Finance Competency Framework

Suresh Bhat
CFO, Haas School of Business
Agenda

I. Objectives & Benefits
II. Demo of Framework / LMS
III. Roll-out Plan
IV. Branding
Why create a FCF? Why now?

As finance plays an increasingly important role on campus, we need to create a shared understanding of current and future expectations for core financial analyst positions.

- Augmentation of Career Compass
- Promote collaboration and professional development

Accentuate finance critical success factors

- Leveraging data for decision making
- Simplifying complex processes
- Building service-oriented models
- Storytelling and communicating

Project Objectives:

1. Develop an integrated tool for finance professionals
2. Provide training “toolkit” to enable finance professionals to enhance developmental needs
3. Establish informal community for networking and best practices

The finance function, in collaboration with senior leadership, will play a key role in resolving our financial challenges and maintaining UCB’s leading reputation.
What are the benefits?

“Roadmap”
- Provide clarity and uniformity on job expectations at each level.
- What does it take to develop new skills to be ready to move up when an opportunity becomes available?

Learning and Development
- Identify performance gaps and training needs
- Facilitate creation of developmental plans (immediate, medium and long-term) within annual performance review
- *Framework used for development, not assessment*

Mobility
- Encourage internal mobility
- Recognition of “spiral staircase” concept; moving laterally to acquire different experiences aids long-term career growth

Consistent Lens
- Create a common standard for recruiting new finance talent
- Additive to UCB core competencies
Framework Overview / Demo

Personal Effectiveness & Individual Leadership
- Diversity & Inclusion
- Integrity and Ethics
- Initiative / Problem Solving
- Creativity / Innovation
- Vision / Influence
- Strategic Thinking / Goal Setting
- Communications

Management
- Strategic Focus
- Operational Focus

FP&A Technical / Functional Skills
- Project Management
- Technical Skills
- Financial Theory
- Analytical Skills
  - Functional Finance Comm. (Listening, Speaking, Writing, Visualization)

Work / Educ. Experience
- Required levels of experience / education

All Job Families
LMS Demo
Launch (DFL Meeting)
- Introduce framework to all CAO/DFLs
- Demo Framework / LMS
- Value of tool

Town Hall for Financial Analysts
- UCB Sr Leader Kickoff
- Background Context
- Panel Discussion
- Development Spotlight
- Q&A
- Networking

Emails to People Managers / FAs
- Follow-up on resources / tools

Rollout Plan (DRAFT)
- Dec 2016
- Feb 2017
- March 2017
Appendices

• Timeline
• Governance
• Evolution of Financial Analysis at UCB
Timeline

2015 - 2016

H1 2015
- Socialize concept (Q1 '15)
- Received approval to move forward Q2 '15)

H2 2015
- Preliminary Draft approved by J. Raymond (Fall 2015)

H1 '16 (Hiatus)

H2 2016
- Final Draft approved by HR (Fall 2016)
- Approved to rollout by R. Rae (Fall 2016)

Q416 / Q117
- DFL (Dec 2016) hosted by R. Rae

Executive sponsor
- Guidance, sponsorship and approval

Steering committee
- Steering committee formed Rollout to campus
  - Meetings to finalize draft (July/Sept '15)
  - Review training inventory (Sept '15)

Working group
- Working Group Kick-Off (May 2015)
- Discuss tasks and governance (May and June 2015)
- WG meetings to finalize framework (July 2015)
- WG meetings to create inventory of training materials (Aug / Sept 2015)

Preparation of 2015-16 F /
2016-17 B
- Demo final framework and training inventory; discuss rollout plan (Oct 2016)

Rollout to campus
- Town hall for all FAs (Q1 2017)
- Email communique to Finance Mgrs & FAs
Team Structure (Governance)

Executive Sponsors
- Rosemarie Rae, CFO
- Jeannine Raymond, Head of HR

Project Management
- Suresh Bhat, Haas CFO (Co-lead)
- Jon Bain-Chekhal, Director CBO (Co-Lead)
- Jeannine Miles (Lead – Communications and Change Management)

Steering Committee
- Terrence Ireland (CFO, L&S)
- David Secor (CFO, Athletics)
- Dat Le (CAO, Engineering)
- Suzanne Sutton (CAO, Chemistry)
- Stephanie Metz (Director FP&A, CSS)
- Heidi Wagner (CAO, Social Welfare)
- Georgia Giatras, (CAO, Law)
- Lisa Vanderfin (Director, Accounting)
- Barbara Lane (Assistant Dean, CNR)
- Grace Crvarich (COO, VCRE)

Strategic Advisors
- Rich Lau (Director of Compensation & Benefits)
- Sheri Showalter (Head of HR, Law)

Working Group
- Heidi Hallet (PBO, CBO)
- Maya Woodson Turman (PBO, CBO)
- A. de la Rosa (Director, Chemistry)
- Amy Robsinson (ED, L&S)
- Anil More (Director, Physics)
- Joe Magliaro (Bus Serv Manager, BioSciences)
- Monica Porter (Director FP&A, Haas)
- Chris Mount (CFO/CAO, BBEQI)
- Michael Ferencz (Director, Grad)
- Jennifer Chizuk (Manager, L&D)
- Charet Wynn (FA, CSS)
We would like to shift the amount of time we spend on transactions/reporting (building blocks of FP&A) to analytics and decision support through automation.

Today’s State

- “Process/Operational” Activities
  - Data gathering & pulling
  - Deficit clearing
  - Fund management
  - Monthly reporting
  - Completing compliance requests

Desired State

- Decision Support Activities
  - New revenue generation
  - First dollar principle analytics
  - Fee pricing optimization
  - Long range modeling
  - Cost of services (e.g., recharge)
  - Degree program economics
  - Scenario planning / “what if” analyses
  - Rolling forecast
  - Variance analysis
To achieve our aspirational vision, we must evolve the “traditional” financial analysis role

**Strategist**
- Long-term strategic planning / forecasting
- New revenue generation
- Resource allocation / capital planning & management
- Business performance management

**Analytical business partner**
- Improved financial modeling / analytics for decision support
- Scenario planning
- Revenue pricing / optimization
- “Product” / program economics

**Cost leadership**
- Long-term expense management
- Operational agility and adaptability
- Elimination of low value activities
- Understanding of variable, step-function and fixed costs
Revenue Recognition

Delphine Regalia
Assistant Vice Chancellor and Controller,
Office of the CFO
Business contracts

“General” Rule: recognized when an exchange has occurred and not on a cash basis.

• At the time of sale
• As services are provided
Example 1: basic terms

UC Berkeley entered into a 2-year agreement to provide analysis services to a third party. The services were provided evenly over the period. In scenario A, the payment was received up front. In scenario B, payments were received over time per the agreement, 25% in year 1 and 75% in year 2.

<table>
<thead>
<tr>
<th></th>
<th>Yr 1</th>
<th>Yr 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue recognition – both scenarios</td>
<td>$100</td>
<td>$100</td>
<td>$200</td>
</tr>
<tr>
<td>Cash scenario A – Upfront payment</td>
<td>$200</td>
<td>$-</td>
<td>$200</td>
</tr>
<tr>
<td>Cash scenario B – Payments over time</td>
<td>$50</td>
<td>$150</td>
<td>$200</td>
</tr>
</tbody>
</table>
Example 2: complex contract with multiple components

UC Berkeley signs a 2 yr agreement to:
1) provide services over a full 2 year period and
2) deliver fabricated equipment at the end of the period.
The agreement provides for annual payments of $100 over the course of the agreement.

<table>
<thead>
<tr>
<th>Cash Flows</th>
<th>Yr 1</th>
<th>Yr 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received</td>
<td>$100</td>
<td>$100</td>
<td>$200</td>
</tr>
</tbody>
</table>

The 2 components require bifurcation and valuation for revenue recognition. Assume the services are valued at $150 and the equipment is valued at $50. Revenue for services are recognized ratably over the period in which rendered. Revenue for the equipment is recognized when delivered, i.e. the time of sale.

<table>
<thead>
<tr>
<th>Revenue Recognition</th>
<th>Yr 1</th>
<th>Yr 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue - services</td>
<td>$75</td>
<td>$75</td>
<td>$150</td>
</tr>
<tr>
<td>Revenue - equipment</td>
<td>$-</td>
<td>$50</td>
<td>$50</td>
</tr>
<tr>
<td>Total</td>
<td>$75</td>
<td>$125</td>
<td>$200</td>
</tr>
</tbody>
</table>
Research contracts & grants

“General” Rule: revenues = expenses

- Cost Reimbursable
- Scheduled Pay
- Fixed Fee
Research contracts & grants

Cost Reimbursable
• In C&G modules, revenue is recorded daily equal to expenses recorded

Scheduled Pay
• Same as Cost Reimbursable

Fixed Fee
• In C&G modules, revenue is recorded by milestone
• At year end, an entry is made to record revenue (equal to expenses). This is recorded in a Central Dept ID and reversed on July 1.
Questions

For business contracts accounting
Financial Accounting and Controls
gao@berkeley.edu
510-642-0031

For research contracts and grants accounting
Contracts and Grants Accounting
cgaawards@berkeley.edu
510-643-4246
Finance Reform

Rosemarie Rae
Associate Vice Chancellor
Chief Financial Officer
FY18 Simplified Budget Process

Rosemarie Rae
Associate Vice Chancellor
Chief Financial Officer
Strategic planning and decision making is changing

<table>
<thead>
<tr>
<th></th>
<th>Transitioning from...</th>
<th>Transitioning to...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Process</strong></td>
<td>Chancellor, EVCP, Budget Office</td>
<td>Chancellor, EVCP, Council of Deans, VCs</td>
</tr>
<tr>
<td><strong>Decision Making</strong></td>
<td>Localized at decanal or VC level with Chancellor and EVCP oversight</td>
<td>• Holistic and collective decision making (Deans and VCs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Higher degree of Dean authority and responsibility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Heavily influenced by UCOP and legislature</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Constrained by finances</td>
</tr>
<tr>
<td><strong>Financial Decision Making</strong></td>
<td>• Relationship based</td>
<td>• Metric based</td>
</tr>
<tr>
<td></td>
<td>• Lower dependence on financial reporting</td>
<td>• Higher degree of transparency</td>
</tr>
<tr>
<td></td>
<td>• Demand driven</td>
<td>• Higher dependence on financial reporting</td>
</tr>
<tr>
<td></td>
<td>• Cost containment focus</td>
<td>• Performance driven</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Revenue generation focus</td>
</tr>
<tr>
<td><strong>Financial Management Roles</strong></td>
<td>Budget Office:</td>
<td>Budget Office:</td>
</tr>
<tr>
<td></td>
<td>• Process owner</td>
<td>• Data support to Provost and Deans</td>
</tr>
<tr>
<td></td>
<td>• Management of financial trade-offs</td>
<td>• Modeling</td>
</tr>
<tr>
<td></td>
<td>• Allocation decision making</td>
<td>• Financial Analysis</td>
</tr>
<tr>
<td></td>
<td>Provost, Deans, VCs:</td>
<td>Higher level of Provost, COD, and VC engagement:</td>
</tr>
<tr>
<td></td>
<td>• Management of unit trade-offs</td>
<td>• Management of campus trade-offs</td>
</tr>
<tr>
<td></td>
<td>• Unit target assignments</td>
<td>• Target assignments</td>
</tr>
<tr>
<td></td>
<td>• Unit allocation decision making</td>
<td>• Revenue &amp; cost savings strategies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Service level tolerance</td>
</tr>
</tbody>
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Goals

• Minimum DFL effort to provide EVCP/Chancellor/Deans the essentials needed for decision making

• Offer DFLs a choice between using CalPlanning or Excel Budget Template

• Restructure budget hearings

• Deliver one budget target

• Use monthly DFL Forums for budget engagement

• Targeted assistance for revenue generation planning
DFL deliverables

• One page strategic plan (must feature philanthropy and plans for generating revenue)

• Revenue generation budget plan

• Budget via Templates or CalPlanning
  • Funds will be consolidated
  • Templates will include Forms A and B
Target

• Staff salary increases and benefits will not be funded from the center

• A budget target of approximately 10% will be assigned to each division to meet a $50M to $65M total campus target

• The target can be met with revenue generation or cost savings

• A committee of DFLs will recommend methodology
Working groups

**Budget Template Design & Training**
DFL Lead: Stephanie Metz
CFO Office Lead: Kevin Mack

**Revenue Generation Planning**
DFL Lead: Suzanne Sutton
CFO Office Lead: Seija Virtanen

**Target Setting**
DFL Lead: Wanda Nieters
CFO Office Lead: Maya Woodson Turman

**Communications**
DFL Team: Roia Ferrazares, Terrence Ireland, Sandi Ketchpel, Anna Weidman
CFO Office Lead: Jean Bednarz
**Process**

- **12/5**: HCM Clean Up Begin
- **12/13**: Target Planning
- **12/19**: Strategic Plan Template Released
- **1/10**: Revenue Plan Template Options Released
- **1/10**: Budget Template Released
- **1/25**: Division Targets Set
- **1/30**: Targets Training Complete
- **1/30**: HCM Pull to HCP
- **2/10**: Budget Call Letter Released
- **2/10**: Populated Budget Template Released
- **2/23**: Budget, Strategic Plan, Revenue Plan Due
- **3/10**: Roll-ups Available
- **3/20**: Roll-ups approved
- **3/28**: Budget, Strategic Plan, Revenue Plan Due
- **4/26**: Roll-ups approved

**Engagement:**
- Target Setting Team
- Revenue Planning Team
- Budget Template Team
- Communication Team
- Monthly DFL Forums

**Timeline:**
- **12/5**: Start of HCM Clean Up
- **1/10**: Revenue Plan Template Options Released
- **1/25**: Division Targets Set
- **2/10**: Budget Call Letter Released
- **2/23**: Budget, Strategic Plan, Revenue Plan Due
- **3/10**: Roll-ups Available
- **3/20**: Roll-ups approved
- **4/26**: Completion of Process
# Responsibilities

<table>
<thead>
<tr>
<th>Office of the CFO</th>
<th>DFL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HCM</strong></td>
<td><strong>DFL</strong></td>
</tr>
</tbody>
</table>
| - Design process in coordination with CSS  
  - Develop and populate correction forms  
  - Meet with DFL  
  - Process the changes using a single Service Now Ticket  
  - Prepare reports for DFL’s  
  - Port HCM data into HCP | - Identify department managers for change activities  
  - Enter changes to the data worksheets  
  - Verify changes |
| **Strategic Plan** | **Re Revenue Plan** |
| - Deliver the template | - Develop template in coordination with the Revenue Generation work group  
  - Develop and deliver training  
  - Provide targeted consultation for key revenue areas (concurrent, PDST, SSGPDP, Summer, etc.)  
  - Conduct analysis of revenue proposals | - Work with leadership to develop programmatic revenue and philanthropy strategies  
  - Complete revenue plan |
| **Budget Template** | **Hearings** |
| - Refine template in coordination with the Budget Template work group  
  - Develop and deliver training  
  - Conduct analysis of budgets  
  - Upload budgets to CalPlanning  
  - Prepare divisional consolidation workbooks | - Package budget, strategic plan, and revenue plan for EVCP/ Chancellor/Deans review  
  - Identify divisions for deeper review  
  - EVCP will meet with divisions as necessary | - Respond to inquires from EVCP office |

<table>
<thead>
<tr>
<th><strong>Hearings</strong></th>
<th><strong>Strategic Plan</strong></th>
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</table>
| - Package budget, strategic plan, and revenue plan for EVCP/ Chancellor/Deans review  
  - Identify divisions for deeper review  
  - EVCP will meet with divisions as necessary | - Deliver the template  
  - Work with leadership to populate the strategic plan |
Appt End Date = 12/31/16 or earlier

Terminate job appointment – Yes/No?
If No, then renew appointment
If Yes, inactivate the vacant position – Yes/No?

4,300 submitted across campus to CSS between Oct and November to terminate
Of the 4,300 terminated only 133 positions were inactivated (or 3%) because the majority were students or shared positions that are not usually inactivated

1,054 vacant positions reviewed in BioSci and 1,052 were inactivated

Job Dept, Position Dept, and Level 7 all match?
If no, then what is the correct level 7 DeptID and corresponding L4, L5 or L6?

Approximately 1,000 filled, active positions in BioSci that would require review