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VIRGINIA COMMONWEALTH UNIVERSITY

Allocation of Central Unit Costs

Presentation to VCU New Budget Model Task Force

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Central Cost Allocation Working Group

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Overview

Goal: Allocate central unit FY15 E&G expenditures

- \$157M in expenditures belonging to 70 MBU's
- 28% of VCU E&G funds

Other Considerations:

- Costs are net of revenue (internal charges, course revenue, etc.)
- Omits E&G financial aid expenditures
- No auxiliary funded units included (e.g. Dining, Student Housing, etc.)
- OSA's continue to serve as Health System's support for central services

Cost Allocation Principles

1. Should be simple, transparent and easily explained
2. Limited number of metrics (<10) while reflecting different cost drivers
3. Metrics based on readily accessible and easily updated data to enable planning
4. Must consider potential incentivizing/dis-incentivizing effects
5. Not use-based charges, but a rational allocation of central costs

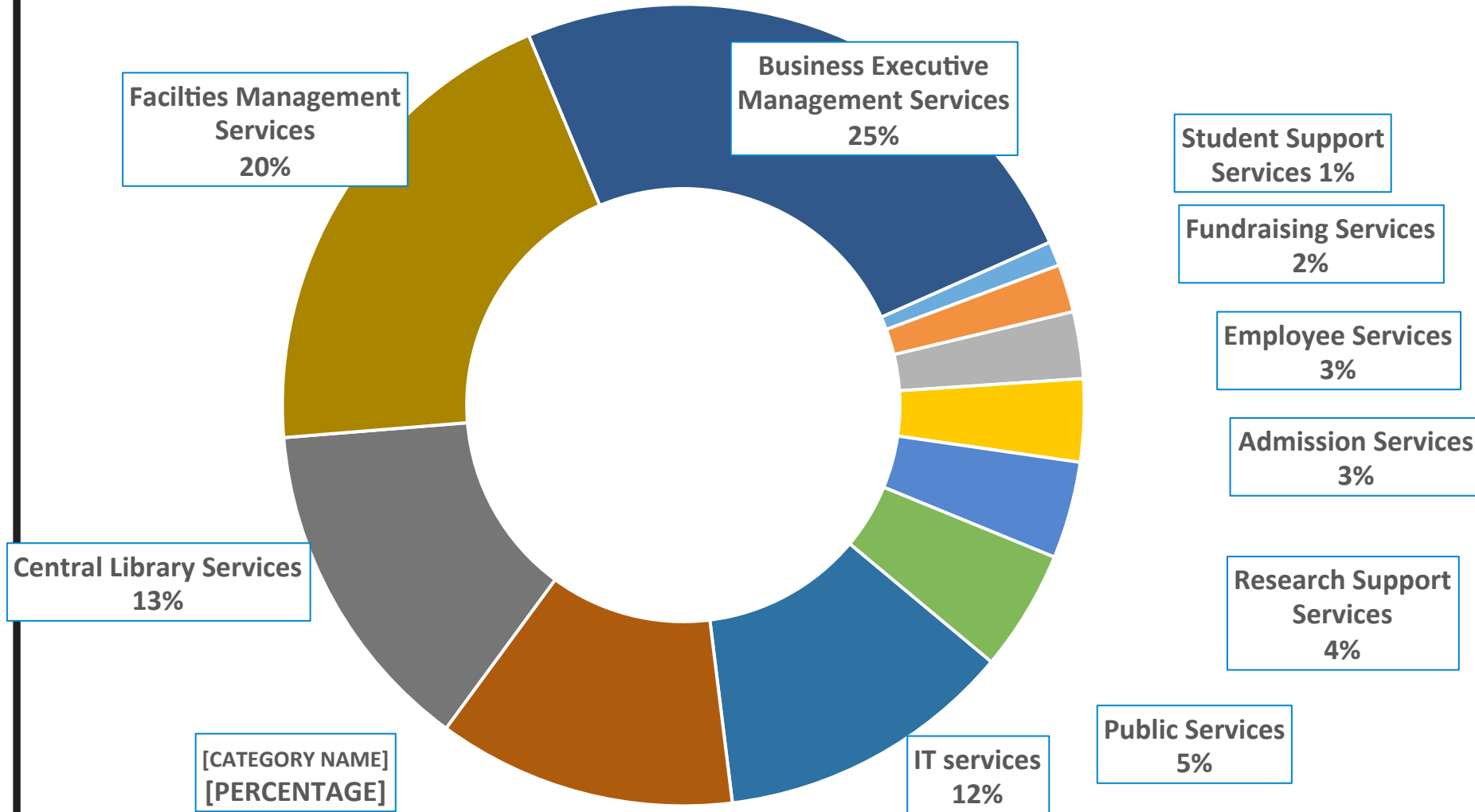
Allocation Process Overview

1. Allocate all Facilities Management costs to ALL cost and revenue centers (step down method)
2. Central units grouped into cost pools based on similarities (example: student support services, employee services, IT services)
3. Assign metric(s) to allocate costs for each pool (example: All Student FTE)
4. Allocate cost to revenue units (schools)

Allocation Process - Facilities Costs

- Step down method - common approach for space-related costs
- \$45M in Facilities Management costs
- Costs allocated based on square footage assigned to each MBU
 - \$31M to schools
 - \$14M to central units
- Total central unit costs (direct costs + space – revenue) allocated to Schools based on metrics

Central Cost Pools

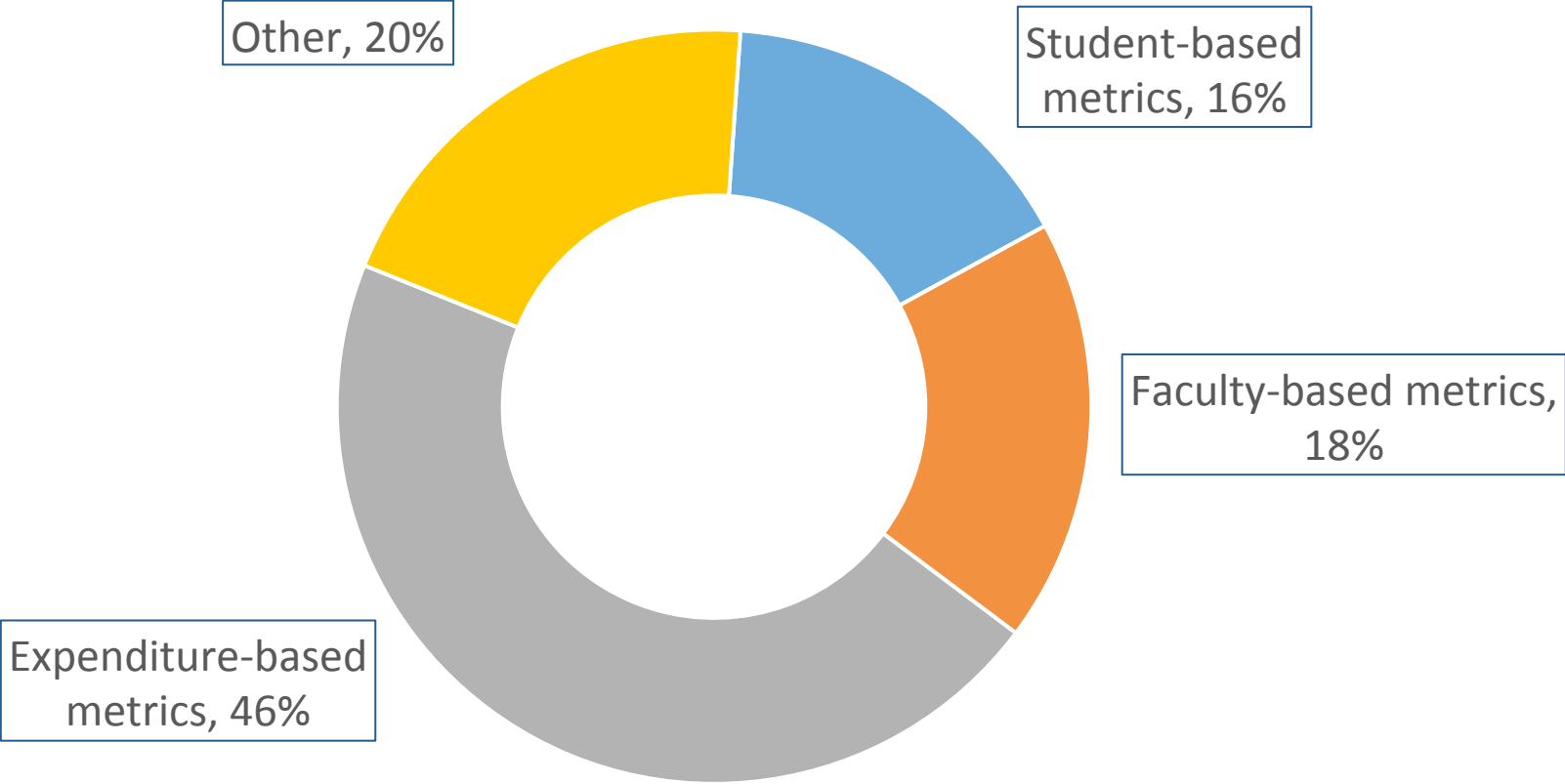


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Cost Pool Metric Selection

Central Cost Pools	Allocation Metrics	FY15 Allocation Amounts	%	Justification
Student Support Services	All Student FTE	\$1,553,852	1%	School enrollment levels drive the cost of student services.
Fundraising Services	Local Fund Spending	\$3,032,583	2%	Schools with more development fund activity drive costs for central development
Employee Services	Faculty/Staff Headcount	\$4,229,795	3%	Staffing levels drive employee services costs
Admission Services	All Student FTE	\$5,244,246	3%	School enrollment levels drive admissions costs
Research Support Services	Grant Expenditures	\$6,146,194	4%	Schools with more grant expenditures drive costs for research support
IT services	All Student FTE and Faculty/Staff Headcount	\$18,830,240	12%	Input from Technology Services. Some IT units expenditures pertain more to students, others are more associated with staffing
Academic Support Services	All Funds Expenditures excl. Grants/FACR	\$18,908,836	12%	Allocated based on all funds expenditures to capture that larger schools generate more costs for this cost pool
Central Library Services	50% All Student FTE and 50% Faculty Headcount	\$21,422,932	14%	Based on input from VCU Libraries, reflects view that mission is to support student success and faculty research equally.
Business Executive Management Services	All Funds Expenditures excl. Grants/FACR	\$38,712,508	25%	Allocated based on all funds expenditures to capture that larger schools generate more costs for this cost pool
Public Services	All Funds Expenditures excl. Grants/FACR	\$7,662,989	5%	Allocated based on all funds expenditures to capture that larger schools generate more costs for this cost pool
Facilities Management Services	Square Footage	\$31,423,440	20%	Allocated based on the step-down method
TOTAL		\$157,167,615	100%	

Central Cost Allocation by Metric Type



Metric Groupings

Metric Groups	Metrics	FY15 Allocation Amounts	%	Group %
Student-based metrics	All Student FTE	\$11,185,558	7%	16%
	Grad Student FTE	\$3,922,863	2%	
	MCV Student FTE	\$3,462,976	2%	
	MPC Student FTE	\$6,455,841	4%	
Faculty-based metrics	MCV Faculty	\$3,462,976	2%	18%
	MPC Faculty	\$6,455,841	4%	
	Faculty/Staff Headcount	\$18,704,020	12%	
Expenditure-based metrics	All Funds (Excl. Grants/FACR)	\$62,915,322	40%	46%
	Local Fund Expenditures	\$3,032,582	2%	
	Grant Expenditures	\$6,146,194	4%	
Other	Space Allocated to Schools	\$31,423,439	20%	20%
TOTAL		\$157,167,615	100%	

Future Considerations

- How to account for added central units costs associated with research growth?
- How to fund unavoidable cost increases (utilities, salary, etc.) and needed major system improvements?
- Expand step-down methodology to other all-University costs (HR or IT?)
- Change cost allocation for other funds (Research, Auxiliary)
- Differential charge for lab space compared to other types of space
- How to increase model predictability for School planning processes?