Opening Comments
Business Officer’s Institute

Peter Taylor
Chief Financial Officer
Office of the President
The University of California Includes 10 Campuses, 5 Academic Medical Centers and 3 National Laboratories

- **Established in 1868** and Governed by a 26-member constitutionally autonomous Board of Regents

- Educated over **235,000 full-time equivalent students** in FY2011-2012

- UC’s research enterprise includes more than **800 research centers, institutes, laboratories and programs**

- Pre-eminent faculty who have won **60 Nobel Prizes**, more than any other U.S. public university

- Since 1976, more than **600 start-up companies have been formed with UC inventions**, including 61 in 2012
UC’s Three Pillars of Excellence

Quality
UC provides top quality instruction to students at all levels and conducts research with some of the world’s brightest minds.

Access
UC is committed to enrolling a diverse student body and prioritizing access for students from low-income families.

Affordability
UC seeks to ensure that finances are not an obstacle to qualifying students through a generous, progressive financial aid program.

Despite a persistent decline in State funding, UC has maintained its deep commitment to quality, access and affordability.
Our work supports the University’s core mission

*We have maintained a deep commitment to Excellence & Diversity*

**Academic Excellence**

- Average high-school GPA of Fall 2013 admitted CA freshman was 3.90* - up from 3.86 in Fall 2012

**Ethnic Diversity**

- For the first time, Chicano/Latino students comprised the single largest group among UC applicants
- For Fall 2013, 32% of CA admits were from underrepresented ethnic groups

**Socioeconomic Diversity**

<table>
<thead>
<tr>
<th>Percent with Pell Grants (2010-11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC System</td>
</tr>
<tr>
<td>Other AAU Publics</td>
</tr>
<tr>
<td>AAU Privates</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>10%</td>
</tr>
<tr>
<td>20%</td>
</tr>
<tr>
<td>30%</td>
</tr>
<tr>
<td>40%</td>
</tr>
<tr>
<td>50%</td>
</tr>
</tbody>
</table>

- 41%
- 23%
- 17%

**Non-Traditional Students**

- 42% of Fall 2013 CA Freshman admits were the first generation in their family to attend college
- 21% of Fall 2013 CA Freshman admits were from low-performing high schools

*Weighted GPA*
UC Education Remains Affordable for All

UC Financial Aid

• Strong, sustained support for State’s Cal Grant program
  - Covers tuition/fees for 30% of UC students
• Blue + Gold Opportunity Plan* covers in-state tuition/fees for 78,000 students
  - Made possible by a combination of Federal Pell Grants, Cal Grants, UC grants, and UC and external scholarships

Student Affordability

• Nearly half of UC undergraduates leave with zero student loan debt.
  - Average student loan debt among borrowers ($19,000) well below national average of $26,000.
• Student work-hours remain stable and manageable.
  - 53% of undergraduates don’t work, and less than 8% work 20+ hours/week.

* Ensures systemwide fees for eligible students from families earning less than $80,000 are fully covered by grants and scholarships
UC Financial Summary

**Revenues**
- State: 10%
- Medical Centers & Auxiliaries: 45%
- DOE Labs: 4%
- Tuition & Fees: 14%
- Projects & Grants: 22%
- Other: 6%

**Expenses**
- DOE Labs: 4%
- Salaries & Wages: 43%
- Benefits: 22%
- Medical Centers & Auxiliaries: 45%
- Scholarships: 2%
- Supplies: 9%
- Depreciation: 6%
- Other: 13%
- Utilities: 1%

**Total $24.3 Billion**

**Net Position**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Change from Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>53,356</td>
<td>51,936</td>
<td>1,420</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>(36,721)</td>
<td>(34,104)</td>
<td>(2,617)</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>16,649</td>
<td>17,869</td>
<td>(1,220)</td>
</tr>
</tbody>
</table>
Welcome President Napolitano

- The Honorable Janet Napolitano was appointed the 20th president of the University of California by the Board of Regents on July 18, 2013.

- As the nation’s third Secretary of Homeland Security, President Napolitano headed a department comprised of 22 agencies and directorates, and whose missions include counterterrorism, border security, immigration, cybersecurity and disaster response and recovery.

CFO Division Initiatives
# CFO Mission, Vision, and Values

## Mission

The mission of the CFO Division is to provide leadership, operational oversight, and system coordination of financial products and services for the UC Community. We add value with accurate, insightful, and timely information, analysis, and solutions that promote informed decision-making.

## Vision

The CFO Division will be known as a model for organizational efficiency and effectiveness that leverages:

- Integration of risk considerations to enhance decision-making processes and operations;
- Benchmarking to improve accountability, transparency, and performance;
- and Professional expertise to deliver results on behalf of our customers.

## Values

- Effective Fiscal Stewardship
- Customer Service
- Continuous Improvement
CFO Division 5-Year Strategic Focus Areas

5-Year Strategic Focus Areas

Transforming Finance Operations

Transform UC’s operations to ensure a financially sustainable University

Lean Principles Implementation

Systematically identify and eliminate inefficiencies in everyday processes

Developing Future Leaders

Develop staff at all levels for maximum impact and career progression
Transforming Finance Operations initiatives will focus on:

1. Leveraging UC’s size and the “power of 10” to enhance systemwide operational efficiency

2. Enhancing financial planning competencies to more effectively manage UC’s operations, regardless of the funding environment

3. Developing common financial systems across UC’s campuses and medical centers to improve effectiveness and lay a foundation for future collaboration
UC Care will offer UC employees a self-insured, affordable healthcare option

- UC Care will offer a new strategic, self-funded health plan designed for UC employees
- Will be a choice this open enrollment, with an effective date of January 1, 2014
- Long term vision provides the framework for UC to have more control in managing healthcare costs and aims for better population health
UC Strategic Investment Program (UCSIP)

- In 2010, the CFO Division established UCSIP as a suite of internal-loan financing programs that leverage UC’s high credit rating to make low borrowing costs available for purposes other than capital construction.

- UCSIP facilitates capital equipment acquisition, implementation of administrative efficiency projects and faculty recruitment/retention through the following funding programs:

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
<th>Amortizing loans funded</th>
<th>Loan interest rate</th>
<th>Term</th>
<th>Authorization requests to Regents annually (May). On average $150MM - $200MM auth. per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cap Equip</td>
<td>Utilized for equipment acquisition in lieu of 3rd party leasing</td>
<td>by CP</td>
<td>-1.99%</td>
<td>3-7 years</td>
<td></td>
</tr>
<tr>
<td>C3</td>
<td>Utilized for regional centers of excellence, systemwide efficiency initiatives</td>
<td>by CPL</td>
<td>0%</td>
<td>3-7 years</td>
<td>Campuses competitively apply throughout year Approx. $20-50MM auth. per year.</td>
</tr>
<tr>
<td>STARS*</td>
<td>Utilized for lab renovations and/or equipment specific to a single faculty recruit</td>
<td>by CP</td>
<td>0%</td>
<td>up to 7 yrs (equip), up to 15 yrs (renovations)</td>
<td>Campuses competitively apply throughout year Approx. $30MM auth. per year.</td>
</tr>
</tbody>
</table>

* Strategic Teaching Acquisition and Retention: New program - Official launch date - FY 13-14
**Common Financial Systems**

**Future State**

- Agile and flexible systems across all campuses
- Improved operational efficiency and ability to keep pace with changing business needs
- System-wide ability to adopt a comprehensive financial model
- Reduced manual effort in developing comprehensive financial reports

**Phase 1:**

Develop common chart of accounts and common data definitions across the UC system

**Phase 2:**

Implement common financial data warehouse and common reporting and decision support tools

**Phase 3:**

All campuses migrate to new financial system, chart of accounts, and data definitions
The Regents approved a 1.5-2% increase in employer and employee contribution to UCRP in July 2013

UCRP is on a path to financial sustainability

- Over the last 3 years, increases in University and employee contributions to UCRP have been initiated to put the program on a path to better funded status
- Full funding (100%) is expected within 30 years
- The July 1, 2014 was approved by the Regents in July
- Current Regents funding policy establishes a long-term target of 100% funding

<table>
<thead>
<tr>
<th>UCRP Contribution Rates</th>
<th>July 1, 2012</th>
<th>July 1, 2013</th>
<th>July 1, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer contribution</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Employee contribution</td>
<td>5%</td>
<td>6.5%</td>
<td>8%</td>
</tr>
</tbody>
</table>
Working Smarter was designed to streamline operations and develop a more sustainable financial model.

34 Working Smarter initiatives are already in process, and we are continually exploring opportunities for new revenue or cost reduction.

$500 million: Five Year Commitment

- Working Smarter set out to redirect $500 million in administrative costs to academic purposes from FY 2010-11 to FY 2014-15.
- Working Smarter initiatives have already achieved significant savings and new revenue:
  - Year 1: $157 million in realized savings/new revenue
  - Year 2: $132 million
  - Year 3 (FY 2012-13): $171 million

1 Year 3 (FY 2012-13) realized savings estimate will be confirmed by July 2013.

Operational Effectiveness / Financial Strategies

- Working Smarter is a portfolio of 34 current projects underway to reduce ongoing administrative cost, improve operational efficiency, and find new sources of revenue across the University.
- Most significant cost savings opportunity is common, integrated systems which will replace individual campus systems such as those in in fund accounting and procurement.

WORKING SMARTER
The P200 procurement initiative will result in significant savings on procurement spend across the UC system.

P200 will redirect $200M+ in procurement spend annually.
Connexxus Re-Design

- Portal to become easier to use and more intuitive
- Improved self-learning and ability to promote preferred supplier “value add” to users
- New cutting-edge booking tool: New agency, Shorts Travel (also NCAA booking agent)
- Increased savings opportunities with preferred suppliers, including United and Southwest
Liquidity Optimization

- Helped campuses analyze their working capital, including fund type and usage on campus.
- Based on that analysis, we recommended larger campus-specific TRIP target allocations to generate additional interest income.
- Movement of funds into longer-term investment vehicles has potential to generate additional $30M+ annually systemwide!

Campus engagement process:

- November 2012: Collect fund data from campuses.
- December 2012: Analyze fund balances and assess operational usage.
- January 2013: Meet with campuses to discuss findings, implications, and gain feedback on investment options.
- February 2013: Confirm campus desire to implement further investment in TRIP and asset re-allocation.
- March 2013:
- April 2013:
- May 2013:
UC Path Key Program Elements

- Single payroll and HR solution for all employees across all UC locations

- Transactional processes centralized at the UC Path Center; local HR, Payroll, APO teams focusing on local programs

- A strong, flexible infrastructure which improves service quality, accuracy and efficiency

- A common foundation that enables future capabilities, efficiencies and savings across the UC system

- Projected value of project is over $250M

Full system-wide support
Lean Principles Implementation initiatives will focus on identifying and eliminating inefficiencies in everyday processes by:

1. Developing an approach for UC to apply lean principles to improve the efficiency of core processes

2. Piloting the implementation of lean principles at the CFO Division

3. Building capabilities across the UC community to implement lean principles
Conclusion
UC Makes a Tremendous Contribution to Economic Activity in California

- UC generates about $46.3 billion in economic activity in California.

- $25 billion in annual direct spending from UC creates successive rounds of economic activity through consumers and businesses.

- UC contributes $32.8 billion to California’s gross state product.

- Additional negative impacts from decline in the scale and quality of UC’s academic and research programs.

- Every $1 that is cut from State support of UC would result in direct losses of about $2.10 in the state’s economic output, $1.30 in employee compensation, and $1.60 gross state product.

- California’s $3.35 billion in UC-related spending is matched by an additional $17 billion from non-state government sources.

- Through the “multiplier effect,” the $3.35 billion investment provides foundation for a total economic impact of $46.3 billion.

Source: “The University of California’s Economic Contribution to the State of California.” (September 2011)
UC Continues its Commitment to Excellence

The University of California

**Instruction**
FY2010-2011 UC students received more than $1.2 billion in direct gift aid from UC

**Public Service**
Four Top-10 spots in the Washington Monthly’s 2013 annual college rankings

**Research**
60 Nobel Prizes Including 28 Since 1995
Thank you!

And enjoy the Business Officer Institute