

Central Cost Unit Benchmarks Working Group
Of the New Budget Model Task Force (NBM)
Interim Status Report - October 2016

Working Group Members: Victoria Savoy, Task Force Lead (Pharmacy); Marc Aiello (Budget); Shannon Cribbs (Planning and Decision Support), Daniel Park (Social Work); Jacqueline Smith-Mason (Honors College); and Candice Tam (Business)

Working Group Charge: The Central Cost Unit Benchmarks working group was charged with:

- Developing one cost and one central service level benchmark, at an MBU level or higher
- Identification of two or more peer institutions providing a similar service and their benchmarking levels
- Identification of two or more aspirational peers for benchmarking
- Spreadsheet identifying how units compare currently with benchmarking

The working group focus was broadened with the addition of Ms. Shannon Cribbs to the working group, who was also developing a process to provide benchmarking information to the Southern Association of Colleges and Schools (SACS) to support required self-assessments.

Assigned Working Group Deadline: When the working groups were established, the deadline set for the Central Cost Unit Benchmarks Working Group was **November, 2016**. As such, this working group is still considered active, and has continued its research and refinement of recommendations. Therefore, this October 14, 2016 report should be considered a *status* report, and not a *final* report.

Summary of Group Work/ Research to-date: Initial research was completed to identify universities with a responsibility center management (RCM) budget model which also utilized benchmarking of central cost unit expenses. Once identified, further research was conducted on each university as to how the benchmark process worked. Research of the following universities was conducted by working group members: University of Minnesota, University of Oregon, Temple, Indiana University, Iowa State University, Kent State University, Rutgers, and University of Florida. Of these schools, only University of Florida (UF) conducted routine benchmarking as part of the budget process. A further review of the UF benchmarking process revealed a rotating cycle review, with presentations made to a 20-member Budget Review Council, which has an additional nine support staff. The Council meets six times per year to discuss budget review reports prepared by central cost areas. As an example, the report of one area –

International Center, was 28 pages, included 7 benchmarks, with comparisons to 6 other SEC schools. The remaining universities researched by the working group noted in documentation that the process was either: too labor and time intensive, too political, not developed simultaneously with the budget model itself (Kent State), or that the RCM budget model had not progressed far enough in development to include the creation of benchmarks (Rutgers.) Based upon this research, the determination was made by the working group that central cost unit benchmarks are not a routine accompaniment of an RCM budget model.

A second focus of research by the working group was internal to VCU; to determine if any central cost unit was already benchmarking itself, or its services. From this research, which included communication with a sample of central cost units, it was concluded that Information Technology, University Library, and the Graduate School were three VCU central cost units that already conducted some form of routine benchmarking, while Human Resources, and Strategic Enrollment Management do not.

A review of VCU cost centers was completed, to determine how best to establish the grouping of Major Budget Units (MBUs) to be benchmarked. Ultimately, in order to strengthen alignment within the NBM, and reduce possible conflict and contradictions, it was determined by the working group that the MBU groupings to be used to calculate benchmarks should align with the MBU groupings (also referenced as central cost pools) established for the Central Cost Allocations.

In April, 2016, the working group met with Mr. Larry Goldstein, VCU's NBM consultant, to review research conducted to-date and establish a 'reasonableness check' for possible recommendations. During the meeting, Mr. Goldstein further explained why the working group's research identified only the University of Florida as an RCM budget model school which also conducted benchmarking. In brief, Mr. Goldstein affirmed that the cost of building and maintaining a benchmark process (in time, money and personnel resources) outweighs the benefits provided by the benchmarks.

As a result of the research conducted by the group and the meeting Mr. Goldstein, the direction of the working group charge deviated slightly, to instead focus on a recommendation which would include the development of self-assessment measurements by the central cost units, which would support quantitative and qualitative measures of efficiency and effectiveness. The self-assessment measurements for a central cost unit could be bolstered by any external independent review conducted on the central cost unit, or results of the submission of benchmark information to an external third party (such as an industry association survey.) This recommendation could be used to meet both the NBM benchmarking goals, as well as the self-assessment required by SCHEV, without developing two separate systems.

In late summer, 2016 it was further determined by the working group (with input from Leslie Brown, Director of Budget) that a pilot using VCU Information Technology and University Library would be recommended, which would build upon the existing benchmarks already used by the respective areas, to create a dashboard or scorecard. The four recommended areas of measurement included: Customer Focus; Financial Perspective; Organizational Sustainability; and Operational Effectiveness. These metrics would: ensure simplicity and transparency which served a clearly defined purpose; communicate efficiency and effectiveness; and offer clarity around cost of services and service agreements.

Principal Recommendations – summary:

The principal recommendation of the working group (to-date) is the development of a dashboard or scorecard which would provide an avenue for the central cost units and the revenue generating units to discuss quality and cost. The details of the dashboard or scorecard would be tested through a pilot program with Information Technology and University Library, to take place between November 2016 and June 2017. The scope of the efficiency and effectiveness reporting as well as their purpose(s) would be defined through a review of the pilot program results, in summer and fall 2017. Once determined, the efficiency and effectiveness reporting, via a dashboard or scorecard, would be expanded to University central cost areas in alignment with the Central Cost Allocation cost pools. A copy of the principal recommendation presentation (discussed further below) is attached for additional details and reference.

Open issues, questions or concerns: The primary open issue results from an October 3, 2016 meeting with Gail Hackett, Provost; Karol Gray, VP for Finance and Budget; and Meredith Weiss, VP for Administration (VCU Senior Leadership group). Representatives of the working group presented the working group recommendations to-date to the VCU Senior Leadership group, and received additional direction. This additional direction is – in addition to the pilot program and development of the efficiency and effectiveness reports discussed above, it was requested that benchmarks of cost and service levels should be developed first, with comparison to select peer institutions. The implementation of the benchmarks should coincide with the implementation of the NBM.

An additional open issue/concern of the working group is based upon the research conducted on other RCM universities, and the obvious lack of benchmarking conducted at these institutions. What is the amount of time and effort that may be necessary to properly maintain a benchmarking process on an ongoing basis? How much infrastructure will the University be willing to build and maintain, in order to generate the data necessary to calculate the benchmarks? Will the benchmarks require an additional University group to make the efficiency and effectiveness decisions, or support the as yet defined additional purpose? At what point does the benchmarking process simply become an additional central cost which must also be allocated out to the revenue generating units?

General questions/concerns beyond your group's charge: Several questions/concerns have arisen during the course of the working group's research:

- Intended use of the benchmarks and efficiency and effectiveness reports? The initial purpose appears to be to support quality assurance. But will the benchmarks and efficiency and effectiveness reports also be used to support increased/decreased budget allocations (either in funds or headcount) or some other University initiative?
- Scope of reporting – i.e., at what level will benchmarks and efficiency and effectiveness reports be required? MBU, Central Cost pools, other?

List any data questions/concerns:

- Consistency of data, if self-assessment by central cost units is the agreed upon mechanism
- Inconsistent alignment between the Central Cost allocation process and the Central Cost benchmarking process, resulting in inaccurate reporting, and decision-support
- Existence in current VCU systems of the necessary data elements to support calculation of benchmarks and/or efficiency and effectiveness reports

Data Sources:

U of Florida RCM Website:

<http://cfo.ufl.edu/rcm/>

U of Florida Budget Review Council:

<http://cfo.ufl.edu/media/cfoufledu/Budget-Council-Roster-2015-16.pdf>

U of Florida RCM 2014/2015 Budget Review for International Center:

http://cfo.ufl.edu/media/ufledu/content-assets/cfoufledu/documents/2014-2015-meetings/Comprehensive-Budget-Review_Final.pdf