UCPath Update

A review of the UCPath Business Case, Cost and Benefits, and Remaining Milestones
UCPath Business Case

Key drivers for change:

Payroll system replacement needed
- 35-years old, 11 versions, costly, fragile, outdated

UC in bottom 10% for efficiency compared to benchmark
- Most work is high-volume, low complexity, manual
- Fragmented processes with high number of staff touches

Existing system prone to error
- 20% of all work dedicated to fixing errors
- Eight UC campuses calculate overtime differently requiring significant rework and employee payments

Independent study found that UC could reach upper quartile benchmark for efficiency with UCPath implementation
<table>
<thead>
<tr>
<th>Period</th>
<th>Milestones</th>
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<tbody>
<tr>
<td>2010</td>
<td>UC initiated study to review HR, payroll, benefits and academic personnel functions for efficiency</td>
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<tr>
<td>2011</td>
<td>UC launched UCPath project to replace PPS with Oracle technology</td>
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<tr>
<td>2012</td>
<td>UCPath Center build-out initiated</td>
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<tr>
<td>2013</td>
<td>UC assumed project management from Oracle</td>
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<tr>
<td>2014</td>
<td>UC focused on process standardization; validated with independent study</td>
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<tr>
<td>2015</td>
<td>UCPath launched at UCOP to 1,800 employees</td>
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<tr>
<td>2017</td>
<td>Target launch of Pilot deployment group</td>
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<tr>
<td>2018</td>
<td>Target launch of Deployment groups 1 and 2</td>
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UCPath Business Model

**Service Catalog**
- Defined set of services that support UCPath processes and enable standardization, centralization and automation

**Organizational Design**
- Established structure to ensure that UC employees receive high-quality services support

**Governance Model**
- Developed framework providing robust campus oversight of UCPath and ongoing assessment of its effectiveness and service costs

**Funding Mechanism**
- FY18 funding allocated by the Legislature in lieu of UC’s proposed UCPath assessment
- Previously agreed to mechanism had operational costs shared proportionally by all UC locations based on W-2 counts
UCPath Center Services

1. HR Administration
2. Payroll
3. Benefits
4. Absence Management
5. Business Continuity
6. Mass Records Update
7. Customer Service Tool
8. Finance and Accounting
9. Reporting and Analytics
10. Records and Fulfillment
Growth from FY18 to FY19 driven by:
- Final staffing ramp up at UCPath Center
- Full-year impact of production costs

Full debt service of $21.6M for 15 years
*Debt service began in FY16; first five years interest only*
UCPath Project Costs

- Forecasted UCPath project costs $503.8M
  - Includes $55M in reimbursed campus costs, but campuses expect to spend an additional $164.3M on local UCPath implementation activities.
  - Also includes $25.8M in contingency funds in FY19

- As of May 31 actual costs:
  - UCOP-managed UCPath project costs total $348.7M
  - Related campus project costs total $69.8M

<table>
<thead>
<tr>
<th>UCPath Capital Costs ($ millions)</th>
<th>Project to Date</th>
<th>FY17 Actual/Forecast</th>
<th>FY18 Forecast</th>
<th>FY19 Forecast</th>
<th>FY20 Forecast</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation – Project Office</td>
<td>348.7</td>
<td>102.7</td>
<td>72.3</td>
<td>49.9</td>
<td>0.1</td>
<td>503.8</td>
</tr>
<tr>
<td>Implementation - Campus</td>
<td>69.8</td>
<td>22.5</td>
<td>58.3</td>
<td>28.7</td>
<td>0.0</td>
<td>164.3</td>
</tr>
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</table>
UCPath Governance: Escalation Thresholds

We recently updated the project’s escalation thresholds to reflect the governance work completed by the Board of Regents last year.

<table>
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<tr>
<th>Impact Area</th>
<th>Examples of Material Impact</th>
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| Cost        | • Unplanned costs in excess of $500K (Steering Committee)  
              • Unplanned costs in excess of $1 million (Executive Leadership Team)  
              • Unplanned costs in excess of $20 million (UC Regents) |
| Scope       | • Customizations with a net development effort of more than 500 hours  
              • Changes to FSPDs  
              • Additions or changes to existing scope definition that require additional staffing support |
| Timeline    | • Deferred deployment date  
              • Extension of post go-live hyper-support period for a specific location  
              • Availability of project resources to meet intended outcomes based on approved schedule |
| Quality     | • Data conversion success rate  
              • UCPathiPath Center service quality  
              • Test results, including user experience |
| Risk        | • Readiness for go live |
| Reputation  | • Audit finding(s) of controls  
              • Negative press from external media  
              • Confidence in program leadership or governance |
UCPath Deployment Sequence

All UC employees will be transitioned to UCPath

UCOP

PILOT

DEPLOYMENT 1

DEPLOYMENT 2

Office of the President 1,865

UCCLA 48,350

UCLA

PILOT

DEPLOYMENT 1

DEPLOYMENT 2

UCCLA 48,350

Riverside 9,335

Merced 3,209

ASUCLA 1,587

UCCLA 48,350

Davis 32,293

Irvine 20,860

Santa Cruz 8,198

Santa Barbara 11,159

ANR 1,356

UCCLA 48,350

San Diego 32,261

San Francisco 25,863

Berkeley 23,763

Lawrence Berkeley National Laboratory 3,555

Hastings 380

NOV 2015 LIVE

DEC 2017 TARGET

JUL 2018 TARGET

DEC 2018 TARGET

*Employee counts as of October 2016