



IRM BUDGET MODEL CHECK-IN

April 2021

Huron Consulting was engaged to provide feedback regarding UTSA's progress toward implementation of its Incentivized Resource Management budget model. Stakeholder interviews were conducted in December 2020. This report contains a summary of perspectives regarding progress as of that date, and recommendations for continued implementation of the model.

Executive Summary

In December 2020, UTSA requested that Huron complete a review of the University's progress in implementing the recently developed and deployed Incentivized Resource Management (IRM) model. The request surrounding this review or "check-in" was to provide the University's senior leadership with perspective on the IRM model given the efforts to date focused on implementation, as well as to assess impacts resulting from the once-in-a-lifetime pandemic, which has certainly affected the Institution. This check-in is what President Eighmy required when Huron was originally engaged to assist with model development, is consistent with what occurs at other institutions and should be done periodically to ensure alignment among the model, its levers, the Institution's current strategic goals, and the larger economic context. Taking on this review signals University senior leadership's continuing commitment to improvement in this important process.

Generally, Huron observed that UTSA has experienced significant changes since implementing the new IRM budget model, including restructuring of student services functions, filling of key senior leadership positions, completing academic college restructuring, and unprecedented changes in the operating environment due to the COVID-19 pandemic. Nonetheless, UTSA staff has continued efforts to fully implement the model, making alterations to model mechanics in response to operational needs.

Providing campus constituents with the opportunity to collaborate and make data-informed decisions is critical to the success of an incentive-based model, especially when managing increased costs and revenue declines as has occurred in response to the pandemic.

Huron recommends that UTSA continue implementing the IRM model; in fact, incentive-based budget allocation methods are currently under discussion at many Texas institutions and nationwide, including the University of Texas at Arlington, University of Tennessee-Knoxville, University of Central Florida, and University of Pittsburgh, among others. We note that UTSA is very similar in its budget development maturation timeline to many institutions that have already implemented incentive-based budget systems. UTSA is in a position to contribute to its industry colleagues' level of knowledge, preparation, and development of realistic expectations surrounding managing a new budget model.

During our visit, we found that campus stakeholders are supportive of the deployment of a budget model based on incentives and alignment with strategic priorities; deans and department heads expressed enthusiasm for the model's principles and philosophy. As the Institution has moved through its initial implementation, various unexpected challenges and downstream effects have placed pressure on not just the Institution, but also the university staff focused on model implementation. Some of the more significant challenges include COVID-19 and economic downturn (resulting in State budget reductions for higher education institutions) and their combined impact to operations and budgets, the budgeted expense reduction decisions made as a result, and the completion of organizational restructuring efforts, all of which posed challenges to staff campus-wide. Specifically affected were efforts to establish model management committees, timeliness of annual budget processes, and budget-related communication efforts. The net result is a level of stakeholder uncertainty surrounding the effects of COVID-19, the IRM model and its implementation timeline.

Included within this report are recommendations for continuing model refinement and implementation, including specific tasks related to stakeholder communication, implementation processes, and adoption of enhanced technology. Recommendations have been developed for each of the campus stakeholder groups.

- We suggest that senior leadership adopt increased channels of communication with campus when discussing alternatives, such as how to address budget reductions or the rationale and support for making potential changes to the budget model.
- Deans can improve communication within their colleges by implementing a college-level budget advisory process and ensuring that information and data is provided to relevant participants for use in decision-making.

- To better support unit-level decision-making, unit staff could benefit from additional budget training, as well as enhanced budget management and planning tools.
- University-level support units should be resourced appropriately to enable staff to devote time to building knowledge and capacity among campus units, conduct budget information sessions, engage in robust communication such as posting updated model information on the website, and to begin implementation of enhanced software tools for budget management and planning.

A transparent, incentive-based budget model requires a significant supportive infrastructure, including tools and personnel at both the university and college or division level. Due to competing priorities for staff time and the level of available resources, UTSA will need to devote additional resources to implement the recommendations included in this report to enable improvement in budget model tools and processes.

Background

Project Introduction

In 2018, UTSA began the development of an Incentivized Resource Management (IRM) budget model to facilitate resource allocation and better align funding with strategic priorities. At the time, stakeholders had already expressed that resource allocation methodologies lacked strategic focus, resulting in strong consensus and support among campus leaders for a new model. To help support achievement of strategic goals, UTSA embarked on a process to bring transparency to budget allocation decisions, better align resource allocations with incentives, address systems and reporting challenges, and address resource capability gaps. When Huron was engaged to help UTSA develop IRM, President Eighmy specifically required periodic check ins about IRM implementation as the model would need to evolve as UTSA evolved. The recently completed check-in will help the UTSA team ensure that IRM implementation efforts continue to align with achievement of these desired outcomes.

Illustration 1: Initial Timeline

| | FY18 (September 17 – August 18) | | | | FY19 (September 18 – August 19) | | | | FY20 (September 19 – August 20) | | | | FY21 (September 20 – August 21) | | | |
|--|------------------------------------|----|--------------------------|----|--|----|----|----|------------------------------------|----|----|----|------------------------------------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Suggested Implementation Timeline | | | Budget Model Development | | Parallel Year/Hold Harmless Year + Infrastructure Development + Address Unit Level Modifications | | | | "Live" Model (Year 1) | | | | "Live" Model (Year 2) | | | |

UTSA has experienced significant changes since discussions surrounding budget model development began, including restructuring of student services functions, filling of key senior leadership positions, and unprecedented changes in the operating environment. Nonetheless, UTSA staff has continued to invest considerable effort to fully implement the model. To illustrate the magnitude of effort, below is a summary of activities undertaken to continue progress on model implementation while managing operational changes.

Table 1: Significant Events

| FY18 |
|--|
| <ul style="list-style-type: none"> ▪ Q4: IRM budget model is developed based on FY17 actuals |
| FY19 |
| <ul style="list-style-type: none"> ▪ Q1: Budget is allocated as in prior years, while IRM computations are finalized in the parallel year ▪ Q2: Budget model computations are updated for FY18 actuals and used to prepare the FY19 budget based on the IRM methodology for use in parallel year analysis ▪ Q4: Restructuring of Strategic Enrollment and Student Affairs divisions results in significant changes to model allocations, and re-casting of the FY19 budget based on new organization is completed ▪ Q4: FY20 budget is computed based on IRM methodology as adjusted for restructuring |
| FY20 |
| <ul style="list-style-type: none"> ▪ Q1: The first year of the live model begins, with budget allocations based on IRM principles ▪ Q1: The College for Health, Community and Policy is announced. Planning for reorganization of academic revenue units in FY21 begins ▪ Q2: Model changes are made to accommodate college restructurings, update model drivers to incorporate space allocation data updates, and incorporate other changes as staff work to mitigate unintended consequences and address implementation issues ▪ Q3: Operational Review Committee established to review auxiliary and administrative units ▪ Q4: State budget cuts result in funds reduction for FY21 ▪ Q3: Pandemic results in operational and financial challenges, including substantial delays to the budget process ▪ Q4: IRM model is used to prepare initial FY21 budget |
| FY21 |
| <ul style="list-style-type: none"> ▪ Q1: Strategic Investment Fund Committee meets and establishes procedures for reviewing campus investment requests • Q1: Operational Review Committee initiates meetings again after pandemic disruptions; pilot groups to be reviewed are moved from FY20 to FY21 ▪ Q2: IRM Budget Model Implementation Check-in |

Work over the past two years has been prioritized to ensure that the model mechanics and drivers are updated as noted in the above table, ensuring that revised data was available to develop FY21 budget allocations. COVID-19's impacts resulted in unforeseen challenges, interrupting UTSA's first live model year. Managing several competing priorities stretched staff capacity, and also triggered model-specific challenges such as abrupt changes in headcount, communication difficulties with remote work, and fund balance ratio requirements.

Not surprisingly, the pandemic forced UTSA's leadership to focus on pressing matters to maintain the overall fiscal health of the university. Along with universities across the nation and world, attention was focused first on the health and safety of students, faculty and staff. Prioritization of student success in a change to online delivery of courses followed, all while leadership assessed and worked to mitigate the immediate impacts to revenue streams. This caused a delay in implementation of model management committees, budget processes, and other communication efforts, which has resulted in many stakeholders' expressing concern surrounding the IRM model and specifically its implementation timeline. Because of the financial impact of COVID-19 on UTSA and the state of Texas, university finances were more volatile than normal, creating challenges when performing both near-term and long-range planning. Coupled with fluctuations in state support inherent in the weighted-credit-hour allocation methodology, stakeholders desired more predictable budget outcomes.

UTSA IRM Budget Model Status

In December 2020, UTSA requested a check-in to provide senior leadership with perspectives on the effectiveness and alignment of the recently implemented model. A periodic check-in, required by President Eighmy when Huron was originally brought aboard, is beneficial to evaluate progress on implementation and provide recommendations for enhanced effectiveness. Huron worked closely with the project executive sponsors - Veronica Mendez, Senior Vice President for Business Affairs, and Dr. Kimberly Espy, Provost and Senior Vice President for Academic Affairs – while focusing primarily on speaking with over 50 campus stakeholders in 18 different sessions. Interview sessions sought to elicit perspectives in areas such as:

- Perception of effectiveness and alignment of the IRM model with strategic priorities
- Thoughts surrounding model mechanics and rollout
- Sufficiency of tools and supporting infrastructure to support model management

Additionally, Huron reviewed model documentation and supporting files to ensure understanding of the model in its entirety.

In performing the review, it was apparent that UTSA has made significant progress in model implementation and rollout, even in the midst of a global pandemic resulting in drastic state budget cuts and other economic challenges. These challenges interrupted several implementation priorities and necessitated agile decision-making.

Though the University dealt with unforeseen challenges in 2020, UTSA staff have worked diligently behind the scenes to propel forward the IRM model implementation. As mentioned by stakeholders, there is broad agreement and enthusiasm about the shift towards an incentive-based budget model. For example, academic units are eager to think entrepreneurially and see changes to their budgets result from programmatic growth. Academic unit personnel expressed no concerns with the principles and goals of cost allocations, which is laudable at this stage of implementation.

Huron reviewed communications from the Academic Senate expressing concerns about the predictability of cost allocation drivers and support units cost allocations. Both concerns expressed are common issues encountered during the initial years of model implementation. In performing this check-in Huron developed recommendations for model refinement intended to achieve more predictable cost allocations. However, as universities navigate challenging times and decreasing state budgets, it is important to note that UTSA is managing its budget within a larger context mandated by the State. As a result, external changes to total available allocation amounts and drivers directly impact units under the IRM model and are often out of UTSA's control. In these circumstances, it is especially important that a strategic investment fund be utilized to ensure that strategic priorities can still be accomplished in the face of uncertain budgets.

Budget model implementation is an **iterative process**, and UTSA has devoted significant effort to making changes to incorporate organizational changes, as well as to remedy unintended consequences resulting from recent highly unique operating circumstances. Typically, model implementation takes 2-3 years before the tools, management structures, and resources are fully functioning and supporting the model, even in a year without significant change. In addition to personnel resources, many universities must invest in a budget and forecasting software solution to streamline their model implementation and provide campus leaders with more robust planning tools.

Conducting a check-in while continuing to develop resources to help manage the model demonstrates commitment to continuous improvement, and UTSA is taking steps to continually improve the budget model, tools, and process. Going forward, UTSA should consider adding resources to help manage the model effort and communicate the IRM model. Although there is a team of university-level individuals focused on the implementation, they have other work responsibilities diverting from a full focus on this implementation. A more ideal state provides for dedicated and focused resources supporting the implementation and ongoing budgetary operational activities associated with a strategic resource allocation model.

IRM During a Crisis

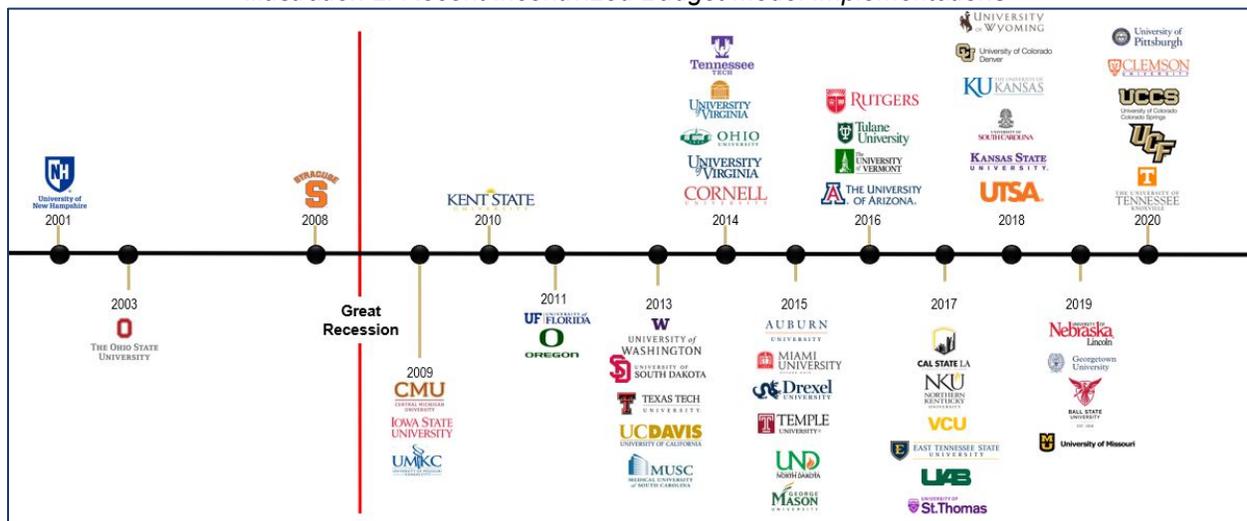
Many universities have recently transitioned from incremental budget models to incentive-based budget models. Prior to the pandemic, the number of institutions pursuing budget redesigns grew to address the financial concerns from the great recession in 2008. The number of institutions implementing incentive-

based models continues to grow as universities face fiscal challenges and seek to expand the number of institutional leaders focused on resource maximization.

Huron continues to partner with dozens of institutions pursuing a budget model redesign and/or implementing incentive-based budget models. Implementation timelines vary to account for each institution’s specific needs and constraints and the majority have been impacted by the COVID-19 pandemic. Huron’s research and experience suggests that most universities take about 2 to 3 years to implement a new budget model, though financial benefits of the change are often not realized until fully 5 years after adoption. A measured rollout allows for additional campus engagement, infrastructure development, and training to occur and should be revisited periodically to promote ongoing alignment.

As higher education continues to navigate the COVID-19 pandemic, many institutions are beginning to consider more transformational changes to ensure long-term financial health. Huron’s experience over the second half of 2020 showed that more universities are assessing their existing budget approaches (when compared to the same period one year prior) in an attempt to be better equipped to mitigate future financial challenges, realign financial resources to their core missions, and to empower more leaders (i.e., deans) to support balancing the overall financial standing of the organization. Huron’s perspective is that budget models that require active participation from unit leaders best support organizations during these challenging times because of the collaborative nature, enhanced financial understanding across the organization, and data-driven approach to decision making.

Illustration 2: Recent Incentivized Budget Model Implementations



Institutions completing budget model redesigns prior to 2000 include University of Pennsylvania, University of Southern California, Indiana University of Pennsylvania, Indiana University, Duke University, University of Pittsburgh, University of Minnesota, and University of Michigan. It is also important to note that this illustration does not reflect Huron-only budget redesign clients.

Because UTSA began implementing IRM prior to COVID-19, leaders were already engaging in valuable resource allocation conversations and making strategic financial decisions to recover from pandemic-related deficits. Campus stakeholders indicated that conversations surrounding strategies for dealing with recent budget changes are much more robust and informed than budget-related conversations that occurred prior to IRM implementation. University level staff noted that units have taken greater ownership of their own financial health and have reached out to the university finance team (UFT) to talk through ideas on how to address budget reductions.

Providing campus stakeholders with the opportunity to make data-informed decisions in response to pandemic-related deficits is both challenging and necessary to prepare for successful change. To ensure a robust budgeting process that aligns resource allocation with strategic priorities even during uncertain times, Huron recommends that UTSA continue implementing the IRM model, and observes that UTSA

could be a leader in this space as more institutions implement incentive-based models to address COVID-19 and other fiscal constraints.

Stakeholder Interview Key Themes

Performance of this check-in proved beneficial in identifying areas for further progress as UTSA continues on its IRM journey.

During the campus interviews held throughout December 2020, Huron asked several open-ended questions with feedback centering on the following three categories:

- **Communication:** Understanding how units work each other and the central offices to develop the budget and learn about IRM.
- **Processes:** The support structures, timeline, and resources necessary to support the IRM process.
- **Technology:** The tools, reports, and resources that support budget model development and forward-looking planning.

The following is a list of the key interview themes emerging from our conversations:

- Academic leadership speaks favorably of the model's goals and principles.
- Senior leadership and Business Affairs budget and finance staff demonstrate a cohesive partnership between academics and administration that will position UTSA well for future success.
- The UFT staff have a very strong command of model principles, mechanics, and levers.
- Model implementation has eliminated many one-off funding agreements, resulting in more transparency for unit-level funding.
- There is an overall desire for additional communication, processes, and technology to support the IRM model.
- Stakeholders identified opportunities to increase collaboration including increased visibility and input into financial and model decisions.
- Campus stakeholders commented that inconsistent campus and unit-level communication has contributed to confusion surrounding whether the model has been fully implemented.

Feedback from stakeholders varied depending on campus affiliation. A summary of key themes by unit follows:

- Academic units expressed concern regarding transparency of model structure, strategic investment allocation goals, funding mechanics, decision-making processes, and the Strategic Investment Fund process.
- Model principles were described as not yet being achieved, because a State-mandated budget reduction had occurred rather than realization of incentive-based increases.
- Budget allocation to the units was described as having been performed centrally as in past years, rather than under the new methodology.
- Unit financial personnel desired additional tools and predictable cost drivers for use in long-term budget management and planning.
- Auxiliary units would like greater clarity surrounding support unit cost allocations and the timing of model implementation. Unit leaders expressed concern regarding the potential detrimental impact to programs in light of budget reductions, though decision-making processes regarding potential operational changes did not appear to follow an established approval process involving senior leadership.
- Support units would like to understand the process they will use to request budget changes under the new model, because the Operational Review process was described as excluding budget matters.

In light of the recent changes to organizational structure and budget reductions experienced in response to the pandemic and economic downturn, the UFT has prioritized their work on maintaining and updating the mechanics of the model, to ensure that budgets could be computed within the model in time to allocate each fiscal year's funding. Given this, it is not surprising that less progress has been made in establishing robust communication, process and technology infrastructure.

Observations and Recommendations Summary

Based on conversations with stakeholders as well as review of model information, observations surrounding communication, process and technology were summarized as follows. Each observation is numbered and referenced in the recommendations section.

Illustration 3: Observations

|  Communication |  Processes |  Technology |
|---|--|--|
| OB1: Desire for greater collaboration and communication regarding model and financial decisions. | | |
| OB2: Opportunity to provide clearer policies, training, SLA's, roles and responsibilities to support the IRM process. | | |
| OB3: Clarify communication of IRM management structures, budget development timeline, and model incentives. | | |
| | OB4: Implement a budget planning tool that provides robust financial forecasting and the ability to develop multi-year budget plans. | |
| OB5: Enhance consistent understanding of budget model mechanics and IRM impacts. | | |
| | OB6: Desire for more robust management, reporting and scenario evaluation tools. | |
| | OB7: Opportunity to refine model mechanics. | |

To assist the UTSA staff in prioritizing work for ongoing model infrastructure development, Huron has outlined recommendations regarding communication, processes, technology, model refinement, and staffing necessary to provide the level of support desired by stakeholders, and position UTSA to better deploy the IRM model in pursuit of strategic outcomes.

Table 2: Recommendations

| |
|--|
| <p>R1: Guiding Principles</p> <ul style="list-style-type: none"> Consider adding “collaboration” to the model’s Guiding Principles to clearly demonstrate commitment to a transparent, aligned communication and decision-making process. [OB1] |
| <p>R2: Communicate and Implement Management Structures</p> <ul style="list-style-type: none"> Communicate and bring awareness to the management structures including clarifying goals of the Operational Review committee, the SIF Committee, and College Financial Leads. [OB2, OB3] |
| <p>R3: Planning and Forecasting Tools and Processes</p> <ul style="list-style-type: none"> Implement a robust software solution that provides for planning and forecasting at all levels of the University, including an inclusive budget development process. [OB4] |
| <p>R4: Policies and Procedures</p> <ul style="list-style-type: none"> Establish and clarify existing guidelines and formulate policies surrounding the SIF request process, Service Level Agreements for administrative units, and carryforward funds. [OB2, OB3] |
| <p>R5: Training Development</p> <ul style="list-style-type: none"> Create additional IRM training documentation and conduct information sessions for management groups, colleges, auxiliary units, and administrative support units. [OB5, OB2] |
| <p>R6: Financial Management and Scenario Evaluation</p> <ul style="list-style-type: none"> Expand existing tools and reports that provide detail for budget management and evaluation of operating results. [OB6] |
| <p>R7: Model Refinements</p> <ul style="list-style-type: none"> Review model data to understand COVID-19’s impact on activity drivers. Consider simplifying the model, including evaluating the number of cost pools, and more specifically, the facilities cost pool allocation methodology. [OB3, OB7] |
| <p>R8: Information Sessions</p> <ul style="list-style-type: none"> Organize regular Town Halls and other more targeted opportunities for stakeholders to hear and provide feedback on their experiences with the model as well as provide input regarding budget decisions. [OB1, OB3] |

Recommendations Discussion

R1: Guiding Principles

Though UTSA has established model Guiding Principles, stakeholders communicated that more intentional collaboration could further improve the decision-making process. Huron suggests partnering with the units to develop a collaboration-focused guiding principle. Demonstrating this principle in action should include bringing campus leaders together to develop alternatives in response to any future budget issues, such as responding to the recent state-initiated reduction related to COVID-19.

The addition of this new guiding principle would underscore the importance of having values-based conversations when making budget decisions. Because many stakeholders were unfamiliar with the model’s Guiding Principles, leadership should ensure that alignment with the Guiding Principles is considered when communicating with stakeholders. Beginning all budget meetings with a reminder of the Guiding Principles is helpful to ensure that decisions align with the principles.

The UFT includes representatives from academics, business affairs, administrative support units, academic support units and auxiliary units. The team models collaboration in their support of a university-

wide budgeting approach, and their example serves to reinforce that similar approaches are expected of all units. When unit leaders are weighing alternatives that may include implementing programmatic changes to reduce costs, such discussions should be elevated to the UFT. Senior leadership should weigh in if needed as well, to ensure that contemplated changes to programmatic offerings align with UTSA's strategic objectives. The expected outcome is that through values-based conversations surrounding prioritization of services, auxiliary units will be able to clearly articulate how their operations contribute to the achievement of UTSA's mission.

R2: Model Management Structures

Managing an incentive-based budget model includes establishing formal management structures. Information about the Operational Review Committee (ORC) and whether it has a role in the budget development cycle should be clarified, as some stakeholders understood the committee to be responsible for budget recommendations, while others understood it to offer solely operational input. One concern expressed was that the committee lacked equal representation, with some colleges represented by deans and others by department chairs. The role of ORC members should be clarified, in that they are responsible for representing and informing their constituency, and these roles are not intended to result in budget commitments but rather as a general representation of academic colleges' perspectives. The committee's charge should be updated to clearly outline the activities and role of the ORC to all campus stakeholders; once clarified, the concern regarding representation on the committee is likely to be alleviated.

Academic departments expressed a need for additional support in developing and managing their budgets, and also described that budget management techniques among the colleges are not consistently applied. While Huron does not recommend pushing budget allocations to the departmental level via the IRM model, College-level budget advisory groups would be useful in providing deans a mechanism for gaining input on budgetary decisions.

Fully operationalizing the model requires additional resources to support Business Affairs staff in their reporting and communication efforts. In addition to the model management structure, Huron often sees the below operational support teams to help facilitate the budget development process. The UFT includes representatives from many of the university-level offices reflected below, and the cross-functional team works well together. However, the team performs a significant amount of work to manage the IRM model in addition to their other duties. Expanding the number of team members should be considered to ensure that sufficient resources are available to manage the model and provide support to campus units.

Illustration 4: Sample Support Team Structure



R3: Planning and Forecasting Tool and Process

Campus stakeholders described an opportunity to improve the necessary tools and resources needed to develop long-term financial plans. Investing in a planning tool is a vital step to enhance the budget process and reporting functionality to successfully support the new budget model.

- Units would like enhanced ability to perform multi-year analysis, scenario planning, and in-year forecast planning; request for standard tools and process to assist in budget development and planning was also expressed.
- Units also desire campus-wide enrollment and cost-ratio projections to be provided by the UFT, to avoid using manual reporting processes that are prone to human error.
- Stakeholders expressed the need for regular updates to cost allocation information and planning support to successfully handle the additional responsibility of college-level budget management.

To address these needs, UTSA should implement a budget tool to optimize budgeting and forecasting at both a campus-wide and unit level. In connection with a technology solution, the automation of routine reports and calculations will allow the Business Affairs and Provost staff more time to assist units with in-depth analysis and annual and multi-year planning and less time on labor-intensive calculations.

In addition to implementation of planning and forecasting tools, the process surrounding development of budgets should evolve to include additional college-level input. For example, a revamped process could involve colleges – as primary revenue generators and support service consumers— in the development of long-range enrollment forecasts and resulting potential changes in levels of administrative and academic support unit budgets needed to support operational changes. See also R7 regarding suggested model refinements.

R4: Policies and Procedures

Stakeholders desire clarity around existing policies and procedures to support the IRM process.

SIF Proposal Process

UTSA should use insights gained in the initial SIF proposal process to revise and formalize the proposal request timeline and guidelines for future proposal development. Units should receive feedback after the

evaluators have reviewed the proposals, and assessment criteria for determining whether SIF-funded projects met desired outcomes should also be established.

Service Level Agreements

Service level expectations were unclear to some colleges in the area of Information Management Technology (IMT). The services that are to be provided by IMT and those considered college-specific should be formalized. A process for developing Service Level Agreements (SLAs) for support units such as IMT should be undertaken by the ORC and should include definition of the standard services a revenue unit should expect versus what services are considered premium-level and therefore college-funded. Documentation of the agreements and any surrounding policy should be made available to stakeholders; for example, if any IMT functions are to be conducted by a college, policies surrounding data security should be included in the formulation of SLAs.

Communicate Carryforward Policy

A carryforward policy addressing academic units was published on the IRM website in the fall, but both academic and non-academic unit personnel were uncertain whether carryforward of budget savings was indeed permitted under the model, or whether funds savings would be swept into the SIF. Increasing communication to improve awareness and clarifying the carryforward policy with stakeholders, clarifying that revenue-generating units are expected to retain carryforward, will help communicate UTSA's philosophy on IRM incentives, reinforcing that cost savings/revenue enhancements accrue to each revenue-producing unit.

Strategic Investment Allocation

The timeline for strategic investment allocation reduction and eventual elimination was not clear to revenue-producing unit representatives. The process for agreeing on strategic investment allocation amounts and a timeline for strategic investment allocation changes should be reviewed with each unit. Certain unit leaders expect that they will require ongoing strategic investment allocation but were unclear whether that was considered an acceptable outcome. Given that budget allocations are largely based on state weighting and are expected to fluctuate based on cost-of-instruction, it should not be necessary to greatly supplement academic units with permanent strategic investment allocation; however, if UTSA leadership wishes to make strategic investments in certain programs, the model's strategic investment allocation funding is a means of accomplishing this. In any case, the timeline and amount of strategic investment allocation should be clearly established with unit leaders.

R5: Training Development

Huron recommends engaging in more robust IRM training and communications. The UFT is working diligently as a group to implement the model, make changes to model mechanics in response to organizational changes, and ensure that annual budget development occurs on time. Communication and training surrounding the model, including seeking stakeholder feedback, has not been as robust as the group would have liked, largely due to a lack of personnel resources. Because model changes are made by a cross-functional group, there is representation from all units, but without a high level of communication, campus stakeholders expressed that there is a lack of engagement.

Campus stakeholders demonstrated inconsistent levels of IRM knowledge, noting uncertainty regarding the model's implementation timeline. Fortunately, units expressed support for, and understanding of, the model's goals but would like additional understanding and information about model mechanics and implementation. According to stakeholders, there is a general disconnect between how the model is verbalized and how the model operates in practice. To begin connecting verbal descriptions of the model with its actual functions, UTSA should:

- Define the model's terms in document format and ensure these documents are public and accessible to all units.
- Increase communication of the available dean-specific and department-specific IRM reference documents that promote understanding of respective responsibilities regarding the budget model.

- Clarify that the budget model, in its entirety, will not be devolved to the academic department level.
- Build a budget model FAQ page and post FAQ responses publicly to facilitate accessibility across campus and increase consistent communication.
- Host focus groups to vet proposed model changes before a wider audience

Increased training and communication would promote model consistency as well as aid in model implementation and understanding campus wide; it is important to note that development of formal training takes time and significant effort. Publishing a timeline, with expected dates that campus can expect to see rollout of new efforts, can contribute to understanding across campus that this is a labor-intensive effort that takes time, but that a plan exists for continuing to develop a robust model management and communication infrastructure.

Regarding formal trainings, stakeholders desire consistent and systematized training pertaining to model mechanics and implementation. Many stakeholders have limited finance or budget training as part of their academic discipline, which necessitates support to bring them up to the same level of knowledge as other stakeholders with budget responsibilities. It is also important to note that each college has different personnel with varying backgrounds and experience, which can create inconsistencies in model understanding across the university. To support departments, UTSA should:

- Assess Business Managers' understanding of the model and create a training program specifically for this group.
- Provide new dean and new department chair training sessions.
- Provide current dean, department-level, auxiliary unit, support unit, and management group training sessions; such could be pre-recorded, virtually or in-person, providing consistent model training for new deans and department chairs.
- Include detailed finance and budget workshops in department chair training sessions.
- Refresh and update the UTSA campus' IRM and budget model knowledge with these training sessions periodically, ideally at least twice a year.

R6: Financial Management and Scenario Evaluation

Campus stakeholders expressed an immediate need for scenario planning tools and resources at the programmatic level. However, due to changes in model mechanics and fluctuations in model drivers due to the effects of COVID-19 as well as organizational restructurings, the finance team has not yet been able to develop new tools incorporating recent changes.

Units also desire a forward-looking tool that will allow quick computation of the impact of programmatic changes on budgets as well as a tool that is granular enough to allow for estimating the impacts that the budget has on their operations dependent on class size, instructor level, etc. Until UTSA adds IRM-dedicated staff and invests in a robust planning software, UTSA should develop a spreadsheet tool that includes model rates (cost per headcount, per square foot, etc.) and other allocation rates. Promoting fiscal understanding by developing unit-level reports that highlight how activity levels affect revenue and expense distribution will also be helpful.

Stakeholders also expressed a desire for transparent model metrics shared in a dashboard file, which was under development but had not yet been rolled out at the time of the Huron visit. By developing a transparent metrics dashboard to share with academic and auxiliary units that includes each unit's share of the model drivers, and providing historical data for trend analysis, UTSA will fulfill the need for more transparent metrics. After implementing a budget model tool, these tools and resources can also be populated automatically, alleviating the need for manual collating and distribution of tools and resources.

Lastly, campus stakeholders expressed a need for a financial reporting capability. UTSA should work to provide system-generated reports using the current financial accounting system to provide campus units with financial data required to manage and assess budgets. Example reports include budget to actuals reports and year-over-year actuals comparisons at the college-wide and departmental level. Huron

understands that report development is largely dependent on prioritization and resources available at the UT System level, and that provision of desired data involved collaboration with parties outside UTSA.

R7: Model Refinements and Support Unit Funding Alternatives

Huron reviewed the budget model mechanics and developed recommendations based on this review, experience with other institutions' methodologies, and stakeholder feedback.

Administrative Cost Pools

The current model structure has a high number of administrative and academic support cost pools. Although a high number of cost pools promotes transparency, having too many cost pools often complicates the model. A balance must be struck to ensure that revenue-producing units understand and trust cost allocations without adding unnecessary complexity to the computations. Student fee funded units expressed concerns about the cost of administrative overhead allocations; specifically, how the allocations are being used and what positions they are funding. This information can likely be communicated during IRM training sessions, regardless of the number of cost pools. Over time, the number of cost pools may evolve into a more simplified single rate structure, but that is a change that would likely be made only after significant experience with the model and it is not recommended at this time.

Evaluation of Potential Programmatic Changes

Many auxiliary units voiced that the assessment on earned revenue creates financial constraint and may inhibit their ability to provide an appropriate level of service. UTSA should continue to communicate the rationale for strategic investment allocation and ensure the common understanding that each unit's contributions help support the university's success as a whole. Under the IRM model, units bear costs in relation to their consumption of University services, with all revenue-producing units sharing in the cost of university services.

A fully costed approach was not in place prior to implementation of IRM, and the change does represent assignment of a previously-unallocated cost of doing business. Because all units will not all come up before the ORC initially, units should have the opportunity to discuss potential changes to operations in response to funding challenges with senior leadership. The UFT should be considered as an ad-hoc programmatic review team, ensuring that they understand what steps units are considering to address the impact of taxation on units' operational budgets and escalating matters to senior leadership as needed.

Model Driver Fluctuations

Due to the impact and personnel changes from COVID-19, units mentioned the allocation metrics are dated, and costs should be re-evaluated based on recent changes in headcount and other drivers. Analyzing whether allocation metrics have changed significantly, and the impact on unit budgets, would be beneficial. If necessary, updating driver computations for expected permanent changes should occur, while temporary changes should be considered for SIF funding.

Processes can be improved by employing a collaborative approach with campus when contemplating model refinements, including a clear timeline for stakeholder engagement, analysis, and implementation of such changes. Explaining how and when the refinements will affect units' budgets and educating stakeholders regarding driver fluctuation and how it can create budget lags further emphasizes open communication channels and exhibits model management transparency.

Establishing a SIF is a critical tool provided by an IRM model – it helps ensure that senior leadership can deploy funding in support of strategic outcomes, as well as to address unexpected short-term revenue and expense fluctuations.

Facilities Cost Allocation

UTSA has recently developed more comprehensive square footage utilization data, including updates for newly added space. The level of detail now provided breaks out the direct assigned space from the allocated unassigned space. To incorporate this data into the IRM model, the allocation driver for square

footage was updated to reflect data as of a fall 2018 measurement. This change was coupled with an allocation of all unassigned E&G space to the revenue units (Academic and Auxiliary), using direct expenditure levels as a basis for allocations. The net result was a reduction in the allocation of facilities support unit costs for Academic Revenue Units and an increase for Auxiliary Revenue Units. Changes in allocation to reflect reduced costs allocated to parking space were implemented, and unallocated square footage was calculated and assigned to Support Unit budgets.

Naturally, not all space requires the same level of resources to construct and maintain, so cost allocations based purely on square footage do not provide the level of specificity some may desire. On the other hand, allocations based on expenditure levels may not satisfy the desire to provide incentives for efficient use of space. It would be beneficial to further examine the recent changes to facilities cost allocations and determine whether the methodology is providing desired incentives to both revenue-producing and support units.

Support Unit Budgets

Finally, support units expressed concern about their ability to accommodate the demands of a growing enrollment and would like clarity regarding the process to request budget allocation increases. As UTSA experiences changes in enrollment and research levels, the supporting infrastructure should scale appropriately. There are several options for determining adjustments to support unit budgets. The most important aspects of any methodology are that units have a clear understanding of the budget adjustment process, and that through regular budget adjustments, appropriate levels of support are provided to those units delivering on the University's mission.

Table 3: Support Unit Funding Change

| Approach | Change Driver | Characteristics | Considerations |
|-------------------------------|---|--|---|
| Pooled Cost Adjustment | <ul style="list-style-type: none"> The total support unit cost budget is adjusted in relation to the University's overall growth | <ul style="list-style-type: none"> Support unit costs are generally collapsed into a single pool. Pool-level funding is adjusted in relation to University growth. Unit-level budget decisions are made by senior leadership in coordination with appropriate model management group. | <ul style="list-style-type: none"> Method provides for ease and predictability of cost forecasting for revenue units. Use of a single cost pool percentage may be perceived as reducing transparency. |

As UTSA moves toward a more predictable approach to the IRM model, the above methodology should be considered to align overall support unit expenditures with University growth drivers, which can scale along with changes in operations. Using this method simplifies the process to identify additional funding needs and places an additional responsibility with leadership to determine how new funds will be distributed across individual units. This method provides for more simplified, predictable cost factors, a desire expressed by campus leaders. '

As funding levels are adjusted, it is critical to also look at the overall growth of administrative operations in relation to the university and ensure there is an active focus on both efficiency and effectiveness. The Operational Review Committee should be certain to consider areas in which additional resources may be needed to support the University's growth and provide feedback regarding service levels.

R8: Information Sessions

Stakeholders from several units mentioned a desire for campus-wide discussions and opportunities to provide feedback on IRM's implementation. Resources should be dedicated to lead and organize periodic forums. Prepared remarks should include those from senior leadership, with an opportunity for Q&A as



well. Periodic town halls on the state of UTSA's finances will increase communication about the model as well as provide increased transparency.

During nearly all interviews, Huron was asked about other institutions' experiences with IRM model utilization and implementation processes. Many stakeholders requested that Huron connect them with individuals from other institutions in their respective positions who have successfully implemented an IRM model to explore incentivized budget model strategies.

It would benefit the UTSA community at large to organize a panel discussion - an external presentation, likely virtual – and invite representatives from institutions that have implemented an IRM model so stakeholders hear both success stories and struggles from their colleagues, with a specific focus on this particular moment UTSA finds itself in the IRM journey.

Closing

Huron would like to thank the UTSA campus community for their constructive feedback; the senior leadership team for requesting this broad review of the IRM implementation in an effort at continuous improvement; and the University Finance Team members who provided information, handled logistics, and were open to recommendations for enhancements in the continued rollout of UTSA's IRM model.

Appendix: Campus Interviewees

| Academic Unit Stakeholders | Auxiliary Unit Stakeholders | Support Unit and UFT Stakeholders |
|--|--|---|
| <ul style="list-style-type: none"> ▪ Annie Herrera (COLFA) ▪ Brian Laub (COS) ▪ Chad Mahood (COLFA) ▪ Charles Liu (COB) ▪ David Hansen (COLFA) ▪ David Silva (COS) ▪ Devon Romero (COEHD) ▪ Gerry Sanders (COB) ▪ Heather Shipley (UC) ▪ JoAnn Browning (CACP, COE) ▪ John Wald (COB) ▪ Juliet Langman (COEHD) ▪ Kelly Garza (HCAP) ▪ Linyi Zhou, (COEHD) ▪ Lynne Cossman (HCAP) ▪ Margo DelliCarpini (COEHD) ▪ Michael Miller (COLFA) ▪ Mike Findeisen (COS) ▪ Patti Ramirez (UC) ▪ Rene Zenteno (HCAP) ▪ Richard “Rick” Gretz (COB) ▪ Rubina Saya (COB) ▪ Sean Kelly (COLFA) ▪ Staci Francis (CACP, COE) ▪ Whitney Chappell (COLFA) ▪ Department Chair Committee | <ul style="list-style-type: none"> ▪ Clay Haverland (Campus Services) ▪ Denise Boyett (Campus Services) ▪ DeShanna Rider (Student Union) ▪ Gordon Taylor (Student Health Services) ▪ Herb Ganey (Student Union) ▪ Kevin Price (Campus Services and Housing) ▪ Laura Munroe (Campus Recreation) ▪ Lisa Campos (Athletics) ▪ Pamela Ray (Child Development Center) ▪ Quoc Nguyen (Student Affairs and Student Health Services) ▪ Vanessa Ghiden (Campus Services) | <ul style="list-style-type: none"> ▪ Ambika Mathur (Graduate School) ▪ Brian Cordeau (Institutional Research and Analysis) ▪ Can Saygin (Research) ▪ Carlos Martinez (President’s Division) ▪ Carolyn Ellis (Library) ▪ Dean Hendrix (Library) ▪ Gerald Lewis (Public Safety) ▪ Heather Shipley (Academic Success) ▪ Jenell Bramlage (UTS) ▪ Jill Fleuriet (Honors College) ▪ Karl Miller-Lugo (Development and Alumni Relations) ▪ Kendra Ketchum (UTS) ▪ Kristin Wilsey (Academic Finance and Administration) ▪ Lee Dalton (Global Initiatives) ▪ Lisa Montoya (Global Initiatives) ▪ LT Robinson (Student Affairs) ▪ Lynn Barnes (Strategic Enrollment) ▪ Melissa Vito (Academic Innovations) ▪ Myron Anderson (Inclusive Excellence) ▪ Paul Goodman (Facilities) ▪ Rod McSherry (University Relations) ▪ Sheri Hardison (Business Affairs) ▪ Steve Wilkerson (Institutional Intelligence) ▪ Sylvia Enriquez (People Excellence) ▪ Tammy Anthony (Business Affairs) |