

**PRESIDENT'S BUDGET ADVISORY COMMITTEE
MINUTES
February 23, 2006**

MEMBERS PRESENT:

Larry Furukawa-Schlereth	CFO, Vice-President for Administration and Finance, Co-Chair
Eduardo Ochoa	Provost, CAO, Vice-President for Academic Affairs, Co-Chair
Letitia Coate	Associate Vice-President, Administration and Finance
Gloria Ogg	Senior Director for University Business Services, CRC Rep
Elizabeth Stanny	Chair of the Faculty, Business Administration Department
Melinda Barnard	Faculty, Communications Department, CRC Representative
Melanie Dreisbach	Immediate Past Chair of the Faculty
Elaine McDonald	Chair Elect of the Faculty, Math Department
Bucky Peterson	Interim Vice-President for Development
Nadir Vissanjy	President, Associated Students
Dan Condron	Vice-President, University Affairs
Sam Scalise	Chief Information Officer, CRC Representative
Elaine Leeder	Dean, Social Sciences
Janice Peterson	Senior Director for University Budget, CRC Representative
Steven Campbell	Vice-President for Finance, Associated Students
Henry Amaral	Staff Representative, Facilities
Elaine McHugh	CFA Representative

STAFF PRESENT:

Katie Pierce	Associate Vice-President for Academic Resources
Ian Hannah	Management Trainee, Administration and Finance

MEMBERS ABSENT:

Tim Wandling	AABAC Representative
John Kramer	Professor, Political Science Department
Katharyn Crabbe	Vice-President for Student Affairs and Enrollment Management
Bill Ingels	University Treasurer

GUESTS PRESENT:

David Abbott	News Editor, SSU Star
Tandy Whitaker	Budget Manager
Carol Blackshire-Belay	Vice Provost, Academic Affairs

AGENDA

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| I: | CALL TO ORDER AND APPROVAL OF THE AGENDA |
| II: | APPROVAL OF THE MINUTES (<i>December 15, 05</i>) |
| III: | REPORT ON INTERNAL CONTROL: CSU SYSTEM |
| IV: | STATUS OF THE CAMPUS RESERVE |
| V: | REVIEW OF THE GOVERNER'S BUDGET |
| VI: | GREEN MUSIC CENTER FINANCIAL UPDATE |
| VII: | ITEMS FOR THE GOOD OF THE ORDER |

I: APPROVAL OF THE AGENDA

Larry Schlereth brought the meeting to order at 8:10am. The agenda was passed unanimously.

II: APPROVAL OF THE MINUTES: *December 15, 2005*

Passed, with no revisions.

III: REPORT ON INTERNAL CONTROL: CSU SYSTEM

(Please see the February 23rd, 2006 Agenda Packet for these documents)

Schlereth presented and discussed a Report on Internal Control of the CSU performed by KPMG LLP. Based on the audit involving the internal control over financial reporting, KPMG identified what they considered to be a reportable condition. Only 9 of the 23 CSU campuses were successful in meeting the reporting timeline for financials established by the Chancellor's office of October 18, 2005. Fortunately, SSU was one of the 9 campuses to make the deadline. Schlereth gave thanks to the administrative accounting office and all others involved for their efforts in delivering SSU's reports in a timely manner.

The remaining 14 campuses continued to submit required financial information through December 23, 2005. Substantial issues were identified that hindered the campuses' abilities to complete accurate financial reporting packages in accordance with GAAP. In response, the CSU system is developing an action plan to address the issues identified. The plan will include: a significant increase in staffing training in the accounting area throughout the CSU system; establishment of guidelines for adequate staffing levels with knowledgeable professionals including backup staff with GAAP expertise and competitive compensation for recruitment and retention of these staff.

Schlereth explained the difficulties in recruiting and retaining high quality accounting staff amongst the CSUs given the current salary lag and increasingly complex accounting standards. Internal and external training will need to be developed and the current salary structures of accountants at SSU will need to be examined. Other substantial issues aside from simply closing the books on time exist within the CSU, and will need to be addressed. Schlereth also mentioned a system mandated addition of two new fully trained and experienced CPAs per campus in response to the unfavorable GAAP audit and the increased complexity of state accounting measures. Resources will need to be found on each campus as there is no current funding for the two mandated CPAs. Eduardo Ochoa pointed out that Academic Affairs is short on resources, many related to the problems reported by WASC. Discussion ensued on the need for more resources to address issues on the academic side as well.

IV: STATUS OF THE CAMPUS RESERVE

Risk Pool Deductible – Flood	\$25,000
Risk Pool Deductible – Legal Fees	\$100,000
Potential Revenue Reduction, Enrollment	\$?
Potential Short Fall, Employee Benefits	\$?
Potential Short Fall, Utilities	\$?

Schlereth explained that the Risk Pool deductible for the flood was initially \$100,000. Fortunately, it looks as though \$75,000 of this amount will be covered by FEMA, leaving the University responsible for only \$25,000 of the total costs associated with the campus flood. A revenue reduction associated with reduced State University Fee dollars as well as a penalty if SSU has enrollment greater than 2% below target will need to be calculated as soon as it has been determined.

V: REVIEW OF THE GOVERNOR'S BUDGET

(Please see the February 23rd, 2006 Agenda Packet for these documents)

Schlereth presented the Governor's CSU support budget for 2006/07. The 2006-07 compact revenue is in the amount of \$214,992,000. This includes \$33,589,000 in total mandatory costs, which consists of a health benefits rate increase, new space, an energy cost increase, and a salary step increase. The remaining expenditure assumptions are largely represented by enrollment growth dollars and compensation increases.

The budget also contains some significant changes for 2006/07. The CSU campuses' SUF revenue will now be locally managed and invested at the campus level. This represents a change from system wide managed funds of prior years. A fee represented by the SMIF rate during the period of time the revenue is held by the campuses will be charged to each campus in exchange for the funds. Schlereth mentioned the future need for an additional employee in the treasury/cash management function to manage and invest these funds for SSU. Members expressed concern of the need to earn the required rate of return to beat the SMIF rate, while adding value beyond the cost of the additional treasury employee.

Eduardo Ochoa explained the significance of a new change in FTES from 15 to 12 units for graduate programs. This is something the CSU system has attempted to achieve for decades, as it has already been implemented at the UC campuses. This will scale up the FTES targets at each CSU and will produce an incentive to expand the graduate programs at SSU due to the increased revenue associated with these students.

The 2006-07 CSU Student Fees were initially proposed by the BOT to increase by 8% for undergraduate and credential students and by 10% for graduate students. This increase was omitted as part of the Governor's budget and thus undergraduate fees remain at \$2,520, credential student fees at \$2,922, and graduate student fees at \$3,102.

It looks as though the enrollment for SSU will be down around 25 - 50 FTES for the current year. If this number results in 2% or more below target, a required giveback in funds will be in place and campuses 2% over enrollment will receive these extra funds.

A request was made to see the total cost of assessments for the year as this effects the campus budget. Schlereth remarked that in Aug/Sept a year end financial report is released for the prior fiscal year.

VI: GREEN MUSIC CENTER FINANCIAL UPDATE

(Please see the February 23rd, 2006 Agenda Packet for these documents)

Schlereth presented a PowerPoint presentation involving a financial update of the Green Music Center. The dates of presentations and approvals associated with the Green Music Center were offered, going back to April of 2000. The acquisition of the land for the site of the GMC occurred in 97/98 and a campus based governance structure has been followed prior to approval by the CSU Board of Trustees. Larry mentioned that he has given more reports on the GMC than any other project during his time here at SSU, mainly citing the various changes or revisions to the project over the years. The components of the GMC will include a 1,400 seat concert hall, a music faculty office building and an executive conference and dining facility. The cost of construction totals \$65M, with three separate funding sources. Cash and pledges received from donors represents \$40.9M (63%), the CSU Capital Outlay Program contribution for the academic piece of the GMC of \$19.4M (30%), and SSU Conferences, Events, and Catering will cover \$4.7M via a 30 year SRB. Larry also corrected a rumor surfacing recently. The Santa Rosa Symphony is credited in helping to raise \$10M in donated funds but this amount was not given to the University by the Symphony itself.

The GMC, as an academic facility, will be used for instruction, lectures, campus gatherings and artistic performances. The GMC will also assist SSU in meeting its enrollment growth plan.

Technical, instructional, and performance related (TIP) operating expenses are projected to total \$620,280 annually. This represents a difference in strategy in the approach to staffing the GMC. As learned in conversations with Welz Kauffman, it became apparent that the old approach was going to be too much for the University to take on. Instead of building in staffing for a performing season, the GMC will be staffed strictly for academic supporting purposes, while ramping up the staff via temporary help or overtime when necessary for performances. The source of funds for TIP operating expenses will be 22.4% of the new academic and instructional support funding occurring over the next three years. Some members expressed concern about the size of funds allocated to the GMC when compared to the size of the music program at SSU, which is currently quite small in comparison to all other programs combined.

GMC plant operations expenses have been projected at \$784,500 annually. This amount will be funded via CSU dollars for new space (\$672,000) and a \$2.50 facilities fee imbedded in the price of each ticket (\$112,500). Parking operations expense of \$112,500 will be covered by a similar \$2.50 parking fee imbedded in the price of each ticket sold to individuals whom are not current employees or students of SSU possessing parking passes. Administration and Finance expenses of \$299,200 will be funded via a portion of A&F dollars from FTES growth. The debt service expense related to the GMC is \$300,000. Half of this cost will be funded from annual lease payments generated from concert hall rentals and the other half will be funded from annual lease payments generated from conferences and events operations in the Hospitality Center.

All self supporting activities at the GMC (i.e. Extended Ed., CPA, ASP, CEC, Symphony) will be required to fully fund the costs of its operations at the GMC. No campus programs will have *chargebacks* associated with usage of the GMC.

Schlereth adjourned the meeting at 10:00 a.m.

Minutes prepared by Ian Hannah