# HURON

### Resource Allocation, Management, and Planning Steering Committee #2 Executive Summary

# WKU

February 20, 2018

# Agenda

Huron is pleased to have the opportunity to partner with WKU on this resource allocation, management, and planning ("RAMP") initiative.

### Our goals for today's meeting include:

- 1. Review recent efforts and project plan
- 2. Share interview themes and guiding principles
- 3. Overview alternative model framework and design
- 4. Discuss next steps
- 5. Answer remaining questions

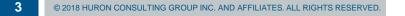


### **Project Goals and Objectives**

Huron understands that WKU desires a consulting partner to assist with the development of a new performancebased resource allocation model and proposed implementation schedule.

#### The RAMP model will seek to address the following desires:

- Align with the State's funding formula to better position WKU to increase State funding
- Address current financial trends, which include declines in student enrollment and sponsored programs
- Allocate funds in a way that will support the University's new strategic plan
- Reward performance and invest in strategic priorities in an equitable manner
- Increase transparency and simplicity in resource allocation





# **Project Plan**

Huron's project plan structures the primary activities into several overlapping work streams that will take place over a 20-week period.

Workstream	Week <del>&gt;</del>	Jan 29	Feb 5	Feb 12	Feb 19	Feb 26	Mar 5	Mar 12	Mar 19	Mar 26	Apr 2	Apr 9	Apr 16	Apr 23	Apr 30	May 7	May 14	May 21	May 28	May 4	May 11
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<ul> <li>Current State Assessment</li> <li>Assess of strengths and challenges of WKU's current approach to resource allocation</li> </ul>																					
<ul> <li>Data Review</li> <li>Organize, interpret, and analyze financial and activity-level data</li> </ul>																					
<ul> <li>Initial Model Build</li> <li>Develop guiding principles, model framework, and structure</li> </ul>																					
<ul> <li>Stakeholder Engagement</li> <li>Engage academic deans, business officers, and additional stakeholders</li> </ul>																					
<ul> <li>Model Refinement</li> <li>Review feedback, discuss with Committee, and determine what refinements are needed</li> </ul>																					
<ul> <li>Model Training</li> <li>Review of the model framework, design, functionality, and calculations</li> </ul>																					
Steering Committee Meetings		$\bigstar$			23	-		$\bigstar$		$\bigstar$		$\bigstar$					$\bigstar$				





# Interview Themes and Guiding Principles



© 2018 HURON CONSULTING GROUP INC. AND AFFILIATES. ALL RIGHTS RESERVED.

# Summary of Interview Themes and Insights

Three primary themes emerged from Huron's discussions with WKU stakeholders on their perspectives on the current state of resource allocation, management, and planning on the campus.

Theme	Description
Empowerment	Stakeholders commented that the current budget model lacks incentives that reward entrepreneurship, flexibility to effectively manage funds, and accountability for the use of resources
Process / Information Flow	Community members expressed concern about the opaque, "top-down" approach to budgeting and a lack of campus feedback involved in the University's current budgeting process
Financial Philosophy	Community members expressed concern that the budget process does not tie to a strategic plan and funding priorities are not clearly communicated by leadership



# **Importance of Guiding Principles**

As WKU considers the possibilities for alternative budgeting models, it is valuable to create a set of guiding principles to inform the development of a new model and to communicate its objectives.

#### A Principles-Based Approach to Model Development:

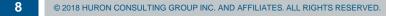
- Describes the vision for the desired future state
- Establishes priorities for the desired future state
- Incorporates broad community feedback across academic and administrative units
- Informs rules for revenue and expense allocations in the new budget model

### Huron recommends that guiding principles be concise, reinforce the institutional mission, and invoke a positive tone.

# **Draft Guiding Principles**

Steering Committee members submitted proposals for guiding principles, which are summarized below. These principles will be used to inform decisions surrounding the development of the new budget model.

- Create a clear link between resource allocation and the University's mission, strategic priorities, and commitment to student success
- Develop a model that remains flexible and can adapt and respond to changing conditions, evolving priorities, and new mission-aligned opportunities
- Provide a consistent and predictable methodology for revenue and cost allocation that is easy to understand and features incentives that reward performance, entrepreneurship, and innovation
- Promote a collaborative and sustainable budget process that promotes transparency, efficiency, and accountability across all units
- Use a holistic approach to budgeting that reflects a shared commitment to the fiscal health of campus and ensures that institutional priorities can be funded
- Leverage trusted and reliable data to facilitate data-driven decision making and to promote enhanced forecasting and long-range planning

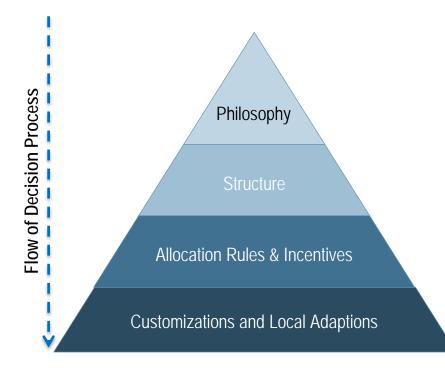


# **Model Framework and Design**



# **Stages of Model Development**

Effective resource allocation redesign typically requires four stages of decisions, with each stage requiring increased levels of institutional insights and customizations.



- <u>Philosophy</u> reflects the university's desired financial management model, considering elements such as centralization, authority, accountability, and responsibility
- <u>Structure</u> reflects the elements of the model with respect to scope of funds, categorization of operating units, presentation of data, etc.
- <u>Rules</u> reflects how the model will portray the institution's internal economy and drive behavior
- <u>Customizations</u> reflects model tweaks to address operational realities, institutional culture, and local unit needs

Material consensus for each stage is needed among model development leaders prior to moving forward with implementation.

### **Model Structure**

An incentive-based model requires the identification of units to serve as the drivers of revenue-generating activities; other units are expected to support the activities of revenue generating units.

### **Primary Units**

- Ability to influence revenue generation:
  - Price
  - Quantity (not captive market)
- Cover direct costs with generated revenue
- Fully-allocated central (support unit) costs
- Accountable for performance, retaining both surpluses and losses
- Pay subvention tax

#### **Central Support Units**

- Limited-to-no ability to influence revenue
- Provide services and/or support to academic, research, and auxiliary units
- No allocation of central costs
- Accountable for optimal service levels
- Encouraged to justify funding levels through benchmarking
- Accountable for fiscal performance
- IT, HR, and Facilities may have service-level agreements with select primary units

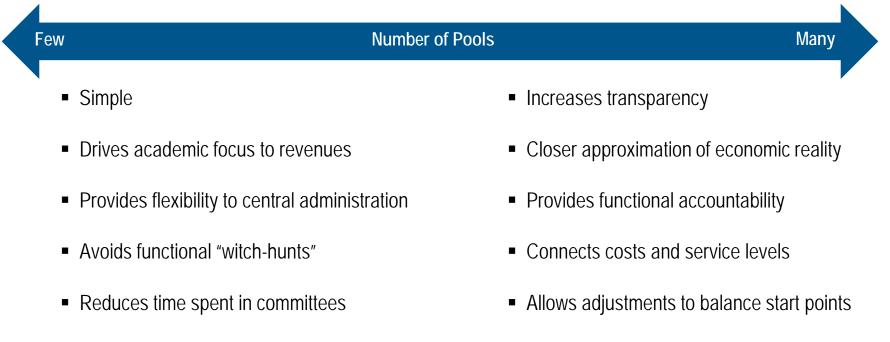
### Hybrid Units

- Units that do not fall cleanly into one of the other categories; some operations may act like a primary unit while others act like a support unit
- For simplicity and consistency, these are not typically recommended



## Model Structure: Central Support Units

Those units that are not categorized as primary units are typically considered central support units; these are grouped into cost pools, the number of which should be driven by balancing the desired level of transparency with the desired level of model complexity.



Supports implementation buy-in

A model with limited transparency into support unit activities can fail to drive efficiencies; however, a model with too much transparency can sensationalize decisions.

# Model Development

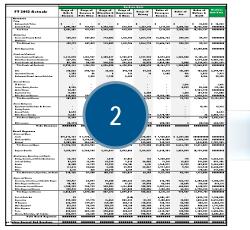
The process to develop a customized model is an iterative one during which Huron and WKU will rely heavily upon community feedback for each model iteration, which culminates in a highly customized model that reflects the unique culture and strengths of the University.

### **Actuals Model**

FT 2012 Actuals	Erege of	Erege of	Kongo all	Easys at	K	Balles all	***** ·**	Rolling of			
Teles		a									
Endougenheads Talan Endough Talan	2.411.112	10,121	4,212,402	122.214	1.392.149		2.00.00	10,235,492			
Taballa Tabas	1.1.1.1.2	10,04	1,113,483	673,784	1,367,148		3,00,435	10,735,787			
Toto Totos	1,10,100	40,404		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1,167,168	1,111,411	1,00,00	10,710,710			
Dos(on)											
Commond Property Realty	431.123	M2.402	242.882	1.00.205	1.254.228	12.515.252	2010.201	11.241			
Mandahara											
Taba Blabad Inc.	431,03	617,813	242,883	1,00,205	1,364,228	13,616,763	285,781	11,241			
Hide Bygespectree								33,000,000			
hiter family of factorie	4,444,878	1.00.000	1,388,842	4,743,974	1,737,533			17,488,000			
Refer Longia and Contracts	287.148	206,212	120	1.281.111	28,027	2.122.20		1.121.228	1.112.236		
Fronts Encode and Enclands		1.01	10.00	111.01	0.00			1.233.421	0.00.011		
Tale County on Contracts	1.222.111	1.161.281	1.121.111	b.121.11b	1.111.021	11.11.1.221	1-201-001	22.111.022			
E11+	218.822	MI.422	35.812	112.111	14,218	22.218	10.201	182.282	3,311,114		
farmfarat farmer		· •		344				1,173			
Information Investigation Information	3,874	3,381	2,248	1,411			183	1,115	38,138		
0			-								
ff 8			1				1,616		1,414		
Inner, Barb, Boulo	8,336						1,113	10,400	10,41		
Haden Ellenger											
And a second second	10,000				1,311	19,184,788	1,311	184,442	10,00		
Tale free cal frances	287.00	22			3,732	13.111.211	72,722		21,111,21		
		- 4/			1,213		33,333	11,266,364			
0 <b>O</b> rformu											
Spectrum and Bartenes St. Second								13,464	0,00		
Second Tabels	1.112		_	1					8,813		
Hite Bern Berner					- 1 <b>-</b> 1 -	3,478,587		35			
Tate Banna Balangenn	17,344				- 1 <b>i</b> i	8,478,487		13,448	3,431,431		
	110,000							110,000			
T.I. 8											
hand a start and a start a	111.212.011	12.221			21.014	1.2.00.00	12,214,00				
Holl and Aller	1.10.434	1.071.01				14, 111, 111	1,350,345	17.047.488			
listed	2.182.188	281.282			212.082	\$12.515		1.241.825	2.282.285		
Tata Banna ant Meger	34,785,248	10,334,484			7,179,388	******	2,444,483	12,211,000			
Regions Breath	7,419,354	3,748,783	3,175,844	3,013,003	3,009,937		1,853,855	10,739,300			
Badarary Onthey ter Bade											
Inlag, Constin, and Pales Manhaman	33,333	2,242	1,848	37,666	133	4,358,381	124	40,205	<,244,444		
food call Colling		13,311	43,349	7,743	35,003	**.***	31,431	311,383	au, en		
Frankra Begenn		14,243	39,399	135,381	10,000	1,210,022	41,443	10,000	3,484,884		
a second s	3,20	13,44	1.24	2,00	19,449	31,331	4,741	121.40	212.121		
Tuto Muniterente, Speedens, and Realty	2,211		38,348		10,000	31,434		170,500	30,01		
		10,000		-11,117	20,000		10,04				
Commun. Infordance and Parally Reserve	611.112	12.011	25.600	201.525	124.200	242.211	422,442	2.218.628	5.00.220		
Alles Begger and Berner	10,403	41,491	40,000	47.00	21,010		10,000	210,000	172.03		
Padament las est famos	1.211.211	228.222	228.284	1.111.111	101.102	3,382,644	91.02	b.b18.821			
Stitue Report and Research	333, 131										
	3,818,134	1,878,188	\$\$7,373	1,811,842	188,853	3,621,311	121,112	12, 117, 281			
Tale Reported Learns											
				[240]		6,881,432		1,829,219	2,518,828		
East of Easts Ref.	33				84,50			1,007,038	1,111,111		
Cool of Cools Bal		\$7,774	10,003								
East of Easts Bol Reported					10,10	228,442					
Card al Cardo Bal Peparatan 17 Deparatan Mara Report	111,111 111,141 111,141	244,214	164,200	386,143	100,700	******			1,771,631		
Ended Ende Engeneties IV Engeneties Mann Engeneties	10,14 10,14	244,314	330,015	199,319	12,000	373,731	111,012	1212.122	3,711,031		
Coul of Easts Rol Dependent IT Represent Miles Represent Hilles Represent Tomo	10,10 10,10 10,10	244,314 28,329 28,452	164,381 338,019 83,363 319,433	10,10	17,04	171,711		1,713,177	3,718,171		
End at Each Rat Espander 17 Expanse New Separat Eliza Separat Taux Young, Educates, at Locates	10,10	244,314 78,378 78,453 185,438 23,238	124,381 338,89 83,353 318,833 124,838	14,314 14,314 14,314 113,417 134,414	10,90 179,90 179,90		110,010 110,010	1,212,422 1,212,422 1,413,212 1,413,212	2,712,171 4,413,434 2,415,434		
Coul of Easts Rol Dependent IT Represent Miles Represent Hilles Represent Tomo	10,10 10,10 10,10	244,314 28,329 28,452	164,381 338,014 83,363 319,433	100,000 100,000 100,000	17,04	171,711		1,713,177	3,718,17		

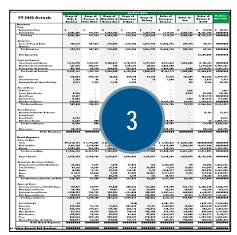
- No use of allocation rules
- Reflects general ledger activity
- Reorganization of transactions to align with unit and account definition

### **Baseline Model**



- All data-driven allocation rules
- Reflects internal economy
- Baseline for sensitivity analysis

### **Customized Model**



- Highly customized incentives to drive mission-critical needs
- Fits with University culture and strengths
- Features strategic investment pool for University priorities

During model orientation meetings with the Deans, we will present the current "Actuals Model". During our next set of meetings, we will review the various allocation methodologies that make up the "Baseline Model".

### **Next Steps**

In accordance with the proposed project plan, Huron suggests the following next steps:

- 1. Continue to organize, interpret, and analyze financial and activity-level data
- 2. Incorporate Committee feedback to refine guiding principles and unit classifications
- 3. Continue to build the "Actuals" model framework and structure
- 4. Reconvene at the next steering committee meeting on 3/13



# HURON



550 W Van Buren St #1700, Chicago IL, 60607



(312) 583-8700



www.huronconsultinggroup.com