



OFFICE OF THE PRESIDENT  
1111 Franklin Street, 12<sup>th</sup> Floor  
Oakland, California 94607-5200

September 16, 2013

UCO INTERIM DIRECTOR SANDRA FABER  
UCO INTERIM EXECUTIVE DIRECTOR DAVID KLIGER  
UC Observatories  
UC Santa Cruz

Dear Interim Director Faber and Interim Executive Director Kliger:

Thanks to you, Sandy, and your colleagues for valuable input regarding UC Observatories (UCO) and its many contributions (past and future) to UC's outstanding teaching and research in astronomy and astrophysics using land-based telescopes.

In recent months, we have heard from many stakeholders and experts about the future directions for UC Observatories, including from UCO leadership, the UCO Advisory Council, the UC Observatories Board, UCOP leadership and many members of the UC astronomy and astrophysics community. We have also profited much from the work of several boards and committees who have examined UCO's functions and activities over the last couple of years, including the UCO External Review Team, the Astronomy Task Force, the University Committee on Research Policy, and the UCOP Portfolio Review Group.

These many perspectives have been very helpful. The dedication of these interested parties speaks to the value the University community places upon this program and on securing a long-term plan for UC observatory facilities.

After such broad consultation, we are confident that we can finally move forward on several concrete and immediate actions. Presented here is a UCO Action Plan that addresses the critical concerns identified in the above consultations, establishes principles for longer-term support for UC astronomy facilities, and provides stable support to UCO to help manage the needed transitions this year and into the future.

The primary components of this UCO Action Plan are presented in detail in this letter, and we are, of course, ready to explain them further should that be needed. To start, we offer a concise statement of the three Action Plan elements, as follows:

1. Stable funding for the transition of Lick Observatory for up to three years during a Lick Transition Study Project, followed by a glide path of funding for two years to a final state with no funding from UCOP;
2. A lump sum allocation of \$8M to UCSC to fund and manage UCO faculty effective July 1, 2014 at which time the \$2.5M UCOP funding for faculty will be removed from UCO's allocation, no permanent faculty appointments will be funded through UCO, and UCO faculty funded from the lump sum allocation will continue to be expected to provide support for UCO activities; and
3. A set of budgetary elements that includes a confirmed budget allocation for FY13-14 of \$7.548M, explicit expectations for FY13-14 expenditures drawn primarily from the April 26, 2013 UCO budget request, implementation by January 1, 2014 of new project tracking and management practices, a detailed multi-year budget proposal for FY14-15 through FY18-19, and a

specification of the amount of the current UCO debt that will be repaid starting in FY12-13 and completed by the end of FY16-17.

This Action Plan focuses on improving the systemwide engagement and governance structure within UCO, as well as UCOP's oversight methods, in order to better manage and interact with UCO. In implementing this plan, UCO, which is the largest funded MRU within the systemwide research portfolio, will become an example for other programs across the system for best practices of campus engagement with, communications with, and reporting to UCOP.

President Yudof has reviewed this plan and expressed his complete support for it.

Let us turn now to the more detailed explanation of the Action Plan, presented in three sections.

### **1. Lick Observatory**

The UC Observatories Board provided valuable recommendations to transition the Lick Observatory to a self-sustaining organization managed by an entity other than UCO while maintaining the historic legacy of Lick and allowing the UC astronomy and astrophysics community continued and productive use of the facility as much as reasonably possible. We will appoint a Project Team to develop a study for the preparation of a Lick transition.

We, Provost and Executive Vice President Dorr and Executive Vice President Brostrom, will serve as sponsors for the Lick Transition Study Project and will make the final decisions on the transition options to consider, the criteria for success, and the final transition path for the Lick Observatory. The UC Observatories Board will continue as a key advisory group to the sponsors and the team as the Project progresses.

Criteria for a successful transition for the Lick Observatory will be as follows: (1) to become a self-sustaining organization managed by an entity other than UCO without UCOP or UCO funding; (2) to maintain its historic value; (3) to allow continued educational and research opportunities to the UC astronomy and astrophysics community, as they desire; and (4) to improve its public outreach capabilities.

UCOP will provide the Project Manager and funding for the Lick Transition Study Project; however, the Project Team will be made up of staff from UCOP and UCO, with potential additional team members from campuses from across the system and/or external sources.

The Project will rely heavily on subject matter experts from within the UC astronomy and astrophysics community and any other experts as needed as the Project progresses. The Project Team will also build in many opportunities for stakeholder input while proceeding with the project. A Project Plan will detail advisory and steering committee structures, a communications process, and other mechanisms to receive guidance and input from the larger community.

Funding for Lick Observatory will be stabilized for three years beginning in FY13-14 to support Lick primary operations, repairs, maintenance, administration, and specific Lick instrumentation development. The Lick funding level, in the range of \$1.3M to \$2.5M a year for up to three years, will be determined through the new budget process (described in section 3 of this letter) as UCO produces multi-year budget plans based on project and resource costs. Starting no later than FY16-17, UCOP will implement a glide

path of funding for Lick Observatory ending with the elimination of UCOP funding for Lick by FY18-19 at the latest.

Budget planning and approval for Lick Observatory during the project and transition phases will follow new budgeting guidelines outlined in section 3 of this letter.

## **2. UCO Faculty**

We appreciate the several faculty support models and projections provided by UCSC and UCOP. With the use of recent models from UCSC Vice Chancellor for Planning and Budget Peggy Delaney, projecting two faculty costs scenarios, we will proceed with a plan for the UCO with the following elements:

- UCOP will provide by July 1, 2014 a lump sum funding of \$8M to have UCSC fund and manage all UCO astronomer faculty appointments.
- We will transition all permanent faculty appointments off of the UCO and UCOP budget and **on to the UCSC budget by July 1, 2014.**
- The UCO faculty will continue required service to UCO; however, UCSC will be directly managing the funding for these faculty FTE.
- If the cost of the faculty does not exceed the \$8M lump sum, UCSC will retain any remaining funds, and UCSC will retain any interest income gained through investing the \$8M.
- UCOP will forgive \$750K of the current \$2.56M UCO deficit (see debt repayment plan in section 3).
- A longer-term support plan will determine the appropriate size and scope of faculty engagement with UCO within the remaining budget. After this longer-term plan is complete, we will consider any other proposed models for supporting faculty engagement consistent with the practices of MRUs and other systemwide programs. If appropriate, support for these types of engagements may be included in the new budget process for FY14-15 and beyond.
- The cost of a stipend for a UCO director may be included in future budget proposals from UCO.

## **3. UCO Budget Process**

**FY13-14 Budget Plan.** All of us recognize that implementing the elements of the described UCO Action Plan will take time. They will also require much work and adaptability from the dedicated people at UCO and Lick, who have done their best in recent years to be responsive to UCOP's requests. FY13-14 will be an important transition year for UCO. We thank everyone involved for their ongoing efforts and their commitment to the program and University.

To help smooth the path during this critical transition year, UCOP has provided a budget allocation of **\$7.548M** to allow UCO to focus on the actions needed to support the plans and requirements described in this Action Plan.

We have developed an explicit budget plan for FY13-14 directly from the UCO budget request provided by Interim Director Faber in an April 26, 2013 email (sent by Paula Towle). It is as follows:

- **\$2.508M** of the total \$7.548 FY13-14 OP allocation to UCO must be reserved for UCO faculty and/or payment against the debt and cannot be used for other purposes. It will not remain in future UCO budget proposals after the UCOP support for faculty has been eliminated.
- The remaining **\$5.04M** is intended to support staff, scientists, and technicians at UCO and Lick in providing some measure of stability while we work through this transition period. As identified in the Faber UCO budget request, these funds are being provided to support the following:
  - **\$0.025M** in stipends requested for associate directors;
  - **\$0.732M** in salaries and benefits for the requested 4.0 FTE of core UCO Research Scientists;
  - **\$1.098M** in salaries and benefits for 7.56 FTE of core UCO engineers and technicians (Note: This will not fund the full request of 16.5 FTE engineers and technicians, but it will support both the 4.7 FTE that the Faber request specified as “not eligible for external support” and also additional engineers/technicians needed as resources for several Lick and other internal projects. The Faber budget request also stated “enough proposals have been submitted to support the remaining 11 FTE.” Therefore, more than enough external funds should be available to support the 8.94 FTE not covered in the FY13-14 budget allocation.);
  - **\$1.158M** in salaries and benefits for the requested 11.6 FTE of UCO Business and Support Staff;
  - **\$0.728M** in salaries and benefits for the requested 7.3 FTE of Lick Observatory Staff;
  - **\$0.109M** of the requested funds to cover staff salary/benefits increases;
  - **\$0.600M** in non-salary expenditures, provided these costs are reasonable and allowable;
  - **\$0.340M** to support the UCLA IR Lab; and
  - **\$0.250M** of requested funds to purchase and install new project management software. This addition is critical for UCO in order to improve organizational capacities that can assist with the requirements of the Action Plan.

UCOP will provide more detailed guidance on allowable and non-allowable expenditures. UCO must consult with UCOP if UCO wants to make significant changes to the budget plan detailed here or finds that expenditures on planned items differ significantly from the budget plan detailed here. Funds for the development of the Lick Transition Study Project (described in section 1) will be handled separately from the FY13-14 \$7.548M UCOP allocation to UCO.

The budget plan detailed here, which is drawn from that UCO submitted in April, is meant to provide a measure of clarity and stability to UCO in order to allow meaningful progress to be made in the current year on the components of the UCO Action Plan. It should also help UCO develop the organizational capacities in budget planning, time and project management/reporting, and facilities planning that UCO needs in order to better position the organization for new opportunities and adherence to UCOP requirements.

**Budget Process and Reporting for FY14-15 through FY18-19.** To improve oversight and accountability for centrally funded research investments, UCOP will provide new standards and budgeting guidelines to better support priority-based budget decisions. These standards will be applied for all research programs and activities centrally funded by the campus assessment; for example, the California Institutes for Science and Innovation, the Natural Reserve System, and UCO. As one of UC’s largest research investments, UCO must have clear and concrete plans for meeting UCOP budgeting requirements within the upcoming year.

These requirements will include the following:

- A full account of all revenues and expenditures, regardless of fund source;
- A full account of the organization's balance sheet, including endowment balances, carry-forwards and other capital reserves;
- Expenditure planning and reporting by both category (salaries, benefits, etc.) and project and function (e.g., Lick operations, Lick maintenance, Keck instrumentation);
- Accountability for time and resource management of UCOP-funded staff and expenses; and
- Multi-year project and budget planning, including risks and alternative scenarios.

**Project Planning and Resource Management.** We understand that in order to meet the new requirements for budgeting, UCO and other systemwide programs need better tools and/or training to plan and track on a multi-year, project-based budgeting system. UCO must begin using these tools in FY13-14 to track all effort and resources so that future budget proposals will more accurately reflect needed staff time and expenses for projects for the life of the project. Administrative, technical, and academic staff time will all be tracked by project. **UCO must have systems in place to begin tracking time and expenditures by project for all staff members by January 1, 2014.** The data collected starting January 1, 2014 are critical for budget reporting and proposals for FY14-15 and beyond. Executive Vice President Brostrom and Vice Chancellor Delaney will be available for additional guidance on systems, budget reporting needs, and resource management.

**Multi-year budgeting.** UCO will submit by May 1, 2014, a multi-year budget proposal covering FY14-15 through FY18-19. The multi-year proposal will be broken down by project to show the extended cost of project resource needs (administrative and technical) over the years. The multi-year proposal will assume a zero-based budget with a \$5M upper limit per year on the fund allocation from UCOP. The multi-year plan should include the FTE and head count UCO faculty expected to be funded each year from the UCSC one-time allocation and indicate their contributions to UCO projects and other work.

In our email of June 24, 2013 (re: UCOP FY13-14 Funding for UCO), we had required UCO to submit a multi-year funding and implementation plan by the end of 2013 prior to receiving a full budget allocation for FY13-14. However, given the significant changes to project tracking and management practices UCO needs in order to meaningfully address the new UCOP multi-year budgeting requirements, we have provided the FY13-14 budget plan (based on Interim Director Faber's budget proposal of April, 2013) and guaranteed a full \$7.548M allocation for FY13-14. UCO can now focus efforts on implementation of new systems and practices in preparation for the FY14-15 through FY18-19 multi-year budget proposal due May 1, 2014.

**Lick Observatory.** Lick project and operational costs, including administration time, will be tracked separately with the new systems to allow for a discrete, total budget estimate for Lick between \$1.3M and \$2.5M per year on UCOP funds for up to three years.

**UC Observatories Board.** Before submitting a multi-year budget proposal to UCOP, please discuss project and budget plans with the UC Observatories Board (UCOB). The UCOB's role will be to continue guiding UCO to prioritize projects and allocations on behalf of the system and to advise UCOP on its recommendations.

**Debt Repayment.** According to current records, UCO is carrying a current total debt of \$2.56M. UCOP will forgive \$750K of that debt. The amount was determined based on two facts: (1) UCOP formally notified UCO that UCOP would no longer fund the costs of faculty compensation increases in a letter addressed to then-Director Bolte from Vice President Beckwith on December 7, 2011, at which time UCO reported a current deficit of approximately \$1M (November 10, 2011 letter from McLean to Gautier); and (2) UCOP provided a one-time \$250K augmentation to UCO's FY12-13 funding so that it would not operate at a deficit and the debt would not increase in FY 12-13.

UCO's FY13-14 plan as detailed by us and based on UCO's proposal includes debt repayment in FY13-14 of about \$200K and no increase in the debt during FY13-14. Taking account of the debt forgiveness, operating in the black in FY13-14, and debt repayment of about \$200K in FY13-14 from faculty retirement/resignation savings, we estimate that UCO's remaining budget **deficit in FY14-15 will be no more than \$1.6M.** Any multi-year budget plan for UCO will also need to incorporate **repayment of the remaining debt to UCOP by June 30, 2017.** Repayment of debt must be made from UCO base funds. Augmentation requests to repay this debt will not be considered.

As FY13-14 progresses, we will provide both more details on budget reporting and planning requirements and any formats or templates that should be used and also further guidance on the debt repayment plan. We will do our best to ensure that UCO receives the advice and support it needs for the important work this year. We also encourage you both, others in UCO, and UCSC leaders to initiate conversations should there be questions or uncertainties about what needs to be done and how it is to be done.

We appreciate all that UCO and UCSC have done to support our progress to date. With the quality and commitment of the people dedicated to this task, we expect that significant progress will be made to implement this plan very quickly.

Sincerely yours,



Aimée Dorr  
Provost and Executive Vice President



Nathan Brostrom  
Executive Vice President

cc: President Yudof  
Chancellor Blumenthal  
UC Observatories Board Chair Pister  
Provost and Executive Vice Chancellor Galloway  
Vice Chancellor for Planning and Budget Delaney  
Vice President Beckwith  
Director Jones  
Deputy Gautier