

University of California, Berkeley



2nd Annual Finance Leadership Summit

Pauley Ballroom
November 29, 2012

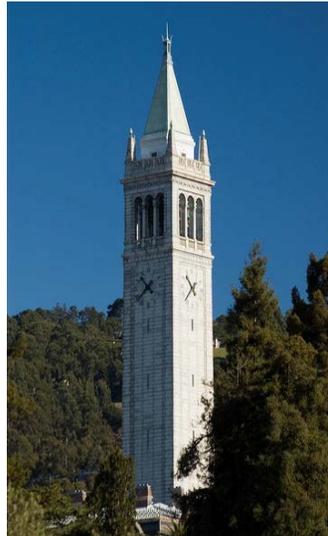


Agenda

- 1 Campus Financial Vision for the Future
- 2 UC Berkeley's Evolving Financial Philosophy
- 3 The Budget Process



A Vision for the Future



Campus level context

Unit level strategy

Adapt



Measure



Resources:

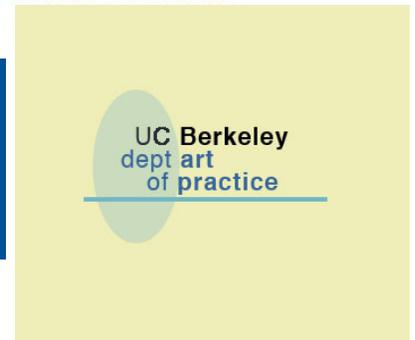
- Revenues & expenses
- Trade-offs



School of Public Health



GRADUATE DIVISION
UC BERKELEY



UC Berkeley
dept art
of practice



Principles for Finance

1

Accurate data

2

Transparency

3

Clear incentives aligned to strategic objectives

4

Promote increased financial flexibility



Principles for Units (Divisions/Schools/Colleges/Departments)

1

Establish clear unit-level strategies

2

Look at all revenues and expenses

3

Align resources with priorities

4

Make difficult trade-offs
e.g. First Dollar Principle



We have to work together to unlock the maximum benefits

For Example: OE projects generate savings:

- Spans & Layers had a simple 60/40 split
 - Other projects require more work
- **Finance** reform provides clarity and tools for identifying those savings
- **Units** need to use these tools to redirect savings towards their priorities



This will not happen by itself!

Unit-level revenue generating projects
present the same opportunities



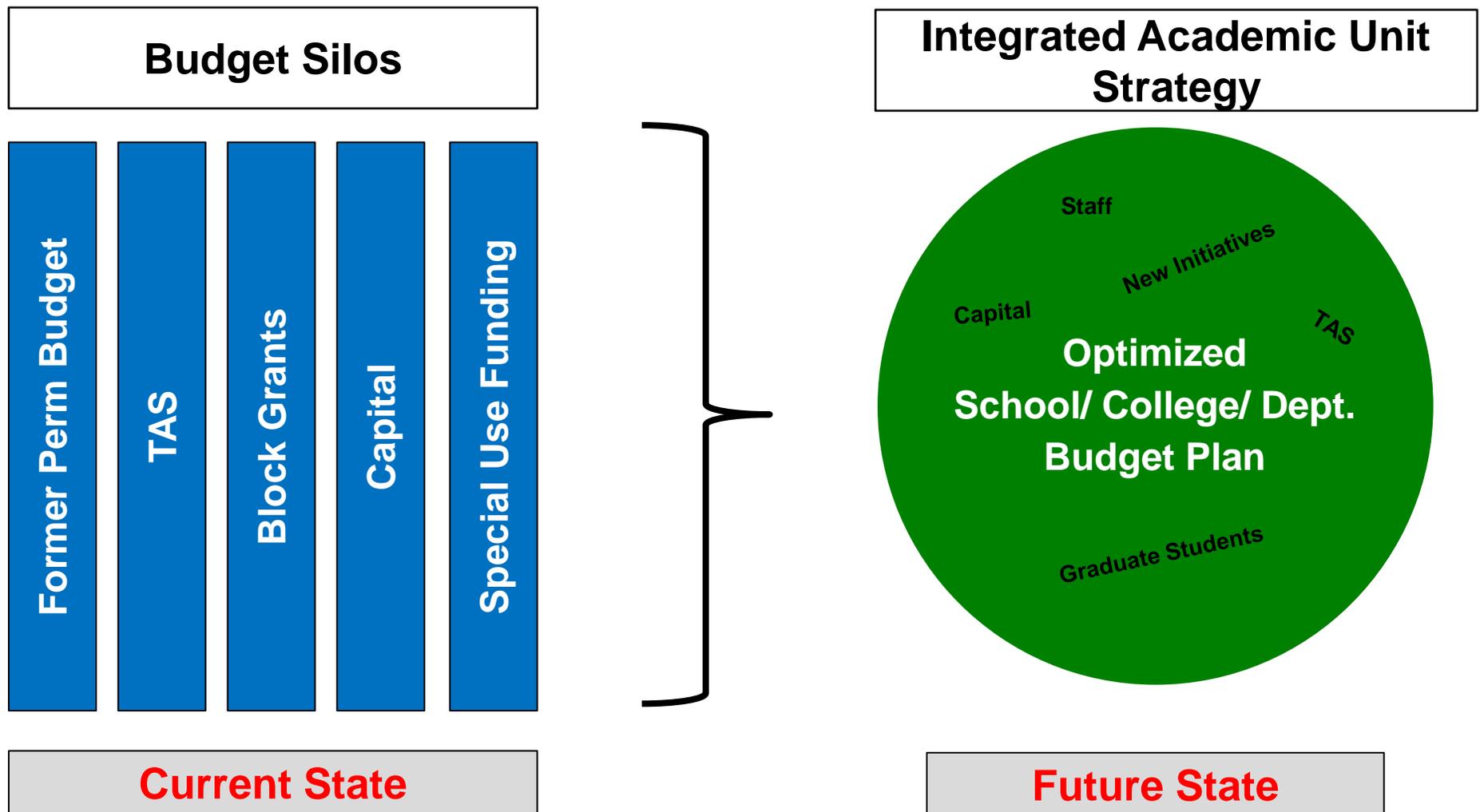
Agenda

- 1 Campus Financial Vision for the Future
- 2 UC Berkeley's Evolving Financial Philosophy
- 3 The Budget Process



Berkeley's Shifting Budget Philosophy...

While it may take time, our goal is to break down existing silos to improve our ability to make strategic decisions and tradeoffs.





How do we accomplish this?

Access and Excellence

Financial Sustainability

TOP DOWN

BOTTOM UP

1

Control Expenses

- Every dollar we save is a dollar that we can redeploy towards the highest needs
- Every unit and every employee can do their part to trim expenses

2

Grow Revenues

- Campus units need to continue their engagement in the process of generating and managing revenues
- New ideas should be accompanied by strong financial analysis around the future profitability of initiatives (contribution to variable and fixed costs)

3

Optimize Current Resources

- Ensure that we are putting every dollar to work and that we have the flexibility to pursue our academic priorities.
- What you spend first matters



Implementation Challenges

Developing a phase-in strategy



Step 1

Step 2

Step 3

Creating the Infrastructure

Setting the Stage

*Optimizing & Aligning
with Strategy*

- *Budget process, tactical steps, timeline, etc.*
- *Budget meetings & review process*
- *Consistent reporting & executive-level data*

- *Continue to refine the budget process*
- ***Greater visibility into revenues & expenses***
- *Begin asking more challenging questions & make incremental shifts...*

- *What are our academic priorities?*
- *What resources are available or can be freed up to fund our priorities?*
- *Do we have the right incentives to maximize resources?*

What is the right pace of change?



Agenda

- 1 Campus Financial Vision for the Future
- 2 UC Berkeley's Evolving Financial Philosophy
- 3 The Budget Process



Last Year's Budget Was a Major Milestone...

2012-13 UC Berkeley budget plan

2012-13 UC BERKELEY BUDGET PLAN



Building a Stable Financial Model

This budget plan represents Berkeley's first all-funds, all-units budget that comprehensively describes revenues and expenses in every central unit. It is made in the interest of promoting transparency regarding our budget resources, strategies and future direction with the goal of engaging the campus community and our partners in collectively building a stable financial model. We dedicate this budget plan to Chancellor Robert B. Altman who recognized early on the need to build financial management capacity in support of our goals of Access and Excellence. Due to his leadership, we have laid the foundation for Berkeley to prosper and our next chance for to succeed. This publication can also be found at www.berkeley.edu

BERKELEY CAMPUS

U.C. Berkeley Consolidated Budget for Current Funds, 2012-13 Statement of Revenue, Expense and Changes to Net Assets

[in thousands]	Total FY 2012-13	Unrestricted		Restricted		
		Unrestricted	Designated	Restricted Gift Funds	Restricted Endowments and FFEs Funds	Contracts and Grants
Revenues and Operating Transfers						
State Support	262,057	262,019	0	0	0	38
Net Tuition and Fees	572,443	538,020	34,278	125	20	0
Contracts & Grants	682,220	0	0	16	8	682,197
Private Gifts for Current Use	157,887	13,789	0	97,617	46,011	389
Investment Income	116,545	40,867	0	0	75,250	417
Sales and Services of Educational Activities	280,276	276,297	3,473	0	50	2
Nonoperating Revenue	39,754	102	0	0	7	39,645
Adjustment: Revenue - Plan	47,613	45,684	0	9,388	377	(7,911)
Operating Transfers	0	0	0	0	0	0
Total Revenue & Transfers	2,158,795	1,176,778	37,877	107,189	122,175	714,776
Expenses						
Total Compensation	1,367,695	944,600	80,983	50,019	38,583	253,440
Total Non Compensation	660,887	277,884	(44,351)	50,323	67,252	309,778
Adjustment: Total Expenses - Plan	2,214	1,329	725	19	140	0
Total Expenses	2,030,795	1,223,884	37,357	100,362	105,975	563,218
Net Operating Surplus/(Deficit)	127,999	(47,105)	520	6,827	16,200	151,557
To/From Plant Funds	(130,030)	(118,030)	0	(12,000)	0	0
To/From Rgnts Endow - FFE Principal	226	(180)	0	0	150	255
To/From All Other Fund Balance	(19,680)	133,246	(2,000)	0	(9,925)	(141,000)
Changes in Fund Balance	(149,483)	15,036	(2,000)	(12,000)	(9,775)	(140,745)
Beginning Balance	1,065,366	690,324	35,714	204,770	134,558	0
Ending Balance	1,043,882	658,255	34,234	199,597	140,983	10,812

ALL FUNDS
PERSPECTIVE



Right Now We're Working with You to Drive that Infrastructure Deeper into the Organization...

CalPlanning reports develop a consistent, common language that allows Deans, VC's, and Chairs to evaluate deep into the departments within their units.

Math & Physical Sciences

U.C. Berkeley Consolidated Budget for Current Funds, 2012-13
Statement of Revenue, Expense and Changes to Net Assets

[in thousands]	Total FY 2012-13		Unrestricted		Restricted	
	Current Funds		Unrestricted	Designated	Restricted Gift Funds	Restricted Endowments and FFEs Funds
Revenues and Operating Transfers						
State Support	262,057		262,019	0	0	38
Net Tuition and Fees	572,443		538,020	34,278	125	20
Contracts & Grants	682,220		0	0	16	8
Private Gifts for Current Use	157,887		13,789	0	97,697	46,011
Investment Income	116,545		40,867	0	13	75,248
Sales and Services of Educational Activi	280,276		276,297	3,473	0	504
Nonoperating Revenue	39,754		102	0	0	7
Adjustment: Revenue - Plan	47,613		45,684	126	9,338	377
Operating Transfers	0		0	0	0	0
Total Revenue & Transfers	2,158,795		1,176,778	37,877	107,189	122,175
Expenses						
Total Compensation	1,367,695		944,670	80,983	50,019	38,583
Total Non Compensation	660,887		277,884	(44,351)	50,323	67,252
Adjustment: Total Expenses - Plan	2,214		1,329	725	19	140
Total Expenses	2,030,795		1,223,884	37,357	100,362	105,975
Net Operating Surplus/(Deficit)	127,999		(47,105)	520	6,827	16,200
To/From Plant Funds	(130,030)		(118,030)	0	(12,000)	0
To/From Rights Endow - FFE Principal	226		(180)	0	0	150
To/From All Other Fund Balance	(19,680)		133,246	(2,000)	0	(9,925)
Changes in Fund Balance	(149,483)		15,036	(2,000)	(12,000)	(9,775)
Beginning Balance	1,065,366		690,324	35,714	204,770	134,558
Ending Balance	1,043,882		658,255	34,234	199,597	140,983



Dean's Office

Ctr for Particle Astrophysics

Seismological Lab

Astronomy

Physics

Math

Statistics

EPS

Department of Earth & Planetary Sciences
Statement of Revenues, Expenses, and Change to Net Assets

[in thousands]	Total FY 2012-13		Unrestricted		Restricted	
	Current Funds		Unrestricted	Designated	Restricted Gift Funds	Restricted Endowments and FFEs Funds
Revenues and Operating Transfers						
State Support	262,057		262,019	0	0	38
Net Tuition and Fees	572,443		538,020	34,278	125	20
Contracts & Grants	682,220		0	0	16	8
Private Gifts for Current Use	157,887		13,789	0	97,697	46,011
Investment Income	116,545		40,867	0	13	75,248
Sales and Services of Educational Activi	280,276		276,297	3,473	0	504
Nonoperating Revenue	39,754		102	0	0	7
Adjustment: Revenue - Plan	47,613		45,684	126	9,338	377
Operating Transfers	0		0	0	0	0
Total Revenue & Transfers	2,158,795		1,176,778	37,877	107,189	122,175
Expenses						
Total Compensation	1,367,695		944,670	80,983	50,019	38,583
Total Non Compensation	660,887		277,884	(44,351)	50,323	67,252
Adjustment: Total Expenses - Plan	2,214		1,329	725	19	140
Total Expenses	2,030,795		1,223,884	37,357	100,362	105,975
Net Operating Surplus/(Deficit)	127,999		(47,105)	520	6,827	16,200
To/From Plant Funds	(130,030)		(118,030)	0	(12,000)	0
To/From Rights Endow - FFE Principal	226		(180)	0	0	150
To/From All Other Fund Balance	(19,680)		133,246	(2,000)	0	(9,925)
Changes in Fund Balance	(149,483)		15,036	(2,000)	(12,000)	(9,775)
Beginning Balance	1,065,366		690,324	35,714	204,770	134,558
Ending Balance	1,043,882		658,255	34,234	199,597	140,983



For 2013-14 We're Further Expanding our Infrastructure & Asking You to Engage More Deeply...

Position Budgeting

Visibility into our entire workforce with tools to plan for future changes in your budget process

Financial Infrastructure

We're improving accounting infrastructure to provide greater transparency and clarity

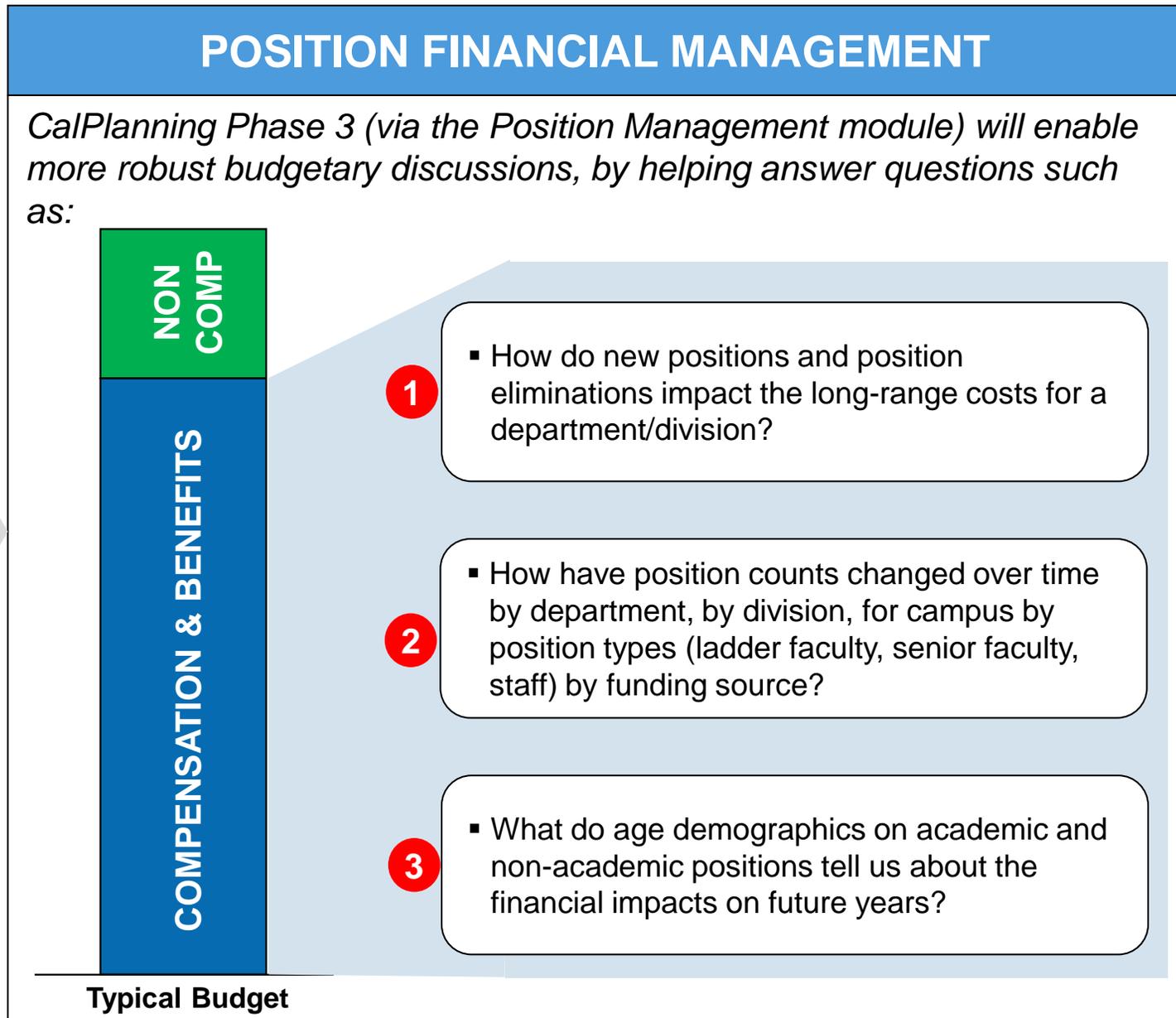
Local Budget Processes

Crucial work to build actionable financial intelligence



New Position Budgeting will Bring Valuable Insights

February, 2013:
CalPlanning Phase 3 is launched





In the Old World of the Temporary Budget, Visibility into Funding & Flows was Difficult & Inconsistent

Division/School/College			
Dean's Office	Department A	Department B	Department C
Permanent Budget	Permanent Budget	Permanent Budget	Permanent Budget
		Faculty Startup	TAS
Faculty Startup	TAS		
TAS		Salary Support	

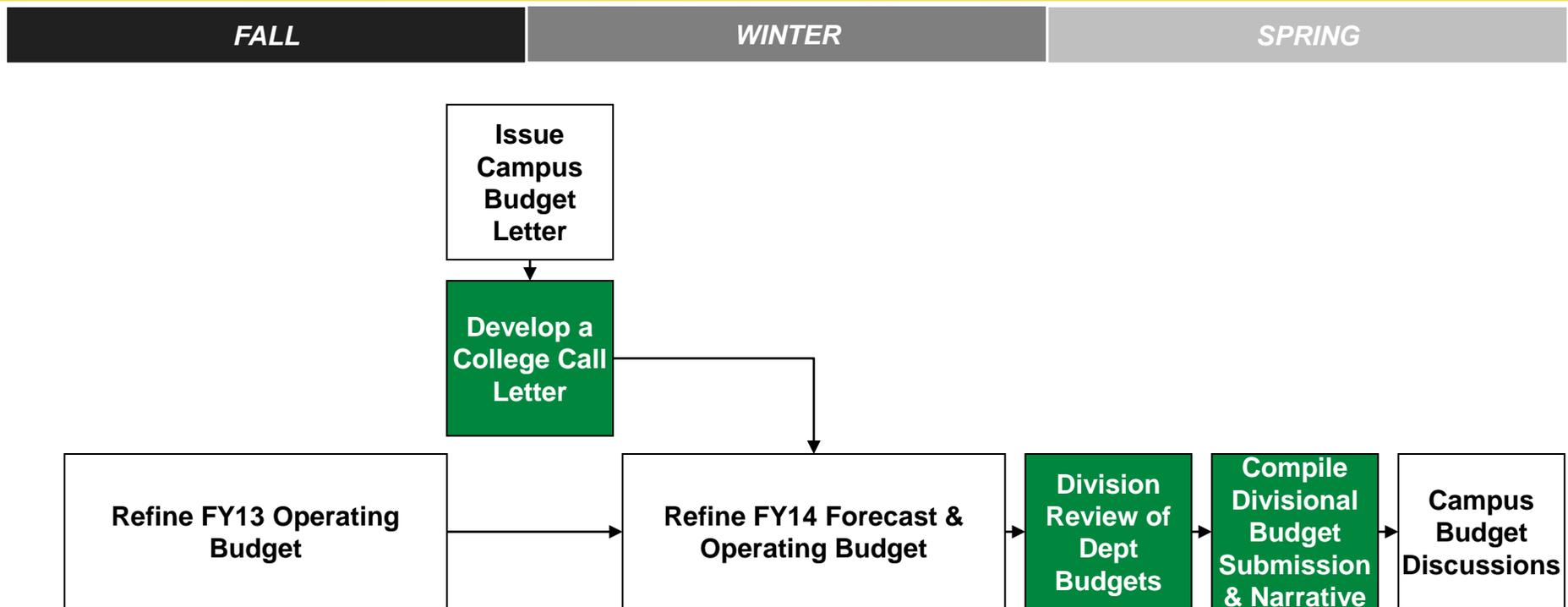


New Transfer Accounts Bring the Improved Visibility & Uniformity to all Corners of the Campus

Division/School/College			
Dean's Office	Department A	Department B	Department C
General Allocation  	General Allocation	General Allocation	General Allocation
Salary Support  	Salary Support	Salary Support	Salary Support
Faculty Startup  	Faculty Startup	Faculty Startup	Faculty Startup
TAS  	TAS	TAS	TAS



Today, Divisions are Focused on Implementing All-Funds Budgeting at the Department Level



FY14 MAJOR GOALS:

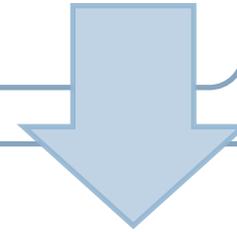
- There is significant work to be done this year rolling out the new tool and employee budgeting
- Our biggest goal is to create a solid all-funds operating budget at the department level that rolls up to the Division, and then to the Campus, using a consistent format!
- Starting the conversation within your organization will provide tremendous value.



What are the Benefits?

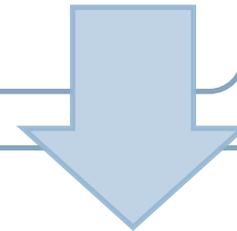
1.

Improved Understanding
of Your FY13 Financial
Position



2.

Enables a Strategic
Budget Plan and Process



3.

Allows for In-Year
Monitoring and
Management



We're in this Together!

We know this is a heavy lift for Divisions and Departments. Campus is committed to helping your unit manage and thrive in this transition to the new financial environment.

- The Financial Planning & Analysis Outreach Project has been a fantastic success from our perspective.
 - *We've learned as much as we've taught!*
- Campus will build upon this effort and continue Outreach to be a helping hand and a bridge to our new financial world in the coming year.