

**PRESIDENT'S BUDGET ADVISORY COMMITTEE
MINUTES
December 15, 2005**

MEMBERS PRESENT:

Larry Furukawa-Schlereth	CFO, Vice-President, Administration and Finance, Co-Chair
Eduardo Ochoa	Provost, CAO, VP Academic Affairs, Co-Chair
Melanie Dreisbach	Immediate Past Chair of the Faculty
Tim Wandling	AABAC Representative
Gloria Ogg	Senior Director for University Business Services, CRC Rep
Elizabeth Stanny	Chair of the Faculty, Business Administration Department
Melinda Barnard	Faculty, Communications Dept., CRC Representative
Elaine McDonald	Chair Elect of the Faculty, Math Department
Bucky Peterson	Vice-President, Development
Dan Condron	Vice-President, University Affairs
Sam Scalise	Chief Information Officer, CRC Representative
Catherine Nelson	Professor, Political Science Department, Proxy for Andy Merrifield
Mathew Lopez-Phillips	Dir. of Judicial Affairs and Spec. Project, Proxy for Katharyn Crabbe
Elaine Leeder	Dean, Social Sciences

STAFF PRESENT:

Bill Ingels	University Treasurer
Katie Pierce	Associate Vice-President for Academic Resources
Ian Hannah	Management Trainee, Administration & Finance

MEMBERS ABSENT:

Steve Campbell	Vice President for Finance, Associated Students,
John Kramer	Professor, Political Science Department
Janice Peterson	Senior Director for University Budget, CRC Representative
Nadir Vissanjy	President, Associated Students
Letitia Coate	Associate Vice-President, Administration and Finance
Henry Amaral	Staff Representative, Facilities
Andy Merrifield	CFA Representative
Katharyn Crabbe	Vice-President, SAEM

GUESTS PRESENT:

David Abbott	Staff Writer, SSU Star
Tandy Whitaker	Budget Manager
Kathy Mahler	Budget Manager
Carol Blackshire-Belay	Vice Provost, Academic Affairs

AGENDA

- I: APPROVAL OF THE AGENDA
- II: APPROVAL OF THE MINUTES
- III: UNIVERSITY INTERNAL AUDIT REPORT - FISMA
- IV: GREEN MUSIC CENTER FINANCIAL UPDATE
- V: UNIVERSITY EXPENDITURE PLAN REPORTING

I: APPROVAL OF THE AGENDA

Eduardo Ochoa brought the meeting to order at 8:05 am. The agenda was passed unanimously.

II: APPROVAL OF THE MINUTES: *November 17, 2005*

Passed, with one revision to document Elaine Leeder, Dean of Social Sciences as a new member of the PBAC Committee. Elaine will be replacing Saeid Rahimi, who will no longer sit as a member of the PBAC.

III: UNIVERSITY INTERNAL AUDIT REPORT - FISMA

(Please see the December 15th, 2005 Agenda Packet for these documents)

This was the first time audits were brought to the PBAC. Larry Schlereth presented the FISMA Internal Audit Report representing a visit to SSU from March 28th 2005 thru May 27th 2005. No significant internal control problems or weaknesses were stated in the report. FISMA found SSU's accounting and administrative control to be sufficient and in accordance with Government Code. Schlereth gave praise to all financial staff & managers throughout the University for their hard work in this matter. Only the following six recommendations were identified by FISMA: (1) involved cash receipts and keeping checks secure (2) looked at strengthening accounts receivable timeliness (3) involved purchasing relating to the need for procurement card authorization limits to be kept up to date (4) dealt with fixed asset accounting in relation to equipment holding tag ID's that were found unaccounted for (5) involved strengthening the mechanism over system authentication of user computer logins (6) related to PeopleSoft access privileges and not giving the common or student employee access to confidential information. Schlereth found recommendation (4) to be the most significant and will need considerable strengthening.

Overall, the recommendations were relatively minor and the review was reasonably positive. Larry received consensus from the committee to continue to present this audit when it is completed every two years as well as any other audits deemed appropriate. This was one of the 18 audits completed each year at Sonoma State.

IV: GREEN MUSIC CENTER FINANCIAL UPDATE

Schlereth mentioned that many people may have noticed that construction has not yet begun at the site of the Green Music Center. The main reason for this delay is related to construction bids continuing to come in over budget. The loss of Bruce Walker has further complicated the issue of beginning the construction process in a timely manner. Currently construction costs are about \$3M over budget and can be primarily attributed to international events, particularly in China. There is a very high level of construction

activity occurring in China, including around 80% of the world's cranes currently positioned there. As a result, many resources related to construction are being utilized in China, causing for many current construction projects across the CSU system to be coming in up to 50% higher than budget. The hurricanes on the south east have further complicated the construction process. There also exists a currently large sum of public debt within school districts issued for projects which may be driving up the cost of resources. The design team has been actively focused on value engineering and SSE is now taking out equipment costs in order to lower the overall costs of construction. Schlereth expressed confidence that this financial shortfall would be resolved. Schlereth and President Armiñana are actively attempting to pull in additional dollars from the CSU in order to further fund these increased costs.

Concern arose on the part of some members in relation to whether going forward with the project is beneficial at this time due to the high construction costs, of which, SSU currently is not able to fund. It looks as though these high costs will not reduce in the near future, leaving the possibility of delaying the project not advantageous. Concern was mentioned as to how operations would be supported on the Academic side. Ochoa stated that he is confident a solution will be reached in order to not move funds from instruction in other areas to the Academic piece of the GMC.

Elaine McDonald proposed a motion to have a scenario presented if the state funded dollars were returned for the Academic piece of the GMC, to show the details of a smaller scale project where instructional dollars were not used at all for the GMC. While many members agreed with the current financial difficulties, comments centered on the fact that removing the Academic piece of the GMC would have adverse affects. The instructional space is important for SSU if it is to continue growth in FTES. A center such as the GMC is tied into the academic component of the University and brings resources into the University. Also, the faculty, staff, and University as a whole will benefit from the GMC with the inclusion on the Academic piece. Some members also felt that speculating on these "doomsday" scenarios could possibly acquire some sort of substance just from people envisioning it, having a negative impact on the project and the community. It would be extremely difficult to completely halt a process that began six years ago, with a construction contract soon to be signed.

Members were concerned that the Academic side would not be able to fund the operational costs considering other financial related issues currently exist within Academic Affairs, particularly in Instruction. One particular item of concern relates to outdated faculty workstations. In response to this, Ochoa stated that the faculty workstation refresh program will begin in July. Elizabeth Stanny made a substitute motion of having a detailed report on the operational costs for the Academic piece of the GMC to be given at the next PBAC meeting on February 23, 2006. This motion passed unanimously with one abstention.

V: UNIVERSITY EXPENDITURE PLAN REPORTING

(Please see the December 15th, 2005 Agenda Packet for this document)

Schlereth discussed questions brought forth by Tim Wandling to clarify issues related to the University's expenditure report. In the Black Book, the Audited Financial Statements show all of the expenditures for the University for the prior fiscal year for all

programs. Schlereth expressed that he may add items placed on the reserve in the prior year to the year end financial report presented to the PBAC. There was unease with members in regards to whether the supposed one time reserve items taken off the top were in fact one time reductions. Schlereth clarified that CMS is a permanent annual investment. Schlereth will collaborate with Tandy Whitaker to look into preparing a report of CMS expenditures.

Reimbursed activities are no longer shown in the Black Book due to the fact that these were inflating dollar amounts in expenditures since these items were reported twice. An example of this would be Administration & Finance accounting staff completing work for Associated Students. The dollar amount associated with the work would then be represented in both divisions as reimbursed activities must equal \$0 by definition.

Organizational shifts have not been detailed in the Black Book. A paragraph will be added to describe what occurred and the financial implication associated with it. Also, as departments move to different divisions, the dollar amount is reduced in the original division's area as a portion of the marginal cost formula. For instance, five separate accounting departments used to exist on campus before being consolidated in one accounting division within Administration & Finance. Finally, Schlereth mentioned that A&F will attempt to add grants to the expenditure book beginning this year.

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

Minutes prepared by Ian Hannah