

All Task Force Comments Received on the Central Cost Working Group Recommendations and Report

November 2016

Recommendation 1: Use a system-based set of central costs and related use metrics to allocate costs including a space step-down method.

1. Yes.
2. I agree with this recommendation.
3. seems valid
4. Makes sense.
5. After hearing this group's report, which was impressive, I agree that a space step-down method makes the most sense.
6. This process seemed very transparent and understandable; having access to the complete list of central costs will be helpful moving forward.
7. This recommendation appears reasonable.
8. Agree
9. Complete agreement.

Recommendation 2: Establish central cost pools based on specific allocation metrics that combine central units according to the general type of services provided.

1. Yes. The devil is in the details, but in principle this is a good idea.
2. I agree with this recommendation.
3. seems valid
4. Makes sense.
5. This makes sense to establish central cost pools in this way.
6. So helpful to limit the number of metrics considered.
7. This recommendation appears reasonable.
8. Are we including grant expenditures or not including them? Not sure from the recommendation.
9. Based on the FACR group's recommendations, the exclusion of FACR expenditures here needs to be revisited. If the FACR revenue is significantly shifted to the revenue units, then FACR revenue should be a component for many of the costs pool allocations (e.g. Office of Research, some portion of the Libraries' costs, etc.). NOTE: The wording of this recommendation is unclear and may result in confused responses.

Recommendation 3: Distribute space costs to revenue and central units based on square-footage.

1. yes.
2. This sounds reasonable.
3. I agree with this recommendation.
4. sounds valid

5. Makes sense, but what about programs that are in areas to which they were assigned that might have more square footage than needed. For example, some offices are in buildings with large rooms and it is more cost effective to use existing structures than renovate.
6. The quality of space is not equally distributed across campus, therefore I believe the condition of space somehow needs to be taken into account in these calculations.
7. Very easy to follow and transparent metric.
8. This recommendation appears reasonable. Has leased space been considered/addressed in this square-footage allocation method?
9. This was be difficult to manage. Not all schools control their classroom space.
10. Complete agreement. If a differential rate can be established for lab space, then that should be added to this recommendation too.
11. [There are] youth programs associated with the Mary and Frances Youth Center... That center was given to VCU by a donor to be the home for the Lobs and Lessons program and related youth programs. How does that work with the space allocation and will the programs located there now have to pay? I don't think that would make the donor very happy.

The other space in question is the living learning programs -- those residence halls were designed to have classrooms and meeting areas that are linked to the academic programs within the building. The classrooms are also centrally scheduled when not in use by the LLP's. Who "owns" or gets charged for those spaces?

Recommendation 4: Distribute costs based on total expenditures recorded by each revenue unit or school, excluding FACR and grant expenditures.

- **NOTE: This recommendation appeared in the working group draft summary, but was not included in the final version. This recommendation was erroneously included on the feedback form. The working group thought this error might have led to some confusion. One Task Force member expressed confusion.**

The group's chair noted: "I just noticed that the central cost group recommendations on the Google survey form are different than the Google doc that we collaborated on. Specifically, there are five recommendations on the form and four on the document. Recommendation #4 on the form is the main difference. It gives the impression that all non-space related costs are to be allocated based entirely on the expenditures of revenue units. I also think that the wording of #2 continues to be confusing. In its current form I don't think that it is clear that we are talking about both organizing central unit into similar pools and allocating those pools costs on based on the list of metrics...so please take that into account when analyzing the results.

1. Yes. HOWEVER, additional care should be invested to develop some sort of MODIFIED TOTAL EXPENDITURE and not straight expenditures from the GL. There may be some costs that should be excluded, for example, those that directly benefit the students and whose inclusion may create incentives that would negatively impact specific student groups.
2. I agree with this recommendation.
3. excluding grant and facr can possibly penalize a school utilizing more e&g indexes and less "other" indexes. grant indexes generate the same expenses as other index types and should have a value associated with the work a central unit provides for the grant.
4. OK.
5. I agree with this recommendation.

6. This is only helpful for unit budgeting if given an approximate prediction of this cost ahead of time - perhaps based on a 3-year average; or give units so formula for understanding the impact of spending (new hires, new positions, big purchases, etc.) on the central cost "tax" that comes back to the unit
7. This recommendation appears reasonable.
8. How are central units and revenue centers defined here?
9. This method would work best.
10. Disagree. This statement doesn't entirely match the working group's recommendations. Total revenue unit expenditures should be just one of many metrics used for allocating central costs.

Recommendation 5: Calculate the net total cost for each central unit by adding baseline expenditure budget and allocated space cost and subtracting internal charge transfers, financial aid expenditures, tuition/fee revenue, and any revenue from external sources.

1. Why NET rather than GROSS? Using GROSS provides better control of unnecessary costs.
2. I agree with this recommendation.
3. seems valid
4. OK.
5. I agree with this recommendation, provided that the quality of space is factored into the equation.
6. getting to the real cost of each unit is very important and might help us spend more wisely as an institution
7. This recommendation appears reasonable
8. This might be difficult to manage.
9. Complete agreement.

General Comments:

1. How will state funds be distributed? Will they first be used to cover central costs? Maybe this is explained and I've missed it. Will there be a central cost allocation to reward excellence? Units receive revenue based on tuition and fees which may or may not translate into excellence of programs.
2. There were a lot of difficult decisions this group had to wrestle with; they did an admirable job coming up with recommendations
3. Question: Has a decision been reached as to whether the allocations will change each year, or will they be established and remain for a set period of years (eg. three years) to allow schools better opportunity to develop long-range planning?
4. How will cost allocations be modified for schools using minimal central services in areas (i.e., Technology Services)? Some schools have resources dedicated to providing these services to their faculty, staff and students.
5. Good work! Question on the committees thoughts regarding the age of a building and/or known large ticket items of concern for buildings - how do or will such factors play into facilities cost allocation? Great point at the end of the 2nd paragraph on Overview and Recommendations regarding "efficient utilization". Question on how do you define or measure "efficient utilization" and when is it to efficient? or limiting? or lean?
6. As I stated above, there's seems to be a mistake in recommendation #4 and the wording in #2 is difficult to follow. That said, I stand by the recommendations in the working group's full document.