



# UC BERKELEY RESERVE ANALYSIS PROJECT GUIDELINES

This document provides guidance to Divisions on analysis of FY2018-19 Ending Balances to identify Reserves for the FY2019-20 Budget Process, including detailed guidelines on how to fill out templates, key dates, contextual information, and links to other tools and resources.

# UCB Reserve Analysis Guidelines

## 1. Overview and Goals

The purpose of this document is to provide guidance to Divisions on the analysis of FY2018-19 Ending Balances to identify Reserves for the FY2019-20 Budget Process, including detailed guidelines on how to fill out templates, key dates, contextual information, and links to other tools and resources.

### a. Purpose

The purpose of the Reserves Analysis is to partner with Divisions across campus to review existing resources to provide transparency into campus' reserve balances and enable their use for investment in our highest priorities.

Reserves are funds that are set aside for future use in day to day operations (primary reserves) or for meeting emergency liquidity requirements (secondary reserves). Maintaining adequate reserves is essential to achieving financial stability as they can provide a hedge against unexpected deficits and opportunities for strategic investments. Understanding our existing balances will help us determine if we have appropriate reserves across campus, allowing us to better manage our financial position and respond appropriately to requests from UCOP and government agencies.

This project establishes standard guidance and uniformity in providing information about our existing balances.

### b. Goals

Each Division will be provided with templates outlining existing balances for each of their L3 Divisions and copies of the templates they filled out last year related to these balances. The balances should be classified according to defined categories and usage (definitions and examples provided). The balances will be then summarized by fund bucket and category for each L3 Division. The DFLs for each Division will gather and consolidate the information and return it to the Financial Planning & Analysis Team. The Financial Planning & Analysis Team will compile the results into a master spreadsheet for further analysis. Findings will be communicated back out to the campus once the analysis is finalized.

## 2. Timeline

Time	Milestone	Level	Activity
2/20	Send Templates to DFLs	Financial Planning & Analysis Team	Templates will be created centrally and distributed out to each of the DFLs
2/20 – 4/2	DFLs Distribute Templates to Departments and/or Collect Data from Departments to fill in Templates	DFLs	DFLs will be responsible for either distributing the templates to each of their Department Managers for population and/or consulting with their Department Managers to populate the templates and then consolidate the data to return to the project team
4/3	<b>DFLs Submit Completed Templates</b>	<b>DFLs</b>	<b>DFLs return completed templates to the Financial Planning &amp; Analysis Team via <a href="mailto:dfi_concierge@berkeley.edu">dfi_concierge@berkeley.edu</a></b>
4/3 – mid-April	Review returned templates and make any necessary adjustments before including data in budget dashboards	Financial Planning & Analysis Team	Master Spreadsheet will include detail by Division, Department, Fund, CF1, CF2, Fund Category and Usage that can be pivoted and analyzed to provide transparency into campus' reserve balances
4/30	<b>Include data in Division's Budget dashboard</b>	<b>Campus</b>	<b>Reserves data will be included in the budget dashboards and included as part of the budget discussion</b>

### 3. General Guidelines

When approaching this analysis, it is important to keep in mind the perspective/lens from which the balances are being viewed. The analysis seeks to review balances from the L4 Department perspective in terms of the usage and management of funds including commitments made and payment obligations owed by the Department. The analysis is looking at beginning balances as of July 1, 2018<sup>1</sup> and is based on commitments approved as of June 30, 2018. Projected or anticipated funds that are not currently included in your balances as of July 1, 2018 should not be considered. Commitments or known obligations that were not approved as of June 30, 2018 should not be treated as obligations as it relates to these balances.

Before categorizing the data, please take the time to fully understand the definitions of each fund category and fund usage, and how they relate to the funds in your Department. Fund category and fund usage are separate and distinct. It is important to first identify the fund category and then identify the usage. These guidelines and included examples are designed to provide general expectations for each classification. They do not capture every situation that may exist on campus, but our hope is to provide as much guidance as possible.

### 4. Templates

Each Reserve Analysis Project template will consist of a SmartView Summary, a GL Data Support Schedule, and FFE data by Division.

#### a. SmartView Summary

The SmartView Summary is a high-level summary of your resources by fund bucket and fund category. The data is broken out by ending balances and FFE data and includes some high-level ratios of existing balances as a percentage of total expenses. The SmartView Summary serves as an official submission of the fund categories by Division and also serves as a double check of the total amounts included in the GL Data schedule based on the user-defined fund category that you will populate. Each template will include a SmartView Summary for the Division<sup>2</sup>. To assist you in filling out the summarized data in the SmartView Summary tab, we will share a sample pivot table and pre-populate the Division's SmartView Summary tab with formulas linking back to data in the pivot table.

Note: The signage included on this schedule is in Financial Statement format (CalPlanning) which is different from GL data.

#### b. GL Data Support Schedule

The GL Data Support Schedule is where users will spend most of their time reviewing fund data for existing balances. This schedule includes pre-populated data and user defined fields. Each template will include a GL Data Support Schedule for the Division. The pre-populated data and user-defined fields included in the GL Data Support Schedule are included below.

##### Pre-Populated Data

- L3 Node
- L3 Description
- L4 Node
- L4 Description
- DeptID (*formerly known as Org ID*)
- DeptID Description

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<sup>1</sup> For data management purposes, account 30000 – Prior Year Ending balances in Period 0 for FY2018-19 was used to pull the data in the GL Data support schedule. FFE data represents the market value as of June 30, 2018.

<sup>2</sup> Last year we also included separate schedules by L4 Department. Most Divisions completed their work at the summary L3 Division level so this year we will only be providing data at the summary L3 Division level.

- Fund Bucket (Current Funds Excluding Contracts & Grants) – based on the CalPlan fund hierarchy<sup>3</sup>
  - Unrestricted Funds
  - Designated
  - Restricted Gift Funds
  - Restricted Endowments and FFEs Funds
- CF1 (*formerly known as Project Code*)
- CF1 Description
- CF2 (*formerly known as Flex Code*)
- CF2 Description
- CADS Purpose – as defined by CADS/donor, only available for philanthropy funds
- CADS Sub-Purpose – as defined by CADS/donor, only available for philanthropy funds
- FY2018-19 – Beginning Balance for FY19<sup>4</sup> (debit/credit {GL Data} format)

#### User-Defined Fields

- **Fund Category** (defined below)
- **Fund Usage** (defined below)
- **Notes** – provided to allow users the opportunity to provide any necessary data related to large balances that may not fit into one fund category and need to be broken up. Modifications related to the notes will be made as part of the campus level review

This schedule has been pre-sorted by L4 Department, DeptID and Fund. Please feel free to sort the data in this schedule as needed to help you analyze your funds. Some Departments group faculty funds by DeptID and/or CF1 and/or CF2. This schedule is meant to be used as a working document to help you complete this exercise.

For additional information on the gift funds included in this schedule, Cal Answers users can access the Gift/Endowment Terms and Balances report in the Cal Answers Gift/Endowment Reporting Dashboard. This report provides fund terms for private philanthropy funds on your ledger.

### c. FFE Data Schedule

The FFE Data Schedule includes detailed information related to Funds Functioning as Endowments (FFE) by Division. The schedule includes pre-populated data and user defined fields. The prepopulated data includes the market value of the FFEs, CADS Primary Purpose and Sub-Purpose, Fund Terms and other relevant data and the user-defined categories are the same ones included above for the GL Data Support Schedule. Note that the fund category and fund usage made for the payouts funds included in the GL Data Support Schedule do not necessarily need to match the fund category and usage for the market value of the FFE associated with the payout funds.

## 5. Definitions

### Fund Category

#### Unusable

This category includes restricted fund balances that are not readily available for use by the Department in the foreseeable future (within the next 5 years) because they are highly restrictive. This category also included funds that are difficult to spend due to administrative burdens (small payouts or existing balances).

<sup>3</sup> Fund Bucket classifications (Unrestricted/Restricted) are based on how funds are viewed at the campus level. As the funds are distributed throughout the organization, the level of restriction may change, but the classification will remain.

<sup>4</sup> File will also contain hidden fields for FY2012-13 through FY2017-18 beginning balances. This data is included for reference only and may be utilized to understand trend data. The focus of the categorization of fund balances is for FY2018-19 beginning balances only.

Please note that the private philanthropy funds included here should be funds that you have been actively trying to spend down (see [Appendix A for some private philanthropy spending tips](#)). Data included in this category will be shared with University Development & Alumni Relations so the campus can work with individual units to monitor these funds and take steps to reduce these balances.

- *Examples*

- Current fund balance that has been \$5.16 for years and the Department has been unable to use
- A fund that is for a Department, Center, area of study, purpose, etc. that no longer exists
- Accumulated funds from the payout of an endowment or FFE that is larger than you can spend within a year and that continue to accumulate year after year; funds in the ending balance represent the funding from the payout that you are continually unable to spend are considered unusable

### **Committed Obligations – External**

This category includes funding that has already been committed and set aside to cover planned operating and capital expenses associated with external vendors, another campus, a faculty member (includes startup and retention) or an employee. This includes commitments that are legally binding and approved by the Chancellor/EVCP, Dean or Vice Chancellor, or equivalent. Obligations included under this category are associated with commitments that have been approved as of June 30, 2018, have documentation that clearly defines the amount committed, who is contributing the funds (for joint programs or shared responsibility) and are required obligations that must be fulfilled. Funds included in your ending balances that are owed to another unit, but are associated with a legally obligated commitment to an external vendor or employee that may be paid by another unit should be included here.

- *Examples*

- Any funds allocated to an existing faculty member under a CF2 (includes endowed chair funds, startup & retention funds, BEAR Grants, Private Gifts to a faculty member for research, any funding committed to an employee in an employment letter and other approved commitments)
- Funding for Approved Joint Funded Programs
- Funding to a Student Association
- MOU with an external vendor
- Purchase Orders
- Cost-Share arrangements when there is a signed letter from the Dean or equivalent committing the funds

### **Committed Obligations – Internal**

This category includes funding that has already been committed and set aside to cover an obligation of funding owed to an internal Department or Division of the campus that is not ultimately associated with a commitment to an external vendor. Obligations included in this category are not necessarily legally binding, but represent a commitment between units to provide funding to the other unit for general use. Obligations included under this category are associated with commitments that have been approved as of June 30, 2018 and are approved by the Chancellor/EVCP, Dean or Vice Chancellor, or equivalent.

- *Examples*

- Funds committed to another Department to support an initiative
- MOU between Departments to split Self-Supporting Graduate Professional Degree Programs fees or other revenue sources
- Departmental funding for Golden Bear Orientation

### **Known Obligations**

Funds that have been set aside for future use for items that are estimated but not yet final, or funds that are being accumulated for a specific purpose. Approval to accumulate or set aside these funds has been granted as of June 30, 2018 by the Chancellor/EVCP, Dean or Vice Chancellor, or equivalent. Known obligations can be for external or internal recipients.

- *Examples*
  - Funding received from a State or UCOP initiative
  - Internal Departmental multi-year projects
  - Funding for capital improvement projects
  - Saving for Cost-Share arrangements where there is not a signed letter from the Dean or equivalent
  - Funding for an approved faculty recruitment which has not yet been completed; approval to commit the funds has occurred, but obligation to the employee is not yet final
  - Approved funding to cover cost of mandatory compensation increases or other operating costs which exceed in-year income streams
  - Deficits

### **Available Funds**

After applying the categories above, whatever useable/spendable balances are left are included here. These balances are available to be spent on strategic projects, at the campus, Division or Department level or can be used to provide funding for ongoing operations in the event of disruptive revenue and/or expense “shocks”. This category may include funds that are free to spend, but may be restricted by the purpose of the fund, like graduate student support as they can be used in the future to free-up funds that are not restricted by purpose. Note some restricted fund balances may fall into this category because they are unrestricted at the unit level.

- *Examples*
  - Student support funds for Graduate Division and Financial Aid & Scholarships Office
  - Non-committed general Funds

### **Future Liabilities – Risk**

The Future Liabilities category is not an official ending balance category. It has been included to help you highlight potential risks that may need to be covered by your existing balances if planned future resources do not materialize. Amounts included in this category should be based on material multi-year commitments that have been approved as of June 30, 2018 by the Chancellor/EVCP, Dean or Vice Chancellor, or equivalent. This category includes funding that represents future dated allocations/payments associated with approved commitments for which funds have not yet been secured. This includes commitments or capital projects expected to be covered by future fundraising efforts or future ongoing revenue streams. This category is not included in the drop-down options in the GL Data report as funds in this category do not represent existing balances. Instead, there is a place on the SmartView Summary to include an amount related to these types of commitments.

- *Example*
  - \$2.5 million for faculty start-up that will be paid over 5 years. Funding for years 2-5 have not yet been secured, but are expected to be funded from ongoing revenue streams (salary savings, PDST/SSGPDP revenue and/or gift funds; portion related to years 2-5 would be at risk if the ongoing revenue streams don't materialize

### **Fund Usage**

After your balances have been sorted into the above fund categories, we are asking that you provide usage information to help us further understand what your balances represent. Below are the uses that have been identified to help campus better understand what Departments are using or planning to use their balances for. Some of the uses were based on the CADS Purpose<sup>5</sup> field which is included as data in the GL Data Support Schedule and the FFE Data Schedule (see the table in the Appendix B for assistance in translating the CADS Purpose field to the usage categories below).

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<sup>5</sup> CADS Purpose fields are only included for restricted gift funds.

**Start-up/Retention**

Balances that will be used for, allocated to, or otherwise represent faculty start-up and/or retention commitments for specific faculty members. Chart-field attributes associated with these types of funds would typically include start-up or retention CF1s and faculty CF2s.

**Other Faculty Funds**

Balances that will be used for or represent funds directly managed by a faculty member (outside of start-up and retention) including research funds, chair funds, BEAR grants, etc. Chart-field attributes associated with these types of funds would include specific fund numbers and/or specific CF1s and/or CF2s.

**Research**

Balances that will be used for or represent any other research funds that are not directly managed by a faculty member used for scientific, technical, and humanistic investigation, including salaries and other support of research projects (excludes funds classified as Contracts & Grants).

**Capital Improvements**

Balances that will be used for or represent support for ongoing operations of the physical plant, including its buildings and grounds, other facilities, and equipment for use by the University. It also covers purchasing buildings, other facilities, equipment, and land for use by the University; including construction and renovations or to retire indebtedness.

**Student Support**

Balances that will be used for or represent support for undergraduate or graduate students, including scholarships, fellowships, awards, prizes, and private support for work-study students.

**Instructional Support**

Balances not captured by the above uses that will be used for or represent support for teaching, seminars, conferences, lecturers, and teaching awards, including salaries, honoraria, and employee benefits.

**Non-Instructional Support**

Balances not captured by the above uses that will be used for or represent support for non-instructional services beneficial to individuals (including staff) and groups internal or external to the University (e.g., exhibits, museums, and similar facilities). Includes funding for salaries and benefits of staff.

**Other Specific Initiatives**

Balances not captured by the above uses that will be used for or represent support for Department specific initiatives.

**Unidentified**

Balances for which their uses have not yet been identified or may be used for multiple purposes (include detail in the notes) or can be easily redirected.

## 6. Intersection of Fund Buckets, Fund Categories and Fund Usage

### Fund Buckets and Fund Categories

Fund Buckets  Fund Categories	Unrestricted Funds	Designated	Restricted Gift Funds	Restricted Endowments and FFEs Funds	FFE Balances - Restricted
<b>Unusable</b>	n/a <sup>6</sup>	Possible	Possible	Possible	Possible
<b>Committed Obligations – External</b>	Possible	Possible	Possible	Possible	Possible
<b>Committed Obligations – Internal</b>	Possible	Possible	Possible	Possible	Possible
<b>Known Obligations</b>	Possible	Possible	Possible	Possible	Possible
<b>Available Funds</b>	Likely	Unlikely	Possible	Possible	Possible

**Fund classifications (Unrestricted/Restricted) in BFS and CalPlan are based on how funds are viewed at the campus level. As the funds are distributed throughout the organization, the level of restriction may change, but the classification will remain.**

**Unusable** – Should only contain funds from the restricted classification and will include funding sources that are so restrictive in use that they cannot be used under the current fund terms. At the Department level, it should contain funds that are restricted by use within the Department. Restricted funds that allow general use by the Department with no further restrictions would be considered unrestricted by that Department and, therefore, available for use if they are not associated with an obligation.<sup>6</sup>

**Committed and Known Obligations** – Will include a combination of funds from the Unrestricted and Restricted classifications.

**Available Funds** – Will primarily be made up of funds from the Unrestricted classification, but may include funds from the Restricted classification if they allow general use at the Department level. As we continue to adhere to the “First Dollar Principle”<sup>7</sup>, Available Funds will be primarily made of unrestricted funds.

<sup>6</sup> In prior year, some Divisions included unrestricted funds that had been approved to move into FFEs but had not yet moved as Unusable. Once moved the funds need to remain in the FFE for a certain number of years before they can be liquidated.

<sup>7</sup> The practice of Divisions and Departments using dollars generated from gifts, endowments, and other restricted funds (in accordance with fund restrictions) before using unrestricted funds.



## Fund Categories and Fund Usage

<b>Fund Categories</b> <b>Usage</b>	<b>Unusable</b>	<b>Committed Obligations – External</b>	<b>Committed Obligations – Internal</b>	<b>Known Obligations</b>	<b>Available Funds</b>
<b>Start-Up/Retention</b>	Unlikely	Likely	Possible	Possible	Possible
<b>Other Faculty Funds</b>	Unlikely	Likely	Possible	Possible	Possible
<b>Research</b>	Possible	Likely	Possible	Likely	Possible
<b>Capital Improvements</b>	Possible	Possible	Possible	Likely	Possible
<b>Student Support</b>	Possible	Possible	Possible	Possible	Likely
<b>Instructional Support</b>	Possible	Possible	Possible	Possible	Likely
<b>Non-Instructional Support</b>	Possible	Possible	Possible	Likely	Likely
<b>Other Unit Specific Initiatives</b>	Possible	Likely	Likely	Likely	Likely
<b>Unidentified</b>	Unlikely	Unlikely	Possible	Unlikely	Likely

**Unusable** – Should only contain funds from the restricted classification, therefore the fund usage should be based on the restriction.

**Committed and Known Obligations** – Since these have been earmarked for a specific reason, their usage should be further defined based on the agreement.

**Available Funds** – Will likely include Unidentified usages or usages that relate to our core operating activities.

## 7. Examples

To help illustrate the fund categories, fund usage, how the lens/perspective used can change the categorization, here are some examples to guide you.

*Chancellor Christ commits \$1 million to support Equity and Inclusion in STEM (Science, Technology, Engineering, and Math). The commitment is for general use in STEM and does not include specific language as to how The VC of Equity & Inclusion will use the funds or who the funding will go to (an external vendor or another Department, like Engineering).*

### Fund Categories

- Central Ledger Department (ZABUD) Perspective:** If the funding has not been allocated to Equity & Inclusion as of June 30, 2018, the \$1 million would be considered a **Committed Obligation-Internal** in the Central Ledger. Since the funding has not been distributed it is still included in ZABUD's balances. The commitment has been approved by the Chancellor so it is a committed obligation. Since it has not been determined how the funds will be spent and no agreements with an external vendor or employee have been made, it is an internal commitment to a Division.
- Equity & Inclusion Immediate Office Department Perspective:** If the funding has already been distributed to Equity & Inclusion and it is in their balances as of June 30, 2018 this fund could be classified as follows depending on any agreements Equity & Inclusion has entered into as of June 30, 2018:

- 2.1. If Equity & Inclusion has committed some of these funds to support the startup funding of a new Professor in STEM and the funding amount is included in the offer letter to that employee, the portion of the funding allocated to startup would be considered a **Committed Obligation-External** in Equity & Inclusion's ending balance.
- 2.2. If Equity & Inclusion has committed some of these funds to the Dean's office in Engineering to be used to support graduate students in Engineering, but the specific graduate students are not identified in the commitment documents, the portion of funding owed to Engineering for graduate student support that is included in Equity & Inclusion's balances as of June 30, 2018 would be considered a **Committed Obligation-Internal**. It is a commitment to another Department/Division for general use.
  - 2.2.1. If this funding had been allocated to Engineering by June 30, 2018 and the funding is now included in the Engineering Dean's offices balances at June 30, 2018, then the funding would be considered **Available Funds**. The Dean's office would need to spend it on graduate student support, but it could be used to free up other available funds for general use.
- 2.3. If Equity & Inclusion has earmarked some of the funding for a conference but is not sure of the specifics, it would be considered a **Known Obligation**.

### Fund Usage

Using the Fund Categories from above, here are examples of Fund Usage classification.

1. The Committed Obligation – Internal included in **Central Ledger Department's (ZABUD)** balances is for a multi-purpose initiative; its usage would be classified as **Other Unit Specific Initiatives**.
2. Funds in **Equity & Inclusion's** balances:
  - 2.1. The Committed Obligation-External is for a new Professor in STEM and is part of their offer letter; its usage would be classified as **Start-up/Retention**.
  - 2.2. The Committed Obligation-Internal will be used to support graduate students in the College of Engineering; its usage would be classified as **Student Support**.
    - 2.2.1. Since the College of Engineering continues to have the funding earmarked for a graduate student, the usage for the Available Funds included in College of Engineering's balances would be **Student Support**.
  - 2.3. The Known Obligation is for a conference so it could be further classified as **Instructional Support**.

## Appendix A – Private Philanthropy tips

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- **What is the difference between a restriction and a preference?**

A **restriction** is an auditable criterion set by the donor to determine the expenditure of their gift to the University. A restriction may go beyond the purpose of a fund (chair, fellowship, scholarship, general, etc.) but should be of broad enough scope to allow for flexibility and continuous utilization. **Example: A fund that will support scholarships for students majoring in art history at UC Berkeley.** The purpose is scholarship; the restriction is art history.

A **preference** is a criterion set by the donor to further determine the expenditure of their gift to the university. A preference can go beyond the purpose and/or restriction of a fund, but is not subject to audit. A preference is treated as a restriction when possible but the campus may disregard it in order to spend the funds. **Example: A fund that will support need-based scholarships in the College of Engineering at UC Berkeley, with a preference for students majoring in bioengineering.** The purpose is scholarship; the restriction is College of Engineering; the preference is a major in bioengineering.

Only the donor can set a restriction(s) or a preference(s) on the University. A criterion set by UCOP, the Chancellor, dean, chair, etc. is an allocation, which can change as needed. Note that fund terms may be written with a restriction and not a preference, with a restriction and a preference, or with only a preference.

# Appendix B – Translating CADS Purpose Field to Usage Categories

CADS Primary Purpose	Translation	Usage Categories
<b>A</b> Agriculture/Research Services	<b>1, 2 or 3</b>	<b>1</b> Startup/Retention
<b>B</b> Campus Improvement	<b>4</b>	<b>2</b> Other Faculty Funds
<b>C</b> Chair	<b>2, 3 or 7</b>	<b>3</b> Research
<b>D</b> Chancellor's Unrestricted	<b>n/a</b>	<b>4</b> Capital Improvements
<b>E</b> Donor Recognition	<b>n/a</b>	<b>5</b> Student Support
<b>F</b> Graduate Student Support	<b>5</b>	<b>6</b> Instructional Support
<b>G</b> Grad/Undergraduate Support	<b>5</b>	<b>7</b> Non-Instructional Support
<b>H</b> Instructional Support	<b>6</b>	<b>8</b> Other Unit Specific Initiatives
<b>I</b> Library	<b>depends</b>	<b>9</b> Unidentified
<b>J</b> Multipurpose	<b>depends</b>	
<b>K</b> Non-Instructional Support	<b>7</b>	
<b>L</b> Research	<b>1, 2 or 3</b>	
<b>M</b> Undergraduate Support	<b>5</b>	
<b>N</b> Unit Restricted	<b>n/a</b>	
<b>O</b> Unit Unrestricted	<b>n/a</b>	
<b>P</b> Purpose Pending	<b>n/a</b>	

**Notes:**

1. Represents general guidelines for how these categories could be translated to the usage categories. It does not include every possible scenario.
2. Administrative Chairs would fall under Non-Instructional Support.
3. See below for Sub-Purposes that go with each CADS Purpose field. Sub-Purpose fields are included in the GL Data Support Schedule and the FFE Data Schedule and can also be used to help determine the usage category.

