Assessing Strategic Institutional Objectives at The University of Chicago

Effectively Communicating Financial Strategies to the Board

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Speaker Introductions

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Presentation Agenda

- Overview of UChicago
- UChicago Strategic Planning Process Evolution
- Overview of Huron Consulting Group
- Developing a Leading Forecasting Process
- UChicago Current State Planning Process
- UChicago Strategic Planning Model Demo
- Q&A
Overview of The University of Chicago
About the University

• Established in 1890, by John D. Rockefeller

• The University consists of the undergraduate College, five graduate divisions, five professional schools, a school of continuing education, and manages a medical center and two research laboratories

• Students:
  • 5,700 undergraduate
  • 9,500 graduate

• 2,190 full-time faculty

• 89 Nobel Prize winners, including 7 current faculty
About the University

• The University embarked on an aggressive growth plan in early 2008
• In 2009, the financial crises reduced University net assets by 23%
• In 2013, University net assets returned to 2007 levels

Select financial highlights (FY14):
• $3.5 billion Operating Budget
• $8.1 billion in Total Assets
• $7.4 billion in Endowment

• Currently in the public phase of a $4.5B campaign
University of Chicago Budget Overview

Operating Revenue

- Private Gifts, Grants, & Contracts: 9%
- Gov’t Grants & Contracts: 10%
- Net Tuition & Fees: 11%
- Endowment Payout: 11%
- Other: 14%
- Total: 100%

Operating Expense

- Compensation: 57%
- Supplies, Services & Other: 33%
- Depreciation: 7%
- Interest: 4%
- Total: 100%
University of Chicago Strategic Planning Process Evolution
University of Chicago Budgeting and Planning

- Reports to Provost with a dotted line to CFO
- Mix of incremental and “every tub on it’s own bottom” budgeting
- Over 30 executive levels submit budgets
- Legacy HR and financial systems are antiquated – limiting the ability to extract insight
- Must provide frequent updates to the Board of Trustees and planning committees – governing bodies have taken a greater interest in finances, post-crisis
Re-allocation of Time and Effort

At a time with many budget offices are being asked to do more and more, universities must refocus how time and effort is spent on budgeting and planning.

Spending Limited Amounts of Resources (Time, Effort, etc.)

More Clerical

More Analytical

Spending Large Amounts of Resources (Time, Effort, etc.)

Data Analysis, Scenarios, Planning

Goal

Budget Template Development, Data Compilation, Consolidation

Goal
## Selecting a Tool – why Oracle Hyperion?

<table>
<thead>
<tr>
<th>Past Drawbacks</th>
<th>Current Benefits</th>
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<tbody>
<tr>
<td><strong>Budget</strong>&lt;br&gt;Development, Submission, Consolidation, Reporting and Monitoring</td>
<td><strong>Enterprise Wide System</strong></td>
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<tr>
<td>• Poor Version Control</td>
<td>• Data integration</td>
</tr>
<tr>
<td>• Error-prone</td>
<td>• Web-enabled and integrated with MS Office</td>
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<tr>
<td>• Cumbersome to create templates</td>
<td>• Consistent, pre-formatted, easily navigable</td>
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<tr>
<td>• Difficult and time consuming to consolidate</td>
<td>input templates</td>
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<tr>
<td>• No drill-down ability</td>
<td>• Ability to pre-populate assumptions</td>
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<tr>
<td>• Limited management reporting</td>
<td>• Automated consolidation</td>
</tr>
<tr>
<td>• Lack of transparency</td>
<td>• Integrated analytic capabilities with drilldown</td>
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<td></td>
<td>• PDF ready reporting</td>
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Budget and Strategic Planning Integration Vision

Through increased use of technology, the budget and strategic planning processes are closely aligned and updated easily.

Strategic Planning

- Long-term Planning
- Donor Development
- Treasury Strategies
- Brand Management

Strategic Finance

Seed plans with strategic targets

Delphi (budget planning)

Update strategic plans with latest forecasts

Planning and Forecasting

- Annual Budget
- Periodic Forecasts
- Workforce Planning
- Capital Planning
Legacy Model Limitations

- Excel-based, all-funds, budget-based model – did not contain all of the information necessary for GAAP forecasting

- Updated annually – cumbersome input/driver data requires significant effort to remain timely and consistent

- All-or-nothing scenarios – scenario building required re-writing large parts of the model and then maintaining multiple models

- Limited version control, linked workbook input – input data becomes out-of-sync or corrupted easily

- Tedious drill-down analysis – multi-tab data dependency searches

- Limited cash flow forecasting – accounting integrity is not built-in
Hyperion Strategic Finance Goals

• Efficiently update model on an as needed basis but at least quarterly

• Enable sensitivity analysis to gauge the strategic impact of various drivers

• Leverage Crystal Ball for stochastic analysis

• Produce standardized GAAP schedules

• Project operating budget in the standard format

• Ability to analyze cash flow and evaluate borrowing alternatives

• Incorporate additional inputs/logic from external customers

• Track key metrics and covenants
Selecting an Implementation Partner

• Expert Hyperion resources – both technical and functional

• Deep industry expertise – Higher Education is unique from other industries

• Full EPM and BI expertise

• Consultants with deep finance and accounting backgrounds

• A key focus on training enablement and knowledge transfer throughout implementation

• Proven implementation experience and client success stories
Overview of Huron Consulting Group
Huron Higher Education Overview

**Strategy**
We partner to develop strategies and actionable plans to improve performance at the institutional, school, or department levels.

**Technology**
Our solutions help clients better utilize technology to support the core administrative processes across the enterprise, as well as understand and manage the costs associated with technology.

**Operations**
We deliver solutions that span all functional areas including human resources, finance and accounting, procurement, facilities, information technology, research administration, clinical research, student administration, enrollment management, auxiliary enterprises, among others.
About Huron – Performance Management and Analytics

Services Include:
- Key Performance Indicators/Chart of Accounts Analysis
- Driver Analysis
- Process Improvement
- Initiative Assessments
- Project & Process Roadmap

Services Include:
- Long Range Planning
- Stochastic Analysis
- Treasury Modeling
- Capital Projects
- Tax Modeling
- Strategic Initiative Analysis

Services Include:
- consolidations
- Financial Close
- Account Reconciliations
- Tax Provisioning
- External (XBRL) Reporting
- Enterprise Migrations

MDM&G Services Include:
- Financial & Analytical Master Data Management
- Data Governance and Managed Change Processes

BI Services Include:
- Dynamic Reporting and Analysis
- Dash Boarding and KPI Presentation

Full EPM / BI Capabilities
Oracle Platinum Partner
Oracle CAB / Beta Program
Regional SI Award (2013)
Strategic Finance Central
Developing a Leading Forecasting Process
Adopting an enterprise management system such as Hyperion Planning helps institutions better leverage their data in more strategic ways, leading to a greater level of data-driven decision making.

Overview of Enterprise Management System:

**Data Inputs:** Data from independent source systems are integrated into a central system.

**Enterprise Management System:** Quick, meaningful analyses can be conducted through the power of the system.

**User Experience:** Analyses are accessible through reports and dashboards that contribute to a user-friendly experience.

An enterprise management system will integrate data and allow an institution to analyze the impact of decisions across functions, providing a strong foundation for improved resource management.
Developing a Leading Forecasting Process

What is Possible (Guidance/Scenarios)

- Capital Project XYZ
- Government Regulation/Aid
- Tax Exempt Bond Issuance
- Strategic Initiatives

Strategic Plan / Initiatives and Event-Driven Activities

Long-Range Plan (Strategic Planning, Full Financial Statement Modeling (IS/BS/CF/KPI's, Project Planning, Treasury/Liquidity, Tops-Down)

Target Setting

Budget (Annual Operating Plan, Allocations, CAPEX Planning, Labor Planning)

What is Expected (Detailed Performance)

Forecast (Assumptions, Performance Reviews)

YTD Actuals

Rolling Forecast (Driver-Based Planning, Key Performance Indicators)

YTD Actuals

Reforecast of Long-Range Plan

COMMON ASSUMPTIONS AND DRIVERS

Months / Quarters 1 Year 3+ Years
Deploying a Leading Forecasting Process

There are several key factors important to developing successful EPM system implementations:

- Understand why you are implementing the system
- Focus on people and process along with technology
- Be thoughtful about your implementation team
- Engage with users and solicit ongoing feedback on system design and configuration
- Begin with the end in mind. Start with the outputs/reports and work backwards
- Develop and execute a change management strategy
- Send people to training, then continue to train them
- Manage scope through consideration of pre and post go-live system enhancements
- Communicate regularly about progress and engage leadership in decision-making

Huron’s qualifications as a leader in four key areas will help your institution achieve its goals:

- Unparalleled Higher Education Experience
- Complete Service Offering Across Hyperion Suite
- Best Practices Beyond Industry Peers
- Business Is Personal
University of Chicago Current State Planning Process
The Solution – Improved Strategic Planning

• Hyperion Strategic Finance (“HSF”) integrated with Crystal Ball (“CB”)
• Fully integrated long range model to produce a complete 10-year projection
• Output GAAP and University Budget formats for stakeholders
• Turnaround scenarios to address strategic questions asked by senior leadership in minutes which previously took hours in Excel
• Single driver-based model that integrates all aspects of the University’s financial plan
  – Key drivers (Tuition, Enrollment, Faculty, etc.)
  – Endowment
  – Treasury
  – Capital projects
  – Financial statements (P&L, Balance Sheet, Cash Flow)
  – Key metrics
Hyperion Strategic Finance Model Structure

For each of 6 channels:
- College & Divisions
- Professional Schools
- Academic Operations
- Institutional Support
- Central Budget
- Biological Sciences

Adjustment Items

Restricted Revenue

Unrestricted Revenue

Expenses

University Allocation

Endowment Model

Capital Project Schedule

Debt Schedule

Funding Routine

University Budget

Statement of Activities

Statement of Cash Flows

Balance Sheet

Financial Ratios

Assets

Liabilities

Net Assets

Input projections
Intermediate calculations
Output reports
The Solution – Improved Risk Analysis

Crystal Ball was integrated with HSF to increase insight into the uncertainty of UChicago’s key performance indicators.

- Run Monte Carlo simulation on key drivers including:
  - Endowment return
  - Federal support
  - Private gifts
- Defining ranges and correlations around these inputs
- Better quantify risk associated with key strategic decisions
The Solution – Improved Communication Effectiveness

Improved communication effectiveness with senior leadership through:

- Decreased overall long range planning timeline
- Created quicker turnaround for what-if scenarios
- Provided more insight into the University’s financial outlook
- One version of the truth for collaboration and communication in meetings
- More proactive rather than reactive to potential ad-hoc requests
- Ability to communicate recommendations based on robust financial analysis and the evaluation of strategic options to support strategic decision making
Managing Ongoing Strategic Planning Challenges

• Scenario management
  ✓ Proliferation of scenarios handled through modularization and use of “combined” scenarios

• Budget execution
  ✓ A mismatch in budget and strategic plan granularity requires additional consideration

• Budget preparation
  ✓ Managing to a GAAP result requires thoughtful budget preparation and revenue projection
University of Chicago Strategic Planning Model Demo
Hyperion Strategic Finance Demo

1. Financial reports and drill-down capabilities

2. Accounts tab and forecasting process

3. “What-if?” scenarios
   - Enrollment
   - New Dorm
   - Big Donor

4. Goal Seek

5. Scenario comparison
Q&A
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