

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

MD&A – Operating performance (Base case)

In \$ '000

	2012	2013
Revenues		
Student Tuition and Fees, net	\$623,967	\$639,861 1
State educational appropriations	268,991	283,378
Federal Pell grants	39,789	38,655
Federal Grants and Contracts, net	408,202	368,791 2
Other Grants and Contracts, net	271,209	285,723 3
Educational Activities, and Aux	242,016	259,475
Private gifts, net	180,488	177,468
Investment income	115,009	113,361
Other revenues, net	64,704	116,802 4
Revenues supporting core activities	\$2,214,375	\$2,283,514
Expenses		
Salaries and Wages	\$995,852	\$1,056,041 5
Benefits	316,179	345,587 6
UCOP	27,000	27,540
Scholarships and Fellow ships	139,683	121,652
Utilities	35,903	38,286
Supplies and Materials	156,565	179,609 7
Depreciation of Capital Assets	68,502	71,751
Debt Service	98,259	112,659
Other Operating Expenses	327,308	373,876 8
Expenses associated with core activities	\$2,165,251	\$2,327,001
Income (loss) from core activities	\$49,124	(\$43,487)

KEY VARIANCES

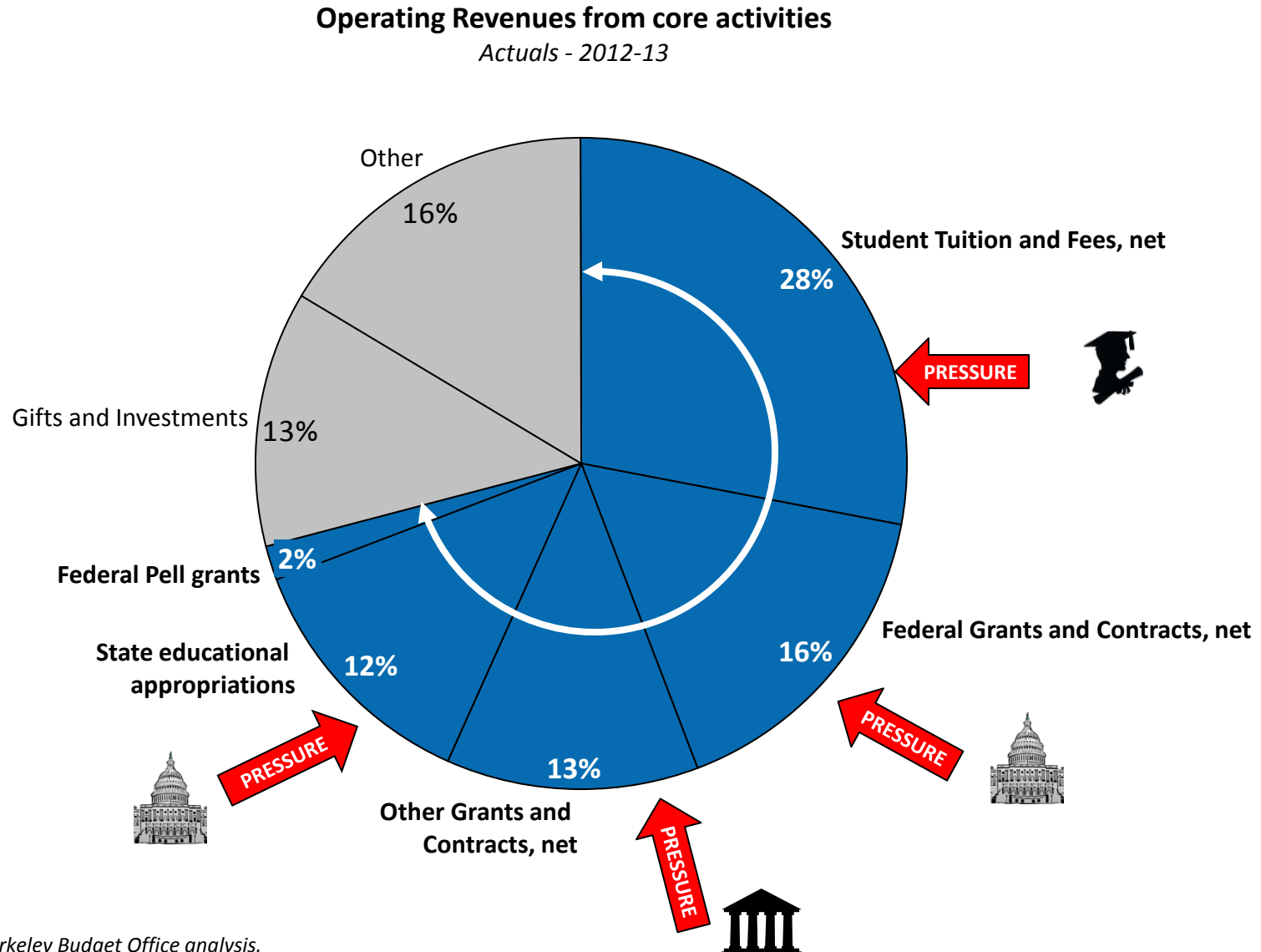
REVENUES

- 2.5% increase** (\$15 million) comes from increased receipts from Summer session, UNEX, prof. degree fees,...
- 10% y-o-y decline** in Federal C&G (Federal sequestration)
- Increase in Auxiliary** revenues (food services, media revenues, ticket sales...)
- 75% of the increase** (\$40 million) is related to an accounting reclassification

EXPENSES

- 6% y-o-y increase** (~ 60 million) in **Salaries and Wages** as compared to 2012.
- Increase in Benefit** costs stems mostly from higher UCRP contribution
- 15% y-o-y increase** (\$23 million) in Supplies & Materials
- \$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

Constraints on 71% of our key revenue streams reduced our financial flexibility in 2012-13



Some of our peers¹ also faced financial pressure in FY13



Dartmouth College



Brown University



University of Chicago



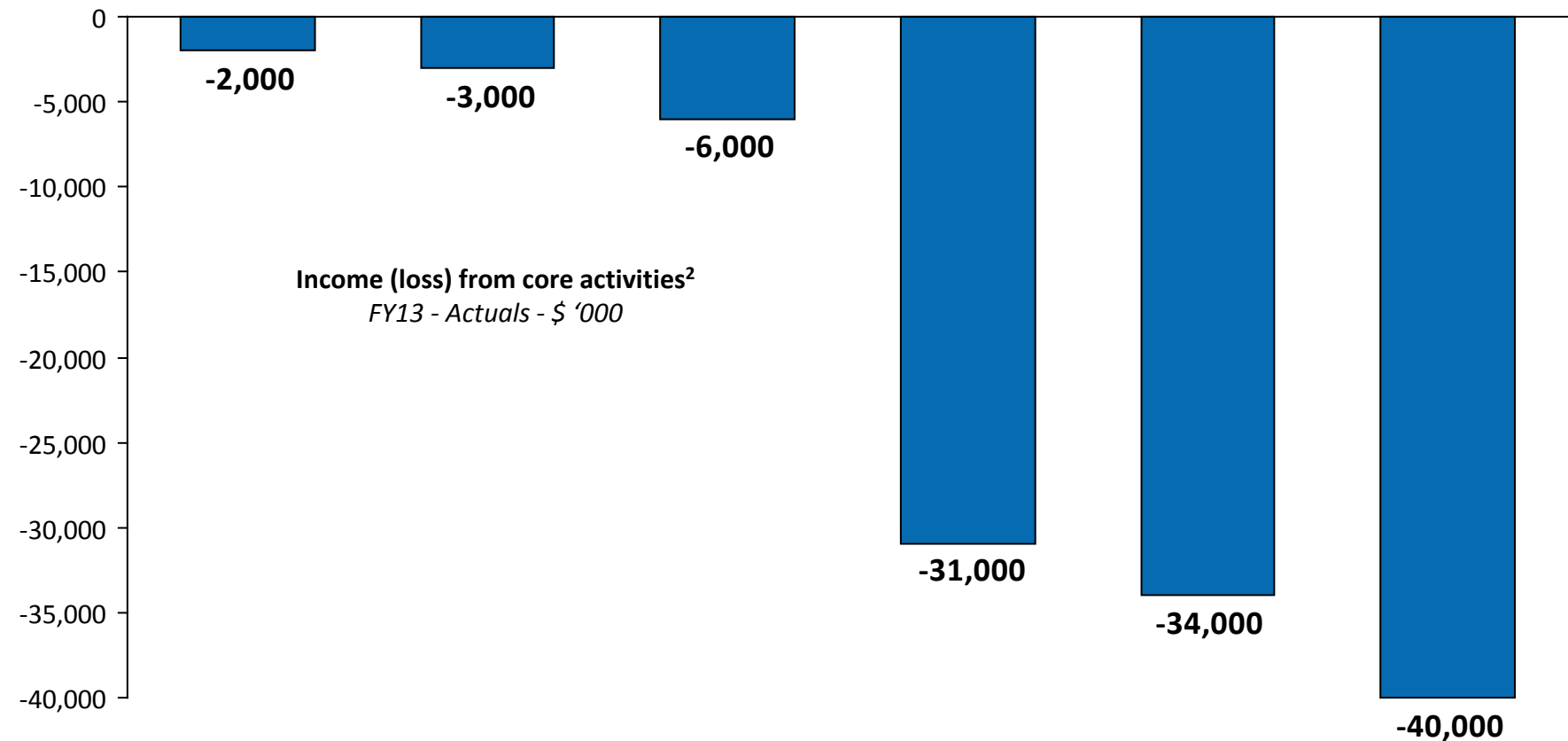
Cornell University



Harvard University



Yale University



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

\$ '000 and %

+358
million

Revenues

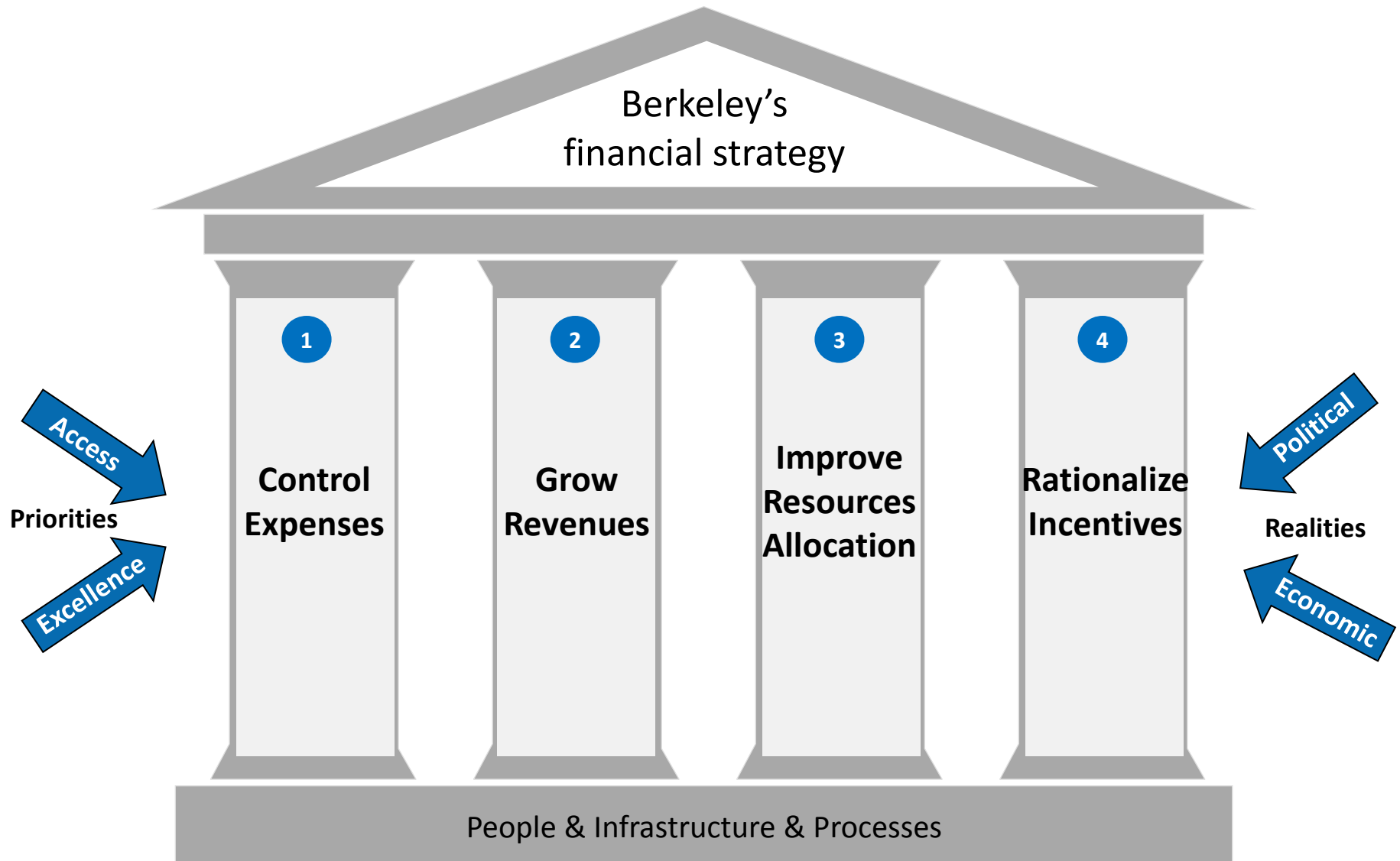
	Variance \$	5-year CAGR	Impact \$
Student Tuition and Fees, net	90,372	3%	
State educational appropriations	97,059	6%	
Federal Pell grants	5,080	2%	
Federal Grants and Contracts, net	28,357	1%	
Other Grants and Contracts, net	42,277	3%	
Educational Activities, and Aux	34,097	2%	
Private gifts, net	33,308	3%	
Investment income	9,567	2%	
Other revenues, net	17,503	3%	

Expenses

Salaries and Wages	198,088	3%	
Benefits	132,196	7%	
UCOP	3,619	2%	
Scholarships and Fellowships	15,986	2%	
Utilities	5,031	2%	
Supplies and Materials	23,602	2%	
Depreciation of Capital Assets	24,767	6%	
Debt Service	52,461	8%	
Other Operating Expenses	11,557	1%	

+467
million

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

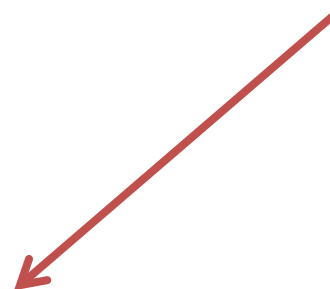
MD&A – Operating performance (Base case)

In \$ '000

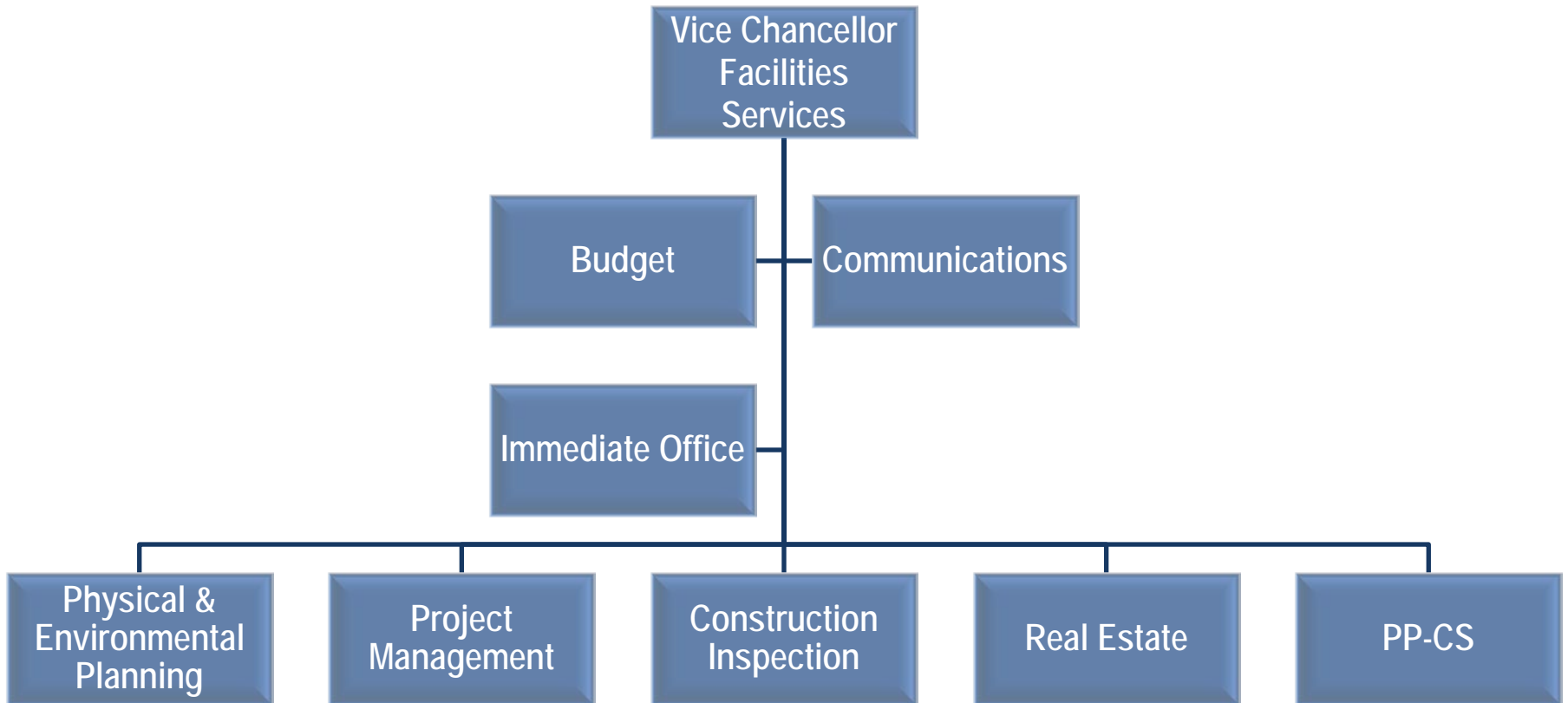
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Total campus spend on facilities and capital projects is about **\$500M** per year.

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

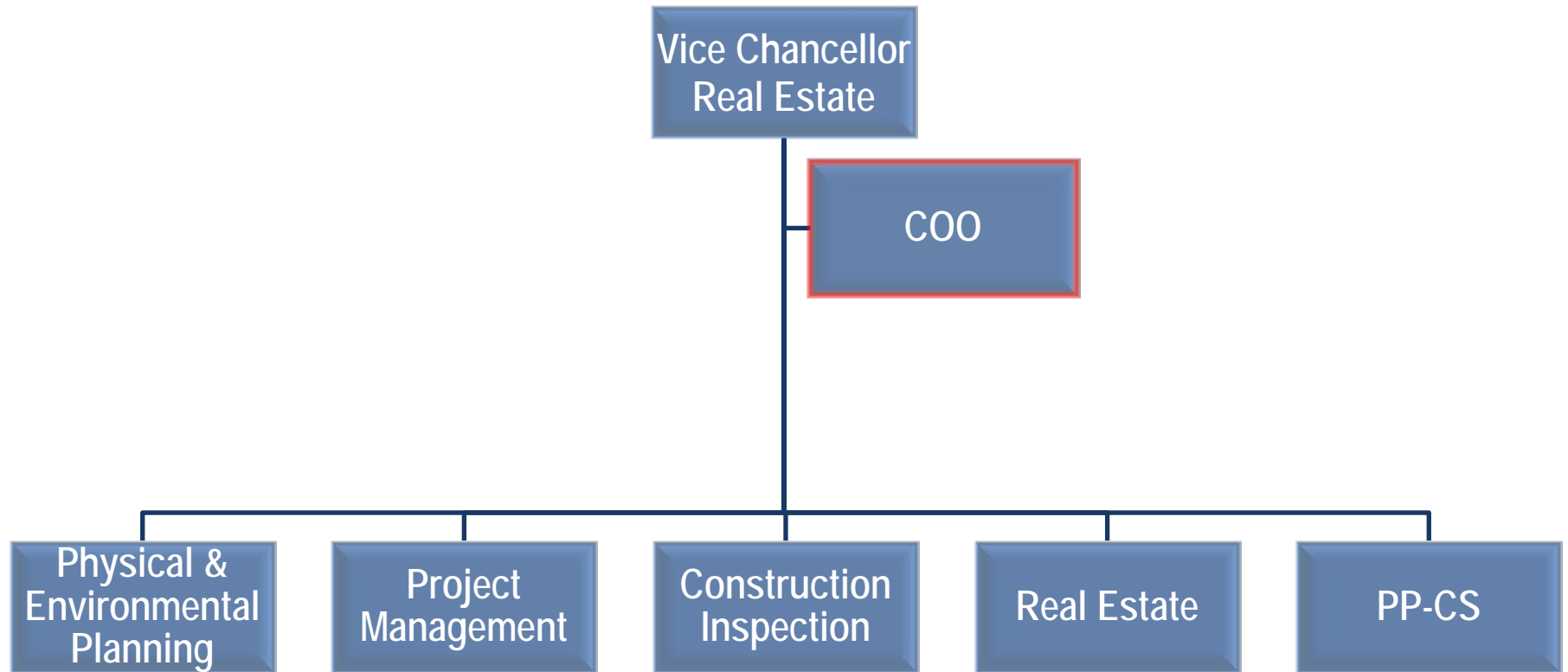


The Facilities Portfolio

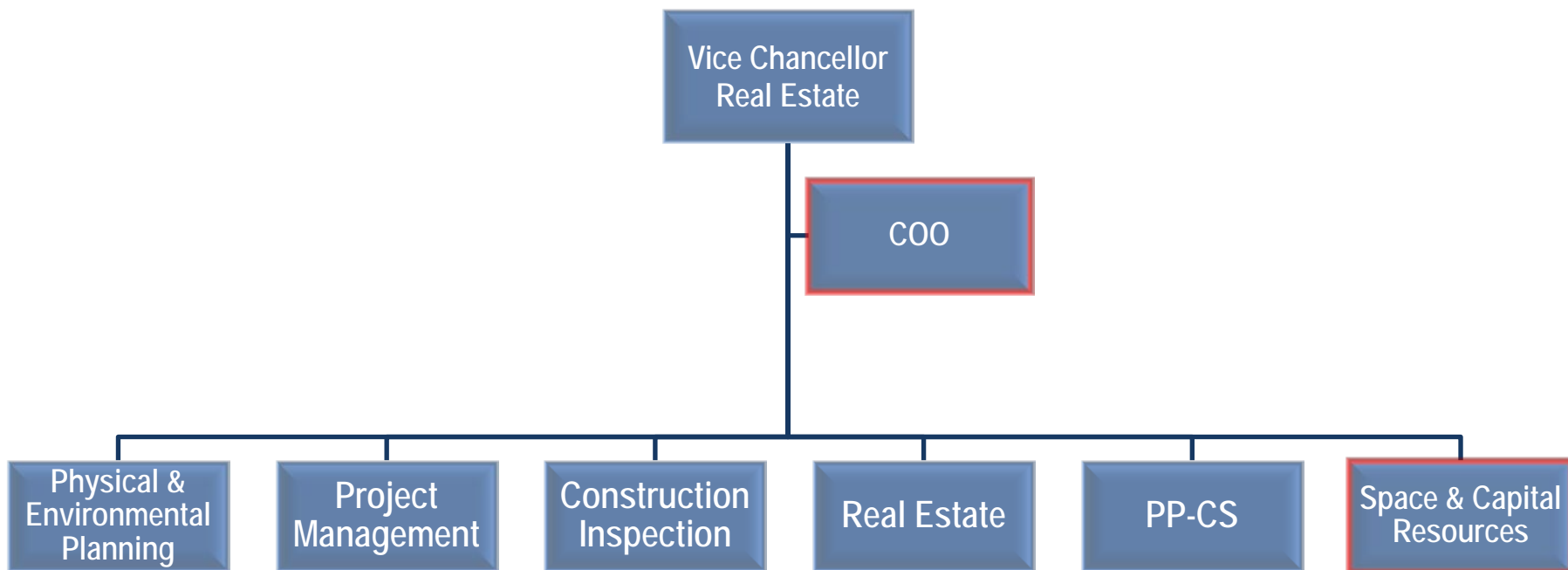


The Evolving Portfolio

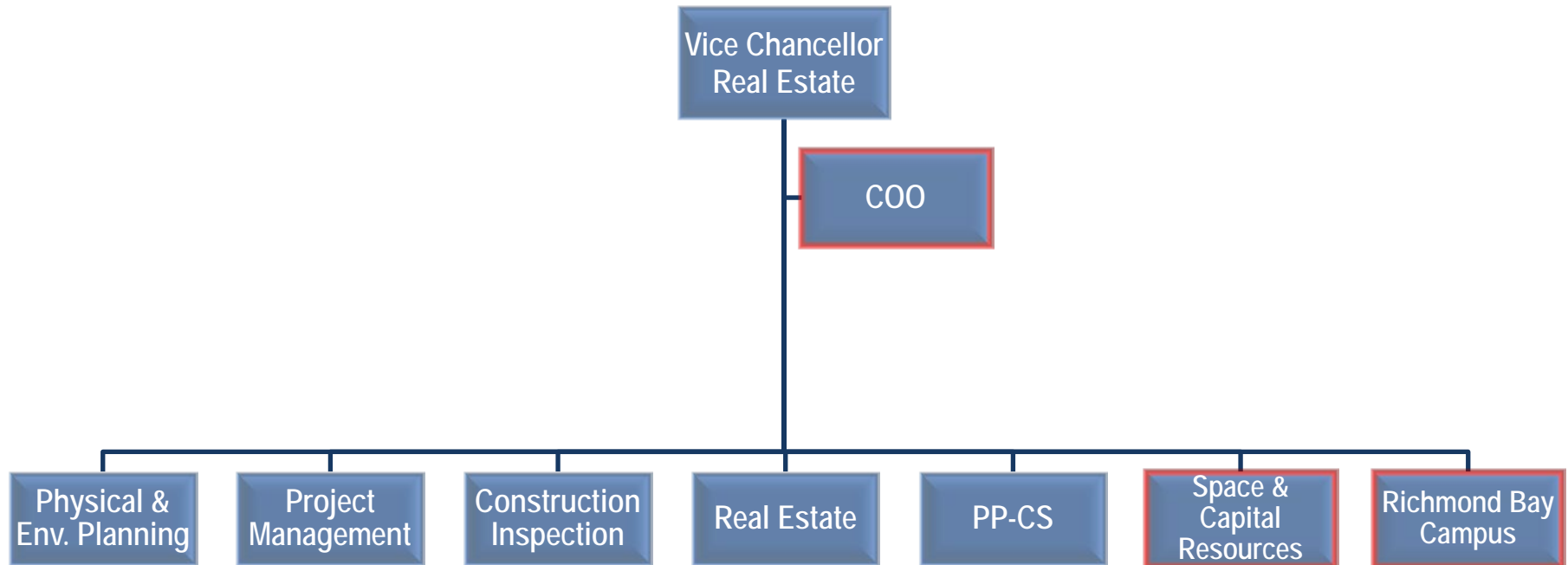
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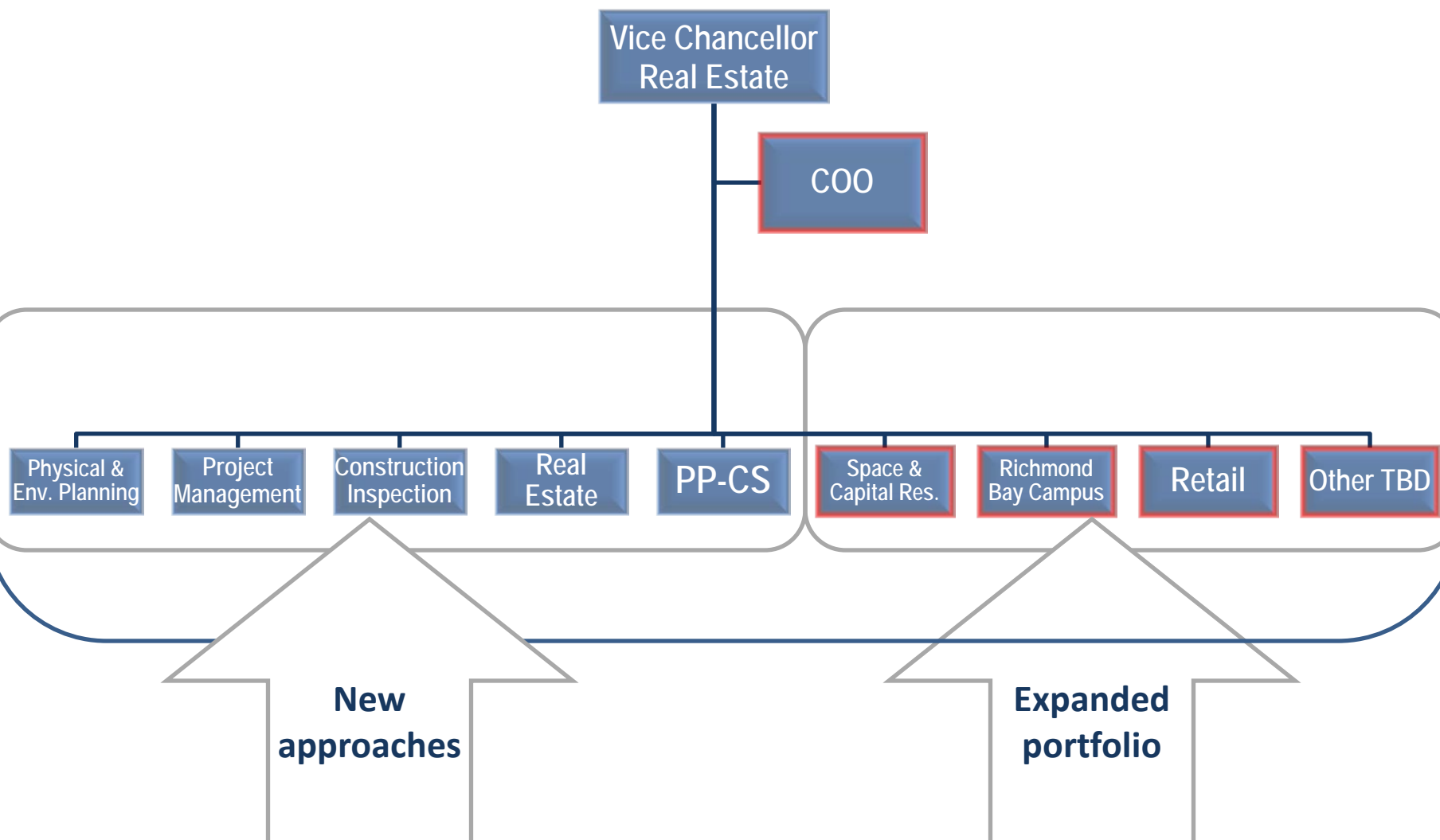
The Evolving Portfolio



The Evolving Portfolio



The Berkeley Real Estate Group??



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

A Transformational Public / Private Project

RBC

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

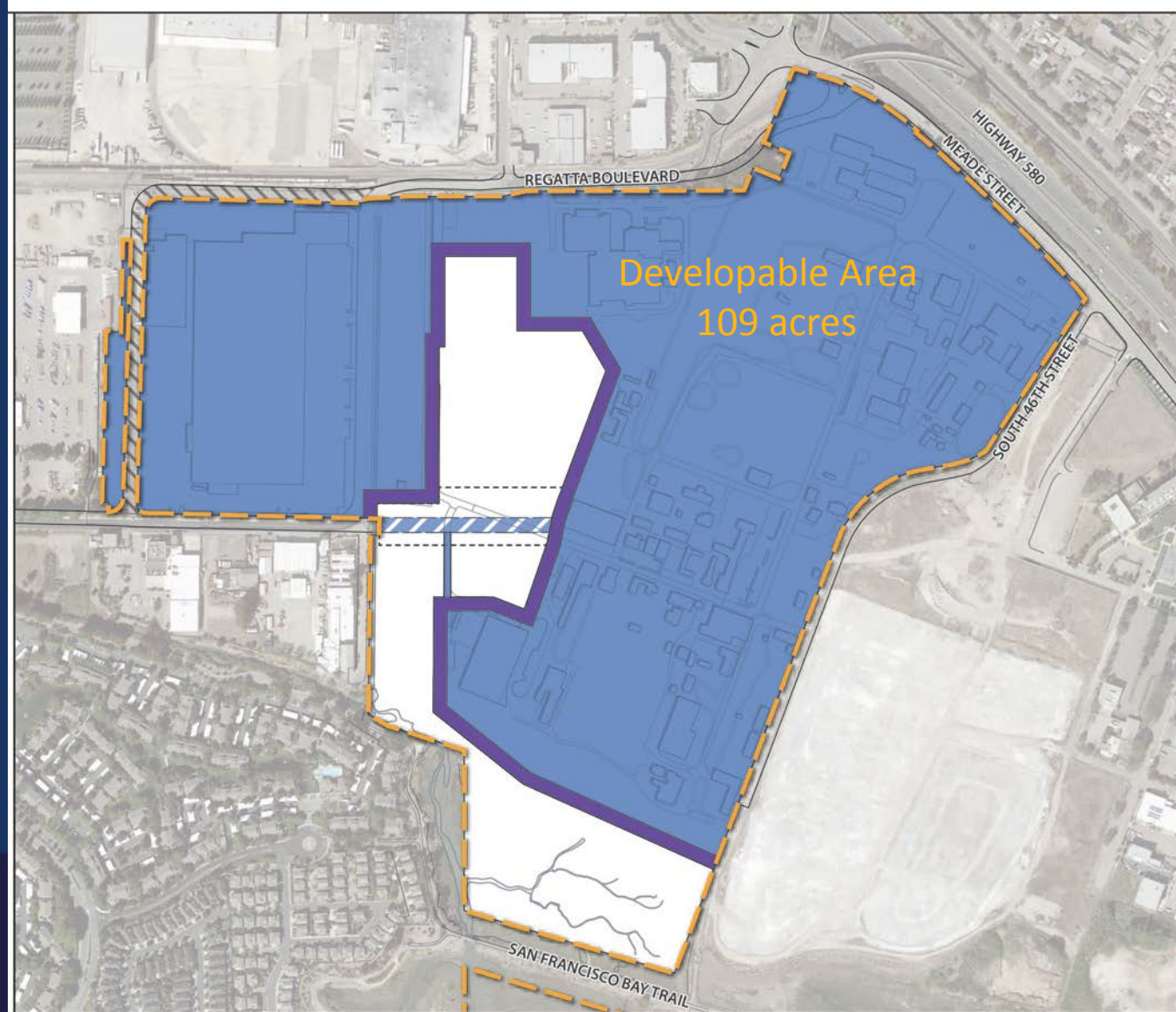
- Total acres: 134
- 81 existing structures
- 1.05 million GSF
- Population of 300
- Existing activities:
 - Research
 - Offices
 - Storage



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

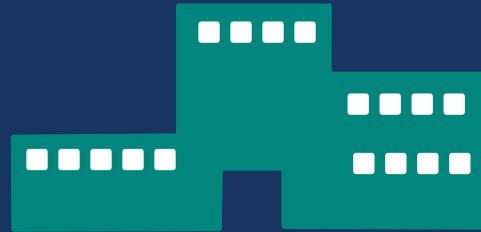
- Western Stege Marsh and coastal grasslands to be protected
- Minimum 12 acres of natural preserve for coastal terrace prairie
- Connected
- Limited human intrusion



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

5.4 million sq ft

- 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

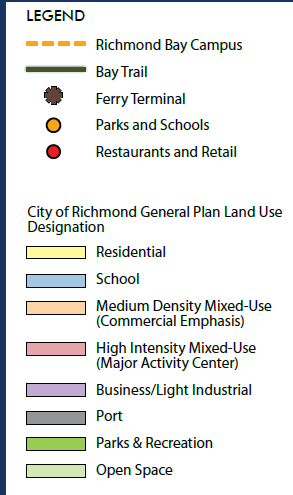


Energy & Sustainability Focus

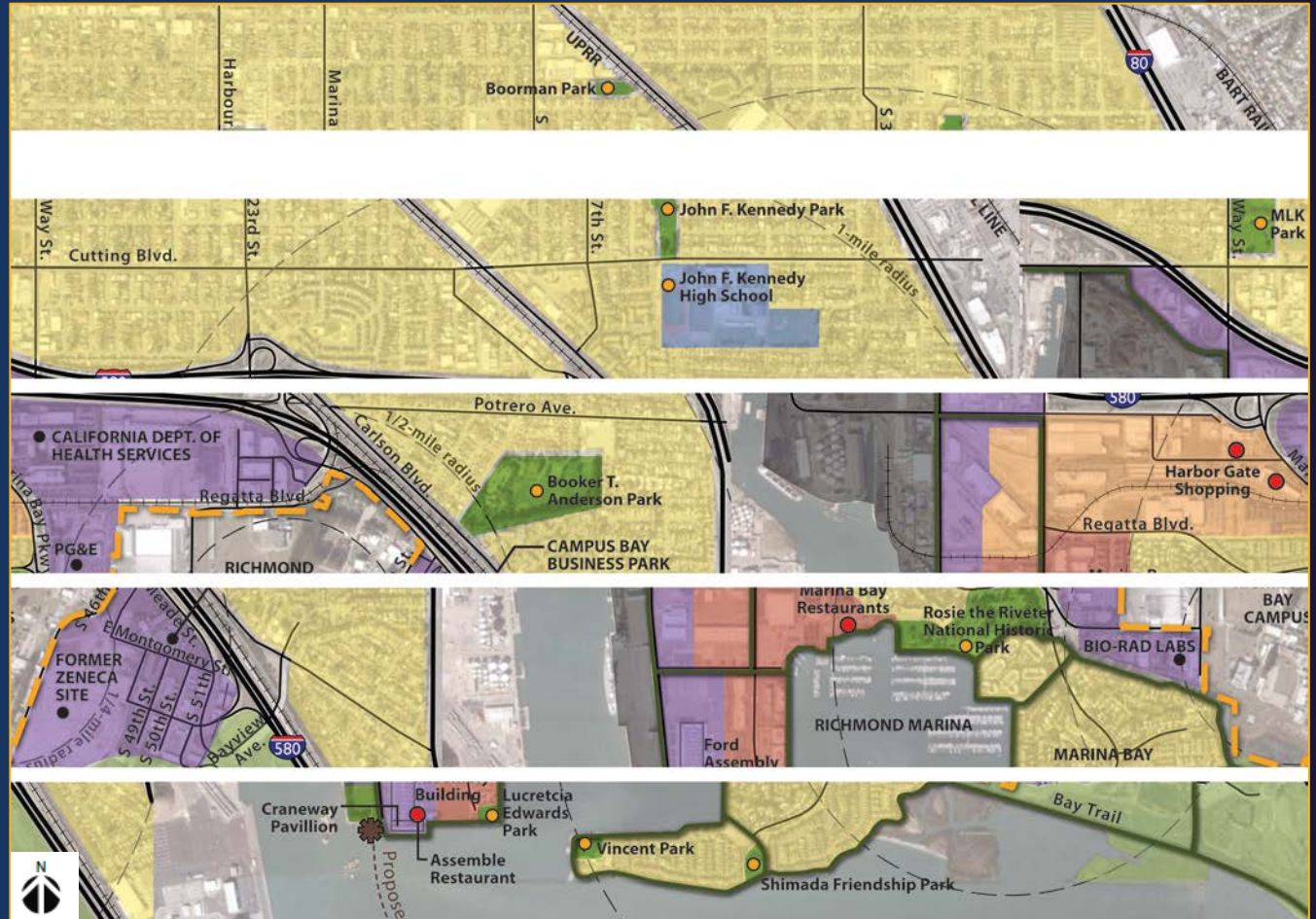


- Cutting edge **infrastructure design – Net Zero**
- **Showcase** sustainable design and operations
- Develop the site as a **living classroom and lab**
- Energy and water **efficiency & demonstration projects**
- Environmental procurement and waste policies
- Transportation alternatives – **hydrogen fueled** shuttles

South Shoreline Specific Plan



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”

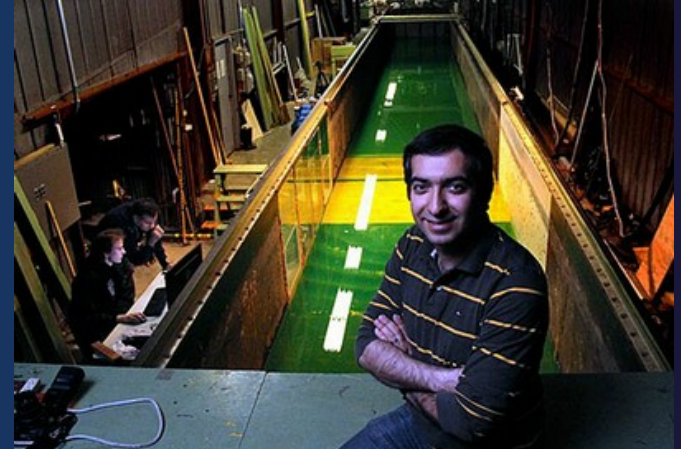
- Actively used R&D facilities
- Small scale, but vibrant
- “the backlot”/“the garage”
- Intricate part of the Berkeley Innovation Story
- We need to tell the story
- This will form the basis for attracting other users, investors, partners

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 - Gainesville



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

