



University of California
San Francisco

UCSF Human Resources Funding Model Subcommittee

FY18 Recommendations

January 2017

Contents

- Update on HR budget status
- FY18 recommendations
- Future of HR funding model update
- Appendices:
 - Background on key FY18 issues/recommendations
 - Subcommittee background

Human Resources budget status

- HR has consistently out-performed budget with modest surpluses each year
 - Vacancy savings have enabled HR to fund short-term staff for unanticipated projects
 - The surplus as of the end of FY16 (June) is being held to use for the new Customer Relationship Management (CRM) system and as a reserve for unexpected costs
 - HR's FY17 approved budget has HR ending the year with a surplus of \$320,720
 - The final headcount freeze as of 12/1/16 to be used for FY18 rates is 18,635, an increase of 360 over FY17
- The subcommittee's work this year was guided by the following past subcommittee recommendations regarding rates
 - Holding rates flat would require FTE cuts that may trigger unacceptable changes to HR services provided
 - It is expected that in future years HR rates will need to escalate at the same rate as fixed cost increases for other units to meet customer service requirements and unexpected workload adjustments
- HR continues to focus on Lean process improvement and other continuous improvement activities and tools; a Customer Relationship Management (CRM) system will be implemented in 2017; a new customer survey has been launched to better understand key customer challenges and focus service improvement efforts

12/1 Headcount freeze: population changes from prior year

	FY17	FY18	Increase/ (Decrease)
Paid Faculty	2913	3099	186
FacultyWOS Other	701	702	1
FacultyWOS Unrecalled Faculty Emeritus	471	488	17
FacultyWOS-Volunteer	3190	3147	(43)
Graduate Student	334	353	19
Non Faculty Academic	1293	1255	(38)
Post Doc	1067	1100	33
Staff	8306	8491	185
	18275	18635	360

- FY18 data incorporates all changes received from Control Points as of 12/1/16 – no further changes to be made
 - Includes changes for groups that manually identified Volunteer Research Faculty
- Includes known CHORI Academic appointments going into effect during FY18 for Pediatrics

Items impacting the FY18 budget

- BCHO and CHORI Faculty, NFA, and Staff
 - Some appointments starting in 1/1/17, the rest in 2018 or later
 - HR will partner with departments to address population fluctuations
- Funding for OFCCP-related hires – the subsidy from institutional funds to support this work is gradually being reduced in FY18, with none anticipated in FY19
 - Initially these costs were expected to be temporary, but due to increased workload supporting compliance requirements they are being absorbed into HR's ongoing expense budget
- Customer Relationship Management system (CRM)
 - Built in known operating and capital expenses for FY18 \$375,331
 - Built in \$90K expense into draft budget for PMO/change management support
- Truescreen background check cost of \$176,000
 - Subcommittee recommends costs to be incorporated into the HR budget rather than charging departments for each background check (see appendix for details)
- Any new unfunded mandates

Proposed FY18 budget

- **Funding model revenue** – uses FY18 headcount freeze data, proposed rates and addition of MSP pricing category
 - FY18 pricing category rates reflect 3% increase
- **Expenses include**
 - FTE changes to support increases in Academic and Transaction workload as well as the creation of a Records team
 - Known CRM operating and capital expenses of \$375,331
 - Estimated Truescreen background check cost of \$176,000

	FY17 Budget	% Increase to use for FY18	FY18 Budget
Funding Model Revenue	\$17,120,580		\$18,106,089
Non-Funding Model Revenue	\$ 9,414,112		\$ 9,695,031
ICR Appropriations	\$ 7,077,724		\$ 7,332,129
Rate Additive	\$ 1,510,000	1%	\$ 1,525,100
Recharges	\$ 328,435	0%	\$ 328,435
Other Revenue	\$ 380,467	3%	\$ 391,881
STIP Income	\$ 117,486	0%	\$ 117,486
Total Revenue	\$26,534,692		\$27,801,120
Payroll	\$23,338,444		\$24,945,390
Salaries	\$16,962,164	3%	\$ 18,137,482
Benefits	\$ 6,376,279	3%	\$ 6,807,908
Non-Payroll	\$ 3,822,783	3%	\$ 3,970,749.82
Total Expenses	\$27,161,227	3%	\$28,916,140
Transfers	\$1,470,327		\$1,350,327
Total Transfers	\$1,470,327		\$1,350,327
Total Revenue (Transfers Included)	\$28,005,019		\$29,151,447
Total Expenses	\$27,161,227		\$28,916,140
Operating net gain/(loss)	\$843,793		\$235,307
Start up debt payment			(\$300,000)
Ending net gain/(loss)			(\$64,693)

7

Subcommittee Recommendations

- Population weighting
- FY18 rates
 - FY18 weighting and rate table
- Start up debt update
- FY18 billing components

Population weighting

- **Issue:** Review current population weighting and HR's assessment of effort
 - Two previously uncaptured populations were identified (see appendix for details)
 - *Uncaptured population 1: Medical Center employees with a WOS appointment on Campus*
 - This population requires effort from HR staff to manage the WOS appointment, which is not currently funded
 - *Uncaptured population 2: WOS component of MSP appointments*
 - This population is currently weighted at 80% for the staff MSP appointment, but requires additional effort beyond other staff for the concomitant academic appointment

- **Recommendations:**
 - Maintain the current populations weightings for FY18
 - *Uncaptured population 1: Medical Center employees with a WOS appointment on Campus*
 - No changes recommended for FY18
 - Monitor VCF policy review and revisit for FY19 funding model
 - *Uncaptured population 2: WOS component of MSP appointments*
 - Increase weighting for MSP Clinicians with WOS academic appointments to 100% starting in FY18

Rates for FY18

- **Issue:** Recommend rates for FY18, balancing budget factors for HR and customers

- **Recommendations:**
 - Headcount category inflationary increase of 3% for FY18 with the expectation that the total HR budget will flex up/down based on headcount
 - Inflationary increase is based payroll and non-payroll expense assumptions

 - Driven by the principle confirmed by the subcommittee last year that HR rates will need to escalate at the same rate as fixed cost increases for other units to meet customer service requirements and unexpected workload adjustments

Proposed FY18 weighting and rates

Population	FY 18 Weighting Percentage	FY 18 per Headcount Rate	FY 17 per Headcount Rate
Faculty	100%	\$1,374	\$1,334
Non-Faculty Academics/Postdocs	80%	\$1,099	\$1,067
Staff	80%	\$1,099	\$1,067
VCF/Volunteer Researchers	20%	\$276	\$268
Graduate Students	10%	\$138	\$134
Non-Recall Emeritus	0%	\$0	\$0
New: MSP Clinicians with concomitant WOS apptmt	100%	\$1,374	N/A

FY18 rates above reflect a 3% increase across all populations with the addition of the MSP Clinician pricing category (formerly included at 80% in staff category)

HR Start up debt

- As of FY17 the current start up debt balance is \$2,814,781
- The current annual scheduled payment is \$300k
- Following the recommendation of the subcommittee last year, during the FY17 budget season we requested SVC funding to cover the STIP expense and were granted \$100k in funding for FY17 - FY21 (5 years)
- Anticipate full payment of start up debt in FY24

FY18 headcount & billing process changes

- **Issue:** Some departments do not validate or update their chartstring data or bill breakdown at the start of the new fiscal year
 - This results in under/overcollection of bills and considerable effort to resolve billing issues
- **Recommendations:**
 - Collect chartstring data for individual bills via Excel spreadsheet in May
 - HR will do a one-time entry of the chartstring data in July and Departments will be responsible for making any changes throughout the year
 - Collect default chartstring to use from each group should any DFPs fail during the year

FY18 HR billing components

- Department bills for FY18 will be driven by two components
 - **Fixed cost increase** of 3% for each rate category based on Budget Office planning assumptions
 - Individual department bills may increase more or less than 3% based on the December 1 **headcount**

14

Future of HR Funding Model

Long-term funding for HR services

- ***The FY17 Funding model subcommittee provided the following analysis and recommendations about the HR funding model***
 - ***The FY18 subcommittee shared and further explored these considerations***
- ***Issue:*** HR is a core service for all UCSF departments, and the current allocation and billing model is excessively time-intensive to administer for departments and HR
 - The current model emphasizes the transactional relationship between departments and HR service providers rather than supporting a strong partnership
 - The current approach was effective for transitioning the funding sources for HR when Operational Excellence was launched, but a funding model similar to those for other core services (e.g. Controller's Office, UDAR) may better serve the needs of HR and its customers
- ***Recommendation:***
 - Explore alternative ways to allocate and bill for HR costs that maintain transparency and accountability but reduce administrative complexity and promote partnership
 - Seek institutional commitment for resources to support talent management, organizational development, and engagement within a continuous improvement management philosophy
 - The current HR funding model only provides resources for transactional HR services
 - Critical to attracting and retaining top talent in a robust job market

Other UC shared service models

- UC Davis: a mix of per head count and central funding
 - Recent in depth budget review concluded per headcount/% of payroll as the most accurate methods for recharging
 - Model is used for finance and IT as well as HR
 - HR specialty functions have separate central funding
- UC Riverside: activity-based costing model to calculate the fee for service (i.e., rate per transaction)
- UC San Diego Health Sciences:
 - Staff HR population: the medical center pays the “clinical” portion of HR services; remaining costs are distributed to all SOM departments/units based on headcount
 - Academic population, the entire cost is currently distributed to departments based on weighted headcount
- UC Path Center: per headcount model based on W-2 issuance

Critical goals for potential alternatives

- **Ensure funding model does not undermine strong partnership between departments and HR service providers**
 - Current model reinforces the cost to departments and erodes the sense of partnership
- **Ensure funding/collection model does not create work and costs**
 - Current model is time and resource intensive
 - Significant time and cost for efforts of FAS Finance Service Center, HR Business Services, and HR Information Systems
 - Burdensome activities for departments
 - Headcount validation and adjustments/negotiation
 - Monthly back-and-forth for billing
- **Preserve the transparency of the current model**
 - Builds partnership and shared accountability for success
 - Fosters alignment between service goals, expectations, and budget reality
- *Subcommittee reviewed these goals and current challenges with SVC Paul Jenny*
 - Next steps are pending further assessment, key factors include:
 - UCPATH impact
 - How HR fits into institutional model for funding core services
 - Funds flow vis-à-vis allowable sources

Appendix 1: Detail Behind Recommended Changes

- Uncaptured population detail
 - Uncaptured population 1: Medical Center employees with a WOS appointment on Campus
 - Uncaptured population 2: WOS component of MSP appointments
- Headcount billing process
- Background check requirement

Uncaptured population 1: Medical Center employees with a WOS appointment on Campus

Population	Count	Category	Price	Uncaptured Revenue
<i>Faculty WOS</i>	155	\$	1,334	\$ 206,770
<i>VCF</i>	3	\$	268	\$ 804
<i>VRF</i>	3	\$	268	\$ 804
	161			\$ 208,378

- There is a population of individuals whose primary appointment is in the Medical Center and also have a WOS appointment on Campus
 - The Academic Personnel Manual requires that those teaching clinical trainees with paid staff appointments have a concurrent WOS HS Clin appointment (APM 278-4c)
 - Campus HR workload associated with the WOS appointment is currently not captured because billing is based on the primary appointment
- Revenue for this group is not currently being captured
- **Recommendation:**
 - No changes recommended for FY18
 - Monitor VCF policy review and revisit for FY19 funding model

Uncaptured population 2: WOS component of MSP appointments

- MSP clinicians are captured in the headcount and billed by their primary title code, which falls under the Staff category (weighting at 80%)
 - Rules require that MSP clinicians teaching clinical trainees hold a concurrent WOS appointment
- FY17 headcount data include 200 MSP clinicians
- HR workload associated with the WOS appointment is currently not captured because billing is based on the staff appointment
 - This population is charged at 80% effort, and HR is managing two appointments
- **Recommendation:**
 - Increase weighting for MSP Clinicians with WOS academic appointments to 100% starting in FY18
 - Previously were charged staff rate of 80%

FY18 headcount & billing process

- Headcount data sent to Control Points the week of 11/7 and due back to HR Billing by December 1, 2016
 - Please help to remind your groups of this and also to include any known programmatic changes (whether is program growth or reduction)
- **Proposed FY18 billing process**
 - **Issue:** Not all Departments are validating and updating their chartstring data or bill breakdown at the start of the new fiscal year.
 - This results in under/overcollection of bills and lots of effort in resolving billing issues
 - Since this may be the last year of using the billing system we want to make improvements knowing that investing any more resources into the system may not be cost effective
 - **Recommendation:**
 - Collect chartstring data for individual bills via Excel spreadsheet in May
 - HR will do a one-time entry of the chartstring data in July and Departments will be responsible for making any changes throughout the year
 - Collect default chartstring to use from each group should any DFP's fail during the year

Change in background check process

- **Issue:** UC policy change will require that criminal background checks be completed before starting work
 - Campus Audit recommendations and background check committee recommend: 1) UCSF adopts an all staff standard for background checks and uses a name based search process for pre-start criminal checks, and 2) Conducting an additional second check using a fingerprint for all positions that require ongoing monitoring and some of the campus' highest risk positions.
 - \$71.25 per individual background check; ~ 2,500 new hires each year
 - Estimated total of \$176 K in FY18
- **Recommendation**
 - Incorporate new employee background check expenses into the HR operating budget and not charge at the time of hire, streamlining the onboarding process for departments and new employees
 - This is consistent with how employee ID badges are handled

23

Appendix 2: HR Funding Model subcommittee background

Members

Charge

Rate approval process

Subcommittee Membership

▪ **Members**

- Basic Science Dept: Stephanie Louie
- Clinical Dept: Nabil Ghanem
- EVC&P: Suzanne Murphy
- FAS: Becky Daro, Steve Stugard
- SOD: Emily Leang
- SOM: Denise Lau
- SON: Lynda Jacobsen
- SOP: Michael Nordberg (Chair)

- HR Representatives: David Odatto, Cynthia Lynch Leathers, Jenny Schreiber, Jason Stout

▪ **Staff**

- Jennifer Tapken, HR Business Services
- Katharine Tull, UCSF PMO

Funding Model Subcommittee Charge

- Subcommittee charge
 - Recommended rates for FY18
 - Recommend population weighting
 - Liaise with members' constituencies and ensure buy-in on recommendations by facilitating discussions and agreement
- HR Advisory Board role
 - Endorse rate proposal and help communicate decisions and rationale for rate changes to constituents

Rate Proposal Approval Process

- Funding Model Subcommittee makes recommendations to HR Advisory Group
- HR Advisory Group reviews and endorses recommendations
- SVC Paul Jenny provides final review and approval of recommendations

UCSF

University of California
San Francisco