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January 25, 2018

OFFICE OF THE PRESIDENT STAFF

Dear Colleagues:

Please find enclosed the Huron report, which contains recommendations regarding ways in which the Office of the President can continue to effectively and efficiently support the University of California's teaching, research, and public service mission, now and into the future.

As you can see in the report, Huron views UCOP as unique in the world of higher education, given the scale and scope of our mission. The delivery of many of our programs and services are considered best in class among higher education systems nationwide. While acknowledging that we are doing well in many ways, Huron also identifies opportunities where UCOP can be more efficient, and suggests alternative organizational structures that might maximize our impact. This is to be expected: All organizations, especially enduring ones like the University of California, must continuously evolve.

As we discussed at our Town Hall meeting January 22, the Huron report is one of several inputs I am evaluating as part of the UCOP restructuring effort. I want to emphasize that no final decisions have been made. Each Huron recommendation may be adopted in whole, in part, or not at all.

I am committed to continuing to keep you updated. You can look forward to monthly updates on our progress, which we will post to the UCOP Restructuring Effort folder in Box. As decisions are made, we will share them through formal employee communications. I am encouraging managers, department heads, and division leaders to communicate regularly with you, and I urge you to share your questions and concerns with them. You are also welcome to send comments to me directly at: janet@ucop.edu

Thank you for continuing to dedicate your energy and talents to making this University and the Office of the President a globally recognized leader in education, research, and public service. It is my privilege to serve alongside you.

Yours very truly,

Handwritten signature of Janet Napolitano.

Janet Napolitano
President



January 17, 2018

President Janet Napolitano
University of California
1111 Franklin Street
Oakland, CA 94607

RE: Huron's Report for the Organizational Optimization Engagement

Dear President Napolitano:

We are pleased to provide you with our report for the Organizational Optimization Engagement. This report represents the culmination and summarization of our work that began in September 2017.

Our team spent 15 weeks interviewing over 130 employees of UCOP and the UC campuses, reviewing hundreds of documents, and analyzing data from across the UC and a series of other university systems. Given the breadth of Huron's work with more than 500 higher education and research institutions, including all of the top 100 comprehensive research universities, we believe that:

- **UCOP is World Class** in terms of its focus and services, many of which are standard and best practices across higher education, and though some of these services could be managed more efficiently and effectively – as we heard from stakeholders across the UC system – UCOP is often at the forefront of what system offices can achieve;
- **UCOP can be more Efficient** in how it performs certain functions, which should reduce UCOP's budget and FTE over time, though some functions are right-sized or understaffed currently; and
- **UCOP should not Stagnate**, meaning that UCOP should not remain the same size or shrink in perpetuity, because the UC system can still realize more value by standardizing and/or centralizing functions through or with the support of UCOP.

After assessing UCOP's current situation, we believe that UCOP must embrace change so that it can better support UC's mission and advance UC's position as a world class university system, and that you are in a unique position to:

- **Refocus** UCOP on its core competencies and functions that add the highest value to the UC system;
- **Realign** UCOP's internal structure to be more mission-driven, consistent, and transparent; and
- **Reduce** UCOP's budget and headcount by achieving efficiencies in targeted areas so that you can:
- **Return** cost savings from unrestricted fund sources to the campuses and other locations to support mission-critical priorities in the near term; and
- **Reinvest** over the long term in certain UCOP functions identified by system-wide leadership that best support, leverage, and add value to the UC system.

Ultimately, we believe that you should change UCOP to be more efficient and effective, but that UCOP should not – for the good of the UC system – stagnate in the future. We developed the recommendations in this report based on these five goals, and framed our recommendations around:

- **Two Enterprise-Level Options** that offer different end-states for UCOP in the future based on a series of organizational, operational, budgetary, and staffing changes;

- A series of **Optimization Opportunities** to further improve UCOP's processes, interactions with campuses, and general operations; and
- Some examples of **Investment Opportunities** that the UC system could pursue at UCOP after the structural and efficiency changes are implemented.

We recognize that many of the changes that we have identified would be difficult to implement, and we do not take any reductions of funding or positions lightly. Therefore, as you review our recommendations, we ask that you bear several points in mind:

- **Discretion:** We recognize that the final decision on all our recommendations rests with you and your administration. We anticipate that you may decide not to implement some recommendations, and you may decide to defer other recommendations for consideration at a later date. We would be happy to provide you with additional information or context to support your ultimate decisions.
- **Interrelatedness:** Many of the recommendations build on each other, so if you decide not to make certain changes, then we would suggest you examine the impacts on the broader network of recommendations to understand the ripple effects.
- **Non-Fungibility:** We estimated the impacts to UCOP's budget and headcount as part of our recommendations, but these estimates are tied to the specific recommendations themselves. If you decide not to implement any particular recommendation, then we suggest you evaluate how that might impact the overall budget and headcount estimates.
- **Costs:** Many of the recommendations would require effort and money from UCOP and the UC system to implement, so we ask that you consider those costs before moving forwards with your decisions. In some cases, we were not able to quantify the exact costs of implementing the recommendations given time constraints, though we would be happy to support further cost analysis as needed.
- **Timing:** All the recommendations would require time to implement – time to collect stakeholder input, time to plan for the roll-out of changes, and time to actually change the organization. Given our initial effort estimates, and the other change efforts currently underway at UCOP, we believe that at a minimum you should plan for a two-year timeframe to implement the recommendations.

We genuinely appreciated the opportunity to work with you, your staff at UCOP, and the campus stakeholders who spoke with us. While we recognize the difficulty, complexity, and human toll of our recommendations, we feel that they are necessary for you to position UCOP and the broader UC system for success and excellence over the next 150 years and beyond.

Thank you in advance for your time, and please let us know if you need anything further as you gather feedback and consider your next steps.

Sincerely,



Ryan M. McDaniel
Managing Director
Huron Consulting Group



Andrew L. Laws
Managing Director
Huron Consulting Group



ORGANIZATIONAL OPTIMIZATION ENGAGEMENT

UNIVERSITY
OF
CALIFORNIA

January 17, 2018

HURON'S DISCLAIMER

CONTEXT FOR THIS DOCUMENT

This document summarizes Huron's assessment of the University of California Office of the President, conducted in the fall of 2017. Please consider the following when reviewing the contents of this document:

- + **Presentation for Discussion:** This presentation is intended for discussion with UCOP leadership, and is subject to interpretation from that conversation. Reviewing the presentation without the discussion may miss some of the context provided verbally, and lead to misinterpretation.
- + **Summary:** This presentation is a summary of our work and findings, and is not intended to represent all of the details and recommendations from our engagement.
- + **Data Context:** We collected and compiled data for this presentation in the fall of 2017 based on datasets provided to Huron by UCOP employees, interviews with employees of UCOP and UC campuses, and research with outside institutions. The data summarized in this presentation will become out-of-date and less accurate over time.
- + **Assumptions:** We have made some assumptions where data was not available or could not be collected during the engagement. We noted those assumptions where possible.

PRESENTATION AGENDA

HURON IS PLEASED FOR THE OPPORTUNITY TO PRESENT AND DISCUSS THE FOLLOWING AGENDA ITEMS:

- 1 Introduction
- 2 Overview of Recommendations
- 3 Enterprise-Level Options
- 4 Possible Investment Opportunities
- 5 Opportunities for Optimization
- 6 Conclusion

INTRODUCTION

OVERVIEW OF THE ENGAGEMENT

Huron began this engagement in mid-September 2017, with the goal of completing our initial findings by the end of December and supporting subsequent implementation. Over fifteen weeks, Huron:

- + **Interviewed Stakeholders:** Huron conducted interviews with three core groups of UC leaders to better understand UCOP operations and relations between UCOP and the campuses:
 - *UCOP Leadership and Staff* (100 interviews)
 - *Academic Senate Representatives* (10 interviews)
 - *Executive Budget Committee & Other Campus Representatives* (20 interviews)
- + **Analyzed Datasets:** Huron analyzed several large datasets including five years of financial transactions, the current operating budget, a human resources census of current employees, and historical data from various divisions and departments across UCOP.
- + **Evaluated Past Change Efforts:** Huron reviewed the reports and findings from past change efforts at UCOP, including those listed in the request for proposal and a number of other reports that were identified in the course of our interviews.
- + **Reviewed Background Materials:** Huron reviewed over one hundred documents received during the course of our interviews and meetings with the Working Group, including two books about the history of certain UCOP functions.
- + **Performed Benchmarking Research:** Huron identified the next ten largest university systems (measured by their system-wide expenditures) to use for comparative analysis, and over a dozen case studies of other institutions to highlight best-in-class operations and compare against UCOP functions.

INTRODUCTION

FOCUS FOR THE ENGAGEMENT

Based on the request for proposal and subsequent conversations with UCOP leadership, there were three primary focus areas for this engagement.

- + **Analysis:** Huron analyzed UCOP’s organizational design, alignment, portfolio and strategy to identify whether the programs and services within UCOP:
 - Provide unique value to the UC system that cannot be or is not replicated at the campuses;
 - Could be managed at a campus on behalf of the system; and/or
 - Should be reorganized, expanded, maintained, made more efficient, or eliminated.
- + **Recommendations:** Huron developed a strategic set of recommendations and options, and a summary report of areas of opportunity to “right-size” the organization.
- + **Implementation Planning:** Huron identified several key considerations for implementation, including:
 - The optimal organizational structure for UCOP and the UC system;
 - Prior change efforts across UCOP including strategic planning, consultative assessments, and internal reviews;
 - Staffing and resource requirements and related key organizational capabilities and competencies;
 - The roadmap, timeline, and budget required to implement the changes; and
 - A strategy for change management and communication across UCOP, campus, and external stakeholders.

We understand that UCOP engaged Huron primarily to identify a sustainable organizational structure and optimized workforce that produces higher value for the University of California as a whole.

INTRODUCTION

HURON'S UNDERSTANDING OF THE CURRENT SITUATION

UCOP has evolved and grown as a result of successive opportunities and challenges, and is at an opportune juncture for review of its current operating mechanisms.



Post-Recession Success: UCOP, and the University of California as a whole, has evolved from the deep challenges imposed by the Great Recession. The system, led by UCOP, has made substantial progress by leveraging its collective scale and implementing high value programs and services across the system.



Ongoing Industry Uncertainty: Like all institutions of higher education, UC faces continuing headwinds as a result of federal and state policies that collectively reduce support for research and instruction. UC faces particular challenges that require a strong and public advocate, in addition to a nimble and adaptive administration.



Industry Leader: UCOP stands as a leader amongst system offices in higher education, given its focus on system-wide programs and services that benefit the campuses through leveraged scale and improved experiences. UCOP has often been on the cutting edge of what university systems can accomplish.



Challenges to Workplace Culture: The challenges of the past decade and recent public scrutiny have led to decreased confidence within UCOP. In addition, some of UCOP's operating procedures are inhibiting employee satisfaction, but change is slow due to external constraints placed upon the University.



Organic Growth: UCOP has grown organically over time in many areas that add value to the UC system, but has accumulated some programs and activities that duplicate efforts across the system and may be overly burdensome to the campuses and UCOP administration.



Opportunities for Evolution: Having successfully navigated through the Great Recession as well as recent challenges, UCOP has an opportunity to restructure in ways that promote a more clear and transparent role within the UC system, improve employee morale, and establish more efficient operations in service of the UC mission.

The policies and procedures that allowed UCOP to maintain service and overcome uncertainty may not be what the University requires for ongoing investment and excellence.

INTRODUCTION

HURON'S PERSPECTIVE

Based on Huron's experiences working with all top 100 comprehensive research universities, including all ten UC campuses, our perspective on UCOP and the UC system includes several key considerations.



The UC system is unique: The UC system is unique in the world of higher education given the scale and scope of the ten campuses and medical enterprises, its national and international presence in research, its three national laboratories, the single Academic Senate, and a variety of other factors.



UCOP offers world class services: Having worked with many universities and university systems, we know that UCOP offers world class services that are the standard and best practices across higher education. Though some of these services could be managed more efficiently and effectively – as we heard from stakeholders across the UC system – UCOP is often at the forefront of what system offices can achieve.



UCOP can be more efficient: Though UCOP employs some industry leading practices, Huron has identified several opportunities for UCOP and the UC system as a whole to deliver services in a more efficient and transparent way by reducing expenses and FTE. Achieving these efficiencies will take time and require a transformation in how some functions are managed.



UCOP should not manage all central functions: There are several system-wide or state-wide functions that the campuses or other locations within the UC system could manage more efficiently and effectively. Though there may not be immediate cost savings from moving functions out of UCOP to the campuses or other locations, the UC system will experience increased value longer-term.



UCOP should not stagnate: UCOP and the UC system have historically been on the leading edge of what university systems can accomplish. Given the increasingly risky and negative outlook for higher education, the continued success and excellence of the UC system requires a strong and forward-thinking UCOP, and the UC system can realize more value by standardizing and/or centralizing functions through or with the support of UCOP.

UCOP should embrace the opportunity to change and transform itself towards the future by leveraging and building upon its history and the attributes that make the UC system so unique.

INTRODUCTION

COMPARATIVE CONTEXT FOR UNIVERSITY SYSTEMS

Huron identified ten of the largest university systems, measured by overall expenses, and compared the relative size, scope, and focus of their system offices against UCOP.

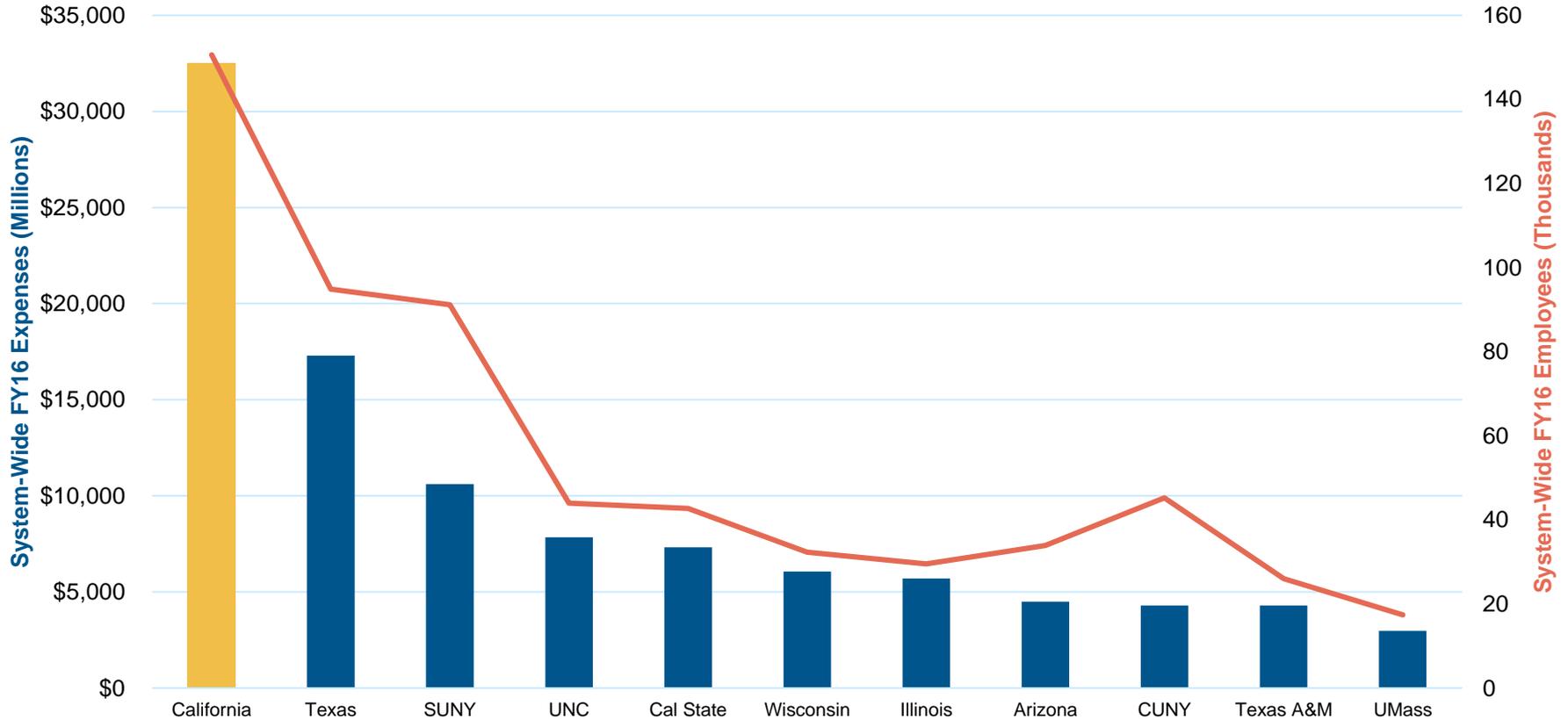
University System	Short Name	Name of System Office	Number of Campuses	FY16 Students (in thousands) ¹	FY16 Expenses (in billions) ¹
Arizona's Public University System	Arizona	Arizona Board of Regents	3	164	\$4.5
California State University System	Cal State	California State University, Office of the Chancellor	23	466	\$7.3
City University of New York	CUNY	City University of New York Administration	24	198	\$4.3
State University of New York	SUNY	State University of New York Administration	64	436	\$10.6
Texas A&M University System	TAMU	Texas A&M University System Office	11	149	\$4.3
University of Illinois System	Illinois	University of Illinois System Office	3	81	\$5.7
University of Massachusetts System	UMass	University of Massachusetts System Office	4	74	\$3.0
University of North Carolina System	UNC	University of North Carolina General Administration	17	225	\$7.8
University of Texas System	Texas	University of Texas System Administration	14	221	\$17.3
University of Wisconsin System	Wisconsin	University of Wisconsin System Administration	26	180	\$6.2
University of California System	California	University of California, Office of the President	10	257	\$33.2

Huron compared all eleven system offices, including UCOP, to determine the general scope, scale, and size of their operations. Huron used this analysis for directional guidance rather than exact measurements.

INTRODUCTION

COMPARISON OF SYSTEM-WIDE EXPENSES AND EMPLOYEES

Huron compared the operating expenses and employee headcount for the University of California system against the ten comparison university systems to understand the differences in size and scale.

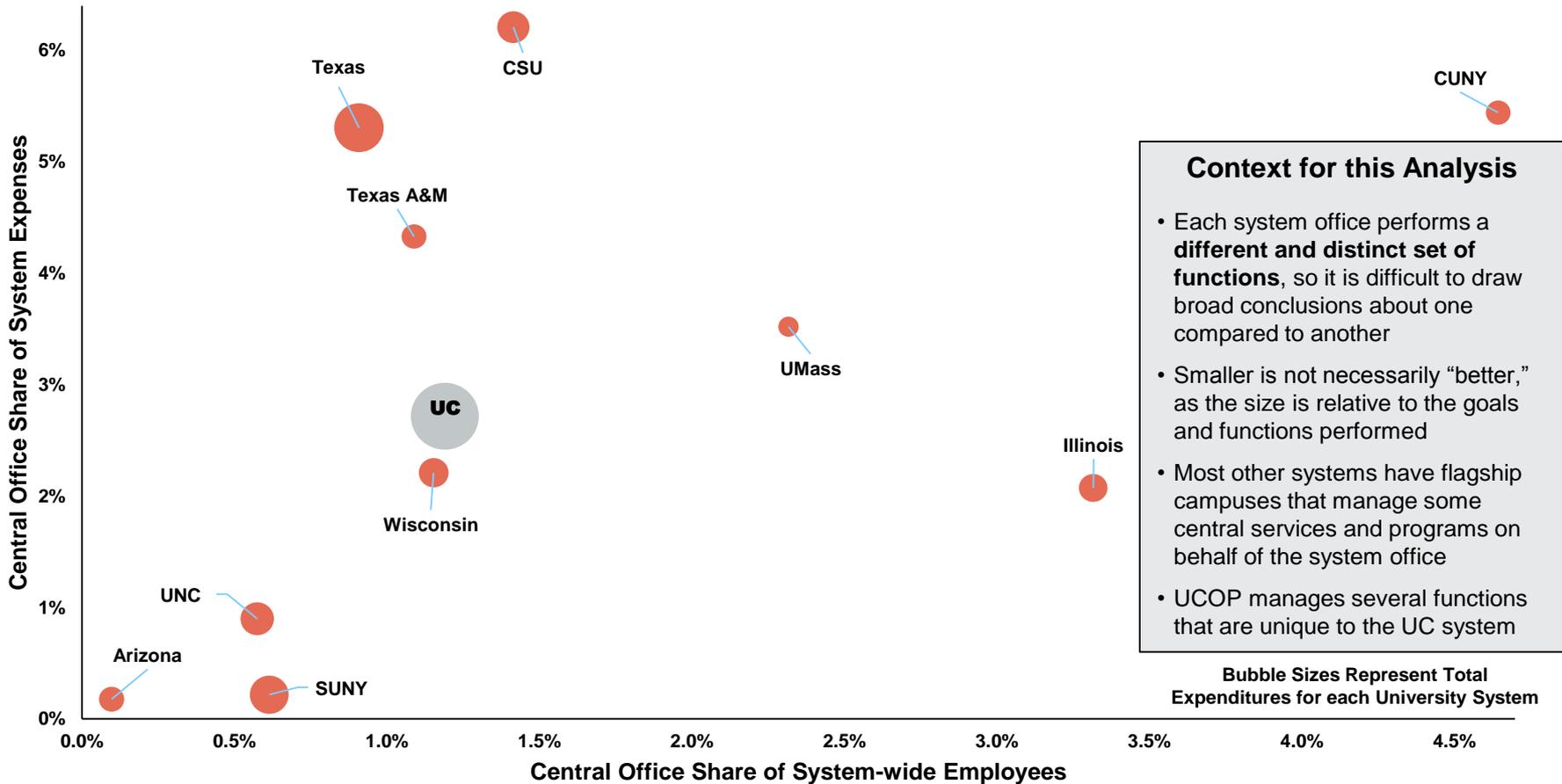


The University of California is significantly larger than any other university system in the country, given the size and scale of its operations, which should allow for more opportunities to collaborate across the system.

INTRODUCTION

COMPARATIVE ANALYSIS OF UNIVERSITY SYSTEM OFFICES

Huron measured the relative size of the eleven system offices compared to the broader university systems they support, by examining the system offices' share of system-wide employees and expenditures.



UCOP is in the bottom half of the eleven system offices in terms of relative size. Though system offices for larger systems should achieve greater scale and efficiencies, their size is also impacted by the scope of their portfolios.

Sources: 2016 university system annual reports; IPEDS.

Note: the UC “Modal” data point references the Benchmarking Analysis Presentation as a thought exercise to illustrate UCOP’s relative size if it mimicked the “modal” system office from the comparison institutions.

INTRODUCTION

EXAMPLES OF BEST-IN-CLASS FUNCTIONS

Many of UCOP's functions are best-in-class, as they offer a higher value to the UC system than most other university systems can achieve. Representative examples of these functions are listed below.



Undergraduate Admissions: UCOP manages the ApplyUC system for all nine undergraduate campuses. This common platform allows for a high quality applicant experience, lowers barriers to entry for prospective students, reduces administrative costs, and allows for better system-wide data analytics than would be possible with nine independent admissions systems. Only two of the comparison university systems we surveyed operate a common undergraduate application.



Study Abroad: The UC system offers the largest foreign study abroad program in the country and two domestic study abroad campuses - UCDC and UC Center Sacramento. Only three other comparison system manage similar domestic study abroad options, and no other system manages a comparable foreign study abroad program. Given the increasing emphasis on experiential learning, these programs are models for other universities.



Fiat Lux: UC's captive insurance program, Fiat Lux, results in millions of dollars in annual savings for the University, and has received national acclaim from the Captive Insurance Companies Association as a best-in-class model for all industries (not just higher education). Although many university systems purchase or manage some insurance, none are of the same scope and portfolio as UC.



Research Policy: The breadth and depth of UC's research operations across the system are unparalleled in the industry, and UCOP's Research Policy Office is unsurpassed in its resources and expertise. Most university systems are not involved in research policy, typically relegating those responsibilities to the flagship campus or all campuses. UCOP's Office offers high value to the campuses and carries heavy weight in the industry.



Labor Relations: The high number and distribution of represented employees across the University necessitates a centralized approach and strategy for labor relations. UCOP has an extremely effective central Labor Relations Office that negotiates on behalf of the UC system.

While few other system offices manage these functions, UCOP is on the leading edge in many ways and Huron anticipates that more system offices will embrace these types of roles and activities.

INTRODUCTION

EXAMPLES OF UNIQUELY NECESSARY FUNCTIONS

Given the nature and history of the University of California, UCOP manages several system-wide functions that are uncommon in higher education, but are necessary for the UC system.

Academic Functions

Functions that support or drive the mission of the University and mission-related activities

State-wide Programs:

~4% of UCOP Headcount

- + UC manages some programs on behalf of the state government, like K-12 education, research grants, & teacher development
- + Except CSU, no other university systems manage similar programs for the state

Academic Senate:

~1% of UCOP Headcount

- + The UC Academic Senate exercises direct control over academic matters of central importance to the University
- + Only two other university systems we surveyed have similar central bodies, and neither is as far reaching as UC

Academic Personnel:

~1% of UCOP Headcount

- + UCOP manages a single Academic Personnel Manual for all of the campuses
- + Only a few other major university systems manage faculty policies centrally

Personnel Functions

Administrative functions that have historically been centrally managed by UCOP

Payroll Processing:

~15% of UCOP Headcount

- + UC has historically managed a Payroll system for all of the UC locations
- + UCPath is replacing the payroll system and the UCPath Center will be the hub for payroll and HR processes across the UC
- + Only one other university system we surveyed had achieved a similar centralization of payroll and HR processes

Retirement Programs:

~10% of UCOP Headcount

- + Most public universities lean upon their states' public employee pension plans
- + UC is the only university we surveyed that manages its own retirement programs
- + Support staff are spread across the HR, Accounting, Investment, and IT offices

Other Unique Functions

Functions that are unique to UC because of scale, strategic direction, or history

National Laboratories:

~1% of UCOP Headcount

- + UC directly manages one national laboratory, and supports two other national laboratories through joint ventures
- + Only seven universities in the US support or manage national laboratories, and only two manage more than one national lab (UC and the University of Chicago)

Federal Government Relations:

~1% of UCOP Headcount

- + The federal government is one of the largest funding sources for the UC system
- + UC conducts approximately one-tenth of all federally-funded academic research
- + UC must lobby and manage relationships with the federal government to a greater degree than other university systems

UCOP's size is partially determined by several historical functions that most university systems do not manage. Though some of these functions could be managed more efficiently, UC would be ill advised to eliminate them.

INTRODUCTION

STRATEGIC POSITIONING FOR THE FUTURE

UCOP must embrace change so that it can better support UC's mission and advance UC's position as a world class university system. Huron's recommendations for this change manifests in five key goals.



Refocus: UCOP should pivot the organization to refocus on its core competencies and functions that add the highest value to the UC system, by transitioning some functions out of UCOP if they do not align with UCOP's focus or can be performed more effectively elsewhere in the UC system.



Realign: Due to the natural organic evolution of UCOP's organizational structures and procedures, UCOP should align its internal organizational model along clear themes of transparency and mission, support internal improvements, and invite stronger stakeholder engagement.



Reduce: UCOP should reduce its expenditures on services that duplicate efforts or offer relatively limited value to the UC system, particularly by achieving operational efficiencies and by strategically scaling back investment in certain functions based on stakeholder feedback.



Return: In the near term, UCOP should return any cost or FTE savings from the restructuring efforts to the campuses and other locations to support instruction, research, enrollment, and other mission-driven priorities by redirecting state appropriations or lowering the campus assessment (depending on the funding model).



Reinvest: After UCOP has completed the restructuring effort, UCOP and campus leadership should identify specific centralized functions in which to invest that will best support the mission and goals of the UC system, by leveraging its scale, existing assets, and competitive advantage in the industry.

UCOP has a timely opportunity to refocus its portfolio and restructure the organization in order to maximize the UC system's impact and position the system for continued excellence over the next 150 years.

OVERVIEW OF RECOMMENDATIONS



OVERVIEW OF RECOMMENDATIONS

FUTURE STATE OPTIONS & OPPORTUNITIES

Huron has assembled recommendations into three groups – two discrete options for structuring the whole of UCOP, opportunities to optimize UCOP’s operations, and opportunities for investment in the future.

- + **Future State Recommendations:** The recommendations in this report aim to identify how UCOP can achieve the strategic positioning for the future, and are framed as:
 - *Two Enterprise-Level Options* that offer different framings and end-states for UCOP in the future – titled the “Blue” and “Gold” Future States – based on a series of organizational, operational, budgetary, and staffing changes;
 - *Opportunities to Optimize* UCOP’s operations – primarily its internal processes, culture, interactions with campuses, financial practices, and general administration; and
 - *Possible Investment Opportunities* at UCOP for the UC system to consider after the implementation of options and opportunities that can add value through additional cost efficiencies, better service, and improved outcomes.
- + **Implementation Considerations:** Huron developed our recommendations with the understanding that President Napolitano will ultimately make decisions on these recommendations in close consultation with system leaders. The President should consider the following concepts prior to decision-making and implementation:
 - *Overlap:* Many of the changes build and are dependent upon each other, so although UCOP could pick-and-choose which changes to implement, it should consider the impacts of such decisions on the broader design and structure;
 - *Costs:* UCOP should quantify the costs required to implement any of the recommendations before announcing changes to ensure it is making sound financial decisions and internalizing the total cost of each change; and
 - *Timing:* UCOP should allocate adequate time to implement any of the recommendations – time to collect stakeholder input, time to plan for the roll-out of changes, and time to actually change the organization.

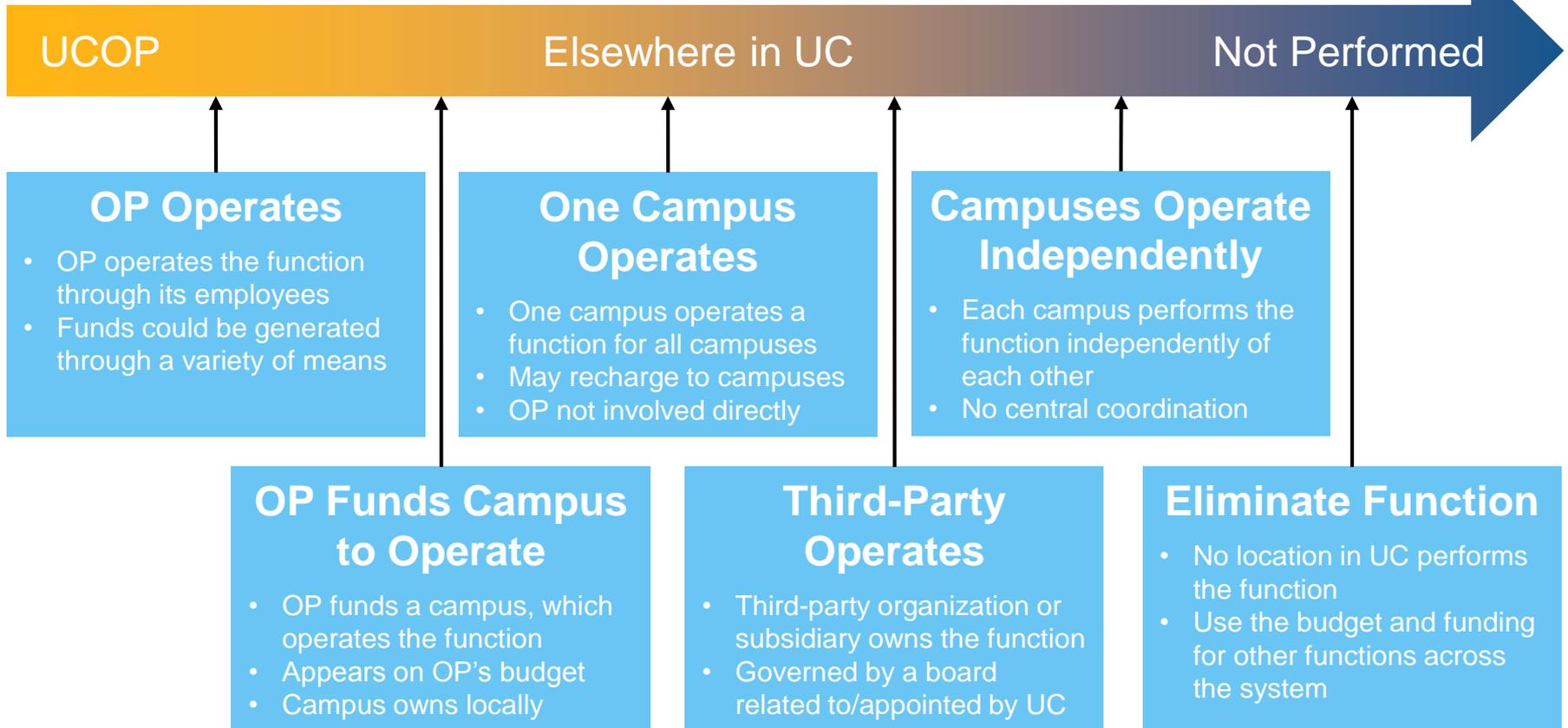
In developing our recommendations, Huron assessed every function within UCOP to identify how they could be structured and which entity within the UC system could be accountable for the functions in the future.

OVERVIEW OF RECOMMENDATIONS

SIX OPERATING MODELS

Huron identified six core operating models for how UCOP and system-wide functions can be structured based on our design principles and the current organizational structure across the UC system.

Scale of Ownership of Functions



To develop the two Enterprise-Level Options, we divided UCOP into roughly 90 functions based on focus, structure, and responsibilities, and aligned them with one of the six operating models in the future

OVERVIEW OF RECOMMENDATIONS

CREATING THIRD-PARTY ORGANIZATIONS

One of the six operating models we have identified is to have a third-party organization operate and manage a function. We have defined the two primary types of third-party organizations below.

New UC “Location”	501(c)3 Organization
<p>UC could establish new “locations” within the UC system, that operate at the same level as the 10 campuses, UCOP, and the National Laboratories. The employees and budget would remain in the UC system, but would stand alone from the campuses, UCOP, and other locations.</p> <p>Examples:</p> <ul style="list-style-type: none"> • University of Wisconsin-Extension: In the University of Wisconsin System, UW-Extension operates as a virtual 14th “campus” that is led by a Chancellor, who reports to the President and employs faculty and staff across the state in Cooperative Extension, public radio & television, online education, etc. • Texas A&M Agencies: In the Texas A&M University System, there are seven “Agencies” that coordinate with, but operate distinctly from, the 11 campuses. They report up to the system office through two Vice Chancellor positions. • UT Health: The University of Texas System touts its 14 institutions, including eight academic campuses and six health-related institutions. The health institutions include a series of academic health centers under the UT Health brand, along with UT MD Anderson and UT Southwestern. The health institutions operate alongside, but separately from, the academic campuses and the system office. <p>Risks:</p> <ul style="list-style-type: none"> • Additional locations may lead to the creation of more silos within the UC system, given that Chancellors tend to operate fairly independently • New locations may limit future flexibility, since it is difficult to merge or change organizations after they have been created and given some level of autonomy 	<p>UC could establish new 501(c)3 organizations, or other non-profit entities, related to the UC system, that operate in conjunction with but separately from the UC system. The employees and budget could be held by a location within the UC system (a campus or UCOP), by the 501(c)3 organization itself, or by a combination of both.</p> <p>Examples:</p> <ul style="list-style-type: none"> • UNC Press: The academic press for the University of North Carolina operates as a separate 501(c)3, with a roughly \$5 million budget that is separate from the university system, and employs its own staff. • Wisconsin Alumni Research Foundation: In the University of Wisconsin System, WARF operates as the technology transfer arm of the university, processes royalty payments, prosecutes patent litigation, and manages a general research endowment. It is a separate entity dating back to the 1920s that employs its own staff, owns property, and manages billions of dollars in endowment and royalty payments annually. • Big 10 Academic Alliance: The Big 10 Academic Alliance is a consortium between the 14 campuses in the Big 10 conference that coordinates on strategic sourcing, library purchasing and collaboration, and some academic initiatives. The alliance is a separate 501(c)3 located on Urbana-Champaign’s campus that is funded through an assessment agreed to by all of the campuses. <p>Risks:</p> <ul style="list-style-type: none"> • May be difficult for UC to govern and maintain control given the formal and legal separation of the 501(c)3 organizations • May be difficult to transition current employees to new 501(c)3 organizations

UCOP could move functions into either of these two organizational types to ensure a more concerted focus on the functions. They offer distinct advantages and disadvantages that must be considered before implementation.

OVERVIEW OF RECOMMENDATIONS

MOVING FUNCTIONS TO CAMPUSES

Three of the operating models would require UCOP to transition ownership of functions in some capacity to one or many of the campuses. We have described these three operating models in more detail below.

<h3>UCOP Funds One Campus to Operate</h3>	<h3>One Campus Operates & Collects Funds</h3>	<h3>All Campuses Operate Independently</h3>
<p>UCOP could provide funding to one of the campuses to manage and operate a function on behalf of the UC system. UCOP would still bear the budget for the function but the campus would maintain the employees.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Presidential Post-Doctoral Fellowship Program: UC Berkeley manages the PPDFP on behalf of UCOP, but UCOP provides nearly \$1 million to UC Berkeley for the program. • UC Observatories: UC Santa Cruz manages the three major observatories and initiatives on behalf of UCOP, and UCOP provides over \$20 million to UC Santa Cruz to support the observatories. <p>Risks:</p> <ul style="list-style-type: none"> • UCOP may lose the ability to directly influence program operations and activities • UCOP may not be able to claw back the funding 	<p>One of the campuses could be directly responsible for managing and coordinating a function on behalf of the UC system, including collecting the necessary funds so that UCOP does not need to pass through funding.</p> <p>Examples:</p> <ul style="list-style-type: none"> • UC Recruit: UC Recruit is an online recruiting platform for academic personnel that is managed by the IT department at UC Irvine on behalf of the UC System. Though UCOP is on the steering committee, UC Irvine has primary responsibility for raising funding and managing the system. • UC Center Sacramento: UC Davis manages the UC Center Sacramento on behalf of UCOP, and raises most of its funds from student tuition and other sources. UCOP offers minimal funding to UC Davis to help support the operations of the center. <p>Risks:</p> <ul style="list-style-type: none"> • Ownership by one campus may lead to perceptions of favoritism and inequities between the campuses • Requiring campuses to fund initiatives individually and recharge each other may be cumbersome 	<p>UCOP could require all campuses to independently manage certain functions. UCOP would not get directly involved in managing those functions, though it could occasionally need to referee or oversee compliance at the campuses when issues arise.</p> <p>Examples:</p> <p><i>There are multiple examples of areas where the campuses manage functions without a corollary UCOP function. The following is a list of examples:</i></p> <ul style="list-style-type: none"> • Police: The campuses manage their own police forces, and there is no UCOP office that coordinates or directly manages police functions. • Auxiliaries: The campuses manage their own auxiliary functions like bookstore operations, parking, housing, etc. UCOP does not have a corollary function. <p>Risks:</p> <ul style="list-style-type: none"> • The UC system may bear risk because of the lack of central control or tracking of these functions • There may be unrealized cost saving opportunities by not coordinating the functions centrally

UCOP could move functions to the campuses for ownership and management, but the three operating models offer different levels of control and benefits, which must be considered before moving any function.

ENTERPRISE-LEVEL OPTIONS



ENTERPRISE-LEVEL OPTIONS

OVERVIEW

Huron has identified two Enterprise-Level options that offer different framings for how UCOP could be organized in the future.

Current State

UCOP is one of the most advanced and forwards-thinking system offices in higher education, and serves as the model for many other university systems.

Organizational Metrics:

- 12 Divisions
- 53 Departments
- 14-16 Direct Reports to the President

Size of UCOP:

- \$883 million in annual operating budget (including roughly \$80 million in special campus recharges that are distinct from campus assessment)
- 1,792 total FTE

Size of the UC System:

- \$33 billion in annual budget
- 150,592 total headcount
- 15 locations including the ten campuses, the three national laboratories, UCOP, and Hastings College of Law

Blue Future State

Themes:

- **Focus** on system-wide leadership, administration & policy
- **Consistency** in organizational structure and staffing levels across UCOP
- **Alignment** within UCOP and across the campuses based on synergy and best fit
- **Transparency** in the budget and ownership of functions & initiatives across UCOP

Major Changes:

- **Move** mature programs to campuses
- **Eliminate** duplicate and low value functions
- **Reorganize** UCOP functions and budget to reduce costs and improve alignment

	Budget	FTE
Net Change:	- 44%	- 16%
End Result:	\$490 M	1,513 FTE
Moved/Changed:	\$351 M	180 positions
Eliminated:	\$42 M	99 positions

These are end state estimates, and are not additive with the Gold Future State

Gold Future State

Additional Themes:

In addition to **focus**, **consistency**, **alignment**, and **transparency**:

- **Creation** of structures for functions that do not align well with campuses or UCOP
- **Orientation** of Divisions towards similar customers and functional expertise
- **Emphasis** on efforts that serve and benefit the UC system as a whole

Additional Changes:

In addition to the “Blue Future State”:

- **Create** new locations for special purposes
- **Reduce** the President’s direct reports
- **Restructure** divisional portfolios to align functions around core themes

	Budget	FTE
Net Change:	- 50%	- 20%
End Result:	\$438 M	1,435 FTE
Moved/Changed:	\$396 M	247 positions
Eliminated:	\$49 M	110 positions

These are end state estimates, and are not additive with the Blue Future State

UCOP could also choose a hybrid between these two Enterprise-Level options as well.

OPTION 1: BLUE FUTURE STATE

OVERVIEW OF STRUCTURAL CHANGES

The **Blue Future State** represents a series of positive changes to achieve UCOP's goals, including moving functions to the campuses, eliminating functions, and reorganizing UCOP Divisions.

Transition to Campuses:

- + Move **Agriculture & Natural Resources** to UC Davis as an independent school or academic division within the campus and change its funding to state appropriations
- + Align three **Instructional Academic Programs** with a single campus administratively to mimic the structure for UC Center Sacramento:
 - Education Abroad Program
 - Innovative Learning Technology Initiative (Online Education)
 - UCDC
- + Transfer **UC Press** operations to a single campus (likely UCLA)
- + Transfer the **Research Grants Program Office** operations, excluding the National Laboratory grants, to a single campus

Internal Alignment:

- + Orient **Academic Affairs** towards the mission of leading and supporting instruction, research, and public service
- + Unify **External Relations** functions into one division led by an Executive Vice President
- + Expand the **CFO Division** to include Energy programs given the alignment with utilities, facilities, and procurement
- + Unify the **Service Centers** by aligning the RASC with the UCPath Center
- + Pivot **Alumni & Constituent Affairs** towards a focus on Foundation Relations
- + Focus **Innovation & Entrepreneurship** on promoting innovation across UC by moving some functions to the CFO & COO Divisions
- + Establish a **Chief Diversity Officer** focusing on all populations across the UC system reporting to the president
- + Transition **Institutional Research** to the COO Division to expand its focus & align it with ITS

Additional Changes:

- + Cut Funding for the **Chancellor's Inaugurations & House Maintenance** and require campuses to cover the costs
- + Eliminate future funding for some initiatives like the **Presidential Post-Doctoral Fellowship, UC Research Initiative, and UC Mexico Initiative**
- + Optimize the internal structure and staffing for the **Systemwide Human Resources Department** to balance portfolios and focus on certain system-wide functions
- + Optimize **Information Technology Services** by incorporating local IT Services and restructuring the office over two years
- + Optimize internal staffing levels and eliminate some vacant positions in **Academic Affairs** and **Public Affairs**
- + Adopt best budgeting practices by adjusting **Recharge Policies** and removing **Patent Royalties** from UCOP's budget

The **Blue Future State** is different than the **Gold Future State** in that it offers changes that are more familiar across the UC system but that may not achieve the highest value for the system as a whole.

OPTION 1: BLUE FUTURE STATE

INTERNAL ORGANIZATION & FOCUS

For the **Blue Future State**, UCOP should establish a clear, concise focus for each of the major divisions and offices. Huron organized the twelve divisions and offices into four categories.

System-wide Administration <i>Lead and support the administration of the UC system across all campuses, medical centers, and national laboratories</i>		Mandated Offices <i>Support functions mandated by the Regents</i>	Specialized Offices <i>Support specialized programs & initiatives</i>	Leadership Support <i>Support the governance & leadership of the UC</i>
<p>Academic Affairs Division</p> <p><i>Focused on leading & supporting the tripartite mission of UC:</i></p> <ul style="list-style-type: none"> • Instruction • Research • Public Service <p><i>By developing the three core academic assets of the University:</i></p> <ul style="list-style-type: none"> • Faculty • Students • Libraries 	<p>External Relations Division</p> <p><i>Focused on advocating for and developing relationships with the following key audiences:</i></p> <ul style="list-style-type: none"> • Government • Media • The Public • Faculty & Staff • Alumni • External Stakeholders 	<p>Office of General Counsel</p> <p><i>Focused on providing legal services through:</i></p> <ul style="list-style-type: none"> • Advice • Representation • Research 	<p>Office of the National Laboratories</p> <p><i>Focused on supporting the three national laboratories:</i></p> <ul style="list-style-type: none"> • Lawrence Berkeley • Lawrence Livermore • Los Alamos 	<p>President's Executive Office</p> <p><i>Focused on supporting the President and promoting:</i></p> <ul style="list-style-type: none"> • Strategic Initiatives • Diversity Efforts • Policy & Planning
<p>Finance Division</p> <p><i>Focused on leading & supporting the oversight of UC's financial resources through:</i></p> <ul style="list-style-type: none"> • Allocation • Management • Planning • Stewardship 	<p>Operations Division</p> <p><i>Focused on developing and supporting the operations of the UC system & UCOP through:</i></p> <ul style="list-style-type: none"> • People • Process • Technology • Data 	<p>Office of Investment</p> <p><i>Focused on managing the core financial assets:</i></p> <ul style="list-style-type: none"> • Retirement • Endowment • Cash 	<p>Office of Innovation & Entrepreneurship</p> <p><i>Focused on promoting innovation by creating:</i></p> <ul style="list-style-type: none"> • Opportunities • External alliances • Capabilities 	<p>Office of the Academic Senate</p> <p><i>Focused on supporting and representing the Academic Senate and the ten Divisional Senates.</i></p>
		<p>Office of Ethics, Compliance & Audit</p> <p><i>Focused on supporting the UC by leading:</i></p> <ul style="list-style-type: none"> • Audit • Compliance • Investigations 	<p>UC Health</p> <p><i>Focused on supporting :</i></p> <ul style="list-style-type: none"> • Medical Centers • Health Schools • Employee Healthcare 	<p>Office of the Board of Regents*</p> <p><i>Focused on supporting and representing the Board of Regents.</i></p> <p><small>*Also a Regents' Office</small></p>

OPTION 1: BLUE FUTURE STATE

SYSTEM-WIDE TRANSITIONS & MOVEMENT

For the **Blue Future State**, UCOP would transition administrative ownership of several functions to campuses to ensure consistency in structure and alignment with industry standards.

Campus Ownership To Be Determined:

- + **Innovative Learning Technology Initiative (ILTI)** – ILTI provides a service to students and faculty at all ten of the UC campuses, and leverages some student services from the campuses currently. ILTI could fully transition its administration, budget, and employees to one of the campuses while still maintaining a reporting relationship with UCOP to mimic the administrative and reporting structure for the UC Center Sacramento.
- + **Research Grants Program Office (RGPO)** – The RGPO leverages out-of-state professionals to review proposals for state-wide grants; although researchers at the campuses may apply for the grants, one of the campuses could manage the RGPO without raising a conflict of interest. Some campuses also manage other state-wide grants, like UC San Francisco which administers the California Initiative to Advance Precision Medicine.
- + **UCDC** – Though UCDC is not physically close to any of the UC campuses, one of the campuses could take administrative and academic ownership of the campus operations while still maintaining a reporting relationship between UCDC leadership and UCOP. This would mimic the administrative and reporting structure for the UC Center Sacramento.

UC Davis:

- + **Division of Agriculture & Natural Resources (ANR)** – Though ANR currently has staff and investments on several campuses, including UC Berkeley, UC Davis, and UC Riverside, ANR could become a standalone academic division or school-level entity at UC Davis. This would mimic the structure of many other Cooperative Extension services and Research Stations across the country, which are housed at the land grant campus.

UCLA:

- + **UC Press** – Given that UC Press is a relatively self-sufficient auxiliary unit, and that all of the campuses manage other auxiliary functions, UC Press could transition to one of the campuses for administrative oversight. UCLA is a prime candidate given historical negotiations between UC Press and UCLA, and UCLA's existing administrative support structures.

UC Santa Barbara:

- + **Education Abroad Program (EAP)** – Given that the EAP office is located near the UC Santa Barbara campus and leverages many of their administrative services, EAP could fully transition its administration, budget, and employees to UC Santa Barbara while still maintaining a reporting relationship with UCOP. This would mimic the administrative and reporting structure for the UC Center Sacramento.

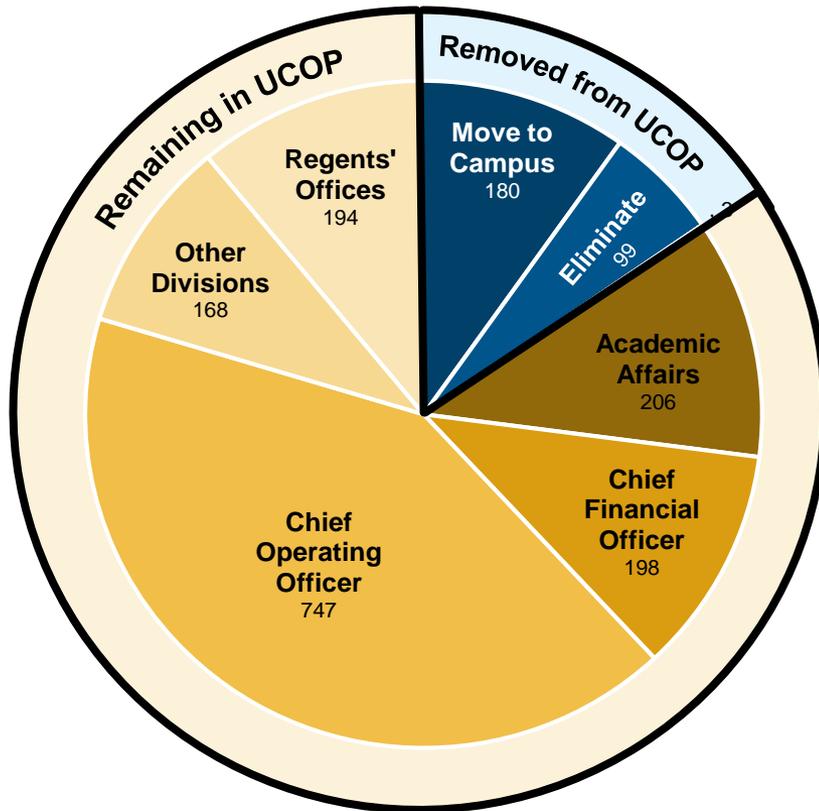
OPTION 1: BLUE FUTURE STATE

IMPACT OF CHANGES

The **Blue Future State** will result in a smaller footprint for UCOP by transitioning functions to the campuses, eliminating some inefficiencies, and transferring functions across the Divisions.

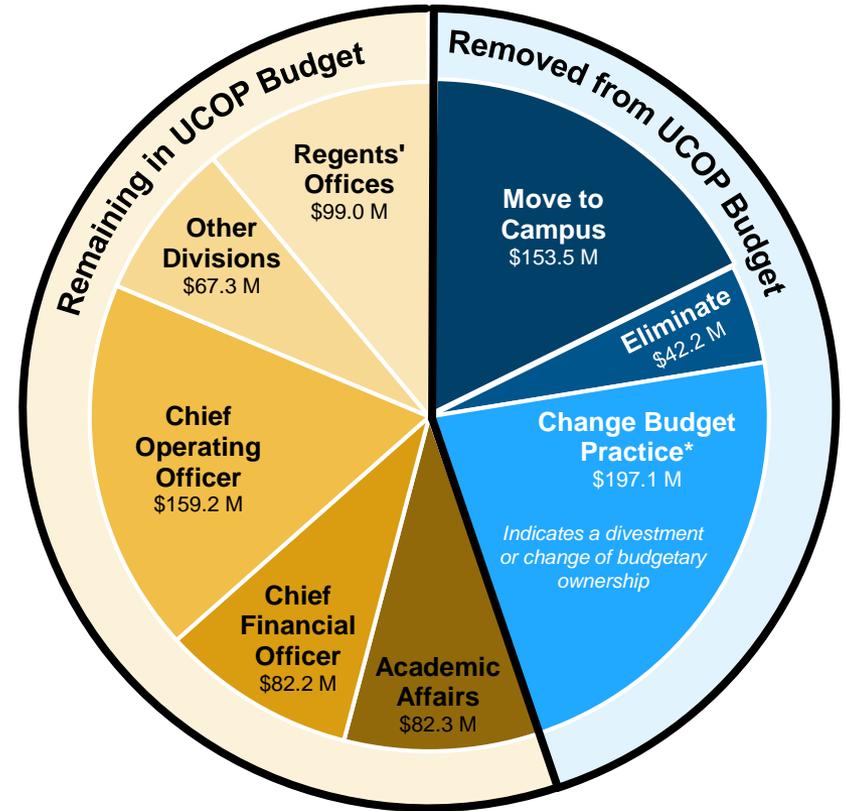
UCOP Employee Allocation

From 1,792 FTE in the Current State



UCOP Budget Allocation

From \$883 million in the Current State



In the **Blue Future State**, UCOP would reduce by \$393 million and 279 FTE over the course of the implementation by improving the focus, consistency, and transparency of the organization.

Note: The figures above represent future-state breakdowns of UCOP's FTE and budget. Huron understands that UCOP employed approximately 1,792 FTE, and had a budget of \$883 million (including external recharges). The charts do include small growth in some areas as well above the current numbers.

OPTION 2: GOLD FUTURE STATE

OVERVIEW OF STRUCTURAL CHANGES

The **Gold Future State** represents Huron's recommended changes to achieve UCOP's goals, including creating new UC locations, reorganizing UCOP Divisions, and additional cost reductions.

Create New UC Locations:

These two locations would be **State-Wide Networks** within the UC system, led by Executive Vice Presidents who report to the President and are governed by committees of Chancellors and other stakeholders:

- + Establish **UC Healthcare**, a state-wide network focusing on coordinating clinical and academic healthcare programs to improve outcomes and reduce costs across UC's academic medical centers and health systems
- + Establish **UC Public Service**, a state-wide network focusing on public service and managing the public assets of the University of California, through:
 - Education Pipeline Programs
 - Educator Programs
 - Agriculture & Natural Resources
 - Research Grants Program Office
 - Natural Reserve System

Internal Alignment:

UCOP's structure in the **Gold Future State** mimics the **Blue Future State** with the following additions:

- + Establish the **Chief of Staff Division**, focusing on presidential initiatives, program management, and strategy.
- + Focus the **COO Division** on system-wide people, process, systems, and data by moving UCOP Operations to the new Chief of Staff Division
- + Move **Innovation & Entrepreneurship** into Academic Affairs and focus the group on supporting the campus technology transfer and innovation efforts
- + Reorganize **Institutional Advancement** under Financial Accounting given their focus on gift policies and transactions
- + Transition **UC Press** operations to the UC Press Foundation, an existing separate 501(c)3 organization

Additional Changes:

UCOP would make the following changes in addition to the campus transfers and reductions in the **Blue Future State**:

- + Change funding for **UC Health** from the campus assessment to an assessment on the academic medical centers
- + Change funding for all **Engagement Programs** like SAPEP to be reliant on appropriations or other funding sources
- + Eliminate future funding for some academic initiatives like the **California Institutes for Science & Innovation**
- + Optimize internal staffing levels and eliminate some vacant positions in the **PEO, COO, Public Affairs, and Academic Affairs**
- + Direct funds to one campus to purchase energy and gas for **Energy & Sustainability**, to mimic the **Library Procurement** process at the CDL

The **Gold Future State** would align functions within UCOP to improve focus for each Division, and allow UC Health and the public service functions to grow and better meet their mission with fewer constraints.

OPTION 2: GOLD FUTURE STATE

INTERNAL ORGANIZATION & FOCUS

For the **Gold Future State**, UCOP should establish a clear, concise focus for each of the major divisions and offices. Huron organized the twelve divisions and offices into four categories.

System-wide Administration <i>Lead and support the administration of the UC system across all campuses, medical centers, and national laboratories</i>		Mandated Offices <i>Support functions mandated by the Regents</i>	Specialized Offices <i>Support specialized programs & initiatives</i>	Leadership Support <i>Support the governance & leadership of the UC</i>
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				<p>Office of the Chief of Staff</p> <p><i>Focused on supporting UC and UCOP through:</i></p> <ul style="list-style-type: none"> • Strategic Initiatives • Policy & Planning • Internal Operations

OPTION 2: GOLD FUTURE STATE SYSTEM-WIDE TRANSITIONS & MOVEMENT

For the **Gold Future State**, UCOP would transition administrative ownership of several functions to campuses, new UC “locations” called State-Wide Networks, and a 501(c)3 organization.

Campus Ownership To Be Determined:

- + **Innovative Learning Technology Initiative (ILTI)** – ILTI provides a service to students and faculty at all ten of the UC campuses, and leverages some student services from the campuses currently. ILTI could fully transition its administration, budget, and employees to one of the campuses while still maintaining a reporting relationship with UCOP to mimic the administrative and reporting structure for the UC Center Sacramento.
- + **UCDC** – Though UCDC is not physically close to any of the UC campuses, one of the campuses could take administrative and academic ownership of the campus operations while still maintaining a reporting relationship between UCDC leadership and UCOP. This would mimic the administrative and reporting structure for the UC Center Sacramento.

UC Santa Barbara:

- + **Education Abroad Program (EAP)** – Given that the EAP office is located near the UC Santa Barbara campus and leverages many of their administrative services, EAP could fully transition its administration, budget, and employees to UC Santa Barbara while still maintaining a reporting relationship with UCOP. This would mimic the administrative and reporting structure for the UC Center Sacramento.

State-Wide Networks:

- + **UC Healthcare** – UCOP could transition most of the current UC Health Division into a State-Wide Network that focuses on leading and coordinating clinical and academic healthcare programs to improve outcomes and reduce costs across UC’s academic medical centers and health systems. The campuses would still maintain independent ownership of the academic medical centers and health systems.
- + **UC Public Service** – UCOP could transition most of the public service functions at UCOP – including the Student Academic Preparation and Educational Partnerships, Agriculture & Natural Resources, the Natural Reserve System, the Research Grants Program Office, etc. – to a State-Wide Network focused exclusively on meeting the public service mission of the University of California and managing some of its public assets.

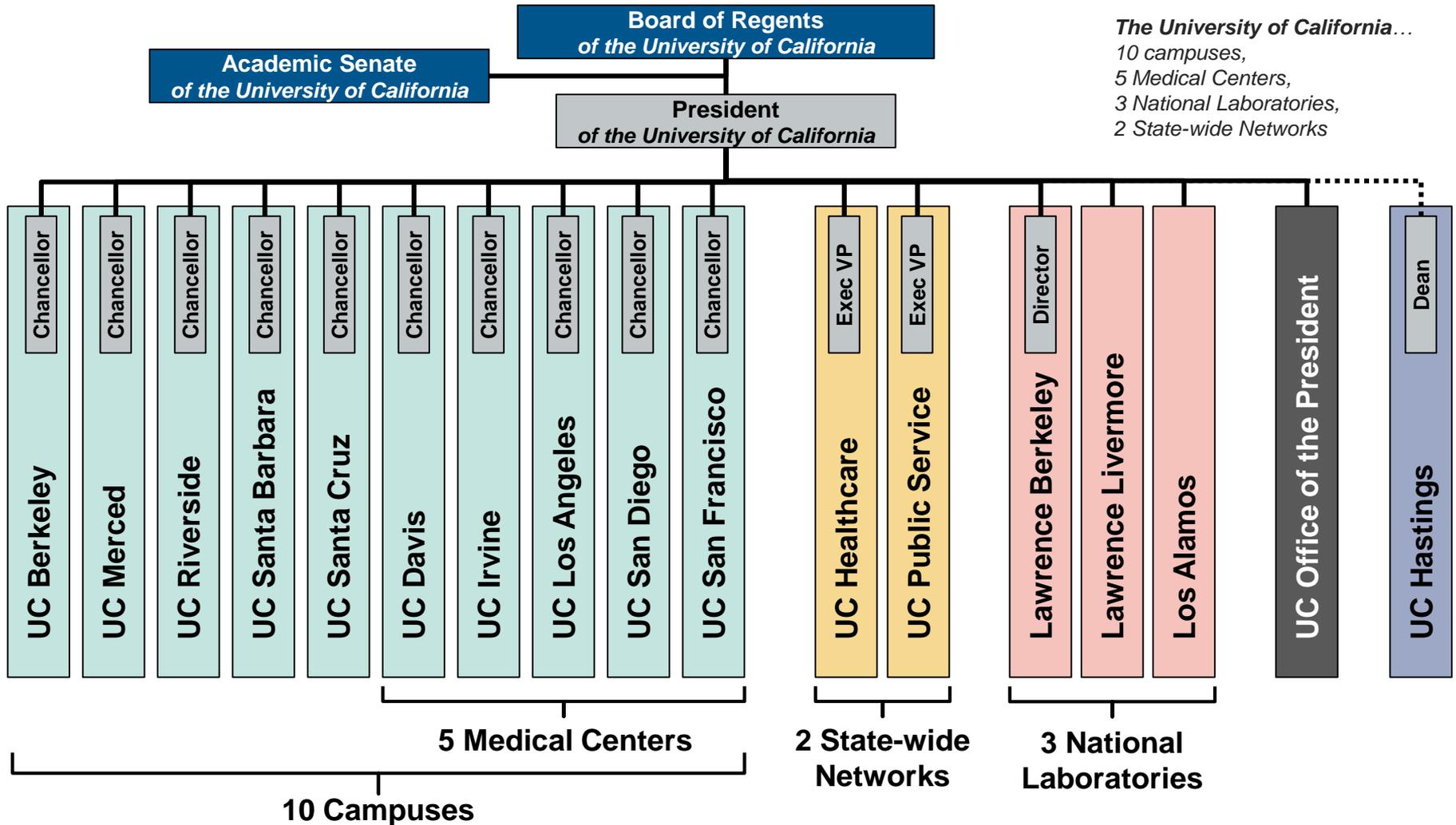
Pre-Existing 501(c)3 Organization:

- + **UC Press** – Given that UC Press is a relatively self-sufficient auxiliary unit, and that it currently has a independent Foundation that supports it through fundraising activities, UC Press could transition its administration, budget, and employees to the Foundation over time to allow it to be more flexible and nimble, while still maintaining the current oversight and governance by UCOP and leadership across the UC system.

OPTION 2: GOLD FUTURE STATE

SYSTEM-WIDE REPORTING STRUCTURE

There are approximately **15 locations** within the University of California comprising the campuses, laboratories and other structures. In the **Gold Future State**, this would expand to **17 locations**.



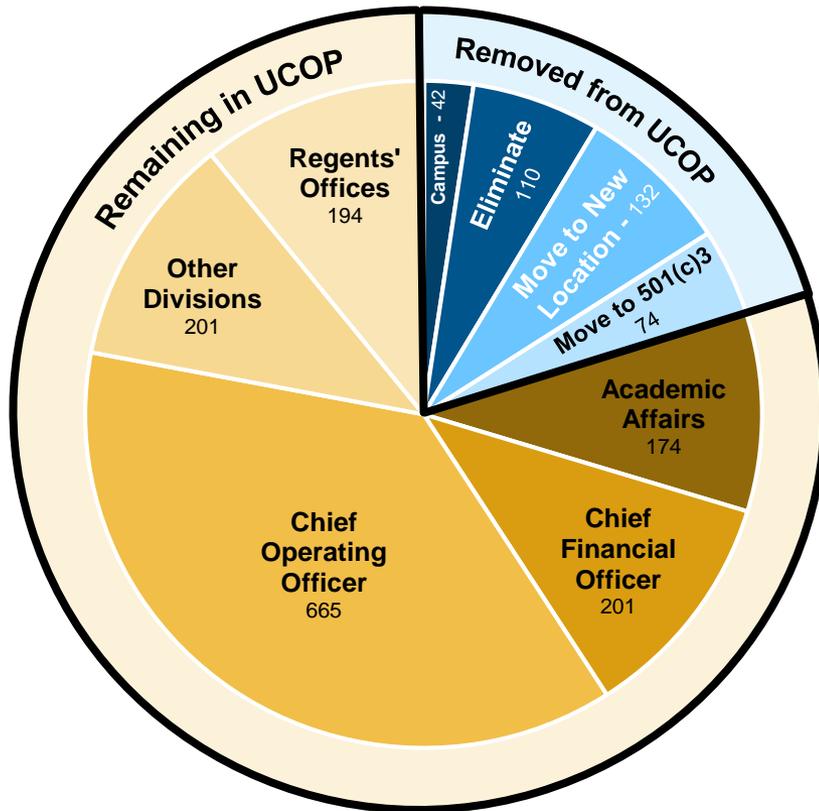
OPTION 2: GOLD FUTURE STATE

IMPACT OF CHANGES

The **Gold Future State** will result in a smaller footprint for UCOP by transitioning functions to the new organizations, eliminating some inefficiencies, and transferring functions across Divisions.

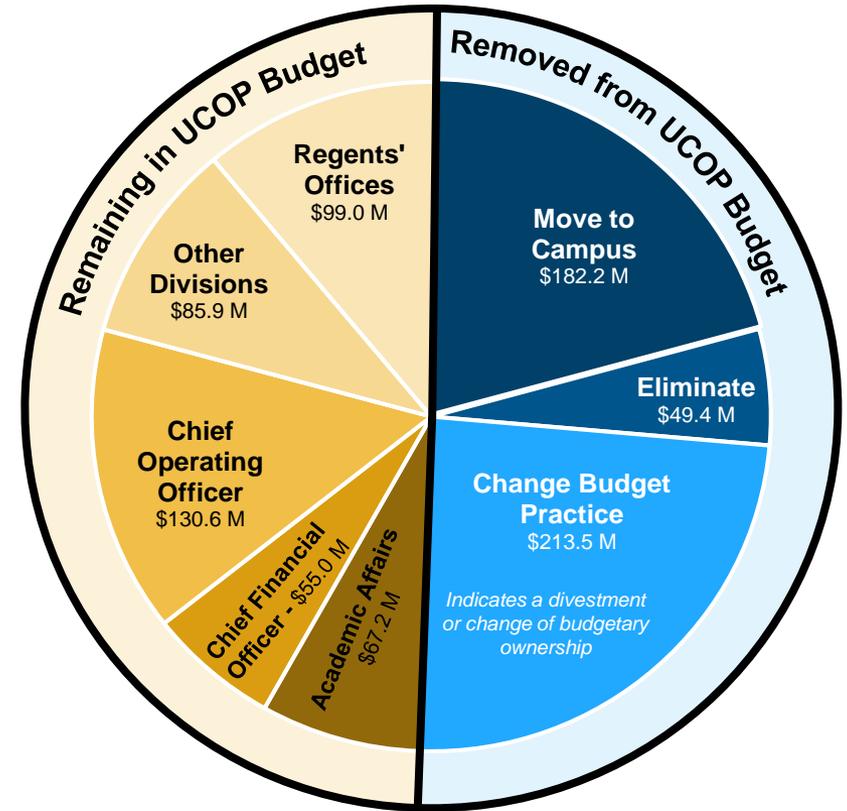
UCOP Employee Allocation

From 1,792 FTE in the Current State



UCOP Budget Allocation

From \$883 million in the Current State

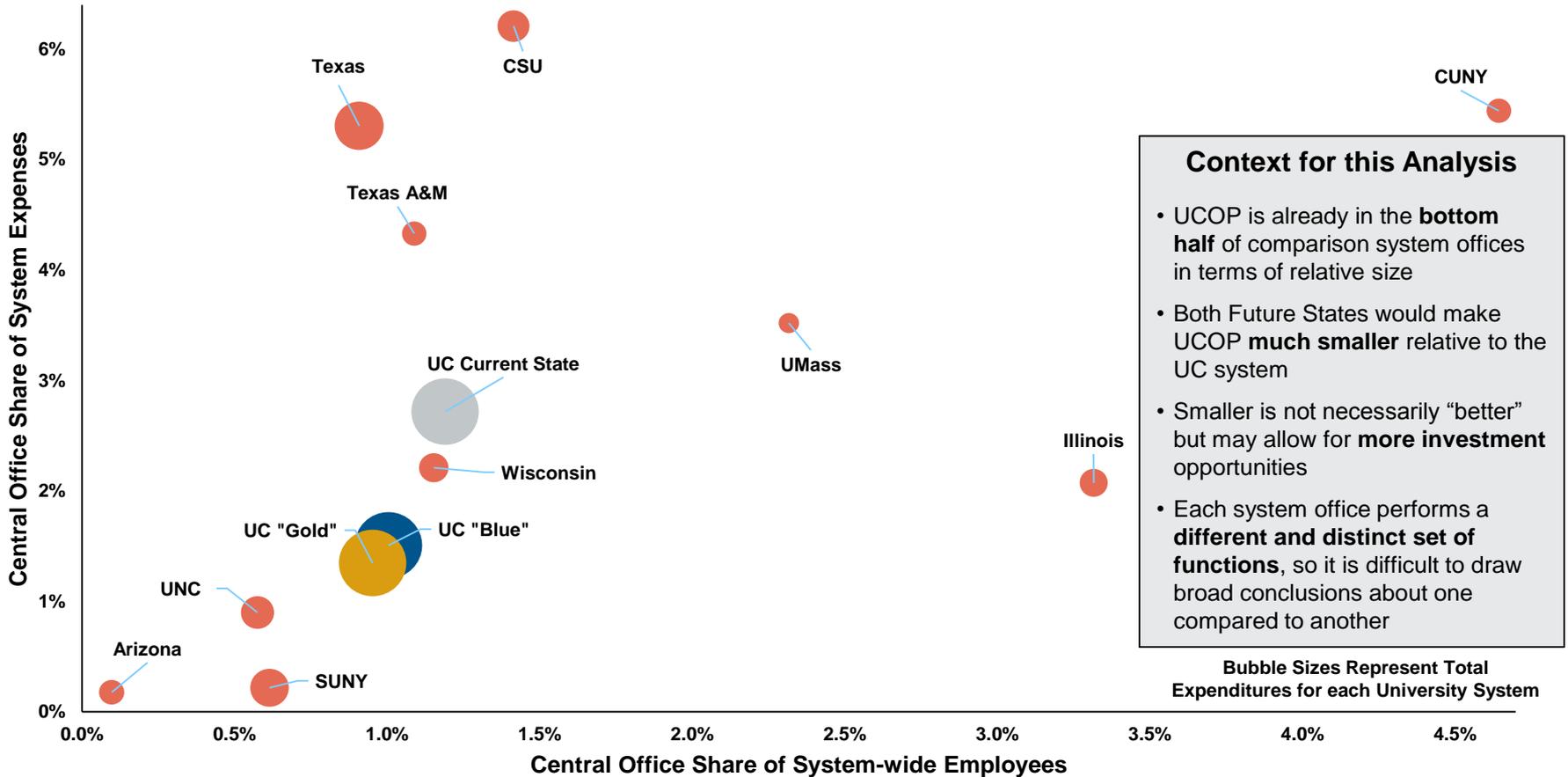


The **Gold Future State** builds on the **Blue Future State** and offers higher reductions in expenses and FTE at UCOP, though certain recommendations will take longer to implement.

ENTERPRISE-LEVEL OPTIONS

COMPARATIVE CONTEXT FOR FUTURE STATE

Both options would reduce the size of UCOP relative to the overall UC system and would change how it ranks against the next ten largest university systems in terms of the relative size of their system offices.



UCOP is already in the bottom half of the comparison set in terms of relative size, and both options would make UCOP smaller by achieving some efficiencies and transitioning some functions elsewhere in the UC system.

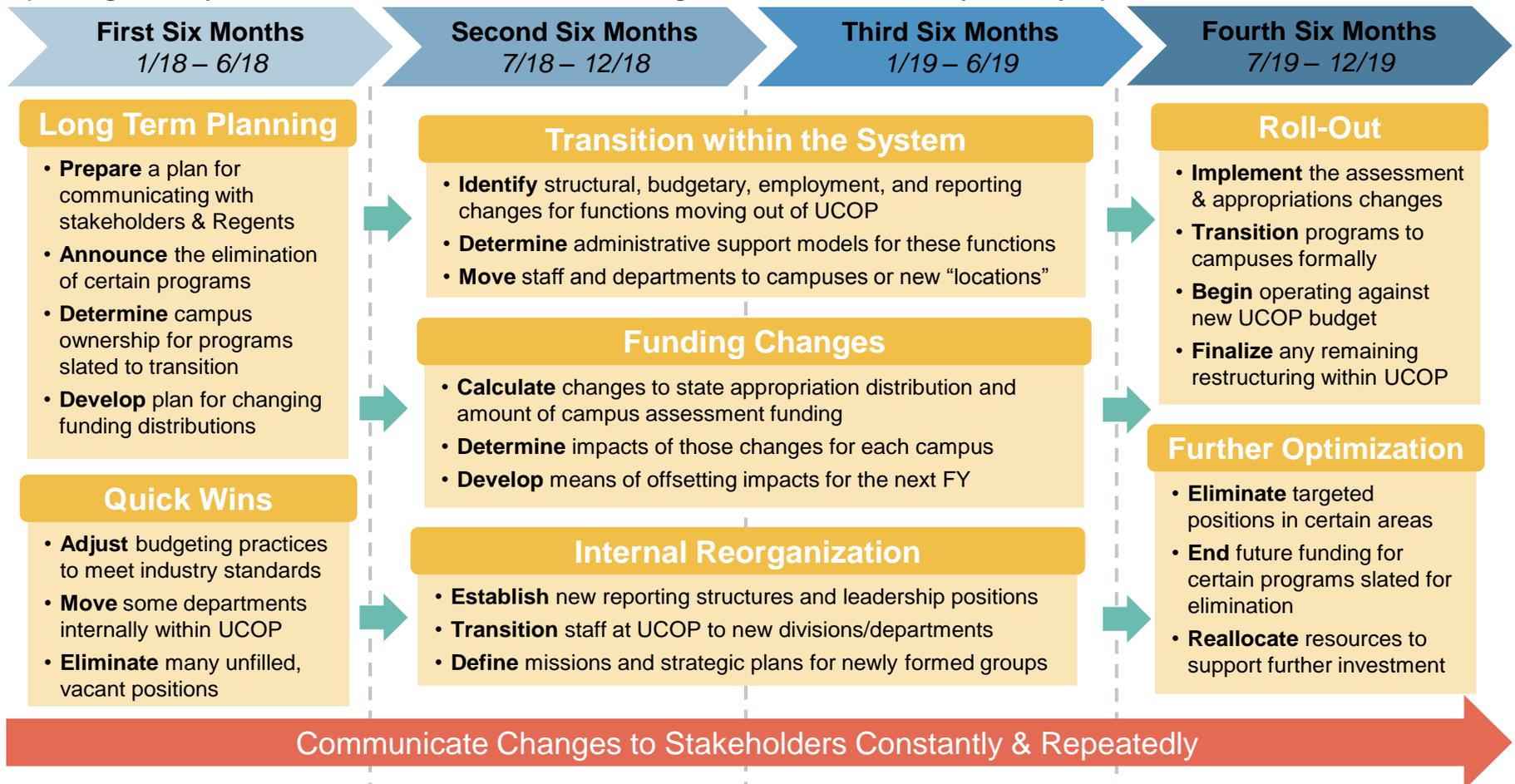
Sources: 2016 university system annual reports; IPEDS.

Note: the UC "Modal" data point references the Benchmarking Analysis Presentation as a thought exercise to illustrate UCOP's relative size if it mimicked the "modal" system office from the comparison institutions.

ENTERPRISE-LEVEL OPTIONS

INITIAL IMPLEMENTATION GUIDANCE

For **both Future State options**, Huron recommends a 12-24 month implementation period to develop a plan, gain buy-in, communicate about the changes, and continue day-to-day operations of UCOP.



This could be an aggressive timeline for implementation, depending on the resources that UCOP can commit to the implementation, capacity constraints, and time required to build stakeholder buy-in.

POSSIBLE INVESTMENT OPPORTUNITIES



POSSIBLE INVESTMENT OPPORTUNITIES

OVERVIEW

UCOP should continue to invest in the future so that the UC system can realize value by further standardizing and coordinating efforts through UCOP.

Some Functions Need Investment:

Some functions that are currently housed at UCOP must increase in size because of decisions that have already been made by leadership across the UC system, the Board of Regents, and the State Legislature; two examples are listed below:



UCPath Center: Given the implementation of UCPath over the next few years, UCOP must increase the size of the UCPath Center by an additional 200 FTE over current levels. This investment is necessary to provide adequate support for the campuses as they go live, and has been planned for several years now.



Research Grants Program Office: The California State Legislature significantly increased funding for the Tobacco-Related Disease Research Program – by over \$50 million – which necessitates a larger staff in the RGPO to administer the grant funds regardless of where it reports (e.g., UCOP, a campus, or a state-wide network).

UCOP Internal Operations Might Need Investment:

Some functions at UCOP – specifically those in UCOP Operations – seem smaller than we would have expected based on industry benchmarking, external pressures, and perceptions of customer service; two examples are listed below:



UCOP Budget Office: The local Budget Office that supports UCOP is notably understaffed considering demands from external stakeholders and significant changes to their systems and processes. To adequately reorganize UCOP, and implement other recommendations, UCOP may need to increase the size of the Office.



UCOP Human Resources Office: The local Human Resources Office that supports UCOP is understaffed – specifically amongst the HR Business Partners – considering the size of the current employee base. Given probable reductions to the size of UCOP, the office may not need to increase but could to improve service.

Additional System-wide Investment Opportunities:

Huron strongly believes that the UC system should continue making targeted investments in functions at UCOP that will add value to the system as a whole through cost efficiencies, improved services, or increased support for mission-driven activities. We have listed examples of some functions that the UC system could invest on the subsequent slide.

POSSIBLE INVESTMENT OPPORTUNITIES

ADDITIONAL SYSTEM-WIDE INVESTMENT OPPORTUNITIES

Huron identified the following examples of UCOP functions in which the UC system could invest after implementing the recommended structural changes and optimization opportunities.

Primary Investment Opportunities

Investment in these opportunities would offer high benefits and return on investment across the UC system

Clinical Healthcare:

- + UC Health has generated significant value through the Leveraging Scale for Value and Center Health Quality & Innovation programs
- + The clinical healthcare enterprise offers the largest opportunity to reduce costs and improve outcomes across the University

Libraries:

- + UC can leverage its size as the second largest library system in the country, next to the Library of Congress
- + UC should invest in greater collaboration across the libraries, through means like a consolidated collections catalog

Institutional Research:

- + UCOP already has developed the most advanced data and analytics center of all the comparison university systems
- + Almost all division leaders at UCOP identified improved data and analytics as one of their top “needs” for the future
- + UCOP should further expand the Institutional Research function to support improved data analysis for all divisions

Graduate Enrollment:

- + The financial model for graduate students is likely to change in coming years
- + UCOP should expand its focus on graduate students, and consider implementing new systems, based on input from the campuses

Secondary Investment Opportunities

Investment in these opportunities would offer significant benefits to the UC system, but may be more difficult to implement

Financial Planning & Analysis:

- + UCOP recently created a FP&A function, but could increase staffing and consider restructuring the group under the CFO
- + UCOP should focus on modeling the future state finances of the UC system to make better institutional decisions

Facilities Management:

- + There is a significant backlog of deferred maintenance across the UC system and no central means of tracking facilities or property
- + UCOP recently initiated the Integrated Capital Asset Management Program (ICAMP) to begin tracking facilities across the UC system
- + UCOP could make better capital planning and facility investment decisions by expanding ICAMP

Audit & Investigations

- + Campuses manage most investigations through in house staff or external contractors
- + UC could reduce costs and limit risk exposure by expanding central services for investigations

Procurement:

- + Procurement has generally followed best practices in strategic sourcing to reduce costs in recent years
- + UCOP should ensure there is clear campus buy-in for the Supply Chain 500 (SC500) project before proceeding

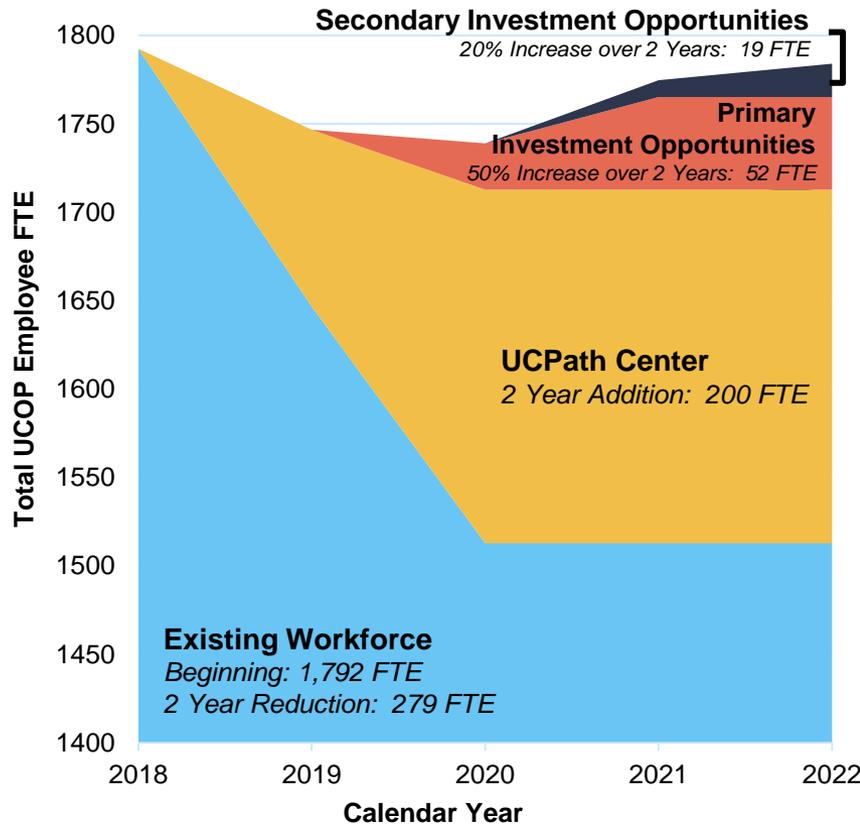
These are merely examples of possible investment opportunities based on our experiences in higher education and feedback from stakeholders. Leadership from across the UC system should weigh in on these investments.

POSSIBLE INVESTMENT OPPORTUNITIES

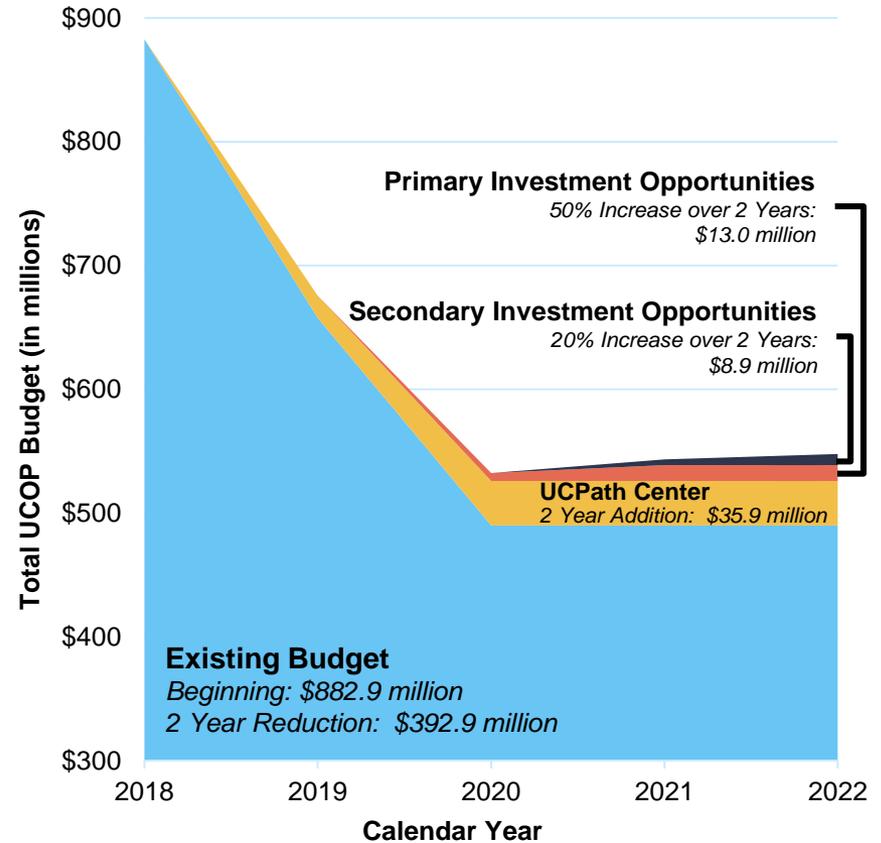
FUTURE TRAJECTORY FOR THE BLUE FUTURE STATE

UCOP should reinvest in areas of high value to the UC system once it has made sufficient progress in the restructuring; the following charts illustrate possible trajectories for UCOP in the **Blue Future State**.

Possible Changes to UCOP Employment



Possible Changes to UCOP Budget



Using the investment assumptions listed, UCOP would approach its 2018 FTE levels by 2022 – largely due to the increases for the UCPATH Center – but the budget would still be over \$300 million less than 2018 levels.

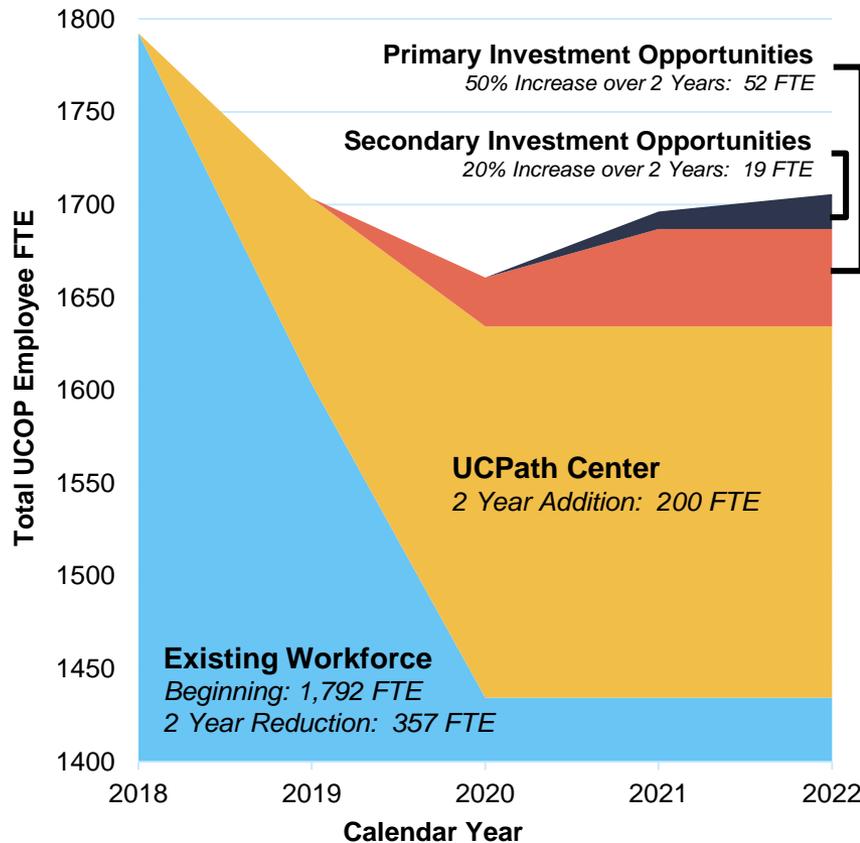
Sources: FY18 Budget and FY17 HR Census for UCOP

POSSIBLE INVESTMENT OPPORTUNITIES

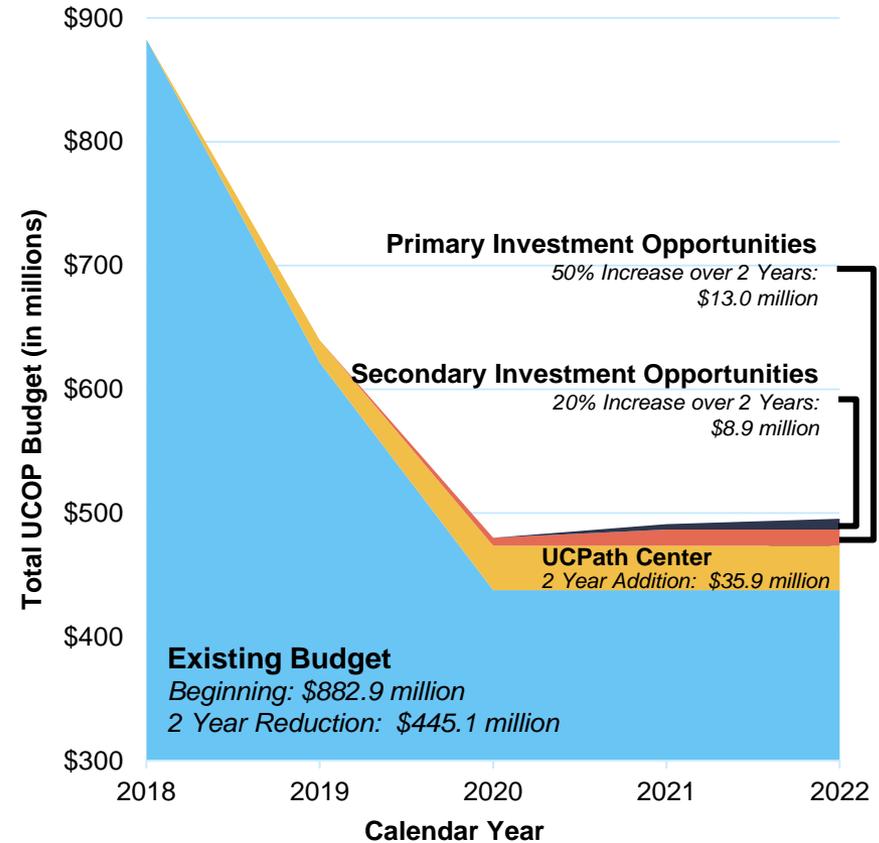
FUTURE TRAJECTORY FOR THE GOLD FUTURE STATE

UCOP should reinvest in areas of high value to the UC system once it has made sufficient progress in the restructuring; the following charts illustrate possible trajectories for UCOP in the **Gold Future State**.

Possible Changes to UCOP Employment



Possible Changes to UCOP Budget



Given the investment assumptions, UCOP would be approximately 150 FTE lower than the current state by 2022 – largely due to the creation of the two state-wide networks – and its budget would be significantly lower.

Sources: FY18 Budget and FY17 HR Census for UCOP

OPPORTUNITIES FOR OPTIMIZATION



OPPORTUNITIES FOR OPTIMIZATION

OVERVIEW

Huron has identified six major categories of opportunities to optimize UCOP's performance, improve its operations and services to the campuses, and streamline processes and activities across the UC system.



Decision-Making Process

- UCOP stakeholders noted that the current process is taking too much time
- Adjusting thresholds and steps should streamline and shorten the process
- Implementing process controls and clear expectations should increase visibility



Financial Administration

- Administrative processes can be streamlined by implementing new technology systems and reorganizing positions
- Changing accounting and budgeting processes can improve financial performance for UCOP and reduce administrative effort across the system



Climate & Culture

- The climate within UCOP has suffered from increased public scrutiny
- Structural and administrative changes could improve the culture at UCOP
- Cultural changes should be modeled and driven by leadership first



System-wide Committees

- There are well over 200 system-wide committees of campus representatives convened by UCOP administrators
- Campus representatives expressed a desire to decrease the number of committees and increase their communication and accountability



Governance & Funding

- UCOP functions and departments are inconsistent in terms of how they receive their funding and how they interact with campus constituencies
- Aligning funding and governance can lead to more buy-in from the campuses



Administrative Structure

- UCOP can make the organization operate more effectively and improve the administrative support offered across the organization
- Consistent guidelines for structuring and framing administrative positions can alleviate confusion and support human resources decisions

OPPORTUNITIES FOR OPTIMIZATION

CATEGORY 1: DECISION-MAKING PROCESS

UCOP currently manages financial, organizational, and human resources decisions through a decision memo process that routes through the COO, Chief of Staff, and UCOP Operations.

1 Adjust Approval Thresholds

- **Current State:** Many decisions need to be formalized in a decision memo – including purchases over \$20,000 and any recruitment.
- **Recommendation:** UCOP should adjust the approval thresholds to push some decision-making lower in the organization like empowering managers to refill low-level positions and make purchases under \$100,000 without the decision memo process.
- **Benefits:** Increasing the threshold for making financial and human resources decisions will help ensure UCOP leaders can meet their goals and perform their functions efficiently.

2 Reduce Signatures for Decisions

- **Current State:** Many decisions need to route through at least four signatures – HR/Budget, UCOP Operations, COO, Chief of Staff - plus additional levels within the Departments/Divisions.
- **Recommendation:** UCOP should reduce the signatures required for certain decisions to limit the time required for routing.
- **Benefits:** Reducing routing and approvals should streamline decision-making and ensure UCOP leaders can move quickly.

3 Establish Process Expectations

- **Current State:** There are no current rules or expectations for how long decision memos can sit at different levels.
- **Recommendation:** UCOP should establish clear, written service expectations for the process (e.g., 2 days or less per approval).
- **Benefits:** Writing down expectations should help level-set expectations amongst leaders, and make the decision makers more accountable to the leaders across UCOP.

4 Establish a Process Owner

- **Current State:** Decision memos have historically been tracked and owned by the individuals who submitted the decisions.
- **Recommendation:** Strategy & Program Management should own the decision-making process including tracking where decision memos are routed and documenting the results of each memo.
- **Benefits:** Establishing a single owner will increase visibility and provide customers with a single group to go to with questions.

5 Implement a Ticketing System

- **Current State:** Decision memos currently live in paper documents and emails for routing and tracking.
- **Recommendation:** UCOP should implement a simple ticketing system to complement the paper documents that allows SPM to track decisions, track against expectations, and improve visibility.
- **Benefits:** A tracking system will streamline some of the processes and increase visibility amongst stakeholders

6 Align Divisional & Institutional Processes

- **Current State:** Some divisions maintain separate processes for making decisions internally which do not align with the formal decision memo process.
- **Recommendation:** UCOP should align and standardize decision-making processes across divisions and UCOP.
- **Benefits:** Standardization will reduce the administrative effort and confusion amongst staff for processing decision memos.

OPPORTUNITIES FOR OPTIMIZATION

CATEGORY 2: FINANCIAL ADMINISTRATION

UCOP currently manages a number of budgetary and financial processes within the UCOP Operations department; many of these processes have grown organically over time.

1 Update the Chart of Accounts for UCOP Ops

- **Current State:** The Chart of Accounts – made up of funds, departments, and expenses – has not been updated recently.
- **Recommendation:** UCOP should update the chart of accounts to match best practices, assign all expenses to Divisions, match the new organizational structure, and reduce the number of funds.
- **Benefits:** UCOP will need to update the Chart of Accounts for the budget system implementation anyway, and doing so will help address some of the auditor's recommendations.

2 Eliminate Many Internal Recharges

- **Current State:** UCOP recharges departments internally for facilities, mail services, IT support, and other central services.
- **Recommendation:** UCOP should eliminate many of the internal recharges and should only recharge when it can actually change behavior to internalize costs; since most departments do not generate profits, recharges may not have the intended effect.
- **Benefits:** This will limit the administrative burden required to calculate, manage, and process recharges.

3 Reclassify the External Recharges

- **Current State:** UCOP classifies external recharges as contra expenses in the budget, which negate the anticipated expenses.
- **Recommendation:** UCOP should classify external recharges as revenues rather than contra expenses. This would increase the budget by ~\$70 million largely in the CFO and OGC divisions.
- **Benefits:** This would highlight the true cost of UCOP's departments and align UCOP's budget with best practices.

4 Change Budget Rules for Pass-Through

- **Current State:** There are several pass-through funds that UCOP budgets but is not spent at UCOP – like set asides and royalties.
- **Recommendation:** UCOP should establish rules for when pass-through funds should be included in the budget, and remove some of the state appropriation set asides and royalties from the budget. This would reduce the permanent budget by ~\$50 million.
- **Benefits:** Best practice dictates that UCOP should only budget for expenses where it controls the amount or recipient.

5 Eliminate the Temporary Budget

- **Current State:** UCOP manages a \$50 million temporary budget for one time funding that is separate from the permanent budget.
- **Recommendation:** UCOP should roll the anticipated temporary spending into the permanent budget as unallocated expenses. This would increase the permanent budget by ~\$50 million.
- **Benefits:** Temporary budgets should be accounted for in the permanent annual budget for visibility and tracking.

6 Create an Administrative Fee

- **Current State:** UCOP does not charge most programs funded by external/restricted sources for indirect costs.
- **Recommendation:** Establish an administrative fee – typically 10-20% of direct costs – for funded programs and convert the fee into unrestricted funds. This will decrease the campus assessment.
- **Benefits:** This will help UCOP recoup some of the expenses for UCOP Operations that are incurred due to these programs.

OPPORTUNITIES FOR OPTIMIZATION

CATEGORY 3: CLIMATE & CULTURE

To successfully reengage staff and pivot the organization towards the **Blue Future State** or **Gold Future State**, UCOP will need to improve the climate and culture amongst internal staff and stakeholders.

1 Update Star Award Process

- **Current State:** The Star award program offers a bonus up to \$5,000 to UC employees. UCOP has capped the awards at \$500.
- **Recommendation:** UCOP should streamline the award process to speed the approval process and consistent decision-making by reducing the approvals and establishing clear expectations.
- **Benefits:** The payments should be made quickly to appropriately incentivize employees and generate continued high performance.

2 Change Physical Building Layouts

- **Current State:** The 1111 Franklin building and the Kaiser Center are structured with offices along the exterior walls and cubicles with high partitions in the interior sections.
- **Recommendation:** UCOP should renovate the layout of the buildings to allow for more visibility and communal spaces, and a balance between individual work stations and open layouts.
- **Benefits:** Changing the layouts to include more communal spaces can improve morale, allow for more collaboration, increase the number of employees per floor, and reduce facilities costs.

3 Establish a Rotational Program

- **Current State:** Campus leaders have limited insight into the pressures UCOP faces, and UCOP employees have limited insight into the pressures on the campuses.
- **Recommendation:** UCOP should establish a rotational program for campus employees to work at UCOP and vice versa.
- **Benefits:** UCOP and campus employees may gain empathy into the pressures the other side faces and lead to better coordination.

4 Review Enterprise-Wide Communication

- **Current State:** UCOP hosts regular town hall meetings and communicates about initiatives but staff complain about lack of engagement and communication across the organization.
- **Recommendation:** UCOP leadership should review and update the internal communications strategy to increase engagement amongst employees.
- **Benefits:** The culture within UCOP may improve if employees better understand diversity of activities being performed and are engaged across organizational structures.

5 Restructure Leadership Communication

- **Current State:** The President's 12 direct reports meet weekly as a group with the President.
- **Recommendation:** The President should establish a cabinet meeting with all direct reports focusing on system-wide initiatives, an executive council for EVPs focused on administration, and individual meetings with each direct report.
- **Benefits:** This structure will balance close collaboration and communication with the need to limit the number of attendees.

6 Develop Communities of Practice

- **Current State:** UCOP has many staff members across divisions who overlap in terms of activities, practices, and functional focus.
- **Recommendation:** UCOP should implement Communities of Practice for staff who share a practice or functional focus across the enterprise to encourage development and communication.
- **Benefits:** Establishing Communities of Practice should allow for greater collaboration across divisions and service improvement.

OPPORTUNITIES FOR OPTIMIZATION

CATEGORY 4: SYSTEM-WIDE COMMITTEES

Leadership and staff at UCOP convene many system-wide committees, which are comprised of campus representatives and differ in their structure, responsibilities, and focus.

1 Standardize Committee Structures

- **Current State:** There are several different models and structures for system-wide committees.
- **Recommendation:** UCOP should establish a series of models for system-wide committees based on common purpose, responsibilities, cadence, and membership.
- **Benefits:** Standardizing committee structures should help articulate their purposes and ensure consistency.

2 Create a Committee Hierarchy

- **Current State:** Most committees are independent from one another currently, and campus stakeholders noted the lack of formal association between them as an issue.
- **Recommendation:** UCOP should establish a formal hierarchy for committees in which each committee (except the COC) reports to and is authorized by a higher-level committee.
- **Benefits:** Creating a hierarchy will ensure there is visibility and connection between committees, and provide campus leadership with the ability to control the number of system-wide committees.

3 Establish Chartering Process

- **Current State:** System-wide committees are documented in various forms currently by UCOP leadership and staff.
- **Recommendation:** UCOP should establish a consistent chartering process for system-wide committees that clearly outlines the responsibilities and requirements of each committee.
- **Benefits:** Establishing a charter for each committee will ensure visibility into responsibilities and level-set expectations.

4 Establish a Single Owner

- **Current State:** Committees are currently managed by leaders in functional units across UCOP
- **Recommendation:** Strategy & Program Management should own the responsibility for tracking the number, participation in, and chartering process for system-wide committees.
- **Benefits:** Establishing a single owner will increase visibility and provide customers with a single group to go to with questions.

5 Establish Committee Review Process

- **Current State:** Committees are currently created, maintained, and terminated by the functional units based on perceived needs.
- **Recommendation:** UCOP should establish a periodic review of all committees to ensure that there is an established opportunity to reevaluate the value of each committee and make changes.
- **Benefits:** A periodic review will force UCOP and campus participants to regularly justify the purpose of the committees.

6 Develop Dashboards & Reports

- **Current State:** There is limited interaction and communication between system-wide committees.
- **Recommendation:** UCOP should establish standard reports covering decisions, requests, and other activities for each committee to allow for simple communication up the hierarchy.
- **Benefits:** Establishing standard reports should help ensure visibility between committees and a formal means of communicating decisions and requests up the hierarchy.

OPPORTUNITIES FOR OPTIMIZATION

CATEGORY 5: GOVERNANCE & FUNDING

UCOP functions have many different structures in terms of their funding and oversight or feedback mechanisms from campus stakeholders.

1 Establish Standard Relationships

- **Current State:** Most UCOP departments make decisions that impact campus stakeholders or work with campus stakeholders to accomplish a set of goals.
- **Recommendation:** UCOP should establish a set of standard types of relationships between campus stakeholders and UCOP departments to clearly illustrate authority rights and decision-making involvement between campuses and UCOP and ensure stakeholders understand who needs to be consulted, informed, and involved in decisions.
- **Benefits:** Establishing standards will help ensure consistency of UCOP's relationships and interactions with campus stakeholders.

2 Establish Budget Feedback Mechanism

- **Current State:** UCOP sets the campus assessment levels based on needed funding across departments but campuses do not have visibility into where or how the funds are spent.
- **Recommendation:** UCOP should allow campus representatives (probably from system-wide committees) to provide feedback on departmental budget requests in UCOP that require campus assessment funding.
- **Benefits:** Allowing for campuses to advocate for or against additional funding for UCOP departments will help ensure campuses have some level of ownership over the assessment.

3 Determine Rules for External Recharges

- **Current State:** Some departments within UCOP recharge campuses for their services, while others are funded by the campus assessment, but the rules for recharging are inconsistent.
- **Recommendation:** UCOP should establish clear guidelines for when recharges should be used in lieu of campus assessment or other fund sources and the means of calculating recharges.
- **Benefits:** Standardizing the recharge process will increase visibility and may transition some assessment funds to recharges.

4 Establish Matrixed Reporting Rules

- **Current State:** Certain campus positions have matrixed reporting relationships between UCOP and campus leadership, but the nature of these relationships differ across the organization
- **Recommendation:** UCOP should establish clear rules for reporting relationships, including decision rights and input into human resources decisions and differing levels of authority.
- **Benefits:** Establishing rules for matrixed relationships should help limit confusion amongst UCOP and campus stakeholders.

OPPORTUNITIES FOR OPTIMIZATION

CATEGORY 6: ADMINISTRATIVE STRUCTURE

UCOP may be able to more fully leverage its key administrative talent by utilizing best practices, pooling resources across Divisions, and standardizing roles and expectations across the enterprise.

1 Develop Management Guidelines

- **Current State:** Most managers in UCOP have between one and eight direct reports, which is common in higher education, and UCOP has been moving towards standardizing management roles through the implementation of UCPATH and Career Tracks.
- **Recommendation:** UCOP should establish general guidelines for management roles and the optimal number of direct reports, depending on the function and responsibilities, to be used when hiring new managerial positions in the future.
- **Benefits:** Standardizing expectations and guidelines for managers across UCOP should over time lead to greater consistency of positions across the organization, and lead to similar managerial layers across the Divisions.

2 Coordinate Chiefs of Staff

- **Current State:** Several groups within UCOP employ Chiefs of Staff to support their leaders; the roles and responsibilities for these Chiefs of Staff vary, leading to confusion within UCOP and amongst campus stakeholders.
- **Recommendation:** UCOP should establish guidelines for hiring and framing Chief of Staff positions, and should develop a professional community for the Chiefs of Staff to coordinate, share best practices, and leverage their collective network.
- **Benefits:** Standardization will help ensure consistency of purpose, support coordination across Chiefs of Staff, and improve communication across the organization.

3 Pool Administrative Assistants

- **Current State:** Divisions across UCOP employ administrative and executive assistants to support their leadership and staff in performing general administrative duties.
- **Recommendation:** UCOP should establish guidelines for hiring assistants, and pool assistants within Divisions so that staff can rely on a centralized group of resources that are knowledgeable about their functions but flexible to support multiple efforts.
- **Benefits:** Establishing guidelines and pooling can help to leverage the skillsets of UCOP's administrative assistants across all Divisions, and can offer greater collaboration and professional development opportunities for the administrative assistants.

4 Coordinate Business Officers

- **Current State:** Many departments and divisions maintain budget or business officers who are primarily responsible for financial planning, expense analysis, and other business processes.
- **Recommendation:** UCOP should combine all of the business officer functions – which may be partial allocations of employees' time in the current state – into the Budget Office and standardize their processes.
- **Benefits:** Centralizing and coordinating the business officers will allow for greater consistency and higher value analysis across the organization, and could result in better decision-making and increased professional development for the business officers.

CONCLUSION



NEXT STEPS

IMPLEMENTATION PREPARATION

This presentation represents the end of the assessment phase of the Organizational Optimization Engagement. Huron and UCOP will complete several tasks to transition towards implementation.



Incorporate Feedback: Huron will incorporate feedback from the President and other stakeholders, and will update the final version of the materials after the presentations to various stakeholder groups pending additional feedback and considerations.



Communicate to Staff: UCOP should communicate a status update and initial plan for decision-making to UCOP employees and other stakeholders in the UC system, especially those individuals whom Huron interviewed for the assessment.



Build Stakeholder Buy-In: UCOP should begin building stakeholder buy-in and ownership for the changes. This includes stakeholders across the University of California, such as:

- + Divisional & Departmental Leadership within UCOP
- + The Executive Budget Committee
- + Members of the Academic Senate
- + Chancellors of the UC campuses
- + The Board of Regents



Facilitate Decision-Making: UCOP should determine how and when it wants to make decisions about the proposed options and changes, including which stakeholders need to be involved in decision-making. Some of the decisions will need to go to the Board of Regents, the Academic Senate, and/or the Council of Chancellors for feedback and input.



Implementation Planning: Any of the changes that Huron recommended will take several steps to implement – including budgetary changes, organizational realignment, employment decisions, etc. These steps need to be identified in detail and sequenced to develop a schedule for implementation after decisions are made.

Huron is committed to supporting UCOP through the implementation phase in whatever role and capacity is needed to facilitate communication, decision-making and preparation for implementing change.



THANK YOU