

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

DISCUSSION ITEM

For Meeting of March 13, 2013

INTERIM PROGRESS REPORT ON *WORKING SMARTER*: SYSTEMWIDE ADMINISTRATIVE EFFICIENCIES AT THE UNIVERSITY OF CALIFORNIA

EXECUTIVE SUMMARY

In 2010, UC administrators launched the *Working Smarter* initiative to improve and streamline the University's administrative operations while producing \$500 million in savings, new revenue and other positive fiscal impacts over a five-year period. This initiative stemmed directly from the Regents Policy 5100, "Resolution Regarding Administrative Efficiencies¹," and was directly reinforced a few months later by the Commission on the Future Final Report, which specifically recommended expediting implementation².

Progress toward the "\$500 million over five years" goal is measured by the milestone achievements of a portfolio of over 30 cross-campus projects now in process. Many of the *Working Smarter* projects are large-scale and operationally complex, and thus are in early stages of implementation. Positive fiscal impact, net of any targeted investment, for these projects is not expected for another year or more. Other projects are already producing results and inspiring new, more innovative approaches – even within a single campus department – to the way the University is managing its administrative operations.

WORKING SMARTER – RESULTS TO DATE

Working Smarter is just past the mid-point in its five-year program, and results are ahead of expectation. In the July 2012 Annual Report to the Regents³, *Working Smarter* reported just

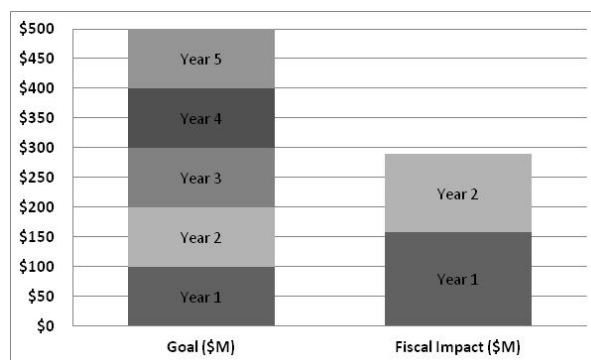


Figure 1: Working Smarter Initiative Results

¹ Full text of Regents Policy 5100 available at: <http://regents.universityofcalifornia.edu/policies/5100.html>

² Commission on the Future Final Report (November 2010); see Recommendation 14, Page 20; available at: http://ucfuture.universityofcalifornia.edu/presentations/cotf_final_report.pdf

³ Relevant Authorities: Regents Policy 5100 requires periodic progress reports on initiatives to implement significant administrative efficiencies. Formal annual reports are scheduled for the July Regents meetings.

over \$200 million in direct savings and over \$89 million in new revenue tracked across ten reporting projects. (See Figure 1)

WORKING SMARTER - PROJECT EXAMPLES

More detailed information is available publicly for all 34 current *Working Smarter* projects. This very brief overview highlights only a few projects to illustrate the breadth of the portfolio.

Liquidity Management

This project involves increasing interest income earned on campus working capital balances while still ensuring sufficient funds for day-to-day operational needs. Campus experts, UCOP and the Office of the Treasurer together determined a strategy and pooled certain funds into a re-balanced investment alternative to maximize investment return and generate additional revenue. To date, this collective effort has generated over **\$60 million** in new revenue, which accrued directly to campuses. This year UC plans to move another \$2 billion from the short-term investment portfolio (STIP) to the total return investment portfolio (TRIP) to further maximize expected return. An additional estimated \$30 million of discretionary revenue is anticipated through this asset reallocation.

More on this project at:

<http://workingsmarter.universityofcalifornia.edu/projects/liquidity-management/case-study/>

Enterprise Risk Management (ERM)

Enterprise Risk Management takes a strategic approach to managing enterprise-wide risk – from hazard risks (such as workers' compensation, general liability, employment practices liability, professional liability, auto liability, and property) to other strategic, operational, financial, and reputational risks. Through better systemwide coordination and collaboration, and investment in new systems and tools for managing risk, UC has recognized over **\$150 million** in reduced premium costs and net claims paid.

More on this project at:

<http://workingsmarter.universityofcalifornia.edu/projects/enterprise-risk-management/overview/>

Procurement Services \$200 million Challenge

The P200 program aims to deliver \$200 million in annual cost savings across all funding streams through the sourcing, implementation, and utilization of competitive contracts and innovative supply chain strategies for procured goods and services. To do this, a substantial transformation in the University's purchasing organization, technologies and practices is under way. Two projects have been completed to date. The UC-wide Supplier Registration and Sourcing system was launched in November 2012. This system allows the bidding process to be completed electronically, greatly improving efficiency while maintaining compliance with applicable policies and laws. To date, 36 RFx (Request for Quotation, Request for Information or a Request for Proposal) events have been initiated or executed, including a Reverse Auction for chemicals which alone generated estimated savings for UCSF and UC Berkeley of 44 percent, or approximately **\$200,000**.

In January the Spend Analytics tool was introduced, providing UC Procurement professionals with

two years of spend data from campus financial systems which is critical to driving strategic sourcing decisions, supplier management, and contract utilization. Future P200 projects focus on redefining UC's strategic sourcing model, establishing sound performance management metrics, and improving contract utilization.

More on this project at:

<http://workingsmarter.universityofcalifornia.edu/projects/e-sourcing/p200-program-overview/>

Human Resources/HR-Compliance: Family Member Eligibility Verification

Of the several in-flight projects led by Human Resources and focused on managing both employer and employee costs of Benefits while maintaining quality and employee options, one particularly successful effort was launched and largely concluded within the last 12 months. It was a narrowly scoped but massive compliance operation – validating every single individual claimed as an eligible family member and covered by UC's health benefits. After 18 months of preparation, consultation and planning, the project rolled out to all UC locations, directly affecting every employee with a claimed family member. In most cases where ineligible members were found, it was due to a “life event” (such as divorce) which was left unrecorded or non-dependents who were improperly enrolled. All cases where eligibility was questioned were handled individually and discreetly through 24-hour live support. By ensuring UC was covering only those eligible under plan rules, the University estimates a **\$35 million** annual reduction in employer costs. The project also put more stringent verification measures in place and, going forward, will conduct a systemwide Family Member Eligibility Verification process every four years.

More on this project at:

<http://workingsmarter.universityofcalifornia.edu/projects/benefits-redesign/case-study/>

QUANTIFYING FISCAL IMPACT

In evaluating projects as candidates for inclusion in the portfolio, an assessment is made of expected fiscal impact or process efficiency. Project-specific fiscal impact is reportable within the initiative only after savings or revenue eclipse any up-front investment (such as in implementation services or new technologies). Across all projects, only incremental and direct cost savings and realized revenue are measured and reported as positive fiscal impact under *Working Smarter*.

LOOKING AHEAD

Numerous projects are under way in the *Working Smarter* pipeline and promise to deliver even greater savings to UC in the years ahead. In addition to systemwide and multicampus projects, all UC campuses have local programs focused on improving administrative efficiency and quality while reducing overall costs. These campus-specific projects both complement and reinforce the *Working Smarter* portfolio. In July, the *Working Smarter* annual report will be accompanied by yet another set of campus representatives to share local project accomplishments.

Further, UC's efficiency efforts do not stop at campus boundaries. *Working Smarter* is also actively collaborating today with its sister systemwide efficiency initiative at the **California State University system, Synergy**. Real, productive cooperative efforts between the two University systems have been under way in many areas for decades, notably:

- Admissions and Course Articulation (“ASSIST” and Counselor Conferences);
- Procurement (Years of cooperative use of contracts; recent jointly-led negotiation based on common standard requirements);
- Sustainability Strategies (Statewide Energy Partnership and Sustainability Conferences);
- IT (CENIC and CalREN are collaborative California Higher Education high-bandwidth, high-capacity Internet network for faculty, researchers, staff, and students)

This intersegmental focus for both UC and CSU initiatives allows not only recognition of good work under way but also a more systematic approach to identify and prioritize new opportunities. Learn more about *Working Smarter* at: <http://workingsmarter.universityofcalifornia.edu/>.