



# Budget Office





# Budget Office

## BUDGET MANAGER MEETING

KATRINA SPENCER  
Associate Vice President of  
Finance and  
University Budget Director

DANIEL DIERMEIER  
Provost

SEPTEMBER 18, 2018

# Agenda

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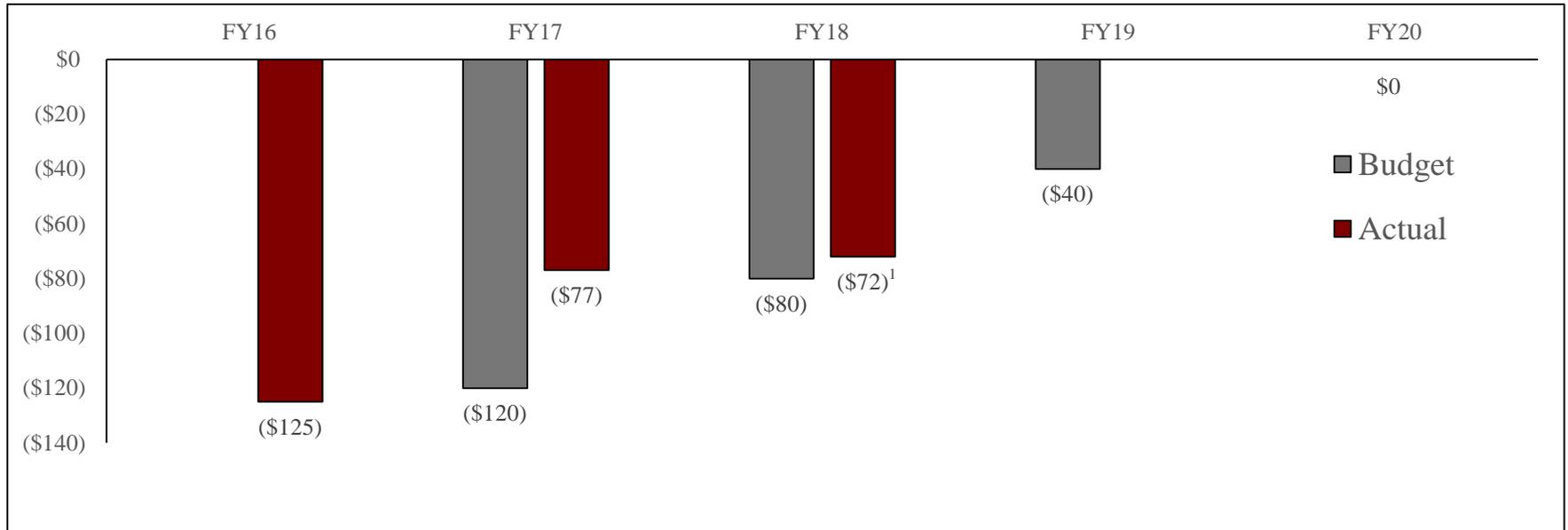
- Budget Office Updates
- Monthly Forecast and Process
- Banked Funds Reports
- FFE Requests
- October/November Budget Meeting Guidance
- Presentation by Provost Diermeier



# FY18 Summary

The University will beat the FY18 budget target of (\$80M) as a result of units meeting their individual budget targets, overall revenue growth and thoughtful cost containment.

## The Path to a Balanced Budget by FY2020 (\$M)



**Achieving a balanced budget by FY2020 will require continued focus on revenue enhancement and cost containment strategies.**



# Budget Model Success & Continuing Improvements

Much was accomplished in FY18; however, there is more work to be done in FY19 to better operationalize the budget model and support the University's goals

## Summary of Successes in FY18

- Implemented new GAAP-based budget model
- Transitioned to new Standard Budget Report (SBR) format
- Re-implemented Delphi to align with new model and processes
- Created internal bank to manage unit surpluses/deficits
- Implemented undergraduate tuition and space allocation models



## Continuing Changes in FY19

- Continued improvement of Delphi forecasting and budget development
- Develop additional tools for unit budget and financial managers
- Work toward optimizing the tuition and space allocation models
- Improve communications with units and proactively address unit needs
- Begin developing 3-year financial plans

**The Budget Office will continue to work closely with units in order to manage change and achieve balanced operations by 2020 and beyond.**

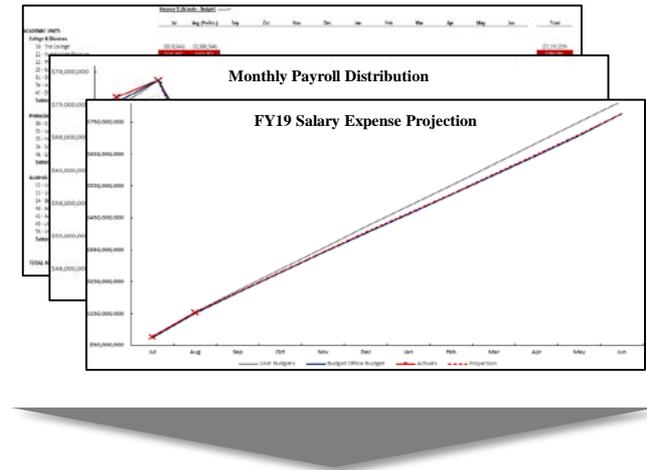


# Expanding Tools for Management in FY19

The Budget Office will continue to develop tools, analyses, reports, dashboards and key metrics reports to support management in FY19.

In FY18 the Budget Office rolled out the following analytics, tools, and communications:

- Budget Control Charts
- Expendable Cash Control Charts
- Monthly Space Allocation Reports
- Tuition Allocation Quarterly Reports
- Budget Office Memos providing guidance on the new budget model:
  - ✓ Space Cost Allocation Budget Model
  - ✓ Tuition Allocation Model
  - ✓ Budget Control Chart
  - ✓ Capital Equipment Depreciation
  - ✓ Internal Bank Operations
  - ✓ Funding Capital in the new Budget Model



In FY19 the Budget Office will roll out additional tools and reports to support units:

- Payroll Tracker
- Monthly HR Headcount Dashboard
- Additional budget dashboards and budget key performance indicators (KPIs)
- Regular communications and feedback gathering meetings with unit Budget Managers and Financial Leads



# The Path to Balanced Operations by FY20

Achieving balanced operations by FY20 is predicated on all units achieving their budget targets. Targets assume the following strategic initiatives:

Initiative	Impact(s)	FY19 Goal (Budget)
Continued College enrollment and tuition growth	<ul style="list-style-type: none"> <li>✓ Net tuition</li> <li>✓ Compensation</li> </ul>	+\$16M
Masters and professional degree programs enrollment and tuition growth	<ul style="list-style-type: none"> <li>✓ Net tuition</li> </ul>	+\$19M
Philanthropy (net of College financial aid)	<ul style="list-style-type: none"> <li>✓ Current use private gifts</li> <li>✓ Net assets released from restriction</li> </ul>	+\$43M
Fundraising for undergraduate aid	<ul style="list-style-type: none"> <li>✓ Current use private gifts</li> </ul>	+\$5M
Federal grants increased indirect cost recovery (IDC)	<ul style="list-style-type: none"> <li>✓ Governments grants and contracts</li> </ul>	+\$2M
Continuing education growth (executive education, UChicago X, summer programs)	<ul style="list-style-type: none"> <li>✓ Other income</li> </ul>	+\$3M
Cost savings, strategic sourcing and IT rationalization	<ul style="list-style-type: none"> <li>✓ Supplies, services, and other (SSO)</li> </ul>	+\$6M



# FY19 University of Chicago Budget Summary

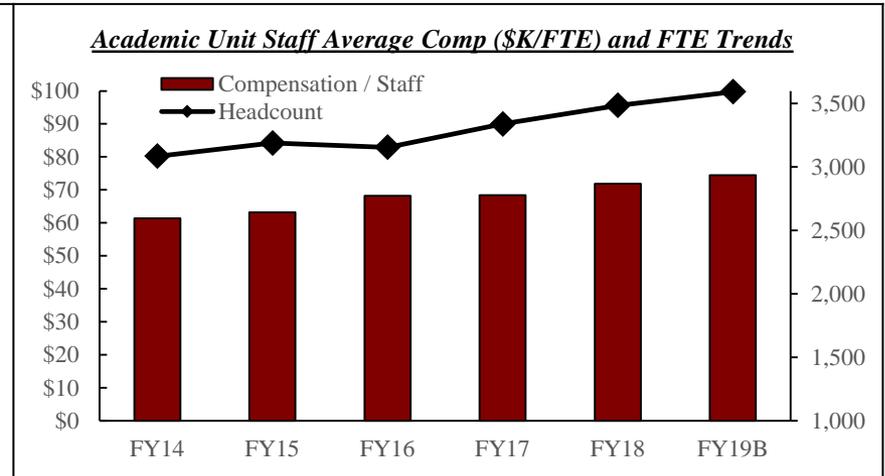
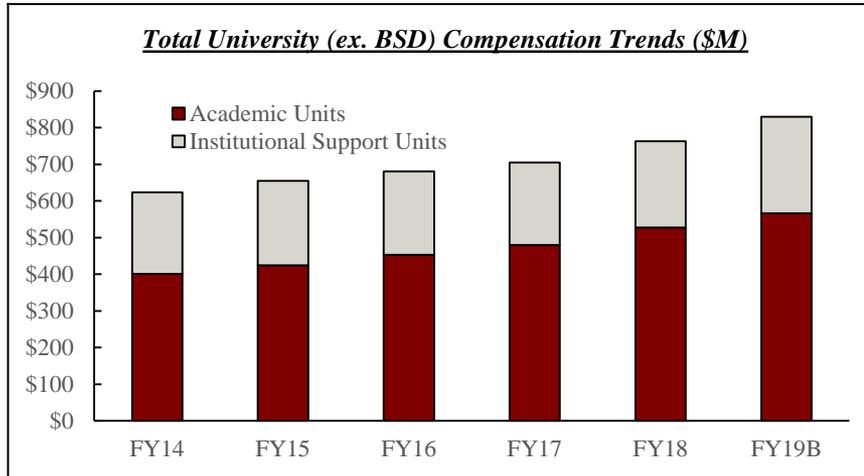
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- FY19 expenditure budget of \$2.5 billion, an increase of 4.0% (\$98 million) over FY18
  - Expense increases are offset by revenue growth of 5.5% (\$130 million).
  - Consistent with the update to Financial Framework 2, the FY19 budget has a GAAP operating deficit of \$40 million before one-time actions.
- FY19 will be the second year of the GAAP-based budget model, and the performance improvements achieved in FY18 will continue in FY19 and beyond. The new model incentivizes units to meet targets by balancing revenue growth, current use fundraising, and expendable gift income with modest and controlled expense growth.
- Enrollment growth and tuition rates are the largest drivers of increased revenue, contributing \$37M.
- Compensation is the largest expense at nearly two-thirds of the overall expenditure budget. Despite increased enrollment, inflation and funding for strategic hires, total compensation is only increasing by 3.2% over FY2018. Compensation will be a key focus of the Budget Office going forward.
- Philanthropy continues to be an important part of the budget and continues to grow. Meeting the University's budget targets relies on continued strong fundraising performance in FY2019.
- As with recent years, BSD will manage its finances to achieve a break even budget.

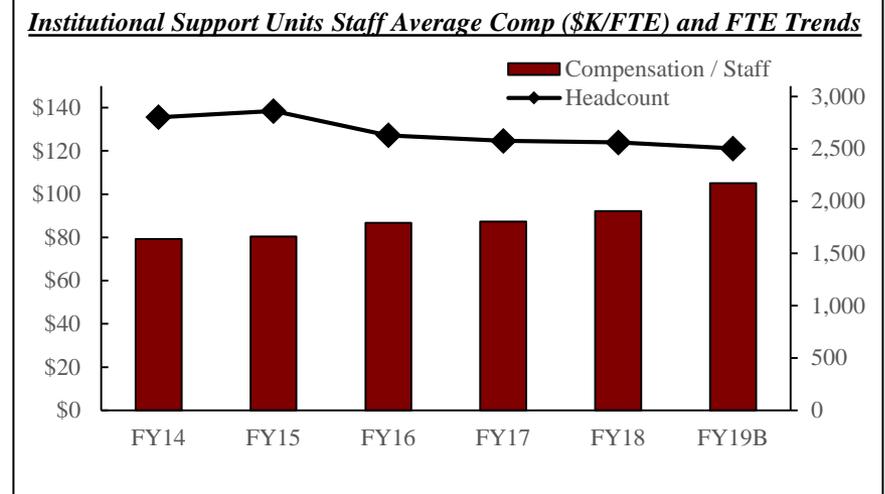


# Compensation Expense Trends

Compensation expenses comprise more than 63% of the University's total expense budget and will continue to be a key focus area in FY19 and beyond.



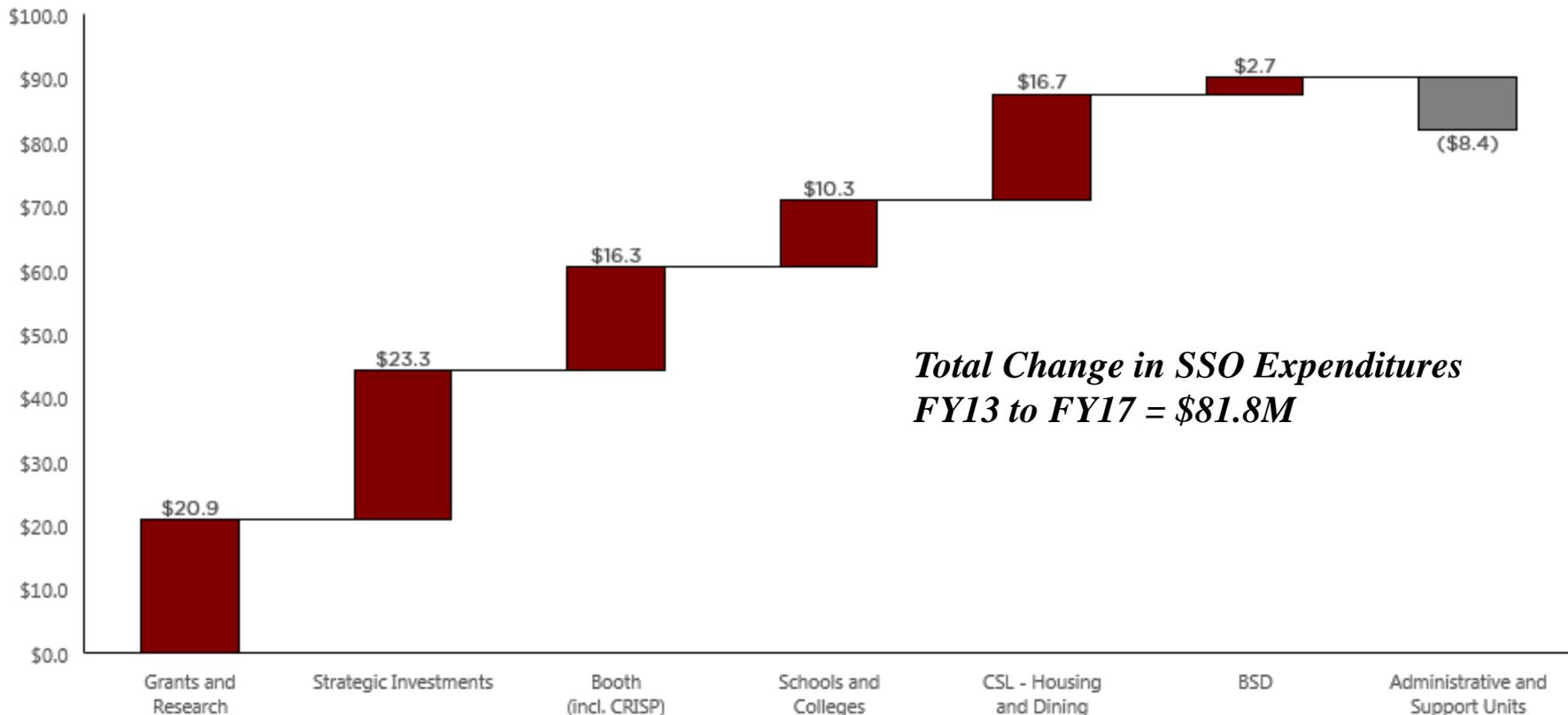
- Total growth in compensation expense between FY14 and FY19 was 5.9% (CAGR)
- Compensation expense has increased in academic units at a rate of 7.1% (CAGR) and 3.4% (CAGR) in institutional support and administrative units
- While average compensation expense per staff in the institutional support and administrative units has been increasing, total staff headcounts have declined
- Both staff headcount and compensation rate per staff have been increasing in the academic units



# SSO Growth Aligns with Enrollment Trends

Supplies, Services and Other expenses increased by \$81.9M in FY13-FY17 in areas of strategic investments, but declined in other areas as units met targets.

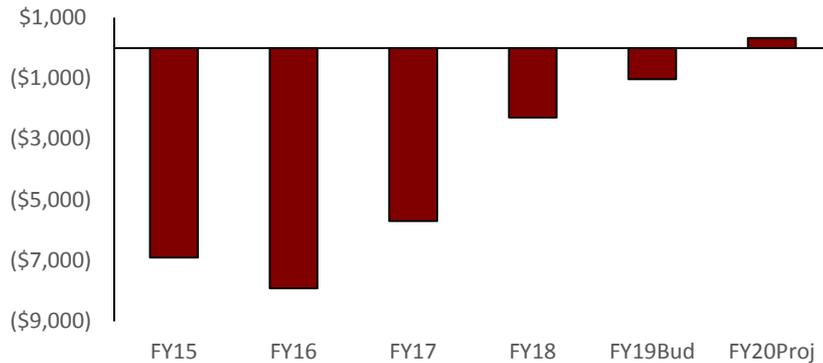
### Change in Total SSO Expenditures FY13 to FY17 (\$M)



# Case Study: Example Budget Targets at a Division

The Division<sup>1</sup> below is projected to achieve positive net performance by FY2020, in part due to the incentives built in to the new budget model.

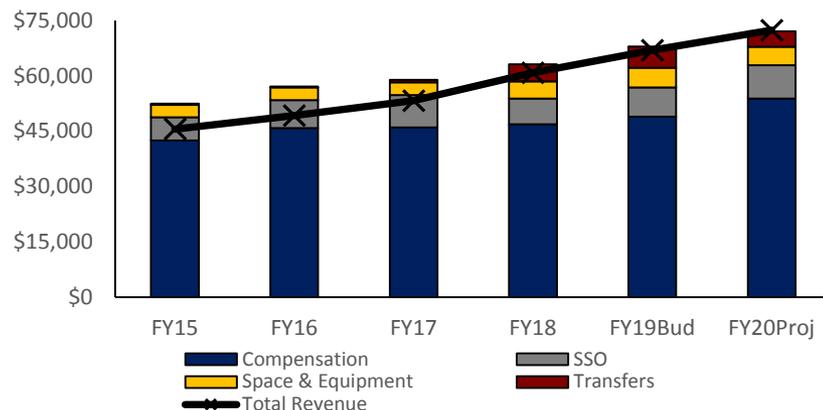
Net Performance (\$K)



Performance Trends (% CAGR)

- Total revenues increased 10% annually
  - ✓ Net tuition increased 8% per year – more undergraduate and MA, less PhD
  - ✓ Federal grants increased 3% per year
- Expenses increased 7% annually
  - ✓ Compensation expense managed at overall 6% annual growth rate, with administration compensation at 2% annual growth rate
  - ✓ Other expenses (SSO, other) increased by 6% per year, driven largely by growth in enrollment
- Unit performance improved from (\$7M) in FY2015 to (\$1M) in FY2019
- Cost control measures and increasing revenues will result in projected positive net performance of \$0.3M by FY2020

Revenue & Expenses (\$K)



<sup>1</sup> This example is taken from an actual Division at the University, and the data shown represent actual cost and budget information for that division

