

University of California, Berkeley

The seal of the University of California, Berkeley, is partially visible on the left side of the slide. It features a central shield with an open book, a star above it, and a banner below that reads "LIGHT". The outer ring of the seal contains the text "CALIFORNIA UNIVERSITY BERKELEY" and the year "1868".

Bridging the Gap

Erin S. Gore – AVC, CFO



Financial

Rhythm Continuous look at resources

Rigor Insight, oversight and foresight

Reality All funds budgeting, revenue matters



Environmental context



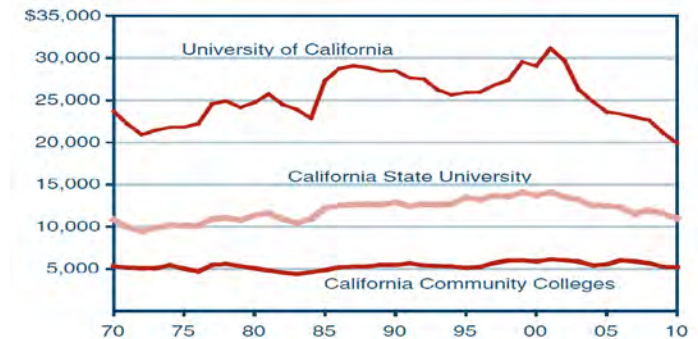
- 1) The global macro environment remains volatile
- 2) US government spending is under pressure
 - **Current federal tax and spend policies are unsustainable.**
 - Unemployment and the federal deficit are top concerns for Americans.
 - **Discretionary spending is under pressure.**

3) Forecasts suggest protracted budget challenges for the state of California

- **Annual budget problems of \$20 billion each year are projected through FY 15/16**
- Governor Brown slashes spending by \$12.5 billion (\$500 to UC)

4) The disinvestment in UC started a decade ago.

Per-Student Higher Education Funding Has Declined in Recent Years
Total Funding Per FTE Student in Constant 2010 Dollars^a



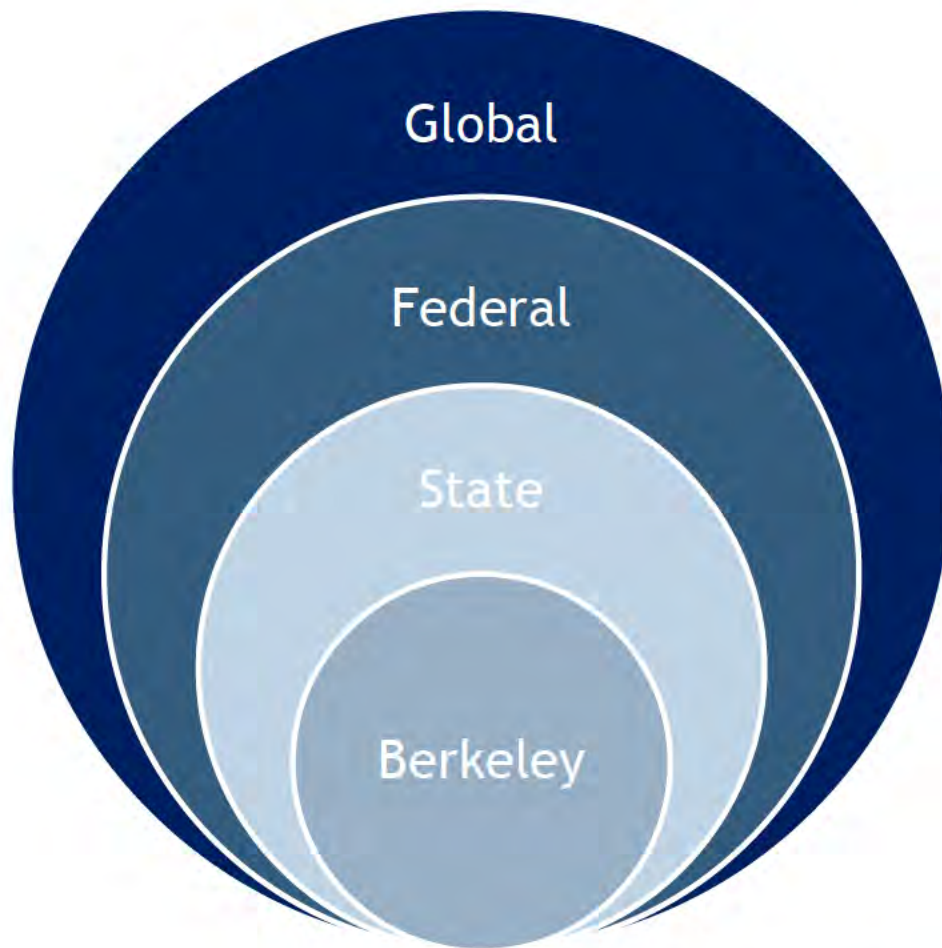
^aIncludes state General Fund, local property tax, and student fee revenues.

It will be awhile until the economy rights itself and when it does, the funds will go elsewhere before they are made available to UC



Berkeley continues to be impacted by what happens at the global, federal and state level...

...so their problems are our problems



- *We have been through the most serious recession since the Great Depression - which has lasting global economic effects*

- *The US federal fiscal deficit is large, and does not converge unless significant revenue/expenditure measures are taken....this is underway*

- *California has a large structural deficit, there is a long queue of underfunded “mandates” (K-12, infrastructure, pensions) and the current budget will impose additional cuts on the UC system, above the \$650 million already imposed, if higher revenue targets are not met*

We face a new reality . . .



A Vision for the Future ...

To provide a direct line of sight into financial plans and results at all levels of the institution in order to enable multi-year, strategic decision-making within and across campus constituents.

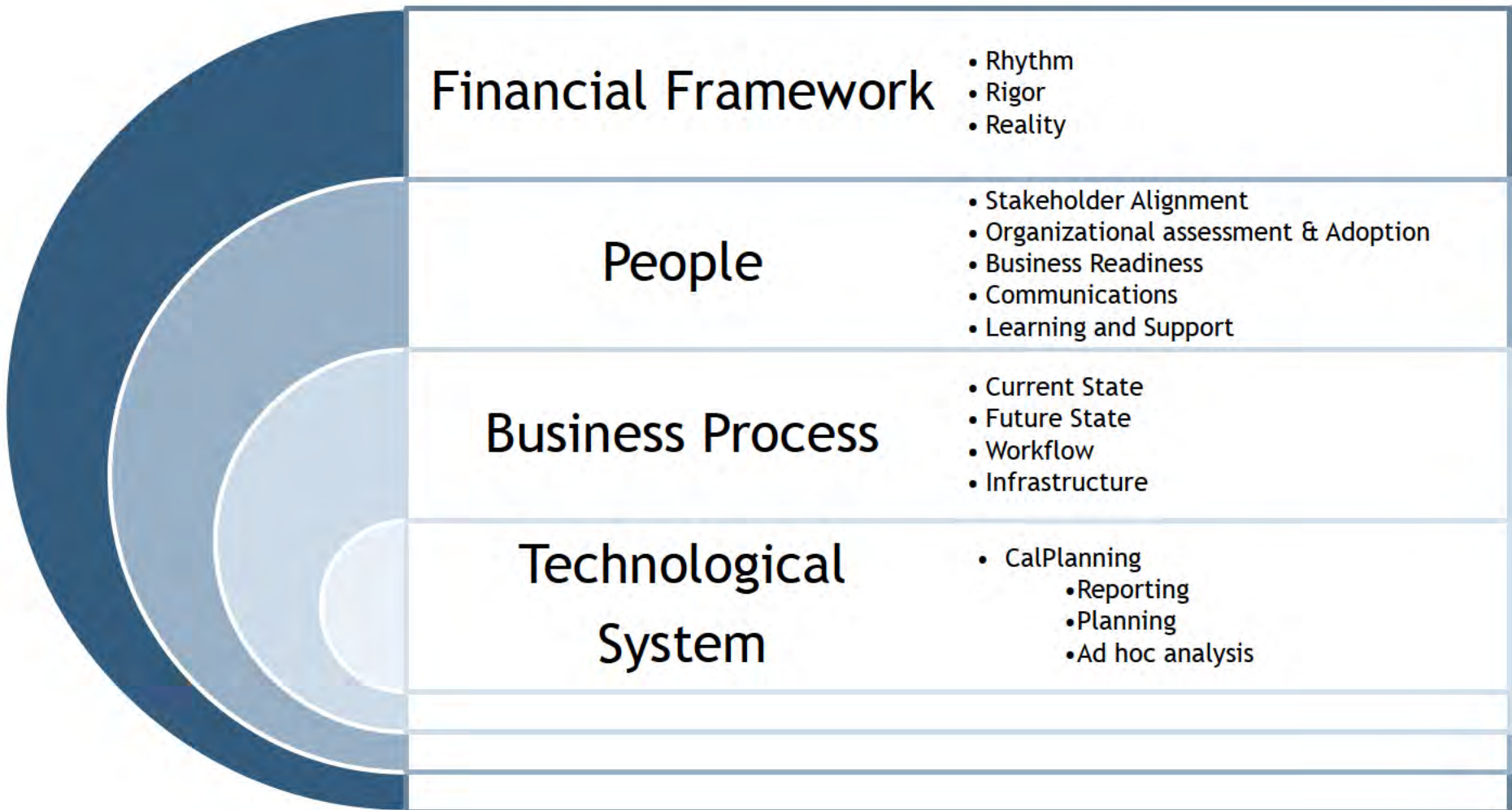
- ✓ Quick answers to critical questions
- ✓ Informed decisions
- ✓ Sustainable solutions supporting campus priorities
- ✓ Trusted financial advisors





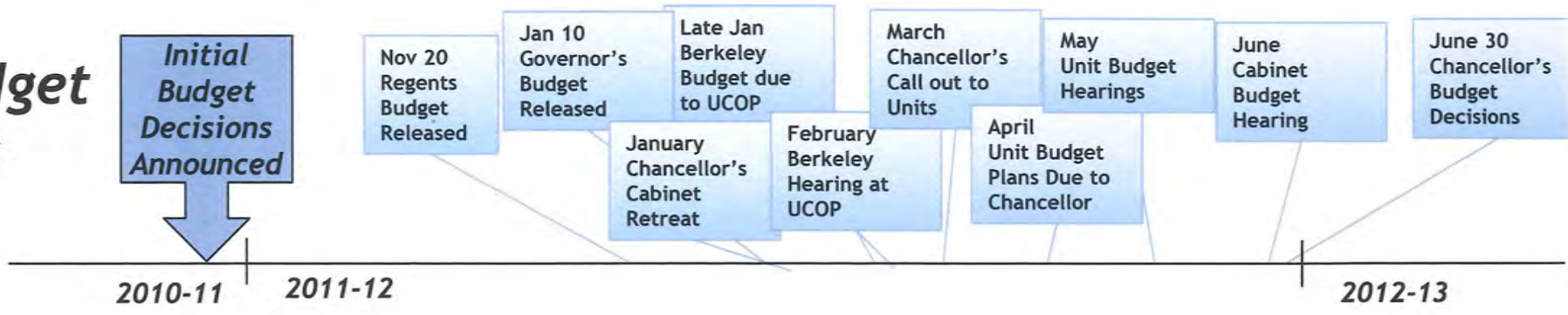
Overview

A systematic change approach makes it easier for the organization to realize results.

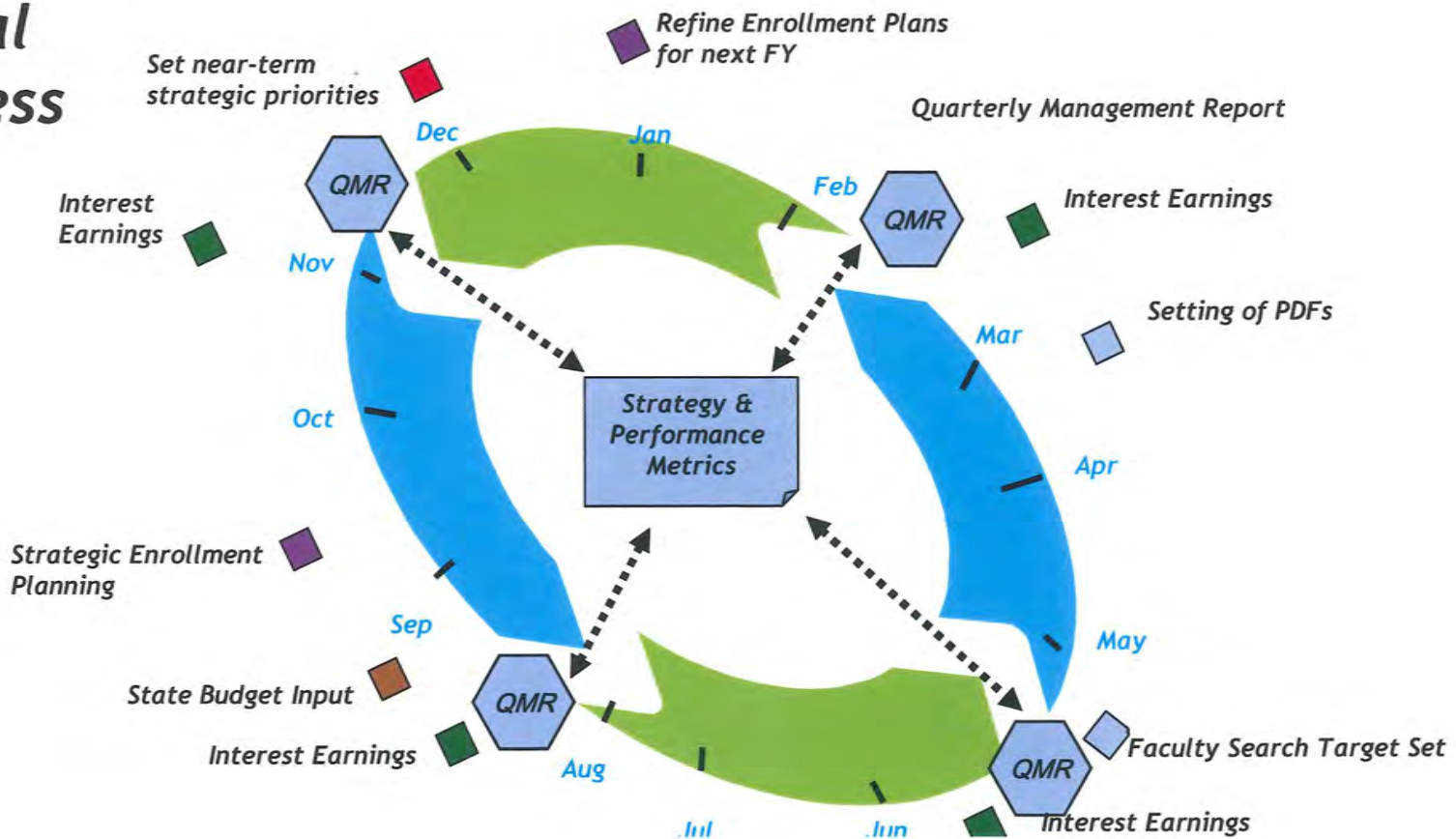




Old Budget Process



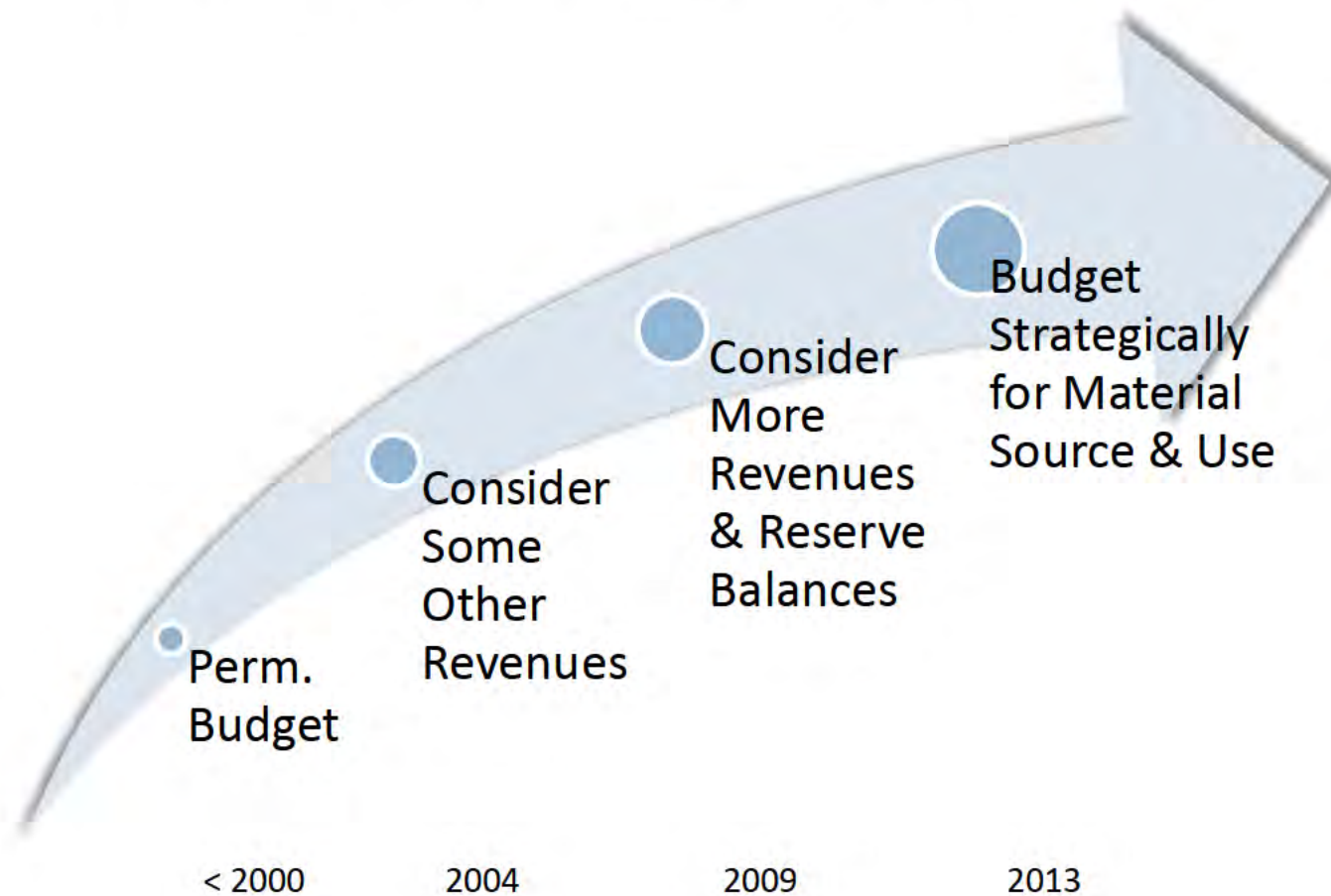
Conceptual New Process





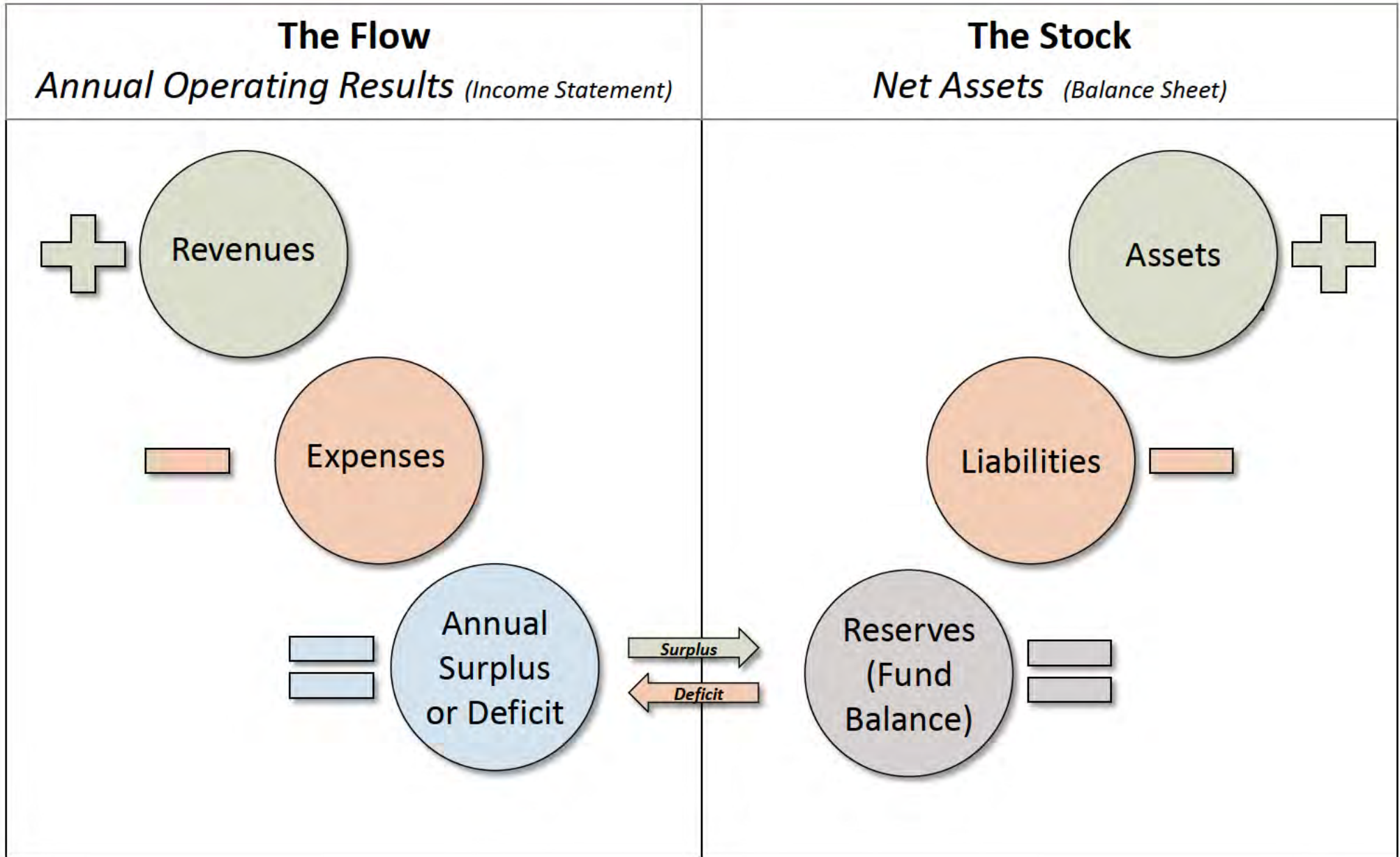
Budgetary Evolution at U.C. Berkeley

To prosper in an increasingly complex financial environment, Berkeley's legacy budgeting and financial systems will need to be reimagined in order to improve strategic use of all sources of revenues in order to fund all the programs and uses important to our success.





Budgeting with the Stock and the Flow

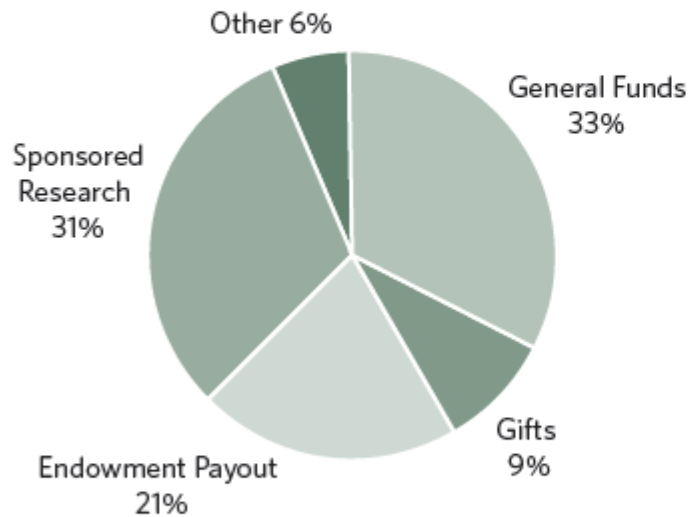




Budgeting with Stock and Flow: The Stanford Example from Hyperion Planning

SCHOOL OF EDUCATION

**2011/12 Consolidated Revenues
\$43.3 Million**



[IN MILLIONS OF DOLLARS]

	2009/10 ACTUALS	2010/11 PROJECTION	2011/12 PLAN TOTAL
Total Revenues	40.2	42.2	43.3
Expenses			
Salaries and Benefits	25.8	27.3	28.8
Non-Salary	11.9	14.2	14.3
Total Expenses	37.6	41.5	43.2
Operating Results	2.6	0.7	0.1
Transfers From (to) Endowment & Other Assets	1.1	(0.6)	(0.4)
Transfers From (to) Plant	(1.0)	(0.9)	(1.0)
Surplus / (Deficit)	2.7	(0.8)	(1.3)
Beginning Fund Balances	30.9	33.5	32.8
Ending Fund Balances	33.5	32.8	31.4



Pull the Level of Data That is Meaningful to You...

SCHOOL OF EDUCATION 2011/12 Consolidated Budget Plan [IN THOUSANDS OF DOLLARS]

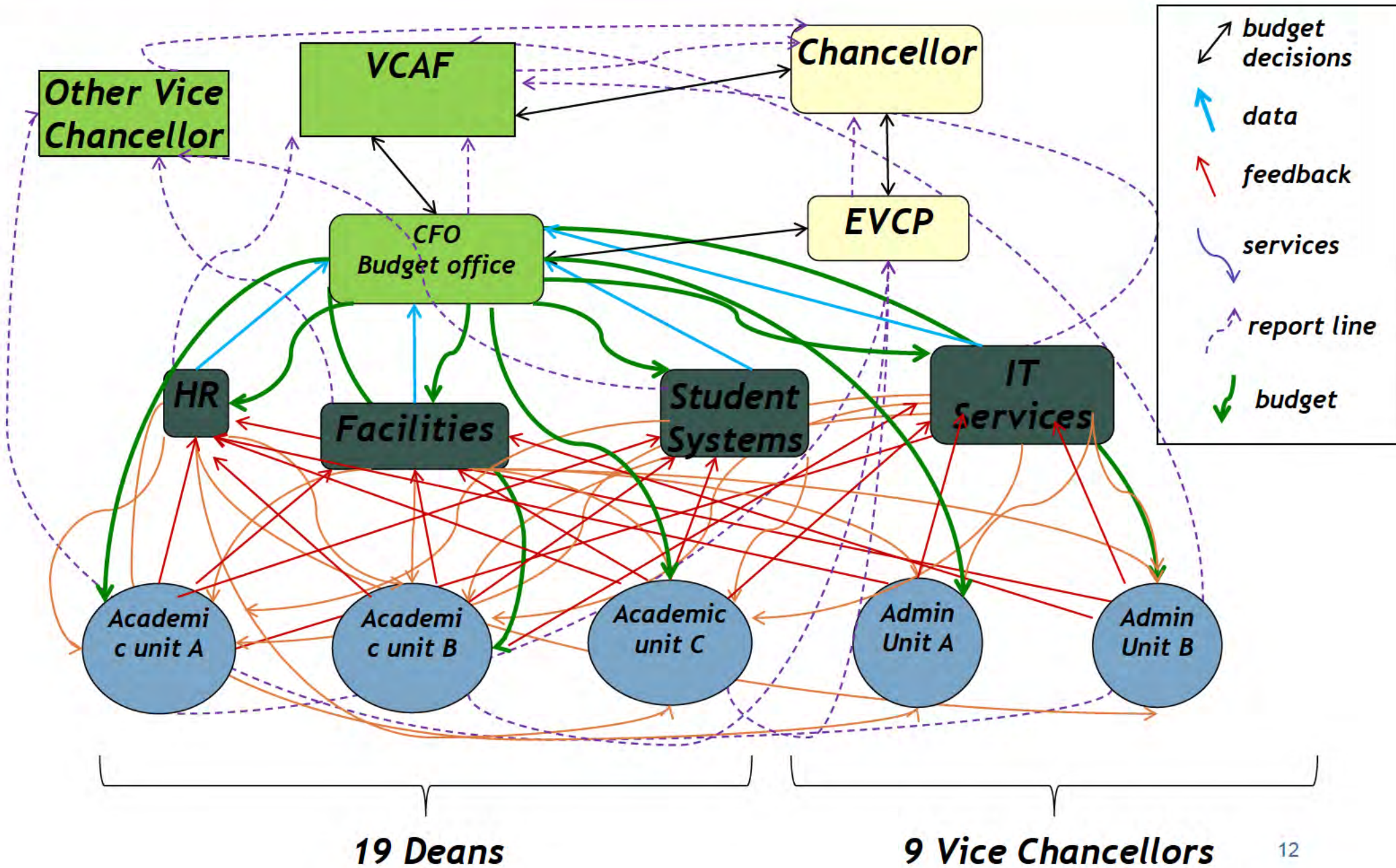
2009/10 ACTUALS	2010/11 PROJECTION		OPERATING BUDGET	DESIGNATED FUNDS	RESTRICTED EXPENDABLE	RESTRICTED ENDOWMENT	GRANTS & CONTRACTS	AUXILIARY & SERVICE CENTER	2011/12 TOTAL
Revenues									
12,271	13,946	General Funds Allocation	14,375						14,375
25,746	27,116	Restricted Revenues		1,389	4,004	9,208	13,159		27,760
6	2	Internal Revenue		2					2
2,151	1,125	Operating Transfers	9,181	941	(2,131)	(6,843)			1,147
40,174	42,188	Total Revenues	23,555	2,332	1,873	2,364	13,159		43,284
Expenses									
11,412	11,818	Academic Salaries	8,947	249	361	322	2,586		12,465
7,509	8,313	Staff Salaries	4,251	663	370	255	3,207		8,745
6,848	7,175	Benefits & Other Compensation	4,814	401	238	224	1,943		7,620
10,816	13,083	Non-Salary Expenses	5,043	961	1,545	410	5,315		13,273
1,035	1,067	Internal Expenses	487	255	186	40	103		1,072
37,619	41,457	Total Expenses	23,543	2,529	2,700	1,250	13,154		43,175
2,555	731	Operating Results	13	(197)	(827)	1,114	5		109
1,094	(646)	Transfers From (to) Endowment & Other Assets			750	(1,180)			(430)
(984)	(856)	Transfers From (to) Plant		(1,000)					(1,000)
2,666	(771)	Surplus / (Deficit)	13	(1,197)	(77)	(66)	5		(1,321)
30,864	33,529	Beginning Fund Balances	525	14,091	11,006	7,130	6		32,758
33,529	32,758	Ending Fund Balances	537	12,895	10,929	7,064	11		31,437

Notes:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 83.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged as a Non-Salary Expense for infrastructure and general administrative costs of research.

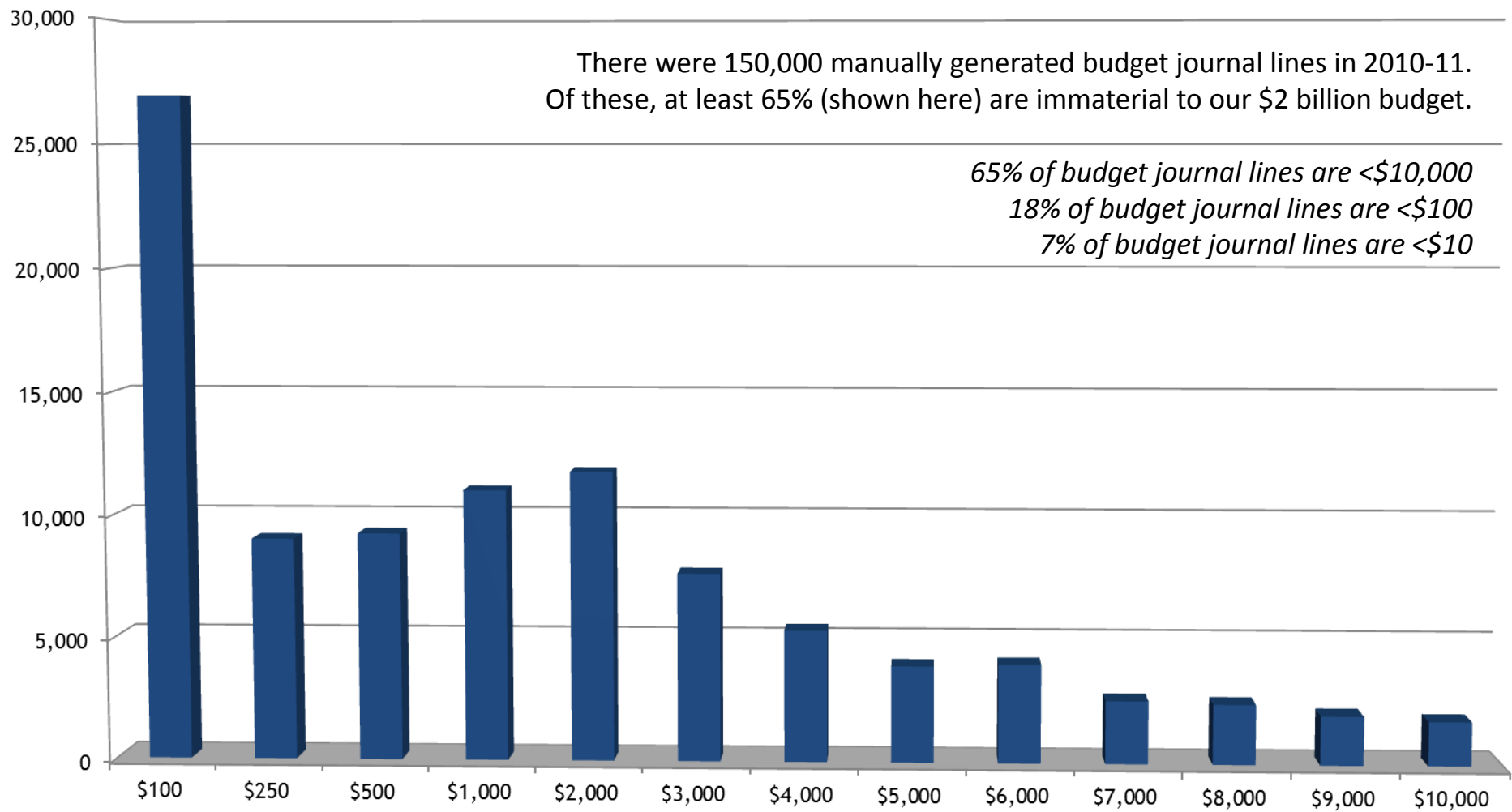


What? You Don't Know How That Works?





Low-Value Budget Journals Occupy Time & Energy...



SOURCES AND USES OF FUNDS -- SUMMARY (000s)

	2008-09 <u>Actual</u>	2009-10 <u>Actual</u>	2010-11 <u>Projected</u>
SOURCES OF FUNDS (000s)			
1 Educational activities	\$6,925	\$5,241	\$9,038
2 Student Tuition and Fees	\$4,244	\$2,377	\$2,377
3 Private Gifts	\$2,549	\$2,889	\$3,140
4 Permanent Budget (non-faculty funds)	\$2,520	\$2,598	\$2,608
5 Contracts and Grants	\$5,512	\$7,841	\$6,856
6 Uncommitted Carry-forward	\$4,867	\$1,231	\$4,276
7 Block Grant	\$16,740	\$13,392	\$13,392
8 Sales and Services	\$1,779	\$1,500	\$2,744
9 Admin Full Costing	\$388	\$3,790	--
10 Subtotal Sources of Funds	\$45,525	\$40,860	\$44,431
11			
12 Less budget reductions	(\$1,057)	(\$1,027)	--
13 Total Sources of Funds	\$44,468	\$39,833	\$44,431
14			
USES OF FUNDS (000s)			
16 Equipment	(\$14,132)	(\$6,245)	(\$5,213)
17 Computing Supplies	(\$310)	(\$739)	(\$685)
18 General Supplies	(\$11,282)	(\$12,733)	(\$15,082)
19 Budget Allocations – Miscellaneous	(\$6,186)	(\$3,843)	(\$4,219)
20 Miscellaneous Commitments	(\$3,838)	(\$4,571)	(\$5,177)
21 Payments students/Student aid	(\$3,454)	(\$2,731)	(\$2,304)
22 Travel	--	(\$270)	(\$250)
23 Indirect Cost Recovery	(\$637)	(\$406)	(\$616)
24 Subcontracts		(\$720)	(\$665)
25 Other Employee Compensation		(\$1,140)	--
26 Other Accounts	(\$4,388)	(\$3,888)	(\$3,888)
27 Recharge Income	\$990	\$1,730	\$1,273
28 Total Uses of Funds	(\$43,237)	(\$35,557)	(\$36,826)
29			
30 BALANCE	\$1,231	\$4,276	\$7,605

Department B

How do we make sense of Berkeley's financial spaghetti? We tend to build off-books spreadsheets that detail a subset of our financial processes that we can understand.

But we have to sort through the chaos of our ledgers in order to populate these and this is no mean feat. If we have to laboriously hunt down our financial data, do we ever find what we weren't looking for?

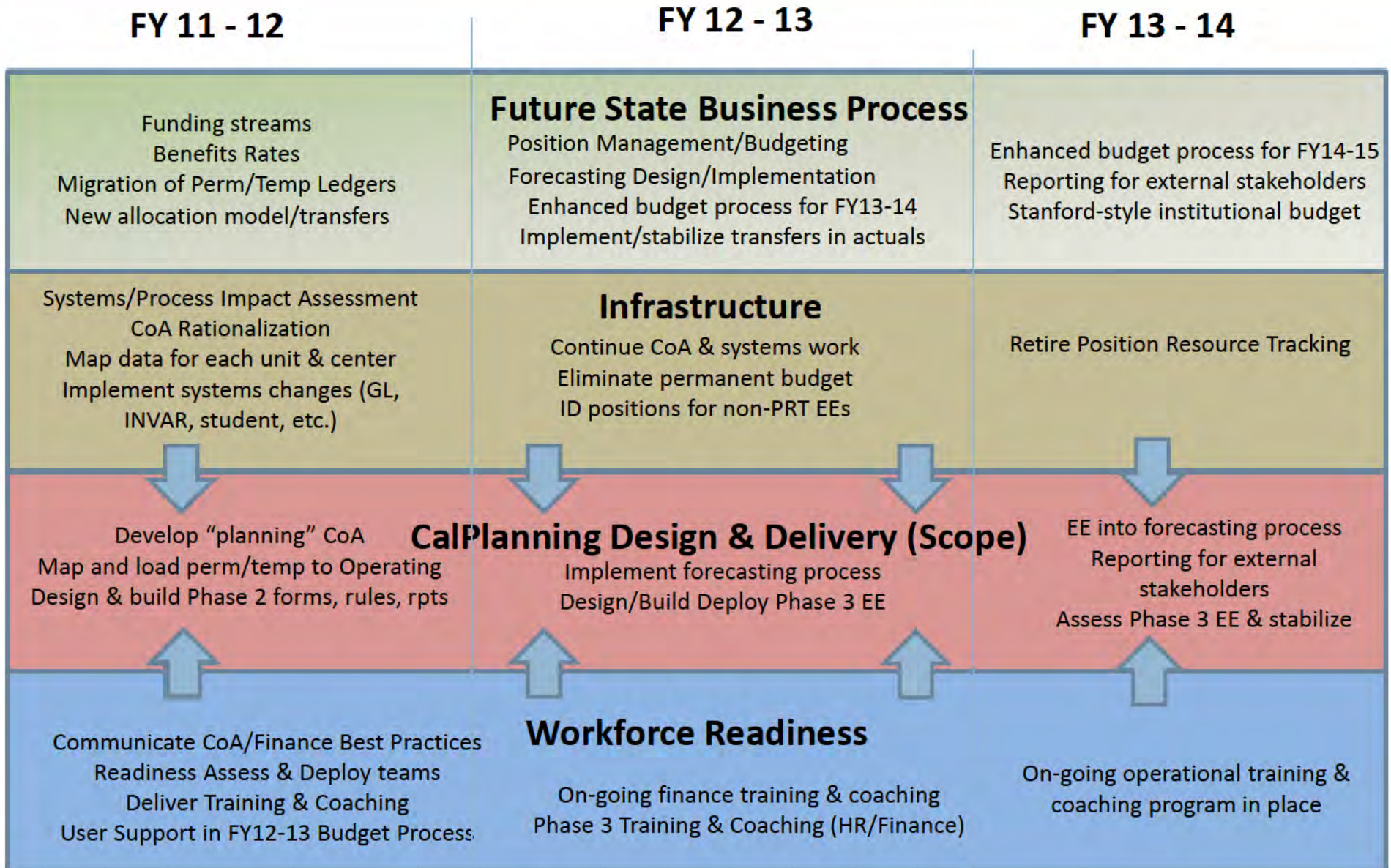
This sample budget is a case in point. The format is pretty good. The budget was clearly thought about in a robust way. But it finds ending balances of **only \$7.6M.**

Our general ledger, on the other hand, shows us a balance of **\$25.6 million.** Clearly this view is more useful...

There is a lot more going on here than is easily understood. We need new financial systems and processes to get us there.



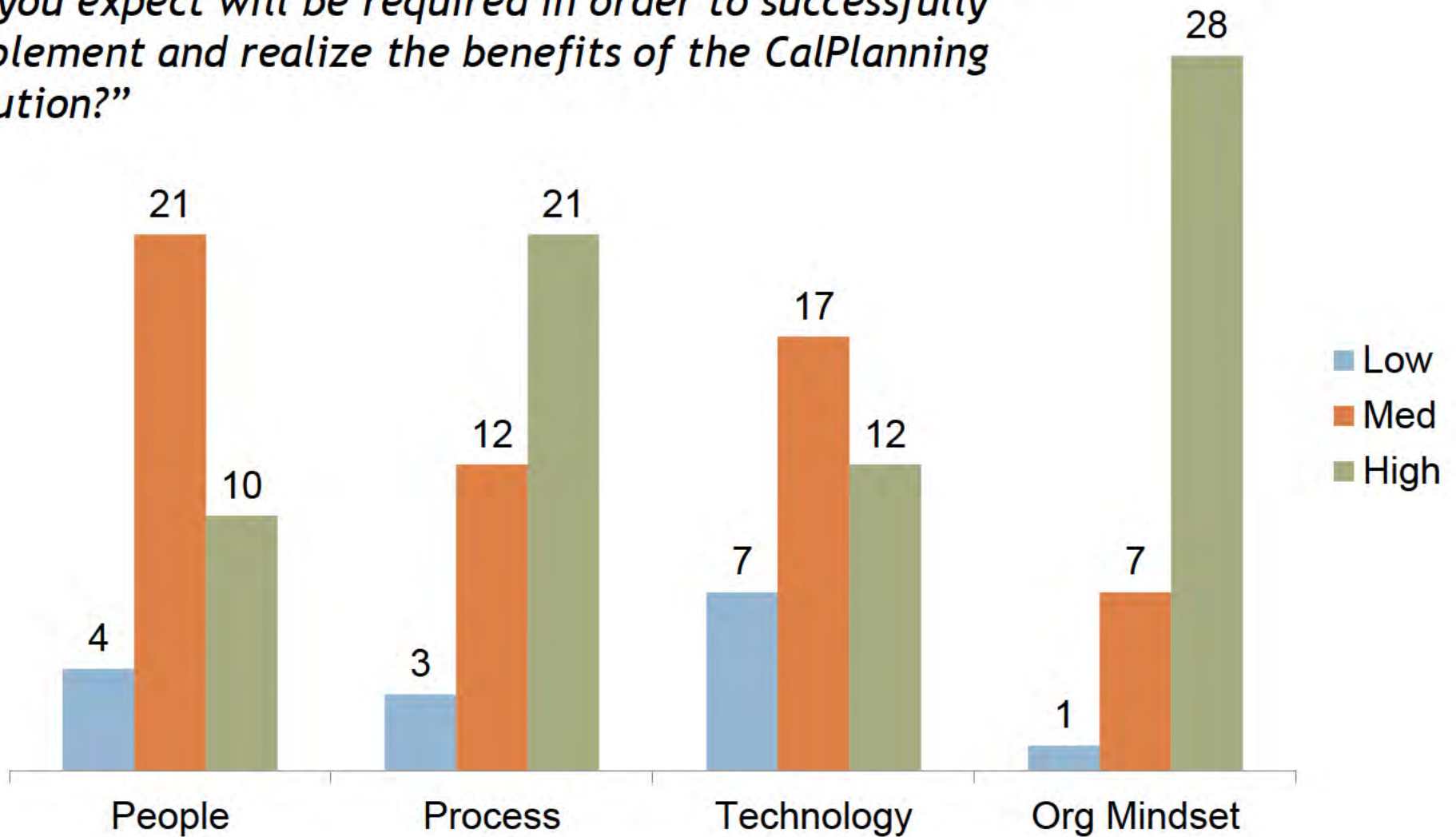
Financial Transformation “Roadmap”





Change Poll Results: Where is the Highest Amount of Change Expected?

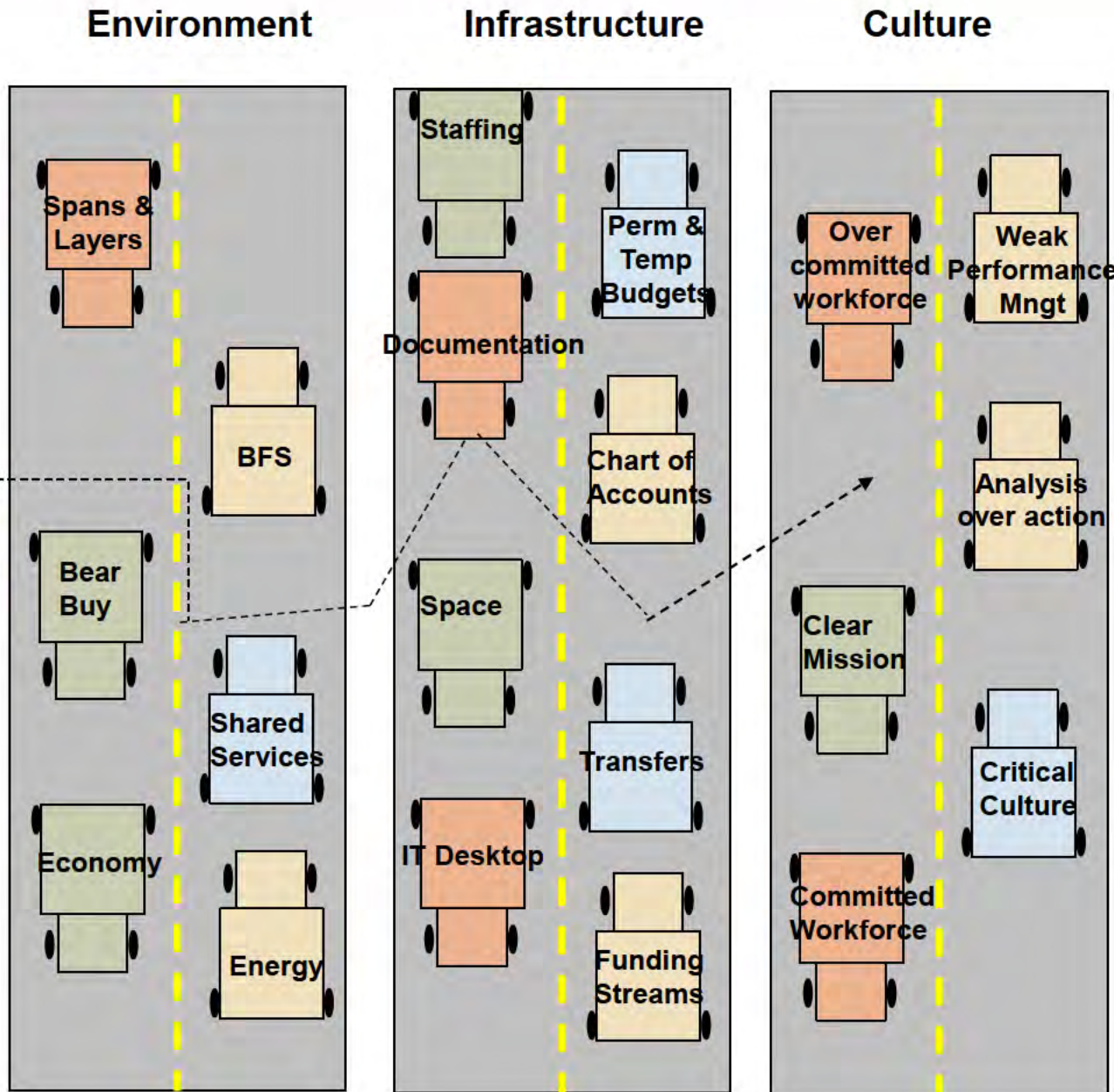
Based on what you know at this point... “How much change do you expect will be required in order to successfully implement and realize the benefits of the CalPlanning solution?”





Then Reality Struck

Point A

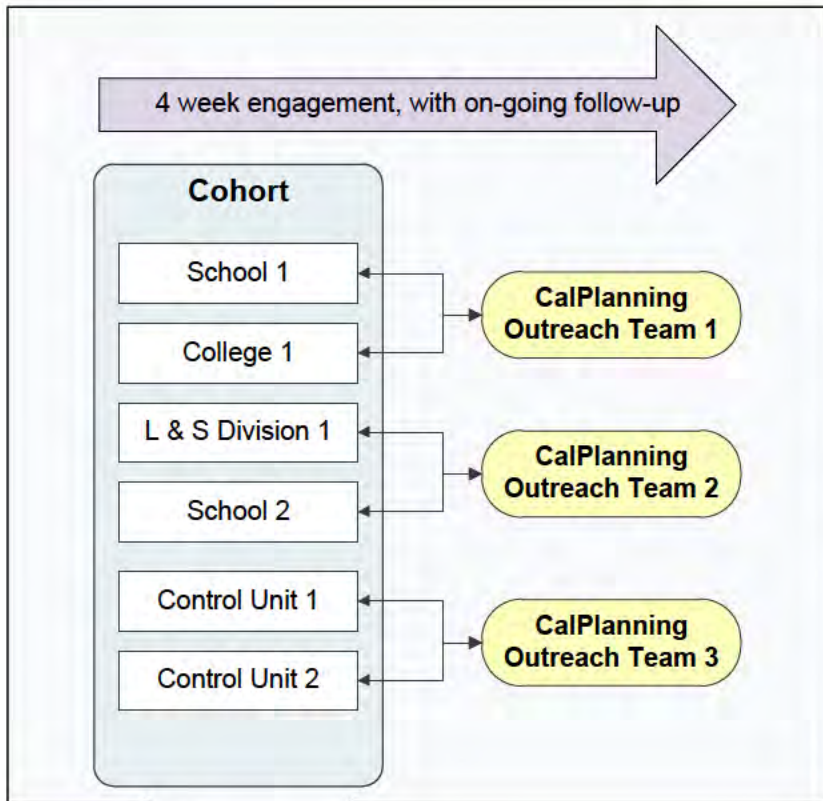


Point B



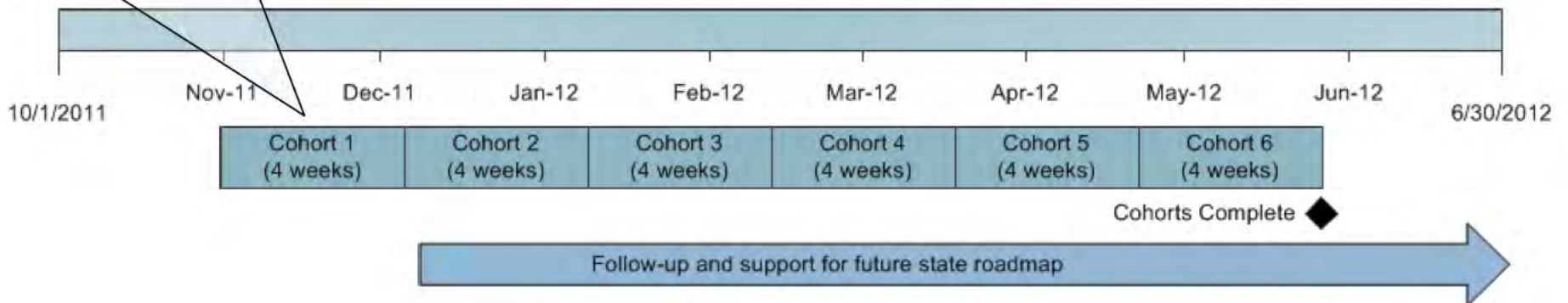


Outreach Team Mission and Structure



Engagement Objectives

- Show current financial picture in future state format
- Share benefits of moving to the new format and analytical framework
- Deliver structural recommendations and draft data mapping
- Outline org development and training plan
- Prepare shared implementation roadmap and provide on-going monitoring/support
- Load FY11-12 and draft FY12-13 operating budget to CalPlanning





...and we will need a more comprehensive and informed way of managing all our resources (expenditures & revenues)



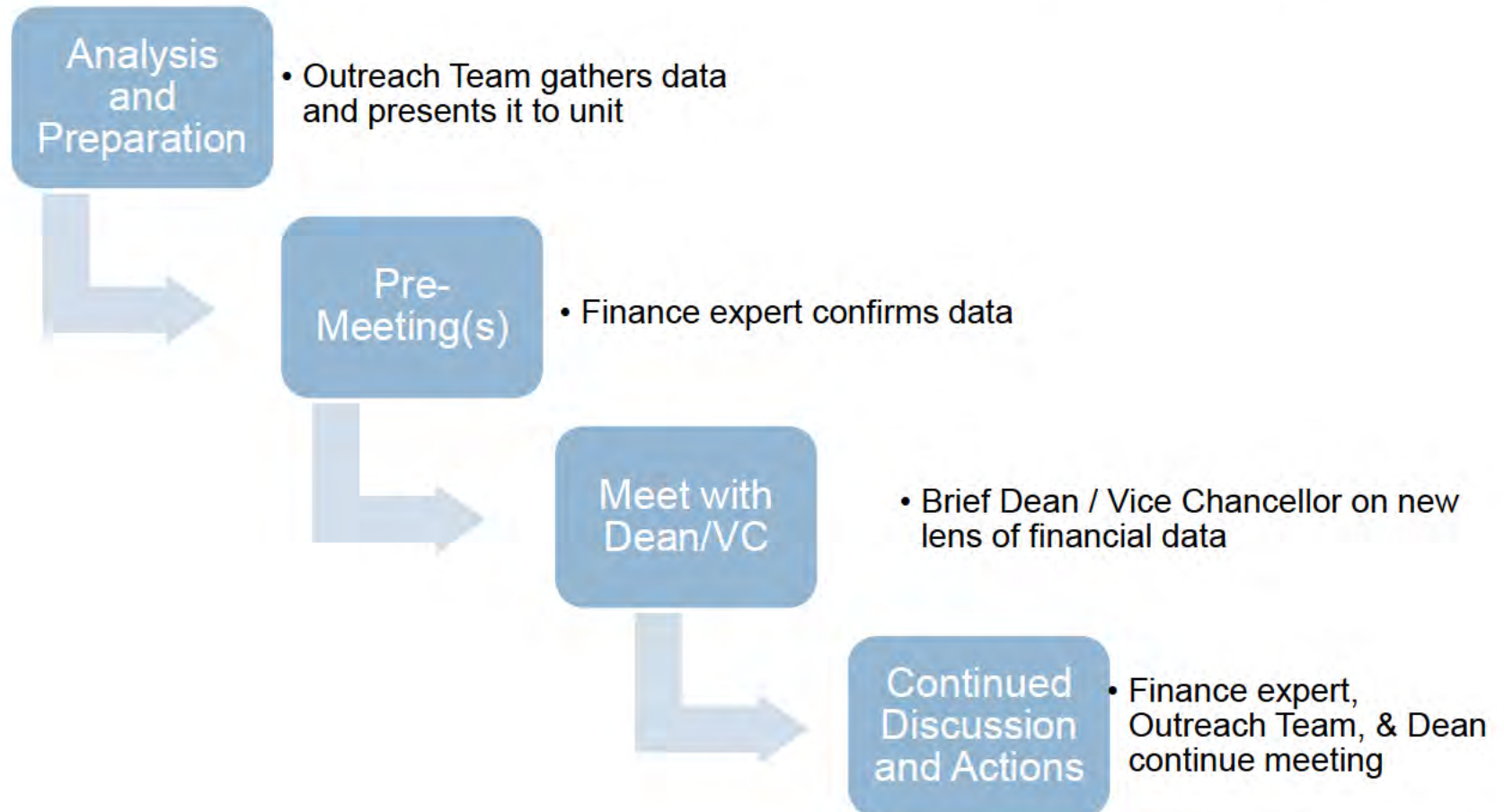
Our new approach to financial management is ambitious, yet necessary

- *All-funds, multi-year budgets*
- *Ability for leaders to easily determine what financial resources are available*
- *Common framework for managing financial performance*
- *Rational and sustainable method for funding common goods.*
- *Standardized, consistent tools and processes to analyze information, draw conclusions, report, and recording information*
- *Information to align resources with clear cross university priorities.*
- *A financial management tool to provide answers to critical questions and support informed decision-making*
- *Financial performance metrics to maintain ongoing financial discipline and accountability.*
- *A highly skilled financial organization to provide trusted financial advisors to support campus leaders.*



Outreach Team's Engagement with Local Units

The outreach teams will prepare for and conduct meetings with each unit to



Outreach Teams will reserve time for finance experts to ask questions and provide feedback prior to Dean/Vice Chancellor discussion.



Outreach Team Deliverables

- Set of reports that illustrate a unit's current financial position in the future state format
- Analysis and recommendations of opportunities for improvement in the unit's use of the Chart of Accounts
- Draft conversion mapping to transform the unit's perm/temp data into an FY11-12 Operating budget
- Presentation of issues and decision content related to the realignment of the CoA and mapping to operating Budget to resolve at the leadership level
- Recommendations on training/coaching opportunities to enable the unit finance staff to understand and lead the transformation at their unit
- Execute journal transactions to move from current to future state
- Impact assessment on local processes and systems affected by the changes in chart of accounts and the foundational work streams
- Roadmap of actions to move to future state including identifying resources and timeline



What is CalPlanning?

CalPlanning is a one-stop shop for financial planning, budgeting, and forecasting. Built on technology from Oracle's Hyperion Planning, it provides reports and analytic tools that reduce manual work and increase decision-making ability.

Benefits of CalPlanning

- A **consolidated budget** that can be compared with year-over-year actuals
- **Ease of information and resource sharing** across campus
- Flexibility to identify **meaningful level of detail**
- Insight into **financial drivers** behind major business components
- **Sensitivity analysis** regarding internal and external impacts
- Simplified, understandable infrastructure and format for **financial, fact-based decisions**
- **Ongoing reassessment** of financial risks and opportunities



Components and Data Flow

