Treasurer’s Town Hall

J. Michael Gower
Executive Vice President, University Finance and Administration
University Treasurer

March 28, 2019
Busch Student Center
Today’s Agenda

- Welcome
  - Mike Gower

- Employee Service Center
  - Carolyn Knight-Cole
  - Joseph Blundo

- Mid-Year Review
  - David Moore
  - Ernie DiSandro
Chief Budget Officer, and Assistant Vice President, Financial Planning and Budgeting

- Leadership and management of the University Budget Office
- Strategic partner and member of the Finance and Administration Leadership Team
- Develop and implement budget practices and policies for the entire university as they relate to budget, financial planning and reporting
- Facilitate the development, implementation and management of the university’s annual budgets and long-term financial plans, including quarterly budget reports and variance analyses
Employee Service Center

Carolyn Knight-Cole
Associate Vice President, Human Resources Operations

Joseph Blundo
Director of Shared Services, Human Resources
Rutgers is creating a customer focused service center that provides select HR and Payroll services to all employees in an efficient, simplified, and friendly manner.

**What are the drivers?**

- **28K+** Size of the workforce supported
- **400+** People who perform HR and Payroll activities across Rutgers
- **155K+** Inquiries UHR responded to in 2017
- **130K+** Transactions processed by HCM in 2017
- **1 : 257.6** Ratio of employees served to HR FTE

**Why are we doing it?**

- **Improve Customer Experience**
- **Focus Employees on Value-Add Work**
- **Simplify and Automate the Process**
- **Unify the Rutgers Experience**
Benefits of the Employee Service Center

**Improve Customer Experience**
Customers will experience a more consistent and efficient experience and create a more positive customer experience.

**Streamline and Automate Processes**
Redesign processes to streamline and utilize technology, reducing time needed to resolve HR and Payroll inquiries.

**Create One Point of Contact**
Customers will be able to call just one number, streamlining the process and decreasing time to resolve HR and Payroll inquiries.

**Create Transparency**
Using new technology, the ESC will provide transparency for the customer into the status of issue resolution.

**Decrease Risk to Rutgers**
Creating consistent processes for employees will decrease potential risks for the university.

**Unity the Rutgers Experience**
Breakdown barriers and create “one experience” for all employees across the entire university.
<table>
<thead>
<tr>
<th>Number to call for all HR and Payroll inquiries</th>
<th>Service Center will serve all faculty and staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hours have not been determined yet</td>
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<tr>
<td></td>
<td>Walk-in capability will not exist in the service center but will remain in areas where it exists today</td>
</tr>
<tr>
<td></td>
<td>All customers can directly contact the service center</td>
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</tbody>
</table>

The service center will be located in ASB II and will serve all campuses.
Our journey to operationalize the service center is now in the phase that will lead us to go-live

**Design**
Focuses on planning how the service center will operate, including the services, processes, facilities and technology needed as well as begins building awareness about the effort.

**Implement**
Focuses on implementing the CMS and the telephony, finalizing processes and knowledge content, onboarding and training service center employees and preparing the organization to be ready for the change.

**Optimize**
Focuses on measuring and monitoring service center operational performance, improvements to the technology, and driving the organization to a new way of working.

We are here
One major activity during the Design phase, was the collaborative effort between UHR, Payroll, and subject matter experts to redesign the processes.

- **82.5 hours spent in design sessions**
- **92 original processes identified**
- **34 review sessions held**
- **21 process narrative sessions held**
- **84 actual processes designed for the service center**
Another Design milestone was the decision that services will go-live in multiple phases to provide the best opportunity to deliver enhanced customer service.

**ESC Phasing Decision**

- Phasing strategy will be completed by service (based on overall readiness) as opposed to campus.
- Focus go-live operations on:
  - Providing enhanced employee self service (Tier 0) and issue resolution (Tier 1) on all services to all Rutgers employees.
  - Provide specialized support (Tier 2) on an initial set of HR/Payroll services to all Rutgers employees.
- During the 3-12 months post go live, start providing specialized support (Tier 2) for remaining services.

**Key Benefits**

- Creates an immediate and tangible benefit for Rutgers employees.
- Directly addresses one of the biggest pain points associated with current HR and Payroll services.
- Minimizes time and level of effort required for go live operations.
- Minimizes impact on existing Rutgers workforce.
- Allows Rutgers to minimize risk by phasing additional services into the ESC over time based on readiness, degree of impact, and other factors.
Two primary criteria were used to determine which services will go-live initially.

**Leadership Determined Readiness Criteria**

- **Quick Wins**
  - Expected ability to transition a service with minimal level of effort and limited risks, and demonstrate tangible improvements post transition.

- **Significant Value to RU**
  - Degree that key stakeholders (customer, functional, Exec. leadership, public, etc.) would directly benefit from expected improvements to the service as a result of the transition.

**ESC Go-Live (Mid-2019)**
- HCM - Personal Data Changes
- Payroll Services - Former Employee Services
  - Kite & Key Deductions
- Benefits - Benefits Administration
- OEE & OLR/ALR - Track Grievances
  - Track Investigations/ Accommodations
- Payroll Services - Pending Job Change Repository
- Leave Administration - Initiate and Resolve
  - Leave Insurance

**ESC Phase 2 Transition (3-12 months post Go-Live)**
- Absence Reporting - System Access and Processing
- HRIS - Data Requests
  - System Access Inquiries
- Learning and Development - Course Inquiry Management
- Operations - Employee Services
- HCM - Employee Job Data Changes
- Recruitment - Manage Requisition
  - Candidate Screening and Extension of Offer
  - PeopleAdmin Administration
  - Pre-Hire Screening and On boarding

**ESC Phase 3 Transition (TBD)**
- Faculty Services - Manage Requisition
  - Candidate Screening and Extension of Offer
  - PeopleAdmin Administration
  - Pre-Hire Screening and On boarding

**Legend**
- HCM – Human Capital Management
- OEE – Office of Employment Equity
- OLR – Office of Labor Relations
- ALR – Office of Academic Labor Relations
- HRIS – Human Resources Information System
Customers will be able to receive the following services immediately upon go-live of the service center

<table>
<thead>
<tr>
<th>Personal Data Changes</th>
<th>Former Employee Services</th>
<th>Kite and Key Deductions</th>
<th>Pending Job Change Repository</th>
<th>Benefits Administration</th>
<th>Leave Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>As employee information changes, such as name or address, the service center will handle those changes</td>
<td>As former employees need W-2s or other payroll verifications, the service center will answer their inquiries</td>
<td>When customers purchase technology at the Kite and Key store, the service center will verify that employees are eligible for deductions</td>
<td>As employees need modifications to their pay, departments can call into the service center to track payment modifications to mitigate overpayment</td>
<td>When employees need to enroll in benefits or submit benefit claims, the service center will be the go-to for type of benefit information</td>
<td>Employees who need to take leave will contact the service center to initiate the process and manage it end-to-end including for temporary disability and FMLA</td>
</tr>
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</table>

**Benefits**

| Increased autonomy for employees and a decrease in the volume of calls for the HCM department | Decreased volume of calls to the payroll department to allow them to handle more complex issues | Decreased likelihood of overpayment to employees | Improved consistency and clarity of benefit information | Simplified process, increased privacy for employees, reduced risks related to inconsistent administration of leaves |
The culmination of the design work has prepared us to begin implementation of the service center.

### Results from Design Phase Critical to Implementation

<table>
<thead>
<tr>
<th>Portfolio of services and the new manner in which they will be delivered</th>
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<tbody>
<tr>
<td>Organizational structure of the service center (<em>pending final approval</em>)</td>
</tr>
<tr>
<td>Initial plan for staffing and training service center employees</td>
</tr>
<tr>
<td>Case Management System ready for implementation</td>
</tr>
<tr>
<td>Future state process documentation that will set the foundation for the Standard Operating Procedures (SOPs)</td>
</tr>
<tr>
<td>A facility plan for a dedicated service center space in ASBII</td>
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</table>
During the implement phase, we will focus on completing key activities to successfully stand up the service center.

- Develop Knowledge Management Content
- Develop Standard Operating Procedures (SOPs) for the service center
- Develop Service Level Agreements for the service center
- Design, develop and deliver training to prepare service center employees for operations
- Prepare the Rutgers community to adopt the changing ways of working
- Conduct User Acceptance Testing to prepare for go-live
One of our major activities now is beginning the implementation of the enabling technology that will serve as the backbone of the service center

ServiceNow Functionality

• Tracking of tickets and progress until the issue is resolved
• Enhanced self-service capability and electronic submission capability
• A consistent knowledge base for all customers and customer service representatives
• Potential email ticket submission and live chat options are being considered

_The knowledge base and portal to access ServiceNow are currently being developed and designed_
Let’s Stay Connected!

How to Reach The Team

• Go on our project website for updated information
  • [www.discover-uhr.Rutgers.edu/service-center](http://www.discover-uhr.Rutgers.edu/service-center)

• Use the project mailbox to submit questions to the project team
  • [escp@Rutgers.edu](mailto:escp@Rutgers.edu)

How the Team will Reach You

• Website content will be updated to reflect decisions and the most relevant information

• Presentations at new and existing forums will continue

• Project updates will be shared with leadership to help disseminate as applicable

We will also reach out to subject matter experts for input into Knowledge Management, Service Level Agreements, etc.
Questions?
Mid-Year Review

David Moore  
Chief Budget Officer and Assistant Vice President, Financial Planning and Budgeting

Ernie DiSandro  
Interim University Controller
Budget Development

• Enterprise Planning and Budgeting Cloud Services (EPBCS)
  o Position-based budgeting: Workforce Planning and Position Management
  o Development of units’ revenues and expenses leading to Net Income Report; enhanced core functionalities
  o Forecasting that fosters continuous year-round planning

• Profitability and Cost Management Cloud Services (PCMCS)
  o Development and allocation of Responsibility Center Management (FY 2020 entered on Feb. 28)
Increasing Revenues and Controlling Expenses

FY 2019 Second Quarter Forecast

Revenue Total $4,359,097
Expense Total $4,331,692
Surplus / (Deficit) $ 27,405 before Transfers

Favorable increase compared to budget of approximately $15 million or 121%
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<tr>
<td>• F&amp;F Committee Meeting (Mar. 12)</td>
<td>• Final budgets due to Budget Office (Apr. 26)</td>
<td>• Final Q3 Forecasts due (May 8, May 14)</td>
<td>• Consolidated budget (May 31)</td>
<td>• F&amp;F Committee Meeting (Jun. 5)</td>
<td>• State of NJ releases FY20 budget (Jul. 1)</td>
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<td></td>
<td></td>
<td></td>
<td>• F&amp;F Committee Meeting (Jul. 9)</td>
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<td>• Board of Governors Meeting – FY20 Budget approval (Jul. 23)</td>
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Training Resources

- **EPBCS Support**
  - Scheduled upon request by units

- **EPBCS Manuals**
  - Budget Course Pathway Hyperion Planning
    
    (Log in to Canvas)

- **Forecast White Paper**
  - From Static Budget to Dynamic Forecasting, and Why It Matters
    
    (University Budget Office website)

- **Accounting Procedures**
  - Reports and Procedures
    
    (University Controller’s Office website)

Click an image to access the website, materials
• Rutgers’ $712.5 million in annual research and development expenditures (as of FY2017) place us among the nation’s top public universities

• Rutgers' R&D expenditures exceed those of all other New Jersey colleges and universities combined

• Rutgers has 300 research centers and institutes around the state

• Rutgers research has a compound annual growth rate (CAGR) of 4.2% since 2014

• In FY2018, Rutgers received 3,402 research awards, 74 of which were valued at more than $1 million

• Initial FY2018 Higher Education Research and Development (HERD) survey data shows 4% growth in expenditures over FY2017
What Are Facilities and Administrative Costs?

Direct Costs

These are generally what people think about when it comes to federal support for research projects—they solely support the actual research that is about to take place.

Includes:

- Laboratory supplies
- Certain research equipment
- Salary support for researchers and lab personnel
- Travel for conducting research or disseminating research results

Facilities and Administrative (F&A) Costs

F&A covers a portion of infrastructure & operational costs related to federally-funded research that cannot be attributed to a single project (and that the university wouldn’t have incurred if it weren’t conducting research on behalf of the sponsor).

Includes:

- Facilities
  - Building depreciation
  - Equipment depreciation
  - Interest
  - Operations and maintenance
  - Library
- Administrative
  - General administration
  - Departmental administration
  - Sponsored projects administration
  - Student administration and services

Source: EAB interviews and analysis; COGR, Primer on F&A.
How Is the F&A Rate Determined?

Rate-Setting Process

Calculation

• Universities use rules defined by OMB and audited financial data
• Rate is based on an average for the institution

Negotiation

• F&A rates are submitted to and rigorously reviewed by the university’s “cognizant agency” (DHHS2)
• University and cognizant agency negotiate a rate normally effective for 2-5 years

Charging

• Negotiated rate is applied to subset of the direct costs of each research project
• Negotiated federal F&A rate is used for all agencies—universities don’t negotiate different rates for different agencies

F&A Cost and Rate Trends

20-85%
Range of F&A rates across the United States

53%
Average negotiated F&A rate for universities across the United States

55%
Rutgers University’s negotiated F&A rate for FY19

1. Office of Management and Budget
2. Department of Health and Human Services

What Are Some Common Myths about F&A?

Some Common F&A Myths…

- Direct costs are the only “real costs” of research—F&A **diverts dollars away** from supporting actual research.
- F&A is a centrally administered “tax” on research that allows universities to “profit.”
- F&A is arbitrarily determined and represents a “slush fund” for universities, providing little benefit to researchers.

…Don’t Align with Realities

- F&A costs are **real costs**, without which faculty and universities would not be able to conduct any research.
- F&A is a **partial reimbursement** for **costs already incurred** by the university to support research. The university **never** recovers full costs.
- F&A rate is **negotiated** with the federal government through a rigorous process and **strategically reinvested** in the research enterprise.

Source: EAB interviews and analysis.
How Much F&A Do We Recover?

Rutgers University (Organized Research)

FY18 $88.4M in unrecovered F&A

- **54%** Blended Negotiated Rate
- **29%** *Effective Recovery Rate

Recovery Challenges

- Federally-negotiated rate is always lower than actual costs
- Administrative portion of F&A is capped at 26%

National Outlook

- **34%** Average effective F&A recovery rate
- **$5B+** Total F&A not recovered by all doctoral institutions in FY16

*If Rutgers would have achieved the average effective rate it would have meant another $17M in FY18*

Source: EAB interviews and analysis; Higher Education Research and Development Survey (HERD) Table 2 and Table 16, FY2012-FY2016; Nature, Indirect costs: Keeping the Lights On.
Reality of F&A Rates (and the negotiation process)
• Negotiated rate is almost always less than the actual calculated rate
  – Even if all sponsors paid the applicable negotiated rate, Rutgers is not fully recovering its actual F&A costs
  – But not all sponsors pay the full rate, reducing the proportion recovered even more

Importance of Maximizing F&A Recovery
• Applying the F&A rate represents recovery of costs already incurred by the University and which benefited the sponsors
• F&A recovery is a critical component of the University’s budget and necessary to support a sustained investment in the research enterprise

Principal Investigator Perspective (and the challenge it brings)
• Waiving or lowering the applicable F&A rate increases the portion of the budget available for salaries, supplies, and other direct costs
Application of Rate

- Modified Total Direct Costs (MTDC) is defined in federal regulations and refers to the costs against which the F&A rate is applied – not all costs on a research grant are charged the F&A rate

- Federal research awards generally must be charged the F&A rate negotiated with the federal government
  - Some kinds of federal awards may be required to apply a different F&A rate because of regulations or statutes (e.g., National Institute of Health research training grants and K awards, some federal flow-through awards)

- Other sponsors may be charged different F&A rates established by the University but variations from the established F&A rates require approval from our cognizant agency

Use of DUNS

- 13 total (Data Universal Numbering System) DUNS numbers including 9 DUNS numbers under RBHS

- Under the new agreement, we are required to phase out the use of RBHS Employer Identification Number (EIN)/DUNS

- Need a decision on which DUNS are to be requested under the Rutgers EIN for RBHS
<table>
<thead>
<tr>
<th></th>
<th>PRIOR TO July 1, 2018</th>
<th>EFFECTIVE July 1, 2018 - June 30, 2023</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>7/1/2018 - 6/30/2019</td>
</tr>
<tr>
<td>ORGANIZED RESEARCH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rutgers</td>
<td>55%</td>
<td>55%</td>
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<tr>
<td>RBHS</td>
<td>59%</td>
<td></td>
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<tr>
<td>INSTRUCTION</td>
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<tr>
<td>Rutgers</td>
<td>53%</td>
<td>53%</td>
</tr>
<tr>
<td>RBHS</td>
<td>N/A</td>
<td></td>
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<tr>
<td>OTHER SPONSORED ACTIVITIES</td>
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</tr>
<tr>
<td>Rutgers</td>
<td>37.2%</td>
<td>37.2%</td>
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<tr>
<td>RBHS</td>
<td>26.1%</td>
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<tr>
<td>NATIONAL TRANSIT INSTITUTE (NTI)</td>
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<td></td>
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<tr>
<td></td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>OFF-CAMPUS (ALL)</td>
<td>26%</td>
<td>26%</td>
</tr>
</tbody>
</table>
• **Open Sessions**  
  – Open Information Sessions are scheduled on all campuses.

• **Training**  
  – Ongoing training and education sessions are being planned and will be available throughout FY19 and beyond.

• **Inquiries**  
  – Please direct questions to the below contacts, also provided in previous campus F&A communication.

<table>
<thead>
<tr>
<th>Type of Question</th>
<th>Who to Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal and Pre-Award</td>
<td>Chrissa Papaioannou at <a href="mailto:cp847@ored.rutgers.edu">cp847@ored.rutgers.edu</a></td>
</tr>
<tr>
<td></td>
<td>Diane Ambrose at <a href="mailto:ambrosdm@ored.rutgers.edu">ambrosdm@ored.rutgers.edu</a></td>
</tr>
<tr>
<td>Post-Award</td>
<td>Angelo Chrisomalis at <a href="mailto:gca@ored.rutgers.edu">gca@ored.rutgers.edu</a></td>
</tr>
<tr>
<td>General F&amp;A</td>
<td>A. Chea Smith at <a href="mailto:cost@finance.rutgers.edu">cost@finance.rutgers.edu</a></td>
</tr>
</tbody>
</table>

• **New F&A Agreement and Information**  
  – Cost Analysis & Reporting Website  
    [https://costanalysis.rutgers.edu/facilities-and-administrative-cost-rates-0](https://costanalysis.rutgers.edu/facilities-and-administrative-cost-rates-0)
Questions?
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