

Reserve Analysis Workshop

December 14, 2023

January 18, 2024

10:00AM to 11:00AM

Financial Analysis & Planning



Timeline

<u>Time</u>	Milestone	Activity
12/1	Templates included in Division Folders	Templates were distributed out to each of the DFLs
12/1 – 2/2	DFLs Distribute Templates to Departments and/or Collect Data from Departments to fill in Templates	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
2/9	DFLs Submit Completed Templates	DFLs return completed templates to the Financial Planning & Analysis Team via dfl_concierge@berkeley.edu
2/2 thru Budget Process	Review returned templates and make any necessary adjustments before including data in the budget process	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
Budget Process	Include data in Division's Budget leadership package	Reserves data will be included in the budget leadership package and included as part of the budget discussion

Framing template completion exercise

- Purpose of exercise is to help campus understand existing balances
- Focus is on balances including FFEs as of June 30, 2023*
 - Excludes Contracts & Grants
 - Projected or anticipated funds should not be considered
- Fund category definitions are broken up into 3 distinct groupings: Unusable, Obligations and Available Funds.
 - We are also asking for the identification of usage by fund category.
- Perspective is at the department view in terms of management of funds and usage
- Obligations are based on commitments approved as of December 31, 2023
 - Projected/not yet approved commitments should not be considered as obligations

** Templates pull data from "Account 30000 - Prior Year Ending Balances" for FY24 which is equal to FY23 ending balances; FFEs are market values as of June 30, 2023.*

Fund buckets in scope via CalPlan hierarchy

Current Funds

Unrestricted

- Unrestricted Funds
 - Student Tuition and Fees
 - General Funds
 - Unrestricted Gifts
 - Unrestricted Endowments and FFEs
 - Sales, Services & Other
 - Auxiliary
- Designated

Restricted

- Restricted Gift Funds
- Restricted Endowments and FFEs Funds
- Contracts and Grants (Out of Scope)

Note: FFE balances held on the balance sheet will not be broken out into fund buckets and include both Restricted Gift Fund Endowments and Restricted FFEs

Fund category definitions

Categories					
Ending Balance and FFEs as of June 30th					Future
Unusable	Approved Obligations			Available	Risks
"Unusable" Balances	Committed Obligations – External	Committed Obligations – Internal	Known Obligations	Available Funds	Future Liabilities
<ul style="list-style-type: none"> Restricted fund balances that are not readily available for use by the university in the foreseeable future (within the next 5 years) because they are highly restrictive Funds that are difficult to spend due to administrative burdens (small payouts or existing balances) Campus can work with individual units to monitor and take steps to reduce these balances (review fund terms, if possible) 	<ul style="list-style-type: none"> Funding that has already been committed and set aside to cover planned operating and capital expenses associated with external vendors, another campus, an employee or a faculty member (startup & retention) Commitments that are legally binding and approved by the Chancellor/EVCP, Dean or Vice Chancellor, or equivalent, and is clearly documented 	<ul style="list-style-type: none"> 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 for general use (not ultimately associated with a commitment to an external vendor) Commitments that have been approved by the Chancellor/EVCP, Dean or Vice Chancellor or equivalent and is clearly documented 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. 	<ul style="list-style-type: none"> 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 by the Chancellor/EVCP, Dean or Vice Chancellor or equivalent and is clearly documented Known obligations can be for external or internal recipients. 	<ul style="list-style-type: none"> 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" May include funds that are free to spend, but may be restricted by the type of spend by account like graduate student support (ability to free-up future unreserved funds) 	<ul style="list-style-type: none"> Future dated commitments for which funds have not yet been secured Includes commitments or capital projects expected to be covered by future fundraising efforts or future ongoing revenue streams

Fund category definitions – examples

Examples					
Ending Balance and FFEs as of June 30th					Future
Unusable	Approved Obligations			Available	Risks
"Unusable" Balances	Committed Obligations – External	Committed Obligations – Internal	Known Obligations	Available Funds	Future Liabilities
<ul style="list-style-type: none"> 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; funds in the ending balance represent the funding from the payout that you are unable to spend 	<ul style="list-style-type: none"> 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, 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Student support funds for Graduate Division and Financial Aid & Scholarships Office Non-committed general Funds 	<ul style="list-style-type: none"> Unfunded Future Commitments: \$2.5M of faculty startup funds over 5 years. Years 2-5 are expected to be funded from ongoing revenue streams (salary savings, PDST/SSGPDP Revenue and gift funds); portion related to years 2-5 would be a risk to the 06/30/2024 ending balance if the ongoing funds don't materialize Pledges based on matching funds based on future revenue streams

Fund category definitions – questions to ask

Questions To Ask					
Ending Balance and FFEs as of June 30th					Future
Unusable	Approved Obligations			Available	Risks
“Unusable” Balances	Committed Obligations – External	Committed Obligations – Internal	Known Obligations	Available Funds	Future Liabilities
<ul style="list-style-type: none"> Has this fund been in my ending balances for a number of years and I have not been able to use it because you feel you are not able to use it due to donor restrictions? Would it be too much work for me to combine this fund’s balance with other similar funds to be able to use it? 	<ul style="list-style-type: none"> Is there an approved agreement (by the Chancellor/EVCP, Dean or Vice Chancellor, or equivalent) that legally binds the usage of these funds for a specific purpose? Is the amount owed defined and final? Is the ultimate recipient of these funds (either paid by my Department or someone else’s Department) an external individual or entity and it is clearly documented? 	<ul style="list-style-type: none"> Is there an approved agreement (by the Chancellor/EVCP, Dean or Vice Chancellor, or equivalent) between two divisions to transfer funds for a specific purpose? Is the amount owed defined and final? 	<ul style="list-style-type: none"> Is there an approved agreement (by the Chancellor/EVCP, Dean or Vice Chancellor, or equivalent) to accumulate or set aside these funds for a multi-year project, capital improvement or initiative? Is the amount owed estimated, but not yet final? 	<ul style="list-style-type: none"> Is this a fund that does not meet the definitions of “Unusable” funds or “Approved Obligations”? Is there a desire to use these funds for a future purpose, but it has not been formally approved as a commitment? 	<ul style="list-style-type: none"> Are you looking at future commitments to try to categorize your ending balances? Are future liabilities expected to be paid by future revenue sources and not existing balances?

How fund buckets and fund categories intersect

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

Fund Restrictions do not determine the categorization. Categorization is determined by whether or not the funds have been approved to be spent on an identifiable recipient.

How fund categories and fund usages intersect

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

Usage identifies what the approved funds will be used for.

Sample Division										
	FY2023-24 Beginning Balances					FY2023-24 Operating Budget Total Expenses				
	Unrestricted Funds	Designated	Restricted Gift Funds	Restricted Endowments and FFEs Funds	Current Funds Excluding C&G	Current Funds Excluding C&G	Beginning Balance % of Total Expenses	FY23 FFE Market Value*	Beginning Balance + FFEs	Beginning Balance + FFEs % of Expenses
2023-24	2,200,000	3,600,000	750,000	1,200,000	7,750,000	10,000,000	77.5%	8,000,000	15,750,000	157.5%
Unusable	-	-	-	-	-		0.0%	-	-	0.0%
Committed Obligations - External	-	-	-	-	-		0.0%	-	-	0.0%
Committed Obligations - Internal	-	-	-	-	-		0.0%	-	-	0.0%
Known Obligations	-	-	-	-	-		0.0%	-	-	0.0%
Available Funds	2,200,000	3,600,000	750,000	1,200,000	7,750,000		77.5%	8,000,000	15,750,000	157.5%
Check Row - Do not override										
Future Liabilities - Risk	-	-	-	-	-			-	-	
Potential Impact of Future Liabilities on Availal	2,200,000	3,600,000	750,000	1,200,000	7,750,000			8,000,000	15,750,000	
* Market Value of Funds Functioning as Endowments (FFE; both Regent and Foundation balances) as of June 30th.										
Note: Signage is based on Financial Statement (CalPlanning) format										

... 1_Division_SmartView Summary

Sample_GL Data and FFEs Pivots | GL Data | FFE Balances | (+)

- Berkeley** Office of the
Chief Financial Officer

Pivot Table tab in the Template

GL Data						FFEs	
Sum of 2024						Row Labels	Sum of June '23 MV
Row Labels	Unrestricted Funds	Designated	Restricted Gift Funds	Restricted Endowments and FFEs Funds	Grand Total	(blank)	8,000,000
(blank)	(2,200,000)	(3,600,000)	(750,000)	(1,200,000)	(7,750,000)	Grand Total	8,000,000
Grand Total	(2,200,000)	(3,600,000)	(750,000)	(1,200,000)	(7,750,000)		

\$7,750,000

Pivot Table tab in the *submission* File

GL Data						FFEs	
Sum of 2024						Row Labels	Sum of June '23 MV
Row Labels	Unrestricted Funds	Designated	Restricted Gift Funds	Restricted Endowments and FFEs Funds	Grand Total	Available Funds	8,000,000
Committed Obligations - External	(688,000)	(3,600,000)	(100,000)	(500,000)	(4,888,000)	Grand Total	8,000,000
Committed Obligations - Internal	(512,000)		(400,000)	(100,000)	(1,012,000)		
Available Funds	(300,000)		(250,000)	(300,000)	(850,000)		
Known Obligations	(700,000)			(300,000)	(1,000,000)		
Grand Total	(2,200,000)	(3,600,000)	(750,000)	(1,200,000)	(7,750,000)		

\$7,750,000

Template: GL Data support schedule by L3

- Where users will spend most of their time reviewing fund data for existing balances
- Includes pre-populated data and user defined fields
- GL Data support schedule can be parsed out for distribution by L4 (Department), but the final submission should include the summarized L3 (Division) GL Data; do not add rows or columns to the final submission
- Debit/(Credit) signage

Template: FFE Data support schedule by L3

- Includes detailed information related to Funds Functioning as Endowments (FFE) by Division and Department
- Includes pre-populated data and user defined fields; user defined fields are the same as the GL Data support schedule
- FFE Data support schedule can be parsed out for distribution by L4 (Department), but the final submission should include the summarized L3 (Division) GL Data; do not add rows or columns to the final submission
- Financial Statement signage

Categorization of FFE Market Value (Principal)

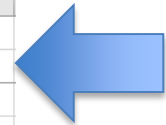
Categorizing of FFEs should be based on how you plan to use the principal **NOT** the payout.

- Normally the principal for FFEs should be listed as **Available** unless there is a specific commitment to liquidate the FFE in the next year (or five years for Known Obligations) to fulfill an obligation.
- Marking an FFE as Available does not mean that there is an expectation that you will invade the principal to cover budget shortfalls. *The categorization is so that we can understand what is committed and what is not.*
- In previous years we allowed some divisions to mark their FFEs as **Unusable** because the divisions relied on the payout from those FFEs to support their ongoing operations. If you feel strongly about not including these as Available, you have the option to include them as Unusable.

V-lookup for mapping Fund Categories from last year's file

- Step 1 – Create a Key for both years data
- Step 2 – Link the Data in the Fund Category and Usage Category columns from prior year file to current year by using V-lookup Formula

	Y	Z	AA	AB	AC
		Unit Defined			
▼ 2024 ▼		Fund Category ▼	Usage Category ▼	Notes ▼	Key for VLOOKUP
		(500,000) Committed Obligations - External	Non-Instructional Support		1234537120
		(100,000) Committed Obligations - Internal	Instructional Support		1234544696KGFACG
					1234552510
					1234541892
		(100,000) Committed Obligations - External	Student Support		1234541950KGFACG
		(400,000) Committed Obligations - Internal	Other Faculty Funds		1234542385



Q & A

Resources

Reserve Analysis Website:

<https://cfo.berkeley.edu/about-us/financial-planning-analysis/budget-and-financial-operations/reserve-analysis>

Office Hours (sign up on the link above):

January 11, 2024 (Thursday) 11:00 AM to 12:00 PM

January 25, 2024 (Thursday) 11:00 AM to 12:00 PM

February 1, 2024 (Thursday) 11:00 AM to 12:00 PM

Additional Questions:

- Email: dfi_concierge@berkeley.edu