

DRAFT

**Provost Employee Communication Council
July 8, 2008 – Darden – General Purpose Room**

Those present for this meeting: Kris Bajgier, Melody Palmer, Mick Watson, Ann Zook, Rita Webb, Darlene Branch, Susan Chisholm, Susan Pott, Art Grocholski, Kim Olsen, Iva Gillet, Barbara Graves, Rob Schuett, Zeke Crater, Ginny Kois, Jocelyn Olsen, Brian Smith, Kirsten Hilliard, Bobbie Gallo, Peggy Ehrenberg, Dawn Brennan, Jean Varner, Melody Palmer, Dawn Waller, Brad Holland, William Corey, Ann Burns, Laura Miller, Kathy Maupin, Beth Reinhard (ex-officio), John Teahan (ex-officio), Brad Holland (Ombudsman).

OPEN SESSION

University of Virginia Budget Overview – 2008-2009 Update – Guest Speaker , Melody Bianchetto

After council member introductions, Melody Bianchetto, Assistant Vice President for Budget & Financial Planning, presented us with a slide presentation of the University's 2008-2009 budget overview (slide presentation is attached). This presentation covered the major funding sources, explained what the Base Budget Adequacy is, how the state has funded U.Va., how we spend our funds and make resource allocation decisions, what the annual budget development cycle is, the allocation decisions that were made in 2008-2009, and what were the key budgetary issues in the 2008-2009 budget development.

Jim Traub – Project Manager for UHR Restructuring - Update

It was noted that Mr. Traub has been extended a standing invitation to attend any PECC meeting (or anyone from HR for that matter). Mr. Traub extended his appreciation to those departing this council and recognizes the value these council members have given with the challenge in communicating with employees/constituents the updates with UHR Restructuring and then bringing back to council constituent concerns and input. The work of the council is more important than ever. Mr. Traub also welcomed the new folks on council and expressed that the communication within and outside of council is a huge component of the UHR Restructuring success so far.

July is the time where we completed the open comment period for the draft policy recommendations. Over 1,000 comments were received in the months of May and June. These comments have been compiled and are provided to the task forces so that they can review and incorporate in their recommendations.

There were three types of feedback:

1. Comments – the greatest or the worst things about the draft policies;
2. Questions – such as what does the policy mean? The response to these questions will involve pulling the questions together and consolidating and publishing the answers online. A notification will be sent out when these answers are ready for review; and
3. Suggestions – the suggestions of actual tangible changes are being categorized and will be addressed individually and forwarded to the appropriate task forces. It is felt a direct response is needed in these cases.

The initial proposal and the outline of the new UHR Restructuring system were presented to the Board of Visitors in June, which was approved. In addition, interaction has begun with the University Policy Committee to convert these recommendations into policies.

The process has begun to develop training materials for the fall. Training will begin immediately in September to prepare for enrollment in October through December. A peer advisor program is being developed and is designed to assist employees in looking at the changes and making decisions to enroll in the University Staff system or not. The peer advising program goal is to ensure an informed decision. Volunteers are needed as peer advisors and communication councils can play important role in recruiting folks to help. The main sources of UHR Restructuring information will be through the HR website, supervisors, peer advising, and dialogue with employee councils will continue in an effort to recruit.

Training and education around the enrollment process and training in the new system is scheduled to take place in the fall. One key recommendation is that the new performance management system will be in use for all employees: Classified, University and AP Faculty. It is recognized there is a need for a new tool to help with the new performance management system and a procurement process has begun. The goal is to have a new vendor selected for the 2009 evaluations. In the meantime, the current EWP will be used for evaluating work performance and will remain the same. The 2009 planning process will kick off at the end of the year. A vendor can be selected but a tool will not be in place. (There will have to be some transitional tools to incorporate the principles and have functionality until the tool for 2009 is in place and will be for employees and supervisors.)

Questions from Council Members for Mr. Traub

Has there been any discussion with providing current classified staff a calculator or tool to determine a comparison with current system and what you will look like in the new system?

Side-by-side comparisons will be provided to all employees. Keep in mind that if switching over your salary won't change, and State pay bands will be replaced by market-relevant ranges.

One of the things people speculate or are suspicious over is that money will be "thrown" as bait to switch or get people enticed to switch over. Is there a statement or sentence that can help people feel confident that this new system is going to be better than the current system?

The whole goal is to make the new system better. While there are a lot of people who are very supportive of the new system, others are skeptical; so it is important that people do not feel pressure of any kind to make the switch. The whole goal is to make the University system better than the classified system, and to provide employees with accurate information to make an informed decision.

Supervisors are concerned over the expense of running two systems, spending resources and putting the burden on them in evaluating staff with two systems in place. This will require investment for years to come.

There is commitment from the Board of Visitors and the market- and merit-based pay has been approved. Data is now in place that we haven't had in place before. We are starting to have market information as to where people are and should be. The transparency is now being shared.

Can this comparison be seen so staff can see where they are in the market range for their position?

People need to be educated as to what this means, however, this data is still being built and there are some issues with the market ranges and there is also an issue with sharing this information too soon. There was a concern raised in how will we fund both systems? There is more flexibility with the University staff and both the University staff and classified staff are not equal. There are limits with In Band Adjustments for Classified Staff, but not with University staff. If you are over market range, you will still get increases in salary and it will be up to a supervisor to increase responsibilities so that you are not getting paid too much for what you are doing, but there will not be a cap on what you are doing.

What about job titles?

Position descriptions will be targeted on what you are actually doing. What does this mean for people who are doing the hiring? It will allow growth for the new person. Position descriptions have to be accurate because they are used to go out and do the market matches. For example, one of the problems with our current system is that there is a lot of Administrative Specialist III positions. A goal is to take those descriptions and use as templates for new positions but take those templates and adjust them so that there is room for growth. (Would like to be able to broaden and have a range of actions to be able to hire the person with skills that are needed or grow into. More opportunity for growth and have more flexibility has hiring officials.)

How will the peer advising work?

In addition to UHR and supervisors, peer advisors will be available to answer questions for employees considering the switch to University staff. There will be training for supervisors and peer advisors that includes how to counsel without influencing, and providing information they will need and sample questions will likely be asked. Information will be provided to employees as to where to go for peer advising specific to their area in the University will.

How soon will this happen?

Peer advising training sessions will begin in September and peer advising will happen during the October through December enrollment period.

Any questions can be addressed to hrr restructuring@virginia.edu and this restructuring e-mail address goes directly to Mr. Traub.

CLOSED SESSION

Recognition was given to those departing council members. Susan Chisholm asked those who were leaving to share with the group one word that described what they gained in participating in the PECC. Some thoughts that were shared were wisdom, as this member learned a lot about the University that they would never had known otherwise. Others shared that they valued the feedback to responses, that is getting information from constituents and answers to questions prior to the minutes posted and that perspectives were broaden about the University in that getting other viewpoints helped them get away from the focus of their own unit.

April and May PECC minutes were approved noting that the answers to the follow up questions from the April meeting were still pending from the Executive Vice President and Chief Operating Officer's office.

Vote for Vice-Chair

It was noted that the Vice Chair position is a three-year commitment where Vice Chair becomes Chair after the first year, and then ex-officio the following year. The Vice Chair also serves on the Executive Communication Council that meets quarterly.

Susan Pott was nominated for the position of Vice Chair and was approved by council.

The next PECC meeting is scheduled for September 10, 2008. Room location is TBA.

Attachment (University of Virginia Budget Overview, PDF file)

University of Virginia



Budget Overview – 2008-09 Update

Budget Overview

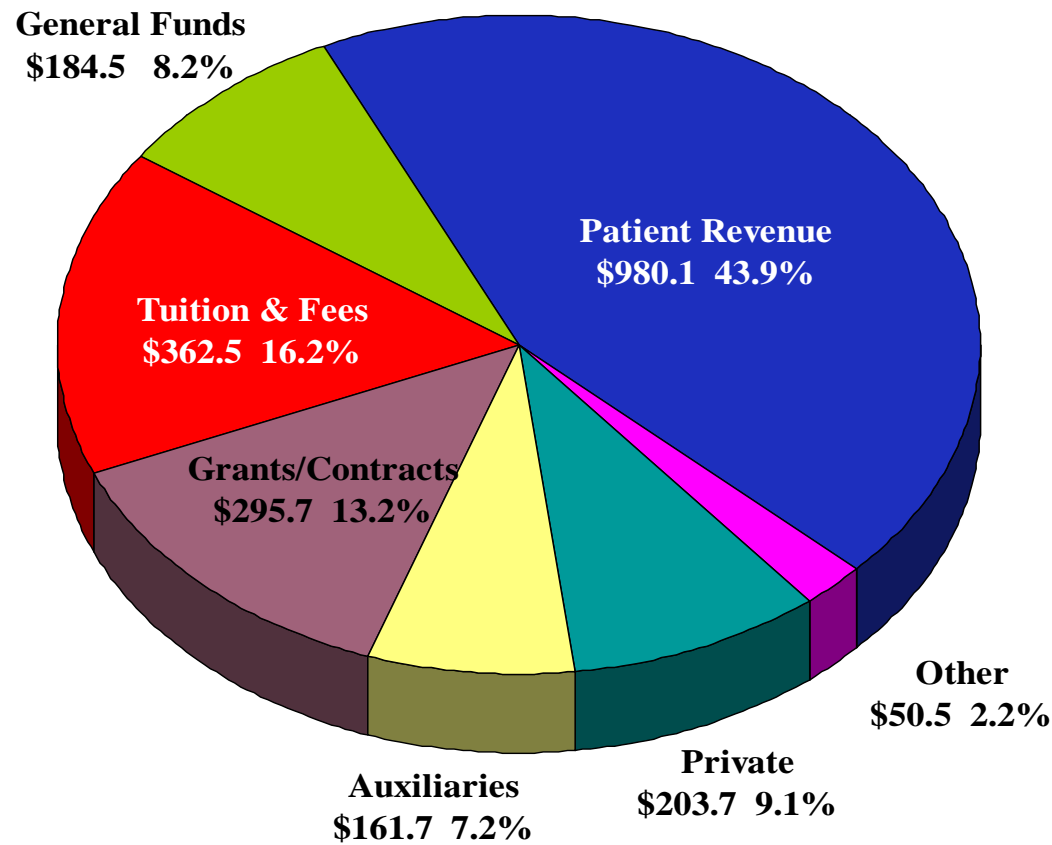
- What are UVa's major funding sources?
- What is Base Budget Adequacy?
- Historically, how has the state funded UVa?
- How do we spend our funds and make resource allocation decisions?
- What is the annual budget development cycle?
- What allocation decisions were made in 2008-09?
- Why were the key budgetary issues in the 2008-09 budget development?

All Divisions

Major Funding Sources 2008-09

(In Millions)

Total: \$2.24 Billion

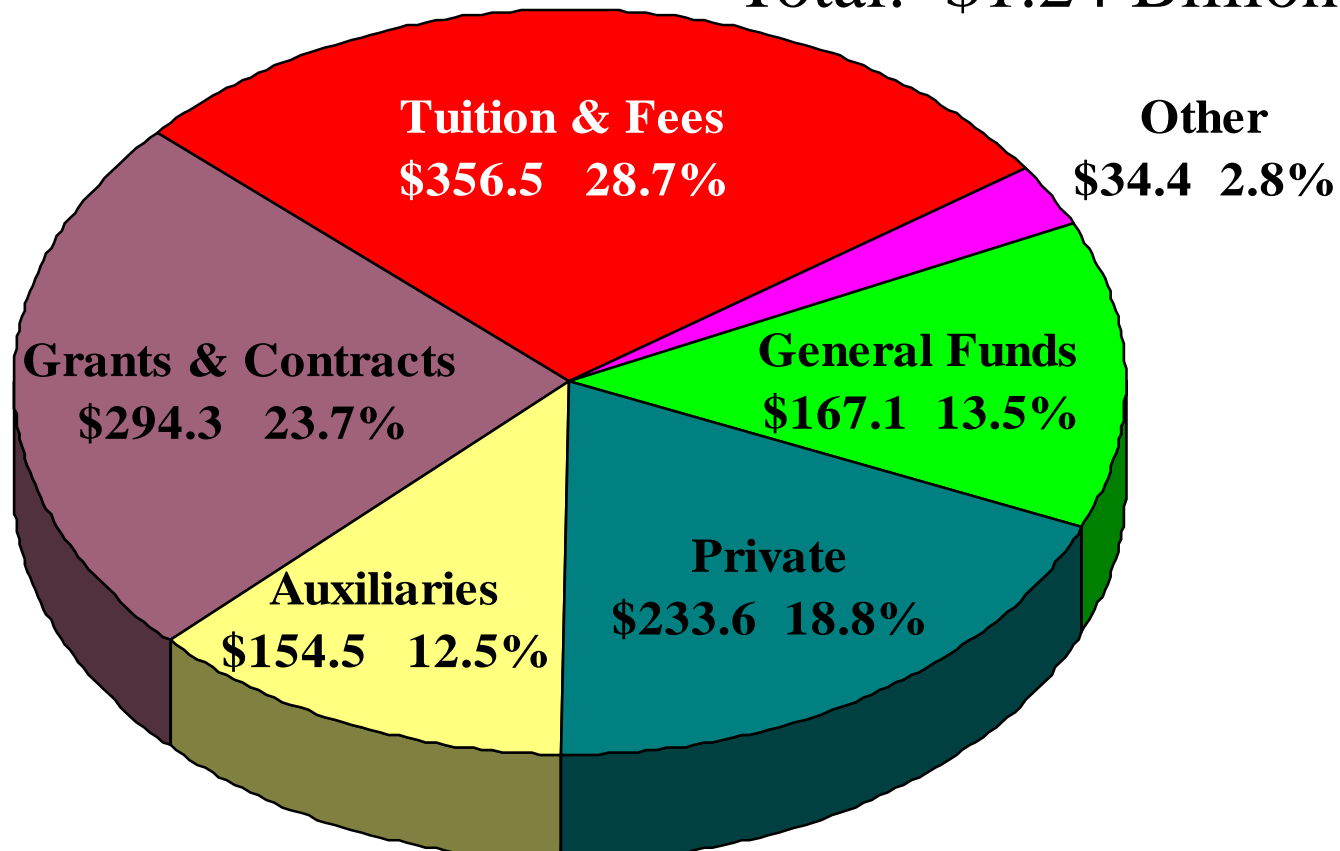


Academic Division

Major Funding Sources 2008-09

(In Millions)

Total: \$1.24 Billion



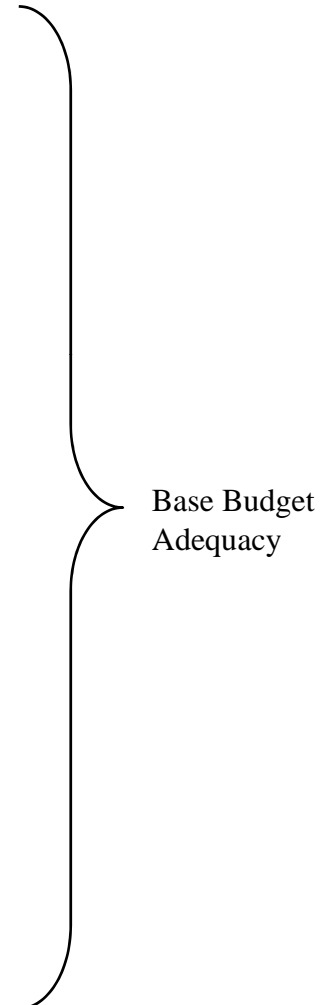
STATE BASE BUDGET ADEQUACY MODEL

Guidelines

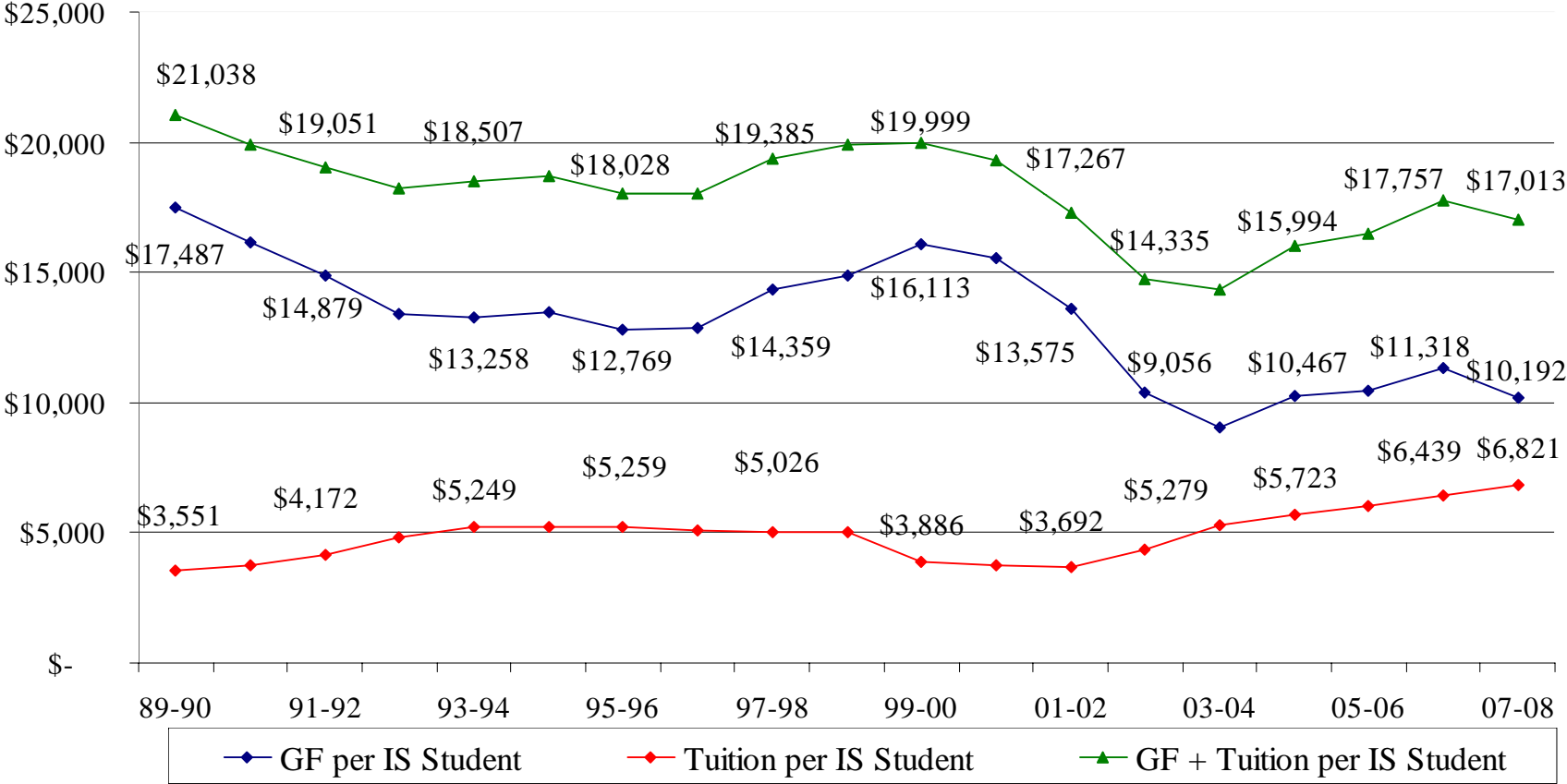
- Adopted Dec 2000 by the Joint Subcommittee on Higher Education Funding
- Calculates higher ed funding guidelines for instruction and support services
 - Base instructional costs are developed using student enrollment as applied to student:faculty standards by discipline and student level.
 - Base support costs are derived by applying a standard factor to instructional costs.
 - The standards were developed using national benchmarks by type of institution.
 - Guidelines intended to quantify overall funding level, but not internal allocations.
- What is the appropriate fund split?
 - Provide 67% of the in-state student cost and 0% of out-of-state student cost.
 - Translates to 41% general funds and 59% tuition at UVa.
 - UVa's budget is currently 33% general funds and 67% tuition.

Commonwealth of Virginia Base Budget Adequacy Model

Student Enrollment by Level and Discipline * National Student:Faculty Ratios	# of Instructional Faculty
# of Instructional Faculty * Average Faculty Salary = Faculty Instruction Faculty Instruction Costs * 40% = Non-Faculty Instruction Support (Faculty Instruction Costs + Non-Faculty Instruction Support) * Fringe Rate	Instruction
Instruction * 17.8% \$ 5,043,897	Academic Support
FTE Students * \$349.20 \$ 5,900,898	Student Services
(Instruction + Academic Support + Student Services) * 10.8% \$ 3,007,515	Operations & Maintenance
(Instruction + Academic Support + Student Services + Operations & Maintenance) * 6.1% \$ 9,492,698	Institutional Support



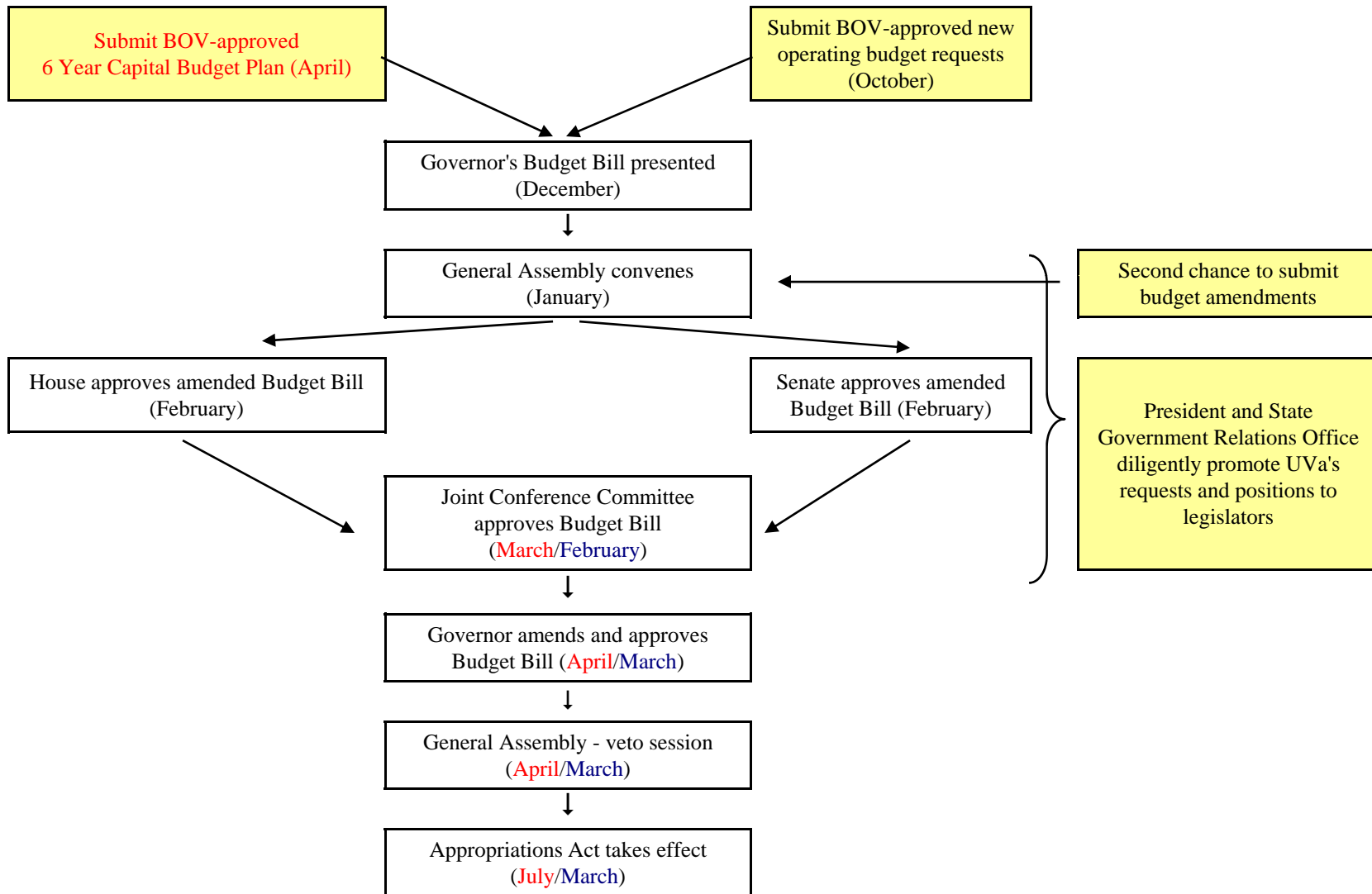
University of Virginia Historical Educational & General Funding From State Support and Tuition (in 2008 dollars) Per In-State FTE Student



State Biennial Budget Process

Legend:

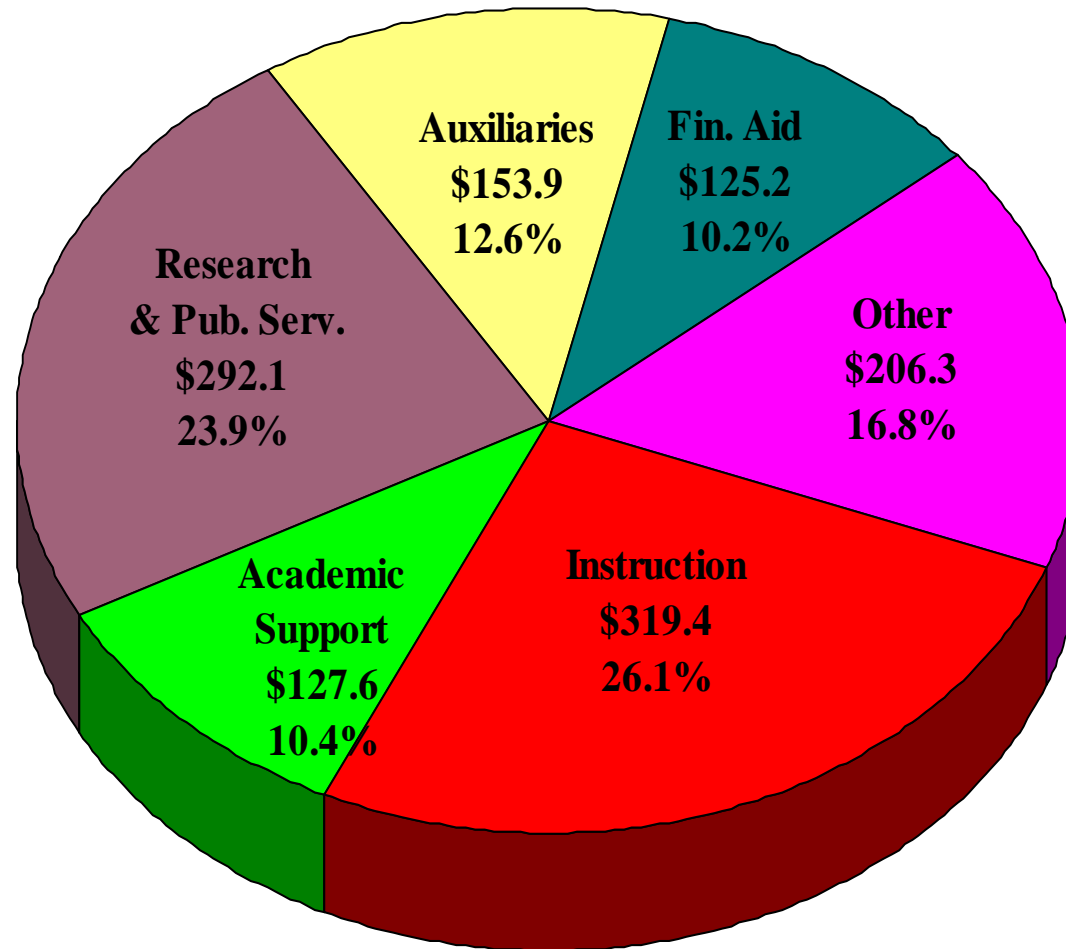
- Yellow box - UVa action
- Red text - applies to 1st year of new biennium, a.k.a. the long session
- Blue text - applies to 2nd year of new biennium, a.k.a. the short session
- Black text - applies to both 1st and 2nd years of the biennium



Academic Division

2008-09 Expenditure Budget - \$1.22 Billion

(In Millions)



How Do We Allocate Our Resources?

- For centralized fund sources, we use budget targets as a starting point
- Decisions on how to use target budgets are decentralized to dean/unit head
- Many fund sources are managed by the schools/units
- We allocate new revenues based on highest priorities of the Board and institution

Budget Development Cycle

- Nov: Budget Office develops budget instructions and budget assumptions
- Dec: **Budget Office develops budget targets**
Auxiliary budgets and fee requests due to Budget Office
Budget Office estimates unavoidable cost increases (salaries, benefits, utilities, AccessUVa, etc.)
- Jan: Budget Office holds training for schools/departments
Budget Office issues budget targets to VPs
VPs distribute budget targets, instructions, and due dates
Board approves budget assumptions, housing rates
Budget Office watches developments in state budget

Budget Development Cycle

- Feb: Schools/departments develop budget details
Schools estimate grant, F&A, gift, and endow budgets
Schools develop and prioritize addenda requests
Budget Office finalizes tuition proposal
Budget Office allocates financial aid based on final tuition
- Mar: **VPs hold budget meetings with schools/departments**
VPs approve budgets and prioritize addenda requests
- Apr 1: All budget submission items due to UBO, including prioritized addenda requests

Budget Development Cycle

- Apr: Board approves tuition and fees; dining rates
Budget Office reviews budgets and prioritized addenda requests
Budget Office identifies available resources for addenda requests
Budget Office recommends preliminary addenda allocations
Senior administration finalizes addenda decisions
- May: Budget Office finalizes Budget Summary
- June: Board of Visitors approves Budget Summary
Budget Office communicates budget and addenda decisions
- Jul 1: Budget Office loads budgets into Integrated System

ACADEMIC DIVISION

New Commitments - Unavoidable Increases (in Thousands)

<u>Initiative</u>	<u>Incremental in 2008-2009</u>
State Authorized Salary Increase	\$ 3,841
New Facilities	3,739
Utility Costs	1,773
Residence Life	<u>40</u>
Total	\$ 9,393

ACADEMIC DIVISION

New Commitments - Key Initiatives

(in Thousands)

<u>Initiative</u>	<u>Incremental in 2008-2009</u>
Student System Implementation	\$ 15,488
Commission on the Future of the University Reserve	8,000
SOM Decade Plan (from Pratt)	5,000
Access UVa	4,611
Deferred Maintenance (4 th year of ten-year plan)	1,500
Other	<u>777</u>
Total	\$ 35,376

ACADEMIC DIVISION

New Commitments - Base Operating Support (in Thousands)

<u>Initiative</u>	<u>Incremental in 2008-2009</u>
Arts & Sciences	\$ 3,905
Arts & Sciences – Faculty Start-ups (from Pratt)	1,600
Exec/Admin Support	1,432
Graduate Support	655
Instructional/Research Support	<u>564</u>
Total	\$ 8,156

2008-09 Critical Budget Issues As Presented to Board of Visitors

- Central Development continues to be funded from the appreciation of investment balances, not from annual revenues.
- How do we ensure the success of Commission on the Future of the University is not limited due to lack of funding for initiatives?
- How do we address higher research infrastructure costs funded from a relatively flat revenue stream?
- What is an appropriate ongoing goal for faculty compensation as compared to other priorities?

Contact Information

- University Budget Office
 - 434-924-3386
 - budget@virginia.edu
 - <http://www.virginia.edu/budget/>
- Melody Bianchetto, Assistant VP for Budget and Financial Planning, msb2p@virginia.edu, 434-924-0994
- Melissa Clarke, Associate Budget Director, mfc5g@virginia.edu, 434-924-0992 (administration and capital)
- Judy Rowe, Budget Manager, jwr7e@virginia.edu, 434-924-7085 (academic)
- Missy Brads, Sr. Budget Analyst, mab9bg@virginia.edu, 434-924-0990 (admin)
- Bev Smart, Sr. Budget Analyst, bsd4u@virginia.edu, 434-243-0417 (capital)
- Rob Neil, Sr. Budget Analyst, rjn6x@virginia.edu, 434-924-3907 (capital)
- Keith Carter, Budget Analyst, kac9r@virginia.edu, 434-924-3969 (admin)
- Valerie Spears, Budget Office Coordinator, vlg9k@virginia.edu, 434-924-3386

University of Virginia



Terms and Acronyms

Award Types

Tuition and State Funds (SG, SR, SS, SE) -This source of funds is derived from tuition, educational and general fees, appropriations and other miscellaneous revenue sources as authorized by the State for collection. For State General (SG), State Restricted (SR – primarily financial aid), and State ETF (SE) awards, the Budget Office is responsible for monitoring both rates and revenue collection and also administers the allocation of these funds for spending through established budget procedures. These are “*targeted*” awards.

For State Sales and Services (SS) awards funded from tuition revenues, the Budget Office is responsible for monitoring rates. Other SS awards may be funded from revenue generating activities as approved through established University Procedures (overseen by the Controller’s Office). The responsible unit is responsible for monitoring revenue collection and administering the allocation of these funds for spending. These are “self-supporting” awards.

Sales & Services, Other (IP, LS, SA, LA, LO) - This source of funds is derived through the sale of products and/or services to the University community, and sometimes the public at large. It includes State Auxiliary (SA) and Local Auxiliary (LA) enterprises (examples include Student Housing, Athletics, Parking) which are self-supporting and that primarily serve faculty, staff, and students. It also includes other (non-auxiliary) services established to support the Instruction or Research efforts, usually at the school or department level. Examples include Local Sales and Services (LS), such as copy centers; Intellectual Property (IP) such as lab testing services; and Local Other (LO) student activity fees managed by the students. These other services are usually required to set rates that recover only costs (i.e. break even), rather than generate extra revenue or “profit.”

Agency and Custodial Funds (YY, YA) - This source of funds is derived from funds on deposit with the University by outside agencies/organizations that are not a part of the University, but that have a close relationship to the University. The funds are available for spending BY the depositing entity THROUGH the University’s financial systems. Agency and custodial funds (YY awards) may fund UVA projects.

Award Types

Grants and Contracts (G) - This source of funds is derived from external sponsors who provide funds to the University in response to a proposal for specific instruction, research, or public service activities. Grants and contracts are the legal documents that define the scope of work, set of objectives, and terms and conditions which provide a basis for accountability and sponsor expectations. Grants and contracts are awarded to the University rather than the individual (principal investigator) who is responsible for the conduct of the project. The Office of Sponsored Programs (OSP) has institutional signatory authority for all contracts and proposals and are responsible for negotiation of all terms and conditions. OSP has the authority to legally bind the institution and is responsible for the financial control of awards received. The second letter of the two letter prefix (G*) indicates the external agency funding the grant. For example a “GA” award is from the National Science Foundation.

Facilities & Administrative (FA, FI) -This source of funds is derived from the application of a negotiated indirect cost recovery percentage to grant and contract expenditures. They represent the recovery of the fair share of Facilities and Administrative (F&A) costs of the University in support of sponsored programs activities. The “F” parts of F&A include the costs of the buildings and equipment, utilities, the maintenance of the buildings, and the cost of the University’s libraries. The “A” parts include central administration, school & departmental administration, and the Office of Sponsored Programs. F&A recoveries are distributed to departments and schools based on a formula approved by the academic vice presidents, and administered by Financial Analysis. F&A Institutional (FI) awards are central “*targeted*” F&A funds, managed by the Budget Office.

Gifts (DI, DR, DU) - This source of funds is derived from donor gifts for either current use or endowments. The use of these funds is subject to any restrictions placed by the donor. The University Development Office is responsible for recording and depositing gifts to the University. Investment and Tax Services (ITS) updates gift award installments monthly. Donor Restricted (DR) indicates restricted gifts; Donor Unrestricted (DU) indicates unrestricted gifts; Donor Institutional (DI) indicates central “*targeted*” gift funds, managed by the Budget Office.

Investment Income (EU, ER, EI, LC, LG) -This source of funds is derived through investment income earnings, both unrestricted (EU, EI, LC, LG) and restricted (ER, EI). The Investment and Tax Services Office (ITS) is responsible for monitoring, collecting, and distributing earnings to University departments. Upon receipt of the earnings distribution notification from ITS, the specific unit can allocate its funds for spending from the specific award (Endowment Unrestricted (EU) and Endowment Restricted (ER)). The Budget Office is responsible for administering the allocation of central “*targeted*” investment earnings for spending through the Endowment Institutional (EI), Local General (LG), and Local Chair (LC) awards.

DEFINITIONS OF TERMS AND ACRONYMS

Addenda – Annual process for evaluating proposals and allocating new revenues in excess of increased cost requirements to highest priority initiatives.

Appropriation – The amount of spending authorized by the General Assembly which enables state agencies to spend money for specific purposes. This includes authorization to spend both state tax monies (general fund appropriation) and university generated revenues (tuition, grants and contracts, F&A recoveries, auxiliary enterprise revenues). Private sources – gifts and endowments – are NOT appropriated.

Auxiliary Enterprise – An entity which exists to furnish goods or services to students, faculty or staff and which charges a fee that is directly related, although not necessarily equal, to the cost of the service. Auxiliary Enterprises are expected to be self-supporting, with revenues fully supporting direct and indirect operating and capital expenditures of the enterprise. Auxiliary Enterprises are assessed a general and administrative fee annually to reimburse the Educational & General programs for support. In 2006-07, the auxiliaries are charged 7.0 percent of their operating expenditures for a total recovery of \$4.8 million. Auxiliary Enterprises include dining service, housing, parking and transportation, student health, and athletics, among others.

Biennium – A two-year period used by the state for financial and budget purposes.

BOV – Board of Visitors of the University of Virginia.

DPB – the state's Department of Planning and Budget.

Educational and General (E&G) – A term used to describe operations which are related directly to the University's educational objectives. The term educational and general includes primary and support programs of instruction, research, public service, academic support, student services, institutional support, and maintenance and operation of physical plant. Excluded are the programs of student financial assistance (SFA), auxiliary enterprises, and hospitals.

EVP – Executive Vice President and Chief Operating Officer.

DEFINITIONS OF TERMS AND ACRONYMS

F&A – Financial and Administrative cost recoveries from grants and contracts. Also referred to indirect cost recoveries.

Full-Time Equivalent (FTE) – A term used to quantify full-time and part-time on the basis of a full-time equivalency. Can be applied to employees or students.

General Fund (GF) Appropriation – General tax revenues which are appropriated by the General Assembly for the use of the institution. We have general fund appropriations for E&G and SFA.

GTA – Graduate Teaching Assistant

GRA – Graduate Research Assistant

IS – In-state student is a student who has Virginia residency status for the purposes of tuition charging.

Local General (LG) Awards – LG awards are funded from a combination of distributions from the unrestricted endowment, current fund revenues, and other (licensing, affinity card, etc.) revenues.

Major Budget Unit (MBU) – A group of departments and cost centers having a common organizational relationship, typically that functional unit immediately below a vice president. It may include a large unit such as an entire school (for example, the College of Arts & Sciences) or a single administrative department (for example, the University Budget Office).

NGF (Non-General Fund) Appropriation – Resources which are earned or generated by the University such as tuition, indirect cost recoveries, grants and contracts, auxiliaries, or from private resources. All non-general funds, except for gifts and endowments, are appropriated by the General Assembly.

DEFINITIONS OF TERMS AND ACRONYMS

O&M (Operations and Maintenance) of Plant – expenditures related to the operating and maintaining the physical plant, including operations established to provide services and maintenance related to campus grounds and facilities, security, utilities, property insurance and other.

OoS – Out-of-state student is a student who does not have Virginia residency status for the purposes of tuition charging.

OTPS (Other than Personal Services) – The high level classification of any expenditures not expended for employee salaries, bonuses, or fringe benefits. It will include supplies, materials, office equipment and computer expenditures, travel, etc.

State General (SG) Awards – Awards are funded from tuition, fee, general fund appropriations, and other state revenues.

SFA (Student Financial Assistance) – A term describing student scholarships, fellowships and other forms of student assistance exclusive of student loans, student employment, and service scholarships where service is required of the students receiving the scholarships.

UBO – University Budget Office

VP – Vice President, typically in regards to an executive-level budget unit.

VPMB – Vice President for Management and Budget.