

**PRESIDENT'S BUDGET ADVISORY COMMITTEE
MINUTES
April 27, 2006**

MEMBERS PRESENT:

Larry Furukawa-Schlereth
Eduardo Ochoa
Letitia Coate
Elizabeth Stanny
Melanie Dreisbach
Janice Peterson
Henry Amaral
Bill Ingels
Sam Scalise
Gloria Ogg
Melinda Barnard
Bucky Peterson
Elaine McDonald
Dan Condon
Nadir Vissanjy
Bill Babula
Meri Sterino

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
Immediate Past Chair of the Faculty
Senior Director for University Budget, CRC Representative
Staff Representative, Facilities
University Treasurer
Chief Information Officer, CRC Representative
Senior Director for University Business Services, CRC Rep
Faculty, Communications Department, CRC Representative
Interim Vice-President for Development
Chair Elect of the Faculty, Math Department
Vice-President, University Affairs
President, Associated Students
Proxy for Elaine Leeder
Proxy for Elaine McHugh

STAFF PRESENT:

Katie Pierce
Ian Hannah

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

MEMBERS ABSENT:

Elaine Leeder
Steven Campbell
Tim Wandling
John Kramer
Katharyn Crabbe
Elaine McHugh

Dean, Social Sciences
Vice-President for Finance, Associated Students
AABAC Representative
Professor, Political Science Department
Vice-President for Student Affairs and Enrollment Management
CFA Representative

GUESTS PRESENT:

David Abbott
Tandy Whitaker
Kathy Mahler
Carol Blackshire-Belay
Laura Lupei

News Editor, SSU Star
Budget Manager
Budget Manager
Vice Provost, Academic Affairs
Management Trainee, Administration and Finance

AGENDA

- I: CALL TO ORDER AND APPROVAL OF THE AGENDA
- II: APPROVAL OF THE MINUTES (*March 30, 06*)
- III. PROJECTED 2006-2007 ENDOWMENT EARNINGS DISTRIBUTION
- IV. UNDERSTANDING CSU SFR DIFFERENCES
- V: EXTERNAL AUDIT REPORT: 2004-2005

I: APPROVAL OF THE AGENDA

Eduardo Ochoa brought the meeting to order at 8:10 am. The agenda was passed unanimously. Elizabeth Stanny proposed adding an item to the Agenda, discussion of Grants and Contracts. The agenda passed as amended.

II: APPROVAL OF THE MINUTES: *March 30, 2006*

The minutes were passed with one amendment. In the second paragraph under item IV, a sentence reads, "In the 04/05 fiscal year, activity totaled \$18M." The \$18M represents only Federal Grant activity and thus the sentence will be changed to: "In the 04/05 fiscal years, State and Federal activity totaled in excess of \$30M."

III: PROJECTED 2006-2007 ENDOWMENT EARNINGS DISTRIBUTION

(Please see the April 27th, 2006 Agenda Packet for this document)

A document was presented which provided the total endowments earnings distributions in 2005-06 and the projected distributions for 2006-07, listing by department allocations. Schlereth expressed the importance of the distribution in terms of budgeting in the various areas. These dollar values will be presented to the SSUAF Finance Committee in May and the SSUAF Board in June for review and approval.

The money earned in the prior year is to be distributed in the current year. (i.e. 05/06 earnings to be allocated in 06/07) It has been the decision of the University to expect stable earnings from year to year as apposed to a fluctuating distribution based upon interest rates, unless a fundamental shift were to occur to change the allocation model or more gifts were donated to the University. The rationale is based on the view that it is a better expectation to have a stable, reliable source of funds than a fluctuating, non predictable amount. For 2006-07, \$977,395 is to be distributed to the various campus program accounts to then be incorporated into the budget planning process and spent by the appropriate administrators. The majority of the distributed funds will be allocated to the areas of academic support and scholarships. Endowment returns in 2004-05 were around 8% with a 4% spending rate and about another 4% in appreciation. Schlereth expressed that it is in this area, where the fundraising efforts of the University can be seen. Katie Pierce expressed that many of these gifts come with restrictions by the donor as to where the funds may be allocated. This creates a more challenging environment for managing the funds.

IV: UNDERSTANDING CSU SFR DIFFERENCES

(Please see the April 27th, 2006 Agenda Packet for a copy of the PowerPoint slides)

Schlereth introduced the subject of Student to Faculty Ratios (SFR) as a great interest to members of the University. It is most important that we look into why our SFR is at a particular number rather than simply complaining about the issue. This can then assist in looking at what managerial and budget steps can be taken to remedy the potential problem. Schlereth then introduced Ian Hannah to present a PowerPoint on an SFR Analysis of Sonoma State University.

Hannah began the presentation by expressing to the members that the presentation particularly looks at fiscal year 2003-04 due to the availability of data. The presentation provided detail in the four main variables which affect the SFR at SSU compared to a composite of four other CSU campuses of similar size in terms of FTES (Humboldt, Bakersfield, Stanislaus, and San Marcos). These four main variables include: funding received by the University from the General Fund & Student University Fees (per FTES), the effects of meeting target enrollment, tenure track faculty % vs. lecturers, Instructional expenditures (Instruction \$ per FTES) compared to expenditures in other areas.

The following main conclusions can be made from the presented material: SSU has a structural funding issue (03/04 - \$5.1M under funded). This is mainly due to the locking in of Orange Book fund levels in 93/94 with additional State funding coming from the Marginal Cost Formula based on future growth. There is also great importance of enrollment management, as each campus uses the same amount of budgeted dollars regardless of whether actual enrollment went over or under target. The high tenure track faculty % at SSU is preferred but is costly & affects SFR upward. This is due to the high salary cost of full time professors compared to lecturers. Instructional expenditures per FTES at SSU is similar to the average but there is a high SFR at SSU. One possible reason is the overall high tenure track % at SSU. Academic Support expenditures are low at SSU, primarily due to low instructional technology funding.

V: EXTERNAL AUDIT REPORT: 2004-2005

(Please see the April 27th, 2006 Agenda Packet for a copy of the report and a copy of the PowerPoint slides)

The Financial Statements Report for Sonoma State University for 2004-2005, audited by KPMG, were included as part of the Agenda Packet. In addition, a PowerPoint Presentation was conducted by Letitia Coate in order to simplify and highlight the main points of the Financial Statements.

Coate discussed the following topics during the presentation as they existed in the Financial Statements Report:

- How we create our GAAP statements
- Chart of Accounts
- Independent Auditor's Report
- Statement of Net Assets

- Statement of Revenues, Expenses, and Changes in Net Assets
- Reference to the Notes to Financial Statements
- Operating Expenditure Comparison

Elizabeth Stanny indicated that the accounts receivable from Grants and Contracts are not risky from a collection standpoint because the allowance for doubtful accounts associated with the receivables is insignificant.

Schlereth postponed the added agenda item, discussion of Grants and Contracts, until the next meeting due to time constraints. Schlereth adjourned the meeting at 10 a.m.

Minutes prepared by Ian Hannah