



## Incredible Journey – Part 2: Algonquin's Transition to Responsibility Center Management



ASCC Conference

**ALGONQUIN**  
COLLEGE

# Incredible Journey

## Today's Presentation

- Background
- Allocations – why and how
- Stakeholder engagement
- Impact to Date
- Next Steps

# Algonquin College...

- Delivers 167 postsecondary programs plus a roster of apprenticeship, career and college preparation, continuing education, and corporate training programs
- Operates with an annual budget of \$310 million
- Serves more than 21,000 fulltime and 37,000 part-time students
- Employs nearly 4,000 full- and part-time faculty and staff
- 10 Academic departments and 21 Non-academic Departments, including Ancillary and International
- Operates on 3 campuses in Ontario (Woodroffe, Pembroke & Perth)

# What is RCM?

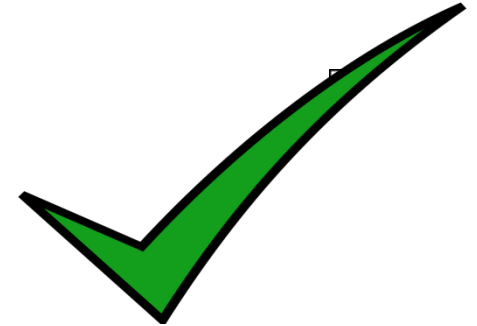
RCM is a holistic model to promote balance between the interests of schools with those of the College as whole

RCM puts emphasis on collaborative growth of the total “pie” rather than divisive competition for specific pieces of it

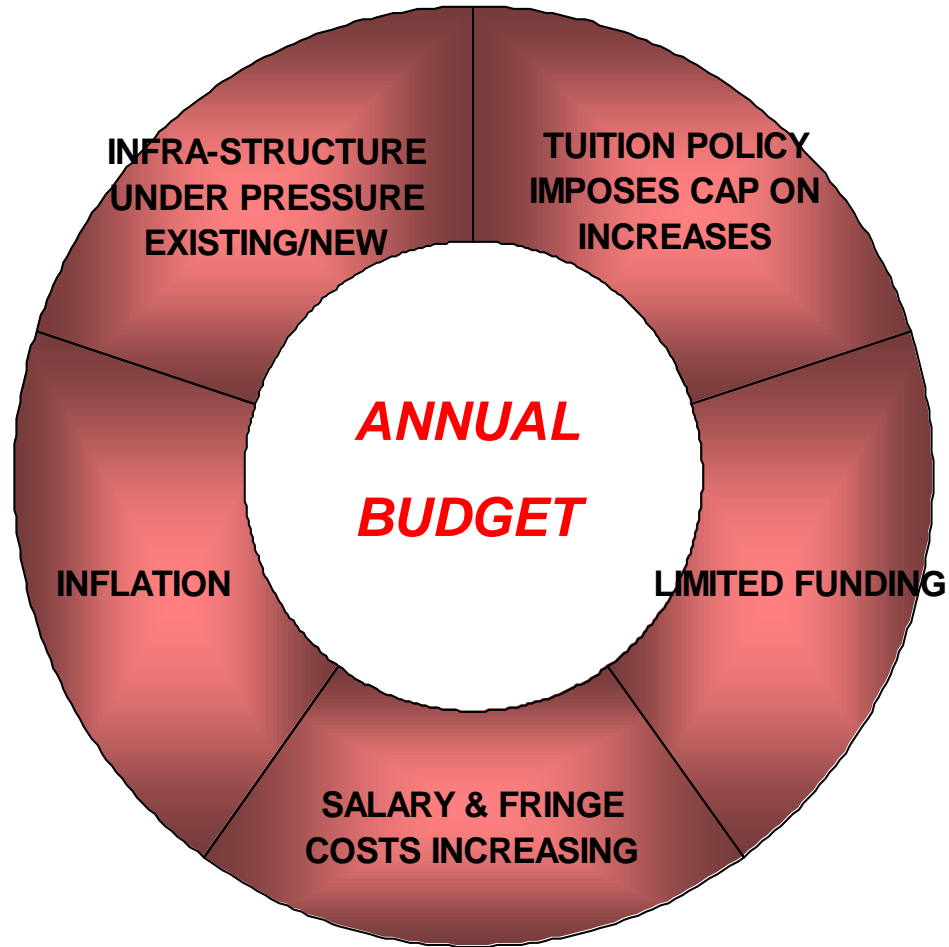


# Why now?

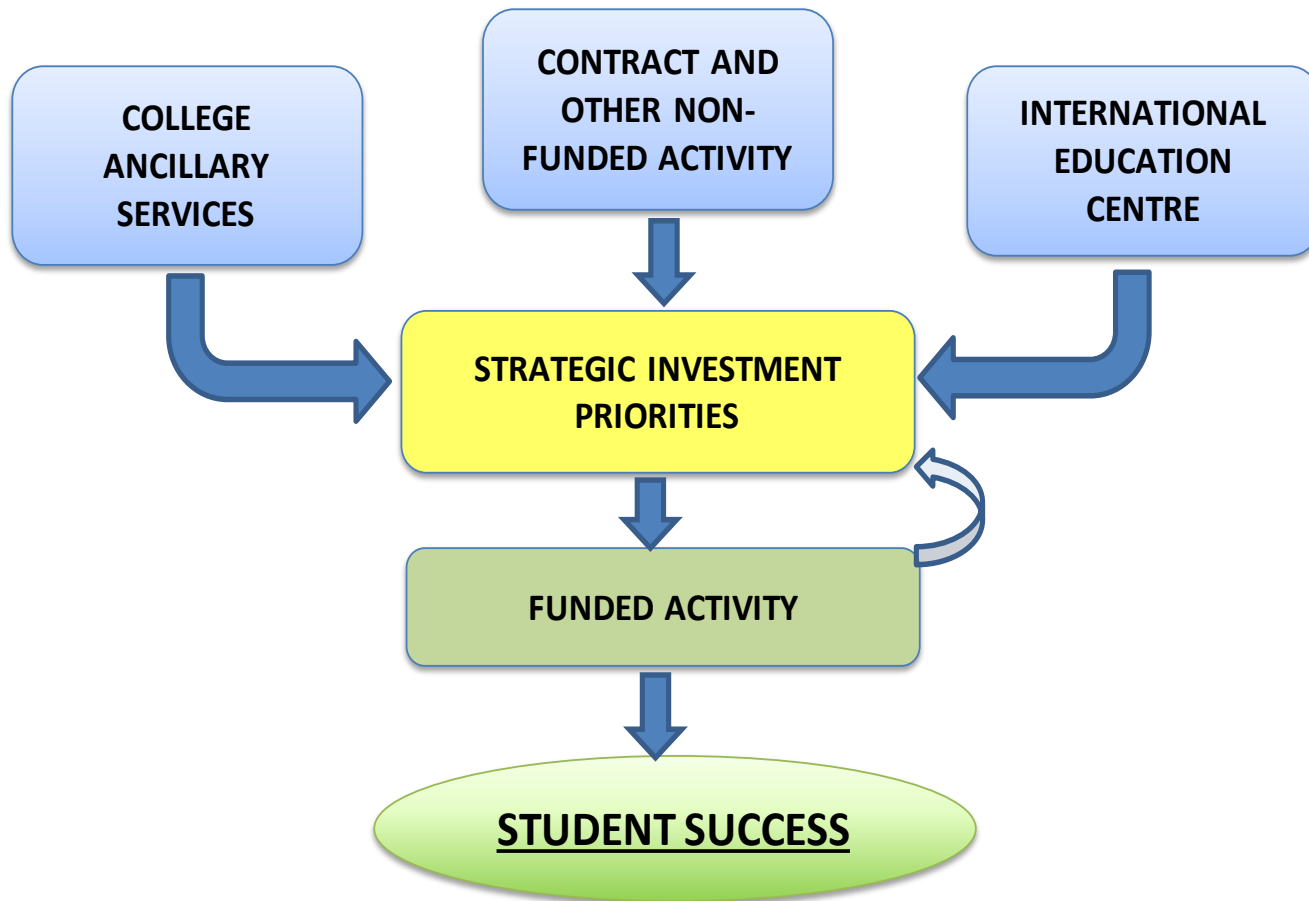
- INNOVATION – COLLABORATION – LEADERSHIP
- Enhance our organizational effectiveness
- Anticipate that an RCM model will...
  - Enhance institutional competitive advantage
  - Support financial sustainability
  - Improve transparency
  - Drive innovation and entrepreneurship
  - Encourage collaboration and sharing of best practices



# COLLEGE FINANCIAL RESOURCES



# Algonquin Budget Framework: Board Presentation

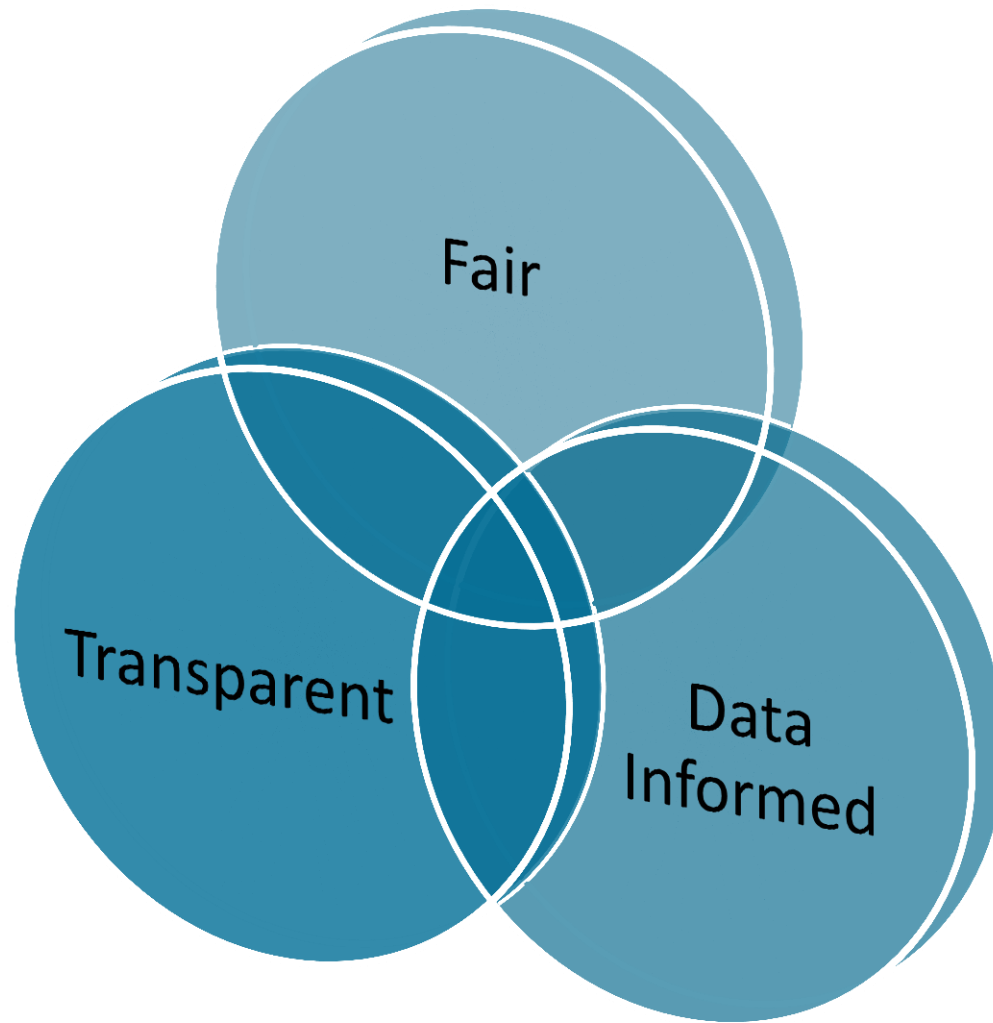


# How is RCM different?

- Stewardship: Department Deans and Directors challenged as good stewards of resources
- Focus on earned income for the Schools and costs associated
- Expenses include both direct program costs and indirect or common costs to the College
- Academic programs evaluated on more than just academic merit or financial value



# “Made at Algonquin” Key Principles



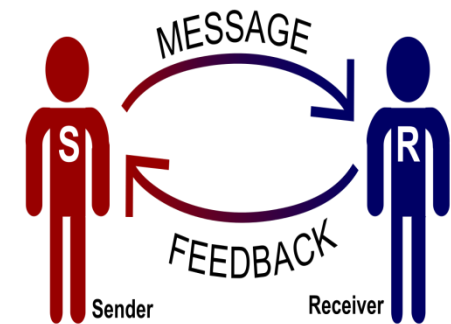
# “Made at Algonquin” approach

- Define audiences
- Decide on fundamentals
- Allocation Methodology
- Measurement
- Timelines



# Fostering Stakeholder Support

- Strong, visible Leadership
- Pan-department representation
- Gap analysis and Risk Framework
- Town Hall presentations
- “About RCM” sessions
- Department by department “road show”
- Key audience groups –
- Website content as “anchor” –  
Communication is key



# Decide on Fundamentals

- Principles are key – make them yours
- Research case studies and decide which are applicable to your institution
- What do you want to implement?
  - Revenue sharing
  - Expense sharing
  - Subvention
- When do you want to implement?
  - Budget cycle
  - Hold harmless period

# RCM Operating Principles

- The College operates under provincial regulations & laws.
- RCM will be fair, transparent and data informed.
- Common institutional practices will prevail
- Common purpose & core values are KEY
- College wide projects must still go forward and be supported.
- All Departments use the central or corporate administration functions

# Allocation Methodology

## Current Allocation model

- Tuition already allocated
- Specific & Direct Revenue already allocated
- Direct Costs already budgeted

## Balance of Allocation of Grant Revenue and Other costs:

- Portion of the Provincial Grant
- Central Administration (non-Academic)
- Space Costs



# Grant Allocation Method

- Grant allocation be assigned to Schools based on Weighted Funding Unit's derived from budgeted enrolment
- 90% of grant allocated
- Balance will go to fund tuition hold back, subvention, fund new opportunities, Strategic Investment Priorities (SIP), capital and contingencies
- Subvention only promised for 2 years as hold harmless

# Distribution of Central Administrative Costs

- Distribution of Central Administrative Costs
  - % of total Direct Costs of Academic departments as defined by current practice
  - Direct costs are defined as those expenses already budgeted at an academic department
  - Central basket of services represents 18 of 21 non-academic departments



# Distribution of Space Costs

- Total Physical Resources net expenditure budget broken down between:
  - Overhead &
  - Main campus operating costs
- Per square foot allocation (assignable space)
  - 3 calculations
  - All departments charged overhead including rural and leased space
  - At Main Campus only –
    - Operating Costs
    - Open Classroom usage %

# Key Financial Measurement: Net Contribution Margin

$$\begin{aligned} & \text{REVENUE} \\ & - \\ & \text{EXPENSES} \\ & = \\ & \text{NET CONTRIBUTION MARGIN} \end{aligned}$$

# Timelines

- Feasibility studies - 2013
- Project for “made in Algonquin” model 2014-2015
- Modeling took 8 months - 2014
- Stakeholder engagement - 2014-2015
- First year effective April 1, 2015
- Currently planning for Budget F2016/17
- Implementing formal budget feedback process

# Accountability goals in RCM project charter:

- Assign financial responsibility to decision makers
- Enhance authority of the Dean/Director level
- Provide incentives for effective resource management & cost control
- Create a budgetary structure that ties resources to performance
- Improve budget forecasting and planning
- Bring together responsibility, authority and accountability at the Dean/Director level
- Decentralized decision making

# Accountability Framework

- Accountability Framework must reflect what a Dean or Director is accountable for
  - We chose Contribution Margin
- Surplus sharing in a net positive to budget position
- Deficit repayment in a net negative to budget position
- In both situations, final results will be adjusted to reflect non-controllable expenses

# Surplus Sharing – Carryover principle

- Key to RCM principles is Financial Accountability
- Sharing of net budget positive surpluses – 25% in year 1 and 40% in year 2
- Accounted for as Internally restricted Net Assets
- Expenditures at the discretion of the Dean/Director over next 2 fiscal years, with some but limited restrictions

# Deficit repayment

- Repayment of net negative balance to budget is also key to accountability
- Timelines to be 2 years or negotiated with VP Finance and Senior VPA
- Net negative balances will be adjusted for uncontrollable variances
- Only 3 of 41 cost centers in negative balance for F2014-2015 (7%)

# Transition to Operations

- Devil is in the details
- Ownership of budget process, RCM documentation & financial analysis with Finance
- College Budget Committee recommends assumptions, timing & overall targets to Senior Management
- 2-year hold harmless period allows process issues to be raised and discussed
- Did not change accounting or overall budget principles



# Observations to date:

- Transparency into Financials has been the largest impact
- Service Level Agreements are bringing awareness of Internal Services being offered
- Accountability for service duplication
- Training is needed on Financial Literacy - not just RCM assumptions
- Absolutely moving in the right direction
- Decisions moving to more data informed
  - Business Case including Return on Investment (ROI)

# Evaluation

- Project Mandate
  - Steering Committee – did we do our job?
  - College Leadership – did we meet the expectations of the project?
- Budget process
  - Annual evaluation at multiple levels on assumptions
  - Training on changes annually

# Future thoughts – beyond Year-1

- Space costs
  - Further refinement of allocation
  - Timeliness of vacating/changing space
- Central Admin cost allocations
  - Use of Gross margin or alternative base
  - Remove flow-through revenue & costs
  - Allowing departments to “opt out” of certain cost categories
- Revenue
  - % of grant allocation – flat or dept. specific
  - Subvention – use, and total dollar value



Stay tuned! Further updates next year!

Comments and Questions

