



# FY2019-20 BUDGET PROCESS

## APPENDIX #1 - OPERATING BUDGET IMPROVEMENT TARGET MEASUREMENT

### UC BERKELEY BUDGET GUIDELINES AND ASSUMPTIONS

This document provides additional information specific to the FY2019-20 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 FY2019-20, FY2020-21 and FY2021-22 operating budget improvement targets, including key dates and measurement templates.

## Table of Contents

- I. Establishment of FY2019-20, FY2020-21 and FY2021-22 Operating Budget Improvement Targets ..... 2
- II. Measurement of FY2019-20, FY2020-21 and FY 2021-22 Operating Budget Goals.....2
- III. Monitoring of FY2019-20, FY2020-21 and FY 2021-22 Operating Goal.....2
- IV. Performance Actions..... 3
- V. Timeline ..... 4

## I. Establishment of FY2019-20, FY2020-21 and FY 2021-22 Operating Budget Improvement Targets

We ultimately must achieve and sustain a balanced budget for FY2019-20 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 for FY2019-20 were shared with deans in November and are the same as those that were populated in the Multi Year Template shown on the Budget Dashboards last year. It is important to note that FY2020 - 21 and FY2021-22 budget targets may be revisited in future budget process reviews.

## II. Measurement of FY2019-20, FY2020-21 and FY 2021-22 Operating Budget Goals

The goal is calculated by adding the target to the base amount. Calculating the correct base is not as simple as one would imagine; the following factors have to be taken into consideration:

- Expenses for approved **Strategic Investments** (which allowed divisions to use reserves to invest in revenue generating initiatives), were adjusted from divisional FY2018-19 Net Operating Surplus/(Deficit) goals. These investments were not intended to be a reprieve from future performance improvements. These approved investments need to be added back when calculating future year goals.
- **Budget Improvement Targets** (or BITs) If your FY2018-19 Net Surplus/Deficit did meet your goal, you must include this value (variance between FY 2018-19 Net Surplus/Deficit Final Budget and your goal) in your next year's base to properly calculate the FY2019-20 Net Operating Goal.
- Those units who submitted plans significantly in excess of their set Net Operating Surplus/(Deficit) goal should be **held harmless** – these units should not be held to a higher goal in perpetuity for an improved outlook (which may be only temporary in nature). Holding units harmless for an improved outlook should encourage units to submit more accurate budgets, without worrying about being penalized in future.

**The FY2019-20 operating budget goal therefore will be calculated by taking each division's FY2018-19 Net Operating Surplus/(Deficit) Goal, excluding Contracts and Grants (C&G) from the Final Allocation Letter (Box "E" in Appendix 2 to the letter), subtracting approved Strategic Investment Expenses\*, and adding the FY2019-20 operating budget improvement targets.**

This method holds harmless those units who submitted budgets significantly improved from last year's goals. In addition, by using last years' goal as the base, those units whose budgets did not meet the goal will still be held to the level set the year prior.

Adjustments to targets/goals for any extenuating circumstances should be discussed in small group meetings scheduled in February with campus Leadership.

\* Only those Strategic Investments which are in Expense categories were subtracted. Some divisions had approved Strategic Investments which were in Changes in Fund Balance. Because these do not roll up to Net Operating Surplus/(Deficit), these investments are not considered in the calculation of the FY2019-20 goal.

## III. Monitoring of FY2019-20, FY2020-21 and FY 2021-22 Operating Goals

Upon submission, we will check to see whether each division's budget submission has met the FY2019-20 operating budget goal by comparing the published goal amount to their submitted FY2019-20 Operating Budget Final Net Operating Surplus/(Deficit) excluding C&G. If their FY2019-20 Operating Budget Final Net Operating Surplus/(Deficit)

excluding C&G is equal to or higher than the FY2019-20 Net Operating Surplus/(Deficit) Goal the Division has met their target.

#### a. DFL Submission on April 3: Multi-Year Planning Template and Budget Narrative will include Target/Goal Measurement and Variance Explanations

- As part of the FY2019-20 Operating Budget submission on April 3, 2019, divisions will be asked to prepare a **multi-year planning template** which looks at historical trends, allows each division to prepare a three-year (FY2019-20, FY2020-21 and FY2021-22) financial plan and identifies if the targets/goals 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.

### IV. 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.

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. Since we are held to a multi-year commitment with OP to eliminate our deficit, any targets not achieved in 2019 and 2020 will carry forward into 2021 and beyond.

## V. Timeline

### Budget and Performance Monitoring Calendar

Each division must complete their FY19 Forecast and FY20 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
<b>FY19 Forecast</b>	<b>3/22</b>	<b>Forecast Due</b>	<b>Division</b>	<b>Deadline for FY19 Full Forecast Q3 Submission.</b>
<b>FY20 Operating Budget</b>	Sept	FY20 Operating Budget Opens	Campus	Campus Support transfers are seeded. Compensation growth assumptions are built-in.
	Sept-Mar 22	Review & Update	Division	Review Campus Support transfers for accuracy. Plan Revenues, Operating Transfers, Compensation and Non-Compensation Expenses, and Changes in Fund Balance.
	1/28	<b>Budget Guidelines, narrative and Revgen template released</b>	Campus & Division	Budget Guidelines and Assumptions, budget narrative and Revgen template released
	1/30	<b>Call Letter released</b>	Campus	Call letter released
	2/1	<b>Form A Released</b>	Division	Form A sent to DFLs
	Feb	<b>TAS Allocations released</b>	Campus	Call letter, assumptions, budget targets, TAS allocations, Revenue generation template and narrative template will be released
	2/20	<b>Multi-year budget template, Form B and Reserve Analysis released</b>	Campus	
	3/1	Form A due	Campus	DFLs return Form A, if not earlier
	<b>3/22</b>	<b>Budget Due</b>	<b>Division</b>	<b>Deadline for FY20 Operating Budget Planner Submission in CalPlan</b>
	<b>4/3</b>	<b>Budget Due</b>	<b>Division</b>	<b>Deadline for FY20 Budget Narrative, Multi-Year Template, Revenue Generation Plan, Form B, and Reserve Analysis. Email to <a href="mailto:dfi_concierge@berkeley.edu">dfi_concierge@berkeley.edu</a>.</b>
	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.
<b>FY20 Actuals</b>	Oct	FY20 Q1 Variance Reports Due	Division	Divisions submit their Q1 variance reports to OCFO.
	Jan 2020	FY20 Q2 Variance Reports Due	Division	Divisions submit their Q2 variance reports to OCFO.
<b>FY20 Flash Forecast</b>	Oct/Nov	FY20 Q1 Flash Forecast Due	Division	Divisions finalize their FY20 Q1 Flash Forecast in CalPlanning and submit Smart View Trend and Variance Reports and Summary of Changes Narrative to OCFO.
	Jan 2020	FY20 Q2 Flash Forecast Due	Division	Divisions finalize their FY20 Q2 Flash Forecast in CalPlanning and submit Smart View Trend and Variance Reports and Summary of Changes Narrative to OCFO.