

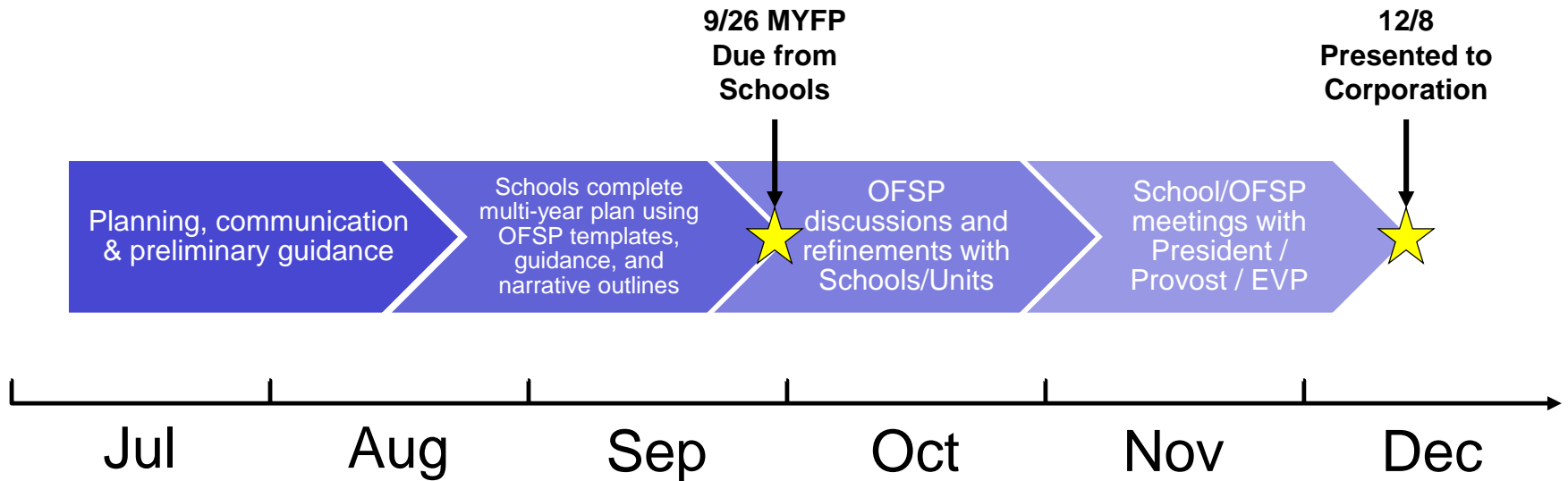
**Timelines: Integrated Planning for IT (IPIT)
vs. Multi-Year Financial Planning (MYFP)**

CIO Council
April 20, 2015

Objectives

- Describe Multi-Year Financial Planning (MYFP) objectives, timelines, processes, and stakeholders
- Compare MYFP vs. IPIT planning timelines
- Discuss the value of aligning timelines to enhance planning coordination between IT and Finance

Multi-Year Planning Financial is a four-stage process



- 1. Plan:** timelines, guidance, sample financial templates and narratives are sent to all Schools and Units to facilitate planning and scheduling with faculty and administrative departments.
- 2. Build:** Finance managers complete plans within their departments, which are then aggregated by their finance teams and approved by Tub owners. Facilities and Development teams inform the process through concurrent planning.
- 3. Refine:** OFSP aggregates all School/Unit plans, identifies key themes, opportunities and concerns, and follows-up with Schools and Units. With HPPM and OTM they also assess University capital plan affordability and assess cash needs.
- 4. Socialize:** Schools present the MYFP to the President, Provost and EVP. Central Units present their plans to the EVP. All plans are then submitted to the Corporation for review and feedback.

MYFP is now Finance's major annual planning moment; it is a strategic five-year plan for financial health and sustainability

Template

	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A
GAAP Operating Result	13,792	26,758	9,240	(933)	(4,290)	4,117
Depreciation	7,514	5,874	5,867	11,504	13,307	13,307
Cash Provided by (Used in) Operating Activities	21,306	32,632	15,107	10,571	9,017	18,424
Capital Expenditures - Facilities	(34,294)	(59,772)	(62,697)	(50,163)	(19,266)	(8,117)
Capital Divestitures / (Acquisitions) - Facilities	0	0	0	0	0	0
Capital Expenditures - Equipment	(440)	(272)	(412)	(292)	(187)	(1,117)
Cash Provided by (Used in) Investing Activities	(34,734)	(60,044)	(63,108)	(50,455)	(19,454)	(8,117)
New Debt (internal loans)	31,199	56,858	55,930	29,176	0	0
Principal Payments (internal loans)	(3,634)	(4,242)	(6,572)	(24,117)	(4,875)	(5,117)
Principal Pre-Payments (internal loans)	0	0	0	(7,632)	0	0
Fundraising - Capital (construction gifts)	0	0	500	0	0	0
Decapitalizations	4,158	2,723	3,906	44,294	1,803	2,117
Recapitalizations	(636)	(117)	(355)	(95)	(1,146)	(1,146)
Other	4,828	2,397	972	(19,622)	560	(1,117)
Cash Provided by (Used in) Financing Activities	35,915	57,618	54,381	22,003	(3,658)	(2,117)
Total Cash Provided by (Used in) All Activities	22,486	30,206	6,379	(17,881)	(14,095)	6,190
Cash Provided by (Contributed to) Construction in Progress (CIP) Balances	(2,989)	3,134	1,201	(12,229)	3,343	4,117
Cash Provided by (Contributed to) Construction Gift Balances	0	0	0	0	0	0
Net Change in Cash Reserves	19,498	33,341	7,580	(30,110)	(10,752)	11,117

- **Revenue:** tuition, sponsored, gifts endowment, etc.
- **Expense:** Salaries, benefits, supplies, scholarships, space & occupancy, interest, depreciation, services, subcontracts
- **Capital:** Facilities/IT/non-IT spending on new projects, renewals, acquisitions and divestitures. Funding sources for capital spending (philanthropy, debt, reserves, decaps)
- **Cash Flows:** operating and capital

Narrative

TO: OFSP

FROM: Harvard Business School

RE: FY15 Multi-Year Financial Planning Results

P&L refers to the GAAP operating income statement. Cash refers to the GAAP internal managerial cash flow.

Context-setting: Academic and Financial Goals

Over the next five years and beyond, HBS plans to pursue the following key academic and administrative goals, consistent with our strategic priorities (known as the 5 i's):

- *Innovation in our educational programs.* In the MBA Program, we are extending the work we began three years ago in the Required Curriculum to encompass the Elective

- **Academic and financial goals**
- **Major trends, initiatives, investments, and business changes**
- **Outcome sensitivity and mitigations**
- **Campaign strategies and outcomes**
- **Capital planning and funding**
- **Management actions**

MYFP currently only includes high-level capital spending

Concurrent financial and IT planning could add value to both through greater visibility into investments and their affordability.

Capital Spending - Equipment (Finance Office Estimate)

	FY15P	FY16P	FY17P	FY18P	FY19P	FY20P	FY21P	FY22P	FY23P	FY24P	FY25P
By Use											
Capital Equipment Spending: Non-IT	50	112	53	56	157	160	62	65	125	75	57
Capital Equipment Spending: IT	350	350	350	350	350	350	350	350	350	350	350
TOTAL Capital Equipment Spending	400	462	403	406	507	510	412	415	475	425	407
By Source											
Equity for Capital: Equipment (9330+9336)	400	462	403	406	507	510	412	415	475	425	407
New Debt for Capital: Equipment	-	-	-	-	-	-	-	-	-	-	-
TOTAL Capital Equipment Spending	400	462	403	406	507	510	412	415	475	425	407

Depreciation

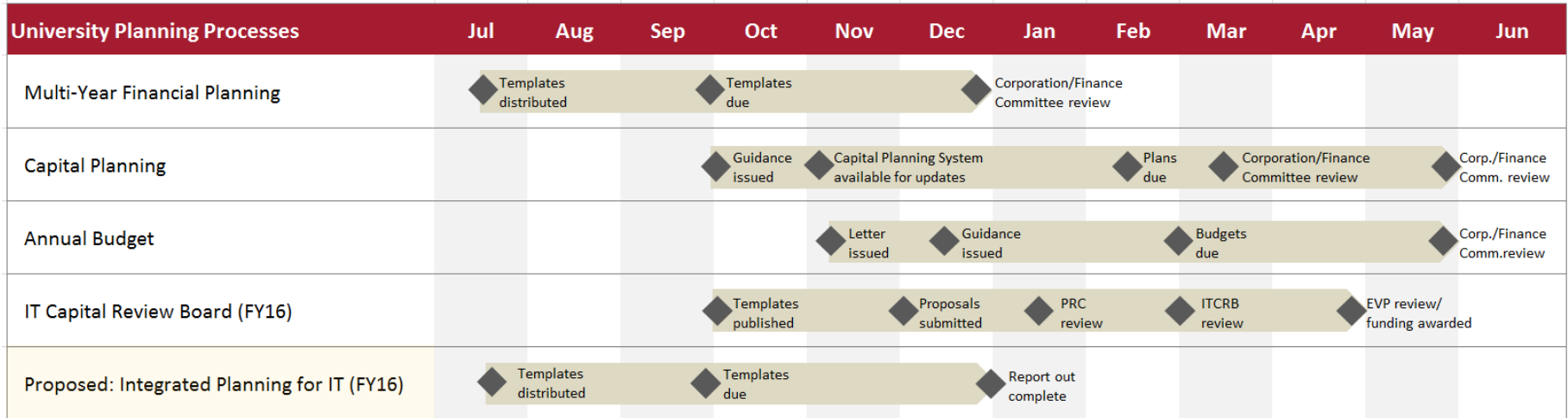
Note: New Facilities depreciation is calculated and pre-populated for FY15-25 based on the Finance Office spending estimate above and using the simplifying assumption that items are placed

Key Assumptions / Inputs

Facilities Depreciable Life (average years)	35	All Years
Equipment Depreciable Life (average years)	5	All Years; Schools with significant IT spend may prefer 4 years.

	FY15P	FY16P	FY17P	FY18P	FY19P	FY20P	FY21P	FY22P	FY23P	FY24P	FY25P
By Type											
Facilities											
Existing (CREW report)	2,396	2,396	2,285	2,285	2,285	2,285	2,285	2,285	2,285	2,285	2,285
New (calculated based on above)	0	0	0	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486
TOTAL Facilities Depreciation	2,396	2,396	2,285	5,771	5,771	5,771	5,771	5,771	5,771	5,771	5,771
Equipment (including IT)											
Existing (CREW report)	705	424	168	14	0	0	0	0	0	0	0
New (calculated based on above)	80	172	253	334	436	458	448	450	464	447	427
TOTAL Equipment Depreciation	785	596	421	348	436	458	448	450	464	447	427
TOTAL Depreciation	3,181	2,992	2,706	6,119	6,206	6,228	6,218	6,221	6,235	6,218	6,198

Integrated timelines could be win for Schools and the Center



Opportunities:

- Stronger alignment across Finance, Facilities and Development planning
- Investment prioritization and benchmarking
- Cross-University opportunity identification
- Reduction in effort and duplication

Challenges:

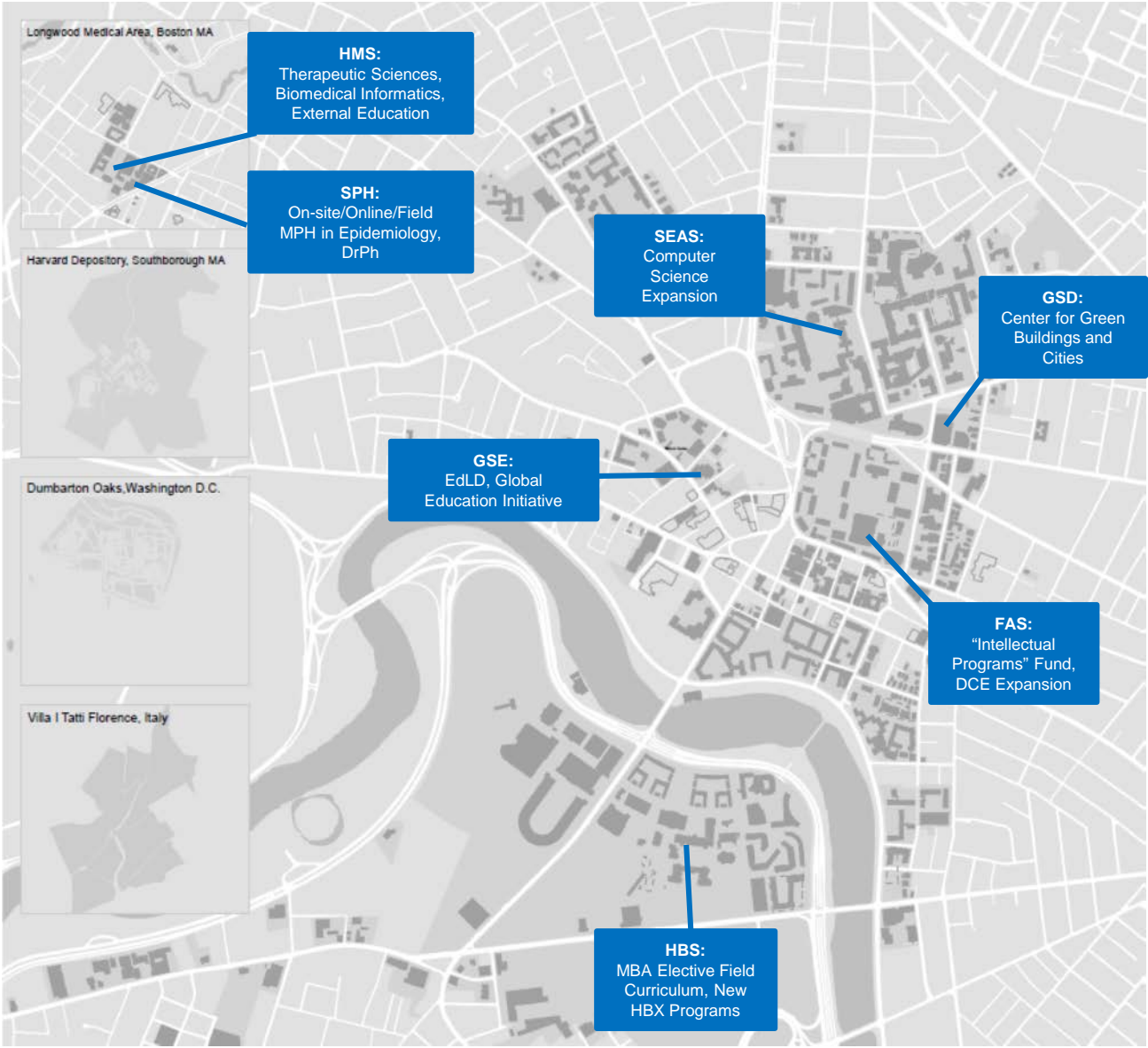
- Increased planning complexity
- Increased intensity of planning activity

IT and financial planning share similar goals: driving efficiencies and focusing resources on teaching and research.

Theme	CA	FAS	GSD	GSE	HBS	HDS	HKS	HLS	HMS	SEAS	SPH	TOTAL \$M
<i>SIS</i>	★	★	★	★	★	★	★	★	★	★	★	~\$50M
<i>TLT/Canvas</i>	★	★	★	★	★	★	★	★	★	★	★	~\$9M
<i>Office 365</i>	★	★	★	★	★	★	★	★	★	★	★	~\$5M
<i>Classroom/Video</i>	★	★		★	★		★	★	★	★	★	~\$20M
<i>Website work</i>	★	★	★	★	★		★	★	★			~\$8M
<i>IAM</i>	★	★			★		★	★	★	★		~\$10M
<i>Reporting & Analytics</i>	★	★		★	★					★		~\$29M
<i>VoIP</i>	★	★			★		★			★		~\$8M
<i>CRM (e.g. Salesforce)</i>	★				★							~\$20M
<i>Access to scholarship and knowledge</i>	★						★					~\$5M

Not only could we identify areas of common investment, we could also benchmark spending against growth, and against our internal and external peers.

Integrated planning timelines could also help us identify academic initiatives requiring significant IT investments



Discussion

- **Objectives**

- Would closer integration of IPIT and MYFP planning timelines be of value?
- How could MYFP and IPIT outcomes improve as a part of this change?
- Is five years a reasonable planning time horizon for IT spending (knowing the last 2-3 years will always contain ambiguity)?

- **Timelines**

- How would moving IPIT earlier in the year affect stakeholders?
- How could current planning activities look different/better?
- Would we be ready to do so this fiscal year or next year?

- **Proposed Next Steps**

- Joint CIO/Fin Deans meeting in July