



FY2017-18

APPENDIX #1 - BUDGET IMPROVEMENT TARGET MEASUREMENT

UC BERKELEY BUDGET GUIDELINES AND ASSUMPTIONS

This document provides additional information specific to the FY2017-18 Budget Process and should be used in conjunction with the Budget Guidelines and Assumptions and the Budget Call Letter. It provides guidance to divisions for the measurement of the FY2017-18 budget improvement targets, including key dates and measurement templates.

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I. Establishment of FY2017-18 Operating Budget Improvement Target

a. Target Setting for FY2017-18

We ultimately must meet the \$57 million in-year deficit target OP has established for our campus in FY2017-18. As discussed in recent forums and meetings, your unit can meet the target either through revenue generating programs or cost saving activities. All divisions received their FY2017-18 targets in the Budget Call Letter.

b. Determination of Potential Net Revenue for FY2017-18

The Revenue Generation Template was used to assist Divisional Finance Leaders in determining potential net revenue from new initiatives for FY2017-18. Divisions were asked to submit a draft version of the template by February 28.

- **DFLs of academic units:** submitted templates to Scott Shireman, Chief Operating Officer of University Extension and Director of New Academic Ventures at Berkeley (NAV-B).
 - Draft templates were reviewed by NAV-B and preliminary approval was indicated in the Budget Call Letter. Philanthropy programs will be vetted by University Development and Alumni Relations.
- **DFLs of administrative units:** submitted templates to their respective Vice Chancellor or Associate Chancellor.
 - Administrative revenue generation plans will be vetted by the applicable Vice Chancellor and included in Vice Chancellor budgets. Philanthropy programs will be vetted by University Development and Alumni Relations.

You'll finalize your Revenue Generation Template and submit it by May 5 with the rest of your annual budget submission, including your Strategic Plan Template and budget. Final budgetary decisions, including final approval of your revenue plan, will be made by the Chancellor and Provost. The NAV-B team will monitor approved revenue generation plans throughout FY2017-18 to ensure they remain on target.

c. Net Revenue Planning Estimates Included in Call Letter

In partnership with NAV-B the OCFO reviewed the submitted net revenue estimates and for planning purposes took a conservative approach and discounted the estimates (Summer Sessions, PDST, SSGPDP Concurrent Enrollment etc. were discounted by approximately 20% and Gifts were common-sized at a campus-wide estimate of \$3 million net).

II. Measurement and Monitoring of FY2017-18 Operating Budget Improvement Target

The FY2017-18 operating budget improvement target will be measured by comparing each division's FY18 Operating Budget Final Net Operating Surplus/(Deficit) Excluding Contracts and Grants against their FY17 Operating Budget Final Net Operating Surplus/(Deficit) Excluding Contracts and Grants.

a. DFL Submission on May 5: Target Report and Narrative

- As part of the FY2017-18 Operating Budget submission on May 5, 2017, divisions will be asked to prepare the attached **target report** which looks at historical trends, identifies if the target is being met, and helps to set a baseline expectation of financial results for the year. The report also includes a review of Contracts and Grants to ensure divisions are budgeting appropriately for Contracts and Grants.
- Additionally, divisions will be asked to fill out the attached **target narrative** to help campus leadership understand what actions have been taken or are planned to meet the improvement target.

b. DFL Submission in August/September: Ongoing Monitoring of Performance

- To assess planned performance vs. actual performance, after Fiscal Close (Aug/Sept) divisions will be asked to review their FY17 Actual results against their FY17 Operating Budget based on their Net Operating Surplus/(Deficit) Excluding Contracts and Grants. A sample template is attached for reference.

- Significant variances may require a target adjustment incorporated into the FY18 Forecast Q1 submission. Variances will be reviewed based on trend analysis by division with particular attention in understanding variances for:
 - Under-budgeted revenue items (i.e., Private Gifts or Sales and Services revenue)
 - Over-budgeted discretionary, non-comp items (i.e., Supplies and Materials) to account for overspend at year-end to stay on Budget
 - Compensation reductions to understand if they are permanent or temporary (i.e., unfilled faculty and/or staff positions that are only temporary in nature)
 - Budget distortions related to Operating Transfers from external sources and/or other divisions (i.e., unbudgeted FY2016-17 revenue transfers recorded in Actuals and planned in FY2017-18 will distort reduction target measurement)

III. Performance Actions

The Finance Committee will regularly review division performance to the established targets. If divisions are unable to meet their performance expectations then remedial actions may be prescribed where necessary.

- After the Q1 review, divisions will be given an early warning if their numbers are not trending as expected.
- If divisions are significantly off their targets and plans after the Q2 quarterly review, General Allocation funding will be withdrawn to encourage Divisions to take action in reducing their expenses.

Since we are held to a multi-year commitment with OP to eliminate our deficit by 2020, any targets not achieved in 2018 will carry forward into 2019 and beyond.

IV. Terms and Clarifications

Consolidated Budget – UC Berkeley has a consolidated budget, meaning if a division does not achieve the agreed upon improvement target that gap has to be made up by another division. In other words we rise and fall together as one. Our achievements and failures affect us all.

Net Incremental Revenue – Net incremental revenue is the net revenue above and beyond the prior year's net revenue. In other words if net revenue in FY2015-16 was \$10 million and the net revenue in FY2016-17 is \$12 million, then the net incremental revenue in FY2016-17 is \$2 million.

Net Revenue – Net Revenue is the remaining revenue after subtracting expenses. Revenue growth alone does not help us meet our improvement targets, only net revenue falls to the bottom line.

Ongoing Financial Performance – When achieving these targets, it is expected that each division must achieve an improved financial performance in FY2017-18 and then maintain at least that level of performance in FY2018-19 as well as achieve any further net revenue targets needed to fill the gap for FY2018-19.

V. Timeline

a. Budget and Performance Monitoring Calendar

Each division must complete their FY17 Forecast and FY18 Operating Budget in HCP and CalPlan and submit the target report and target narrative as part of their budget submission. Divisions should build internal timelines based on the campus deadlines.

	Time	Milestone	Level	Activity
FY17 Forecast	2/8-5/5	Review & Update	Division	Update FY17 Forecast Revenues, Operating Transfers, Compensation and Non-Compensation Expenses, and Changes in Fund Balance.
	5/5	Forecast Due	Division	Deadline for FY17 Forecast Q3 Submission.
FY18 Operating Budget	2/8	FY18 Operating Budget Opens	Campus	Campus Support transfers are seeded. Compensation growth assumptions are built-in.
	2/8-5/5	Review & Update	Division	Review Campus Support transfers for accuracy. Plan Revenues, Operating Transfers, Compensation and Non-Compensation Expenses, and Changes in Fund Balance.
	2/24	Recharge	Division	Proposal for FY18 recharge rates are due.
	3/17	Recharge	Campus	OCFO sends FY18 provisional recharge rates to divisions.
	4/7	Templates (including Form A) due	Campus	DFLs return templates and Form A
	5/5	Budget Due	Division	Deadline for FY18 Operating Budget Planner Submission, Strategic Plan, Revenue Generation Plan, Target Report, and Target Narrative. Email to dfi_concierge@berkeley.edu.
	May-Jun	Financial Review	Campus & Division	OCFO partners with Campus leadership and Divisions to conduct financial review.
	Jun-Jul	Budget Decisions	Campus	Campus finalizes and communicates the budget decisions. Financial Planning Analysis and Reporting will coordinate with Divisions to incorporate needed high-level adjustments into CalPlan.
FY17 Actuals	Aug/Sept	Year-End Review	Campus & Division	Divisions will be asked to review their FY17 Actual results against their FY17 Operating Budget based on their Net Operating Surplus/(Deficit) Excluding Contracts and Grants.
FY18 Actuals	Oct	FY18 Q1 Variance Reports Due	Division	Divisions submit their Q1 variance reports to OCFO.
	Jan 2018	FY18 Q2 Variance Reports Due	Division	Divisions submit their Q2 variance reports to OCFO.
FY18 Flash Forecast	Oct/Nov	FY18 Q1 Flash Forecast Due	Division	Divisions finalize their FY18 Q1 Flash Forecast in CalPlanning and submit Smart View Trend and Variance Reports and Summary of Changes Narrative to OCFO.
	Jan 2018	FY18 Q2 Flash Forecast Due	Division	Divisions finalize their FY18 Q1 Flash Forecast in CalPlanning and submit Smart View Trend and Variance Reports and Summary of Changes Narrative to OCFO.

Attachments

a. Due May 5: FY2017-18 Target Report and Narrative

[Target Report](#)

[Target Narrative](#)

b. Due August/September: FY2016-17 Year-End Review Report

[Sample Year-End Review Report](#)