



University of California  
San Francisco

# CFO Forum

*UCSF Finance*

Teresa Costantinidis  
Vice Chancellor and Chief Financial Officer

7/18/2017

# CFO Forum: Agenda

- Welcome
- Overview of CFO Forum and UCSF Finance
- Introduction of New UCSF Finance staff
- UCSF Finance 101 Presentation – Teresa Costantinidis
  - Questions and Answers
- Salute to Star Award Winners
- New Survey of UCSF Finance Customers
- Announcements and Close

# CFO Forum: Goals

- Getting to know colleagues within UCSF Finance
- Learning what's new and important in Finance and within UCSF
- Networking
- Becoming a stronger, more effective organization
- To be held 3x times per year

# CFO Forum: Welcome Special Guests

- University Development and Alumni Relations, UCSF
  - Staff from Financial Services and Administration

# UCSF Finance

- August 2016 – Finance organization formed within FAS under the new position of Vice Chancellor and Chief Financial Officer
  - New organization includes:
    - **Audit and Advisory Services**
    - **Budget and Resource Management**
    - **Controller’s Office**
    - **Finance Service Center**
    - **Risk Management and Insurance Services**
    - **Supply Chain Management**
- March 2017 – Finance organization named **UCSF Finance**
  - More than 300 employees in total

# UCSF Finance

- We provide **exceptional customer service**
- We are **collaborative business partners** to UCSF financial professionals
- We demonstrate that UCSF is **well-managed, financially sustainable, and worthy of our stakeholders' trust.**

# UCSF Finance: New Initiatives for 2017/18

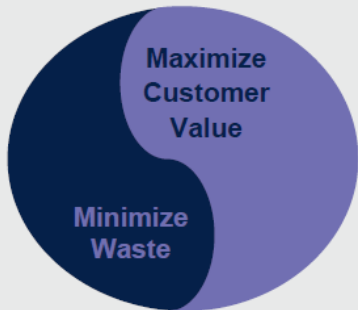
- Audit/Risk Assessment Exercise
- Enterprise Resource Realignment
- Finance Communications Plan
- Supply Chain 500
- Space Allocation Methodology
- Partnerships with UCSF Health

# UCSF Finance and the Lean System

**Lean = A way of thinking and acting**

Focusing on . . .

## The Objective



### People

Add value to the organization

- Empower employees to make a difference
- Develop people and partners
- Grow leaders

Pull the Andon Cord

ADE

Respect

4 P's

### Philosophy

Ensures long-term views drive activities

- Align activities with priorities
- Uses Hoshin Kanri "Strategic Deployment"

A3-X

Metrics

True North

### Process Improvement

Produces the right results

- Focus on customer value and increase it
- Identify a value stream and map the current state
- Eliminate waste in identifying future state
- Develop implementation plan
- Strive for continuous improvement

Standard Work

TIMUWOOD

Kaizen

Flow

Visual Management

5S

### Problem Solving

Drives organizational learning

- Apply A3-Thinking
- Use A3 templates
- Identify the problem before counter-measures
- Involves trying, testing and revising

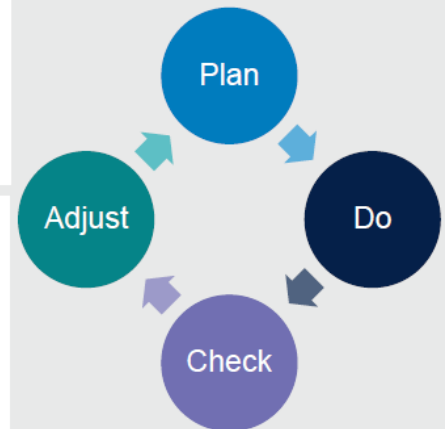
Root Cause

Metrics

Slow Decisions  
Fast Actions

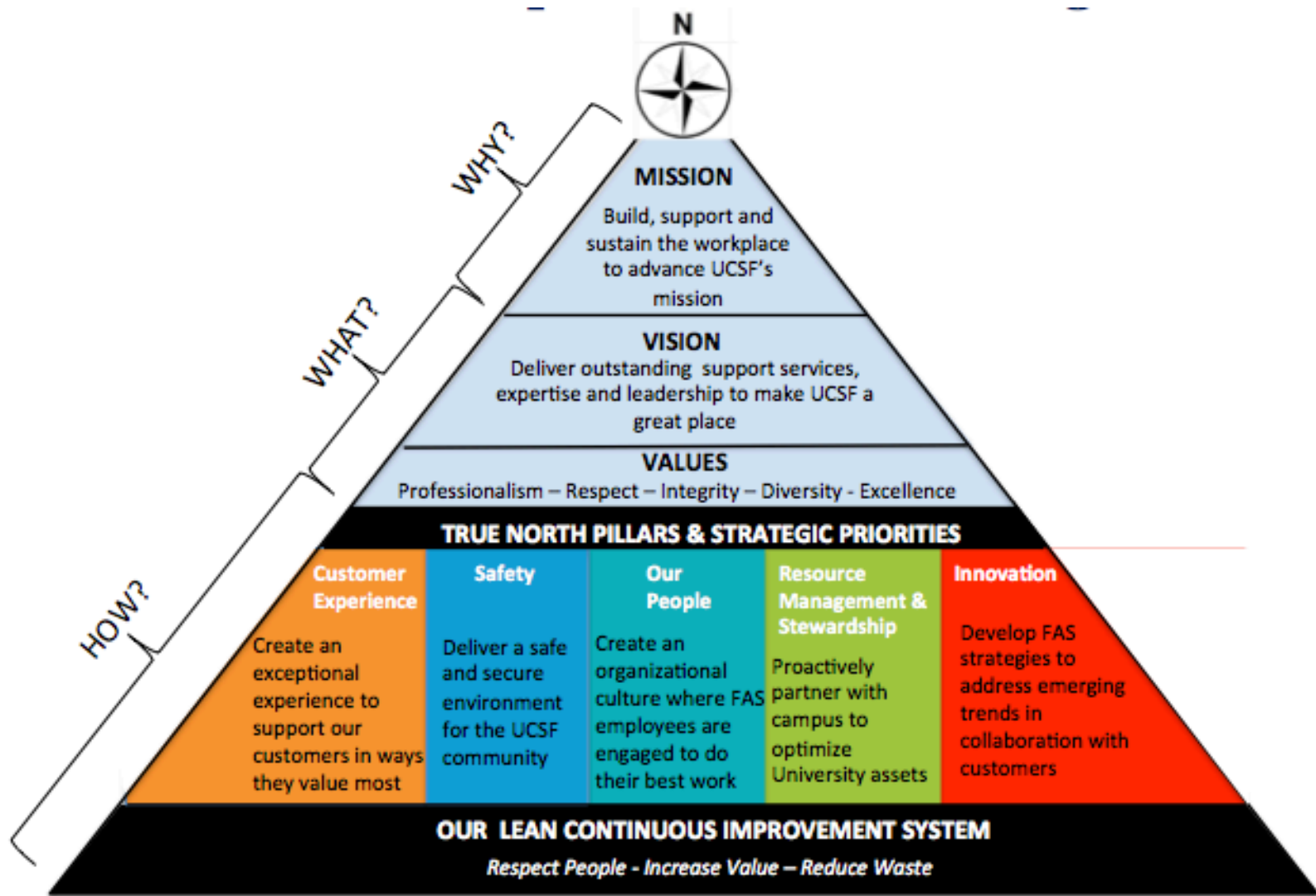
Catchball

## The Approach







# UCSF Finance and FAS True North



# FAS True North metrics will measure our progress

	CUSTOMER EXPERIENCE	SAFETY	OUR PEOPLE	RESOURCE MANAGEMENT & STEWARDSHIP	INNOVATION
<b>Definition</b>	<i>Create an exceptional experience to support our customers in ways they value most</i>	<i>Deliver a safe and secure environment for the UCSF community</i>	<i>Create an organizational culture where FAS employees are engaged to do their best work</i>	<i>Proactively partner with campus community to optimize University assets</i>	<i>Develop FAS strategies to address emerging industry trends in collaboration with customers</i>
<b>Outcome Metrics</b>	Establish FAS customer satisfaction index baseline	Zero UCSF IT security-related privacy breaches	Progress toward 50th percentile FAS engagement 	\$136.4M* UCSF consolidated change in net position  *preliminary	FAS continuous improvement budget
	67% FAS high impact service level targets met	7.5 of 10 perception of public safety at UCSF	Maintain 5.9% FAS turnover rate 	FAS expense ≤6.0% of UCSF expense	Meet 70% culture of continuous improvement targets from A3
		10% reduction in UCSF lost work days paid out	Increase FAS Managers' Diversity	Decrease \$3B deferred maintenance backlog	
				85% preventative maintenance met	
				Reduce CO2 to 113K metric tons	
				32.8% electricity from zero carbon sources	

# UCSF Finance Leaders

- **Irene McGlynn**, Audit and Advisory Services
- **Michael Clune**, Budget and Resource Management
- **John Ellis**, Controller's Office
- **Stephanie Metz**, FAS Finance Service Center
- **Bruce Flynn**, Risk Management and Insurance Services
- **Jim Hine**, Supply Chain Management

# UCSF Finance: New Employees

*as of April 1, 2017*

- **Michael Lin**, Controller's Office
- **Jose Oliveira**, Controller's Office
- **Erinn Stephan**, Supply Chain Management
- **Dean Shehdu**, Supply Chain Management



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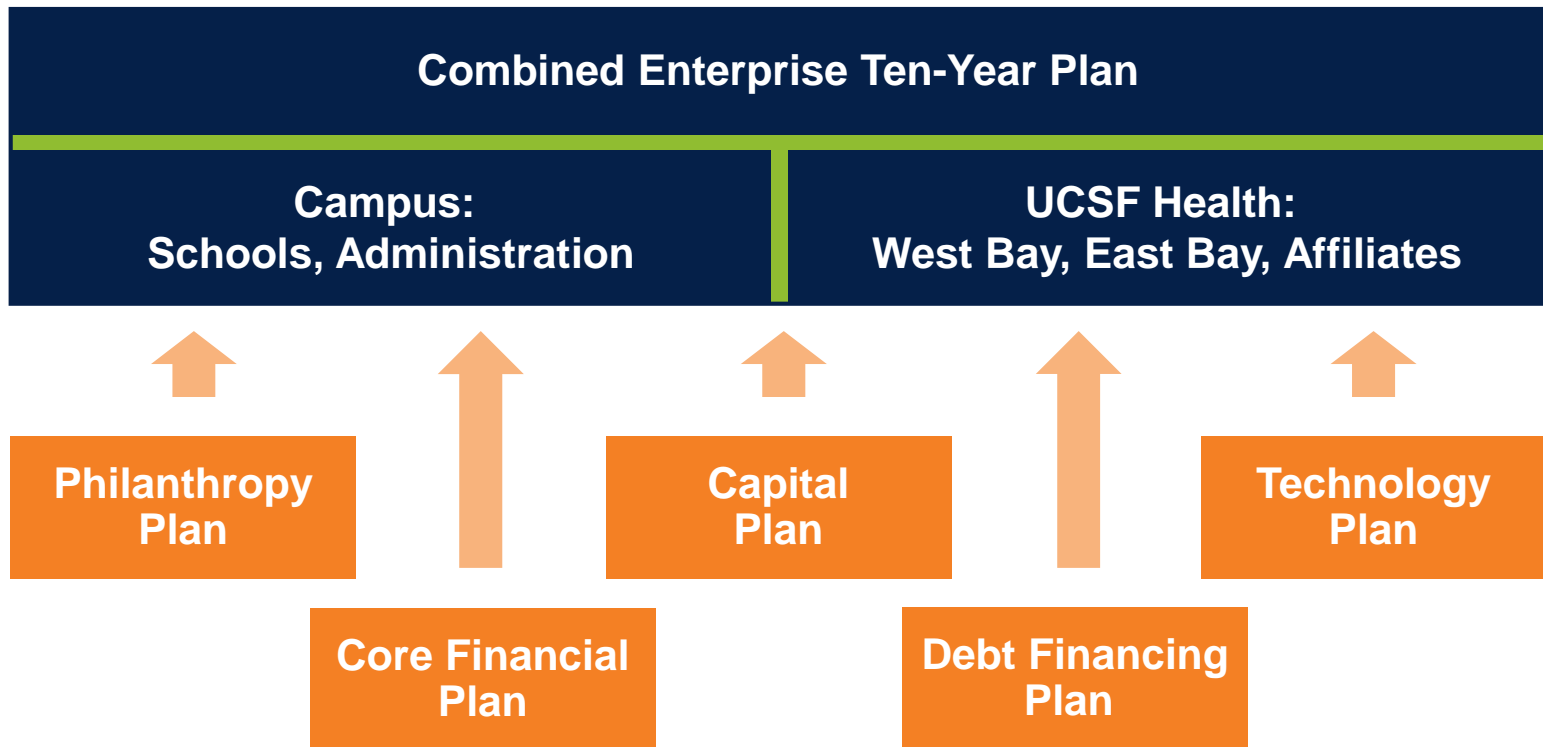
# Finance 101

## *Getting to Know UCSF Finance*

Teresa Costantinidis  
Vice Chancellor and Chief Financial Officer

7/24/2017

# Enterprise-wide strategic priorities drive UCSF's business and financial planning efforts

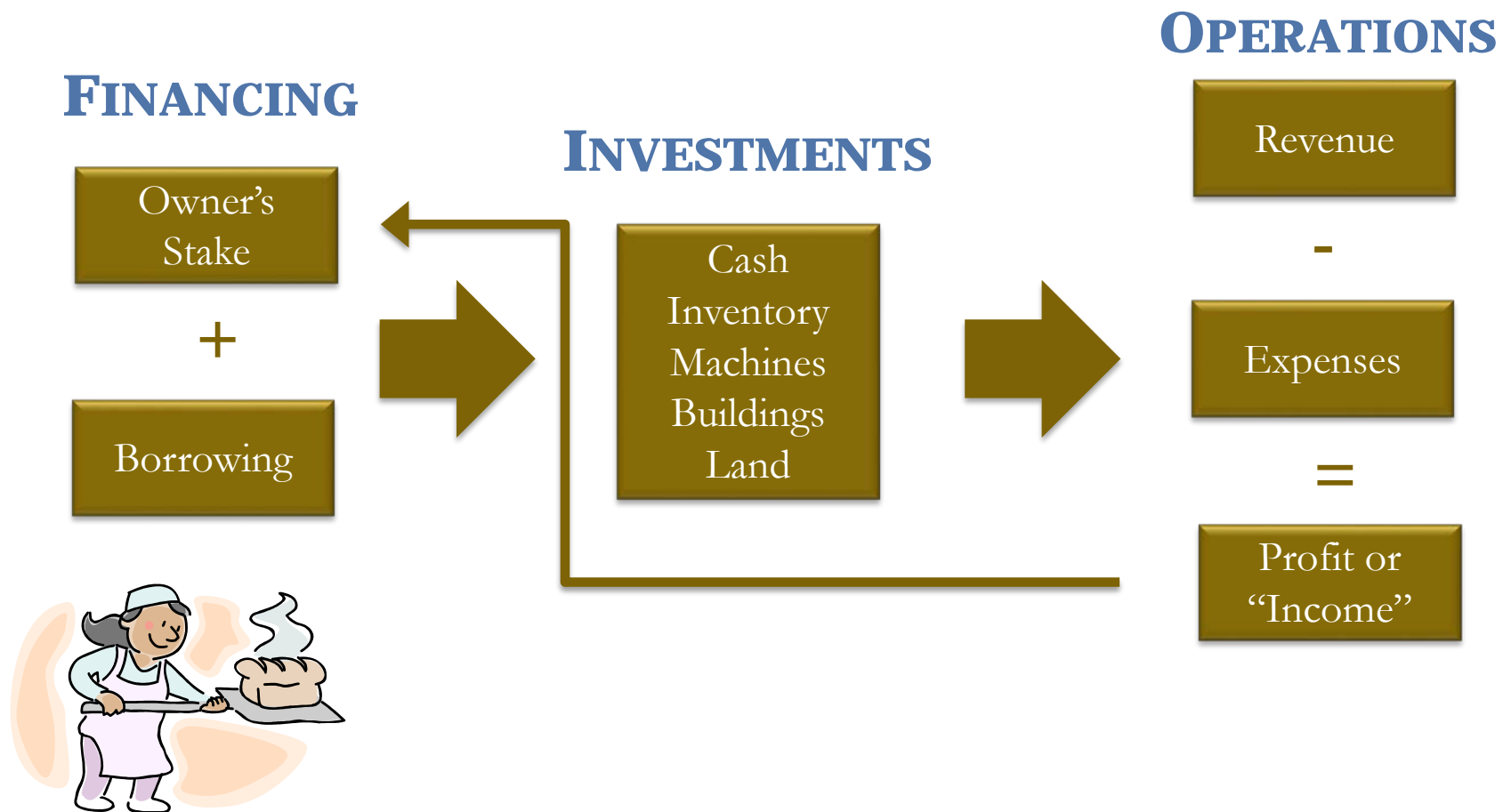


The annual planning cycle runs from January through October each year with monthly/quarterly performance reports

<b>JAN</b>	Chancellor issues budget call and planning assumptions
<b>FEB</b>	Schools and other units begin developing five-year plans
<b>MAR</b>	Campus begins updating comprehensive capital plan
<b>APR</b>	
<b>MAY</b>	Campus completes update of comprehensive capital plan
<b>JUN</b>	Schools and other units submit five-year plans – finance off-site
<b>JUL</b>	Fiscal close activities
<b>AUG</b>	Prior year financial results inform planning
<b>SEP</b>	Assumptions refined; sensitivities analyzed
<b>OCT</b>	Ten-year plan consolidated and completed – planning off-site
<b>BEYOND</b>	Ten-year plan used for decision making; variances analyzed quarterly

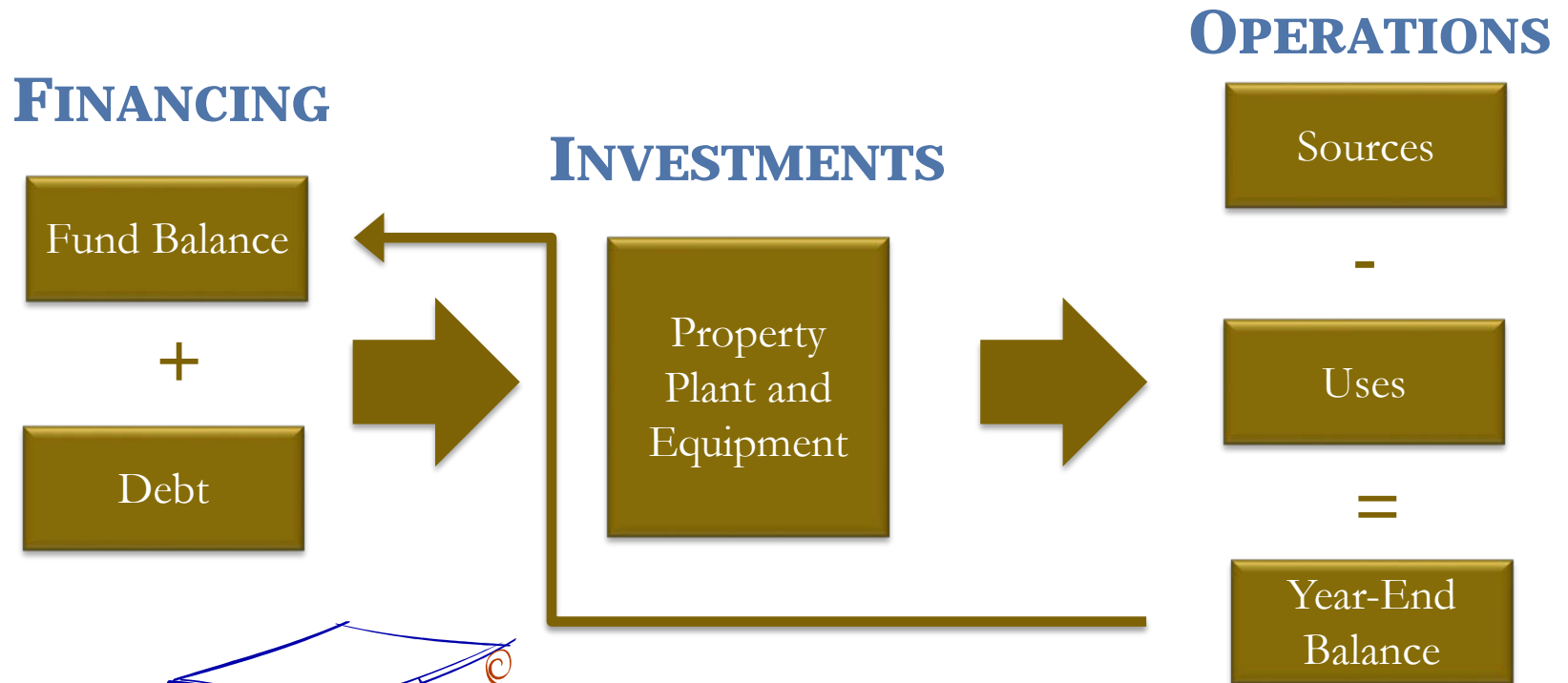


# Understanding “finance” means understanding how money moves around



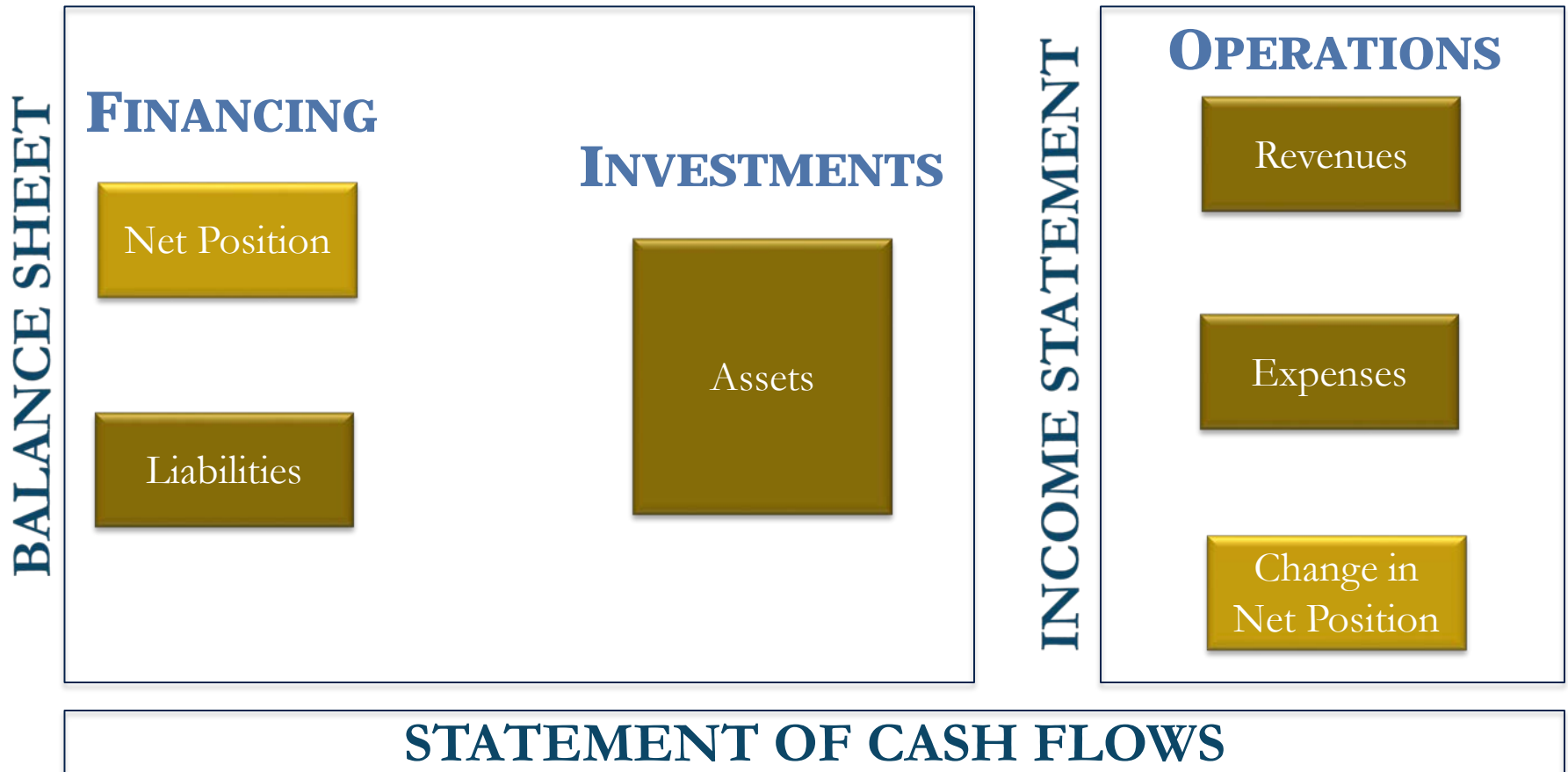


This model works for higher education, too . . .

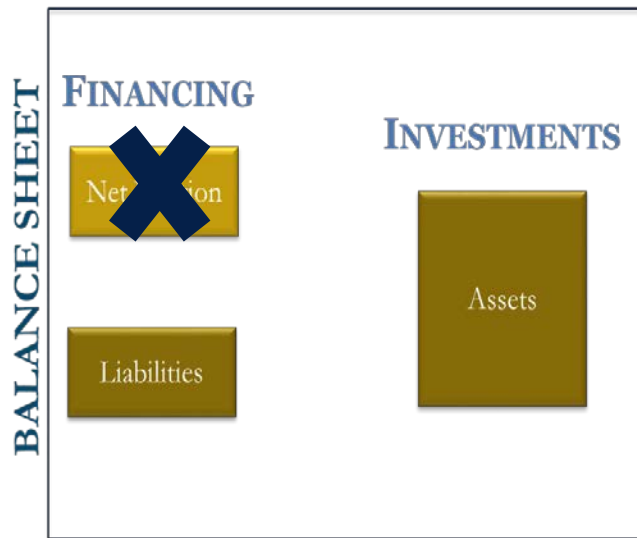


*We just use different words*

The three standard financial reports help us manage and understand these buckets

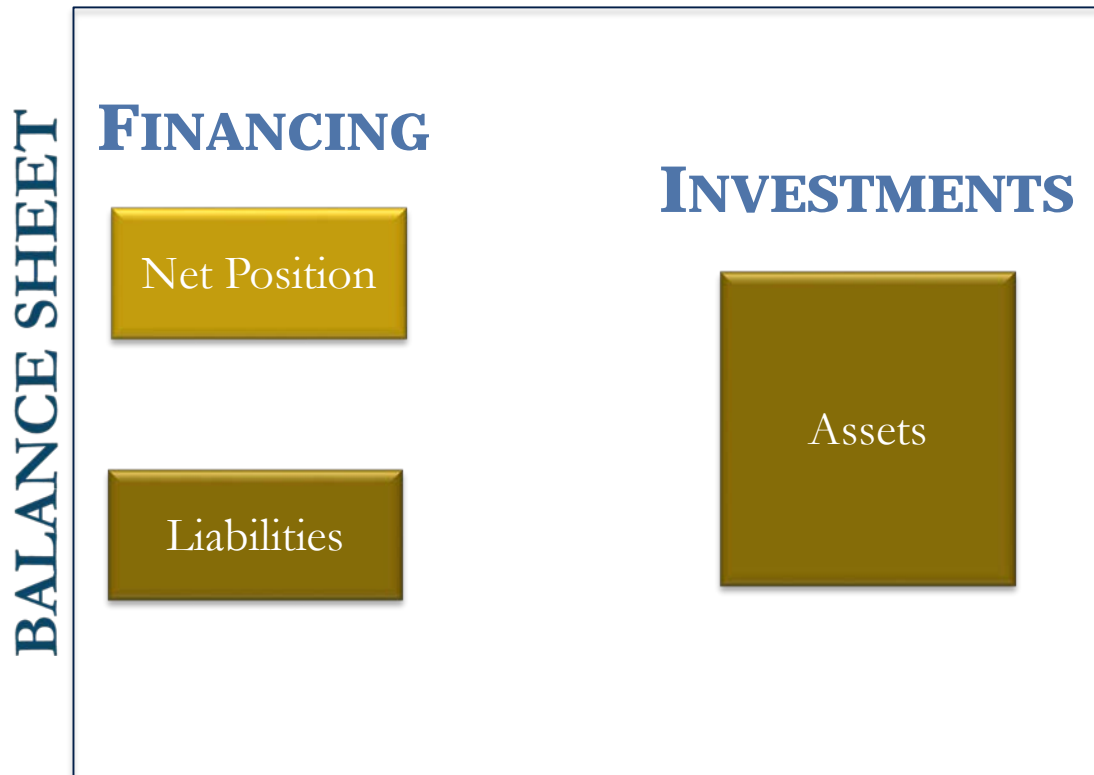


# In higher education, we use our finances to achieve our mission, rather than maximize our bottom line



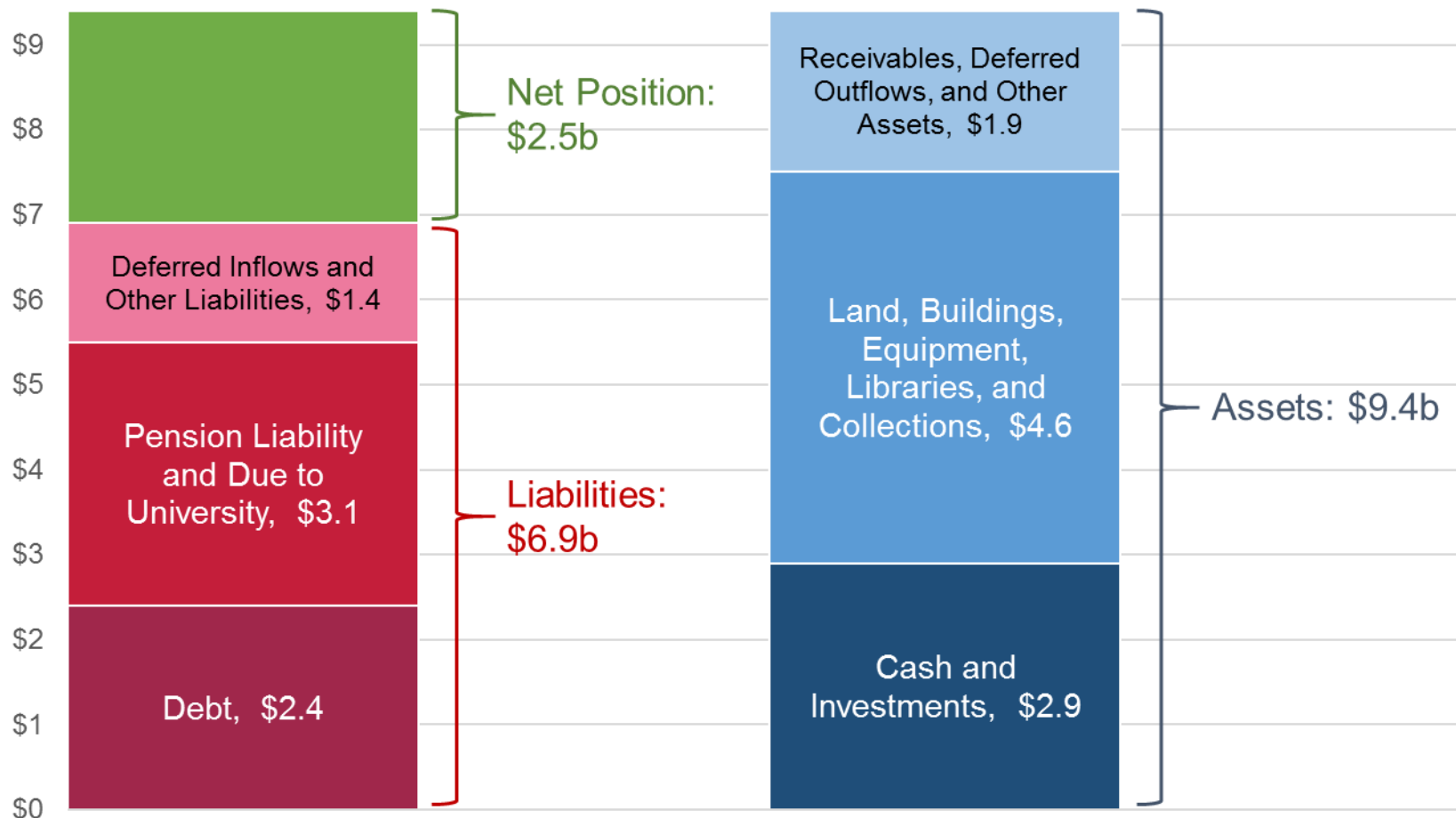
- Quality Patient Care
- Transformation of Student Learning
- Broader Culture of Inclusion
- Quantitative Bioscience Partnerships
- Unified Expanded Dental Center
- Federally Qualified Health Clinics
- Precision Medicine
- Nurse Clinician Scientists
- AND MORE . . .

First, let's look at UCSF's balance sheet . . .



# Making strategic capital investments, leveraging our cash, and being mindful of our debt remain key balance sheet focus areas

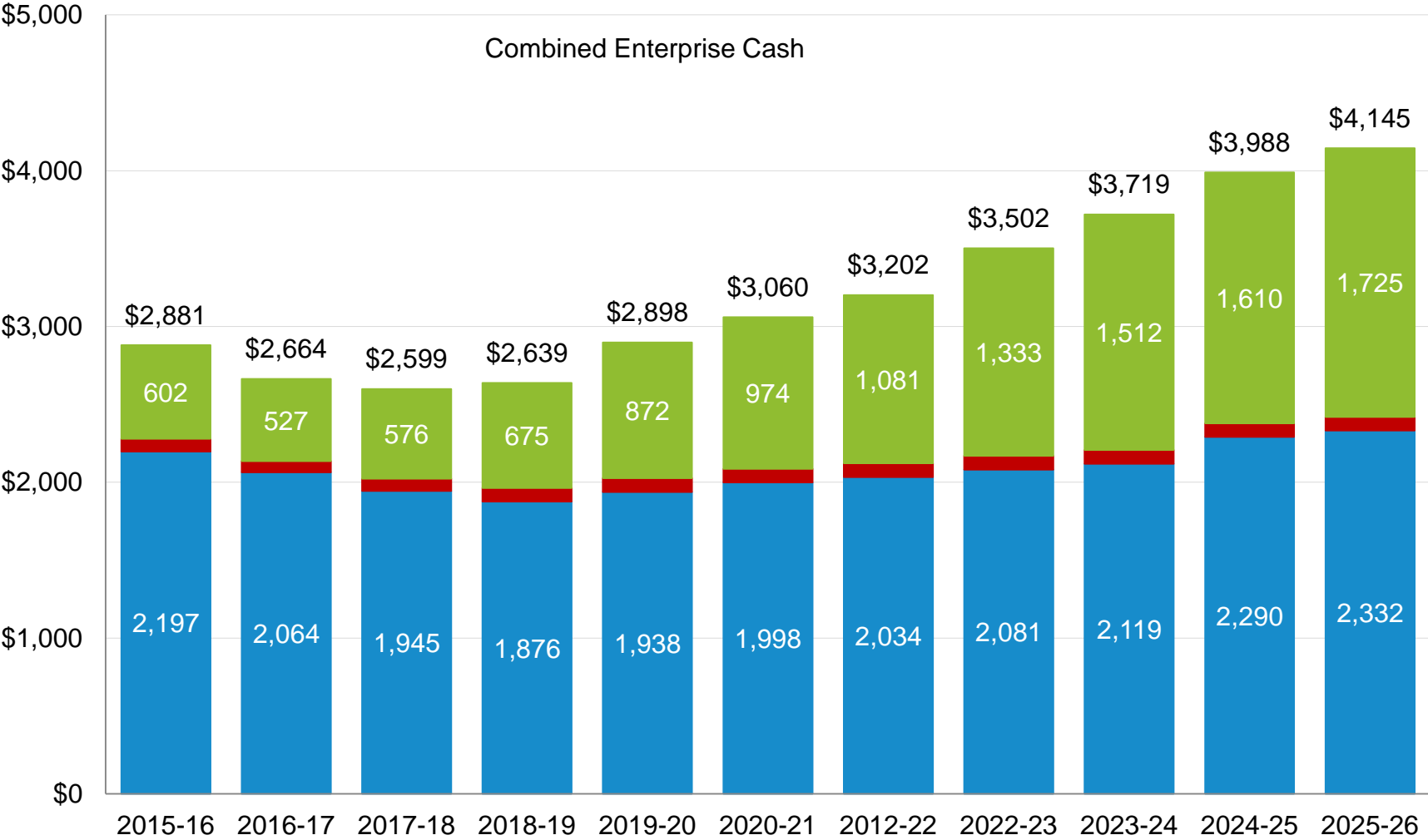
Statement of Net Position, June 30, 2016



Includes effect of GASB 68 (Pension Liability), resulting in a net liability of \$2.35 billion as of June 30, 2016

Dollars in billions.

# UCSF's cash position is expected to grow through 2025-26

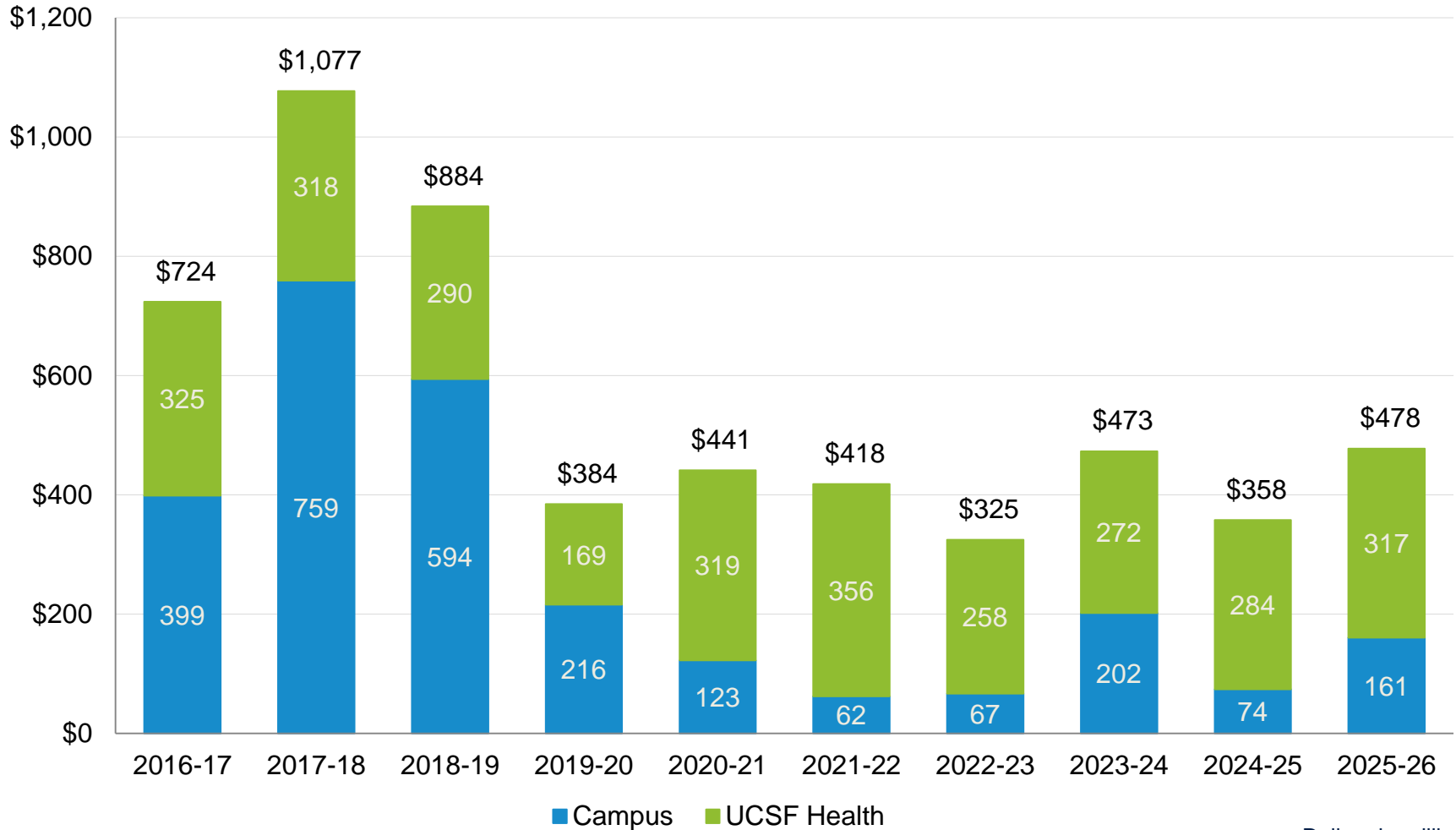


■ Campus Segment Unrestricted ■ Total Restricted ■ UCSF Health Unrestricted

Dollars in millions.

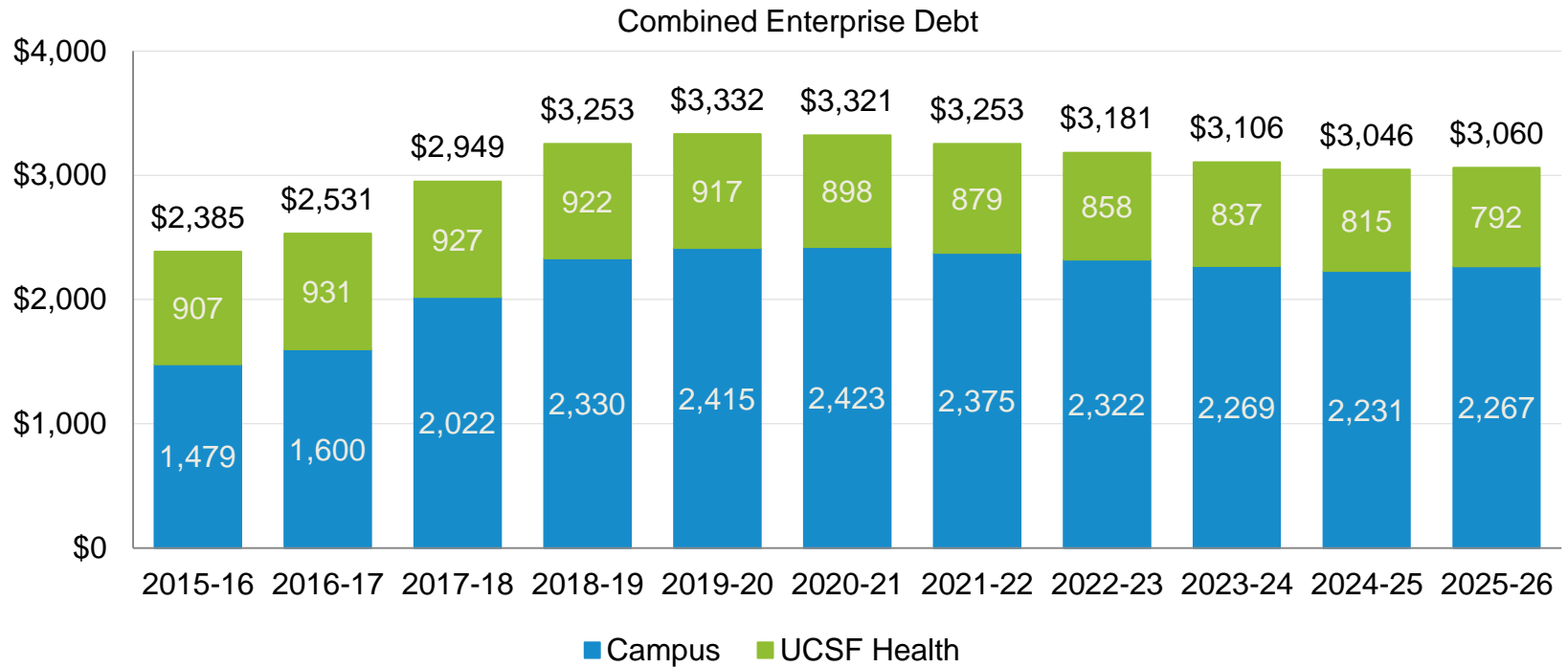


# UCSF's ten year capital spending plan totals \$5.56 billion



Dollars in millions.

# To fund the capital plan, total debt increases to \$3.3 billion during the ten-year projection period

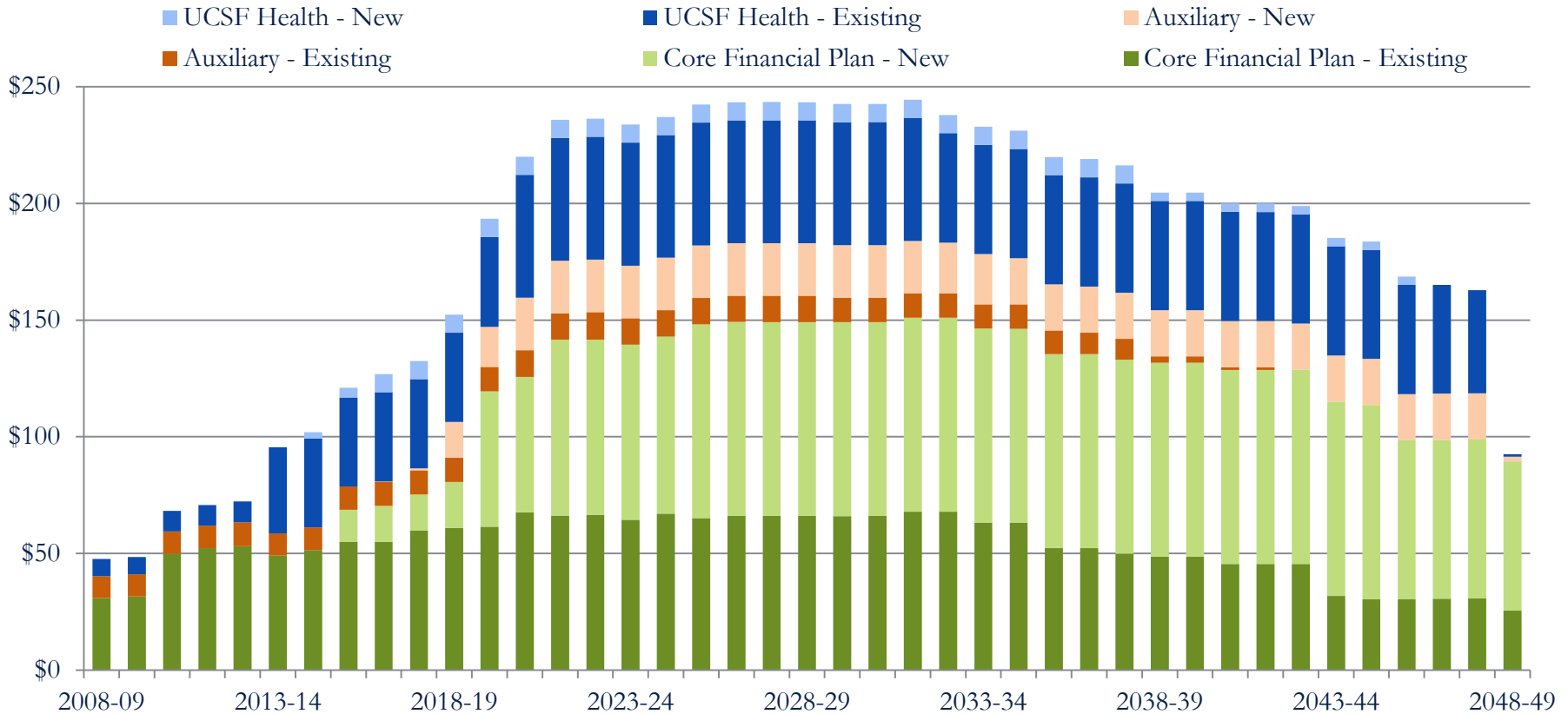


- Campus additional debt includes CSB, UCH, and ZSFG projects, program projects, Mission Bay expansion projects, and auxiliary projects
- UCSF Health projections include debt issuance of \$50 million in 2015-16 to fund the Benioff Children’s Hospital Oakland Master Facilities Plan Phase I
- PCMB & LPPH&C Outpatient building(s) financing is planned through Campus equity and philanthropy, with no new debt issuance
- Debt issuance remains within UC coverage limits throughout the period
- Debt payments rise from \$135 million in 2015-16 to \$248 million in 2025-26

Dollars in millions.



# And we watch total UCSF debt service, rising to more than \$240 million annually during the next decade



Dollars in millions.

# UCSF current results for UCOP's campus debt service tests

## Campus Segment Debt Requirements

Ratio	Description	Test	Dashboard	Status
Modified Cash Flow Margin (must meet)	Net income / Operating revenues	$\geq 0\%$	<p>Modified Cash Flow Margin</p> <p>Lower Limit</p>	✓
Debt Service to Operations	Debt service / Operating expenses	$\leq 6\%$	<p>Debt Service to Operations</p> <p>Upper Limit</p>	✓
Expendable Resources to Debt	Expendable resources / Total debt	$\geq 1$	<p style="text-align: center;"><b>1.20*</b></p> <p>* Estimate subject to revision following pension and OPEB liability updates</p>	✓

Let's also take a look at the UCSF income statement and projected change in net position

INCOME STATEMENT

**OPERATIONS**

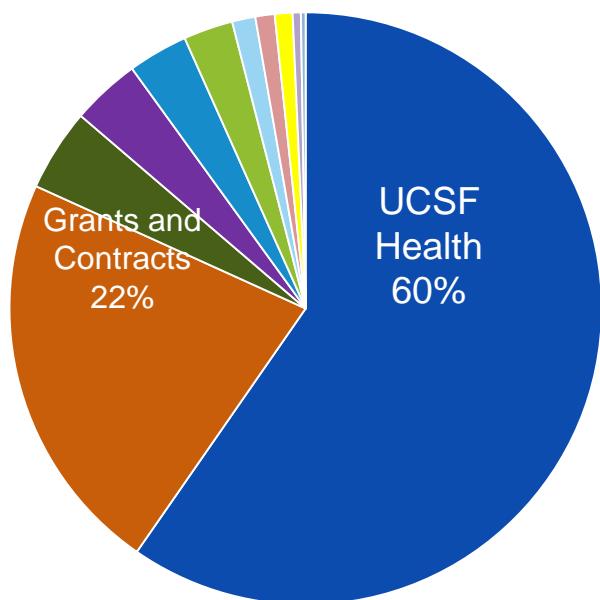
Revenues

Expenses

Change in  
Net Position

More than 80% of our sources comes from competitive and rapidly changing markets – 60% from the clinical enterprise and 22% from research

### 2015-16 Combined Enterprise Revenue: \$5.90 billion

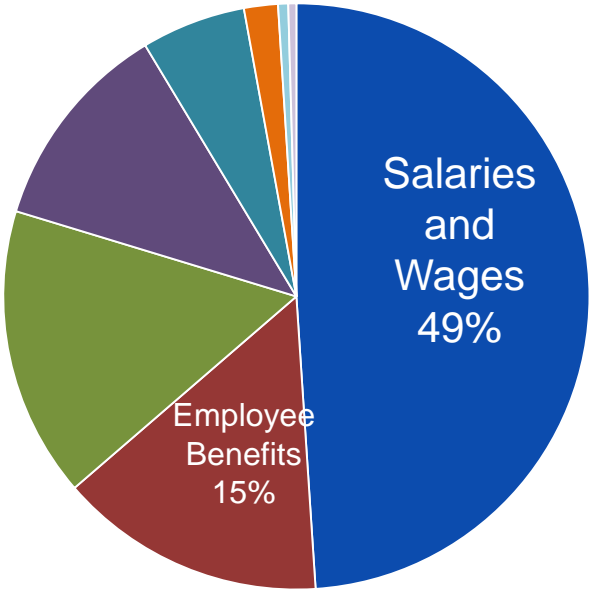


Sources	Revenue	Share
UCSF Health	\$3,521	60%
Grants and Contracts	1,306	22%
Other Clinical and Educational Activities	265	5%
Private Gifts	222	4%
State Funds	193	3%
Investment Income	159	3%
Other Revenue	75	1%
Auxiliary Enterprises	62	1%
Student Tuition and Fees (Net)	57	1%
State and Federal Financing Appropriations	26	<1%
Patent Income	15	<1%
<b>Total</b>	<b>\$5,902</b>	<b>100%</b>

Note: Dollars in millions. Capital gifts excluded. Tuition and Fees net of scholarship allowance.

# Personnel-related costs drive 64% of our combined enterprise expenses

2015-16 Combined Enterprise Expense: \$5.83 billion



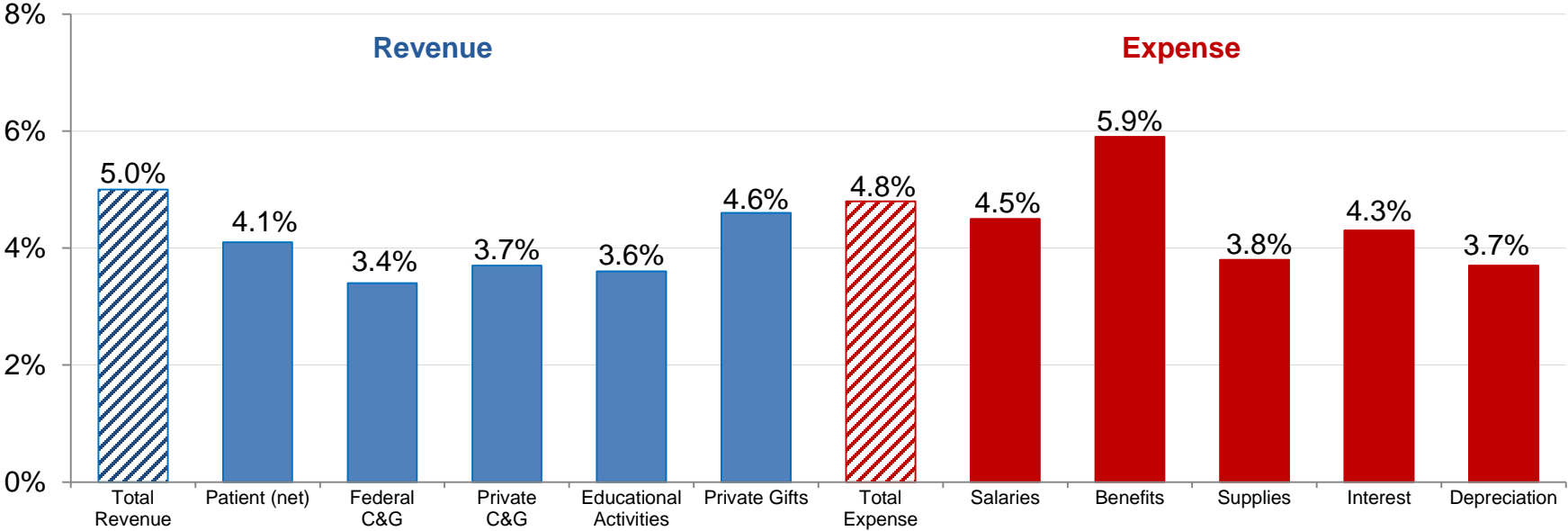
Uses	Expense	Share
Salaries and Wages	\$2,852	49%
Employee Benefits	857	15%
Other Operating Expenses	934	16%
Supplies and Materials	680	12%
Depreciation	335	6%
Interest Expense	109	2%
Utilities	33	1%
Scholarships and Fellowships	26	<1%
<b>Total</b>	<b>\$5,826</b>	<b>100%</b>

Dollars in millions.

# In the long term, total revenue is expected to grow at a slightly higher rate than total expenditures

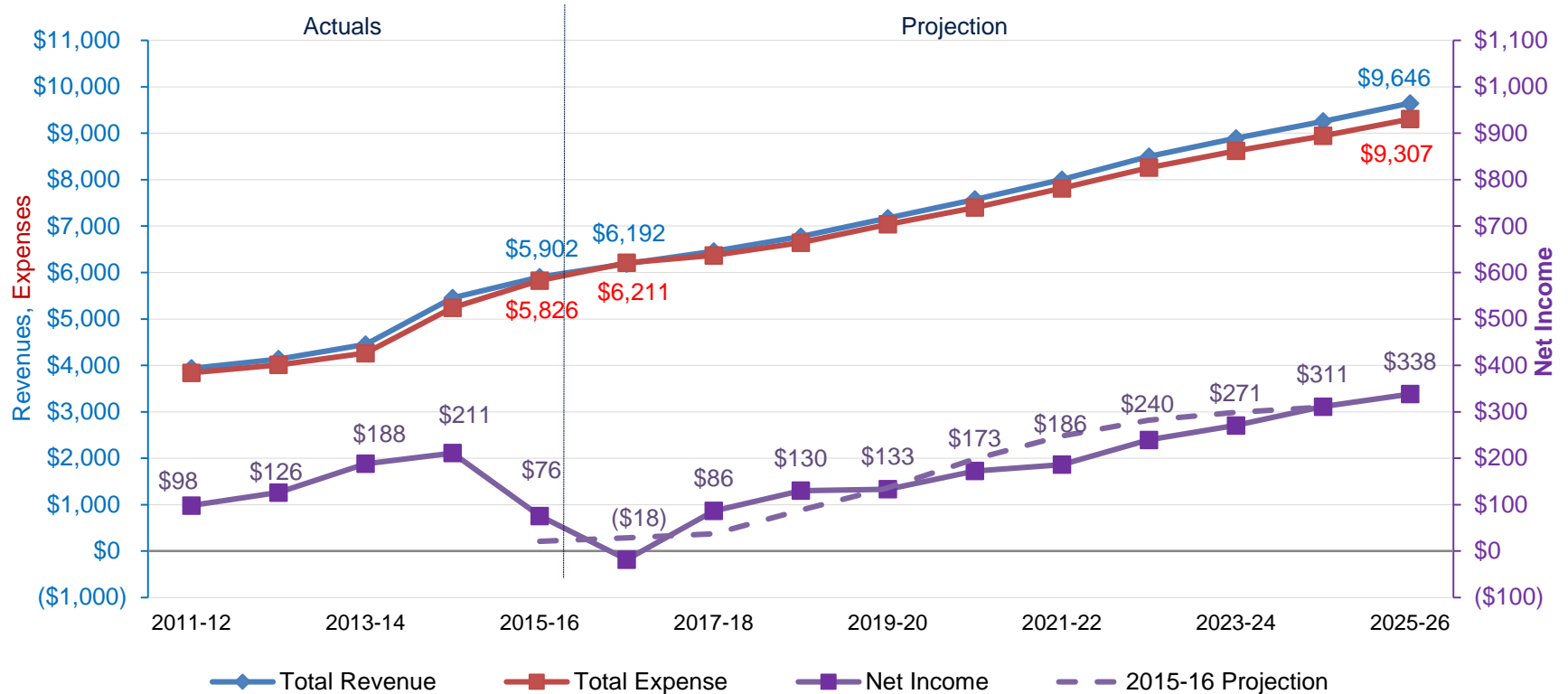
- Philanthropy is a major source of revenue growth, especially for the Campus
- Research revenue growth returns to traditional growth levels in the long term
- Expense growth aligns with revenue growth levels
- Personnel-related costs, in particular benefit costs, are outpacing modest revenue growth
- We must continue to exploit our strategic sourcing investment

Combined Enterprise Selected 10-year CAGRs 2015-16 to 2025-26



2025-26	\$9,646m	\$5,266m	\$982m	\$513m	\$379m	\$346m	\$9,307m	\$4,437m	\$1,518m	\$992m	\$167m	\$482m
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# Combined Enterprise: Revenues, Expenses, and Net Income



- UCSF reflects a combined positive net income for all years in forecast period, with the exception of 2016-17 (excludes non-cash accounting changes)
- 2011-12 to 2013-14 figures exclude Benioff Children’s Hospital Oakland (BCHO)

Note: Professional Services Agreements (PSA) and other campus services provided to UCSF Health are recorded as Campus revenue and UCSF Health expense and are eliminated in UCSF consolidated financial statements.

Dollars in millions.

# We will continue to manage our finances to achieve our strategic operational objectives

BALANCE SHEET

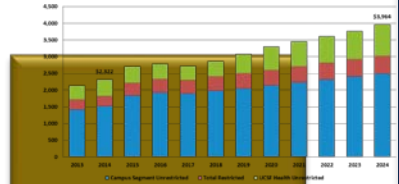
## FINANCING

Net Position

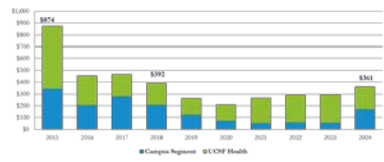
Liabilities



## INVESTMENTS



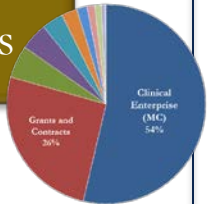
Assets



INCOME STATEMENT

## OPERATIONS

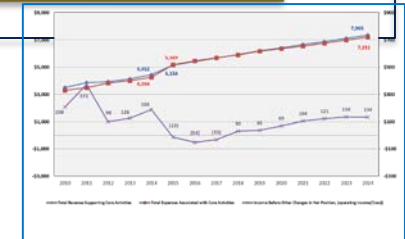
Revenues



Expenses



Change in Net Position





1 <b>Combined Enterprise</b>												
2 <b>Income Statement (\$Millions)</b>												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
3 <b>REVENUES</b>												
4 Student Tuition and Fees	57	57	59	61	63	65	67	69	72	74	77	80
5 Grants and contracts, net												
6 Federal Contracts and Grants	658	700	694	715	740	767	800	833	869	905	942	982
7 State Contracts and Grants	68	66	63	62	62	63	64	66	67	68	69	71
8 Private Contracts and Grants	300	356	356	371	385	401	418	435	453	472	492	513
9 Local Government	166	185	186	189	193	197	201	205	209	214	218	222
10 Subtotal Grants and Contracts	1,192	1,308	1,299	1,338	1,380	1,429	1,483	1,539	1,598	1,658	1,721	1,788
11 Medical Center Operating Revenue (net)	3,265	3,521	3,400	3,607	3,767	3,968	4,163	4,345	4,554	4,778	5,015	5,266
12 Educational Activities	263	265	277	287	298	309	319	331	342	354	367	379
13 Auxiliary enterprises	55	62	69	68	72	92	97	102	109	113	118	123
14 PSA and other campus services - Campus	-	-	-	-	-	-	-	-	-	-	-	-
15 State Support:												
16 State Educational Appropriations	186	193	199	205	211	218	224	231	238	245	252	260
17 State Funds dedicated for UCOP Assessment	-	-	-	-	-	-	-	-	-	-	-	-
18 Subtotal - State Support	186	193	199	205	211	218	224	231	238	245	252	260
19 State & Federal Financing Appropriations	23	26	29	27	27	27	27	26	26	26	25	25
20 Private Gifts	178	222	218	216	221	227	235	256	289	306	325	346
21 Investment Income:												
22 Investment Income - STIP and TRIP	137	117	64	65	72	78	82	85	89	93	99	105
23 Endowment Income - Distribution from Regents End.	42	43	51	54	56	58	59	61	63	65	68	70
24 Subtotal - Investment Income	180	159	115	119	128	135	141	146	152	159	167	175
25 Patent Income	8	15	13	12	12	11	13	12	13	11	12	13
26 Other Revenue	46	73	514	517	596	691	805	943	1,108	1,167	1,178	1,191
27 <b>Total Revenues</b>	<b>5,453</b>	<b>5,902</b>	<b>6,192</b>	<b>6,456</b>	<b>6,775</b>	<b>7,172</b>	<b>7,574</b>	<b>8,001</b>	<b>8,501</b>	<b>8,891</b>	<b>9,257</b>	<b>9,646</b>
28 <b>EXPENSES</b>												
29 Personnel Related Costs												
30 Salaries and Wages	2,585	2,852	2,981	3,125	3,272	3,428	3,576	3,733	3,897	4,069	4,249	4,437
31 Employee Benefits	755	857	922	971	1,040	1,105	1,158	1,222	1,281	1,355	1,433	1,518
32 Subtotal - Personnel Related Costs	3,340	3,710	3,903	4,096	4,313	4,533	4,735	4,954	5,179	5,424	5,682	5,954
33 Supplies and Materials	650	680	695	726	754	784	813	844	877	916	953	992
34 PSA and other transfers	-	-	-	-	-	-	-	-	-	-	-	-
35 UC Path	-	-	6	9	9	5	5	6	7	7	7	7
36 Utilities	33	33	31	32	34	38	41	43	48	50	53	56
37 Scholarships and Fellowships	24	26	26	27	28	29	30	31	32	33	34	35
38 Interest Expense	83	109	121	123	126	163	174	182	177	173	170	167
39 Loss on Disposal of capital assets	8	2	1	1	1	1	1	1	1	1	1	1
40 Depreciation	289	335	340	355	364	395	408	430	445	452	461	482
41 UCOP Fees	21	22	24	24	24	25	25	26	26	27	27	28
42 Other Operating Expenses	793	910	1,064	977	992	1,068	1,171	1,299	1,470	1,538	1,559	1,586
43 <b>Total Expenses</b>	<b>5,242</b>	<b>5,826</b>	<b>6,211</b>	<b>6,370</b>	<b>6,644</b>	<b>7,039</b>	<b>7,401</b>	<b>7,815</b>	<b>8,261</b>	<b>8,620</b>	<b>8,946</b>	<b>9,307</b>
44 <b>Income before Other Changes in Net Position</b>	<b>211</b>	<b>76</b>	<b>(18)</b>	<b>86</b>	<b>130</b>	<b>133</b>	<b>173</b>	<b>186</b>	<b>240</b>	<b>271</b>	<b>311</b>	<b>338</b>
45 Health System investment in clinical practices (net)	-	(0)	-	-	-	-	-	-	-	-	-	-
46 <b>TOTAL INCOME BEFORE CHANGES IN NET POSITION</b>	<b>211</b>	<b>76</b>	<b>(18)</b>	<b>86</b>	<b>130</b>	<b>133</b>	<b>173</b>	<b>186</b>	<b>240</b>	<b>271</b>	<b>311</b>	<b>338</b>
47 Extraordinary Items												
48 GASB 68 pension (expense)/gain	(11)	(212)	-	-	-	-	-	-	-	-	-	-
49 GASB 75 OPEB (expense)/gain	-	-	-	-	-	-	-	-	-	-	-	-
50												
51 Capital gifts and grants	115	45	100	55	56	54	50	35	32	38	159	34
52 Transfers to Regents' Endowment	(55)	(53)	(200)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
53 State Capital Appropriations and Other Changes	(198)	9	46	20	23	12	13	2	(3)	(6)	(6)	(6)
54 <b>Increase in Net Position</b>	<b>62</b>	<b>(136)</b>	<b>(72)</b>	<b>136</b>	<b>185</b>	<b>175</b>	<b>211</b>	<b>198</b>	<b>244</b>	<b>278</b>	<b>439</b>	<b>341</b>

Note: Professional Services Agreements (PSA) and other campus services provided to UCSF Health are recorded as Campus revenue and UCSF Health expense and are eliminated in UCSF consolidated financial statements.



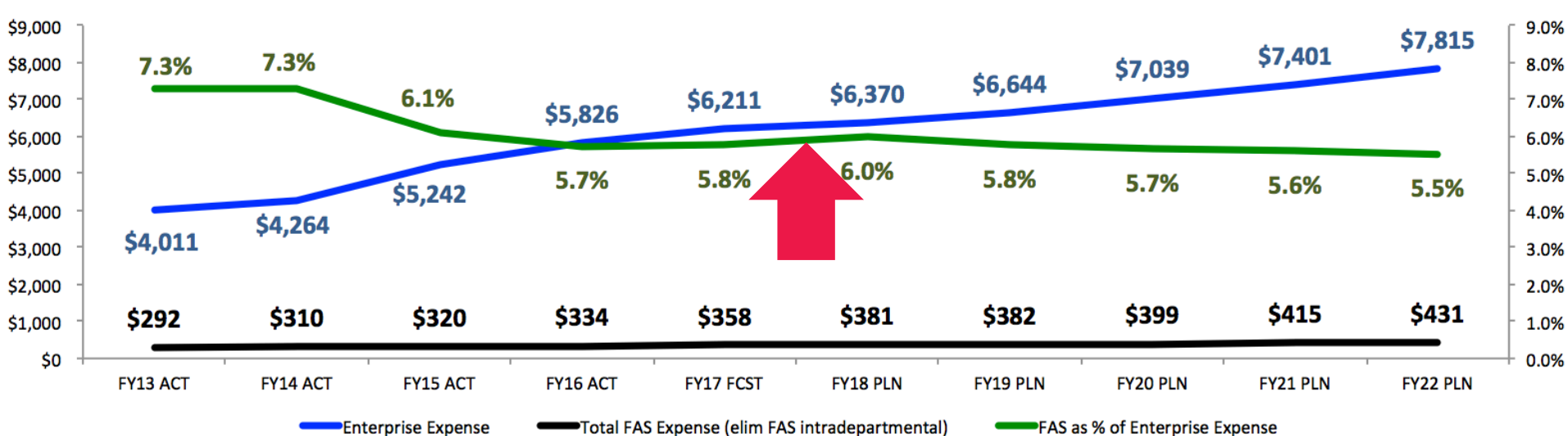
33	Supplies and Materials		650	680	695	726
34	PSA and other transfers		-	-	-	-
35	UC Path		-	-	0	9
36	Utilities		33	33	31	32
37	Scholarships and Fellowships		24	26	26	27
38	Interest Expense		83	109	121	123
39	Loss on Disposal of capital assets		8	2	1	1
40	Depreciation		289	335	340	355
41	UCOP Fees		21	22	24	24
42	Other Operating Expenses		793	910	1,064	977
43	<b>Total Expenses</b>		<b>5,242</b>	<b>5,826</b>	<b>6,211</b>	<b>6,370</b>
44	<b>Income before Other Changes in Net Position</b>		<b>211</b>	<b>76</b>	<b>(18)</b>	<b>86</b>
45	Health System investment in clinical practices (net)		-	(0)	-	-
46	<b>TOTAL INCOME BEFORE CHANGES IN NET POSITION</b>		<b>211</b>	<b>76</b>	<b>(18)</b>	<b>86</b>
47	Extraordinary Items					
48	GASB 68 pension (expense)/gain		(11)	(212)	-	-
49	GASB 75 OPEB (expense)/gain		-	-	-	-
50						
51	Capital gifts and grants		115	45	100	55
52	Transfers to Regents' Endowment		(55)	(53)	(200)	(25)
53	State Capital Appropriations and Other Changes		(198)	9	46	20
54	<b>Increase in Net Position</b>		<b>62</b>	<b>(136)</b>	<b>(72)</b>	<b>136</b>



# Cost Containment – FAS as % of Enterprise

FAS growth is slower than overall enterprise growth rate

Expense line is net of intradepartmental charges within FAS such as IT, HR, and Financial Services.



## Objective:

- Sensitivity to UCSF fiscal situation
- Fairness in service charges
- Operate at  $\leq 6\%$  of UCSF expense

## Achieved via:

- Diligent FTE management
- Prudent management of expenses
- Close monitoring of recharge rates

### Sources

Budget Office, UCSF Financial Plan to CEC Fall 2016, Controller's Office, FY16 Annual Financial Report, FAS Finance Service Center, FAS 5YR Plan Rollup FY18-FY22

# A Salute to: UCSF Finance Star Award Winners

- UCSF launched a revised [Star Award Program](#) in January 2017
- Star Awards recognize sustained, exceptional performance, hard work, and dedication in the support of the Chancellor's priorities and/or UCSF's Pride values.
- The Star Award includes a significant cash grant.
- 14 UCSF Finance staff members won Star Awards this year!

# UCSF Finance Star Award Winners

- **John Arbolino**, Supply Chain Management
- **Brent Butler**, Controller's Office
- **Mary Catherine "MC" Gaisbauer**, Controller's Office
- **Melissa Gee**, Supply Chain Management
- **Karen Hamblett**, Supply Chain Management
- **Jeffrey Lessard**, Controller's Office
- **Greg Macway**, Supply Chain Management
- **Ellyn McCaffrey**, Controller's Office
- **Ljubomir Stajic**, Budget and Resources Management
- **Susan Walker**, Audit and Advisory Services
- **Nora Watanabe**, Controller's Office
- **Pik Kei Yung Yeung**, FAS Financial Service Center
- **Lei Zheng**, Controller's Office

# Senior Vice Chancellor Star Achievement Award – UCSF Finance

- **Nisa Sampior**, FAS Finance Service Center

# New UCSF Finance Customer Service Survey

- **Greg Macway (*Supply Chain*)**, Project Team Leader

# New Program: *Lunch With the CFO*

- Outreach program to start in September
- CFO to host lunch with up to 12 staff members, drawn from all units of UCSF Finance
- Approximately once every other month
- Locations will vary



# UCSF Finance: Branded Gift

- Pick one up at the back of the auditorium on your way out
- If you don't get one today, they will be available at 654 Minnesota
  - Or email [finance@ucsf.edu](mailto:finance@ucsf.edu)

# Close

- **Thanks for attending and listening.**
- **Thanks for everything you do for UCSF Finance!**

**UCSF**

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San Francisco