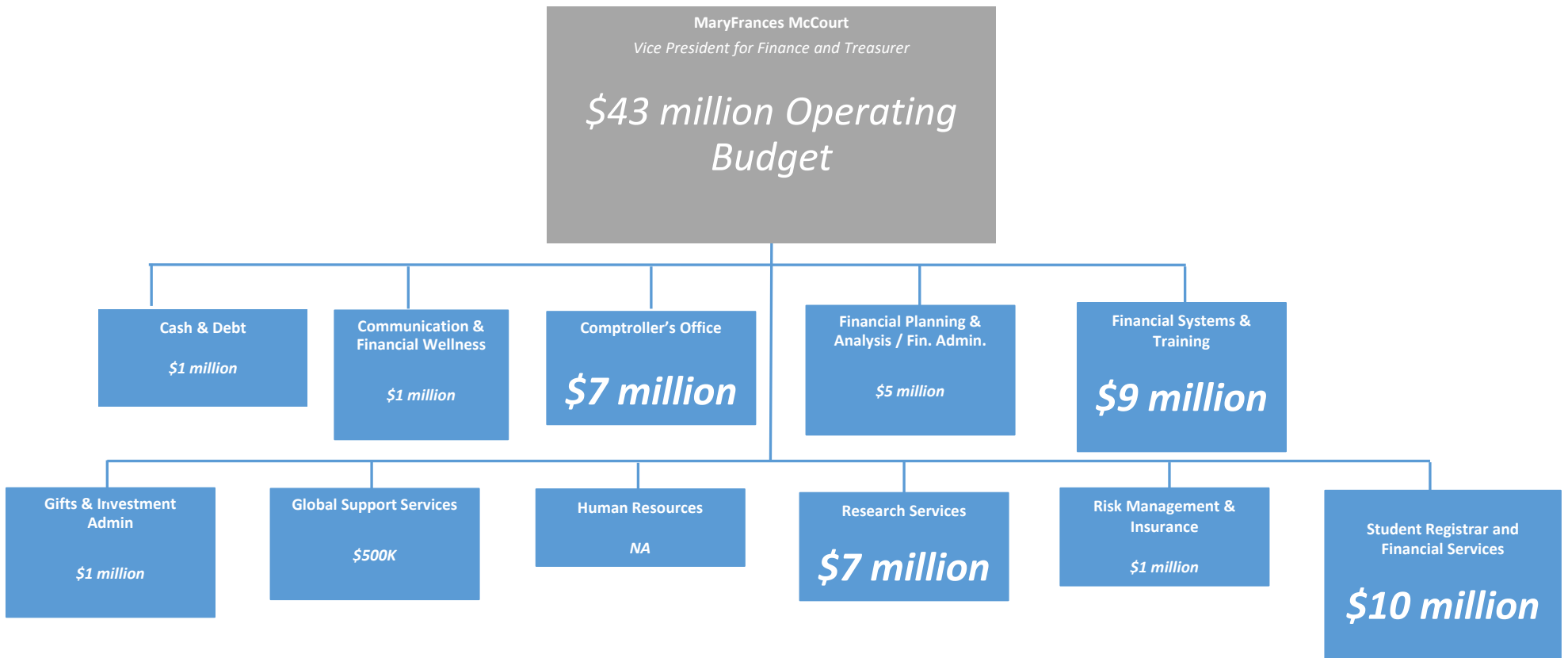


Division of Finance Budget Process Case Study

Wednesday, February 17, 2021
2:00 p.m.



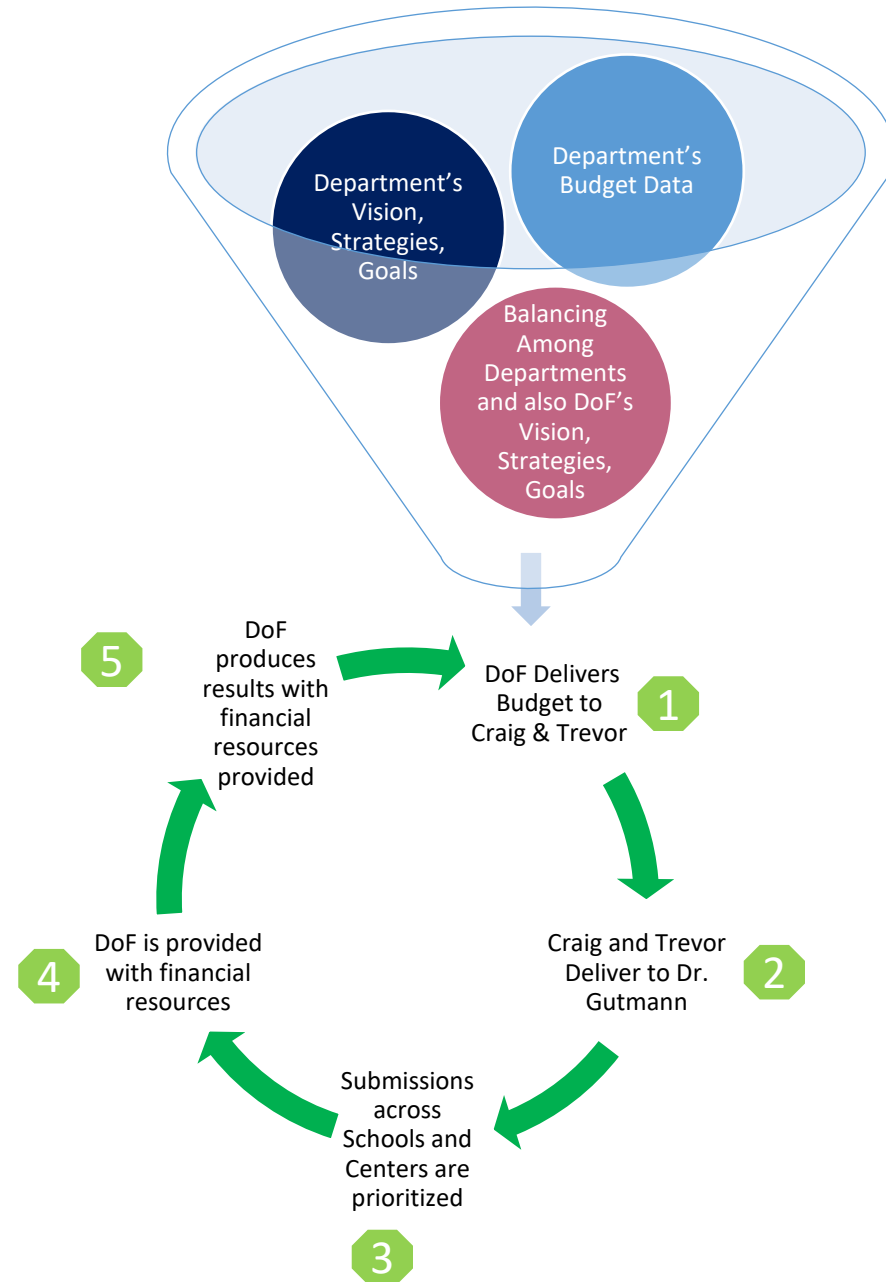
- The purpose of this case study is to illustrate the potential value that the Data Delivery Committee could add to existing analyses throughout Division of Finance and also create new and elevated analyses by **improving delivery methods to decision makers**
 - Prior to the creation of Financial Planning & Analysis (“FP&A”) department of Division of Finance, the budget process for Division of Finance did not have a method of reviewing the budgets of the 9 departments within DoF in a **streamlined and consistent manner**
 - In 18 months, we believe much progress has been made and the refined data delivery has been well received, disseminated to other centers within Penn via recommendation and requests for consultations and have **produced financial resources for Division of Finance**
 - But the **work continues**

Below is DoF's budget summary provided to the VP of Finance in January 2019

Division of Finance
000000
FY19

	Final FY18	Final FY19	Working FY19	Final FY19		Working FY20	Working FY21	Working FY22	Working FY23	Working FY24	NOTES
	Actual	Budget	Forecast	Actual	FY19 B vs FY20 B	Budget	Budget	Budget	Budget	Budget	
	YearTotal	YearTotal	YearTotal	YearTotal		YearTotal	YearTotal	YearTotal	YearTotal	YearTotal	
4131-GEN FEE U/G	0	-3023157	-3023157	0	0.02	-3083621	-3145293	-3208199	-3272363	-3337810	
4132-GEN FEE GRAD	-2963880	0	0	-1763508		0	0	0	0	0	
4139-OTHER FEES	-1824647	-2300000	-2280000	-1385319	(0.01)	-2280000	-2280000	-2280000	-2280000	-2280000	
4138-MANUAL T&F	-464638	0	0	-263140		0	0	0	0	0	
4780-TIF INV INC	-49	0	0	-317		0	0	0	0	0	
4791-INV INC ADM REC	-1210487	-1242636	-1242636	-724871	0.03	-1277949	-1313428	-1349076	-1387498	-1424602	
4901-RENT REAL PROP	0	-42000	-42000	0	-	-42000	0	0	0	0	
4915-INTEREST ON LOANS	-84	0	0	-453		0	0	0	0	0	
4920-MISC REV	-18337	-19500	-19500	-9933	-	-19500	-19500	-19500	-19500	-19500	
5807-FFAC UNIV SERVICES	-21028502	-20698064	-20698064	-12073871	0.02	-21112025	-21541642	-22188154	-22362291	-22817613	
5813-FFAC RESEARCH	-6129000	-6251580	-6251580	-3646755	0.02	-6376612	-6504144	-6634227	-6766911	-6902249	
4820-RESOURCE TRANSFERS IN	-1980076	-1276775	-1527351	-442145	0.27	-1623500	-2153250	-1159000	-1165000	-1171358	SPF transfers for Fin System and Comptroller
4825-RESOURCE TRANSFERS OUT	1665574	97063	38151	44593	(1.00)	0	0	0	0	0	
5509-OTHER OH RECOVERY	-1029016	-960132	-915132	-476230	(0.09)	-875132	-811132	-806132	-771132	-776132	reduction in SRFS recoveries
K035-TOTAL REVENUES & TRANSFERS	-34983143	-35716781	-35961269	-20746450	0.03	-36690339	-37768389	-37644288	-38024695	-38729264	
K052-Salaries	17189291	18656638	18305906	10284051	0.05	19675406	20260642	21074957	21697984	22338881	
K056-Total Compensation	23021967	24766028	24300225	13655402	0.05	26100288	26876873	28020583	28915858	29814778	
K057-Travel & Entertainment	212356	211340	222110	145541		238772	243767	245921	248818	251385	
5220-EXT OFF SUPPLY	78201	0	0	42074		0	0	0	0	0	
5223-Software/Apptio	358173	0	0	175912		0	0	0	0	0	
5226-EXT DUPLICATE	13817	0	0	4448		0	0	0	0	0	
5249-Supplies FB	50372	572136	687750	22112		689394	649509	656298	667286	677177	
K058-Supplies & Minor Expense	598397	572136	687750	333544		689394	649509	656298	667286	677177	
K059-Non-Capitalized Equipment	191691	194166	250399	196333		370041	290841	239980	239005	224036	FY20-replace large hardware
K060-Rentals & Leases	215575	46206	205250	125818		205829	206532	207272	208044	208729	
K061-Communications & Computing, In	330702	2973695	3054522	2197132		3235757	3496851	3362249	3466185	3572930	
5306-Outside Services/Apptio	1676420	0	0	1328882		0	0	0	0	0	
5308-Computing, External FB	97420	1862427	1793155	277649		1966515	2927305	1964958	1974202	1985742	
K062-Communications & Computing, Ex	1906594	1862427	1793155	1670847		1966515	2927305	1964958	1974202	1985742	FY21 \$1M Oracle upgrade
5300-ACCT&AUDIT SVCS	1364033	0	0	861799		0	0	0	0	0	
5301-LEGAL SVCS	6296	0	0	4908		0	0	0	0	0	
5302-MGMT SVCS can be F and B	696169	0	0	78632		0	0	0	0	0	
5303-EXT TRAINING	69619	0	0	10329		0	0	0	0	0	
5304-INT TRAINING	18980	0	0	37205		0	0	0	0	0	
5305-EMP RECRUIT	645	0	0	0		0	0	0	0	0	
5319-OTHER PROF SVC	300	0	0	0		0	0	0	0	0	
5324-BANK FEES	71179	0	0	215875		0	0	0	0	0	
5326-AGY PERSON SVC can be F and B	176559	0	0	44572		0	0	0	0	0	
5327-EMP RELOCTN	4720	0	0	0		0	0	0	0	0	
5330-INT REC STORE	153564	0	0	22225		0	0	0	0	0	
5331-Hardware/Apptio	291277	0	0	185581		0	0	0	0	0	
5340-INT OTH SVCS	-123070	0	0	-74549		0	0	0	0	0	
5339-Services FB	1174682	3849984	4283821	713402		3787736	3801332	3598474	3208938	3300605	
K063-Professional & Other Services	3904950	3849984	4283821	2099978		3787736	3801332	3598474	3208938	3300605	
K064-Operations & Maintenance	79015	242694	119873	71834		86755	86964	83988	85494	82359	
K067-Current Expense	10679260	9959895	10624227	6821501	0.06	10588213	11710685	10366899	10105909	10311083	
5800-O & M CHARGES	1139000	1105000	1105000	644583	(0.03)	1070000	1201283	1231320	1262260	1315373	
5803-FAC RENEWAL CHARGES	177000	190000	190000	110833	0.03	195000	202948	213095	223750	234937	
K085-Allocated Cost & Space Charges	1316000	1295000	1295000	755417	(0.02)	1265000	1404231	1444416	1486010	1550310	
K087-TOTAL EXPENDITURES	34983144	35765922	35894452	21139385	0.05	37622452	39659657	39498652	40173383	41340596	
K088-RCM OPERATING (SURPLUS)/DEFI	0	49141	-66817	392955		932113	1891268	1854363	2148689	2611332	includes ORS deficits

- MaryFrances & FP&A needed an improved way to **gather the budget data** from the departments so that we could **better deliver data** to Craig and Trevor to ensure that DoF received sufficient financial resources to achieve its strategic goals and priorities



- **Data Gathering:** To insure that the department level budgets were being reviewed in detail at the department level in an efficient manner, FP&A rolled out **user friendly templates**
 - For both excel that was linked to smartview/Hyperion Planning (the software used by the Budget Office) and...
 - PowerPoint presentation to be reviewed with MaryFrances on a **quarterly basis** instead of once a year

Timeframe for Individual Meetings w/ Departments	Agenda
End of September 2019 - Early October 2019:	Review FY20 1st Quarter Forecasts and FY21-25 Budgets
End of December 2019 - Early January 2020:	Review FY20 2nd Quarter Forecasts and FY21-25 Budgets
End of March 2020 - Early April 2020:	Review FY20 3rd Quarter Forecasts and FY21 Budget
July 2020 - August 2020:	Review FY20 Actuals

- Having the 9 departments use the same **user friendly** templates allowed for
 - uniformity** which translated to **faster data gathering and aggregation** and lead to more time and energy that could be dedicated to thoughtful review by MaryFrances and FP&A ...

University of Pennsylvania

Division of Finance: 8740-Student Registration & Financial Services

Fund Name: 000000-GENERAL UNRESTRICTED

FY2020 Forecast (in 1st Qtr) and FY2021-2025 Budgets

Data in Hyperion as of: 9/22/2020

Line #:	\$Amounts	Final Actual FY15	Final Actual FY16	Final Actual FY17	Final Actual FY18	Final Actual FY19	Working Forecast FY20	Working Budget FY21	Working Budget FY22	Working Budget FY23	Working Budget FY24	Working Budget FY25	Average FY15-FY19	Average FY20-FY25
1	General Fee U/G, Grad	2,792,930	2,848,789	2,905,765	2,963,880	3,023,157	3,083,621	3,145,293	3,208,199	3,272,363	3,337,810	3,404,567	2,906,904	3,241,976
2	Other Fees	2,279,953	2,267,030	2,568,173	2,289,286	2,355,387	2,320,000	2,320,000	2,320,000	2,320,000	2,320,000	2,320,000	2,351,966	2,320,000
3	Investment Income Admin	-	-	-	-	-	-	-	-	-	-	-	-	-
4	FFAC	3,664,283	3,737,569	3,637,569	754,234	1,120,000	808,211	824,375	840,863	857,680	874,834	892,330	2,582,731	849,716
5	FFAC Research	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Resource Transfers In & (Out)	1,077,738	1,000,435	841,620	1,235,451	682,252	747,500	747,500	747,500	747,500	747,500	747,500	967,499	747,500
7	All Other	1,765,943	1,692,259	1,554,011	1,029,016	908,812	890,132	831,132	826,132	791,132	796,132	796,132	1,390,008	821,799
8	Total Revenue	11,580,847	11,546,083	11,507,138	8,271,866	8,089,607	7,849,464	7,868,300	7,942,694	7,988,675	8,076,276	8,160,529	10,199,108	7,980,990
9														
10	Salaries	5,715,699	5,929,160	5,760,112	4,916,621	4,796,426	5,609,085	6,171,125	6,655,591	6,855,259	7,060,917	7,272,744	5,423,604	6,604,120
11	Employee Benefits	1,958,979	2,007,832	1,893,331	1,671,635	1,572,810	1,778,080	1,987,102	2,176,378	2,275,946	2,365,407	2,436,369	1,820,918	2,169,880
12	Comm. & Computing Internal	1,221,112	2,282,928	1,841,231	207,449	202,609	48,000	48,000	48,000	48,000	48,000	48,000	1,151,066	48,000
13	Comm. & Computing External	125,395	112,625	103,599	97,958	85,891	88,600	92,600	87,600	85,600	85,600	85,600	105,094	87,600
14	Professional Services	1,141,492	1,162,190	1,263,826	1,493,586	1,040,201	689,500	679,500	679,500	679,500	679,500	679,500	1,220,259	681,167
15	All Other Expenses	335,016	289,663	221,153	129,060	103,476	44,400	186,400	191,400	143,400	130,400	130,400	215,673	137,733
16	Allocated Cost & Space Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Total Expenses	10,497,693	11,784,398	11,083,251	8,516,308	7,801,413	8,257,665	9,164,727	9,838,469	10,087,705	10,369,824	10,652,613	9,936,613	9,728,501
18														
19	RCM Operating SURPLUS/(DEFICIT)	1,083,154	(238,315)	423,887	(244,442)	288,193	(408,201)	(1,296,427)	(1,895,775)	(2,099,030)	(2,293,548)	(2,492,084)	262,495	(1,747,511)
20														
21	Year over Year Change %	Actual FY15	Actual FY16	Actual FY17	Actual FY18	Actual FY19	Forecast FY20	Budget FY21	Budget FY22	Budget FY23	Budget FY24	Budget FY25	Average FY15-FY19	Average FY20-FY25
22														
23	General Fee U/G, Grad	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
24	Other Fees	4.2%	-0.6%	13.3%	-10.9%	2.9%	-1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	-0.3%
25	Investment Income Admin	-	-	-	-	-	-	-	-	-	-	-	-	-
26	FFAC	-3.3%	2.0%	-2.7%	-79.3%	48.5%	-27.8%	2.0%	2.0%	2.0%	2.0%	2.0%	-6.9%	-3.0%
27	FFAC Research	-	-	-	-	-	-	-	-	-	-	-	-	-
28	Resource Transfers In & (Out)	42.0%	-7.2%	-15.9%	46.8%	-44.8%	9.6%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%	1.6%
29	All Other	0.9%	-4.2%	-8.2%	-33.8%	-11.7%	-2.1%	-6.6%	-0.6%	-4.2%	0.6%	0.0%	-11.4%	-2.1%
30	Total Revenue %	3.2%	-0.3%	-0.3%	-28.1%	-2.2%	-3.0%	0.2%	0.9%	0.6%	1.1%	1.0%	-5.6%	0.2%
31														
32	Salaries	-0.1%	3.7%	-2.9%	-14.6%	-2.4%	16.9%	10.0%	7.9%	3.0%	3.0%	3.0%	-3.3%	7.3%
33	Employee Benefits	0.9%	2.5%	-5.7%	-11.7%	-5.9%	13.1%	11.8%	9.5%	4.6%	3.9%	3.0%	-4.0%	7.6%
34	Comm. & Computing Internal	-5.5%	87.0%	-19.3%	-88.7%	-2.3%	-76.3%	0.0%	0.0%	0.0%	0.0%	0.0%	-5.8%	-12.7%
35	Comm. & Computing External	10.2%	-10.2%	-8.0%	-5.4%	-12.3%	3.2%	4.5%	-5.4%	-2.3%	0.0%	0.0%	-5.2%	0.0%
36	Professional Services	17.3%	1.8%	8.7%	18.2%	-30.4%	-33.7%	-1.5%	0.0%	0.0%	0.0%	0.0%	3.1%	-5.9%
37	All Other Expenses	-52.8%	-13.5%	-23.7%	-41.6%	-19.8%	-57.1%	319.8%	2.7%	-25.1%	-9.1%	0.0%	-30.3%	38.5%
38	Allocated Cost & Space Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Total Expenses %	-2.4%	12.3%	-5.9%	-23.2%	-8.4%	5.8%	11.0%	7.4%	2.5%	2.8%	2.7%	-5.5%	5.4%

- ...Facilitated higher level discussions with department heads, focusing on the financial needs of the department to **achieve its strategic goals** and not in the weeds of small dollar amounts, objects codes and/or RCM semantics

Penn Ongoing Reorganization

The Division of Finance (DoF) has experienced considerable organizational change over the past few years and is expected to further evolve through FY20. Restructuring has occurred as we:

- Better align ourselves with relevant best practices
- Rethink reporting lines resulting from retirements, adjust from transaction based work to consultative and decision support roles
- Fill in for gaps of service and knowledge as the breadth, depth, and complexity of the university evolves

Update on Division of Finance 5

Penn FY19 Accomplishments and FY20 Priorities

During this time of organizational assessment and restructuring, the Division has been involved in several key initiatives, in addition to leading roles in HCM and NGSS. Some were one time system/ process enhancements, while others were more comprehensive with several spanning multiple years. Major initiatives for FY19 and FY20 include:

- Improving the compliance and customer service posture of SRFS, as we lay the foundation for a Student One Stop Shop
- Improving Penn community communications with a focus on student communications
- Developing Global Centers of Excellence and improved global analytics
- New accounting standards for revenue recognition and leases
- Tax reform
- Comprehensive property and casualty insurance program review
- \$200 million debt issuance for 100% reimbursement at closing for prior capital spending
- \$150 million of cash will be invested into ITF and AIF (50% each) by FY19 year end
- Successful indirect cost recovery proposal & renegotiation
- Research compliance policy, process, and audit work to combat repeated PwC audit significant deficiencies, predominantly related to cost transfers

Update on Division of Finance 7

Penn Request for Additional Resources

Request for Additional Resources 19

Penn Division of Finance - Special Purpose Fund/Reserves

Division of Finance Special Purpose Fund balances are projected to go into deficit by FY24 due to spending on various projects detailed below.

Planning As of 1/31/2019	Actual FY18	Forecast FY19	Budget FY20	Budget FY21	Budget FY22	Budget FY23	Budget FY24	FY20-24 Total
Cash Position Surplus / (Deficit)	\$ 17,098,000	\$ 16,392,000	\$ 16,283,000	\$ 16,242,000	\$ 16,200,000	\$ 16,158,000	\$ 16,117,000	\$ 16,123,000
DoF contribution to One-Time Expenses and/or Deficit ⁽¹⁾		\$ (775,000)	\$ (250,000)	\$ (250,000)	\$ (250,000)	\$ (250,000)	\$ -	\$ (1,000,000)
HCM Conversion ⁽²⁾			\$ (238,400)					\$ (238,400)
PwC dedicated engagements and Other Expenses ⁽³⁾			\$ (300,000)	\$ (750,000)	\$ (750,000)	\$ (750,000)	\$ (750,000)	\$ (3,500,000)
One Stop Shop for Students ⁽⁴⁾			\$ (3,500,000)					\$ (3,500,000)
Financial Systems Projects/Upgrades ⁽⁵⁾			\$ (1,200,000)	\$ -	\$ (170,000)			\$ (1,370,000)
Total Spending Projections for SPP	\$ -	\$ (775,000)	\$ (4,489,400)	\$ (2,200,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (750,000)	\$ (10,414,400)
Cash Position Surplus / (Deficit) Reflecting Spending	\$ 17,098,000	\$ 16,121,000	\$ 11,853,600	\$ 9,692,000	\$ 8,658,000	\$ 8,658,000	\$ 8,658,000	\$ (116,400)

Reserves 22

Accomplished

- ✓ Uniformity across departments using templates
- ✓ Aligning data gathering and delivery with strategic conversations

Ongoing Improvements

- ❑ Innovating ways for data gathering and delivery to produce expense savings or revenue increases
- ❑ Optimizing limited financial resources to improve organization structure and business processes
- ❑ Data delivery must be in the context of the larger vision and priorities of Penn and the changing landscape of higher education and the world