



In Session: with Dan Feitelberg

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Colleges and universities are among the most stable and fundamental institutions in our society. At the same time they are on the front lines of change, fostering the process of discovery and human knowledge, driving new technologies and answering society's most important questions. Whether it be global climate change or adapting to technologies and artificial intelligence, we have to foster the stability and success of these institutions so the next generation of leaders can help society adapt to those changes as they enter the global workforce.

In Session is KPMG's latest higher education insights series that features interviews with industry professionals that are working with colleges and universities around the country that are being tested by the rapid pace of change. Whether it's taking a hard look at business models or developing new tools to enhance the ability of the administration, KPMG is working shoulder to shoulder with these institutions to help them effectively provide services to their faculty and students.

Prior to joining KPMG, Dan Feitelberg served as Vice Chancellor of Planning and Budget at University of California, Merced. As the chief financial officer for the rapidly growing and evolving campus, Dan provided meaningful leadership and guidance on a number of strategic initiatives including organizational development, change management, and public-private partnerships. Combined with his expertise in public finance, real estate, and infrastructure, Dan's institutional knowledge is a valuable asset as he now works for KPMG, sharing that knowledge and experience with other higher education universities.

Q **Prior to joining KPMG, you were at the University of California, Merced—the newest of the University of California campuses. Why did you decide to leave your position of vice chancellor and join KPMG?**

First, let me say I had the wonderful opportunity to serve UC Merced as part of the chancellor's leadership team for five years. I was given an opportunity to lead with a major expansion of the University of California's newest campus, and help envision new approaches that can help to address many of the challenges facing public institutions of higher education and research of today. Many of those challenges—whether it's an institution that is large or small, old or new, research or teaching colleges, community colleges, public or private, urban or rural—are all due to a rapidly changing landscape for higher education.

At the end of the day, there is much work to be done, and I felt I faced a choice: I could take my experiences and apply them to a single institution, or I could look for opportunities to apply my lessons learned more broadly across an entire field of institutions. KPMG brings together top quality talent across a broad spectrum of professional services that directly addresses the challenges universities and

colleges face today. I see a lot of opportunities to apply that talent and bring real solutions to the table. In addition, it allows me to share the knowledge and experience gained from my time at UC Merced in hopes of affecting change at other public universities.

Q Based on your experience, what do you see as the single most important issue or challenge that higher education institutions are faced with right now?

I think higher education institutions must focus on their core mission of enabling faculty to research, teach students, and foster student success.

Unfortunately, when you look at the business of a university, there are a number of financial challenges that are raising the cost of attendance and directly affecting the ability to invest in each of these components.

Public financial support for higher education has been on the relative decline for the last few decades. As a result, tuition has had to go up. In addition, universities have faced rising cost pressures and are having to address unfunded liabilities on their balance sheets—things like facilities maintenance, pension liabilities, retiree healthcare liabilities, and other costs to the business model—just as governments have had to do.

Private institutions are facing similar problems. What people don't realize is that when they receive large gifts or grants they are often restricted for a specific purpose. Some donors give money to build a facility—a dorm, a class building, and a stadium—but the university doesn't have an endowment to maintain it. Large restricted fund balances can reduce an institution's flexibility to address its most pressing needs.

With all of that being said, I think the most important thing is for higher education institutions, to find outcome-based approaches, which would allow them

to focus on their core mission of enabling faculty to research and teach students and fostering success.

Q Can you elaborate on this idea of outcome-based approaches?

One of the largest or second largest components of a university's balance sheet is their capital assets in physical facilities. The physical environment of a university campus is fundamentally connected to its ability to teach and enable research. So how those facilities are maintained is very much connected to the service the university provides.

For example, let's say you are a large university constructing a building that needs to have an elevator. You have three or four contractors to choose from who can build you that elevator. But what the university really needs is to ensure that elevator will have the ability to function properly and constantly move people between floors, during the peak time of 7 a.m. and 8 p.m., 365 days a year, for 30 years. That's an outcome-based approach.

From an operating perspective, another example is whether a university can make investments in services that facilitate student success. For example, investments in student orientation and advising programs and class scheduling that enable students to take a set of courses that set a clear path to graduation, can bolster retention and graduation rates. Investment in data and analytics can help universities evaluate these opportunities and invest dollars in areas that achieve a high return on the mission.

Q How does a higher education institution shift to an outcome-based approach model?

It ultimately comes down to taking a look at the long-term financial process and what that process is meant to achieve, as well as the willingness from leadership to do something about it. Having a strategy

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that addresses functionality will allow a university to improve upon its processes, and look for opportunities to contract with vendors who are positioned to provide the function. Data and analytics and performance-based contracting allows the university to be as efficient as possible and create the ability to invest more into its faculty and students.

Q In your opinion, is there a state university or college that uses an outcome-based approach and is seeing real results?

Obviously, I'm biased! UC Merced was undertaking a major expansion of its campus. We begin to look at everything in terms of its function. When we discussed developing new facilities, we asked ourselves "What is the functionality of that facility in order to enable a result?" We knew we needed classrooms to enable the faculty to teach. The dorms needed to be a place in which to live, work, and play. The contracts we entered into were rooted in functionality and we began to make changes that enabled those functional services. Since Merced was the smallest and newest of the growing campuses, there were opportunities to take some risks and try new approaches.

More broadly speaking, there isn't a right or wrong answer of how to do it. The need to identify the largest pain points and biggest opportunities is the constant. Finding a way to address those things depends on

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each campus's unique environment and history. At UC, the campuses are learning from each other by finding the commonalities and sharing best practices to ultimately drive down their costs.

Q As you think about the future of higher education, what does that look like to you? And how can higher education institutions continually evolve to drive down costs, while still meeting the objective of the core mission?

The only real resource that anybody has is time. How that time is spent determines whether or not we are being successful. If we can ensure an efficient process and approach to all the back-office operations of a higher education institution, we can maximize the time and energy the faculty and students spend doing what they are supposed to do, which is research, teach, and learn. If we can get that right, than I think we have a bright future ahead of us.

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