Agenda

- Announcements –
  - FY20 Calendar
  - Space Allocation
  - Other Items

- ARD Budget Overview – Suzanne Baker

- Financial Systems Modernization – Brian Schinker and Geethanath Marri

- Capital Budget Process – Jim Belshe

- Questions & Answers
# Budget Office 2020 Schedule of Monthly Budget Items, Meetings & Deliverables

## Monthly Forecast

<table>
<thead>
<tr>
<th>Item</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior month actuals available in Delphi</td>
<td>8-Aug, 10-Sep, 8-Oct, 8-Nov, 9-Dec, 9-Jan, 10-Feb, 9-Mar, 8-Apr, 8-May, 8-Jun</td>
</tr>
<tr>
<td>Unit forecasts due to Budget Office</td>
<td>15-Aug, 17-Sep, 15-Oct, 15-Nov, 16-Dec, 16-Jan, 17-Feb, 16-Mar, 17-Apr, 15-May, 15-Jun</td>
</tr>
</tbody>
</table>

## Budget Manager Meetings

<table>
<thead>
<tr>
<th>Item</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:00 - 11:00; location varies</td>
<td>16-Jul, No Mtg, 17-Sep, 15-Oct, 19-Nov, No Mtg, 21-Jan, 18-Feb, 17-Mar, 21-Apr, 19-May, 16-Jun</td>
</tr>
</tbody>
</table>

## FY2021 Budget Due in Delphi (tentative)

<table>
<thead>
<tr>
<th>Date</th>
<th>10-Apr</th>
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</table>

## ARD Control Charts

<table>
<thead>
<tr>
<th>Item</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd Friday of Month</td>
<td>12-Jul, 9-Aug, 13-Sep, 11-Oct, 8-Nov, 13-Dec, 10-Jan, 14-Feb, 13-Mar, 10-Apr, 8-May, 12-Jun</td>
</tr>
</tbody>
</table>

## Payroll and SSO Control Charts

<table>
<thead>
<tr>
<th>Item</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior month actuals*</td>
<td>8-Aug, 10-Sep, 8-Oct, 8-Nov, 9-Dec, 9-Jan, 10-Feb, 9-Mar, 8-Apr, 8-May, 8-Jun</td>
</tr>
</tbody>
</table>

## Space Charges

<table>
<thead>
<tr>
<th>Item</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>During Monthly Close</td>
<td>5-Jul, 7-Aug, 6-Sep, 7-Oct, 7-Nov, 6-Dec, 7-Jan, 7-Feb, 6-Mar, 7-Apr, 7-May, 5-Jun</td>
</tr>
</tbody>
</table>

## Space Report

<table>
<thead>
<tr>
<th>Item</th>
<th>Dates</th>
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</table>

## Other

### Tuition Allocation

<table>
<thead>
<tr>
<th>Item</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data sent to units for review</td>
<td>1-Nov, 31-Jan, 1-May</td>
</tr>
<tr>
<td>Changes due to Budget Office</td>
<td>10 business days after data sent to units, 15-Nov, 14-Feb, 15-May</td>
</tr>
<tr>
<td>Allocation transactions</td>
<td>10 business days after changes due to Budget Office, 3-Dec, 28-Feb, 29-May, 30-Jun</td>
</tr>
</tbody>
</table>

*Control charts will be distributed a week before unit forecasts are due to assist in the monthly forecasting process; they will be based on the prior month forecast and 2 months prior actuals (e.g. Sep control charts based on Aug forecast and July actuals)*

**Note:**

Dates highlighted in yellow above are tentative and subject to change.

Dates highlighted in orange have been adjusted since the schedule was first issued.
# The University of Chicago Annual Calendar – Budget Office Timeline (Fiscal Year 2020)

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>August/September 2019 (FY19 Budget Calendar)</strong>&lt;br&gt;Aug 2019</td>
<td>FY19 Year-End Analysis, Communicate Banked Balances</td>
</tr>
<tr>
<td>Sep 2019</td>
<td></td>
</tr>
<tr>
<td>Oct 2019</td>
<td>FY21 Capital Budget Requests&lt;br&gt;FY21 FFE Requests&lt;br&gt;Budget Meetings – Unit Heads/ Provost or CFO</td>
</tr>
<tr>
<td>Nov 2019</td>
<td></td>
</tr>
<tr>
<td>Dec 2019</td>
<td></td>
</tr>
<tr>
<td>Jan 2020</td>
<td>FY21 Tuition and Fee Proposals Due&lt;br&gt;Guidance distributed for FY21 Budget Meetings</td>
</tr>
<tr>
<td>Feb 2020</td>
<td>Capital Budget to Board for Approval&lt;br&gt;Tuition and Fee Proposal to Board for Approval&lt;br&gt;FY21 Budget Meetings – Unit Heads/ Provost or CFO</td>
</tr>
<tr>
<td>Mar 2020</td>
<td></td>
</tr>
<tr>
<td>Apr 2020</td>
<td>Unit FY21 Budget Submission</td>
</tr>
<tr>
<td>May 2020</td>
<td>Operating Budget to Board for Approval</td>
</tr>
<tr>
<td>Jun 2020</td>
<td></td>
</tr>
<tr>
<td>Jul 2020</td>
<td></td>
</tr>
<tr>
<td>Aug 2020</td>
<td></td>
</tr>
<tr>
<td>Sep 2020</td>
<td>FY20 Year-End Analysis</td>
</tr>
</tbody>
</table>

### Notes:
1) Dates for monthly items, deliverables and reports are provided in detail on the Budget Office FY2020 Schedule of Monthly Budget Items, Meetings & Deliverables

#### August/September 2019 (FY19 Budget Calendar)
- Budget Office completes analysis to determine FY19 end-of-year performance, measured as FY19 actuals (final) vs. FY19 Budget. Unit FY19 surpluses and deficits are determined and Banked Fund balances are communicated.

#### October 2019 (FY20 Budget Calendar)
- Units submit capital budget proposals for FY21 to the Budget Office. These include all requests for central funding for projects and all unit-funded proposals.
- Units submit FFE Requests for FY21.

#### October/November 2019
- Units meet with the Provost or CFO and the Budget Office to review FY19 Actuals and FY20 Q1 Actuals, to discuss FY20 and FY21 budget issues, and to review FY21 capital budget proposals. Academic units also provide an update on FY20 enrollments, faculty appointments, and other strategic topics.

#### January 2020
- Units submit FY21 Tuition and Fee proposals for review by the Provost and approval at the February/March Trustee meeting.
- Guidance for FY21 Budget Meetings provided to units.
- Budget Office provides projection or estimates for FY21 budget assumptions (i.e. fringe, space allocations, budget targets, tuition allocation, etc.) by Jan 31.

#### February/March 2020
- In February/March, units meet to discuss FY20 Q2 Projections and FY21 operating budget proposals with the Provost or CFO and the Budget Office.
- Capital budget sent to Board for approval.
- Tuition and Fee Proposal sent to Board for approval
- Capital Budget Letters

#### April 2020
- Units submit budgets for FY21 to the Budget Office in Delphi. (Tentative date Friday, April 10)

#### May 2020
- FY21 Operating Budget sent to Board for approval.

#### June 2020
- FY21 Operating Budget Letters sent to units

#### July 2020 (FY20 Calendar)
- Fiscal Year Close activities, year-end transfers, account clean-up, final entries, etc.

#### August/September 2020 (FY20 Calendar)
- Budget Office completes analysis to determine FY20 end-of-year performance, measured as FY20 actuals (final) vs. FY20 Budget. Unit FY20 surpluses and deficits are determined and Banked Fund balances are communicated.
ALUMNI RELATIONS & DEVELOPMENT

Suzanne Baker
Associate VP, Talent Management, Planning, and Administration

6.18.19
CAMPAIGN HISTORY

$1M  1886: Founding Campaign
$7.7M  1923–25: University Development Campaign
$9M  1940–41: 50th Anniversary Campaign
$22M  1955–57: University of Chicago Campaign
$150M  1966–69: Campaign for Chicago, Part I
$150M  1973–77: Campaign for Chicago, Part II
$151M  1983–87: Campaign for Arts and Sciences
$676M  1991–96: Campaign for the Next Century
$2.4B  2000–08: The Chicago Initiative
$5.0B  2012-2019: University of Chicago Campaign: Inquiry and Impact
Historical Cash/Fundraising Progress and Capital Campaigns

Campaign for the Next Century
Average FY Total FRP: $102.3M
Average FY Total Cash: $93.9M

The Chicago Initiative
Average FY Total FRP: $243.1M
Average FY Total Cash: $206.5M

Inquiry and Impact*
Average FY Total FRP: $517.6M
Average FY Total Cash: $420.2M

Data as of: 06.13.2019

*Includes FY12 - FY18
THE UNIVERSITY OF CHICAGO CAMPAIGN: INQUIRY AND IMPACT

CAMPAIGN TIMELINE

QUIET PHASE

March 2012 Quiet Phase Vote

PUBLIC PHASE

May 2014 Public Phase Vote

October 2014 Formal Launch

2019 Campaign Celebration

FY12 FY13 FY14

FY15 FY16 FY17 FY18 FY19
ARD STAKEHOLDERS
STAFF MAKING CONNECTIONS

- Organizations
- Alumni
- Donors
- Friends
- Volunteers
- Parents
- Students
- Faculty
- Officers
- Deans
- Trustees
- President

ARD STAFF
CAMPUS-WIDE ARD TEAM
FY19 FTEs by function

- Fundraising Field Staff: 140 FTEs
- Field Staff Support: 65 FTEs
- Direct Response, Stewardship & Constituent Support: 35 FTEs
- Alumni Relations Field Staff: 36 FTEs
- Communications, Events & Outreach: 89 FTEs
- Strategic Info: 84 FTEs
- Administration: 32 FTEs
- Non-Field Staff Support: 16 FTEs

Total: 497 FTEs
OUR EFFICIENCY
FY18

- $589M raised
- 11¢ cost to raise a dollar

$51.3M  Field staff; donor/alumni engagement; stewardship

$16.4M  Advancement Services cost

$67.7M
FINANCIAL SYSTEMS MODERNIZATION
Current State

- The University is reliant on a 36-year old COBOL based mainframe system to manage the great majority of its financial accounting needs.

- To compensate for the antiquated nature of the core financial applications, the University has supplemented its technology with more modern systems or added “front end” applications to the older systems to improve their user interface and capabilities. Units have also adjusted to the system shortcomings by developing shadow systems. As a result of all these workarounds, we operate in a complex environment. One of the goals of this project is to become less complex by investing in fewer systems/applications with modern capabilities.

- Because we have skipped several generations of technology upgrades the University is not taking advantage of new capabilities that exist to better and more securely manage its operations.
What is Financial Systems Modernization?

Once modernized, expected results will include:

- Offer an integrated system for financial and procurement information across the University
- Standardize administrative processes and procedures across the University
- Improve staff productivity, resource management, and security
- Increase system flexibility to adapt to changes in policies, accounting design, and new reporting requirements
- Improve decision-making through better access to real-time transactional data
- Improve accountability and eliminate duplicative data entry and multiple reconciliations between systems
## Current State: Opportunities for Improvement

<table>
<thead>
<tr>
<th>Current State</th>
<th>Opportunities for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$11.96B</strong></td>
<td>Financial assets consolidated via manual journal entries.</td>
</tr>
<tr>
<td><strong>$600MM</strong></td>
<td>Payments processed without an electronic trail of goods and services received.</td>
</tr>
<tr>
<td><strong>$1.07B</strong></td>
<td>Grants and contracts administered via primitive post-award systems.</td>
</tr>
<tr>
<td><strong>$336MM</strong></td>
<td>Government grants managed without real time access to expenditures.</td>
</tr>
<tr>
<td><strong>$435MM</strong></td>
<td>Financial aid including stipends spread across 2,300 accounts reconciled manually.</td>
</tr>
<tr>
<td><strong>$54MM</strong></td>
<td>Stipends disbursed using the student system posing compliance risk.</td>
</tr>
</tbody>
</table>

**Streamlined consolidation**

**Improved auditability standards**

**Dashboard, transparency, and start-to-finish management**

**Real time access to financial data for Federal awards**

**Automated reconciliation**

**Comply with differing rules governing stipend eligibility**

<table>
<thead>
<tr>
<th>$11.96B</th>
<th>$600MM</th>
<th>$1.07B</th>
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<td>Stipends disbursed using the student system posing compliance risk.</td>
</tr>
</tbody>
</table>

### Multiple Closes

- **38+**
- Financial close involves multiple iterations and weeks of manual effort.
- **Weekly**
- Loosely integrated systems to support Financial Administration.
- **2,000**
- Data synchronization versus real time processes.
- **52,163**
- Undelivered checks manually cancelled and reissued annually due to vendor/address discrepancies.
- **27,411**
- Accounts used to track and manage the University’s restricted and unrestricted funds.
- **2,000**
- Assets tracked within a poorly documented, home grown COBOL based system.
- **38+**
- Accelerated close process
- **Weekly**
- Facilitated seamless integration
- **2,000**
- Synchronized real time data
- **52,163**
- Advanced check void and reissue
- **27,411**
- Simplified chart of accounts
- **2,000**
- Improved asset tracking

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**THE UNIVERSITY OF CHICAGO**

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Budgeting Improvements through update Chart of Accounts

Current State (University Only)

- 52,163 Accounts used to track and manage the University’s restricted and unrestricted funds.

Anticipated Benefits

- Drive consistency of reported information across business units and ensures compatibility
- Reduce the effort to consolidate information to satisfy management requests
- Reduce reconciliation procedures
- Provide easier benchmarking between different business units
- Provide scalability for growth with the ability for exponential values
- Reduce maintenance and eliminate unique segment hierarchies for business units

Best Practice

- One global chart of accounts
- Global hierarchies
- Scalability for growth

Faster and consistent reporting
Streamline consolidation of financial statements
Centralized governance
Where we are today – Value Study and Potential Outcomes

The first phase of this project will study the options available for the University to work jointly with the Medical Center. At the end of this study, the enterprise direction will likely be one of the following:

**Fully Integrated** – A single financial system for the University and Medical Center

**Collaborative** – the University and the Medical Center collaborate on a select few components like the Chart of Accounts design, Financial Reporting, joint procurement of software, etc.

This might facilitate intercompany settlements and financial statements consolidation, as well as common business analytics and reporting.

**Completely Separate** – the University and Medical Center remain on two independent financial systems
Pre-Implementation Phase 2 - Activities

Key Activities

- Current state business process documentation and review/re-engineering
- Future state business process (based on leading practices)
- Requirements Definition
- Disparate systems inventory and rationalization analysis (retire/replace/integrate)
- Software evaluation/selection, followed by implementation partner evaluation and selection
- Change management program design and business case definition
- Chart of Accounts redesign
- Outreach/engagement sessions with business partners across units listed

The University’s approach aligns with the policies exhibited in several case studies as well as the Gartner strategic roadmap.
Pre-Implementation Phase 2 – Functions in Scope

<table>
<thead>
<tr>
<th>Financial Management</th>
<th>Projects &amp; Grants Management</th>
<th>Budgeting &amp; Planning</th>
<th>Supply Chain Management</th>
<th>Asset Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Ledger</td>
<td>Project Costing</td>
<td>Budgeting</td>
<td>Procurement</td>
<td>Asset Management</td>
</tr>
<tr>
<td>Endowment Accounting</td>
<td>Project billing</td>
<td>Planning</td>
<td>Sourcing</td>
<td>Facilities</td>
</tr>
<tr>
<td>Payables</td>
<td>Grants Accounting</td>
<td>Forecasting</td>
<td>Contracts</td>
<td>Operations</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td></td>
<td></td>
<td>Inventory Management</td>
<td>&amp; Maintenance</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
<td>Space Utilization</td>
</tr>
<tr>
<td>Cash Management</td>
<td></td>
<td></td>
<td></td>
<td>&amp; Planning</td>
</tr>
<tr>
<td>Treasury</td>
<td></td>
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<td>Property Management</td>
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<td></td>
<td>Construction</td>
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<td></td>
<td>Program</td>
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<td>Management</td>
</tr>
</tbody>
</table>

At the end of Pre-Implementation, the University will have selected a product and implementation partner that will enable successful implementation of a modern financial system.
Involvement: Budget Planners and HR

• During the first phase of pre-implementation, there will be a concentrated effort involving the medical center and BSD to conduct a value study. In addition, commonly used systems will be reviewed at a very high level with the respective business process owners. Therefore, the first phase is not likely to directly involve the efforts of Budget or HR resources across schools or divisions.

• As the project moves to the second phase of pre-implementation, areas of potential involvement include the following:
  o Business process owners/leads will be required to review the current (and desired future) state of functions within their area(s) of expertise.
  o Budget / HR Managers (or their representatives) from schools and divisions are viewed as subject matter experts, and will be consulted for input regarding the complexities and concerns experienced today, and how those functions can be improved by modernization.
  o The schedule for the second phase of pre-implementation is likely to begin during the fall.
  o The project team has begun to identify business process owners and process leads who will be contacted in the near future to play a role later this calendar year.
Pre-Implementation: Projected Timeline

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
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</thead>
<tbody>
<tr>
<td>2019</td>
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<tr>
<td>2020</td>
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</tbody>
</table>

- **Advisory Services**
  - Preliminary Business Case
  - Board Presentation

- **Software**
  - Requirements & Process Development
  - Value Study
  - Executive Briefing
  - Software Analysis & RFP Issuance

- **Systems Integrator**
  - SI Analysis & RFP Issuance
  - SI Evaluation & Selection

- revised Business Case
  - Board Presentation

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Capital Budget

Jim Belshe
Key Components of the Capital Budget

**Components**

- Strategic Projects
- Enterprise IT Systems
- FS Capital Projects
- Unit Capital Projects
- ITS Capital Projects
- Campus IT Projects
- BSD Capital Needs
- Other (Books, Equipment, DSS, etc.)
- Off-Cycle & Provost Reserve

**Overall Process**

The Budget Office works in partnership with the Provost’s Office, Facilities Services, ITS, other Academic and Administrative Units, Financial Services, and other key stakeholders to develop long-term capital budgeting strategies and to facilitate the annual process of sourcing, prioritizing, and recommending capital projects required to support the University’s long-term strategic plans and to meet ongoing capital re-investment needs.
Capital Budget: 5-Year Planning Horizon

<table>
<thead>
<tr>
<th>In-Process (Prior Years &amp; Current FY)</th>
<th>Long-Term Financial Framework (FY20 – FY24)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;2019</td>
<td>2020</td>
</tr>
<tr>
<td>FY19 &amp; Prior Approved Projects Cash Flows = $191M</td>
<td>2021 - 2024</td>
</tr>
</tbody>
</table>

- **Y1 Budget = $299M**
- **Y2 to Y5 Budget = $849M**

**FY20+ Projected Cash Flows = $1,117M**

\[ \sum \text{Cash Flows FY20 to FY24} \leq 1.3B \]

*When $1 spent (CF), $1 available for new authorizations*
Annual Capital Budget Cycle

1. Long-Term Capital Planning & Annual Project Requirements
   - Capital Planning Committee (CPC)
   - Campus Master Plans
   - University Long-Term Financial Framework
   - Other long-term strategic decisions and plans
   - Budget Office and Provost Office monitor ongoing projects and develop long-term budget model
   - Facilities Services provides cash flow forecasts on ongoing prior approved capital projects

2. Project Selection and Prioritization
   - Provost Office, CPC, Facilities Services (FS), BSD, and Budget Office work closely to identify, scope, and cost non-major project candidates:
     - FS projects
     - Unit requests
     - IT projects (ITS and Campus)
     - Budget for off-cycle and other cap allowances
   - CPC and Deal Team scope and cost new major projects
   - Budget Office works with units for other requests (library, misc. equipment, etc.)
   - All projects reviewed and prioritized within funding constraints

3. Cash Flow Projections
   - Financial Services works with all constituencies to develop year-over-year cash flow estimates and develops financing plan
     - Balance debt and other instruments vs. free cash flow
     - Informed by University Long-Term Financial Framework

4. Board Review and Approval
   - Budget Office and Provost Office consolidate budget recommendation and package for Board
   - Board of Trustees reviews and approves proposed capital budget at Feb meeting
   - Units work with Capital Accounting to open project accounts
   - Execute new projects
   - Monitor progress and cash flows (ongoing)

5. Project Execution
   - Capital Budget letters sent to units
FY21 Capital Budget Process Changes and Key Dates

Changes to Process in FY21

• Single annual request in approval cycle at February board meeting
• All FY20 capital requests will be submitted using a common online form
  ➢ Facilities-related capital request form open early July
    (Note: Will open to unit requests Aug 1)
  ➢ IT-related capital request form open Sep 1
  ➢ Off-cycle capital request form open July 1
• Budget Office will provide additional detail for new online form and request process at next Budget Managers meeting; training in July
• Budget Office revising L-8 Non-Capital Project accounting policies to align with new budget model

Key Dates
• Submit Facilities Project Requests: July 1 – late Fall
• Board Review and Approval: Feb/Mar
• Capital Budget Letters to Units: Mar/Apr
Questions?