

UCOP Town Hall Meeting. March 14, 2008

RORY HUME: We've asked you to come here so that we can give you an update on the restructuring and the new budget proposal for the Office of the President, to take you through what we're doing and why we're doing it, what has happened 'til now and why, and where we're likely to go from this point on. Before I get into the substance, I want to say, and I hope that Katie [Lapp] and I say it several times, how much we appreciate your efforts, your involvement, your support in what are difficult and challenging times for us all. The spirit of helpful cooperation is sort of lifting and is lifting us, and it's helping everybody to get the best possible outcome in a situation that is challenging for us all. This certainly isn't what I signed up for three years ago when I agreed to come here. Circumstances were very different. And it is a challenging time, but I'm incredibly impressed with the way that we as a community are dealing with it and the work that many, many of you are doing to contribute to the improvements that we have to make. I'll talk for just, I hope only

a few more minutes really to just set the stage as I see it and then hand over to Katie who will go through more detailed stuff about the budgeting process and the restructuring and where that's going to go. We are going to, why we choose today is we mailed stuff out to the regents last night that describes the budget, the appropriations requests to the Office of the President for late '09. And that will become public on the Web on Monday, and then we'll discuss it with the regents on Wednesday. And we felt that since you're the people who work here, you should here about what we're proposing to the regents for adoption in May. We're taking an appropriation request in March for adoption in May. And you should hear about it now so that you're not surprised and so that you can give us your advice and comments. A couple of key points that guide me through this time. The U.C. system is an extraordinary entity. There's been no other university like it in the history of mankind. It is the greatest university in the world. Indisputably the greatest public university in the world. But when you consider

us as an entity, the greatest university that's ever existed. And we should be very proud of that. And it's run extremely well. People on the campuses know that we are all having a reasonably difficult time, and we've been criticized, and we're budgeting, and we're restructuring and we're working hard, but I constantly get the message from the people on the campuses that they're very grateful for what we do in terms of the support that we give them. And they're very, very grateful for the quality that they are allowed to continue to express. Their teaching and research programs and the service programs are going on gangbusters despite the looming storm clouds of the state budget that is truly scary. The campuses believe that they're doing a great job, and I believe they are too. And they're very grateful for what we do, so I wanted to give that message to you as well. People like what we do. The system has potential still to be even greater than it is now. And the long-range guidance team identified that. The regents' long-range planning committee endorsed that vision. There are still things that we

can capture from this system, even at the present level of resources, that can make us even better. We collaborate better administratively. Save money, move that money towards program. We can collaborate programmatically much more than we're doing. Much more potentials for collaboration in teaching and research. We're a system with a great future. So the system itself is very important. And what we do is very important to the future of that system. We are in many ways the glue that holds it together or the lubricants that make the parts work together. So safeguarding the system is a really important thing for the future of California and the nation and the world. And all of the things that we do for so many, many people, holding together as a system and us getting our house in order in the best possible way, helps to protect that system. Second, we support the leadership of this university. One of our names is the Office of the President. We used to have historically another name which was System-wide Administration. The way both of those things, but we support the president.

One of the people I talked from time to time is David Gardener, who was, as some of you may remember, a truly great president in the 1980s. And I said to him at one stage that we were bring together a group of smart people to define is the role of the Office of the President, and he said, "Rory, it's dead simple what the Office of the President is for is to support the president." Now you've got to ask the question, what's the president for in a system such as ours? And in fact that became the task of that group, to define what is the president relative to the chancellor, relative to the regents, and, therefore, what should we do to support the leadership of this single great entity. So the singleness system is very important work. And the work that we do to support the leadership is the other major thing that guides me as we think about what we're going to do, how we're going to be structured. You are aware that the regents became concerned and critical about our budget and our function a couple of years ago. We stumbled as a system over compensation issues. It was symptomatic of systems' deficiencies, across

the system, including us. The focus became us. Criticism came to the Office of the President. And they started to ask serious questions about, let's see your budget. Then, we want to approve your budget. I helped prep Bob Nines when he first presented the budget to the regents. It didn't go particularly well because we really didn't have much information, as Katie will tell you. And Bob and I then worked with a number of you to try and assemble an understanding of the budget of this very complex organization. And a year ago I remember very well it was in March over at Laurel Heights, Anne and I were getting our steam up and we were cutoff by the regents. And I just said, Fine, okay you really don't know very well about your budget, very much about your budget. We'll give you an appropriations request for '07/'08, but you've got to come back in a year with a very different understanding of your budget, and it has to be smaller." They gave us an inflation adjustment last year, and they warned us they wouldn't do it. We had to decrease the budget. So that's what we've been working on with the

guidance of processes that monitor help us with. A lot of people from OP. A lot of people from the campuses. We've been defining what we're here for, how we should be budgeted, getting to understand everything -- Katie will give you details -- getting that in order. We're coming back in May, we hope, to have that appropriation request approved. And at that time we'll layout the macro picture of a new structure for the Office of the President. And that's very necessary. And it's guided by the work that a number of people did. And we presented to the regents in January about the roles of Office of the President, the roles of the president. The president we know has to do four main things: Has to be the chief academic of the institution; has to have academic values -- that's what this place is, and everybody hopes the president will, when the chips are down, make decisions about academic qualities and issues; has to be the chief executive; has to make decisions about allocations, after having the process of guidance; has to be the single authoritative voice of the system in representing us to all

sorts of external constituencies; and has to be guardian of the public trust. And those four dimensions of the president were defined by the work group on the roles of the Office of the President. And if you read that report, there was a pyramid diagram. There are a few things that simply must be done here because law requires it. Next level is things that must be done to support president so that the president can be effective. Then there are things that we do for the system that can only be done at the center. Then there are things that we do to support the system that's it better if they're done at the center. And then there are things that support system that actually are better if they're done elsewhere. And that grid has guided us in our thinking and will continue to guide us in our thinking as we work through things. After this budget appropriation with our macro structure that we're working out and getting close to having done now and we'll have that refined for May, then we'll work through during the next year. Katie will take you through that in a minute. We will be smaller. I promised the regents six

months ago that when we came with this budget, it would be for a smaller Office of the President. That was their requirement of me, and I made that promise. And we'll make good on that promise. We will be better. We will deliver better service in support of the president and the campuses than we've been able to do in the past because we will be more rationally structured. This office has grown and grown and grown as we've taken on more and more things. And often when people didn't quite know where something would be done and, well, the Office of the President will look after them. And so we weren't particularly rationally structured. We will be much better structured at the end of this process. And we will save money, and that money will be used to deal with more program at the campuses was our initial goal, but we now know that the state's got a horrible budget problem. We're pushing back as hard as we can to protect and defend investments in the University of California and the benefits that we bring the state and people. But we know that there will be reductions. And we will be able to contribute

to those reductions. The campuses will have to contribute a lot as well. But we will contribute to those discussions, those reductions, so we'll lead. That's all I really wanted to say in introduction. I want to say again, and I hope I remind myself to say it again at the finish, how grateful we are and how grateful this university is for the work that you are doing under what are trying circumstances. It's not fun to be criticized. You don't like it, and I don't like it. But we must do the things that we're doing in order that we can better serve this great university and protect its central functions. So Katie will talk for probably a little longer than me, and then we'll respond to questions. Katie.

KATIE LAPP: Thank you, Rory. Well, we must have done pretty well this morning because now we have a sell-out crowd, a stand-up crowd, because we didn't have that this morning. First, I went to echo what Rory said, which is we value each and every one of you and the hard work that you're doing. I've said that to you individually and said that to you in groups. I've met a lot of you not only in my short time

here through meetings that I hold but also going through staff breakfast meetings that we did back in the fall and into the winter and a variety of brown bag lunches and late afternoon snacks and things like that with all of you. As I said this morning, I think I'm putting on a few pounds which is why I refuse to use the world 'bloated' when people say bloated. It's not going to happen. But before I move on into the detail, I think I just wanted to take a personal note and thank Rory for his leadership in the last six months. As COO, he's stepped into a very difficult time. And he's led us through very difficult times. And he continues to do it, and every morning he comes in and he has a smile and a whistle and says, come on, let's keep going. So he's really the one that keeps me focused. And on behalf of all the employees and me personally, I want to thank you, Rory, for that. So, thank you.

So let me talk about what were the reasons why we're going through what we're going through. And Rory touched upon them. But I want to identify three specific reasons. The first reason is the state budget. As we all

now earlier in this year they said they were announcing a 14 and a half billion dollar problem. Then quickly grew to 16 billion. We are facing, the U.C. under the governor's proposal at least a \$400 million reduction. And that's going to challenge everyone in this room. It's going to challenge all the campuses and the regents to figure out the best ways to deal with that. But that's one of the reasons why we are going through the budget reduction exercise that we're going through right now and some of the restructuring. The second reason is, and Rory dwelled on this in his remarks, which is really to restore the confidence and continue to restore the confidence of the regents, Sacramento, and the campuses and the Office of the President. And I use the word 'continue' because I think when I first got here, which was roughly ten months ago, I think, we had to start to restore the confidence into this office. And I think we are down that path. And we're continuing in that. So all of you have helped us start down that path, and I hope you continue with us as we continue into the next couple months. And

the third reason is, as Rory indicated, is we need to look at the Office of the President, kind of like do a self-assessment and figure out whether or not we are structured in a way to allow the president of one of the greatest universities in the world to fulfill the responsibilities that he or she has. And I think, particularly coming from outside California, UC is looked at as a leader as university on a variety of fronts. Not just education, but all the research would do and the impact we have in the economy. We need to be a leader here in the state, in the nation, and in the world. And we, as the Office of the President, need to make sure that we're giving the services to the president, whoever he or she is, in order to fulfill that role. So those are the three reasons why we're going what we're doing.

Now I wanted to talk about the restructuring first before I get into the budget. We, Rory and I talked in, earlier this year, and as we looked and were addressing some of the challenges that we talked about, we said we needed a core group of people to help us

think through the way in which the Office of the President is aligned. We may have our own perceptions, but we wanted to also draw upon the knowledge base, the skills and the talents of a lot of people in the Office of the President. So we put together a group of people that are from throughout the Office of the President. A few them are here today. I see John Plotts in the background. I don't think Mike Clune is here, but he's a key person. Kurt Denham. Joyce Justus, a whole bunch of people that are actually signed up for a rigorous project. I draw them in at least once a week, 7:00 or 8:00 o'clock in the morning -- they're not too happy about that. But, and they work -- and that's the only meeting I attend. And then they work throughout, they've been working for the last three to four weeks beyond their regular schedules just to help us look at the Office of the President and figure out is there a better way to structure the office. The process includes a unit-by-unit review, using the budget data that all of you gave us over the last couple of months. So we're not working on

suppositions, not working on old data or unreliable data. We're working on the data that all of you were so helpful to us to pull together. And that was a great exercise. It was a long and torturous one for all of you. It was rather exhausting for a number of people, but that's what we're giving to these teams as they look through the structure of the Office of the President. We're also looking as part of this is to realign functions that are duplicative throughout various units. And I'll give you a couple of examples. The concept first of all is that we'll create what we're referring to as utility offices, offices that should be supportive of the departments throughout the Office of the President. Things like we want to create a budget office for the Office of the President. I can tell you having gone through what I have gone through over the last several months, we don't want to repeat that process next year. We want to essentially, well, what I found was various units were doing different types of budgeting, were doing things slightly differently, making it that much more difficult for us to really

collate the data and make them uniform. So what we would like to do is create an Office of the President budget unit, relatively small unit, which will service the departments, so as you are a department head or a supervisor and you need to know what your budget looks like, you go to this budget office and they will provide that information. That will also allow people like the president and the provost to look across the entity and assess how people are doing against their budgets. So that's just one example. And Curt Denham's been very helpful on that as is John Plotts and a number of other people.

Another area is communications. We would like to create somewhat of a utility office for communications so that if any of the units need to send out material, whether it be on the Web or printed or through the media, we go to that unit. They will have professionals that will help take the content that we would provide them and get that information out to whatever, the audience that we're trying to target. So those are the concepts that we're looking at. And part of the restructuring is going to be

focusing on that. We're also, as Rory indicated, going through every activity here in the Office of the President and asking tough questions. And it's good for an organization to do that. Are there certain things here in the Office of the President that would be better suited, be more effective and more efficient if they were on a campus or other some other business architecture. And that's an exercise that we're going through. Now the time line is, as Rory indicated -- we're working feverishly. He's a tough task master -- and we intend to provide him with an organizational chart, very high level. It's not going to indicate exactly that you sitting there, you're now going to move over here. It's not down to the actual granular detail, but it will be a high level, new structure for the Office of the President. It's intended to be much more strategic, much more clear in terms of what the responsibilities are across the departments. That will be presented to the regents in May for their consideration. In July we intend to start to create, as I referred to them, these utility offices. The

first office that we'd like to have up and running is the budget office since that will be the beginning of the fiscal year. We'll like to have that up and running so it can support all the departments throughout the organization. January '09 we expect to have the redesign of the Academic Affairs Units under Rory and the External Relations Units completed. We will also between July and January do some of these other utility offices, again, communications, budget. Another area we're looking at is legislative analysis. And we'd like to have those all up and running by January as well. And the goal would be in March to actually have the whole process more or less completed because remember, next March, as we're doing this March, we will be presenting a new budget for the Office of the President, and we want it to be reflective of new structure. So that's the time line. Very aggressive. It's exhausting to a lot of people. But I can tell you the enthusiasm that I have been picking up and the responsiveness and positiveness of the people that come to the table and are helping us make these tough

decisions, it's really appreciated not only by me, but by Rory.

So let me talk a little bit about the budget. Rory, as Rory indicated, is going to the regents next week. It was provided to them overnight. It will be up on the website for all of you to look at on Monday. We expect that you will look at it and review it. We want to make sure that you see it just as quickly as anyone else. Now let me talk about what you can expect. This budget document is extremely detailed, down to level of every FTE. It will provide all of you, it has provided me and Rory, and it will provide the regents with a really good sense of what the Office of the President includes. This is actually unprecedented according to many regents that I've spoken to. They were amazed when Rory indicated to them that that's what we were going to produce. I think there's a little skepticism, but they will be pleasantly surprised. It will also be transparent. Detail will be transparent. Each unit in this, every department in this office will be explained. Their mission and their

function. So it will be a really good sense and I think it will be a really helpful document for them once and for all to have the answer to the question, why is the Office of the President this size and not that size and where are all those FTE? It's also going to be easy to read, I hope. If not, please tell me, I'll work on it next year. But I think it gives you, will give you all a good sense of who your colleagues are. Because I think that there will be some surprises for some people that are in the Office of the President not knowing that there were these other functions going on.

So let me get right to the matter. What is the budget proposed. It proposes a 20 percent reduction in the Office of the President budget from '07/'08 to '08/'09. That is roughly \$52 million. Of that number, 25.4 are actual reductions, vacancies, positions, and reductions in department budgets. Twenty-six million are transfers of certain functions, which I'll get to in a minute, to outside the Office of the President. As what we did was we took some of the work that came

out of the monitor roles work, the OP roles work that was facilitated by monitor, and we actually started the process of looking at certain things in the Office of the President. So we started asking those tough questions back in December and January. So this budget, again, half of the 20 percent reduction, the \$52 million reduction, are actual reductions in budgets, in taking of vacancies and positions, and the balance are transfers. This proposes a reduction in term of FTE of 23 percent or 404 FTE. And 180 of those positions are essentially positions that will go away. The balance are the lines that will be transferred to the campuses. So essentially 47 percent of the dollar reductions come from eliminations and roughly 53 percent come from the transfer of functions. Now what are those things that we're talking about transferring? Continuing legal education to the bar. Many of you have here, and Pam is here. That's roughly 200 FTE. And the thinking behind that, and Rory will talk to it in more detail I'm sure, is essentially this is function, a self-sustaining, very important function. As a

lawyer I can appreciate the importance of continuing legal education for attorneys, but the question was, why is it at the Office of the President? Wouldn't it be better to be perhaps on a campus? Particularly a campus that has an extension office where they provide professional courses to professionals, business courses, et cetera. I mean, as a lawyer I could tell you that if I could access those along with my continuing education requirements, I would do that. Right now I would have to go to two different places. So that's the thinking behind that. Again, it's a self-sustaining entity. And we thought it would be better perhaps on a campus, and we're talking about that now. The others are California Policy Research Council. It's in Joyce Justus's shop. There's roughly 17 FTE or 18. We're proposing transferring that to a campus. Again, Joyce, after speaking to Rory, felt that that was an appropriate transfer. And the other two small programs are the Presidential Post-doctoral Fellowship Program and the California Council of Sciences. So in addition to the \$52 million that I just

outlined, we are conservatively projecting a savings on the Voluntary Severance Program of a million and a half dollars. In addition to that, as I was going through the budgets, we identified three and a half million dollars of unexpended funds that we are now putting towards the budget savings. So that's a total of \$56.6 million. Again, 25 million of actual reductions and budget reductions; 26 million of transfers; one and a half million, a conservative projection of what we will save in the Voluntary Severance Program, and three and a half million in terms of one-time unexpended funds. Now the interesting thing is, and I'm particularly proud of this as is Rory, that we've been able to manage this entire process with minimal layoff potential. We project that less than, this would include less than two dozen layoffs. And how do we do that? We did that through three things: The voluntary, the vacancy control process that we put in in October, and I know it was torturous to all of you. And we really put people through a lot of questioning and we've held a lot of vacancies. We had filled some of those vacancies, but that

was why we did it. We didn't do it just to wrack up all these vacancies and just do nothing with them. It was intended to help us with this budget. In addition, the Voluntary Severance Program has been helpful. As I indicated, we're conservatively projecting it. A million and a half savings out of that. As you may know, over 250 people signed up for the VSP. Of those, I don't know, I will know in May as to when of those, of that 250 who will actually take the program. And then after that, we will have to assess of the people that take it, do we need to backfill every one of those positions. So that's a work in progress. And through the transfer of the functions to the campuses, we were able to avoid layoffs. So that I was very pleased with. And we were intending to and I think we achieved minimizing the use of layoffs as a way to balance this budget.

Now for the people that might be impacted by this budget, so the people that are either potentially effected by layoffs or by reduced time, we'll be announcing in the next week or two, and Lynn Bolen and my staff and Rosemary

and others from HR have been working to put together services that, workshops to be provided to all our employees, resume writing, interview skills, job search workshops, career management and development services. They will be provided to anyone that wants to access them. I know how important it is to kind of have control of your own destiny. You're not sure what's going to happen. We want to provide you with services so that if you do wish to look for another job or you just feel like you want to talk to someone and see what other options are available, we want to provide those services to people. So I've been talking a lot, but I just want to pause and just say to you, I do know how difficult this whole thing has been and how difficult it will be in the next couple of months. Between the reductions, between the Voluntary Severance Program and all the changes that are going on, I understand that. We're trying to bring in people to help deal with that process and help you deal with it. And we want to minimize all the anxiety and the stress that I know you're experiencing. So we are going to make mistakes

through this process. We are not perfect. I know I'm not. We're going to make some mistakes. But we're going to challenge, we going to find those mistakes, address them, retool and move on. So I ask all of you to be patient. When you see a mistake happening or you see a problem, make sure someone knows about it, and we can address it as quickly as possible. So without really talking any much longer, we do have Chris and Elizabeth who have agreed to do the microphones. We're going to take some questions from the audience. We also have written questions that were sent to us over the Web in anticipation of this morning's, this afternoon's meeting, and we'll read a few of those.

(Q&A follows in separate document)