

# University of Wyoming

## Performance Improvement Discussion Document

August 4, 2016



UNIVERSITY OF WYOMING

**Huron is pleased to have the opportunity to visit with the University Board of Trustees to provide an overview and update on Huron's recent activities and work to date.**

**This document is designed to provide two updates:**

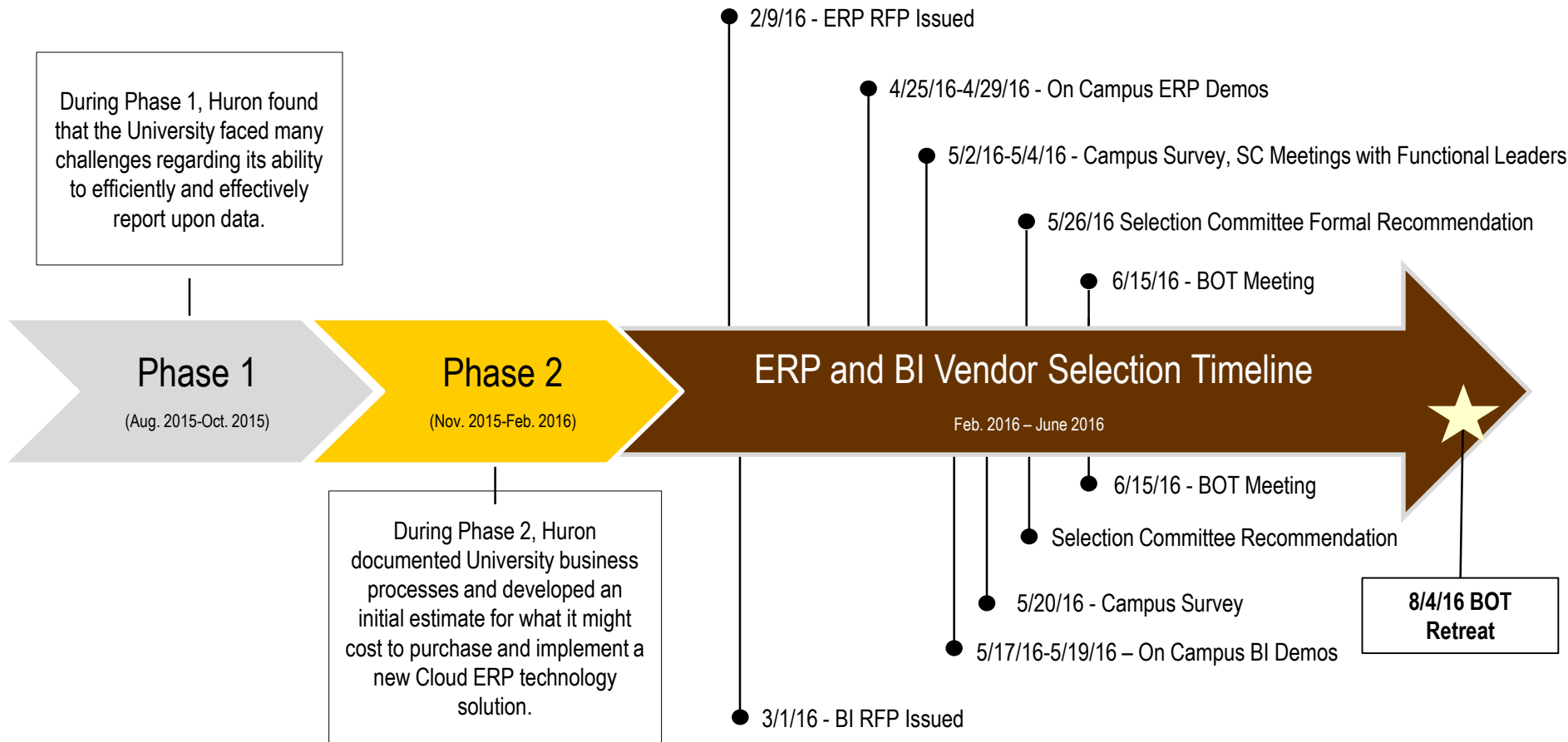
**(1) WyoSolutions Project Update and Overview**

- Steps to Date
- Project Governance
- Workstream Overviews
- Workstream #4: Performance Improvement Discussion

**(2) Review of Preliminary Data Analysis**

- Selected Benchmarking
- Selected Trend Analysis

The timeline below depicts what work was done in preparation for issuing the system RFPs and the specific selection steps taken.



**WyoSolutions is the University of Wyoming's comprehensive approach to provide modern and sophisticated solutions to today's demands and challenges on our University. WyoSolutions represents a portfolio of interconnected strategic projects all with the common purpose of re-inventing the way the University of Wyoming operates in order to better support our core missions of teaching, research and service.**



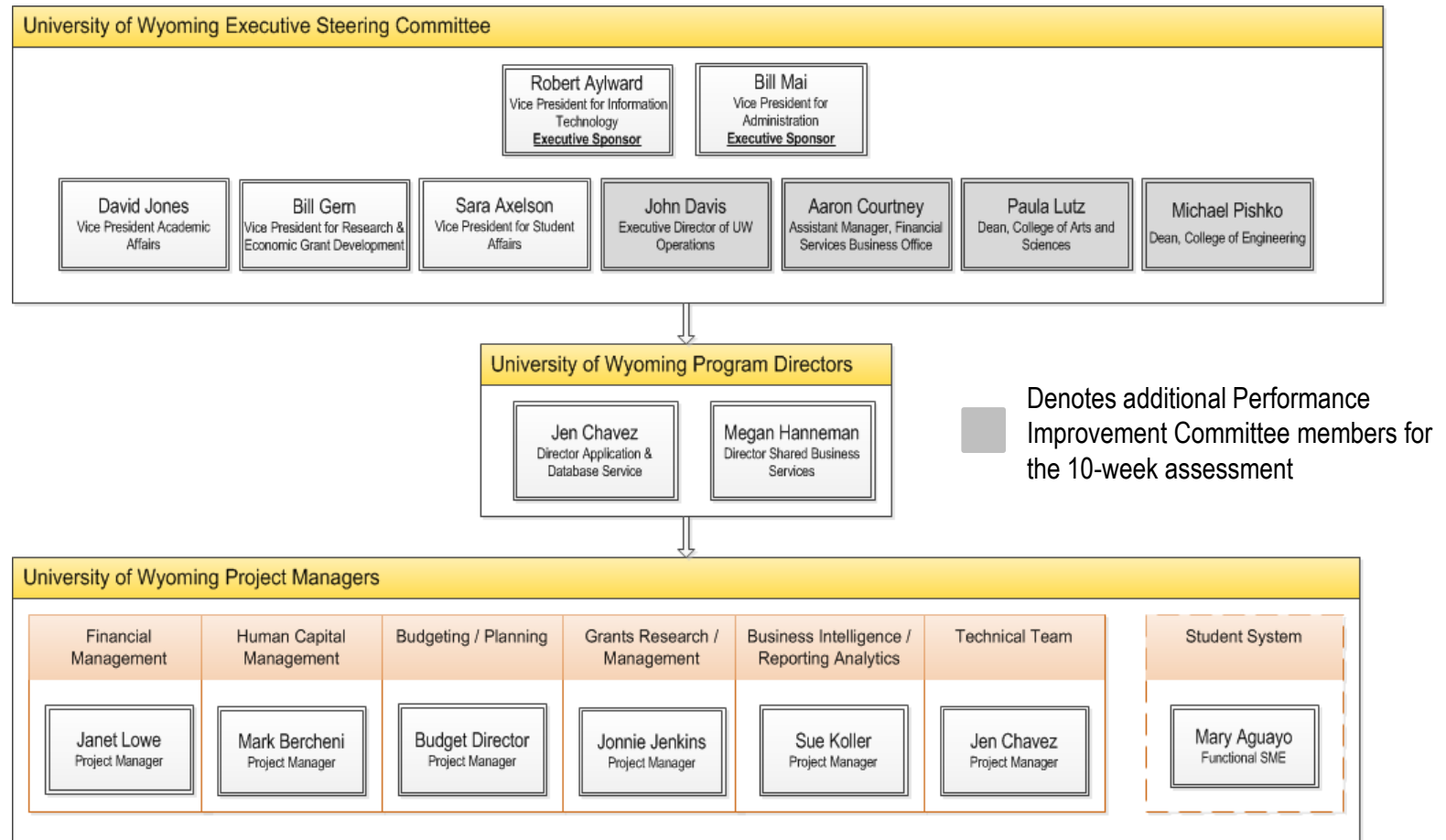
- Workforce Organization & Structure
- New Budget Model
- Performance Improvement Opportunities
- Diversified Revenue Plan
- Student Success
- Faculty Performance Support



- Modern Cloud Systems:
  - Financial Management
  - Human Capital Management
  - Grants Management
  - Budgeting
  - Supply Chain Management
  - Reporting & Analytics

**WyoCloud is one of the WyoSolution projects/initiatives, and it describes the Oracle Cloud Systems implementation of Financial Management, Human Capital Management, Grants Management, Budgeting & Planning, Supply Chain Management, and Reporting & Analytics.**

The Executive Steering Committee will be responsible for high-level strategic decisions, while the Program Directors will coordinate day-to-day activities with 6 – 7 Project Managers, who will serve as functional experts and leaders for the implementation of each individual module.



# Project Scope and Workstreams

**At the conclusion of the WyoCloud implementation, the University of Wyoming will have modern Financial Management, Human Capital Management, Grants Management, Budgeting & Planning, Supply Chain Management, and Reporting & Analytics technology solutions.**

	Workstream	Workstream Description
1	Reporting and Business Intelligence	<ul style="list-style-type: none"> <li><b>Reporting and Business Intelligence:</b> implementation will provide a University-wide reporting solution with initial capabilities to report against student, financial, human resource, and foundation data</li> </ul>
2	Financial Management Human Capital Management Grants Management Business Process Redesign & Change Management Project Management	<ul style="list-style-type: none"> <li><b>Financial Management System</b> implementation includes General Ledger, Asset Management, Financial Reporting, Accounts Payable, Procurement, Expenses, integrations, and development</li> <li><b>Human Capital Management System</b> implementation includes Core HR, Payroll, Benefits, Time &amp; Labor Lead, Recruiting, Performance Management, integrations, and development</li> <li><b>Grants System</b> implementation includes Billing &amp; Accounts Payable, Project Costing, Project Contracts, Application/Integration Development</li> <li><b>Business Process Redesign &amp; Change Management</b> includes campus communications, training, and efforts focused on redesigning the University's business processes to utilize system workflow capability and enhance efficiency</li> <li><b>Project management</b> includes project scope and schedule oversight, full staffing and backfill plan, and initiation of change management and project governance activities</li> </ul>
3	Budgeting and Planning	<ul style="list-style-type: none"> <li><b>Budgeting and Planning</b> includes budgeting, forecasting, and financial modeling using data from systems across the enterprise</li> </ul>
4	Performance Improvement	<ul style="list-style-type: none"> <li><b>Performance Improvement</b> includes projects aimed at improving efficiency, reducing costs in various areas of the university, and/or increasing or diversifying revenue streams</li> </ul>

# Illustrative System Challenges

Current systems significantly hinder UW's ability to efficiently and effectively conduct business.

**As much as 60%**

of some business & financial staff's time  
is spent on maintaining shadow systems



**43 –**

average # of business days  
to have a new research grant  
account number set-up



**13.3 –**

average # of business days to  
receive a travel and expense  
reimbursement



**12.5 –**

average # of business days  
to generate a check after a  
payment request has been  
submitted

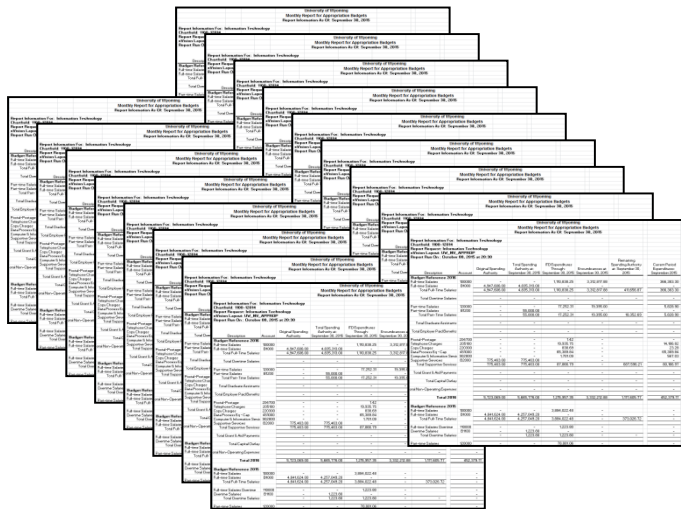


**10 –**

average # of hours spent  
each month by business &  
financial staff collecting  
employee paper timesheets  
and manually entering time  
into the HR system

Upgrading the current back office systems provides the University of Wyoming with the ability to move to more contemporary solutions.

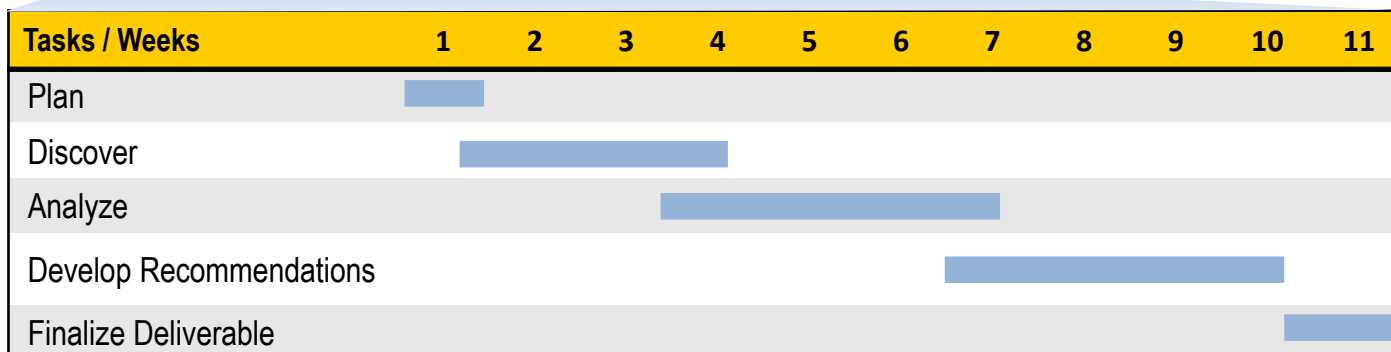
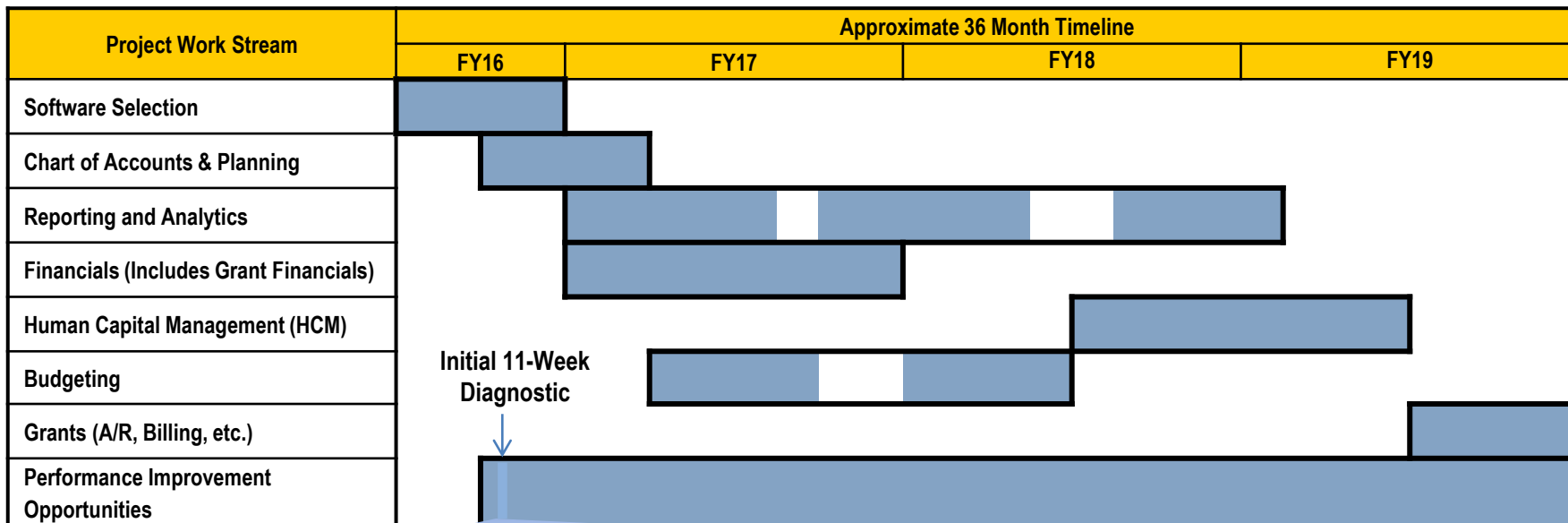
60+ PISTOL PDF/Excel Reports





# Project Approach and Timeline

The PI efforts begin with an 11-week diagnostic; designed to position project success; however, implementation activities are expected to be prioritized and implemented during FY17-FY19.



# Huron's Integrated Approach

**The Performance Improvement activities described under workstream #4 are designed to help ensure that the University moves beyond technology solutions and identifies opportunities for additional business optimization.**

- The overarching goal of this initiative is to re-shape the way business operations are performed; and the proposed performance improvement projects will serve to help ensure that operations are optimal in advance of anticipated technological changes
- The Performance Improvement workstream also aligns with the University's needs to optimize resources, and provides alignment between the WyoSolutions initiatives and the initiatives described during (1) President Nichols June 25<sup>th</sup> Town Hall and (2) the activities of the Financial Crisis Advisory Committee.
- Historically, Huron's identified performance improvement opportunities build on technology driven process solutions by incorporating recommendations related to organizational structures, staffing levels, policies, and service portfolios
- Functional areas that often arise as primary partnership opportunities include:

Human Resources

Information Technology

Finance and Accounting

Research Administration

Procurement

Student Administration

Facilities

Auxiliary Enterprises

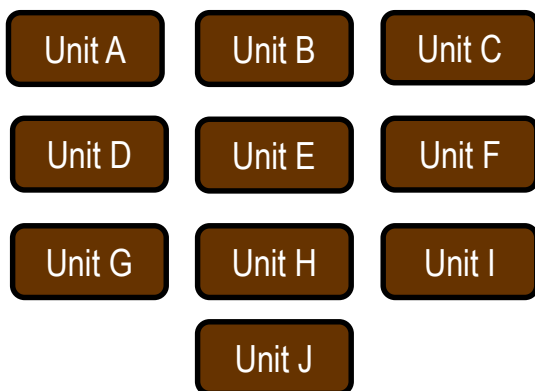
## July 11 to August 24

### Huron Performance Improvement

Huron begins the assessment through interviews and data analysis. Documents opportunities found through analysis. Findings are “opportunity driven.”

### FCAC Program Assessment

FCAC distributes target enhancements and reductions to unit VPs. Units review internal operations for revenue/savings. Target cuts are “unit driven.”

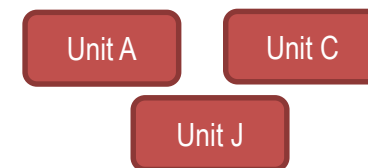


## August 24 to end of September

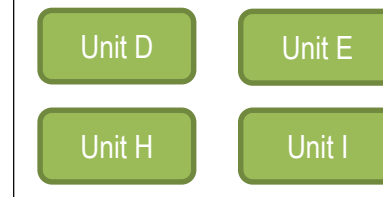
Huron develops a list of approx. 70-100 opportunities to FCAC and Steering Committee. The list of opportunities will be assessed for each organization and the next steps, by unit, will follow one of three approaches:

1. Huron finds revenues/savings that can meet FCAC targets, works collaboratively with units to further develop business cases for savings
2. Huron finds opportunities but did not meet target savings set by FCAC or units find savings that exceed Huron’s estimates, units take Huron opportunities and continue to refine revenue/saving opportunities
3. Huron did not find opportunities, units find savings through guidelines set forth by FCAC

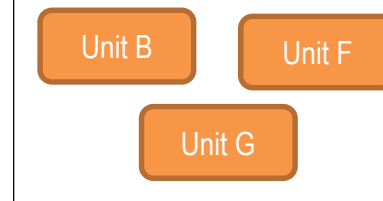
### #1



### #2

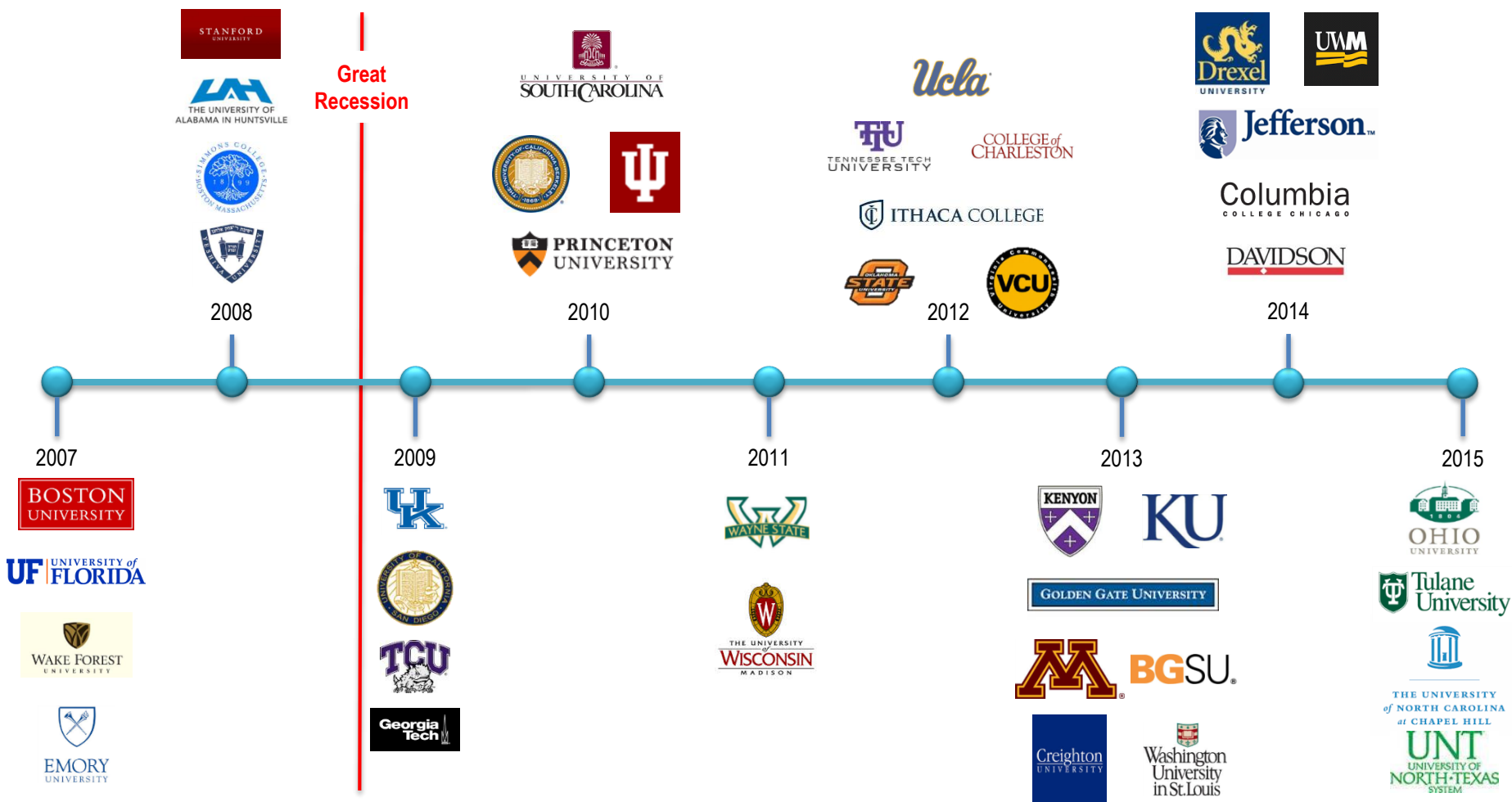


### #3



	Huron	University of Wyoming
June	<u>Mid-June</u> : Prepares for Oracle Cloud systems, including performance improvement assessment to assist in leveraging new systems	<u>June 16</u> : Declaration of financial crisis by UW President <u>June 22</u> : First FCAC meeting, chair selected and charge outlined
July	<u>July 11</u> : Huron kicks off performance improvement project, meets with stakeholders including FCAC and President's cabinet	<u>July 17</u> : FCAC outlines area reductions in Program Assessment Plan
August - Sept	<u>Aug 24</u> : Huron presents approximately 80-100 opportunities to Steering Committee and FCAC, determination on which recommendations to develop business case; begin work with units on further developing immediate opportunities <u>Sept 21</u> : Huron delivers business cases for Steering Committee and FCAC review	<u>Sept 12 – 26</u> : Program Assessment Plans due from VPs and departments, leverage Huron's opportunities from Aug 24 opportunity list. Units work with Huron or continue independently to find immediate FY18 savings <u>Late Sept</u> : President, Steering Committee, and FCAC receive Huron recommendations
Oct - Nov	<u>Oct to Nov</u> : Huron supports UW with planning and recommendation development for BOT meeting on Nov 17	<u>Oct 4</u> : President presents preliminary plan to FAC <u>Oct 11 to Nov 1</u> : FCAC reviews plan and presents it to campus for public comments <u>Nov 1</u> : Campus comment period ends <u>Nov 8</u> : FCAC gives president revised plan <u>Nov 17</u> : President presents final plant to BOT

The negative effects of the struggling economy have considerably increased the frequency with which universities are undertaking comprehensive administrative operational assessments.



While all administrative assessments have unique elements to their approach, a typical assessment follows a similar phased format.

Cost/Revenue Categories		Opportunity Categories <sup>1</sup>	
Revenue Enhancement	Enrollment Management	Enrollment Management	\$7.0M / 22%
	Education Platform	Online/Distance Learning	\$1.0M / 11%
	Auxiliaries	Auxiliary Services	\$2.5M / 33%
	Advancement	Advancement	\$1.0M / 22%
Cost Reduction	Salary and Wages	Organizational Assessment	\$1.5M / 56%
	Benefits	Employee Benefits	\$2.0M / 56%
	Supplies/Services	Procurement/Sourcing	\$8.0M / 78%
	Physical Plant	Facilities and Space Management	\$6.0M / 78%
	Sponsored Research	Research	\$1.5M / 22%
	Administrative Support Structure	Information Technology	\$3.0M / 22%
		Finance	\$1.0M / 56%
		Student Services	\$8.0M / 33%
		Human Resources	\$2.0M / 33%
		Other Admin	\$1.0M / 11%

1<sup>st</sup> Number represents average opportunity size

2<sup>nd</sup> Number represents historical opportunity frequency

Notes: 1) First number reflects the average opportunity savings, when found. Second number reflects the percentage of projects the opportunity is found in. Area of box reflects the average expected value of each opportunity.

# FINANCIAL OVERVIEW AND OPERATIONAL PROFILE

**Prior to the recent budget cuts, UW was able to use state appropriations to stabilize its fiscal standing while battling fluctuations in enrollment and negative operating margins over the last 5 years.**

*Profile of University of Wyoming's Financial State:*

- After record-breaking enrollment in Fall 2012, the University witnessed a slight decline in total enrollment over the next three years with Fall 2015 approximately 150 fewer students than Fall 2012 (Fall 2016 enrollment currently forecasted to be a 10% decrease from Fall 2015).
- UW enforced moderate in-state tuition increases ranging between 1.9% and 5.3% between 2012 and 2015; meanwhile, out-of-state tuition increases have been no lower than 4.0% per year during the same time period. Tuition increases have helped offset the loss of revenue from declining enrollment.
- The University's operating margins have historically trailed similarly rated institutions.
- While the University faced a decline of approximately \$20.9MM in federal appropriations from FY11 to FY15, state appropriations increased by \$23MM during the same time period.
- During the same period, the University has seen growth in compensation/benefits of approximately \$15 MM.
- Wyoming is among the least tuition dependent institutions in its peer group with approximately 90 to 92% of total revenues coming from sources other than tuition and fees.



**UW's operational profile, in comparison to the institution's peer institutions, suggests that the University may have opportunities to lower expenses and instructional costs per FTE.**

## Full-Time Enrollment

- UW's 2014 – 15 tuition and fees of \$4,646 per student is the lowest cost compared to their peer group
- Retention issues over the last few years have secured UW's place in the lower enrollment tier amongst its peers

### Enrollment

1	Colorado State University	26,542
2	Washington State University	25,977
3	Utah State University	21,180
4	New Mexico State University	17,749
5	Montana State University	13,644
6	North Dakota State University	13,028
<b>7</b>	<b>University of Wyoming</b>	<b>12,993</b>
8	South Dakota State University	10,985
9	University of Idaho	10,474
10	University of Maine	10,116

## Revenue and Expenditures

- UW has the highest revenue per FTE which allows for high spending; however, a large portion of this is represented by State Appropriations
- UW also has the highest total core expenses per FTE amongst their peer group

### Core Expenses Per FTE

<b>1</b>	<b>University of Wyoming</b>	<b>\$37,987</b>
2	University of Idaho	\$32,510
3	Washington State University	\$32,390
4	University of Maine	\$30,732
5	New Mexico State University	\$29,745
6	Colorado State University	\$29,314
7	Montana State University	\$26,783
8	North Dakota State University	\$26,227
9	Utah State University	\$24,665
10	South Dakota State University	\$23,723

## Instruction

- UW has the highest ratio of instruction costs to tuition revenue amongst peers, indicating that lower costs in other areas help contain the overall cost structure
- Enrollment gains could help moderate the relative cost of instruction

### Instruction Costs as a Percentage of Tuition

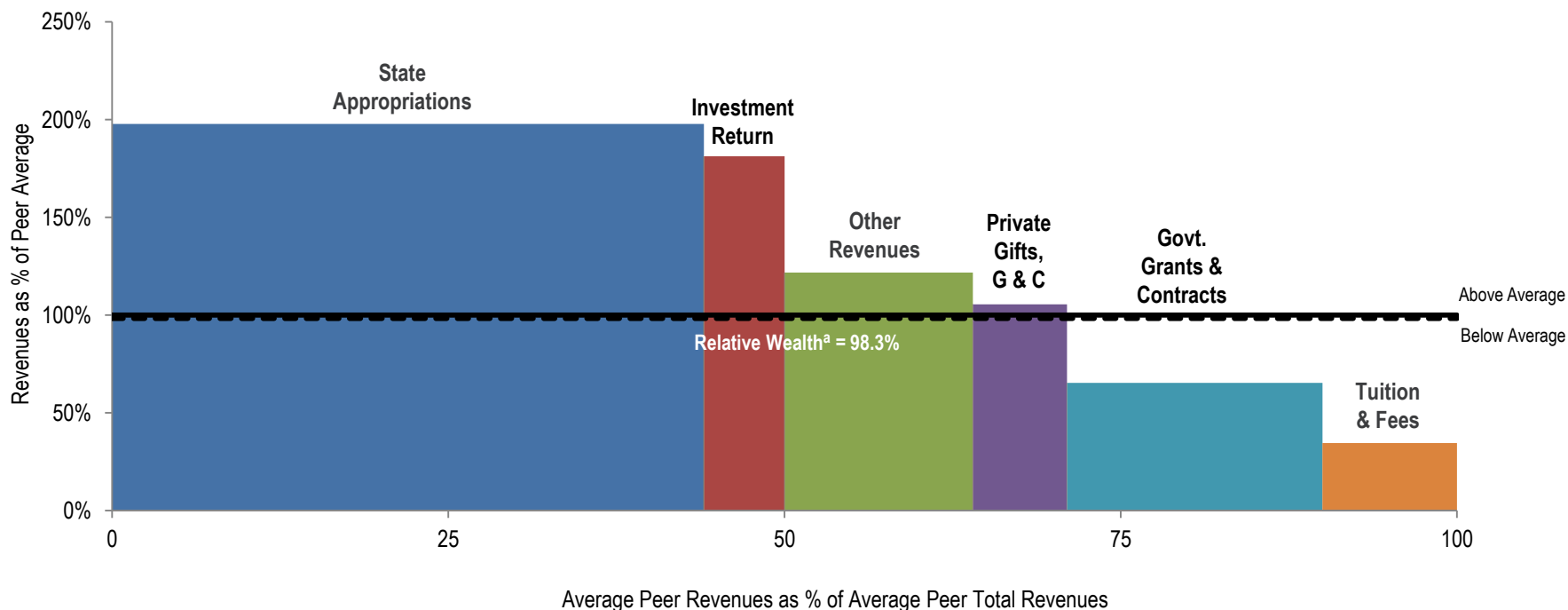
<b>1</b>	<b>University of Wyoming</b>	<b>164%</b>
2	University of Idaho	116%
3	South Dakota State University	114%
4	New Mexico State University	108%
5	Utah State University	91%
6	Colorado State University	88%
7	Washington State University	76%
8	University of Maine	64%
9	North Dakota State University	57%
10	Montana State University	56%

**Operating profile raises questions about economies of scale, as high instructional costs command a high share of tuition revenues. Enrollment growth and/or program prioritization may be needed to moderate relative costs.**

# Peer Comparison: Revenue Analysis

Based on self-reported data, UW's overall revenue base is higher than that of peers. As a relative measure, UW's investment return and state appropriations represent a higher share of overall revenue.

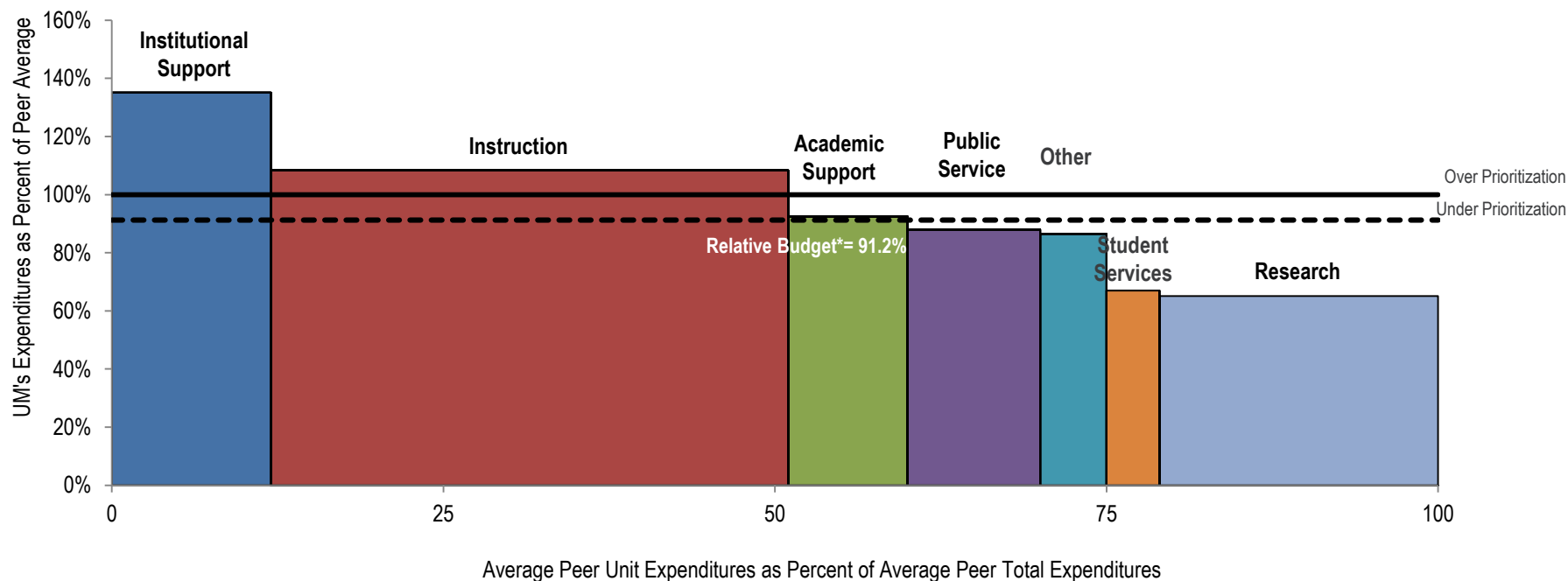
## Peer Analysis of Wyoming Revenues (IPEDS 2014)



**UW's low reliance on tuition and fees, relative to those of peer institutions, necessitates a much greater reliance on other revenue sources, such as state appropriations and investment return.**

Based on self-reported data, an analysis of UW's total core expenditures compared to those of peers illustrates a higher prioritization of spending for institutional support and instruction.

## Peer Analysis of Wyoming's Total Core Expenditures (IPEDS 2014)



*a – UW's total expenditures as a percentage of the peer average*

**Wyoming trails its peers in allocations of resources to six out of seven expenditure categories; this reflects a significant under prioritization of resources for student services and research.**

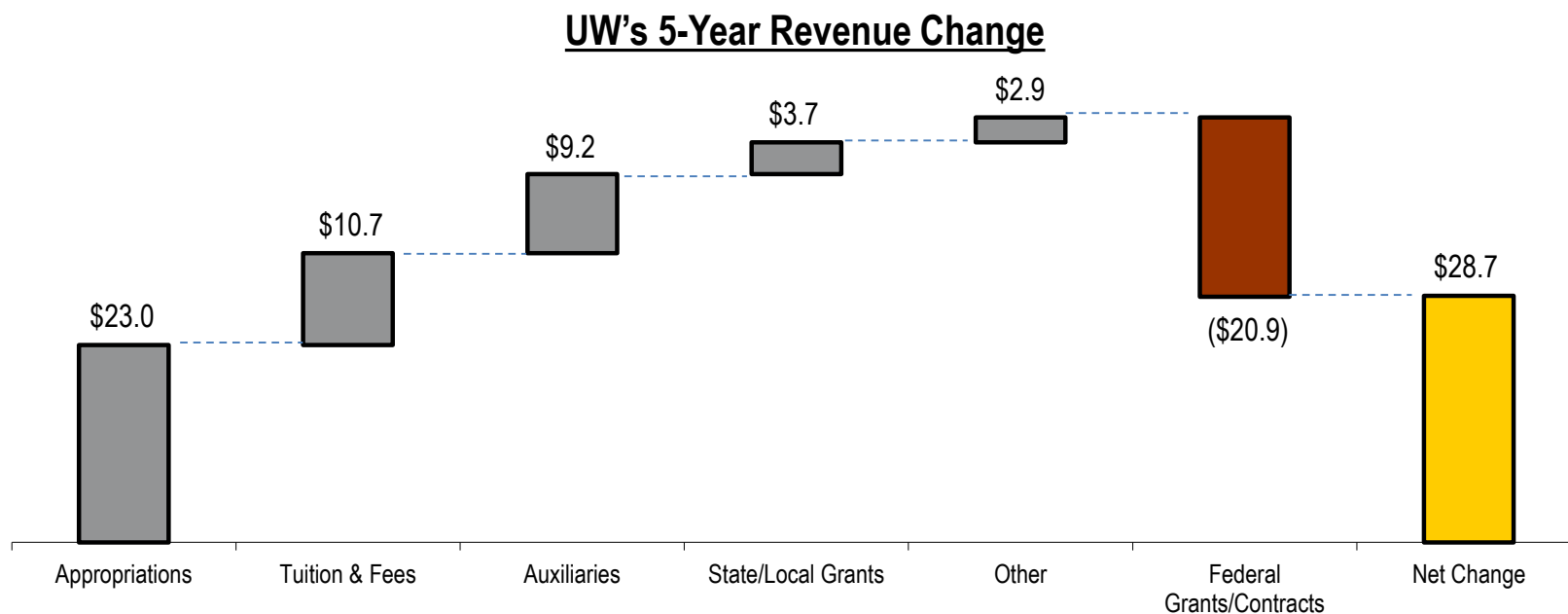
While the University has had relatively steady returns over the last 5 years, UW's operating margins have decreased, indicating a decline in financial strength.

(in millions)	FY11	FY12	FY13	FY14	FY15	CAGR Rate
Adjusted Operating Revenues	\$509.8	\$525.0	\$528.1	\$499.4	\$547.2	1.42%
Adjusted Operating Expenses	494.5	522.3	510.6	525.2	536.8	1.62%
<b>Adjusted Operating Results (Loss)</b>	<b>15.4</b>	<b>2.8</b>	<b>17.4</b>	<b>(25.8)</b>	<b>10.4</b>	<b>2.53%</b>
<i>Adjusted Operating Margin</i>	3.0%	0.5%	3.3%	-5.2%	1.9%	-
<i>Aa2 Median (Moody's)</i>	4.0%	4.5%	3.2%	2.2%	N/A	-
Other Increases (Decreases) in Net Position	51.2	29.6	99.5	73.0	55.4	1.59%
<b>Change in net position</b>	<b>66.6</b>	<b>32.3</b>	<b>116.9</b>	<b>47.2</b>	<b>65.9</b>	<b>-.22%</b>
<b>Beginning Net Position</b>	<b>824.6</b>	<b>891.2</b>	<b>922.8</b>	<b>1039.7</b>	<b>1038.9</b>	<b>4.73%</b>
<i>Total return on net assets</i>	7.5%	3.5%	11.2%	4.3%	6.0%	-
<i>Aa2 median (Moody's)</i>	8.1%	4.0%	4.2%	5.0%	N/A	-

**Adjusted operating margins have historically trailed similarly rated institutions while the University's return on net assets have historically aligned with other Aa2 institutions.**

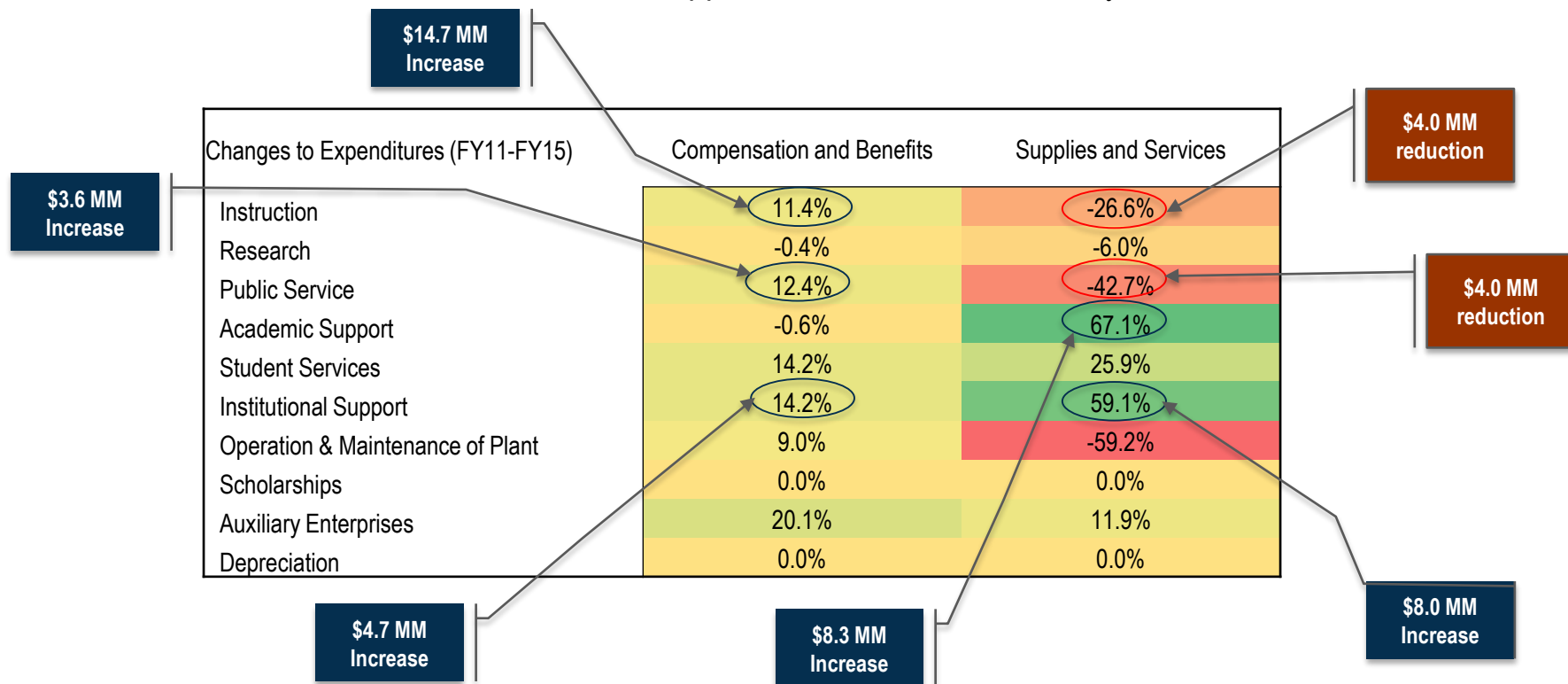
**UW's revenue growth of \$28.7MM over the last four years was driven primarily by increased tuition and auxiliary charges; however this increase was offset by declines in federal sources.**

- Illustrating the University's reliance on tuition as a revenue source, state appropriations and tuition and fees accounted for the highest percentages of overall revenue growth from FY11 – FY15.
- A major decline in federal grants and contracts occurred in 2013 with a decline of approximately \$24M in funding relative to 2012; this represents the main contribution to the decline in federal appropriations and grants/contracts represented below.



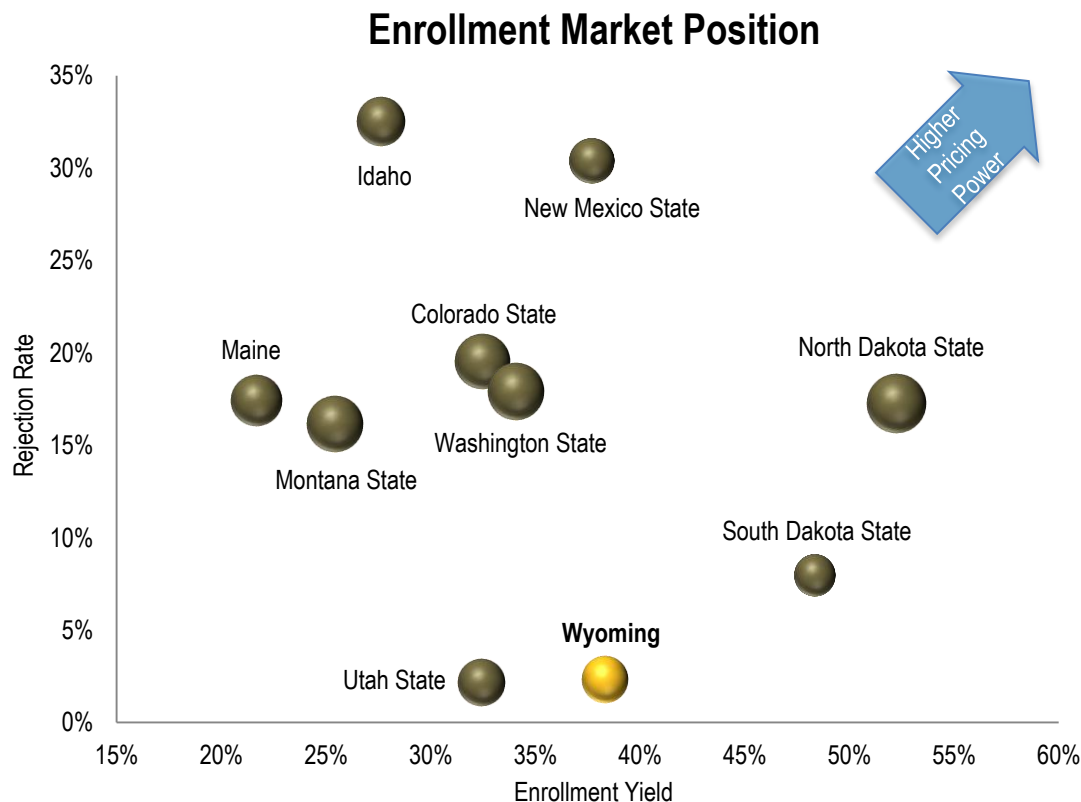
**UW's expenditures increased by approximately \$41MM over the last 5 years.**

- Instructional, Public Service, and Institutional Support increases in Compensation and Benefits combined for a total of \$23MM.
- Instruction and Public Service investments in Supplies and Services declined by a combined \$8MM



**UW appears to have limited pricing power, largely due to its 98% acceptance rate and 38% yield rate, which is consistent with the University's low tuition price.**

- UW's average tuition\* of \$4.6k, is the lowest amongst its peers
- Just 10.0% of UW's revenue is generated from tuition and fees, the lowest percentage amongst its peers
- Approximately 31% of UW's enrollment consists of in-state students
- Since 2004-05 undergraduate enrollment has grown a moderate 6.4%; increasing from 7,762 in 2004-05 to 8,255 in 2013-14
- The Fall 2014 freshman class reported average ACT scores of 23.9 and overall high school GPA of 3.43



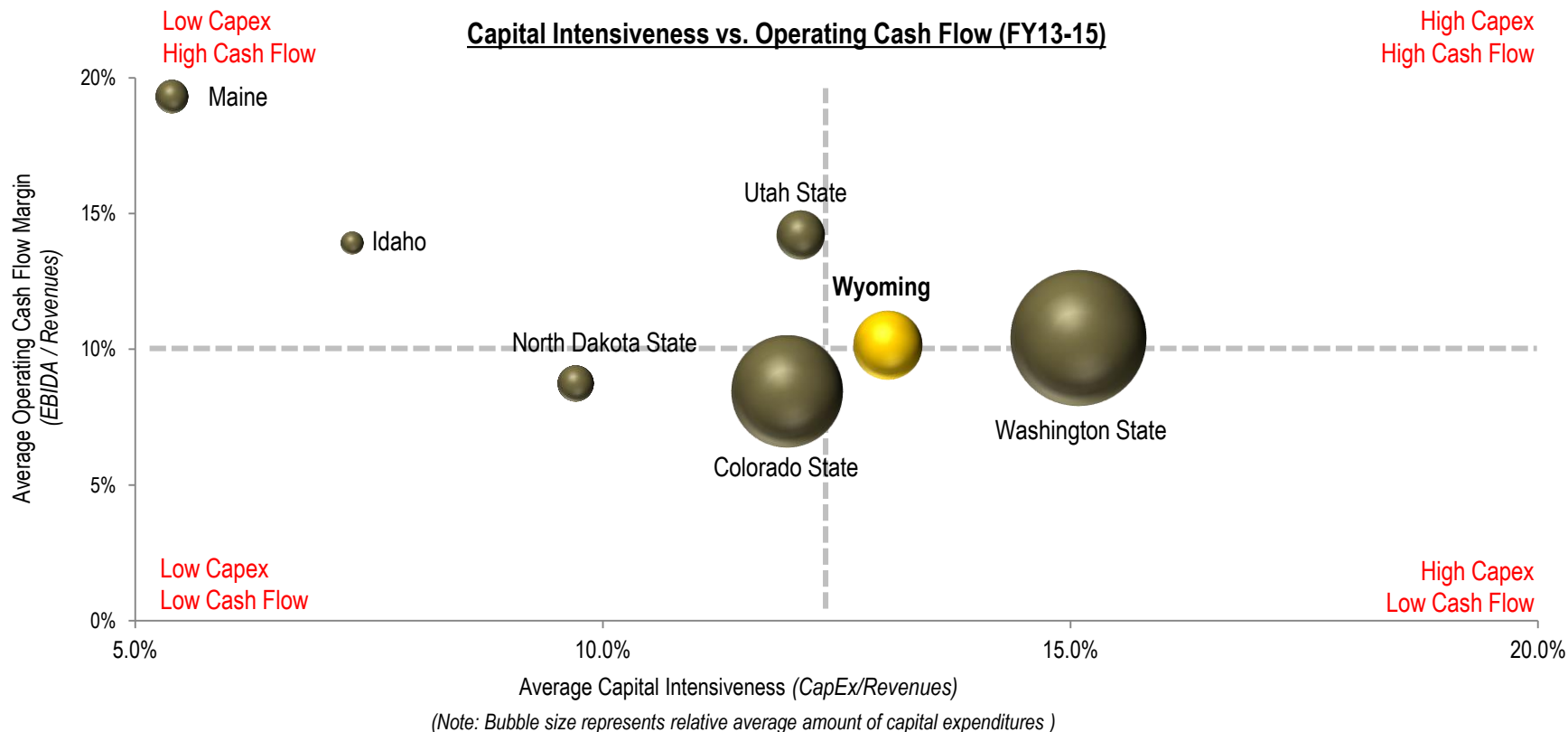
**Sources:**

IPEDS FY13-14 Tuition and Enrollment data.

[www.uwyo.edu](http://www.uwyo.edu)

(Bubble size equals average tuition\*)

**UW has experienced moderate operating cash flows and maintained aggressive levels of annual capital expenditures as compared to its peers and as compared to benchmark levels.**



**UW has maintained a relatively aggressive financial approach in terms of investing in capital assets; but in order to advance, the University will need to generate more operating cash flow.**



