

UF Budget Council Report 2022-2023

This academic year, the Budget Council started September 26, 2022. The first meeting was largely a follow up from the previous year. Chair of Sustainability Committee, Ariel Pomputius, gave her committee's report on the sustainable investment policy. The council recommended to have UFICO attend annually with the current question for UFICO being how ESG is considered in the investment portfolio or if other policies are being considered. In 2021, the council had brought up consideration for joining the International Endowments Network (IEN); did we join? The council planned to invite Bill Reeser, CEO of UFICO and Matt Williams (Director of the Office of Sustainability) to attend a future meeting.

At the October 31, 2022 meeting, the council asked George Kolb (Assistant VP, Financial Analysis and Budget) to discuss the new UF Budget model. Mr. Kolb stated the biggest changes will go into effect in 2024, but the plan was to simplify the budget model; emphasizing transparency so that everyone sees what the actual costs are and how to spread them so they are passed through to the colleges. The model tries to tread all colleges the same. Therefore, these changes will affect some colleges more than others. For example, the new model will tax IFAS the same as everyone else which may require subsidies for IFAS. The new plan has approximately 100 million dollars in total costs being spread to the colleges. Although total amount is subject to change, the overhead will be allocated based on direct expenditures of each college. The result is an 8% increase in overhead (President's office, HR, Finances, utilities) for most colleges.

Libraries and student services will be allocated by student count to colleges. Foundation expenditures will not be subject to this, but every other expenditure divided by University will equal overhead cost. IT is the other exception; those costs will be divided by head count. This is all being worked on by the Budget Enhancement Enactment Committee (BEEC). Maintenance, housing etc. will be allocated by weighted square footage. No change is planned in costs for Sponsored Projects. Health Sciences will be by direct costs with no change. HiPerGator will be funded partially by strategic funds and will partially be an IT cost.

Mr. Kolb confirmed that space was going to be more expensive. Administration is looking at taking some small, older buildings offline. The council suggested a diagram be developed to show all dependencies. Mr. Kolb said such a diagram is being developed and assured the council they (budget council) would continue to be included in briefings regarding the budget model development and implementation.

The November 2022 meeting was cancelled. At the December 12, 2022 meeting, Chris Cowen, UF CFO, attended the meeting to provide the council on budget updates. Mr. Cowen then reported that last year plus has been spent aligning budget to go live in 2024 and start a 5 year process of removing subsidies and increasing co-investing. This will align with the new president's priorities which should be communicated starting in February. The Dean of the Business school is the Chair of the Budget Committee. We know costs are going up. The University has the same stresses; how do we confront those when our revenue is not growing and at the same time increase transparency? On the ERP process, Charlie Lane, Senior Vice President and Chief Operating Officer, Elias Eldayrie, Vice President and Chief Information Office and Chris Cowen are working with FSU and FIU on implementation. In

February, there will be presentations and in March a selection of providers. It will include all of the campus but Gator Care and UF Health; they are also involved in discussions.

The council asked whether we would seek additional State support to keep margins at the same level. Mr. Cowen said there would be requests to cut costs; utilities will continue to climb. What are the costs we can cut? They will also be looking to the State to co-invest but know we will not just have a blank check from the State. Also taking some from investments will allow some funding. Development will be stressed from all colleges, especially for unrestricted funds to allow new initiatives. President Sasse has already been engaging with the CFO's office to learn about costs and revenue associated with development.

The council asked about how ethical, social and corporate governance (ESG) is regarded at the State level. What will the University do? Keep following the spirit of the ESG, or consider being part of one of the larger groups of universities? There are new State requirements not to invest in firms taking a position in regard to issues that may not align with what State supports. The State disinvested in ESG, but there is no requirement for the University to do so at this time. ESG is in the eye of the beholder. UFICO believes investment strategy to be multifactorial and does not want to just make decisions, that on the surface feel good; reducing very complex situations into oversimplified solutions.

Mr. Kolb, Assistant VP, Financial Analysis and Budget reported that Support Units have been preparing their budgets; they drive costs. His office is considering these and the funds they have on hand. Nearly 24 million dollars in requests came in; 9 million were for utilities alone. This then goes to Senior Vice Presidents for consideration. Only 25% of requests were approved. Compliance and legal and some other groups are understaffed; they want to deal with these problems before they become larger issues. Units are required to show what they have done to cut costs before new budgets are considered. These may add to the costs to colleges. College budgets will get kicked off in February; they will then be able to see the new overhead and cost models.

The council brought up concerns regarding inflation. Mr. Cowen said Duke Energy asked for 18% increase next year and it would likely be a double-digit increase every year for the foreseeable future. We haven't invested in the infrastructure to the extent required given new growth. We always want to save and invest, but basic infrastructure must be supported. We won't have much control over the facilities tax, Mr. Kolb said. They are looking at ways to reduce: ask support units to be more efficient; colleges need to support the costs. Now everyone likes DocuSign; its cost is up 200%. Things people need and we are already buying are going up. Multiyear contracts, as they are renegotiated, are going up 200 – 300%. Other contracts have built in Consumer Price Index (CPI) escalators, but our State budget doesn't allow that.

The council noted that if costs are increasing, can we not ask for more funds from the State and would the University ever consider raising tuition? Mr. Cowen said this is under discussion. Since all areas are being hit with rising costs, it's hard not to look at tuition. But most undergraduates are funded by State-funded Bright Futures; so if tuition is increased, the State is paying it out of another pocket. So, raising tuition does not benefit the State budget

The January and February meetings we cancelled. At the March 6, 2023 meeting the council had Matt Williams, Director of the Office of Sustainability and Energy Integration, attend and report on energy plans. Mr. Williams explained that we are limited in how many megawatts we can generate by the Public

Services Commission. We do purchase energy from Duke’s Crystal River solar site. Questions were asked regarding our solar production as well as potentially selling energy produced from solar. Mr. Williams said other state universities are looking at doing so, but the sites have to be really big. Both Publix and Walmart want to add solar to their roofs. We are trying to prepare for climate resilience and be carbon neutral by 2024. Duke is planning to reduce their emissions and use wind turbines. The Board of Trustees turned down wind power once. We purchase as much power off the grid as we can. Mr. Williams also responded to public perception we could save GRU – which we can’t because in 1978, they gave the campus to Progress Energy. We do spend \$15 million a year with GRU.

Mr. Kolb provided updates on the budget model. He stated that Dean Elaine Turner reviewed their increased share of the overhead. There are many costs which have been flat or have had very small increases. They are holding everyone to a small increase, and they are using Huron Consultants to help keep overhead low. He noted that they are always looking for opportunities for unrestricted funding.

Plans for next years agenda were discussed with a goal to work with Mr. Kolb on updating the financial transparency portal website. There is some information on the website which is outdated and needs to be revamped.

2022-3 Budget Council Members:

Last Name ↕	First Name	Member Role
Ghiaseddin	Ashley	Chair
Ghozali	Ethan	Student-Undergraduate-nonvoting
Glover	Joseph	Administrative Liaison
Kolb	George	Liaison
Peters	Jorg	Senate Member
Pomputius	Ariel	Senate Member
Reynolds	Curtis	Administrative Liaison
Striley	Catherine	Senate Member
Weatherford	Shawn	Senate Member
Whalen	Karen	Senate Member

Submitted by Ashley Ghiaseddin, 2022-3 Budget Council Chair.