

**PRESIDENT'S BUDGET ADVISORY COMMITTEE
MINUTES
March 30, 2006**

MEMBERS PRESENT:

Larry Furukawa-Schlereth
Eduardo Ochoa
Letitia Coate
Elizabeth Stanny
Catherine Nelson
Elaine McHugh
Elaine Leeder
Janice Peterson
Henry Amaral
Bill Ingels

CFO, Vice-President for Administration and Finance, Co-Chair
Provost, CAO, Vice-President for Academic Affairs, Co-Chair
Associate Vice-President, Administration and Finance
Chair of the Faculty, Business Administration Department
Proxy for Melanie Dreisbach
CFA Representative
Dean, Social Sciences
Senior Director for University Budget, CRC Representative
Staff Representative, Facilities
University Treasurer

STAFF PRESENT:

Katie Pierce
Ian Hannah

Associate Vice-President for Academic Resources
Management Trainee, Administration and Finance

MEMBERS ABSENT:

Sam Scalise
Steven Campbell
Dan Condron
Nadir Vissanjy
Bucky Peterson
Elaine McDonald
Melinda Barnard
Gloria Ogg
Tim Wandling
John Kramer
Katharyn Crabbe

Chief Information Officer, CRC Representative
Vice-President for Finance, Associated Students
Vice-President, University Affairs
President, Associated Students
Interim Vice-President for Development
Chair Elect of the Faculty, Math Department
Faculty, Communications Department, CRC Representative
Senior Director for University Business Services, CRC Rep
AABAC Representative
Professor, Political Science Department
Vice-President for Student Affairs and Enrollment Management

GUESTS PRESENT:

David Abbott
Tandy Whitaker
Carol Blackshire-Belay
Lori Heffernon

News Editor, SSU Star
Budget Manager
Vice Provost, Academic Affairs
Assistant Controller, Grants and Contracts

AGENDA

- I: CALL TO ORDER AND APPROVAL OF THE AGENDA
- II: APPROVAL OF THE MINUTES (*February 23, 06*)
- III. STATUS OF THE CAMPUS RESERVE
- IV. CSU AUDIT: EXPENDITURE OF FEDERAL AWARDS
- V: GOVERNOR'S 2006-2007 BUDGET

I: APPROVAL OF THE AGENDA

Eduardo Ochoa brought the meeting to order at 8:15am. The agenda was passed unanimously.

II: APPROVAL OF THE MINUTES: *February 23, 2006*

The minutes were passed with one minor revision, to place Elaine McHugh as present during the February 23, 2006 meeting.

III: STATUS OF THE CAMPUS RESERVE

Risk Pool Deductible – Flood	\$25,000
Risk Pool Deductible – Legal Fees	\$100,000
Potential Revenue Reduction, Enrollment	\$154,000
Potential Short Fall, Employee Benefits	\$?
Potential Short Fall, Utilities	\$?

The status of the campus reserve was updated from the prior PBAC meeting. An amount of \$154,000 has been estimated due to a revenue reduction from the University falling greater than 2% under the enrollment target for 05/06. This is in addition to lost revenues mentioned before, totaling around \$654,000. The two main items that will need to be watched in terms of the reserve include utilities and enrollment. The shortfall due to an increase in the costs of employee benefits as well as increased utilities costs remains to be determined.

Elaine Leeder expressed concern as to the volume of assessments this year adversely affecting the schools. This issue warrants an argument for developing and funding a campus reserve.

IV: CSU AUDIT: EXPENDITURE OF FEDERAL AWARDS

(Please see the March 30th, 2006 Agenda Packet for these documents)

Larry Schlereth invited Lori Heffernon to come speak about the CSU Audit on The Schedule of Expenditures of Federal Awards at San Francisco State University. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133. The audit contained a reportable condition and a material weakness finding SFSU not reporting their expenditures of federal awards in a timely and accurate manner. The audit finding stated that SFSU did not comply with the requirements regarding effort reporting for payroll costs for the research and development cluster. Amongst the CSU system, SFSU and SSU are the only two campuses which manage grants and contracts within the University.

There is a weakness in this area. Heffernon discussed the A-133 as it relates to the Grants & Contracts division of SSU. In the 04/05 fiscal years, State and Federal activity totaled in excess of \$30M. In looking how SSU complies with the overall federal business management regulations, there is concern with SSU and the CSU system of the following areas of vulnerability: time/effort certification, cost share, and cost transfers (journal entries). SFSU's recent findings have shown that these concerns are real and are not being addressed to cover an advanced audit. There is a heavy workload involved in gathering the data and cost share documentation and may not be at a level of detail the Federal Government requires. Heffernon feels we should be putting more energy in the areas of compliance concern. She feels it is not due to a lack of knowledge. This is more related to the undersized level of resources currently available to manage the amount of volume at the level of detail required.

Elizabeth Stanny requested to have a cost-benefit analysis completed that looked at the difference between having the Grants & Contracts division in-house vs. functioning as an auxiliary. Schlereth responded by stating that it is more cost effective to bring it inside rather than having it as an auxiliary due to the level of management expertise required. Schlereth also mentioned that a cost-benefit analysis would not be a priority right now given the other crucial issues to address with the current availability of time and resources. Letitia Coate mentioned that regardless of where Grants and Contracts is located, the question should be asked, do we have the resources needed to manage these programs when an audit comes? Ochoa discussed the ability to provide a subsidy by the auxiliary organization, if it were to be moved. Schlereth mentioned that if the program is not carrying its own weight and requires a subsidy, then something would have to give, no matter where it is located.

Stanny mentioned that we are looking at University Strategic Planning and overall goals but the structure is limiting us and the University should be looked at as a global entity, looking at all our priorities and resources at the same time. Schlereth explained that this situation ties back to Strategic Planning and looking at where priorities exist in allocating resources of all funds, not just the General Fund. Heffernon stressed that the SSU Grants and Contracts volume is similar in size to that of CSULA. This makes it difficult to subsidize a program that is so disproportionate to the size of the University. Eduardo stated that the IDC return rate coupled with the amount distributed to the schools does not allow for enough funds to reimburse the accounting staff for Grants and Contracts. Lastly, Schlereth noted that CMS functionality with Grants & Contracts may be a pilot program for SSU and possibly SFSU.

V: GOVERNOR'S 2006-2007 BUDGET

(Please see the March 30th, 2006 Agenda Packet for this document)

Schlereth discussed the details of the Governor's proposed 2006-2007 budget for SSU. \$2,644,000 is the amount of growth allocation dollars, which represents an increase of 317 FTES at \$8,341 a piece. In this year's Marginal Cost Formula, new faculty starting salary plus benefits equals \$64,000 and it is based on an SFR of 18.9. Roughly 75% of the total will be allocated to Academic Affairs.

Restricted allocations include the following: \$1,837,500 for a 3% pool increase in compensation and benefits; \$172,800 for an additional 10 FTES to be admitted into the Nursing program; \$103,600 for energy is to be used to cover the rising costs of utilities; \$60,000 will be used to cover deferred maintenance needs; Financial Aid will be reduced by \$2,900 for 2006-07. The sum of these allocations equal \$2,171,000.

Other budget items include: \$115,000 as the projected shortfall in utilities (Auxiliary Enterprise Fund assessments), although this amount may end up being higher. \$89,190 is for the projected repayment to the state interest earnings (earned interest for student fees in trust). This amount represents the cost of cash management as well as the expected interest amount earned, making it a revenue neutral item. \$267,512 represents a penalty amount for failure to achieve the 2005-2006 FTES target of which a special tax will be assessed to the various divisions via the Marginal Cost Formula. Schlereth hopes that the divisions attempt to handle this amount out of their 05/06 funds rather than the entire amount to be realized in their 06/07 funds.

Schlereth brought forth the Cabinet's recommendation to set aside a campus reserve, as much as \$625,000, to address future budget items. Ochoa advocated the idea of a reserve as well but stressed keeping the reserve for truly emergency items and to use discipline to keep items off the list.

The priorities of growth for Academic Affairs, Administration & Finance, and Enrollment Affairs were also covered. For Academic Affairs: workstation refresh and back filling of one time monies that went in to the instructional budgets of the schools. For Administration & Finance: workstation refresh, back fill, support for Grants & Contracts, support for a GAAP accountant, recovering from prior cuts. Student Affairs: workstation refresh, increased support for outreach and recruitment, and an increase in retention services due to the larger freshmen class.

Schlereth adjourned the meeting at 9:55 a.m.

Minutes prepared by Ian Hannah