AFLG Meeting
VCAF Updates

John Wilton
Vice Chancellor for Administration and Finance
February 6th, 2014
Agenda

- VCAF Updates – John Wilton
- The Evolving Real Estate Portfolio – Bob Lalanne
- The Richmond Bay Campus – Terezia Nemeth
But first... Welcome new members!
As expected, UC Berkeley faced significant financial pressure in 2012-13

<table>
<thead>
<tr>
<th>MD&amp;A – Operating performance (Base case)</th>
<th>2012</th>
<th>2013</th>
<th>KEY VARIANCES</th>
</tr>
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<tbody>
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<td><strong>Revenues</strong></td>
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<td></td>
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<tr>
<td>Student Tuition and Fees, net</td>
<td>$623,967</td>
<td>$639,861</td>
<td>1. 2.5% increase ($15 million) comes from increased receipts from Summer session, UNEX, prof. degree fees,...</td>
</tr>
<tr>
<td>State educational appropriations</td>
<td>268,991</td>
<td>283,378</td>
<td>2. 10% y-o-y decline in Federal C&amp;G (Federal sequestration)</td>
</tr>
<tr>
<td>Federal Pell grants</td>
<td>39,789</td>
<td>38,655</td>
<td>3. Increase in Auxiliary revenues (food services, media revenues, ticket sales...)</td>
</tr>
<tr>
<td>Federal Grants and Contracts, net</td>
<td>408,202</td>
<td>368,791</td>
<td>4. 75% of the increase ($40 million) is related to an accounting reclassification</td>
</tr>
<tr>
<td>Other Grants and Contracts, net</td>
<td>271,209</td>
<td>285,723</td>
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<td>64,704</td>
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<td><strong>Revenues supporting core activities</strong></td>
<td><strong>$2,214,375</strong></td>
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<td><strong>Expenses</strong></td>
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<tr>
<td>Salaries and Wages</td>
<td>$995,852</td>
<td>$1,056,041</td>
<td>5. 6% y-o-y increase (~ 60 million) in Salaries and Wages as compared to 2012.</td>
</tr>
<tr>
<td>Benefits</td>
<td>316,179</td>
<td>345,587</td>
<td>6. Increase in Benefit costs stems mostly from higher UCRP contribution</td>
</tr>
<tr>
<td>UCOP</td>
<td>27,000</td>
<td>27,540</td>
<td>7. 15% y-o-y increase ($23 million) in Supplies &amp; Materials</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>139,683</td>
<td>121,652</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>35,903</td>
<td>38,286</td>
<td></td>
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<tr>
<td>Supplies and Materials</td>
<td>156,565</td>
<td>179,609</td>
<td>8. $45 million increase in Other Operating expenses. $30 million is due to an accounting reclassification. The rest ($15 million) is related to increases in consultant and legal fees and miscellaneous services</td>
</tr>
<tr>
<td>Depreciation of Capital Assets</td>
<td>68,502</td>
<td>71,751</td>
<td></td>
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<td>Debt Service</td>
<td>98,259</td>
<td>112,659</td>
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<td><strong>Income (loss) from core activities</strong></td>
<td><strong>$49,124</strong></td>
<td><strong>($43,487)</strong></td>
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</table>
Constraints on 71% of our key revenue streams reduced our financial flexibility in 2012-13

Operating Revenues from core activities
Actuals - 2012-13

- Student Tuition and Fees, net: 28%
- Federal Grants and Contracts, net: 16%
- Other Grants and Contracts, net: 13%
- Other: 16%
- State educational appropriations: 12%
- Federal Pell grants: 2%
- Gifts and Investments: 13%

Source: UC Berkeley Budget Office analysis.
Some of our peers\(^1\) also faced financial pressure in FY13

<table>
<thead>
<tr>
<th>University</th>
<th>Income (loss) from core activities(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dartmouth College</td>
<td>-2,000</td>
</tr>
<tr>
<td>Brown University</td>
<td>-3,000</td>
</tr>
<tr>
<td>University of Chicago</td>
<td>-6,000</td>
</tr>
<tr>
<td>Cornell University</td>
<td>-31,000</td>
</tr>
<tr>
<td>Harvard University</td>
<td>-34,000</td>
</tr>
<tr>
<td>Yale University</td>
<td>-40,000</td>
</tr>
</tbody>
</table>

1) No public peer included because as of January 2014, no public peer with budget deficit had published its financial statements
2) Only operating revenues and expenses included
What are the underlying factors that are driving this negative trend?

The next 5 years: 2013-2018

<table>
<thead>
<tr>
<th>Variance</th>
<th>5-year</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>CAGR</td>
<td>$</td>
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### Revenues

<table>
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<tr>
<th>Description</th>
<th>Variance</th>
<th>5-year</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Tuition and Fees, net</td>
<td>90,372</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>State educational appropriations</td>
<td>97,059</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Federal Pell grants</td>
<td>5,080</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Federal Grants and Contracts, net</td>
<td>28,357</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Other Grants and Contracts, net</td>
<td>42,277</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Educational Activities, and Aux</td>
<td>34,097</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Private gifts, net</td>
<td>33,308</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>9,567</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Other revenues income</td>
<td>17,503</td>
<td>3%</td>
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### Expenses

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<td>Salaries and Wages</td>
<td>198,088</td>
<td>3%</td>
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<td>Benefits</td>
<td>132,196</td>
<td>7%</td>
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<td>UCOP</td>
<td>3,619</td>
<td>2%</td>
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<td>Scholarships and Fellowships</td>
<td>15,986</td>
<td>2%</td>
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<td>Utilities</td>
<td>5,031</td>
<td>2%</td>
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<td>23,602</td>
<td>2%</td>
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<td>24,767</td>
<td>6%</td>
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<td>52,461</td>
<td>8%</td>
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<td>Other Operating Expenses</td>
<td>11,557</td>
<td>1%</td>
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While the short-term deficit is manageable, we must remain aggressive and creative in our financial strategy.
The Evolving Real Estate Portfolio
Bob Lalanne

AFLG Meeting
February 6, 2014
The New VC Real Estate Portfolio

We are in a new era:
• new funding realities
• academic needs changing at a faster pace
• greater use of facilities as a competitive differentiator between top-tier universities

This requires new approaches and an expanded portfolio.
Three Principles Will Guide Our Work Going Forward

- Value engineering and cost effectiveness
- Client focus supported by the right metrics
- Revenue generation in collaboration with the broader campus
## The Potential for Impact Is Enormous

### MD&A – Operating performance (Base case)

*In $ '000*

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### Income (loss) from core activities

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Total campus spend on facilities and capital projects is about **$500M** per year.

An aggressive and entrepreneurial approach to Real Estate has the potential for significantly impacting our bottom line and addressing the structural deficit!
The Facilities Portfolio

- Vice Chancellor Facilities Services
  - Budget
  - Communications
    - Immediate Office
    - Physical & Environmental Planning
    - Project Management
    - Construction Inspection
    - Real Estate
    - PP-CS
The Evolving Portfolio

Vice Chancellor
Real Estate

COO

Physical & Environmental Planning
Project Management
Construction Inspection
Real Estate
PP-CS
The Evolving Portfolio

Vice Chancellor
Real Estate

COO

Physical & Environmental Planning
Project Management
Construction Inspection
Real Estate
PP-CS
Space & Capital Resources
The Berkeley Real Estate Group??

Vice Chancellor Real Estate

COO

Physical & Env. Planning
Project Management
Construction Inspection
Real Estate
PP-CS
Space & Capital Res.
Richmond Bay Campus
Retail
Other TBD

New approaches
Expanded portfolio
The New VCRE Position Will Bring An Integrated Approach To Development and Management of Berkeley’s Facilities

- **Close integration with finance**
  - Use the most **innovative** ways to finance projects; **integrate** financial modeling and project design

- **Strong innovation and external focus**
  - Understand **why work at UC costs more**—and aggressively drive down that differential

- **Strong focus on performance and client service**
  - Allow Deans and other campus leaders to fulfill their mission needs **faster and at a lower cost**
Priorities for the First Four Months

Drive progress and innovation in important campus projects

Maxwell Field
CMS
Bowles Hall
Jacobs Hall

Tolman Hall
BAM/PFA
Lower Sproul
Richmond Bay Campus

Focus on three key management initiatives

Capital Projects cost analysis and benchmarking
Design and pilot new maintenance management coverage model
Design and pilot a rapid laboratory buildout team

Build the fact base to support future initiatives

“Policy vs. practice” analysis
Thank you
Richmond Bay Campus is

• a state-of-the-art, sustainable place where researchers from UC Berkeley, LBNL and the private sector can collaborate on developing solutions for 21st century challenges in the areas of energy, the environment, health and the global economy.

• a living laboratory in which operating practices and infrastructure, facilities performance monitoring and sustainability goals are leveraged to engage, apply, and strengthen research.

• a catalyst for a revitalized Richmond South Shoreline Area and enhanced connection to the surrounding community thru outreach programs in education and workforce training.
The Site is spectacular......
Existing

- Total acres: 134
- 81 existing structures
- 1.05 million GSF
- Population of 300
- Existing activities:
  - Research
  - Offices
  - Storage
Land Use Plan

Developable Area

- Lab, classroom, office, admin. buildings
- Support infrastructure
- Community space
- Dining, visitor accommodation, retail
- Recreation
- Transportation infrastructure
- Open space (plazas, courtyards)
Preserve Area

Natural Open Space

- Western Stege Marsh and coastal grasslands to be protected
- Minimum 12 acres of natural preserve for coastal terrace prairie
- Connected
- Limited human intrusion
Development Program

Long-Term potential -- multiple phases over ~40 years:

Up to 5.4 M square feet and a population of 10,000

Possible Uses:
- Research labs
- Offices, Conference space
- Dining / Cafes
- Auditorium / Visitor center
- Operations facilities
- Parking
- Outdoor space

Population:
- LBNL and UC Berkeley research scientists and faculty
- Private sector scientists
- Graduate and post-doctoral students
- Undergraduate students and interns
- Administrative staff
- Operational staff
Illustrative Development

- Distinct walkable neighborhoods
- Distinct visitor arrival experience
- Deflects wind; creates sheltered spaces
- East-west solar building orientation
- Diversity of open edges and public access points
- Multi-modal grid connected to surrounding streets/trails

5.4 million sq ft
Energy & Sustainability Focus

- Cutting edge **infrastructure design** – Net Zero
- **Showcase** sustainable design and operations
- Develop the site as a **living classroom and lab**
- Energy and water **efficiency & demonstration projects**
- Environmental procurement and waste policies
- Transportation alternatives – **hydrogen fueled** shuttles
The City of Richmond is undertaking a parallel rezoning exercise for the land area surrounding the Richmond Bay Campus in an effort to ensure that they are prepared and providing a framework of predictability for potential development interest beyond the Richmond Bay Campus.
We have a “there”

- Actively used R&D facilities
- Small scale, but vibrant
- “the backlot”/“the garage”
- Intricate part of the Berkeley Innovation Story
- We need to tell the story
- This will form the basis for attracting other users, investors, partners
Existing Research & Development

- Berkeley Composite Lab – develops, produces and tests composite materials.
- BCL constructed & tested the hinged booms used in the “Time History of Events and Macroscale Mission” [THEMIS] > $2MILL contract
- Model Testing Facility used by Ocean Engineering to study wave motion for design of ocean structures but also for ocean wave power, offshore wind energy, vortex induced vibration and submerged flow (oil-spill mechanics)
Existing Research & Development

• Partners for Advanced Transportation and Technology
• Pavement Research Center
• Pacific Earthquake Engineering Research (PEER)
• Experimental Geomorphology Labs
• Drone Development & Testing
• Biomass Alternative Fuel development
• Urban Pest Management
University of Florida - Gainsville
Work Program

• Complete project planning stage -
  - LRDP and EIR going to Regents in May 2014
  - Infrastructure Master Plan Net Zero Energy goal

• Define the Product –
  - its not “urban” vibrant but more “serene” getaway
  - its not “polished” but more “backlot” like

• Marketing Blitz –
  - improve the Berkeley Innovation Story as a whole
  - include RBC as part of that story
  - create vibrant video and get OUT there

• Create or Find an Anchor –
  - LBNL will not be the first phase
  - Industry partnerships, multi-disciplinary, innovation
  - expand existing models – like CITRIS, EBI, JBEI, QB3
Schedule - Next Steps

- May 2014  UC Regents decision on LRDP, EIR
- Summer 2014  Complete Infrastructure Master Plan
- Summer 2014  Complete Berkeley Innovation Story documents
- Undetermined  EIR challenge period