



FY2018-19 BUDGET PROCESS

APPENDIX #1 - OPERATING BUDGET IMPROVEMENT TARGET MEASUREMENT

UC BERKELEY BUDGET GUIDELINES AND ASSUMPTIONS

This document provides additional information specific to the FY2018-19 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 FY2018-19, FY2019-20 and FY2020-21 operating budget improvement targets, including key dates and measurement templates.

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I. Establishment of FY2018-19, FY2019-20 and FY2020-21 Operating Budget Improvement Targets

a. Operating Budget Improvement Target Setting for FY2018-19, FY2019-20 and FY2020-21

We ultimately must meet the \$20 million in-year deficit target OP has established for our campus in FY2018-19 and achieve a balanced budget by 2019-20 and beyond. As previously discussed, your unit can meet the improvement target either through revenue generating programs or cost saving activities. The operating budget improvement targets were shared with divisions in various forums during the month of February. It is important to note that while we are providing FY2019-20 and FY2020-21 budget improvement targets for this budget process, they may be revisited in future budget process reviews.

b. Determination of Potential Net Revenue for FY2018-19

The Revenue Generation Template was used to assist Divisional Finance Leaders in determining potential net revenue from new initiatives for FY2018-19. Divisions are asked to submit their Revenue Generation Template by April 20 with the rest of their annual budget submission, including their Strategic Plan Template and budget.

- **DFLs of academic units:** Should submit templates to the DFL Concierge at dfc_concierge@berkeley.edu and Scott Shireman, Chief Operating Officer of University Extension and Director of New Academic Ventures at Berkeley (NAV-B).
 - Templates will be reviewed by VC Finance and NAV-B and approved as part of the budget review process. Philanthropy programs will be vetted by University Development and Alumni Relations.
- **DFLs of non-academic units:** Should submit templates to the DFL Concierge at dfc_concierge@berkeley.edu, Scott Shireman, **and** their respective Vice Chancellor or Associate Vice Chancellor.
 - Non-Academic revenue generation plans will be reviewed by the applicable Vice Chancellor/Associate Vice Chancellor, VC Finance, and NAV-B, then approved as part of the budget review process. Philanthropy programs will be vetted by University Development and Alumni Relations.

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 FY2018-19 to ensure they remain on target.

II. Measurement and Monitoring of FY2018-19, FY2019-20 and FY2020-21 Operating Budget Improvement Targets

The operating budget improvement targets represent the amount by which each Division will need to increase their planned current year Net Operating Surplus/(Deficit) amount as compared to their planned prior year Net Operating Surplus/(Deficit) amount or goal.

For example, the FY2018-19 operating budget improvement target will be measured by taking each division's FY2017-18 Operating Budget Final Net Operating Surplus/(Deficit) Excluding Contracts and Grants, adding their FY2018-19 operating budget improvement amount to it to get to an FY2018-19 Net Operating Surplus/(Deficit) Goal then comparing that goal amount to their submitted FY2018-19 Operating Budget Final Net Operating Surplus/(Deficit) Excluding Contracts and Grants. If their FY2018-19 Operating Budget Final Net Operating Surplus/(Deficit) Excluding Contracts & Grants is equal to or higher than the FY2018-19 Net Operating Surplus/(Deficit) Goal the Division has met their target.

a. DFL Submission on April 20: Multi-Year Planning Template and Budget Narrative will include Target Measurement and Variance Explanations

- As part of the FY2018-19 Operating Budget submission on April 20, 2018, divisions will be asked to prepare the a **multi-year planning template** which looks at historical trends, allows each division to prepare a three-year (FY2018-19, FY2019-20 and FY2020-21) financial plan and identifies if the targets are being met.

- Additionally, divisions will be asked to include language in their **budget narrative** to help campus leadership understand what actions have been taken or are planned to meet the improvement target.

III. Performance Actions

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

- After the Q1 quarterly forecast 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 forecast review, corrective funding actions may be taken 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 2019 will carry forward into 2020 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.

Prior Year Operating Budget Net Surplus/(Deficit) Goal (Prior Year Goal) – Depending on the year you are planning for, it represents either the Net Operating Surplus/(Deficit) excluding contracts and grants of the approved prior year budget or the Net Operating Surplus/(Deficit) excluding contracts and grants planned goal for the prior year. When planning for FY2019-20, the Prior Year Goal is the Net Surplus/(Deficit) excluding contracts and grants amount for the approved FY2017-18 Operating Budget. For FY2019-20, the Prior Year Goal will be the FY2018-19 Planned Goal (see definition for Planned Goal below).

Budget Improvement Target – Represents the amount by which each Division will need to increase their planned Current Year Operating Budget Net Operating Surplus/(Deficit) amount as compared to their planned Prior Year Operating Budget Net Operating Surplus/(Deficit) Goal.

Current Year Operating Budget Net Surplus/(Deficit) Goal (Planned Goal) – Represents the Prior Year Goal Net Operating Surplus/(Deficit) excluding contracts and grants plus the Budget Improvement Target.

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 FY2016-17 was \$10 million and the net revenue in FY2017-18 is \$12 million, then the net incremental revenue in FY2017-18 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 FY2018-19 and then maintain at least that level of performance in FY2019-20 as well as achieve any further net revenue targets needed to fill the gap for FY2019-20 and beyond.

V. Timeline

a. Budget and Performance Monitoring Calendar

Each division must complete their FY18 Forecast and FY19 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
FY18 Forecast	2/20-4/20	Review & Update	Division	Update FY18 Forecast Revenues, Operating Transfers, Compensation and Non-Compensation Expenses, and Changes in Fund Balance.
	4/20	Forecast Due	Division	Deadline for FY18 Forecast Q3 Submission.
FY19 Operating Budget	2/21	FY18 Operating Budget Opens	Campus	Campus Support transfers are seeded. Compensation growth assumptions are built-in.
	2/21-4/13	Review & Update	Division	Review Campus Support transfers for accuracy. Plan Revenues, Operating Transfers, Compensation and Non-Compensation Expenses, and Changes in Fund Balance.
	2/26	Form A Released	Division	Form A will be sent out to DFLs
	3/6	Call Letter, TAS Allocations, budget targets and working templates released	Campus	Call letter, assumptions, budget targets, TAS allocations, multi-year budget template, Revenue generation template and narrative template will be released
	2/27	Recharge	Division	Proposal for FY19 recharge rates are due.
	3/16	Recharge	Campus	OCFO sends FY19 provisional recharge rates to divisions.
	3/26	Form A due	Campus	DFLs return Form A
	4/20	Budget Due	Division	Deadline for FY19 Operating Budget Planner Submission, Strategic Plan, Revenue Generation Plan, Target Report, and Target Narrative. Email to dfl_concierge@berkeley.edu.
	Apr-Jun	Financial Review	Campus & Division	OCFO partners with Campus leadership and Divisions to conduct financial review.
June	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.	
FY19 Actuals	Oct	FY19 Q1 Variance Reports Due	Division	Divisions submit their Q1 variance reports to OCFO.
	Jan 2018	FY19 Q2 Variance Reports Due	Division	Divisions submit their Q2 variance reports to OCFO.
FY19 Flash Forecast	Oct/Nov	FY19 Q1 Flash Forecast Due	Division	Divisions finalize their FY19 Q1 Flash Forecast in CalPlanning and submit Smart View Trend and Variance Reports and Summary of Changes Narrative to OCFO.
	Jan 2018	FY19 Q2 Flash Forecast Due	Division	Divisions finalize their FY19 Q1 Flash Forecast in CalPlanning and submit Smart View Trend and Variance Reports and Summary of Changes Narrative to OCFO.