AFLG Meeting
Financial Strength

John Wilton
Vice Chancellor for Administration and Finance
November 13th, 2014
Agenda

VCAF Goals, Financial Strategy & Outlook – John Wilton

OE Update & Revenue Generation – Andrew Szeri & Bill Reichle

CFO’s Strategies for Financial Strength – Rosemarie Rae

Service Spotlight – University Health Services
1. Financial Strength
2. Administrative Excellence
3. Infrastructure & Campus Environment
1. Financial Strength

- Provide financial resources to enable strategic objectives
- Align resources to strategies
- Leverage data for strategic decision-making
- Develop new revenue sources
- Generate savings through operational efficiencies and cost containment
Goal: Provide financial resources to enable Berkeley’s strategic objectives

1. Undergraduate Education
2. Berkeley Global Campus at Richmond Bay
3. Innovation in Research Across Disciplines
4. Student Information Systems
2. Administrative Excellence

- High performance, service-oriented culture

- Improve service by standardizing & simplifying processes

- Greater efficiency and campus partner satisfaction
3. Infrastructure & Environment

- Provide campus with facilities, technology, infrastructure, safety & support it needs to be a leading university in the 21st century
Funding sources for Berkeley have changed dramatically due to the cuts in state appropriations – down 54% in real terms.

Berkeley now earns 87% of its revenue from people and institutions that can choose to go elsewhere. **We have to stay competitive.**

![Graph showing changes in funding sources from 2002-03 to 2012-13](image)
Despite disinvestment by the state, Berkeley has continued to grow and excel.

REVENUES SUPPORTING CORE ACTIVITIES
2003-14F – in $ Million

- 2003: $1,414 million
- 2004: $1,531 million
- 2005: $1,513 million
- 2006: $1,597 million
- 2007: $1,706 million
- 2008: $1,843 million
- 2009: $1,868 million
- 2010: $2,042 million
- 2011: $2,259 million
- 2012: $2,214 million
- 2013: $2,284 million
- 2014F: $2,410 million

Growth rate: +4.7%
## How Do We Rank? What Do We Cost?

<table>
<thead>
<tr>
<th>University</th>
<th>Ranking</th>
<th>Undergraduate Tuition and Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvard</td>
<td>1</td>
<td>$43,938</td>
</tr>
<tr>
<td>Stanford</td>
<td>2</td>
<td>$44,725</td>
</tr>
<tr>
<td>MIT</td>
<td>3</td>
<td>$45,016</td>
</tr>
<tr>
<td>Berkeley</td>
<td>4</td>
<td>$12,972</td>
</tr>
<tr>
<td>Cambridge</td>
<td>5</td>
<td>$11,218</td>
</tr>
</tbody>
</table>

*Shanghai Jiao Tong 2014 University Rankings  **2014–15
Given 71% of our key revenue streams are “constrained,” the negative trend should not be surprising.

Operating Revenues from core activities
Actuals - 2012-13

- Student Tuition & Fees, net: 28%
- Federal Grants & Contracts, net: 16%
- Federal Pell Grants: 2%
- State educational appropriations: 12%
- Educational Activities, Auxiliary & Other: 16%
- Philanthropy & Investments: 13%
- Other Grants & Contracts, net: 13%
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Source: UC Berkeley Budget Office analysis.
Comparison of In-State Tuition and Fees and 5% Annual Increase

- Actual change in in-state tuition
- What a gradual 5% increase would have looked like

Graph showing the comparison between in-state tuition and fees with a 5% annual increase and the actual change in tuition costs from 1994-95 to 2014-15.
Where We Are Going?
How Will We Get There?
In the near term, our financial outlook reduces our ability to finance strategic initiatives – significant trade-offs are necessary.
Berkeley’s Financial Strategy

- Control Expenses
- Improve Resource Allocation
- Rationalize Incentives
- Grow Revenues

Priorities

Access

Excellence

Political

Realities

Economic
Let’s focus on one segment of operating revenue that we can influence

![Pie chart showing operating revenues from core activities](chart.png)

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- Federal Grants & Contracts, net: 16%
- Student Tuition & Fees, net: 28%

Source: UC Berkeley Budget Office analysis.
Financial sustainability requires a focus on efficiency and revenue growth

- Savings opportunity
- OE: Business and Efficiency Improvements
- Revenue opportunity
- Berkeley Global Campus at Richmond Bay
- Revenue opportunity
- Philanthropy
- Revenue opportunity
- Revenue opportunity
- Online Strategy
- Intellectual Property & Tech Transfer
- Unit-level entrepreneurship
CMS Activation and Partnerships

Executive Education
Goldman School of Public Policy
Haas Innovation Lab
Engineering Lab
Visitor Center
Campus Store
Rec Sports
Hall of Fame
Celebrating Excellence:
Nobel Laureates
Cal Performances Talks & Events
Visitor Center View Deck
The Studium
Food Court
Goldman Plaza
University Club
Special Events
Let’s look at another segment of operating revenue that we can influence.

Operating Revenues from core activities
*Actuals - 2012-13*

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- Federal Grants & Contracts, net: 16%
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- State educational appropriations: 12%
- Source: UC Berkeley Budget Office analysis.
Berkeley accounts for nearly a third of total UC endowment ¹

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### Endowment Market Value

*Actuals - 2012-13 – in $ Million*

- Berkeley: 3,331
- Los Angeles: 2,810
- San Francisco: 1,718
- All Others²: 3,368

### Campuses’ share³ of overall endowment

*Actuals - 2012-13 – in %*

- Berkeley: 29.7%
- Los Angeles: 25.0%
- San Francisco: 15.3%
- Davis: 7.0%
- San Diego: 5.7%
- Irvine: 2.9%
- Santa Barbara: 2.0%
- Riverside: 1.3%
- Santa Cruz: 1.1%
- Merced: 0.3%

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1) Includes General Endowment Pool (GEP) as well as Foundation endowment
2) Includes ~$1.1 billion held under Systemwide Programs and Administration
3) Totals do not add to 100% because ~10% of total endowment (~$1.1 billion) is held under Systemwide Programs and Administration and could not be allocated to a specific campus

Source: UCOP ANNUAL ENDOWMENT REPORT – 2013; UC Berkeley Budget Office analysis
Berkeley’s endowment, in absolute numbers, is lower than many of our public & private peers

Endowment Market Value
Actuas - 2012-13 – in $ Million

<table>
<thead>
<tr>
<th>University</th>
<th>Endowment</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvard</td>
<td>32,689</td>
<td>11,649</td>
</tr>
<tr>
<td>Yale</td>
<td>20,709</td>
<td>9,694</td>
</tr>
<tr>
<td>Texas System</td>
<td>20,448</td>
<td>3,331</td>
</tr>
<tr>
<td>Stanford</td>
<td>18,689</td>
<td>11,006</td>
</tr>
<tr>
<td>Princeton</td>
<td>17,816</td>
<td>11,227</td>
</tr>
<tr>
<td>UC System</td>
<td>11,066</td>
<td>8,382</td>
</tr>
<tr>
<td>MIT</td>
<td>8,191</td>
<td>8,191</td>
</tr>
<tr>
<td>Michigan</td>
<td>8,382</td>
<td>8,382</td>
</tr>
<tr>
<td>Columbia</td>
<td>3,690</td>
<td>3,331</td>
</tr>
<tr>
<td>UC Berkeley</td>
<td>3,331</td>
<td>3,331</td>
</tr>
<tr>
<td>UCLA</td>
<td>2,810</td>
<td>2,810</td>
</tr>
<tr>
<td>North Carolina at Chapel Hill</td>
<td>2,381</td>
<td>2,381</td>
</tr>
<tr>
<td>UCSF</td>
<td>1,718</td>
<td>1,718</td>
</tr>
</tbody>
</table>

Sources: Various university Endowment Reports; NACUBO; UC Regents and Foundation Annual report; UC Berkeley Budget Office analysis
We have to push on all revenue sources, even if some segments are “exogenous.”

Source: UC Berkeley Budget Office analysis.
Stanford study: Correlation between financial resources and academic rankings – 1980s

Correlation = 0.60

1982 Faculty Academic Reputation Rank:
Method 2 Number of Strong Disciplines

1984 Financial Resources Rank
Stanford study: Correlation between financial resources and academic rankings – 2007

Correlation = 0.74

2006 Faculty Academic Reputation Rank:
Method 2 Number of Strong Disciplines

2007 Financial Resources Rank

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Thanks for joining us! Next AFLG Meeting – Weds, Feb. 11  1:30-3:30 p.m.  

Topic: Administrative Excellence