

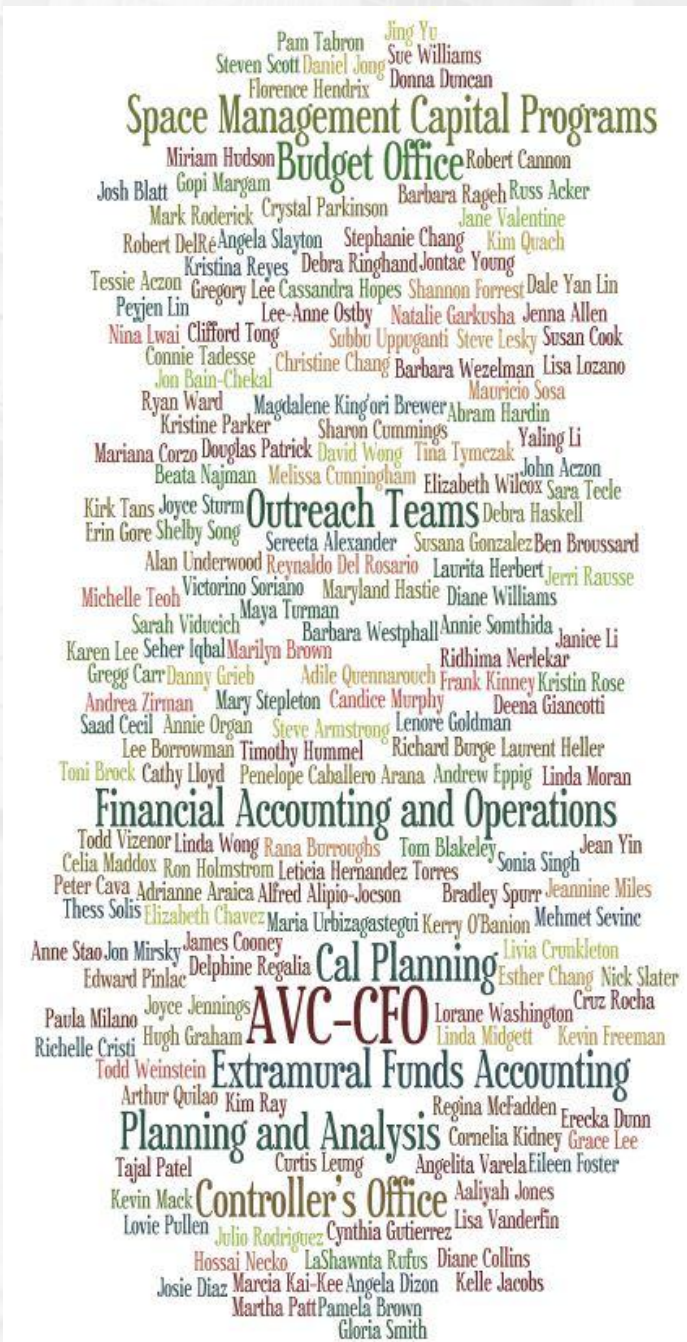
AVC-CFO Staff Meeting

Erin Gore

Associate Vice Chancellor – Chief Financial Officer

University of California, Berkeley
September 21, 2012

Welcome and Thank You



“Coming together is a beginning,
Keeping together is progress,
Working together is success”

Henry Ford

Our Goals for Today

To come together, begin recognize our accomplishments and think about ways our offices support one another

To share our campus financial strategies

To share campus climate and culture activities that we how will help us assess and improve our community

To discuss communication efforts – what we should share and how we should do it

Overview of Financial Strategies

2012-13 UC BERKELEY BUDGET PLAN



Building a Stable Financial Model

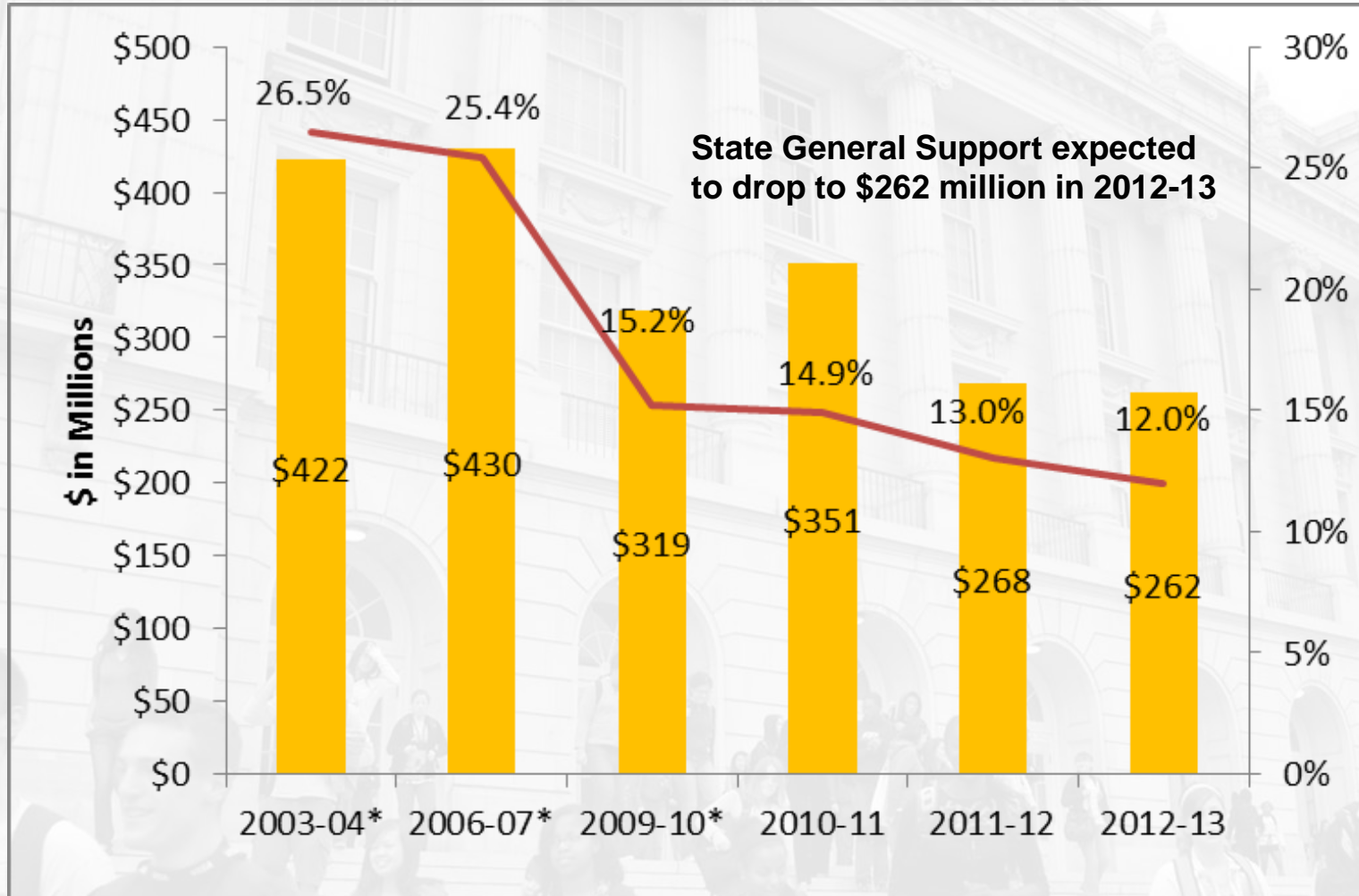
This budget plan represents Berkeley's first all-funds, all-units budget that comprehensively describes revenues and expenses in every control unit. It is made in the interest of promoting transparency regarding our budget resources, strategies and future directions with the goal of engaging the campus community and our partners in collectively building a stable financial model. We dedicate this budget plan to Chancellor Robert Birgeneau 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 chancellor to succeed. This publication can also be found at <http://hrp.berkeley.edu>



If you really believe in something
you can make it happen. The only
thing limiting you is your imagination.

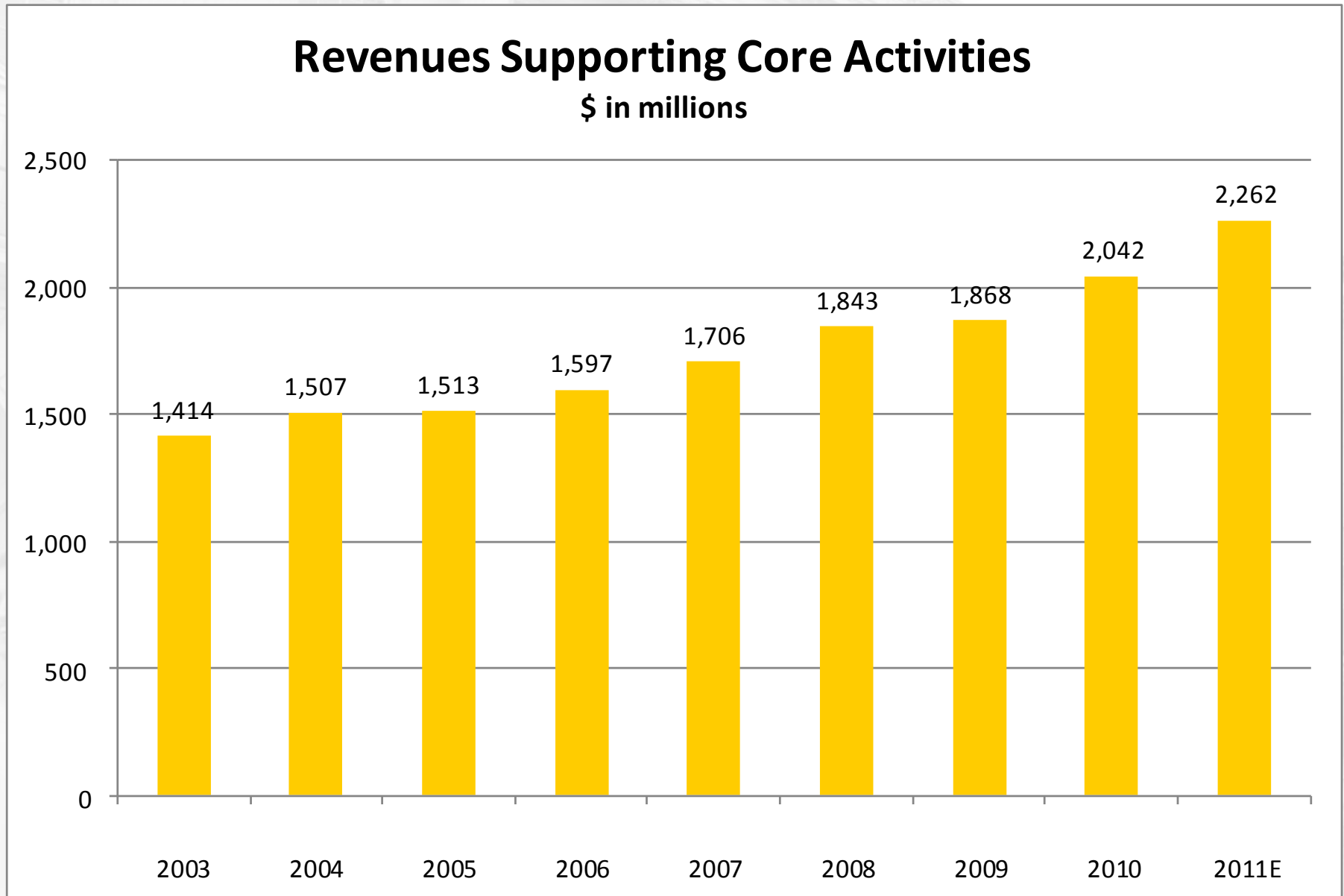
Samantha Hyde '14

How Have Finances Changed?



*Prior to 2010-11, State general funds included Berkeley's indirect cost recovery (ICR), which is about \$22 million each year. With the new Funding Streams Agreement, ICR is no longer included in State general support.

However, Revenues Have Continued to Grow...



And Berkeley Has Continued to Excel

Because we are building a stable financial model

In the last 10 years of university rankings, the Berkeley campus has ranked in the top 5:

Ranking Indicator Foci:

- academic excellence
- research
- reputation
- honors & awards
- sustainability
- outcomes
- common good
- access
- multi-nationalism
- web presence



19 times world-wide,



66 times nationally, and



82 times among U.S. publics,

1/2 of which were **#1**.

Affordable Access

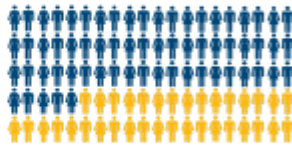


40% of UC Berkeley students pay no tuition and receive grants / scholarships in excess of UC system wide tuition and fees

More than **9,700** Pell grant recipients
As many as all the Ivy Leagues, *combined*

65%

of UC Berkeley undergraduates receive some form of financial aid



The first public institution with an access program for the **MiddleClass**

\$80k

Families with incomes below \$80,000* pay no tuition under UC's Blue and Gold Program

*must qualify for aid



Middle Class Action Plan (MCAP) sets a 15% cap on parental contributions for families with total income from \$80,000 to \$140,000

\$140k

*with typical assets

Considering discipline-based rankings collectively, UC Berkeley has ranked in the top 5 some

550 times in the last 10 years.

State Appropriations Outlook: What We Know

2011-12

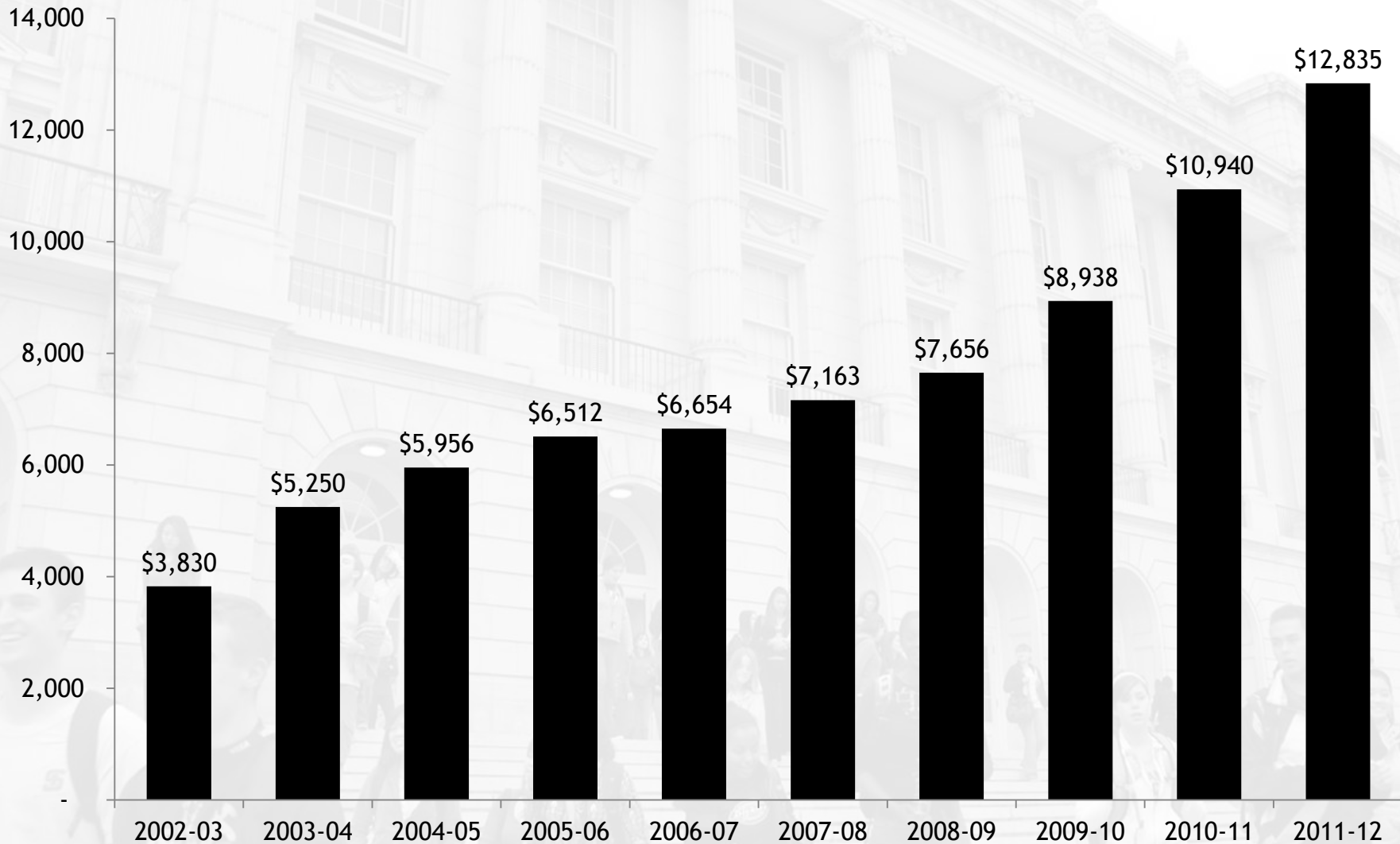
- \$750M cut (\$650 + \$100 “trigger”)

2012-13

- \$100M “trigger” permanent
- No tuition increase, but UCOP creates \$90M temporary measure
- No capital budget
- Benefits cost increases are significant
- Small pension contribution (\$90M UC-wide)
- Possible additional \$250M cut + no \$125M tuition “buy back” in 2013-14

How Have We Managed So Far? Increasing Student Tuition

Undergrad Tuition & Fees per School Year



We have more than tripled tuition and fees for undergrads over the last 10 years.

Increasing Diversity and Revenue from Out-Of-State National and International Students

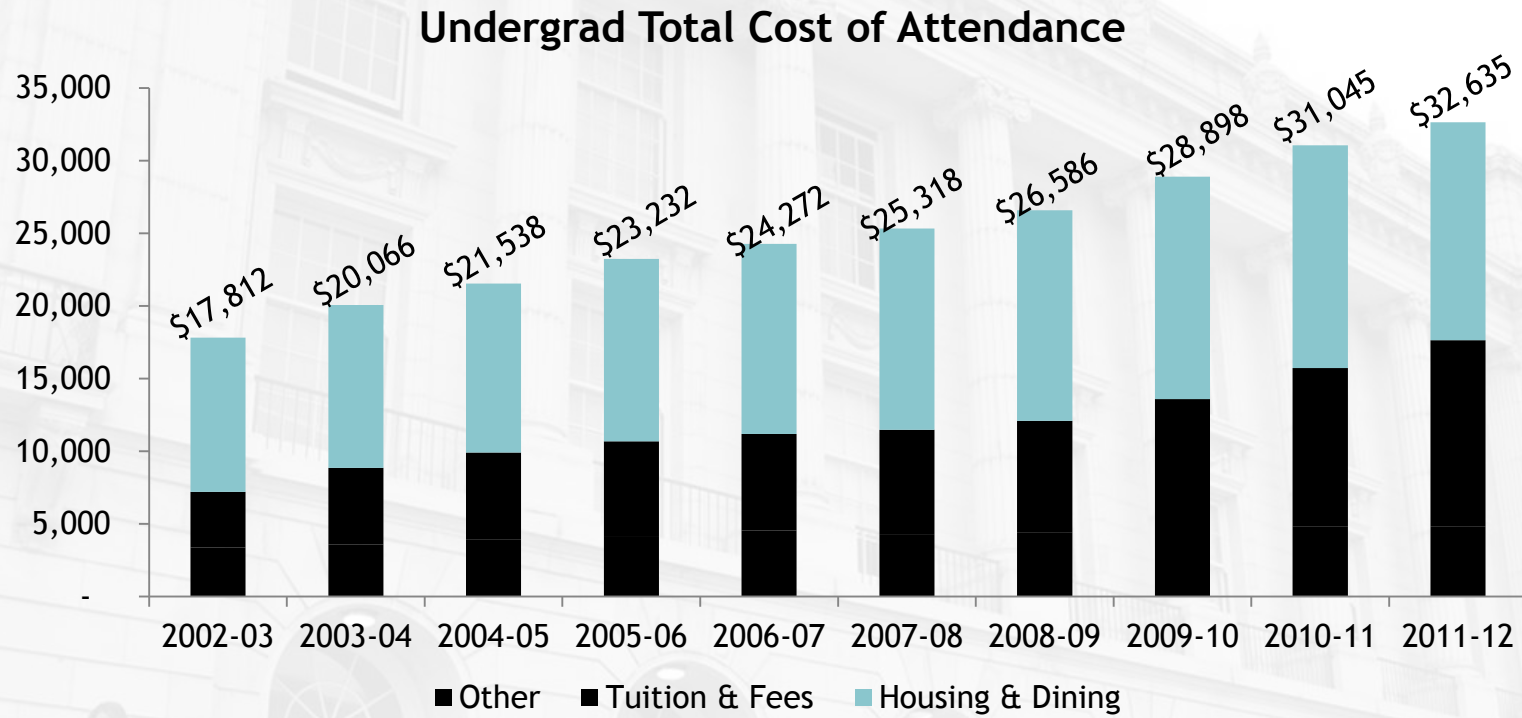
Berkeley has a goal of 20% out-of state domestic and international students, a percentage well below our AAU peers

Despite declining state support, Berkeley continues to provide access to more than 21,000 in-state students (more than the 20,353 in-state students in 2003-04 when Berkeley received \$160 million more in state funding)

In an increasingly global society, California students benefit from exposure to out-of-state students

This additional revenue supports Common Good curriculum and Middle Class Action Plan (MCAP)

Managing Total Cost of Attendance for Our Students



Increased tuition has had a great impact on total cost of attendance for students

- An undergraduate's total cost of attendance has almost doubled over the last 10 years
- In order to preserve the affordability of attendance, we have worked to control costs.
- By restructuring housing debt, we were able to maintain housing costs despite increasing expenses
- With students contributing more to campus operations, we must be more vigilant on cost curtailment activities so we can continue to promote access for our students

Managing Expenses – Operational Excellence

Operational Excellence began in the fall of 2009 with the goal of making UC Berkeley more operationally efficient and reducing redundancies.

- There are currently 23 approved projects in active implementation.
- The Organizational Simplification Initiative has already generated \$20 million in annual savings as a result of restructured administrative units and reduced managerial staff which created a flatter, more efficient organization.
- OE's Procurement Initiative has projected annual savings of \$45 million over time.
- The campus projects **eventual total savings of \$75 million a year by 2016, growing to \$95 million a year by 2020.**
- Projected annual savings of \$75 million is **the equivalent of NOT raising student fees by \$2,100 every year.**

To Address Potential Deficits, Scenarios Show No Silver Bullet

	2012E	2015F	2018F
Base Case	\$81,435	(\$105,333)	(\$187,726)
Cost adjustments			
Salary cost increase by 1%	\$69,939	(\$160,875)	(\$300,965)
No OE Savings	\$62,435	(\$165,333)	(\$262,726)
Revenue adjustments			
Tuition grows at 10% per annum	\$81,435	(\$82,253)	(\$130,288)
Non-resident percentage grows to 30%	\$81,435	(\$94,391)	(\$124,503)
State increase of 4% p.a. from 2014 plus additional pension contribution *	\$81,435	(\$26,199)	(\$67,608)
Combination			
Salary 1% increase offset by 10% tuition growth	\$69,939	(\$137,795)	(\$243,528)

Near Term, We Can Bridge the Gap:
No cascaded cuts to departments

AVC-CFO Units Are Leading Efforts to Lay the Foundation for the Future:

Our New Approach:

Significantly Changing the Way We do Business

- Move to a comprehensive “**all funds**” view of budget
- Establish comprehensive “**base budgets**” against which we will measure variance
- **Always look 1 year ahead** and clearly distinguish between short and medium term
- **Integrate capital budget**
- **Discard the previous framework** of incremental budgeting relative to a “permanent budget” mediated through a “temporary budget” – we will no longer use this framework/terminology on campus
- **Continue to improve sustainability** for items such as Operation & Maintenance of Plant, Student Experience, Staff Development, and Financial Aid.

But the Medium Term Challenge Remains If We Don't Do Anything Differently

- According to our projections, by 2018 we would end up with a deficit of close to \$200M
- This scenario is not an option

This Medium Term “Financing Problem” Is Not Unique to Berkeley

The situation

All ten UC campuses face a similar financial challenge.

UCOP estimates a \$2.9 billion deficit by 2016-17.

UCOP’s focus

State appropriations
Tuition increases
Debt restructuring
Pension Contributions

- Campuses should develop **supplementary plans**
- Build on **the unique strengths** of each campus
- A multi-pronged approach strengthens **the whole**
- **Berkeley** is on this path

Our Plan Requires Work Across Many Fronts

State

- Restore state appropriations
- Contribute to UC pension

Federal

- Lobby to preserve health of great research institutions

Regents/ UCOP

- Governance reform is key
- Identify organizational barriers to growth
- More flexible relationship
- Eliminate or streamline processes

UC Berkeley

- Drive efficiency gains: OE
- Research
- Increase philanthropy
- Grow new revenue at the unit level
- Online Strategy
- Richmond Bay Campus

AVC-CFO Community and Climate

With the **yellow** index card

On one side, share an example where you have felt appreciated for your work

On the other side, share an example where you have appreciated another AVC-CFO team members' contribution

CultureCal

**CultureCal
Brainstorming
October 1-12**

What are the Operating Principles that will help us meet campus goals and make UC Berkeley a place where we can all do our best work?

Innovative brainstorming software will allow employees to rate proposed principles, create new ones, and promote their favorites. The project team is also conducting special sessions to reach staff who are less likely to use computers, or who require translation services. Kiosks on campus will provide an alternate way to participate

UC Systemwide Climate Survey

"In order to foster inclusion one must know who is satisfied, who is experiencing issues and what those issues are," said Gibor Basri, vice chancellor for equity and inclusion at UC Berkeley.

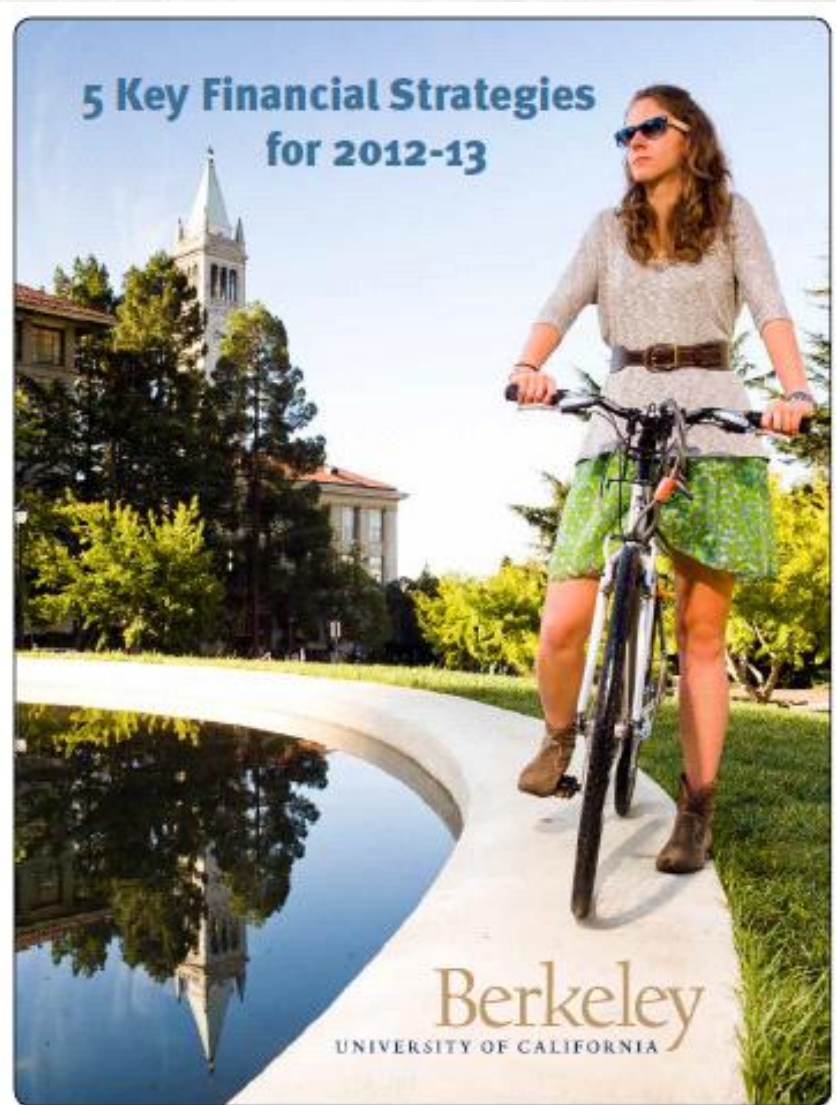
"We have an institutional value that everyone should enjoy the best chance to succeed in their goals at the university. This survey is integral to helping promote that value in an informed way."

February 2013

The data will be used to assess the learning, living and working environments – or campus climate – for people who go to school or work at UC.

The ultimate goal: to help UC develop or change policies and programs to foster a more welcoming, inclusive and healthy campus environment for students, faculty and staff.

AVC-CFO Communication Efforts



“If we did all the things that we are capable of doing, we would literally astound ourselves.”

Thomas Edison

AVC-CFO Communication Efforts

With the **green** index card

On one side, say how would
you best like to receive
information

On the other side, what would
you like others to know about
your work

This is Bear Territory



This is UC Berkeley

Home of the free speech movement

A town where Nobel Laureates always have a place to park

A school where our students graduate to make a difference in the world

We're a public university – check that, the best public university in the nation...in the world

What's that?

You've heard the media reports

State support is down, tuition is going up

Critics portend doom and gloom for our university

Well at Berkeley, we thrive on the underdog status

We have faculty that come and stay because of our students and this amazing research community

We have students that succeed and growing demand from others who want to attend

We have alumni and donors that increasingly contribute to our cause

And our staff...have we mentioned our staff

Berkeley has the most dedicated and determined staff in the nation...in the world

Our staff work hard and have made sacrifices for our university because we believe in public education

We know the impact this public university has on our students, their families, our state and our nation

And we know with less state support, we have to change if we are to survive

We are working harder, learning new tools, and partnering with others so we can make a difference

And we are supporting one another so we can succeed together

So go ahead and count us out because we're here to prove you wrong

We will show you that Berkeley will succeed – in large part because of our staff

And the AVC-CFO units are leading this revolution

We're bringing modern financial management to Berkeley and the systems that support it

And we will do so in support of the ideals of public education – *Access and Excellence*

So stay tuned

We are rewriting history

And when we succeed and we will succeed

You tell the whole wide world this is Bear Territory