The Plot Thickens (Budgeting Part 2)

- Budget Model
  - Overview/ Recap
  - Program Template
  - Enrolment & teaching units
  - Occupancy/ Rent Rate
  - Employee FTEs
  - Current Issues

- Hyperion
  - How it fits together
  - What you can use it for
  - Labour overview
  - Labour tricky situations
Components of the Budget Model

• **Activity units** – The 6 Faculties and Arts & Science Program

• **Support units** – All other Operating Fund units and envelopes requiring an allocation (e.g. Student Affairs, Registrar, Administration, President, etc.)

• **Framework Revenue** – The central funds distributed through the model

• **Revenue/Cost Drivers** – The activity used as the basis for distribution
“Hybrid” Activity-Based Budget Model

- Allocations to Activity Units fluctuate with revenue and activity.

- Allocations to Support Units are held flat except for modifications recommended by the Budget Committee.
  - New initiatives
  - Cost pressures
  - Mandatory expenses
  - Inflationary salary increases
Revenue Flow Through the Budget Model

**Framework Revenue**

- Research Activity
- Student FTEs
- Teaching Units
- Financial Balance
- NASM
- Teaching Units
- Employee FTEs
- Expenditures
- NASM

**Activity Units**
- Faculty of Engineering
- Faculty of Humanities
- Faculty of Science
- Faculty of Social Science
- Faculty of Business
- Faculty of Health Science
- Arts & Science Program

**Drivers**
- Student FTEs
- Research Awards
- Employee & Student FTEs

**Support**
- General Resources: Library, MiETL, etc.
- Research Support: ROADS, MILO, etc.
- General Admin: Advancement, Fin'l Services, etc.
- Student Support: Registrar, scholarships, etc.
- Occupancy: Grounds Mtnce, Utilities, etc.
- Employee Services: HR, Pension supplements, etc.
- Expenditures or Revenues: NASM

**Roads**

**McMaster University Financial Forum 2016**
Recent Budget Model Changes

- **Increase accountability and transparency of Support Units**
  - Include clear and comparable metrics in budget submissions

- **Provide incentive to grow enrollment**
  - Replace Hold Harmless with a fixed supplement so that Activity Unit allocations may grow

- **Create equity across Faculties**
  - Increase levy on professional Faculties with greater ability to pay

- **Emphasize the research mission**
  - Increase the size of the Research Infrastructure Fund
  - Provide additional discretionary funding to the VP Research

- **Meet scholarship requirements**
  - Increase allocations to bursaries based on actual Student Access Guarantee payments
Into the details..... The Program Template

• An UG and Grad program revenue template exists, useful for:
  ➢ Understanding the mechanics of the budget model
  ➢ Assessing the viability of an existing program
  ➢ Part of the new program approval process

• Can be found at:

https://budgetmodel.mcmaster.ca/drupal/tools-templates

Requires Log in with MAC ID.

Two templates:
1. Details of Resource Implications and Financial Viability of Program – Graduate
2. Details of Resource Implications and Financial Viability of Program – Undergraduate

Tab for entering: Appendix A1 Budget Template
Template snapshot – Enrolment and Tuition Fee assumptions

<table>
<thead>
<tr>
<th>Faculty</th>
<th>Assumptions</th>
<th>ENROLMENT AND TUITION FEE ASSUMPTIONS - (2015/16 GRANT RATES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Year of Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIU Weight Level 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIU Weight Level 2-4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accreditation Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curriculum - Years of Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assumptions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level 1 Intake</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Level 1 Domestic Teaching Rate (from below)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Residual Tuition Revenue per Unit Taught</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(Faculty Specific)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Estimated Grants - Top Up Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retention Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Max Annual Units for Program</td>
<td>Percent of Level 1 Intake Domestic</td>
<td></td>
</tr>
<tr>
<td>Estimated Percent of Teaching within Home</td>
<td>Percent of Level 1 Intake International</td>
<td></td>
</tr>
<tr>
<td>Faculty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Starting Domestic Tuition Fee per Unit Level</td>
<td>Starting International Tuition Fee per Unit Level</td>
<td></td>
</tr>
<tr>
<td>Domestic Annual Level 1 Intake Tuition Fee</td>
<td>International Annual Level 1 Intake Tuition Fee</td>
<td></td>
</tr>
<tr>
<td>Domestic Annual Continuing Students Tuition</td>
<td>International Annual Continuing Fee Increase Rate</td>
<td></td>
</tr>
<tr>
<td>Central Costs</td>
<td>University Fund</td>
<td>8%</td>
</tr>
<tr>
<td>Will the enrolled students be incremental</td>
<td>Research Infrastructure Fund</td>
<td>0%</td>
</tr>
</tbody>
</table>
Enrolment and Teaching Units – They matter in the Budget Model

- Enrolment drives calculation of tuition and grant revenue
- Tuition distributed to Faculties in allocation based on average tuition rate/teaching unit
- Faculties receive tuition at their own average rate for teaching students from other Faculties
- Current UG Accessibility and Graduate Expansion grants based on enrolment and BIU weighting
- Enrolment (Student FTEs) used as a cost driver for some Support Unit costs
Support Unit section of template - includes entry of program space used (existing to University and new), employee FTEs also entered, and any additional allocations to Support units

Calculates Support Unit costs based on current driver rates
Space data and Occupancy/ Rent Rates

Annual Space Inventory – Space Management (Facilities Services)
  • Maintain and update space inventory database and file

Space review and model inclusion update (Summer) – Budgeting Services/ BMIT
  • Review space inventory file
  • Analyse changes and categorize correctly
  • Confirm Facilities Support Budget Envelope Allocations
  • Calculate Internal Rent Rate

Updated Operating Space

Internal Rent Charge (Ancillaries)

Internal Rent Receipt (Facilities Services)

Internal Rent Rate FY18

Facilities Support $52.422M
Included Operating Space  194,426 SqM

= $269.63 per SqM
## Driver change impact example – Student FTEs

<table>
<thead>
<tr>
<th>Support Unit</th>
<th>Driver: Student FTE</th>
<th>Rate/Driver Unit</th>
<th>BLUE Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6m</td>
<td></td>
<td>$1 / 1</td>
<td>$1m</td>
</tr>
<tr>
<td>$6m</td>
<td></td>
<td>$1 / 1</td>
<td>$2m</td>
</tr>
<tr>
<td>$6m</td>
<td></td>
<td>$0.86 / 1</td>
<td>$1.72m</td>
</tr>
<tr>
<td>$8m</td>
<td></td>
<td>$1.14 / 1</td>
<td>$2.28m</td>
</tr>
</tbody>
</table>
Employee FTEs – Important to Budget Model & Budget Submission

- 1 FTE is default based on a full 35 hour week
  ➢ Unless other standard hours (37.5, 40)

- Actual Employee FTE is a cost driver in the budget model

- For FY16 Actual FTE corrections for accounts/depts
  ➢ But note that model impact after change was relatively immaterial

- Budgeting of FTEs by planners in Hyperion
  ➢ Only accurate when the new employee forms are used, hedging in salaries makes the Budgeted FTE low

- Focus on FTE in Budget Submission and Budget Committee

- Future FTE reporting – comparison of Actual FTEs to Budget
  ➢ Requires accurate actual source data for FTEs and accurate FTE Budgeting in Hyperion
**Template snapshot – Direct Expense section**

<table>
<thead>
<tr>
<th>Total Teaching Costs</th>
<th>Capital/Equipment Costs</th>
<th>Other Direct Expenses - Supplies/Services/Travel etc</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chair</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenure Track Faculty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teaching Track Faculty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CLA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sessional Faculty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1 Sessional x 0.2 FTE, per 12/13 Actual average Sessional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teaching Assistants (required in this program)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internship Stipends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Other Teaching Costs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Other Teaching Costs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sessional Faculty Fringe Benefits</td>
<td></td>
<td></td>
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<tr>
<td>TA Fringe Benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faculty Fringe Benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Teaching Costs</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Admin Salaries &amp; Benefits</th>
<th>Capital/Equipment Costs</th>
<th>Other Direct Expenses - Supplies/Services/Travel etc</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Coordinator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Assistant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Other Admin Salaries)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Other Admin Salaries)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Staff Fringe Benefits</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Admin Salaries &amp; Benefits</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

**TOTAL DIRECT PROGRAM EXPENSES**

- **Enter employee FTEs** – which impacts support units cost
- **Salary expenses for expense driver & direct program expense summary**
- **Non-salary expenses** – with space for specific types not listed
## Template snapshot – Summary

### REVENUE

<table>
<thead>
<tr>
<th>Description</th>
<th>$0</th>
<th>$0</th>
<th>$0</th>
<th>$0</th>
<th>$0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Generated Gross Undergraduate Revenue - University</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Tuition to Other Faculties for Service Teaching</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add Residual Tuition Allocation to Lead Faculty (Estimated)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less SAG Obligation Contribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition Revenue - Lead Faculty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Grant Revenue - Lead Faculty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Revenue (Specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Gross Undergraduate Revenue to Lead Faculty</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University Fund / Research Infrastructure Contribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Support Unit Allocations (Indirect Costs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Teaching Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Admin Salaries &amp; Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Student Support (From operating)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Capital/Equipment Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Other Direct Expenses - Supplies/Services/Travel etc</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Share of Faculty’s Central Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PROGRAM EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>$0</th>
<th>$0</th>
<th>$0</th>
<th>$0</th>
<th>$0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IN-YEAR (Surplus/ Deficit)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Shows estimated Revenue, Budget Model Costs, and Direct expenses

**NOTE** – Budget Model calculated only to Faculty level. Faculties decide how to distribute allocation to dept/ program level. Template only demonstrates Program revenue using model methodology.
Current Model hot topics

• **Review Process**
  - Model is under constant review with a future full review planned
• **Funding formula**
  - Changes scheduled for 2018/19
• **Budget process change**
  - Monitoring impact on Budget Model and changes to inputs/outputs

*For more information on the Budget Model go to: [https://budgetmodel.mcmaster.ca/](https://budgetmodel.mcmaster.ca/)*
How does Hyperion Planning fit within MOSAIC?

Hyperion Sends FINAL 8 Month review & Budget to GL

Hyperion Receives Salary Expense Actuals from GL Monthly

When GL & PR don’t match there’s a HEDGE

Hyperion Receives Salaries from Payroll

Hyperion Receives Employee Master Data from HR twice a year

Hyperion Planning
Hyperion Planning

1. Synch Hyperion with GL and HR
2. Update Labour Assumptions
3. Generate initial Forecast based on Original Budget YTD Actuals and Assumptions
4. Update Plan
5. Budget Committee Approval
6. Send Plan to GL
Hyperion and the General Ledger

- Hyperion Receives Actuals from GL Monthly

What can you do with this?

- Upon start of budget cycle, data from GL is used to pre-populate forms
- Keep track of variance between budget, projections and Actuals
- Identify when Journal Entries were posted against wrong chartfield combo
- Keep track of transfers within the same envelope
- Report at department - program level – useful for Department Managers
- Report at Envelope level – all programs – useful for Directors, VP or Chairs
ACT I Hyperion receives Actuals from the General Ledger

Hyperion receives:
- Any new Department or Program
- Actual expenses/revenue for the period that just closed

It’s Month End and all Journal Entries for the period have been successfully entered into PeopleSoft.

Hyperion Monthly report is emailed to Envelope Managers. Statement of Operations Report is up to date in Smart View.
ACT II Prepopulation

Year to Date Actuals

Hyperion receives:

- Any new Department or Program
- Actual expenses/revenue for the period that just closed

Original Budget

OPEX Planning Data Entry Form

Hyperion receives:

- Any new Department or Program
- Actual expenses/revenue for the period that just closed
Hi! I know you have been working on the projection, and I’d like to see the impact to the bottom line compared to our original Budget.

8 Month and Budget Review Report (Report J) updates at the same time you update your Budget and projection. Shows if impact to Bottom Line is Favourable or not.
8 Month and Budget Review Report (Report J)

- Use during Budgeting for Analyze at aggregate level
- Check Bottom Line changes after updating budget or projections.
- Reports revenues and expenses by Account.
- Can view aggregated value for All Programs under one Department (P_ALL)
- Can view aggregated values for all departments under one envelope (D_ALL)
ACT IV Departmental breakdown

Hi! I need the year to date expenses for each of the departments in our envelope.

8 Month and Budget Review Report on Department (Report K) updates contains YTD actuals. Can select the Net Income account to check for the departmental breakdown for an envelope.
8 Month and Budget Review Report on Department (Report K)

- Use during Budgeting for Analyze and breakdown By Department
- Use to look at expense distribution by all departments in the envelope.
- Use to check if there are expenses accredited against wrong fund or department.
DISCLAIMER: The following scenario is intended to depict the intersectionality between Hyperion and the MOSAIC HR system.

Please note the employee used in this example is a fictional character created by R.R. Martin.
Hi! I just hired Mr. Jon Snow to work for the “STARK” department under the “WALL” program on my Operating fund to be the part of the TMG group.

Fantastic News! I will create the employee record straight away in MOSAIC!

MOSAIC – HR Module Employee record:
Employee: Jon_Snow
Fund: 20
Department: “STARK”
Program: “WALL”
Salary Account: 540001
Benefit Account: 550001
Standard Hours: 35
Hourly rate: $100
Union Group: TMG
ACT II Jon Snow gets compensated for his labour

MOSAIC- Payroll Module:
Employee Jon Snow has worked 140 hours and will receive $1,400 for Salary and $280 for TMG Benefits

MOSAIC – Payroll record for Period 1:
Employee: Jon_Snow
Fund: 20
Department: “STARK”
Program: “WALL”
Salary Account: 540001
Benefit Account: 550001
Hours Worked in period: 140
Total Salary paid in period: $1,400
Total Benefits paid in period: $280

All this fun and we get paid too!
ACT III (Scene 1) Hyperion receives Master data and Actuals

Hyperion will be unavailable to allow loading of actuals.
Please save your work…

HYPERION:
Add Jon Snow HR Employee Record to Master Data
Add Salaries and Benefits for specific time Period.

MOSAIC – HR Module Employee record
MOSAIC – Payroll module Actual records
ACT III (Scene 2) Labour Assumptions are entered in Hyperion

Budgeting Services team enters Assumptions into Hyperion based on Collective agreements

Collective Agreements and guidelines are approved
HR recommends increases for non-unionized staff

HYPERION records:
- Grade % Increase to be applied per fiscal year
- Grade/Step amount increase to be applied per fiscal year
- Merit Increase Effective Month
- Benefit % based on Salary Range
ACT IV Hyperion pre-populates forms for budget cycle

For time periods in the PAST, populate actuals as per the PAYROLL record

For time periods in the FUTURE, Forecast Salaries and Benefits based on HR Master Data

<table>
<thead>
<tr>
<th>BENEFIT_GRP</th>
<th>CUR_STANDARD_HOURS</th>
<th>TOTAL_HOURLY</th>
<th>TOTAL_SALARY</th>
<th>TOTAL_STIPEND</th>
<th>TOTAL_BENEFITS</th>
<th>TOTAL_COMPENSATION</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P0</td>
<td>May</td>
<td>Jun</td>
<td>Jul</td>
<td>Aug</td>
<td>Sep</td>
<td>Oct</td>
<td>Nov</td>
</tr>
<tr>
<td>Jon Snow</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
</tr>
<tr>
<td>Total for All Employees</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
<td>140.00</td>
</tr>
</tbody>
</table>
Hyperion Labour Planning - Not so straight forward

Employee showing on the incorrect salary or benefit account.
\checkmark Why? Overrides in HR system cause payroll to go to one account that is different than the Account on the Employee record.
\checkmark Tip: Add End Date to employee using form 4.2 and Create New Employee on correct Account.
\checkmark Long Term Fix: Call your HR Rep and request to validate if there is an override for the particular employee.

Stipends are grouped into Salary account.
\checkmark Why? Although Stipends are paid on different account, there is only ONE employee record.
\checkmark Tip: Hedge Stipend amounts on proper Stipend Account.
\checkmark Long Term Fix: If possible, request HR to create a different position code to charge Stipends.
\checkmark Example:
  Jon_Snow_Job-Position – Salary Account 540001
  Jon_Snow_Stipend-Position – Stipend Account 590000
Hyperion Labour Planning - PDA and MPDA

1. On Current year Projection, enter:

   PDA BALANCE as of April 30th + (PDA allocation x Number of employees that receive PDA)

   *The PDA Balance can be obtained from MOSAIC using the Open Item Listing Report*
   *Navigator > General Ledger > Open Items > Open Item Listing Report*
   *Run report for September 30th of the previous Fiscal Year*

2. For Future years, enter:

   PDA allocation x Number of employees that receive PDA.

**Example:**
Department Stark has 3 TMG employees, each of which has a Professional Development Allowance of $2,500.
Employee 1 used $4,000 of their allowance as of April 30th. Balance = $1,000
Employee 2 used $3,500 of their allowance as of April 30th. Balance = $1,500
Employee 3 has used up all of their allowance as of April 30th. Balance = $ 0
Total Balance for Department = $2,500

Current year PDA = $2,500 + (2,500 x3) = $2,500 + $7,500 = $10,000

**In Hyperion OPEX Data Entry form:**

<table>
<thead>
<tr>
<th>A</th>
<th>N</th>
<th>AA</th>
<th>AB</th>
<th>AC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>A_590000 PDA</td>
<td>10,000</td>
<td>7,500</td>
<td>7,500</td>
</tr>
</tbody>
</table>
Any further plot details required?

Any Questions???

If you want to know more:

- Budget Guidelines > Budgeting Website
  https://www.mcmaster.ca/bms/BMS_FS_Budgeting.htm

- Budget Model > Budget Model Website
  https://budgetmodel.mcmaster.ca/

- Hyperion > Guides on Budgeting Website/ Annual refresher training

- Budgeting > Contact your Budgeting Services representative