UCSF Academic Senate

Academic Planning and Budget Committee
Russell Pieper, PhD, Chair

ANNUAL REPORT
2017-2018

Primary Focus Points for the Year:
- Campus Planning
- Campus Finance
- UC Retiree Health Benefit Liability
- Parnassus Master Planning Steering Committee
- Faculty Childbearing and Childrearing Leave
- UCSF Health
- Research & Administrative Space Program (RASP) Recommendations

Issues for Next Year (2017-2018):
- Campaign Planning
- Campus Finance
- IT Security
- Faculty Workspace Planning
- Research Management Services

2017-2018 Members

Russel Pieper, Chair	**Ex-Officio Members**
Sean Mong, Vice Chair	Brian Alldredge, Vice Provost Academic Affairs
Aditi Bhargava	Joe Bengfort, Chief Information Officer
Carol Dawson-Rose	Sharmila Majumdar, Vice Chair, Academic Senate
Howard Fields	Teresa Costantinidis, Chief Financial Officer
Jason Flatt	Lori Yamauchi, Assistant VC, Campus Planning
Hannah Glass	Radojka Savic, Associate Professor, Bioengineering
Bo Huang	**Permanent Guests**
P. Daniel Knott	Nisha Parikh, Medicine Faculty Council Chair
Christian Vaisse	Cathi Dennehy, Pharmacy Faculty Council Chair
Paul Volberding	Elizabeth Mertz, Dentistry Faculty Council Chair
Margaret Wallhagen	Abbey Alkon, Nursing Faculty Council Chair

Number of Meetings: 7 Committee Meetings
Senate Staff: Artemio Cardenas/Todd Giedt/Kirstin McRae

The Academic Senate Committee on Academic Planning and Budget (APB) took up the following Systemwide issues:

UC Planning and Budget Committee Reports
Over the course of the year, [University Committee on Planning and Budget](#) (UCPB) representative Howard Fields reported on the following issues:

- **UCOP Restructuring/UC Health**: UCPB representative Fields outlined some of the key findings of the Huron Report, which audited the Office of the President's (UCOP) with special regard to its efficiencies. While the report noted that UCOP is World Class in terms of its focus and services, it commented that UCOP could become more efficient by refocusing and realigning its core activities. One of the principal UCSF-related recommendations is a proposal to establish UC Healthcare as a separate UC location (apart form UCOP), as 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. Professor Fields remarked that some of the proposed reorganization strategies might create efficiency gaps in certain depts./offices, including the systemwide Academic Senate. In response to the Huron report, the system wide Senate has sent a the following letters to President Napolitano, which offers several guiding principles for UCOP to consider when interpreting the report's findings:
    - [Principles for interpretation of the Huron Report](#) (3/18)
    - [Proposal for Reorientation of UCOP](#) (3/18)
    - [Shared Governance in the Review of UCOP Reorganization](#) (7/18)

  President Napolitano subsequently invited the Chair of the Academic Senate to sit on the President's Executive Council.

- **2016-2017 UC Medical Centers Report**: Summarizing key points from a UC Health presentation to UCPB, Member Fields explained that while expenses are increasing, profit from UC Health is generally rising. On the liability side of the balance sheet, the increase in UCSF net retiree health benefits liability (from $1.4 million in 2015 to $1.8 million in 2017) was highlighted as an ongoing concern. However, accounting reports alone do not provide an accurate metric for comparing UCSF's assets to those of the other UC medical centers. In order to address this discrepancy moving forward, UC Health will likely need to implement a uniform system of accounting across its affiliates to better reflect its assets and liabilities.

UC Information Technology Policy
The University Committee on Academic Computing and Communications (UCACC) is a systemwide committee that represents the Senate in all matters involving the uses and impact of computing and communications technology. In March, David Robinowitz, the UCSF representative to UCACC spoke to the Committee regarding recent UCACC topics, including increased faculty involvement in IT governance, ownership of research data, multi-factor authentication, risk assessment, cybersecurity, general data protections, regulations, IS-3, etc. Representative Robinowitz highlighted the need to balance strategic and nimble responses to pressing issues, as well as coordinating IT efforts across scattered locations. Following an assessment of the governance structures of each campus, UCACC has recommended establishing campus standing boards or committees for IT governance in order to balance representation by Senate faculty and university leaders and improve communication channels across the UC system. (Appendix 1)

Faculty Salary Increase
In March, Senate Executive Director Todd Giedt reported that the systemwide Senate had submitted a [proposal](#) for a faculty salary plan that would address the gap between UC faculty salaries and faculty salaries at UC's Comparison 8 group of institutions. While she ultimately did not accept the Senate's proposal, President Napolitano [formally announced](#) a three-year academic salary program in May 2018, with the following increases:

- Ladder-Rank Faculty: Ladder-Rank scales will be increased by four percent. Health Sciences Compensation Plan (HSCP) faculty and other academic appointees with salary tied to these scales will also see the same four percent adjustment to the scales.
- Other Faculty: Salary scales for other non-represented faculty and academic personnel will be increased by three percent.

UC Retiree Health Benefits Report

Over the course of the past year, APB has followed the efforts to reform UC's Retiree Health Benefits. The history of this issue goes back to June 2017 when UCFW opposing a proposed Regents item scheduled for discussion in July that would remove the 70% floor for aggregate expenditures on retiree health, and allow placement of a cap on the rate of growth of the maximum UC employer contribution to an individual retiree's health coverage at 3%. President Napolitano subsequently established the Retiree Health Working Group, which has been working over the past year to address concerns over retiree health. While the Working Group has not completed its work, UC President Napolitano recently announced in July 2018:

- There will be no significant changes to the retiree health program for 2019.
- The UC contribution for eligible retirees aged 65 and older who are not coordinated with Medicare will gradually be reduced to adjust to levels comparable to Medicare-coordinated retirees.

UCOP will continue to work with members of the Working Group through 2019.

Divisional Business

This year, the Academic Senate Committee on Academic Planning and Budget took up the following issues related to the San Francisco Division:

Campus Planning Report

In October, Assistant Vice Chancellor of Campus Planning Lori Yamauchi provided the Committee with a Campus Planning Update Report (Appendix 2). The following key points are included in the report:

- Parnassus Campus
  - The Clinical Sciences Building Seismic Retrofit/Renovation incurred a project delay due to change in Construction Manager/General Contractor; completion is expected by end of 2019.
- Mission Bay
  - Construction underway on the Center for Vision Neuroscience (Block 33) with completion planned for by November 2019.
  - Construction underway on the Precision Cancer Medicine Building with completion planned for by Spring 2019.
  - Construction on the Weill Neurosciences Building (Block 23A) planned for in 2018.
  - Construction on the Research Building at Zuckerberg San Francisco General Hospital estimated for 2019-2021.

Campus Finance Report

In November, Vice Chancellor and Chief Financial Officer Teresa Costantinidis provided the 2016-2017 Campus and UCSF Health Finance Report (Appendix 3). The following key points are included in the report:

- **General Observations**
  - 2016-17 financial performance exceeded projections by $238 million (excluding non-cash accounting adjustments for retirement benefit liabilities).
  - The Campus exceeded projections by $33 million; UCSF Health exceeded its plan by $205 million.
  - UCSF Health accounts for 63% of UCSF's revenues in 2016-17.

- **Combined Enterprise Projections**
  - Despite a new $5.9-billion-dollar retiree health benefit liability on balance sheet, the 2016-2017 results were better than planned for – both on the campus and UCSF Health.
  - Personnel-related costs drive 64% of UCSF's combined enterprise expenses.
  - More than 80% of UCSF's revenue sources come from competitive and rapidly changing markets – 61% from UCSF Health patient care and 22% from contracts and grants.

Parnassus Master Plan Steering Committee

In March, Xiao Hu presented to the Committee on the Parnassus Master Plan Steering Committee. The Steering Committee was established by EVCP Lowenstein with the purpose of ensuring that the Parnassus Heights (PH) campus retains its status as the flagship destination for the best clinical care, life sciences research, and education in the US. The Steering Committee is constituted by four working groups – *central research labs, research, education, and informatics* – and will meet every month going forward into the foreseeable future. This year, the Steering Committee will be focusing on the following projects:

- The *Research Space Working Group* will be developing guiding principles for research space at PH with the goal of attracting and retaining diverse researchers, clinicians, and clinical scientists.
- The *Educational Working Group* will conduct an evidence-based, future-looking assessment for teaching and learning, simulation, faculty, study and collaboration, student life, and campus culture. In particular, this working group will anchor its vision for educational space with a focus on the Education Core, as described in the Parnassus South Renewal Study. More short- and medium-term opportunities for educational space include CSB/UH and the Parnassus Library.
- The *Informatics/Digital Hub Working Group* will be working to develop a specific vision for the UCSF Digital Hub to serve as the single front door for all digital efforts related to clinical care delivery, and clinical and translational research; deliverables include estimates for space, staffing, and uses of the space within the Hub.

UCSF Budget Presentation

In April, Chief Financial Officer Costantinidis briefed members on the UCSF Budget presentation delivered to President Napolitano. The following key points were discussed:

- **UCSF Balance Sheet:** The UCSF Foundation had $1.8B in assets as of June 30, 2017. UCSF's combined enterprise total revenue is projected to reach $10B by 2026-27, with steady growth in annual net income (excluding non-cash retiree benefits). Campus cash on hand in 2016-17 was just over $3B, but will decline in the near term due to capital investments and transfers to the endowment. By 2026-27, UCSF's cash on hand is projected to reach $5B.
- **Capital Projects & Facilities:** The 2017 campus capital plan totals $2.4B and is front-loaded with large programmatic and seismic projects, including $139.5M to address 15-year and 25-year scheduled renewal needs. In addition, campus debt capacity remains healthy, with $758M in remaining debt capacity above the current capital plan.
- **Campus:** In 2016-17, the campus finished the year ahead of plan, with campus core activities operating at a surplus of $48M for the year. Revenue growth was 4% over the prior year. Despite this growth, by 2020-21, net campus income is projected to fall below zero due to increased depreciation and interest expense associated with capital projects. In short, the campus core financial plan will experience planned shortfalls over the next several years, but will recover in later years.
- **UCSF Health:** In 2016-17, UCSF Health finished ahead of its plan, with UCSF Health net income from core activities coming in at $172M, which exceeded the plan by $205M and represents revenue growth of 12% over the prior year. This represents revenue growth of 12% over the prior year. Over the next five years, UCSF Health will be investing $475M in value improvement initiatives in order to increase UCSF Health's affordability.

UCSF Capital Campaign Update

In April, Vice Chancellor for University Development & Alumni Relations Jennifer Arnett briefed the Committee on UCSF Capital Campaign Updates. The Campaign, launched publicly in October 2017, and

is more than 60% toward its goal of $5 billion. With more than 169,000 gifts and pledges from more than 104,000 donors totaling $3.7 billion as of February 2018. The Campaign is expected to reach its goal by year-end 2021. Over the last four years, UCSF has experienced exceptional growth in private support, with new activity reaching nearly $1 billion in 2016-17. Likewise, UCSF has grown its endowment by more than $1 billion over the last five years through new endowment gifts, the establishment of new FFEs ("funds functioning as an endowment"), and market returns. The combined UCSF Foundation and Regents endowment holding was $2.55 billion as of June 30, 2017.

Budget & Investment Committee Report
In May, Senate Divisional Vice Chair Sharmila Majumdar reported on the Budget and Investment Committee (B&I). The B&I meets once a month to review various budgetary priorities, advise the Chancellor, and, more generally, provide transparency to the budgeting process. Many of the topics discussed by the B&I are regularly provided to APB via the updates from Vice Chancellor and Chief Financial Officer Teresa Costantinidis. Recent issues discussed included campus expenses that do not fall under a general liability policy, as well as the upcoming end to bridge funding; B&I has recommended that bridge funding be extended by five years at a $1.75M cost.

Faculty Childbearing and Childrearing Leave
In June, AVC Michael Clune requested input from APB on the policy proposal to standardize childbearing and childrearing leave for UCSF faculty, by instituting a small faculty payroll assessment (similar to vacation leave/retiree health). Following Chancellor Hawgood's mandate for a standard childbearing and childrearing leave of 12 weeks that will go into effect July 1, 2019, he charged the Office of Budget and Resource Management was tasked with investigating possible mechanisms for funding and implementation at UCSF. Committee members discussed some of the parameters of implementing this program, including the extent of coverage (12 weeks) and source of funding (percentage of faculty salary). Overall, APB members supported the proposed funding mechanism.

Optimizing Resource Allocation Models Project
In June, UCSF financial leadership informed the Committee that it was reviewing various campus financial allocation models, as the current model is generally considered too complex. Over the last year, a task force has been documenting existing mechanisms and developing proposals for improving administrative funding systems. The task force also created a set of guiding principles for future allocation models that prioritize fairness, simplicity and efficiency, transparency, alignment, consistency. Moving forward, the task force will draft recommendations and present a detailed proposal to the Budget and Investment Committee by October 2018 that, if approved, will be implemented in the summer of 2019.

Composite Benefits Rates
At the June meeting, AVC Clune also presented a summary overview on Composite Benefit Rates (CBRs), which will be implemented in fall 2019 as part of UC Path. Under the CBR model, cost shifts will occur across units and funds and vary according to factors like salary level, funding source, and employee benefit selection. As a result, the campus is developing a strategy for addressing these costs shifts in a way that balances simplicity, minimizes impact, and improves accounting. AVC Clune outlined the benefits and drawbacks of various approaches; for example, a simple single rate model (27.9%) would be the simplest design, but would also result in dramatic cost shifts across several fund groups. According the AVC Clune, the best models calculate rates using six to seven faculty categories. Committee members were also briefed on potential mitigation strategies for alleviating cost shifts that have been successful at other campuses.

Research and Administrative Space Program
Over the past year, APB has closely followed the work of the Research and Administrative Space Program (RASP) Work Group, which focused on the allocation of research space, and was charged with the following:
- Recommend metrics and associated targets to objectively measure space utilization and productivity
- Recommend revisions to campus space policy.

- Recommend revisions to space governance structure and clarifications to roles and responsibilities.

In May 2018, APB heard a presentation from RASP member Thomas Lang, who explained that accurate measurement of space utilization and productivity was of key importance, and RASP members assessed ~25 possible metrics before settling upon a non-exhaustive list (Appendix 4). The basic calculation is the metric (e.g., ICR/ASF or Expenditures / ASF) divided by target (i.e., threshold) which will yield a number less than, equal to, or greater than one. This is also known as the "ICR/ASF Health Index". Currently, targets are informed by historical data, which may or may not be most appropriate for a given School, department, or unit. For this metric, the SOD currently scores a .82, the SOM a 1.01, the SON a 1.04, and the SOP a .96. Moreover, RASP recommended that School Deans work with the UCSF Space Committee to define future targets, as opposed to historical ones. Deans would be held responsible for achieving their respective dashboard targets at the School level, and would be obligated by policy to enforce dashboard targets at the department level within their schools. In order to provide transparency of the dashboard metric data, RASP further recommended that 1) the Control Point and department-level summary dashboard data be made available to the UCSF internal community; and 2) enable individual PI's and space managers to view detailed annual data on their own (assigned) space. Professor Lang noted that loans of >600 ASF would be generally prohibited, unless they are approved by the appropriate Chancellor's Direct Report (for loans within a Control Point) or approved by campus-level governance body, such as the Space Management Subcommittee (for loans between Control Points).

In June, ABP reviewed the comments and recommendations provided by Senate Space Committee on the RASP recommendations and drafted a letter of support. The letter was presented to the Senate's Executive Council at its July meeting (Appendix 5) and included the following recommendations:
- The revised UC Space Governance Policy should include a framework for the relative weighting of metrics; and
- The policy should stipulate that detailed data relating to individual PIs should not be utilized for other purposes (i.e., promotion decisions).

Going Forward

Ongoing issues under review and actions that the Committee will continue into 2018-2019:

- Campus Finance
- Campaign Planning
- IT Security
- Faculty Workspace Planning
- Research Management Services

Appendices

This Annual Report is posted online and accessible via the APB Web page on the Academic Senate Web site.

Appendix 1:   UCACC Information Technology Governance Memo

Appendix 2:   Campus Planning Update Report

Appendix 3:   2016-2017 Campus Finance Report

Appendix 4:   RASP Work Group Recommendations

Appendix 5:   ABP Support Letter