



320 STEPHENS HALL
UNIVERSITY OF CALIFORNIA

May 20, 2015

CHANCELLOR NICHOLAS B. DIRKS
EXECUTIVE VICE CHANCELLOR AND PROVOST CLAUDE M. STEELE

*Subject: Committee on Academic Planning and Resource Allocation recommendations on
campus budget priorities for 2015-16*

I am forwarding for your consideration the budget recommendations formulated by the Committee on Academic Planning and Resource Allocation (CAPRA) based on its discussions with key campus administrators and faculty experts. The Divisional Council (DIVCO) has reviewed and endorsed CAPRA's recommendations.

The discussion in DIVCO focused primarily on the following concerns:

Academic program reviews

DIVCO echoed CAPRA's recommendation regarding the academic program review process. We believe that the campus should make better use of this process in a number of ways. We agree with CAPRA's assessment:

... academic units often ignore recommendations resulting from the last review as well as the changes implemented in response to them. CAPRA therefore proposes that each time a department begins the review cycle it should use the recommendations in the culmination letter from the last review as a point of departure and include a description of actions taken by the department, the Dean and the campus in response to those recommendations.

Targeted and specific questions for external reviewers to address would help focus the program reviews on critical issues and outcomes. Further, we believe that external review committees should be asked to consider all recommendations stemming from the immediately previous review, and assess progress made to date.

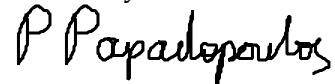
Financial accountability

The discussion in DIVCO stressed the importance of accountability in financial and programmatic initiatives. While we discussed our concerns about the Berkeley Global Campus in detail, the broader issue is a recurring theme in CAPRA's recommendations.

UC Berkeley constituents, including faculty, students, and alumni, should have complete confidence that campus administration is making sound investments on their behalf. We believe that the campus should aspire to the highest level of financial accountability, and put appropriate internal controls in place to ensure that we achieve this goal.

We would appreciate receiving a written response concerning these recommendations no later than September 14, 2015.

Sincerely,



Panos Papadopoulos
Chair, Berkeley Division of the Academic Senate
Chancellor's Professor of Mechanical Engineering

Encl.

Cc: Benjamin Hermalin, Vice Chair, Berkeley Division of the Academic Senate
Nancy Wallace, Chair, Committee on Academic Planning and Resource Allocation
Diane Sprouse, Senate Analyst, Committee on Academic Planning and Resource Allocation

CAPRA BUDGET AND POLICY RECOMMENDATIONS FOR 2015-2016

Executive Summary

The Committee on Academic Planning and Resource Allocation (CAPRA) offers the following recommendations for campus budget and policy priorities for the coming fiscal year. The remainder of this document provides a more detailed description of these recommendations:

- Administration and faculty should undertake a campus-wide Financial Strategic Planning Process to resolve our ongoing structural deficits.
 - Develop both a realistic best- and worst-case scenario for external funding.
 - Process should be informed by detailed benchmarks and performance data.
- Review policy recommendations forthcoming from the Chancellor's Steering Committee Task Force on the Undergraduate Student Experience.
- Provide much more detailed financial and operational information on the proposed Berkeley Global Campus (BGC) at Richmond Bay.
 - Cost/benefit analyses.
 - Expansion of real estate division staff needed to run such a large operation.
 - Feasibility of global partnerships without exposing campus to excessive risk.
 - Management and governance
 - Integration of BGC academic programs and research
- A temporary Senate liaison committee should be established to collaborate in planning and financial oversight of BGC.
- Deloitte Consulting's recommendations for RSSP realignment should be implemented with the continued involvement of Deloitte.
 - Performance benchmarks should be set and met at each stage of the implementation
- The VCRE and VCA&F should closely monitor the operation of the Lower Sproul facilities.
- The Senate and VCRE should collaborate on development of a Physical Facilities Campus Strategic Plan.
- The VP-SA&FP should compile a report on substandard departmental facilities
- Develop a comprehensive strategy and improved oversight of the Berkeley brand and marks.
- Enhanced coordination between SPO, CSS, and CGA, with focus on efficient support of faculty research and with authority vested in a senior administrator.
- Improve the departmental review process, including using the recommendations from the previous review as a benchmark and point of departure.
- IA and administration need to develop a new five-year budget to better reflect IA's impact on the campus's overall financial situation.

CAPRA BUDGET AND POLICY RECOMMENDATIONS FOR 2015-2016

The Committee on Academic Planning and Resource Allocation (CAPRA) offers the following recommendations for campus budget and policy priorities for the coming fiscal year. Our recommendations include some new issues that were identified over the course of this year in our discussions with senior campus administrators, and continuing priorities that we believe are critical to the future financial health of the UC Berkeley campus and to maintaining UC Berkeley's standards of excellence.

CAPRA invited the following administrators and faculty experts to discuss a range of issues who helped to refine this year's recommendations.

- VP Andrew Szeri, Strategic Academic and Facilities Planning (and a by-invitation member of CAPRA)
- VC-Business and Administration John Wilton
- EVCP Claude Steele
- VC Undergraduate Education Cathy Koshland
- Acting Athletics Director Mike Williams and CFO David Secor
- VC-University Relations Scott Bidy and AVC Julie Hooper
- VC-Real Estate Bob Lalanne
- ASUC Executive Director Kelsey Finn and VCSA Harry Le Grande
- Professor Pamela Samuelson
- Professor Mark Gergen
- Development Manager for the Berkeley Global Campus, Terezia Nemeth

The committee asks that DIVCO endorse these recommendations and forward them, along with DIVCO's endorsement, to Chancellor Dirks and Executive Vice Chancellor and Provost Steele. We further request that Chancellor Dirks and EVCP Steele provide a written response to the Senate no later than September 25, 2015, detailing the extent to which our recommendations will be adopted.

1) UC Berkeley Strategic Plan Development

CAPRA wholeheartedly supports the Chancellor's stated goal of academic strategic planning for U.C. Berkeley. We have recently witnessed substantial advances in our ability to envision a financial plan. While there remains much to do, as we outline below, we urge a strong effort in academic planning as a partner to the efforts in finance. This effort should articulate our core values and provide guidance for investing in new intellectual, pedagogical and financial opportunities, and/or choosing to invest differently in established programs. We strongly support a strategic mix of innovation, the maintenance of certain historical strengths, and identifying strategies for decreasing investment in areas that are no longer likely to be our strengths in the future. In this sense, we believe that financial planning must be driven by academic planning. We recognize that the Berkeley Global Campus and the Chancellor's Undergraduate Initiative (see comments below) are substantial efforts to address academic and financial planning synergistically. It is also important, in parallel with these efforts, to focus attention on the central campus more

broadly by undertaking an academic planning effort that, for example, provides recognizable opportunities for faculty-led research initiatives, evaluates opportunities for supporting core intellectual resources such as the library, and addresses the systemic shortages of faculty identified so clearly in department reviews.

However, we also believe the campus is facing an immediate financial crisis, which needs to be addressed simultaneously with our academic planning. CAPRA therefore strongly reiterates its first priority in its 2014-15 recommendations to you that the campus administration and faculty undertake a Campus-wide Financial Strategic Planning Process that focuses on resolving the ongoing structural deficits that have been identified by Vice Chancellor for Administration and Finance Wilton, as part of the Berkeley Financial Planning Model. This process should take a holistic campus view of how on-going expenses can be controlled; revenues enhanced; resources—both academic and administrative—effectively and efficiently allocated; and budget cutting be done in a thoughtful and strategic manner rather than executed as “across-the-board cuts.” This strategic planning should develop a set of forward-looking options under both a worst-case scenario and a realistic, conservatively defined, “best” case scenario. The worst-case scenario should assume tuition increases continue to be forbidden; non-resident undergraduate students are capped at current levels; the state continues to refuse to fund capital and maintenance expenditures or contribute to the pension plan; federal grants and extramural funding contracts experience continued pressure; and state educational appropriations remain at approximately 12% of overall campus revenues. CAPRA strongly believes that administrators and faculty should be weighing all options—dire though they may be; we cannot continue on our current financial path.

CAPRA strongly recommends that the strategic planning process should be informed by improved performance-related data, including, for example, more accurate information on the size and deployment of our administrative resources and the effectiveness of Campus Shared Services and the savings they generate, the costs and returns to research faculty, the costs and methods of providing our current curricular offerings, the costs and deployment of student services, and the costs and deployment of student dormitory and dining services – in short, all data that permits sensible strategic planning at the campus level.

2) The Undergraduate Experience

CAPRA agrees with Chancellor Dirks that undergraduate students at UC Berkeley should receive a high quality educational experience. We support the Chancellor’s Steering Committee Task Force on the Undergraduate Student Experience, which is trying to better understand issues such as student-to-faculty ratios and levels of academic advising; to improve the curriculum, especially with regard to the lower division; to develop initiatives to expand interdisciplinary course offerings, degrees, and certificates; to increase international opportunities for undergraduates; to better integrate between academics and residential life; and to build a strong sense of community within our student body. CAPRA looks forward to reviewing the policy recommendations that are forthcoming from the

Task Force along with proposals for next steps to plan for and deliver on initiatives designed to enhance the Berkeley undergraduate experience.

In the short term, CAPRA continues to support a separate effort to address issues related to the quality of campus life. As coordinated efforts toward improving the undergraduate educational experience move forward, CAPRA encourages similar strategic understanding on the health and wellness of students. CAPRA is especially concerned about the quantity and quality of essential services involving food security, student mental health services, and student safety.

3) Berkeley Global Campus (BGC)

CAPRA has been briefed on the plans for the proposed Berkeley Global Campus (BGC) at Richmond Bay. As envisioned, the project is both a very-large-scale real estate development project and a highly innovative international partnership in the delivery of new graduate programs and research collaborations. The project is larger than any other capital project the campus has undertaken, and may therefore expose the campus to significant financial risk. From the standpoint of the real estate development component (i.e., without assessing the feasibility of specific academic/industrial partnerships), we are concerned that we have seen neither realistic cost/benefit scenarios for the successful development of the BGC nor any information concerning the expansion of the Real Estate Division's professional staff that will be needed to assure the financial success of running a large-scale real estate operation affiliated with the university. We request that this information be provided as soon as possible.

CAPRA also requests more clarity concerning the feasibility of establishing global partnerships in a way that will assure fiscally responsible coverage of the operational and capital costs of the new facility, as well as providing for contractual protections from risk exposure if future strategic partners sever their relationship with the Berkeley Global Campus. CAPRA understands that there is a proposal for a Board of Directors and an Executive Team, which is intended to oversee the 501(c)(3) organization expected to run the BGC. All the same, CAPRA is concerned about the lack of information detailing how the entity will be managed, and particularly detailing the envisioned role of the Academic Senate in the entity's design and operation. It is similarly unclear how the entity will manage and integrate its real estate functions and its educational and research missions, or how academic programs developed at the BGC will integrate with and support Berkeley's core campus teaching and research missions. We request responses to these outstanding questions and we recommend that a temporary Senate liaison committee be established for the purpose of financial oversight and integrated into the current planning processes for the Berkeley Global Campus. This committee should be separate from other faculty advisory committees focused on the educational and research aspects of the endeavor.

4) The Division of Student Affairs and Residential and Student Service Programs

CAPRA is quite concerned about the high cost of student housing on campus and the insufficient quality and quantity of existing student housing. CAPRA has concluded that a

realignment of the administrative responsibilities for services, dining, and housing functions between the Student Affairs (SA)/Residential and Student Service Programs (RSSP) and the Vice Chancellor of Administration and Finance (A&F) and the Vice Chancellor of Real Estate (RE) is essential. CAPRA supports the recent Deloitte strategic planning proposal that would: 1) consolidate facility services functions for custodial support, maintenance and trades, grounds, and design and project management support; 2) maintain the dining halls within RSSP, but operate under a revised financial structure that would realign dining restaurants and retail to an auxiliary services group that would manage third party contracts; 3) divide housing with the SA-RSSP managing student facing processes and A&F/RE responsible for the non-student facing processes; 4) structure the university's relationship with a P3 provider based on the "Auxiliary Services Intermediary" model. This new model would eliminate important segments of duplicated services between SA/RSSP and A&F/RE and would provide clarity of financial management and oversight especially with respect to capital projects, services contract negotiations, and the implementation of coherent funding strategies. These four recommendations are expected to lead to efficiency gains due to reduced duplication and centralized financial oversight and planning over housing, dining and services (custodial, maintenance, grounds, and design and project services). More importantly, the proposal should allow for decreased operating expenses and decreases in campus capital expenditures due to the proposed strategy to rely on third parties for 40% of student housing. Although the proposed model will result in loss of revenue due to the third party contracts for housing services, the strategy affords a crucial benefit of lowering the required debt burden for the university. Given the current campus budget shortfalls and the reality that the university is very near its debt capacity, CAPRA believes that this benefit of the proposal supersedes all other options.

CAPRA is, however, concerned that the Deloitte proposal will require significant additions to existing professional staff within the A&F/RE to execute the proposed financial and management strategies. We believe that Deloitte should maintain an active role in the phase-in of the proposed strategy. CAPRA also recommends that clear performance benchmarks be established for this new re-organizational strategy in order to avoid the recent poorly executed transition to Campus Shared Services. CAPRA asks to be kept informed about the implementation of the Deloitte strategic planning initiative by the VCA&F, the VCRE and the VCSA.

5) Berkeley Buildings, Capital Renewal, and Infrastructure

CAPRA continues to be extremely concerned about the potential for significant negative financial impacts on students and the campus due to the current lack of sound business planning either by the ASUC and/or the ASUC Student Union, especially with regard to the operations of the Martin Luther King Student Union Center upon completion of the Lower Sproul Reconstruction Project. In particular: 1) the execution of the Chartwells lease at below market rents without proper allocation of common area costs and utilities to the tenant; 2) the contractual structure of the proposed Amazon lease that does not clearly define which component of the rent is attributable to the real estate square footage leased and which is attributable to the use of the ASUC marks; 3) the potential for legal exposure

to campus that may arise from the Amazon lease given the recent experience at Purdue; 4) the incomplete financial modeling of the full operational costs of the Lower Sproul facilities; and, 5) the risks associated with the overall leasing strategy in the Martin Luther King Student Union. For these reasons, we strongly recommend that the VCRE and the VCA&F monitor the operation of the Lower Sproul facilities once they open. The Vice Chancellor for Student Affairs, the ASUC, and the ASUC Student Union should be held accountable for the financial performance of these facilities by providing detailed quarterly financial statements to both the VCRE and the VCA&F starting from the first quarter of operation. Any evidence that the Lower Sproul Facilities are not meeting their debt service obligations and/or are not fully covering their operational costs should lead to a full re-evaluation of the management and control structures under which they operate.

CAPRA remains very concerned about the deferred maintenance of campus buildings and infrastructure, which we understand to be greater than \$750 million. We are hopeful that the appointment of the new Vice Chancellor for Real Estate (VCRE) will result in progress in the establishment of a Physical Campus Strategic Plan created with Senate involvement, good follow-through in restoring the physical soundness of the campus, careful oversight of building finance schemes, and watchful attention to the potential of the Berkeley Global Campus project to siphon energy and resources away from the desperate needs of the core campus buildings and infrastructure.

We are encouraged by the efforts undertaken so far by the VCRE, which have included gathering information on the deferred maintenance of all campus buildings, creating a new Asset Management unit to oversee campus custodial work, grounds keeping, and building maintenance and repair, the hiring of a new construction manager to streamline design and construction processes, and the reorganization of departments that report to him to make them more efficient. We are also encouraged by the integration of capital and operating budgets and the recent increases in capital renewal spending and janitorial and maintenance budgets.

CAPRA has become increasingly concerned about the large number of departmental reviews that have strongly criticized the substandard physical condition of subject departmental facilities and would like to see this information integrated into capital renewal priority setting. We recommend that Andrew Szeri in his role as Vice Provost, Strategic Academic and Facilities Planning, compile a status report of the departmental facilities that have been identified as substandard in departmental reviews over the last two years. This status report should then be made available to the Vice Chancellor of Real Estate, so that reasonable priorities can be established to address the deferred maintenance and utter deterioration of far too many departmental facilities. By September 30, 2015, CAPRA would like to review both the VP-SAFP's compilation of physical facility problems that have been identified by both CAPRA and external reviewers in recent departmental reviews and the VCRE's proposed strategy to address these problems.

The Campus has recently reorganized reporting structures concerning finance and capital projects with a view to better management of the funding, utilization, and renting, of new/renovated structures on campus. CAPRA is hopeful that this development will result

in more carefully considered funding schemes than has been evident in some recent major campus projects. We are also hopeful that the new public/private partnership approach to capital projects being spearheaded by the VCRE and made necessary by the elimination of state funding for capital projects will result in the campus being able to undertake future necessary and desired building projects in a financially sound manner that is beneficial to our core campus missions.

6) Oversight of the University of California, Berkeley Brands and Marks

CAPRA is concerned with the proliferation of co-branding deals being approved by the University, and with the apparent lack of a coherent strategy to disseminate the brand while protecting the University's integrity and reputation. In general, a professional brand deployment strategy requires significant attention to supervising the way the trademarks underlying the brand are used and presented. This is important as a legal matter (to guard against the possibility that unsupervised use can lead to a finding that the marks have been "abandoned"), but also, crucially, as a matter of protecting the university's image.

One example of our concern is the University's proposed lease with Amazon.com for space in the Lower Sproul Plaza redevelopment project. The provisions on use of the University's trademarks and logos are quite modest in the Amazon agreement; they mainly concern which marks are covered, and the need to preserve proportionality in presentation of the marks. There is no real right to supervise and approve actual use of the marks, or to approve how the marks are presented, alone or in conjunction with the Amazon marks. In addition, and perhaps more importantly, the Amazon lease does not break out the payments called for by component, so there is no way to tell from it what portion of the lease/royalty payments by Amazon is attributable to the University's brand, and what portion is attributable to simple use of the real estate.

Each time the university's brand is used on a commercial product or venture, some portion of the University's history, prestige, and overall mental associations is being transferred and monetized. It would seem crucial to be able to place a value on the brand component of each such deal. This would help in comparing the deals to one another, and to similar deals at comparable institutions. In addition, it is important to put a dollar value on the use of the University's brand so that interested persons might know how much was gained from allowing the University brand to enhance the brand, product or service of an outside corporate entity.

7) Administrative Support for Faculty: CSS, SPO, and CGA

Distracting faculty members from their core activities of teaching and research is detrimental to the success of the University. Over the last four years, CAPRA has consistently supported streamlining administrative operations, consolidating functions, reducing operational risks from lack of administrative service and lack of compliance, all toward the goal of excellence and efficiency in the delivery of administrative services. These objectives were defined from a perspective of reducing the financial strain on the campus to preserve funds for core academic activities. We continue to support that goal;

however, we shifted our emphasis this year slightly from the issue of cost to the issue of efficiency, which we define by the extent to which core campus services preserve faculty time for the tasks for which they are hired. Centralized services at CSS, SPO, CGA, DSP, and elsewhere often appear to serve campus risk management, rather than faculty, graduate students and undergraduates pursuing research and educational activities. Success needs to be *measured*, at least in part, by reduction in the time faculty, lecturers, and graduate students spend distracted by tasks that are not teaching or research.

On the research side, CAPRA appreciates that campus administrators have begun to respond to deep and widespread dissatisfaction with CSS. We remain disappointed, however, that campus leadership did not take action until prompted by a survey of the faculty and look forward to CSS initiating a program that involves regular feedback from faculty. Ongoing issues within CSS remain severe. Moreover, failures of communication between SPO, CSS and CGA remain frequent and it is not clear that any single senior administrator has authority or responsibility to address those issues.

On the teaching side, CAPRA urges continued vigilance over the new student systems software. It is unclear that the project has adequate financial, technical or academic oversight.

8) Departmental Reviews

The current Departmental Review Process could be improved considerably, both in terms of their content and their consequences. Too often, departmental reviews produce a reiteration of the department's own historical view of itself, and fail to initiate novel thinking or planning. Many reviews fail to articulate a strategic plan for the department, or how such a plan fits within the broader operation of campus initiatives within and between fields or colleges. The academic review process furnishes the department the opportunity to develop a blueprint outlining potential new scholarly and pedagogical directions, as well as reflect on areas that are no longer as central to its mission and might be discontinued. This assessment process should lead to delineating the resources required-both financial and physical-over the next several years to achieve the objectives identified.

In addition, academic units often ignore recommendations resulting from the last review as well as the changes implemented in response to them. CAPRA therefore proposes that each time a department begins the review cycle it should use the recommendations in the culmination letter from the last review as a point of departure and include a description of actions taken by the department, the Dean and the campus in response to those recommendations

See Section 5 for additional recommendations related to systematically addressing the substandard physical condition of departmental facilities and infrastructure being identified in many program reviews.

9) Intercollegiate Athletics

CAPRA remains concerned about the campus's long-term financial obligations on behalf of Intercollegiate Athletics (IA). We understand that the model of a steady “glide-path” to IA self-sufficiency, prescribed by Senate Resolution, is no longer realistic in view of newly imposed, costly changes in UC Berkeley football recruiting rules and new policies on food provision for athletes. We therefore strongly request that IA and the administration produce a new five year budget to understand IA’s impact on campus finances under various scenarios for supporting different numbers of sports.

CAPRA also remains concerned about student-athlete admissions policies; degree completion rates and advising; as well as the real estate 'footprint' of Intercollegiate Athletics on campus. The campus's long-term financial obligations on behalf of IA with regards to the California Memorial Stadium, the Simpson High Performance Facility, and the new pool complex are worrying, although we are encouraged by recent progress in the development and implementation of the new California Memorial Stadium funding model based on space rentals. We understand that the recently formed Senate Athletics Committee will focus on the health and welfare of student-athletes (especially with regard to head injuries) and are concerned about the financial liabilities related to long-lasting injuries.