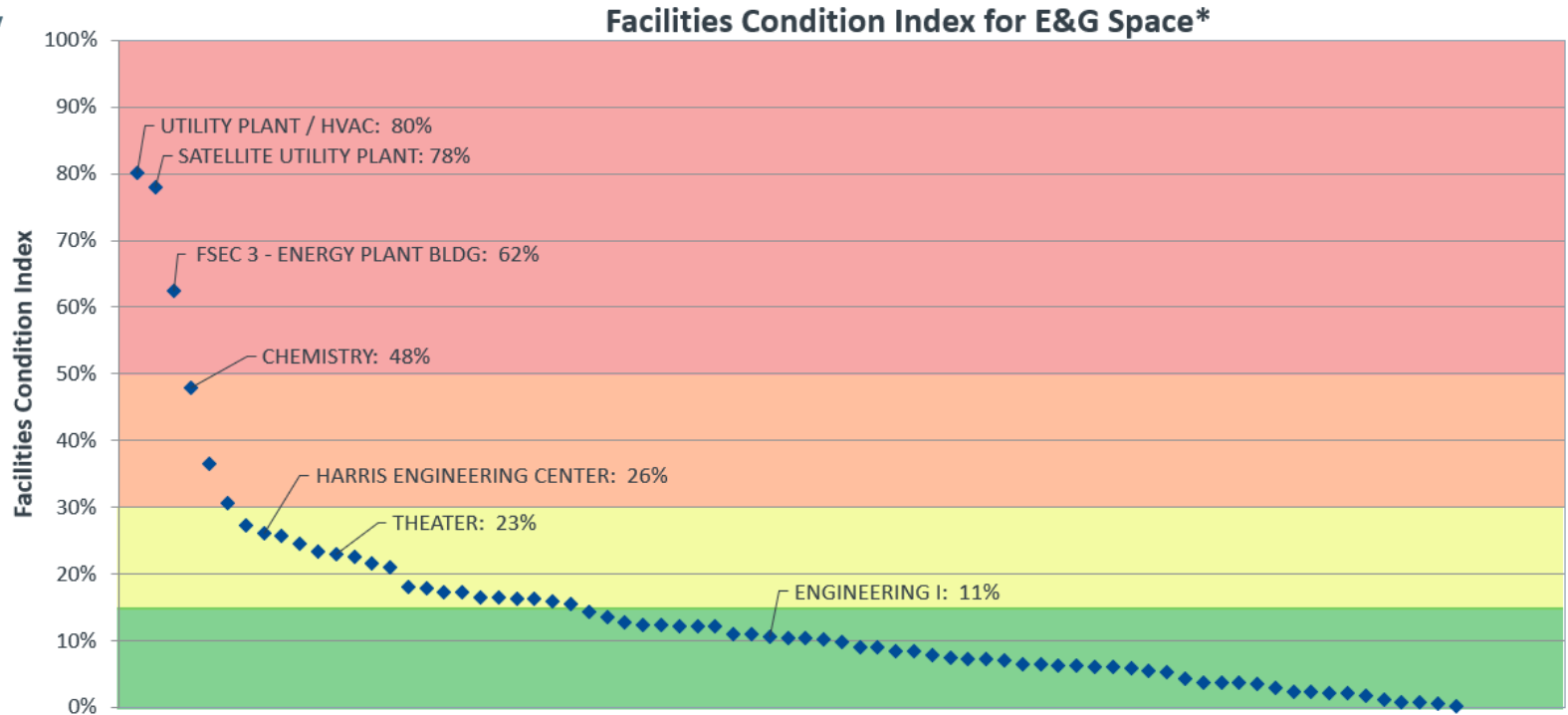
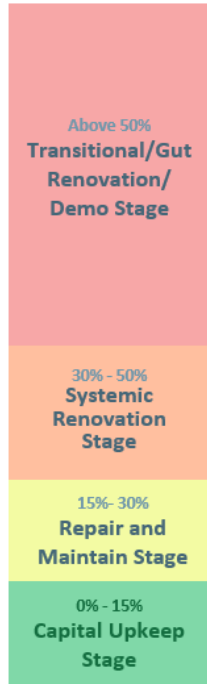
Back of Bill (Debt, P3)

Athletics Projects

* ONLY THE #1 AND #2 PECO PROJECTS ARE SCORED

Building FCI Informs Investment Strategy

Investment Strategy

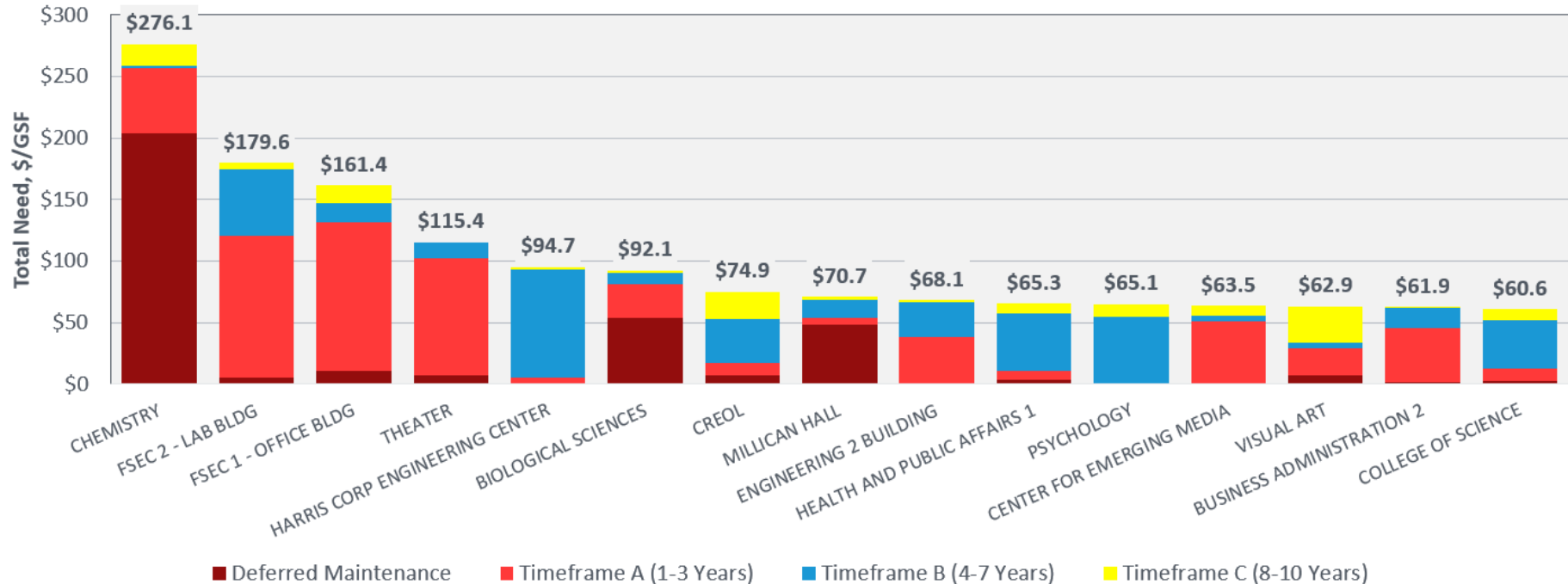


*Includes Run-to-Failure projects as they will fall within the next 10 years

Normalized \$/GSF Takes Into Account Building Size

Excluding utility locations and focuses on buildings over 25,000 GSF

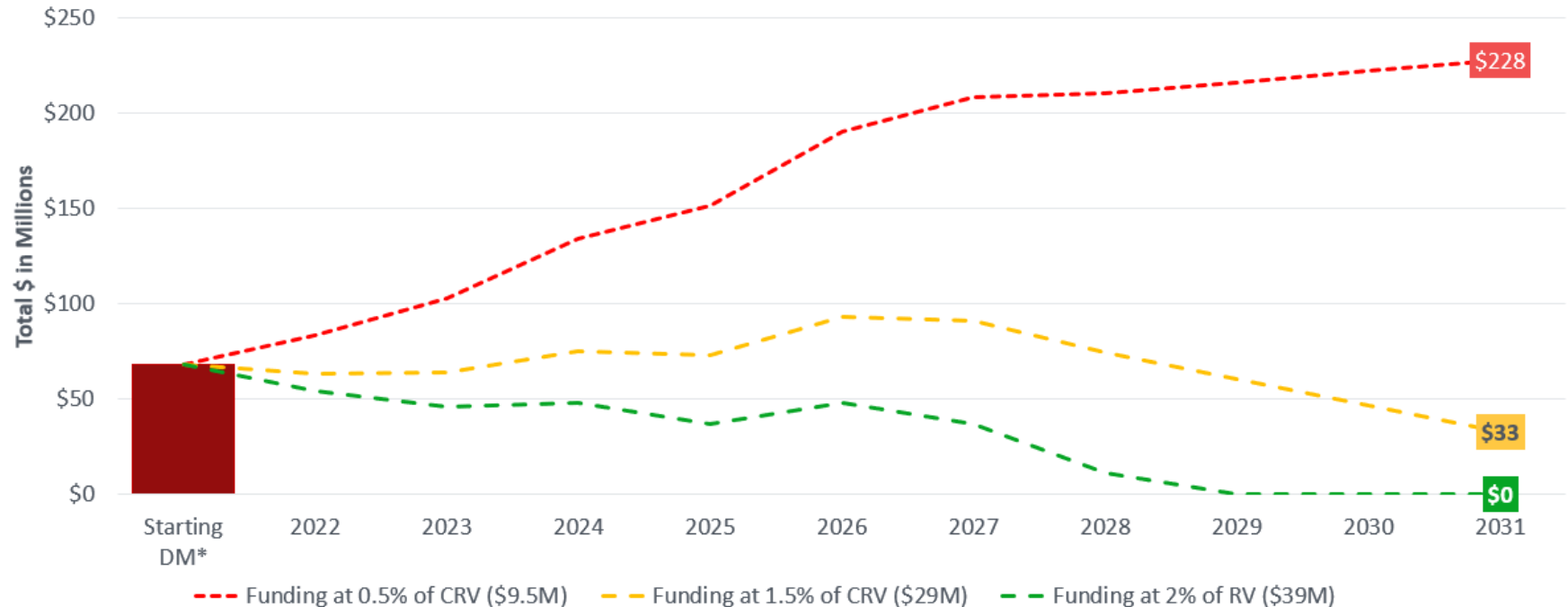
10-Year Need for Top 15 E&G Buildings, by Timeframe, \$/GSF



The Cost of Reliability and What Happens if you Don't Invest

Funding Reliability Scenarios

10-Year Deferred Maintenance Change Under Various Funding Scenarios

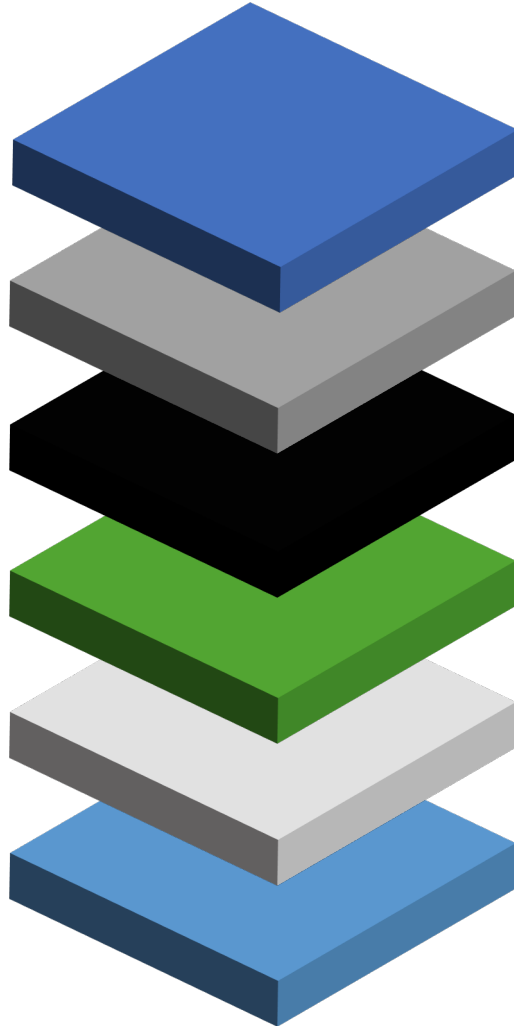


*Deferred maintenance as of 2021

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Now What Do We Do? Lessons and Strategies from the COVID-19 Pandemic

Mr. Gerald L. Hector
SVP for Administration and Finance
University of Central Florida



1

The New Normal in Higher Education

2

COVID-19: Game Changer or Accelerator?

3

Sorting Out Our “Ms”: Money versus Mechanics

4

Administration and Finance: The Launch Pad for Future Growth and Success

5

Back to the Basics

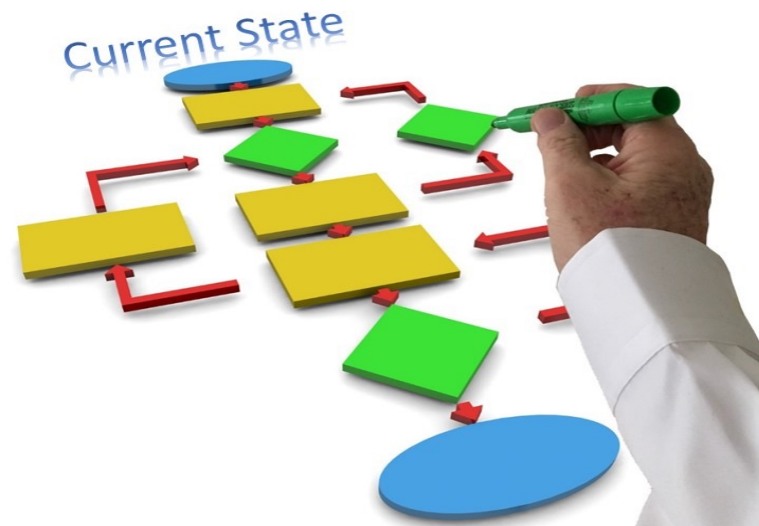
6

Pulling It All Together



- Net Tuition Revenue cannot sustain your institution
- State support will be flat to declining
- Diversification of revenue is non-negotiable
- Silos must crumble

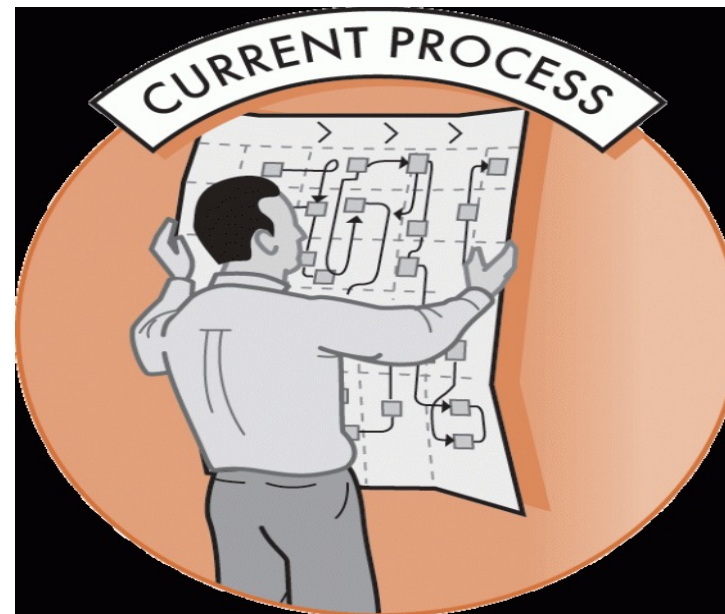
VS



- Managing incremental budget changes
- Seeking more revenues from traditional sources
- Occasionally internally borrow
- Colleges and units are independent with little oversight
- Administration versus the Colleges

THE NEW COVID - 19 PANDEMIC NORMAL

VS



- Understanding total costs to operate is important to know
- Partnerships with industry will be commonplace
- Human Resources policies and procedures will reshape workforce
- Transparency must be an operating ethos from the top down

- Costs sometimes “surprise” administrators at year end
- No centralized way to engage industry leaders
- Holding on to Human Resources practices from the past
- Information is “power” for some



VS



- COVID-19 exposed structural issues that were being debated for years
- Pivoted quickly to survive
- Sparked unity and creativity
- Embraced technology as a tool

- Pre-COVID-19 operating philosophy is unrealistic
- Instruction modalities, student experiences and staff support are changed forever
- Everything must be on the table for review at your institution

Money versus Mechanics



VS



- Cash is still “King”
- Data and feasibility studies are necessary to deploy cash
- “Wishion” versus a “Vision”
- Budgets are not just schedules
- The Balances sheet is just as important

- Not every idea is a good one
- Find a niche and prioritize
- Revenue diversification is no longer a luxury; What is the strategy to merge the two competing objectives?
- Debt Capacity and Affordability

The Launch Pad for Future Growth and Success



VS



- Fundraising, Partnerships of Purpose and research growth should all be a part of a revenue diversification strategy
- For public institutions, meeting with key stakeholders in Capitols must be enhanced
- The leadership team should be as diverse as the student body

- Budget, processes and execution do not match strategy set by the Board or President
- Bifurcation of key roles such that SMEs at the policy implementation level is limited
- Only the president and key individuals interact with outside stakeholders
- Doubling down on current practices and policies under "this too shall pass"

The Launch Pad for Future Growth and Success



VS



- Collapse as much as possible under one overarching umbrella for facilities management
- Inventory all spaces, and assess the usage of space post the pandemic
- Fund deferred maintenance
- Assess the feasibility of turning real estate assets into revenue streams

- Space management follows the silos that have been built up over the years
- Lack of insight into how assets could be monetized to drive revenues
- Passive approach to deferred maintenance that limits attractiveness of assets for revenue opportunities
- Facilities seen through one lens to support the mission versus economics

Know your costs by program, college, unit and administration

Step
01

Create realistic budgets that embodies both operating and capital

Step
03

Utilize a modern ERP system to bring information together

Step
05

Set a goal to diversify revenues such that no single stream is above 25% of the total

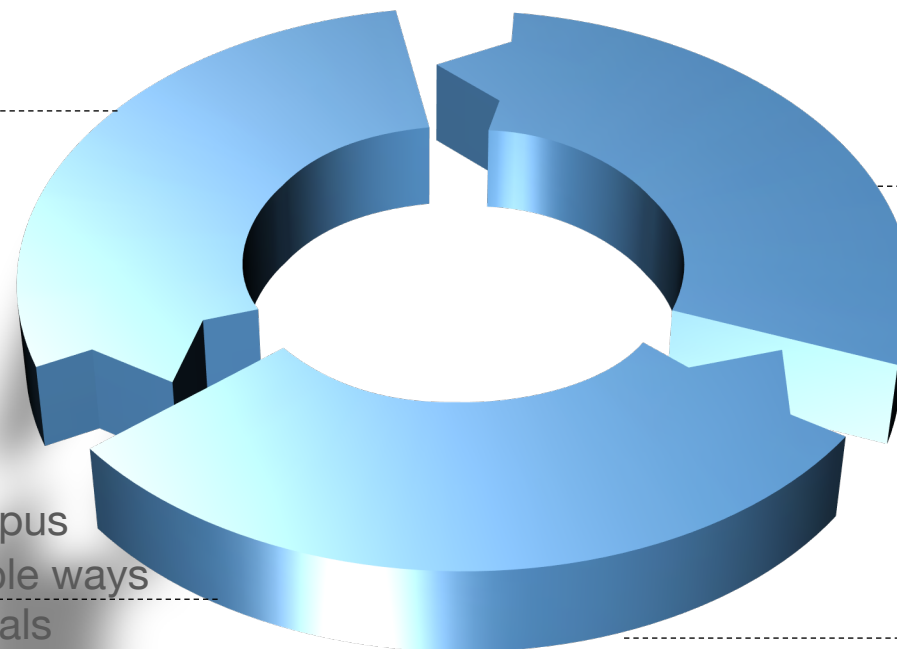
Prioritize capital dollars to cover, preventative, routine and deferred maintenance each year

OATE is not Optional

- O - Ownership
- A - Accountability
- T - Transparency
- E - Empowerment

Recruit Vision Carriers

- Seek out leaders across the campus
- Communicate often and in multiple ways
- Engage city, state and local officials
- Direct everyone to a common set of goals
- Be visible and lead from the front
- Set goals and celebrate publicly once attained (no matter how small)



Overcoming Fear through Action

- Be bold to challenge status quo
- Bring others along for the ride
- Listen to all constituents
- Implement feedback

Execute! Execute! Execute!

- The President's strategy is key
- Vice Presidents must support
- Deans must be entrepreneurial
- Policies and procedures should align
- Open and close feedback loops among stakeholders

Any Questions?

Thank you.