

# AFLG Meeting

John Wilton  
Vice Chancellor

University of California, Berkeley  
October 23, 2012

# AGENDA

## AFLG Meeting - October 23, 2012

### ➤ VCAF Update

- Welcome new members and shout-out
- AFLG Future Agendas
- Important Searches
- CalTime
- HR Reform
- Shared Services
- The Financial Outlook

### ➤ Metrics Demystified – Louise Davidson

### ➤ Berkeley's Budgetary Evolution – Laurent Heller

# Welcome new members!



# Shout out!

Moving is  
never easy  
but you  
have done  
it!



# Updates

- Chancellor Search Update
- CIO Search Update
- CalTime
- HR Reform
- Shared Services Implementation

# The Financial Outlook



Where are we headed?

We have real challenges.



But we have a short term and medium term plan

**Near term**, we can bridge the gap:  
**No cascaded cuts** to departments  
and systemic **budget reform**.

Laurent will discuss the short  
term approach later in the program...

**Looking further** to the future requires thinking of  
the way we fund the university as a whole.





Over the medium term:

Our plan requires work  
across many fronts:

Federal  
State  
System-wide

Locally, at Berkeley,  
we will:

Provide **efficiency**



**Grow** net new revenue



# Our Growth Priorities

savings opportunity:  
**\$40-75M+**  
revenue opportunity:  
**2-4 x Investment**

**Unit-level  
entrepreneurialism**

revenue opportunity:  
**\$20-50M**

**Research**

revenue opportunity:  
**\$50-100M**

**Philanthropy**

revenue  
opportunity:?

**Online  
Strategy**

revenue  
opportunity:?

**Richmond  
Bay  
Campus**



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# **“ Metrics Demystified”**

## **Best Practice Strategic Planning**

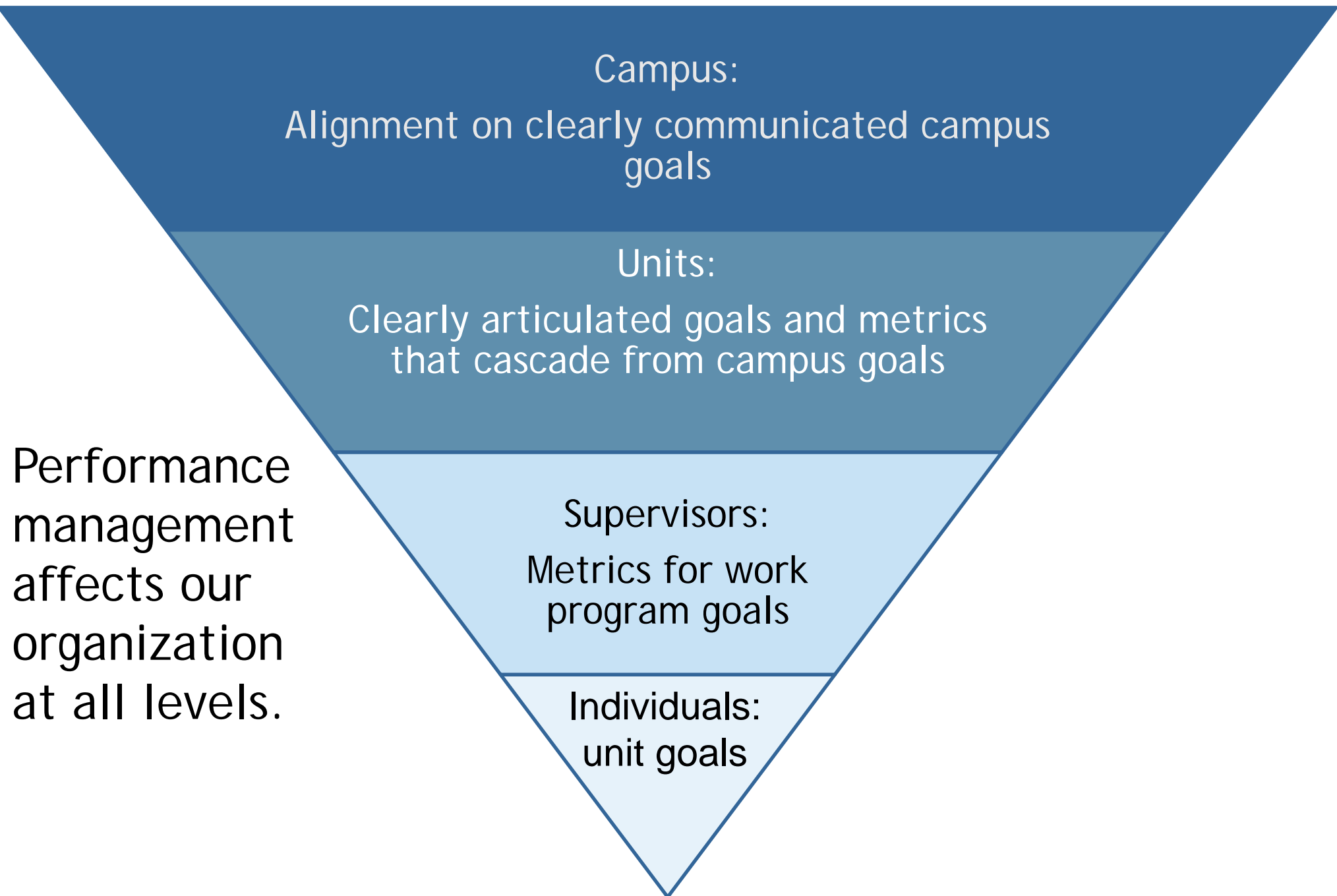
**October, 2012**

*Louise Davidson, Metrics Coordinator*

## Question:

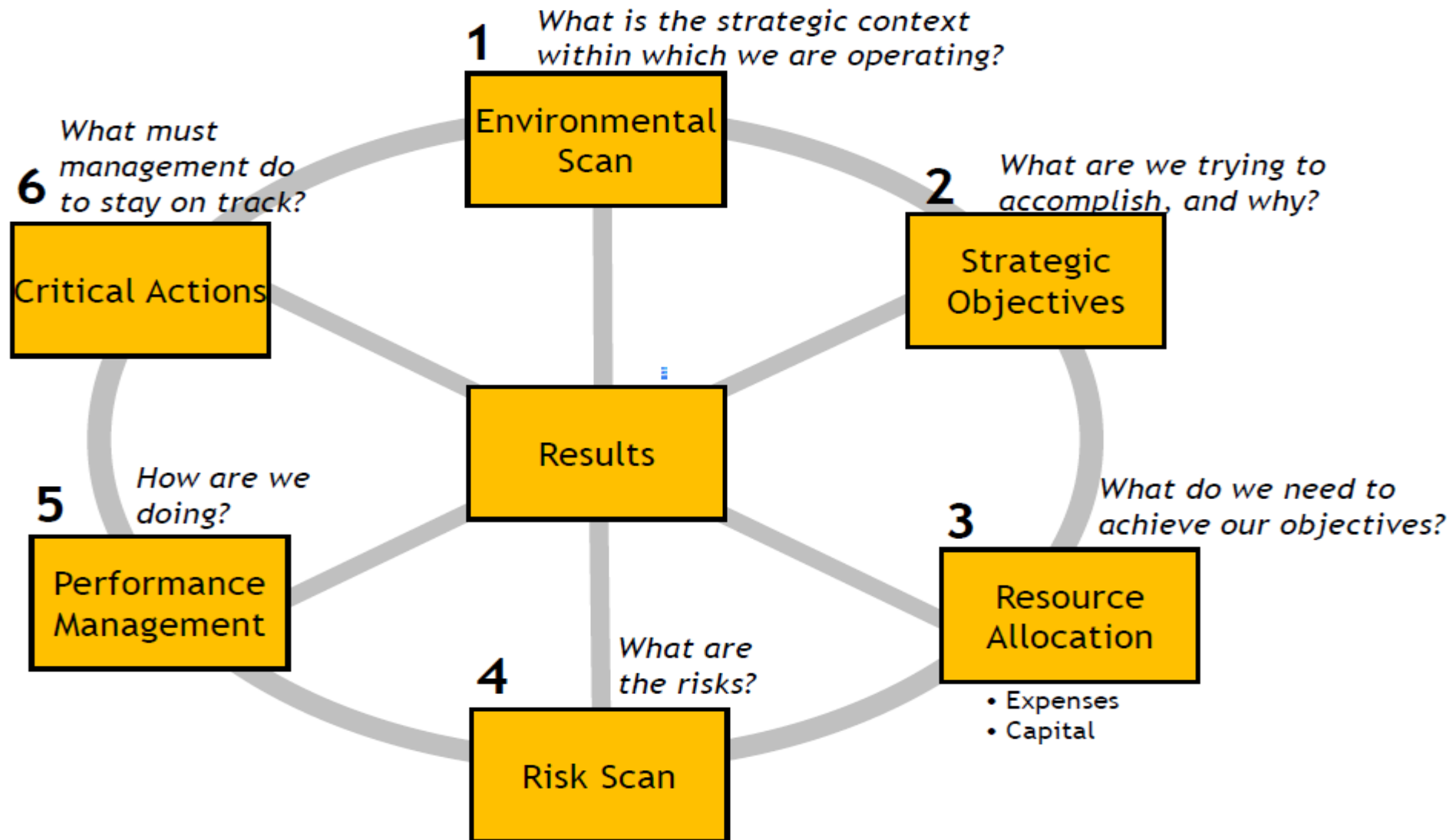
- ***What's your understanding of Performance Management?***

# A clear “line of sight” towards our mission



# Strategic Performance Management Process

End-to-End Process





# Strategic Direction

*“Are We Focusing On the Right Things?”*

Business Line	Strategic Objectives	High-Level Indicators			
Strategic Management	Enhanced Bank-wide Strategy Formulation, Articulation, and Understanding		Prior 12	Last 12	Goal
		<ul style="list-style-type: none"><li>Satisfaction with Strategic Forum/Dialogue (1-10)</li></ul>	7	7	9
		<ul style="list-style-type: none"><li>Assessment of MTSF (1-10)</li></ul>	7	8	9
Finance Management	Dynamic, adaptable and sustainable financial strategies	<ul style="list-style-type: none"><li>Assessment of Financial Sustainability (1-10)</li></ul>	?	?	10
		<ul style="list-style-type: none"><li>Assessment of Pricing and Income Allocation (1-10)</li></ul>	?	?	9
Risk Management	Proactive Management of Bank-wide Risks	<ul style="list-style-type: none"><li>Risks Understood by Key Stakeholders (1-10)</li></ul>	4	4	9
		<ul style="list-style-type: none"><li>Senior Management’s Satisfaction with Loan Loss Provisioning (1-10)</li></ul>	8	8	10
Resource & Performance Management	Meaningful Budget Reforms Leading to Improved Cost-Effectiveness and Cost-Efficiency	<ul style="list-style-type: none"><li>Budgeting Cost as % of BB (%)</li></ul>	3.2	3.3	2.0
		<ul style="list-style-type: none"><li>Board Satisfaction with Budget Reform (1-10)</li></ul>	?	?	9

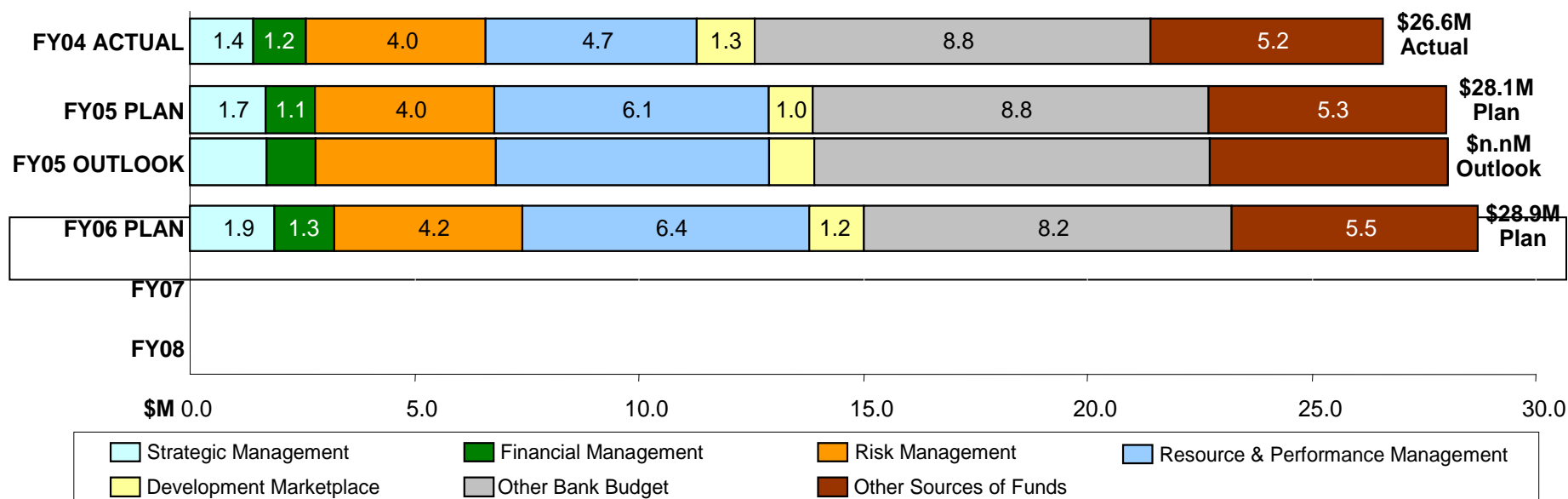
# Strategic Choices

*Are We Deploying Resources Effectively to Meet Our Objectives?"*

## Shifts and Tradeoffs

<u>Business Line</u>	Decrease	Increase	<u>Comment</u>
	-1	+1	
Resource & Performance Management		0.5	Increased Focus on Macro-level RPM Costs
Resource & Performance Management	0.5		Reduced Focus on Micro-level RPM Costs

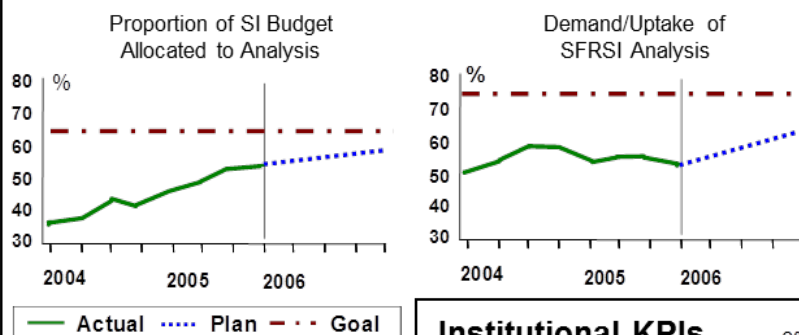
## Resource Allocation (All sources of funds)



# Performance Management

## *"How Well Are We Performing?"*

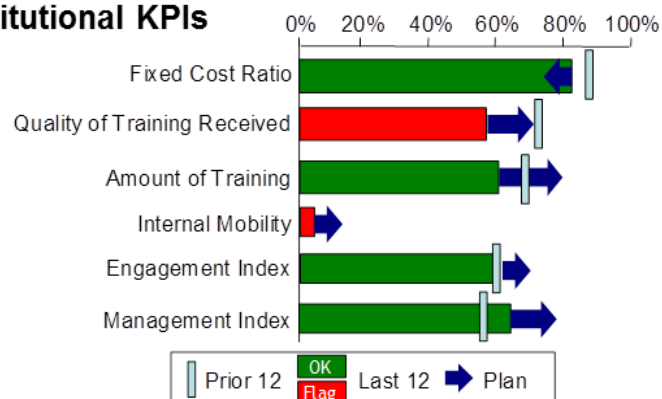
### Strategic Management



### Finance Management

	Prior 12	Last 12	Plan	Outlook
Bank's Rating by Rating Agencies	AAA	AAA	AAA	AAA
Assessment of Bank's Financial Sustainability (1-10)	8	9	9	10
IBRD Stress Test Assessment (1-100)	0	100	100	100
Increase in Usability of National Currency Paid In Capital	101	700	1500	1900

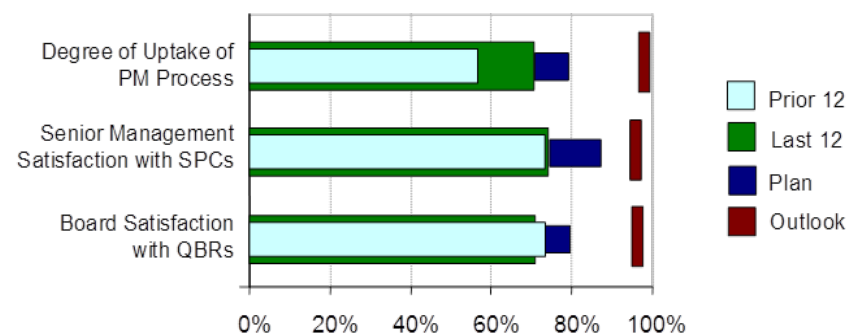
### Institutional KPIs



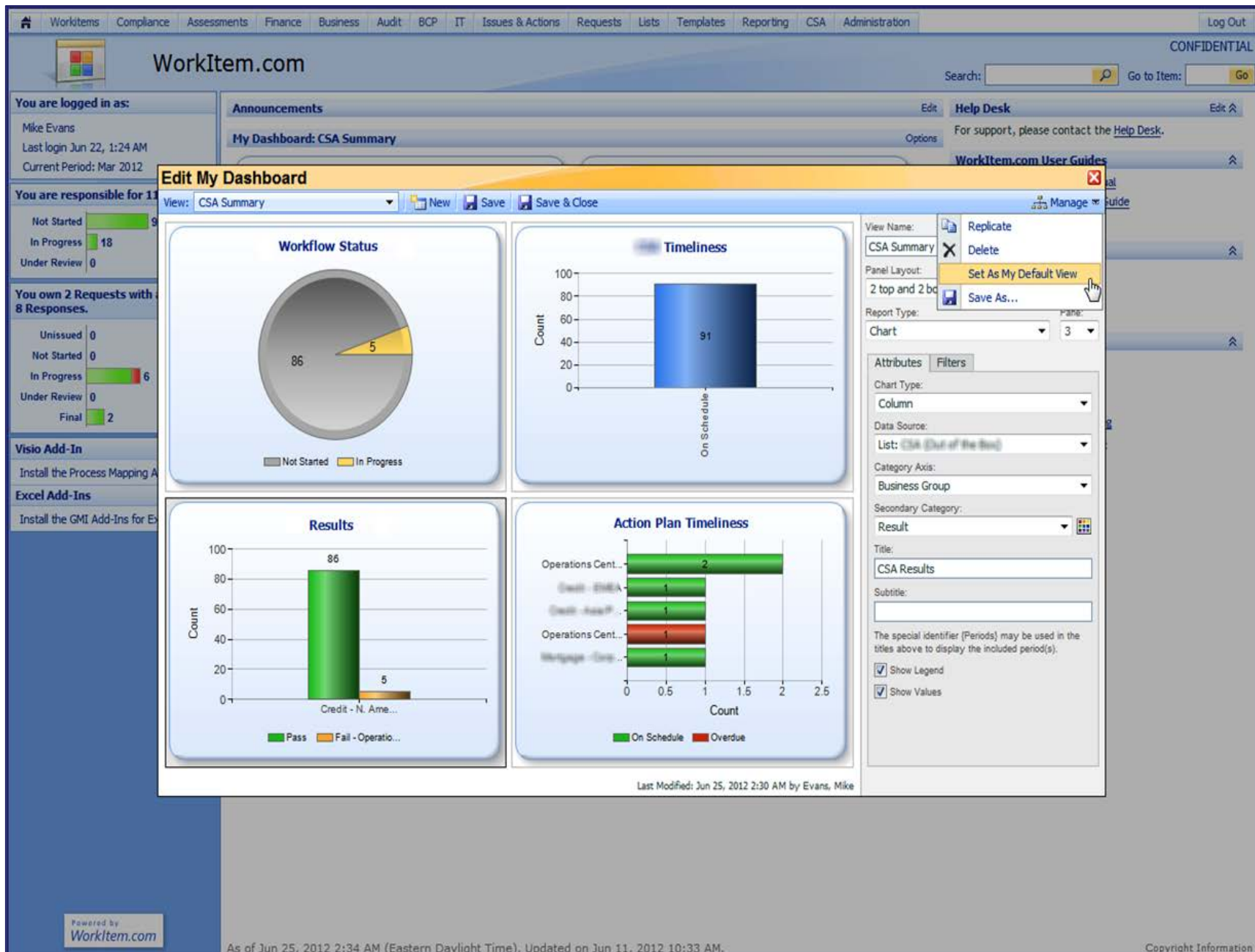
### Risk Management

	Prior 12	Last 12	Plan	Outlook
<b>Institutional Risk</b>				
Risk Scan Fill Ratio (%)	83.3	92.3		
<b>Country Credit Risk</b>				
IBRD Portfolio Rating Comprehensiveness (%)	82	100		
<b>Counterparty Credit Risk</b>				
Financial Loss from Counterparty Credit Default (\$M)	0	0		
<b>Market Risk</b>				
Duration Difference Between IBRD Equity and Loans (# Mths)	0.34	0.25	<0.5	<0.5
<b>Institutional Insurance</b>				
\$ Cost of IBRD Institutional Insurance Premiums (\$M)	3.62	3.73	3.4/4.1	3.5/4.5

### Resource & Performance Management

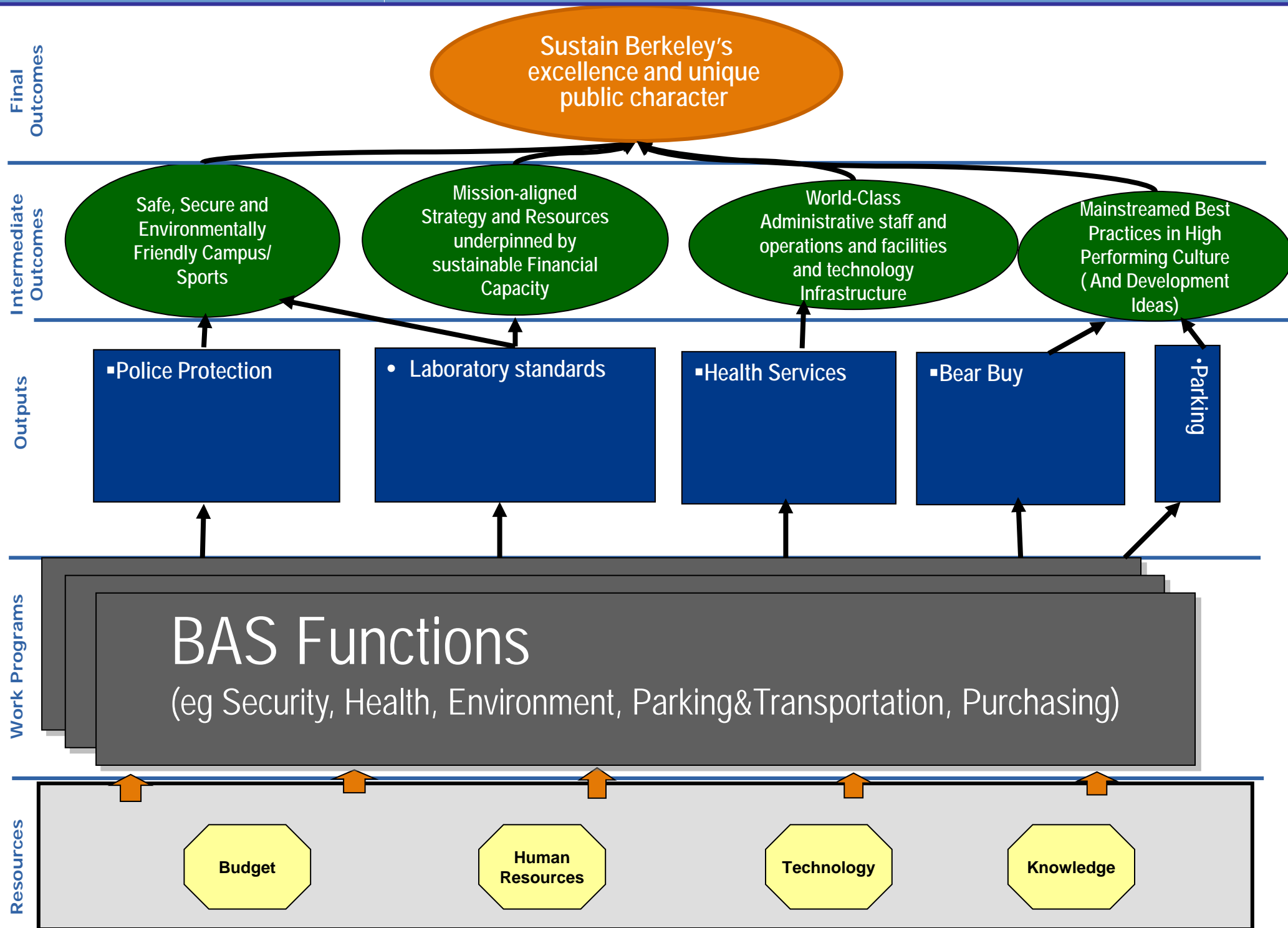


# Insight into Results



# Enabling Tools





# Process Maps

FIGURE 18

## Use of Process Map: LEG Example

Business Line: Legal Advisory Services and Support (to Regions, Network Anchors & Corporate)

Activities	Knowledge, Research & Outreach	Operations & Projects	Other Advisory Services
			Anchors
			Regions
			Corporate
Activity Outcomes	Relevant, Strategically Important Legal Knowledge Research & Outreach Programs	Clear, Substantive, Proactive and Professional Input in Key Legal Areas	Timely, Value-Added Legal Support
Key Indicators	<ul style="list-style-type: none"> <li>Client Satisfaction for Knowledge, Research and Outreach</li> <li>Self Assessment of Knowledge, Research &amp; Outreach Services</li> <li># of Website Hits</li> </ul>	<ul style="list-style-type: none"> <li>Client Satisfaction for Legal Advisory Services in Operations &amp; Projects</li> <li>Time Charged for Legal Advisory Services in Operations &amp; Projects</li> <li># of Requests for Legal Advisory Services in Operations &amp; Projects</li> </ul>	<ul style="list-style-type: none"> <li>Client Satisfaction for Other Advisory Services</li> <li>Time Charged for Other Advisory Services</li> <li># of Requests for Other Advisory Services</li> </ul>

# The Project

## The Scope:

1. Campus-wide level
2. Unit level
3. Insight into Results

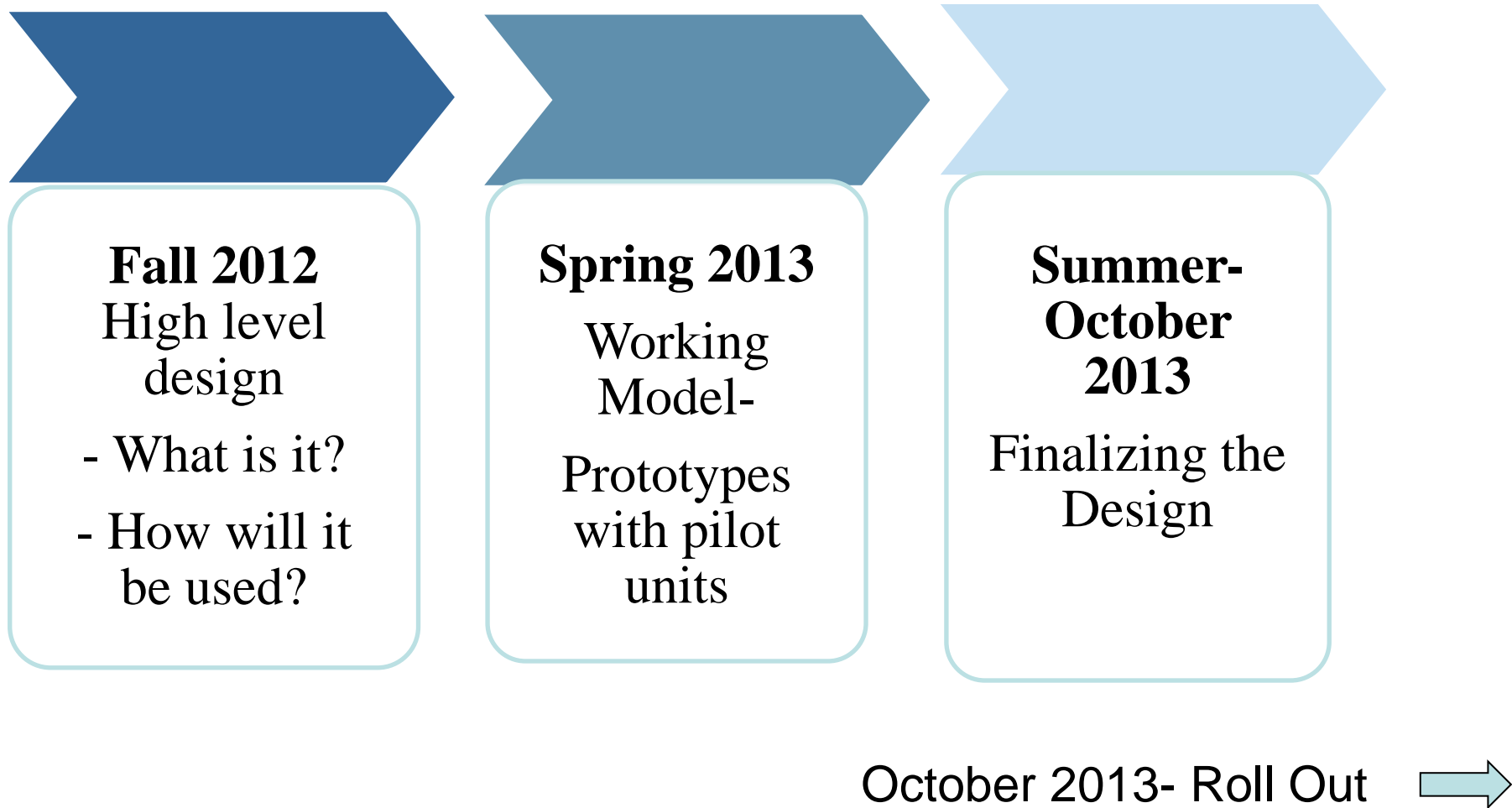
## The Approach:

- ✓ Useful
- ✓ Automated
- ✓ Willing/Voluntary/Pilots
- ✓ Engagement of a cross-section of unit types
- ✓ Nimble
- ✓ Integrated

*A framework that enables the roll up of metrics and provides leaders with useful information to make better decisions and communicate achievements*

# The Timing

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# University of California, Berkeley



## **Excellence in Uncertain Times: *Berkeley's Budgetary Evolution***

Laurent Heller  
Executive Director, Budget  
October 23, 2012



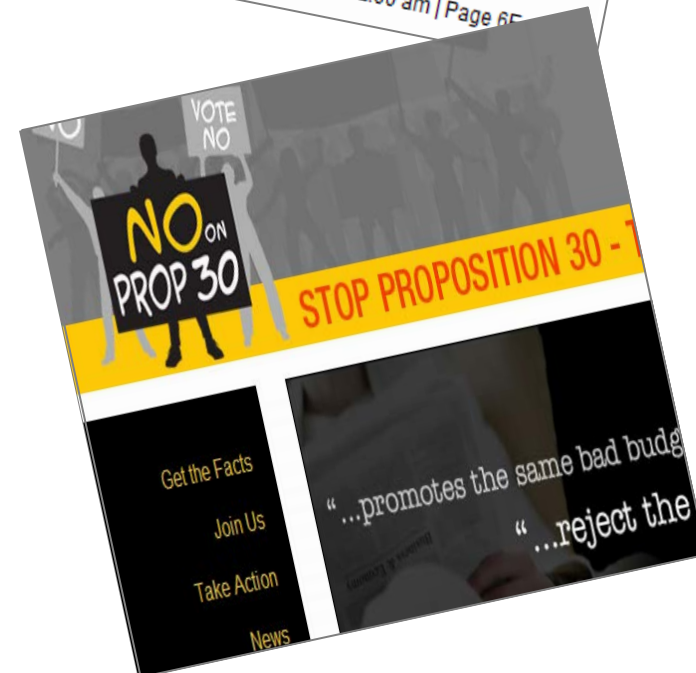


# Agenda

1. State Budget Outlook
2. Weathering the Storm
3. A New Paradigm – Berkeley's 2012-13 Operating Budget
4. Next Steps – What You Can Do Now



# The State Budget Situation Remains Uncertain...



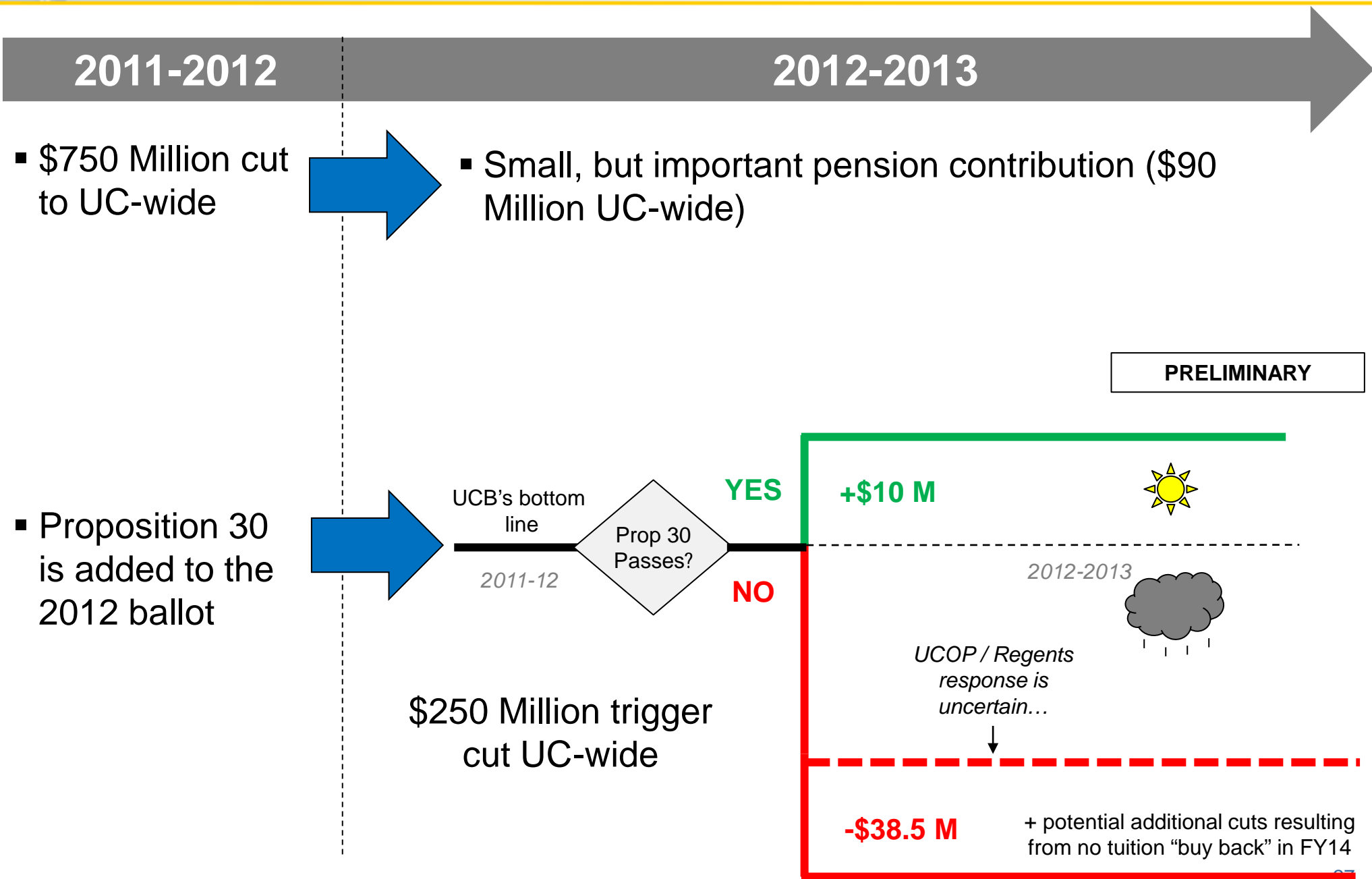


# But Berkeley is Well Positioned to Weather the Storm...

1. Berkeley has been doing the right things to maximize our financial position...
  1. Operational Excellence
  2. Growing Revenues
  3. Investing in new financial systems & processes
2. Berkeley will invest from our reserves (projected at \$20 million) to buy time to bridge to a sustainable financial model.
3. The new view of Berkeley's finances allowed us to avoid budget cuts in 2012-13.



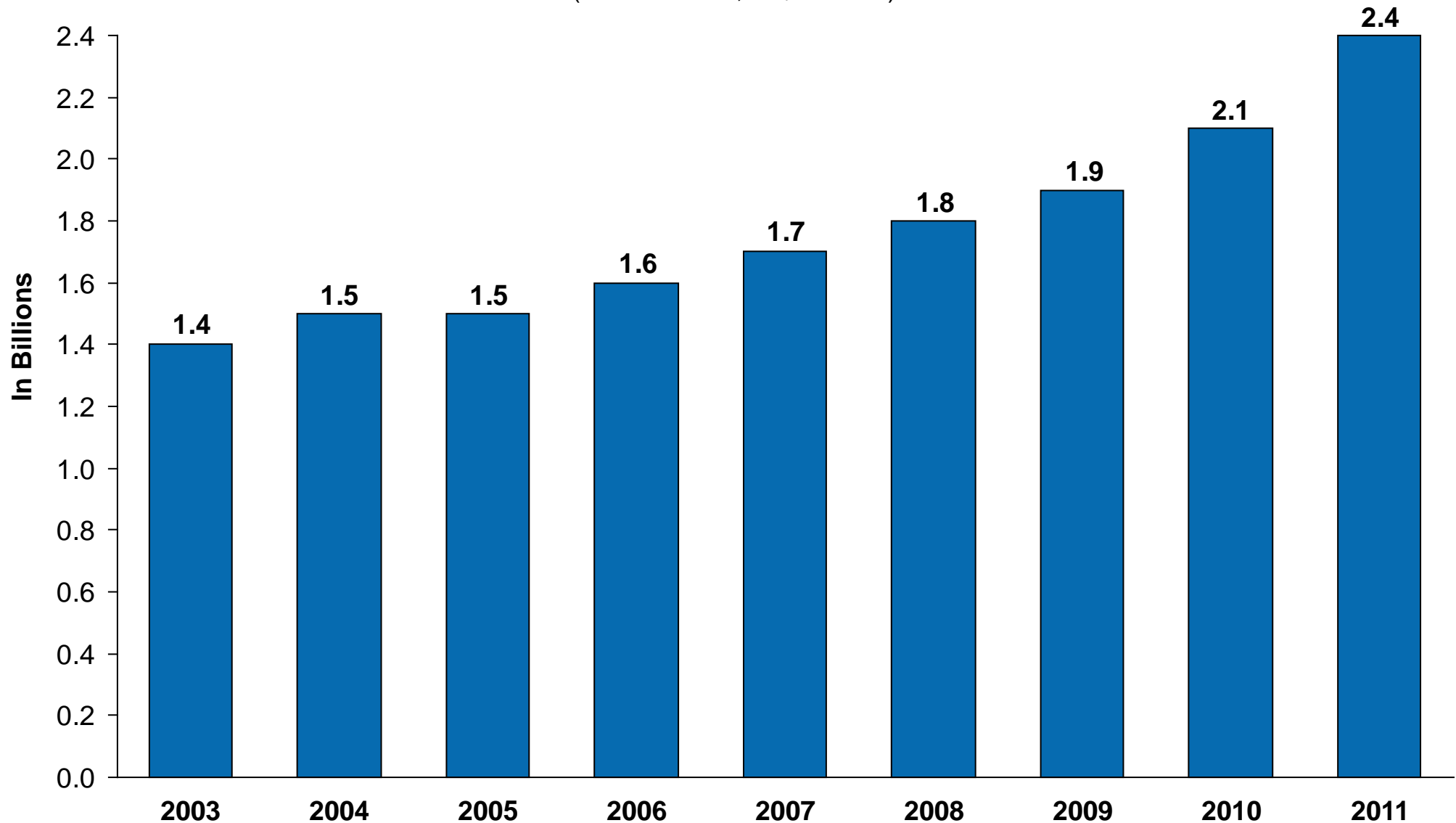
# Recent turmoil and the vote on Prop 30 in November will impact UCB's use of reserves...





# Despite the bad news, revenues have grown steadily over the past decade...

**UC Berkeley – Operating Revenues**  
(2003 to 2011, in \$ Billions)

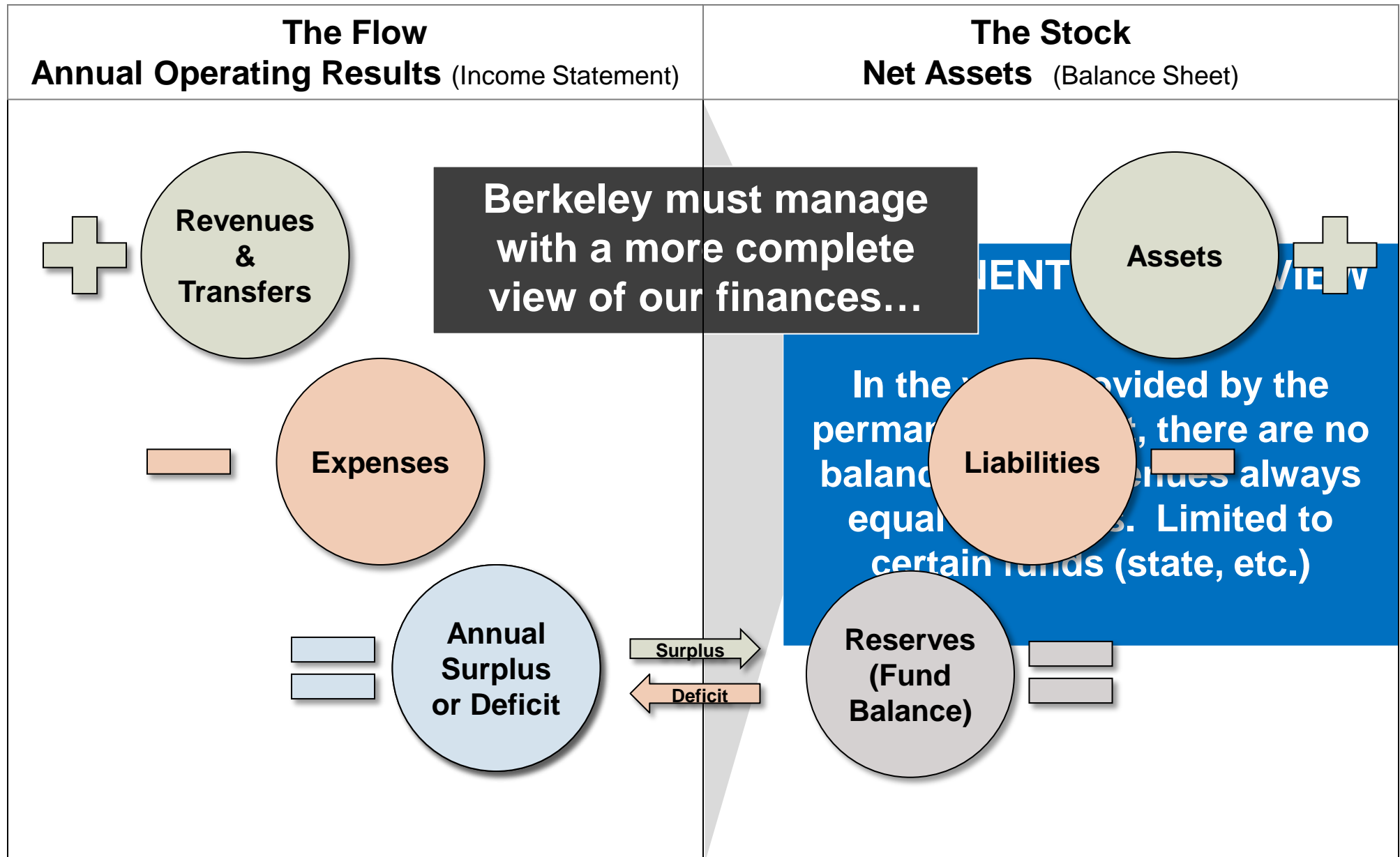






# Does Our Budget Recognize Growth?

## Expanding the Limited view of the Permanent Budget...





# The 2012-13 UC Berkeley Budget Plan

## 2012-13 UC Berkeley budget plan

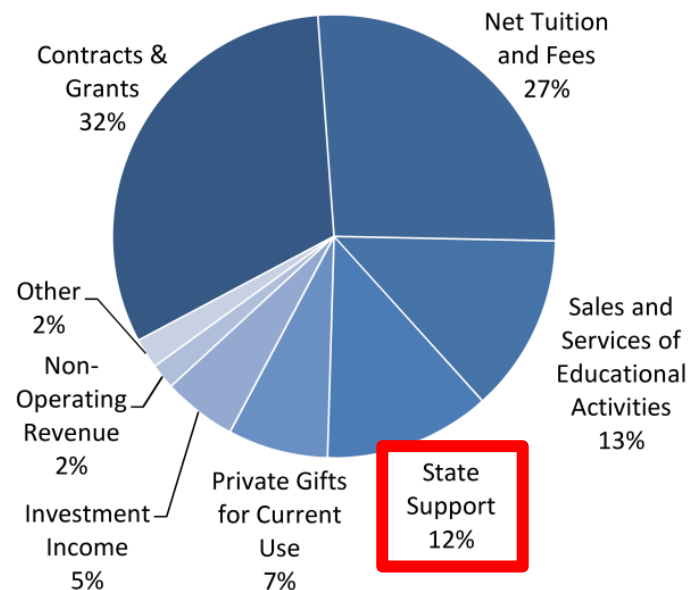


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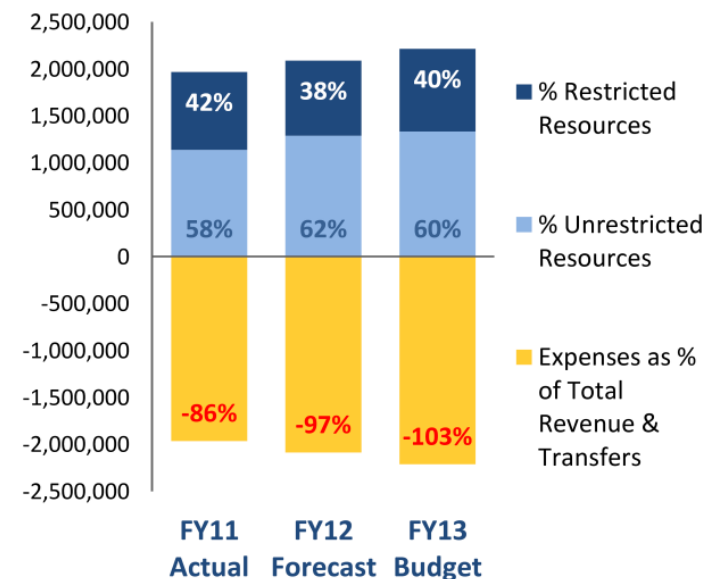
### CURRENT FUNDS IN THOUSANDS OF DOLLARS

	2010-11 Actual	2011-12 Forecast	2012-13 Operating Budget
Revenues	2,284,054	2,146,506	2,158,795
Operating Transfers	-	-	-
<b>Total Revenues &amp; Transfers</b>	<b>2,284,054</b>	<b>2,146,506</b>	<b>2,158,795</b>
Compensation	1,223,132	1,311,281	1,367,695
Non Compensation	640,014	587,297	663,100
<b>Total Expenses</b>	<b>1,863,146</b>	<b>1,898,578</b>	<b>2,030,795</b>
<b>Net Operating Surplus/(Deficit)</b>	<b>420,907</b>	<b>247,928</b>	<b>127,999</b>
Changes in Fund Balance	-75,590	-163,473	-149,483
Beginning Balance	635,593	980,911	1,065,366
Ending Balance	980,911	1,065,366	1,043,882

### 2012-13 Budgeted Revenues: \$2.16 Billion



### Resource Trends IN THOUSANDS OF DOLLARS





# The New View of Berkeley's Financial Position:

## Statement of Revenue, Expenses, & Change in Net Assets

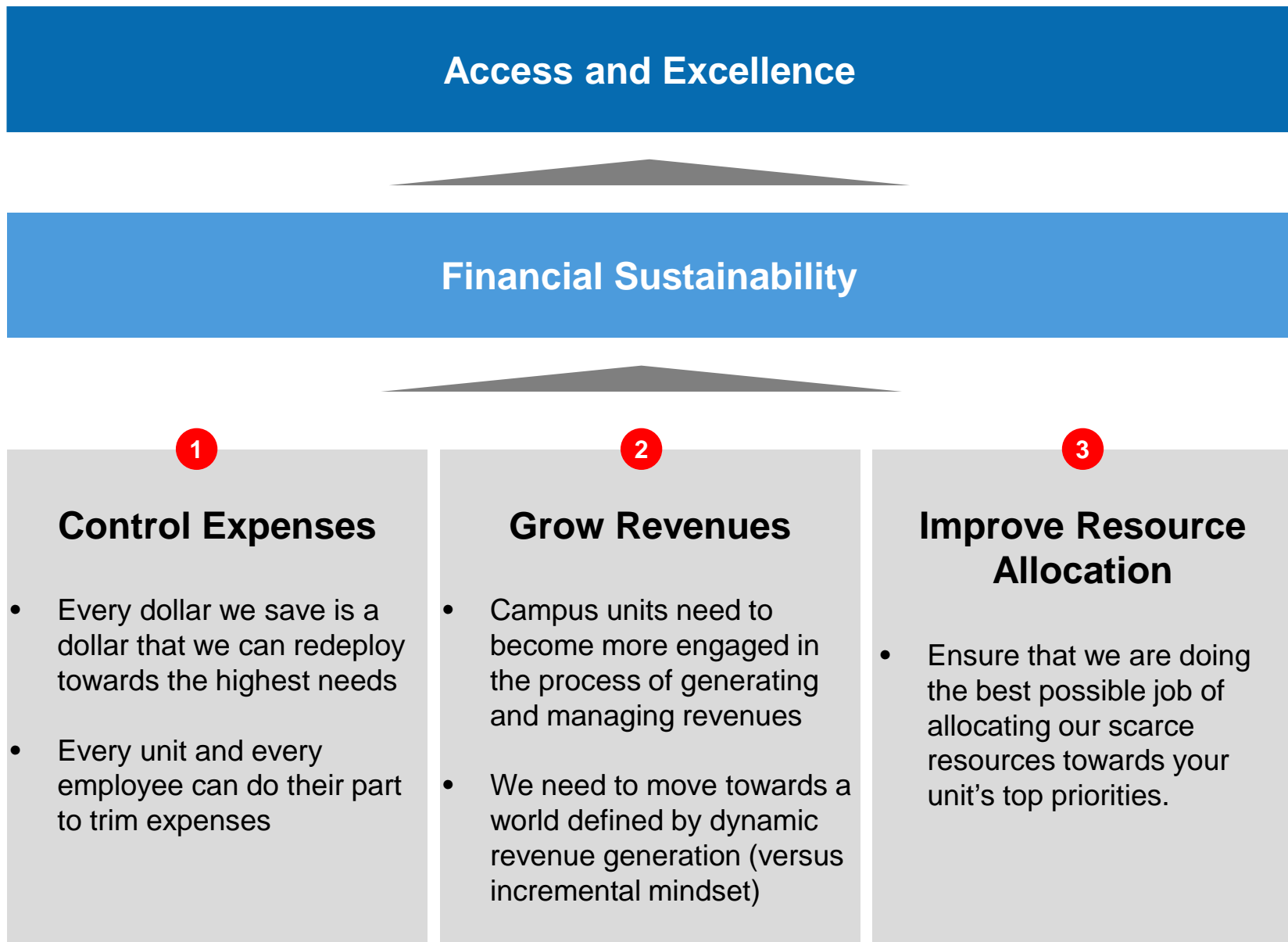
### (**SRECNA**)

	Total FY 2012-13	Unrestricted		Restricted		
				Restricted Endowments and		
[in thousands]	Current Funds	Unrestricted	Designated	Restricted Gift Funds	FFEs Funds	Contracts and Grants
<b>Revenues and Operating Transfers</b>						
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	97,697	46,011	389
Investment Income	116,545	40,867	0	13	75,248	417
Sales and Services of Educational Activities	280,276	276,297	3,473	0	504	2
Nonoperating Revenue	39,754	102	0	0	7	39,645
Adjustment: Revenue - Plan	47,613	45,684	126	9,338	377	(7,911)
Operating Transfers	0	0	0	0	0	0
<b>Total Revenue &amp; Transfers</b>	<b>2,158,795</b>	<b>1,176,778</b>	<b>37,877</b>	<b>107,189</b>	<b>122,175</b>	<b>714,776</b>
<b>Expenses</b>						
Total Compensation	1,367,695	944,670	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
<b>Total Expenses</b>	<b>2,030,795</b>	<b>1,223,884</b>	<b>37,357</b>	<b>100,362</b>	<b>105,975</b>	<b>563,218</b>
<b>Net Operating Surplus/(Deficit)</b>	<b>127,999</b>	<b>(47,105)</b>	<b>520</b>	<b>6,827</b>	<b>16,200</b>	<b>151,557</b>
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)
<b>Changes in Fund Balance</b>	<b>(149,483)</b>	<b>15,036</b>	<b>(2,000)</b>	<b>(12,000)</b>	<b>(9,775)</b>	<b>(140,745)</b>
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

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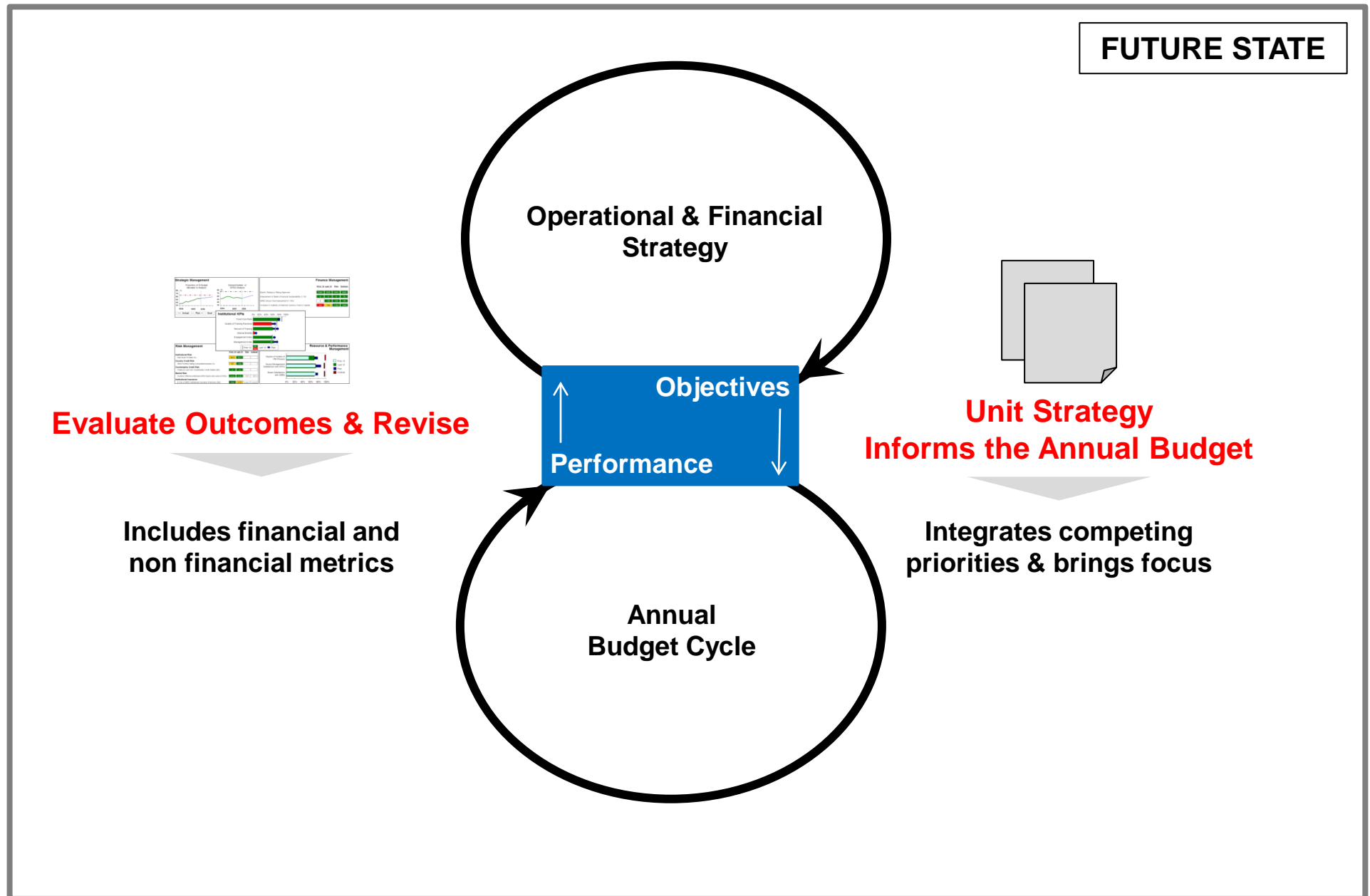


# A three-pronged financial strategy is required to support our mission and objectives





# A robust budget process that is informed by long-range operational and financial plans





## What Can You Do Now?

1. We need to learn to walk before we can run...
2. Your units are currently working on verifying position rosters for the HCM position rollout. Due November 2<sup>nd</sup>.
3. Participate in the build out of your unit's detail level budget in Cal Planning, between now and early December.
4. Make sure this work accurately reflects your budget plan for your unit.
5. Quarterly budget reviews for VCAF will be scheduled soon. Targeting early December.
6. Start thinking now about the new world view of finances. What does this mean for your unit? How could you better use balances to deliver on your mission?



Thanks! Go Bears...