
From: Senior Vice Chancellor John Plotts [plots2@UCSF.EDU]
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To: UCSFSTAFF@LISTSRV.UCSF.EDU
Subject: Update on FY 2010-2011 Budget and Operational Excellence Initiatives

A message from John Plotts, Senior Vice Chancellor, Finance and Administration

Update on FY 2010-2011 Budget and Operational Excellence Initiatives

UCSF has met its budget goals for the fiscal year beginning July 1, 2010 trimming \$18 million in state and UC general funds without significantly impacting our mission-critical programs. We are also preparing to launch the first initiatives in the *Operational Excellence* program, which is projected to generate \$50 million in ongoing financial benefit for UCSF by the FY 2012-2013.

Chancellor Susan Desmond-Hellmann told the campus in May that our aim was to trim our operating budget by \$18 million for FY 2010-2011, down from earlier projections of \$28 million to \$40 million. See the chancellor's May report to the campus here: <http://today.ucsf.edu/images/stories/OECampusPresentation.pdf>

The chancellor also announced that the *Operational Excellence* program would be implemented over three years, with the first phase of implementation beginning in FY 2010-2011.

Meeting FY 2010-11 Budget Goals, Looking Ahead to FY 2011-12

Budgets for the upcoming fiscal year were due June 15 from the campus' financial control points. A top priority in budget planning was reducing the financial impact on the schools. As such, the Chancellor's executive committee decided UCSF would achieve an \$18 million reduction in state and general funds as follows:

- Central Administration would shoulder 50 percent of the cost reduction, or \$9 million.
- The UCSF Medical Center would shift its state allocation of approximately \$6 million to the campus.
- The schools would be responsible for the remaining savings, approximately \$3 million.

A key element of UCSF's budget planning for the upcoming fiscal year was ending the furlough program and associated salary reductions in August. The budget plan also assumes that the State Legislature does not restore the \$305 million to the UC budget that is included in the governor's budget proposal and – in addition – does not impose further budget cuts on UC. The legislature failed to meet the constitutionally mandated June 15 budget deadline and most Capitol observers don't expect the state will have a budget until later this summer.

Planning for UCSF's FY 2011-2012 budget has already begun. We are projecting continued financial pressures, due to sustained state budget constraints and ongoing increases in employee benefits and other costs. This year, for the first time in 20 years, UC began paying into its employees' retirement programs. UCSF's employer contributions to the retirement plan in FY 2010-2011 are pegged at 4 percent of payroll. While the UC Office of the President has not yet made formal recommendations for consideration by the UC Regents, it is prudent to plan for an increase to 7 percent in FY 2011-2012 and 10 percent in FY 2012-2013. In addition, we are projecting continued increases in health care benefit costs.

FAS Launches Operational Excellence

Operational Excellence gets underway at UCSF with the July 1 launch of the Human Resources Service Center within the central administrative unit of Financial and Administrative Services (FAS). This new service center will begin providing consolidated human resources services to the majority of FAS units on July 1, with a complete transition of all FAS units expected by September.

As the chancellor outlined in her May 19 town hall presentation to the campus, the concept behind this new service is the consolidation of essential administrative functions, such as human resources, finance, information technology and research administration. Overall, *Operational Excellence* is aimed at ensuring a uniform, high standard of administrative and operational services across the campus, while at the same time enabling employees to achieve expertise in service areas and enabling the campus to operate more efficiently.

This new service within FAS has been staffed through an open recruitment process. The majority of the staff in the new FAS HR Service Center are coming from existing FAS units.

FAS is also developing a Finance Service Center. This service has already being introduced to FAS units. A target date of January 1, 2011 has been identified for a roll-out of coordinated transactional and reporting services across FAS.

Executive Vice Chancellor and Provost Jeff Bluestone reports that his office is scheduled to launch an HR service center cluster by August 1, to follow with a finance/procurement cluster by the fall.

Consolidation of information technology services is being coordinated by Vice Chancellor and CIO Elazar Harel, UCSF Medical Center CIO Larry Lotenero and Opinder Bawa, Director of the School of Medicine's Information Services Unit. Four campus-wide workgroups will be charged with developing a detailed implementation plan over the summer to address four initiatives: IT Procurement, Helpdesk, Email/Calendaring and Networks. The workgroups will be comprised of representatives from various UCSF units, including IT experts, management services officers (MSO's), faculty, students and staff.

Meanwhile, the School of Medicine has formed two committees that are focused on *Operational Excellence* which include representatives from all schools. The Department Managers Operational Excellence Implementation Committee is evaluating programmatic and financial implications, and is also designing structures to deliver core administrative services. This committee will submit recommendations to the Dean's Operational Excellence Steering Committee, which is comprised of faculty and two department managers.

The Department Managers Implementation Committee will work with five broad-based campus work groups to develop the delivery models and process and policy improvements. These work groups are:

- Human Resources/Academic Affairs (co-chaired by Jackie Jew and Cynthia Leathers)
- Finance (co-chaired by Anja Paardekooper and Angela Hawkins)
- Research Administration (co-chaired by Georgina Lopez and Erik Lium)
- Communications (co-chaired by Marge O'Halloran and Beth Kane)
- Senior Work Group

Coordinating Committee Oversees Implementation

Implementation of *Operational Excellence* is being advanced campus wide by the Operational Excellence Coordinating Committee which I co-chair with the executive vice chancellor and provost Jeff Bluestone. The committee reports to the Chancellor's Leadership Operating Group and its responsibilities include:

- Ensuring the establishment of an agile and flexible implementation structure that provides an integrated, campus-wide perspective to successfully implement *Operational Excellence*;
- Resolving resource, design and priority conflicts;
- Providing leadership on change management strategies, including communications;
- Monitoring campus readiness;
- Tracking and reporting on costs and savings, and;
- Serving as a communications vehicle for implications across campus from any non-Operational Excellence initiatives designed to achieve budgetary targets.

The committee will direct five *Operational Excellence* initiatives: Human Resources, Financial Processes and Reporting, Research Administration, Information Technology and Research Funding. In addition, it will oversee the advancement of *Operational Excellence* across central administration and the four schools.

In addition to Jeff Bluestone and me, members of the Operational Excellence Coordinating Committee are:

- Mara Fellouris, Executive Director, Program Management Office
- Elazar Harel, Vice Chancellor and Chief Information Officer
- Mike Hindery, Vice Dean, School of Medicine
- Stella Hsu, Associate Vice Chancellor, Campus Life Services and Facilities Management
- Ken Jones, Chief Operating Officer, UCSF Medical Center
- Beth Kane, Director, Organizational Development, Dean's Office, School of Medicine
- Susanne Hildebrand-Zanki, Associate Vice Chancellor, Research
- Randy Lopez, Associate Vice Chancellor, Strategic Initiatives
- Zina Mirsky, Associate Dean for Administration, School of Nursing
- Michael Nordberg, Interim Associate Dean, Administration and Finance, School of Pharmacy
- Susan Schultz, Associate Dean, Administration and Finance, School of Dentistry
- Eric Vermillion, Associate Vice Chancellor, Finance

Looking Ahead

Over the last several months, hundreds of people within UCSF have worked together to tackle the ongoing budget difficulties UCSF faced for the upcoming fiscal year due to the state's economic crisis and the rising cost of providing employee and retiree health and retirement benefits. Additionally, units across campus continue to collaborate to identify better and more cost-effective ways to provide essential operational and administrative services.

The campus should be pleased at the progress that is being made and the commitment to examine all aspects of what we do with an eye toward strengthening our ability to excel in our *advancing health worldwide™* mission through patient care, discovery and education.

Moving forward, our success will continue to depend on your ideas and involvement. We've already received dozens of suggestions from across campus through the budget email – budget@ucsf.edu. Your continued comments, observations and suggestions are welcomed and encouraged.

Please also continue to check the budget web site, www.budget.edu, for updates. The Chancellor and I will continue to provide information to ensure the campus is well informed about how UCSF is addressing its budget situation and financial future.