
From: Senior Vice Chancellor John Plotts [plots2@UCSF.EDU]
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To: UCSFSTAFF@LISTSRV.UCSF.EDU
Subject: Budget update to the campus

Budget Update to the Campus
From John Plotts, Senior Vice Chancellor of Finance and Administration

Faced with increasing financial pressures, UCSF has been focused on meeting the chancellor's charge to examine how the campus provides administrative and operational services with an eye toward reducing expenses through efficiencies and cost reductions, as well as through the generation of new or increased revenue.

In a series of small group meetings starting on Friday, April 23, Chancellor Sue Desmond-Hellmann will solicit input through focus group meetings on the work to date from the project known as *Operational Excellence*. The PowerPoint summary for those discussions is available at: <http://budget.ucsf.edu/>. The chancellor is planning a campus-wide town hall meeting to continue the dialogue. A date and location will be announced.

Before providing an update on that project, I want to address the status of UCSF's budget for fiscal year 2010-11. Current projections anticipate that UCSF will face a shortfall of \$28 million in state and general funds in fiscal year 2010-11 due to another permanent cut in our state funds as well as increased costs resulting from rising employee health care expenditures and the campus' renewed contributions to employee retirement.

The recent UC-wide increase in educational fees will enable us to reduce that projected shortfall. UCSF's share of the educational fee revenue is estimated at \$19 million next fiscal year. Campus leadership has recommended that \$10 million be applied against the shortfall, cutting the projected gap to \$18 million.

Immediate Budget Solution

The Chancellor's Executive Cabinet has identified a solution to next year's projected net shortfall that—to the extent possible—minimizes further cuts to the budgets of our four schools. Under this solution, the majority of the problem would be addressed through further reductions in central administration, which are those administrative activities outside of the schools and the Medical Center. The UCSF Medical Center would also contribute \$6.5 million by completely relinquishing all of its state funding. There would be some budget reductions in the schools, but the amount would be considerably less than if the cuts were distributed proportionally to state fund allocations, as has been done in the past.

While this solution addresses the projected budget issue for next fiscal year, we need longer term solutions as UCSF faces continuing increases in employee health care costs and in renewed contributions to employee retirement. In addition, other financial uncertainties loom including state funding, budget allocations to the National Institutes of Health budgets and national health care reform.

Operational Excellence

It is these longer term solutions that have been the focal point of the Administrative and Operational Efficiencies Work Group appointed by the chancellor in February. The work group determined that UCSF can increase its available resources by restructuring its delivery of administrative services, reducing expenses, enhancing revenue opportunities and investing in new business systems and technology. Succinctly stated, the work group concluded:

- UCSF has the opportunity to be a well-run campus and ensure that all departments, regardless of size or resources, have equal access to excellent administrative and operational support.
- By becoming a well-run campus, UCSF will realize significant cost savings.

Since the work group submitted its preliminary findings and recommendations earlier this month, the chancellor and the Executive Cabinet have been engaged in in-depth discussions. These discussions will continue for the next several weeks.

Campus Discussions

As noted above, starting this Friday the chancellor will hold a series of focus groups to solicit input and will also hold a campus-wide town hall meeting. The purpose of these meetings is to discuss the work group's preliminary recommendations, to generate interaction and feedback, and to gain clarity on implementation.

The chancellor will be utilizing all of these discussions to ensure a thoughtful and effective outcome for UCSF. Still, we understand that this is an anxious time. There is no question that reconfiguring how we do business will change the institution. The commitment, however, is strongly centered on serving UCSF's core mission and values and on generating financial resources that can be reinvested into UCSF's future.

Your continued contributions and input are essential to identifying an outcome that ensures UCSF is a great place to work, that faculty and staff are well supported so they can focus on the core aspects of their work and that UCSF adopts the most effective solutions for addressing the financial issues that confront us. I encourage you to continue to contribute your thoughts and expertise by emailing budget@ucsf.edu.

Also see:

- Message to the campus from John Plotts, Senior Vice Chancellor, March 24, 2010 (link to: <http://today.ucsf.edu/stories/chief-business-officer-updates-ucsf-community-on-operational-excellence-ini/>)
- Chancellor's update to the campus, March 1, 2010 (link to: <http://today.ucsf.edu/stories/chancellor-provides-update-on-administrative-operational-project/>)
- Chancellor's address to the campus, February 17, 2010 (link to: <http://today.ucsf.edu/stories/chancellor-budget-message-transcript/>)