

**PRESIDENT'S BUDGET ADVISORY COMMITTEE  
MINUTES  
September 14, 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
Elaine McDonald	Chair of the Faculty, Math Department
Tim Wandling	Chair Elect of the Faculty, Chair – English Department
Michael Santos	Professor, Business Administration Dept. (Proxy for Elizabeth Stanny)
Elaine Leeder	Dean, Social Sciences, AABAC Representative
Katharyn Crabbe	Vice-President for Student Affairs and Enrollment Management
Janice Peterson	Senior Director for University Budget, A & F, CRC Representative
Nadir Vissanjy	President, Associated Students
Steven Campbell	Vice-President for Finance, Associated Students
Dan Condron	Vice-President, University Affairs
Bucky Peterson	Interim Vice-President for Development
Letitia Coate	Associate Vice-President, Administration and Finance
Henry Amaral	Staff Representative, Facilities

**STAFF PRESENT:**

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

**MEMBERS ABSENT:**

John Kramer	Professor, Political Science Department
Sam Scalise	Chief Information Officer, Administration & Finance
Andy Merrifield	CFA Representative

**GUESTS PRESENT:**

Tandy Whitaker	Budget Manager
David Abbott	Chief Editor, SSU STAR
Cheyenne Lee	SSU STAR Reporter
Susan Kashack	Associate VP for Communications and Marketing

**AGENDA**

- I: CALL TO ORDER AND APPROVAL OF THE AGENDA
- II: APPROVAL OF THE MINUTES (*May 25, 06*)
- III: PRIOR YEAR END FINANCIAL REPORT: 2005-2006
- IV: PRESIDENT'S GENERAL FUND BUDGET ALLOCATIONS 2006-2007
- V: REVIEW OF THE CAMPUS STRATEGIC PLAN
- VII: CSU AND CAMPUS PRIORITIES
- VII: GREEN MUSIC CENTER BUDGET UPDATE

**I: APPROVAL OF THE AGENDA**

(Please see the September 14th, 2006 Agenda Packet for this document)

Larry Schlereth brought the meeting to order at 8:05 am. The agenda passed unanimously.

Schlereth added that the PBAC has changed somewhat from prior years. This is a result of an addition to the policy of Faculty Consultation in Budget Manners, approved by the Academic Senate and signed by President Armiñana. It more accurately defines the membership requirements for the committee. In addition, the bottom half of the agenda includes an annual budget cycle for the fall semester which will guide the agenda and activities of the PBAC.

**II: APPROVAL OF THE MINUTES: *May 25, 2006***

(Please see the September 14th, 2006 Agenda Packet for this document)

The minutes were amended via additions made by Elizabeth Stanny to Section IV. LEGAL ISSUES – 501 (c) 3 ORGANIZATIONS. Minutes passed as amended.

**III: PRIOR YEAR END FINANCIAL REPORT: 2005-2006**

(Please see the September 14th, 2006 Agenda Packet for this document)

Larry Schlereth described that the University Wide category includes items budgeted centrally. These particular items are employee benefits, utilities, financial aid, the risk pool premium, and shortfalls or surpluses in student fees. In addition, \$625,000 stands in the University Reserve, representing the first time a positive figure has been held here in quite some time.

Larry Schlereth mentioned that since President Armiñana's arrival to SSU, the decision has been made to roll forward balances within each area. This has allowed for all divisions to retain remaining funds as opposed to a "sweep".

Bucky Peterson described that the \$130,000 remaining balance in the Executive Office category was due to unsuccessful recruitment of development officers, which now has been pushed back until 06/07.

Katie Pierce mentioned that \$794,000 carried forward for Academic Affairs is about \$400,000 less than the amount carried forward a year prior. In addition, \$711,000 of this is committed but unpaid for 06/07. The remaining balance, net of all commitments, is about \$510,000 less than what remained at the end of last year. This is particularly related to special needs last year, such as the university reserve and the completion of Darwin Hall which stretched all of the divisions financially.

Katharyn Crabbe mentioned that for Student Affairs and Enrollment Management, \$350,000 of the \$414,000 is committed to the Student Health Center Fee, and \$30,000 for salaries within Pre-College Program, resulting in an actual roll forward amount of \$25,000 to \$30,000.

The Administration & Finance division had hoped to roll forward \$302,000 to support one-time funding of the instructional technology budget. Since only \$65,000 was

available to roll-forward this year, alternative funds will have to be found within A&F to cover the cost. The \$65,000 balance is a result of salary savings.

Schlereth also spoke to the University Wide category, stating that the \$130,000 represents money collected by the various divisions as part of their university wide reserve assessment in 05/06 to be paid in 06/07. Reserve assessments should not occur now that a permanent reserve in the amount of \$625,000 has been established.

Schlereth mentioned that in order to have an item put on the reserve, it is to be truly an emergency or unforeseen item or an item truly under the University Wide category.

Tim Wandling asked for a clarification on items in the risk pool premium, which stood at around \$2.3M for 05/06. Schlereth responded by stating that SSU has general liability insurance with a \$100,00 deductible, as well as workers compensation and property insurance, each of which do not carry a deductible. In the case of the campus flood, SSU ended up covering \$50,000 of the total cost. The CSU negotiates the premiums and are given to the campuses as mandatory costs. Pooling the risk premium for all 23 CSU campuses reduces the deductible at each campus.

#### **IV: PRESIDENT'S GENERAL FUND BUDGET ALLOCATIONS 2006-2007** (Please see the September 14th, 2006 Agenda Packet for this document)

The total General Fund budget available as permanent funds allocated to the various divisions totaled \$1,989,000 for 2006/2007, which comes primarily from enrollment growth via the Marginal Cost Formula. The MCF recognizes areas of increased expenses related to enrollment growth. Certain aspects of facilities are being included in the MCF, which was not the case in prior years. Much of this money will be used to cover compensation and mandatory costs, such as rising utility costs.

At a system level, an additional \$172,800 in restricted funds mandated for enrollment growth in Nursing is allocated in full to Academic Affairs to be distributed to the School of Science and Technology. An additional \$40,000 in funds restricted to address deferred maintenance needs is allocated in full to Administration and Finance to be distributed to Facilities.

Four other items were presented on the budget at a campus level as assessments to the four divisions based on their portion of the total University's budget. These are "off the top items" decided by the President and are taken from each division based on their portion of the budget. These items include: obligation to development, compensation shortfall, athletics shortfall, and information technology.

An obligation to development in the amount of \$348,604 represents the funds needed for the permanent addition of three people to the development office. Bucky Peterson pointed out that the SSU Development office is the smallest and least funded development office within the CSU system, and yet SSU produces the greatest amount of gift giving per dollar invested in development. This equates to a lot of money being left on the table in terms of philanthropy. The Development office has not had an annual fund in the University for about 15 years. Their gifts have been focused on major gifts which does not sustain over the long haul. The Development office also creates an alumni base, and a community base of donors leading to planned gifts in the academic areas. These

extra funds provide the money needed for the Development office to achieve the things a typical development office should be doing. This includes: an annual fund, major gift solicitation, planned giving, GMC support in the short term, and other events that cultivate the support needed. Bucky Peterson and Robin Draper are the only two development officers as it currently stands. Short term consultants are currently needed to cover geographical regions for the GMC and in the future, the office plans to make a shift from GMC major gifts to a more balanced approach, better supporting the academic side with and cultivation of alumni over the long haul. Eduardo Ochoa added that SSU has the 2<sup>nd</sup> lowest share of alumni giving to the University of the 23 CSU campuses.

Schlereth described the compensation shortfall item as being related to a salary increase pool provided by the BOT through the Governor's Office, for an allocation to each of the campuses. In this year the increase was 3.6% for a salary increase to be given to all employees. The CSU system looks back 2 years (as this is the most recently audited data) at the payroll existing at that time to determine the amount to provide each campus. Due to the 2 year lag this may not be the exact amount needed, especially if the campus is growing in employees and the campus tends to be under funded as a result. In 05/06, SSU was \$43,250 short for this item and this was handled out of the reserve, with the correction being made in the current year.

Ochoa emphasized the current more explicit and consistent approach to off the top items. Even though growth money is used to take care of new needs, it is being done as a portion of the base budget which is conceptually coherent.

Elaine Leeder questioned why Academic Affairs needs were not taken off the top of the campus wide budget. Schlereth responded by stating that there are many priorities and unfunded items throughout the University which are not brought to the University Budget. In the budget cycle the plan is to link strategic planning to budget planning. Out of strategic planning, the priorities of the institution and budgets should somewhat follow from this.

Katharyn Crabbe described the source of the athletics shortfall. The majority of the Athletic Department's funds come from IRA fees paid by the students. The additional \$100,000 would double the support from the General Fund to Athletics. This item is related to the fact that Humboldt has now been added to the same conference as SSU in addition to a change in the CCAA's Basketball scheduling. These combined effects have increased the overall travel budget. In addition, the cost of coaches in Athletics does not benefit from the General Fund Benefit Pool which adds further costs in benefits to Athletics.

Elaine McDonald brought up looking at the priorities of the items that hit the University Budget. Eduardo Ochoa responded by stating that \$100,000 as a percent of Academic Affairs' budget is marginal when compared to the percent of the Athletic Department's budget. Tim Wandling supported McDonald's comments.

Katie Pierce expressed that she does have great concern for the money being allocated to the various schools, but she wanted to point out that money does not only flow to the other divisions. She provided the example of last year's enrollment growth shortfall of \$328,000, which was assessed throughout the divisions to assist Academic Affairs. Tim Wandling pointed out that this was a one time rather than a permanent assessment.

Eduardo Ochoa stated that 75.3% of the share of the money left over after assessments were taken belongs to Academic Affairs, which is actually less than the Marginal Cost Formula % for A.A.

Michael Santos discussed that he teaches a Financial Computer Applications class in Stevenson 2044 (computer lab) where the computers are outdated and often freeze. This example supports the need for one time spending as well. Schlereth responded, stating that he would look into Stevenson 2044.

Elaine McDonald mentioned that the obligation for Development was considerably higher than what had been reported at AABAC. Ochoa explained that the original amount was for a specific need and in the interim an overall plan had been expanded for Development. Peterson added that when he began his position last year, \$200,000 was taken away from Development immediately due to the enrollment shortfall. Staff in Development is needed in order to support the philanthropists. Over the last year, over \$6M in gifts were brought in. Ochoa added the importance of bringing in non-state support. Although in the short run it may not have a direct impact, in the long-run Development is an area where funding will actually return dollars back to the University and further support the Academic Mission.

Elaine McDonald asked the question, what does this committee do? Schlereth responded that this committee is being re-casted in the context of strategic planning. The committee will be providing advice to the President and his officers as to how the budget should go in accordance with the priorities established in the strategic plan.

Relating to Information Technology, Schlereth discussed the previously agreed upon plan to fund an Information Security Officer in 05/06. Due to the enrollment shortfall in 04/05, this hiring was pushed to 06/07. In addition, this position has now become a CSU mandate for all the campuses.

Wandling asked about instructional technology funding as it currently sits as an unfunded unit. Schlereth responded stating that he and the Administration & Finance Division have taken responsibility for the instructional technology budget. Instructional technology lent itself to be more flexible than such areas as the Peoplesoft implementation and has therefore been funded on a one time basis.

Wandling also discussed mandates within the academic side as well, such as advising that is not represented in the University wide budget. Schlereth mentioned the reality that CSU Auditors are not present on the Academic Side, which often causes for intense review and the result of some of these mandated items emerging on the side of Administration. McDonald discussed the mandates supported by Cornerstones. Ochoa added that the CSU Trustees look to conduct a "Planning After Cornerstones" initiative in order to link budget to planned priorities.

A formal budget cycle is being developed to provide better timing for University wide budget items to be brought forth. The committee did not take a vote to recommend the presented budget and some members remained opposed to the presented budget.

**V: REVIEW OF CAMPUS STRATEGIC PLAN**

(Please see the September 14th, 2006 Agenda Packet for this document)

As it currently stands with the University Strategic Plan, nine Strategic Goal Areas have been identified. Ochoa discussed that the Strategic Goal Areas were developed by the UPSC and under each of these will be accompanying objectives and initiatives currently being developed by sub-committees. The end goal at the end of the semester is to identify initiatives and attach estimated costs.

**VI: CSU AND CAMPUS PRIORITIES**

(Please see the September 14th, 2006 Agenda Packet for this document)

Schlereth briefly explained the items identified by the CSU as budget priorities for 07/08. These items related only to General Fund items, not self support funds. They included the general areas of: mandatory costs, enrollment growth, financial aid, compensation, closing the salary gap, and long term needs. These priorities will need to be factored into the University's strategic planning process.

SSU General Fund budget priorities were also provided and described by Schlereth. These priorities, developed by the President and supported by the Administration, include the general areas of: funding of enrollment growth, academic quality, enhancing information/instructional technology, and fundraising, primarily in the area of Academics.

On the Self-Supporting Funds side, budget priorities include: Faculty/Staff Housing, One Card, Beaujolais Village II, University Center, Conference and Events Presenting Season, and Extended Education repositioning in light of YRO. Katharyn Crabbe discussed that for YRO, the appearance during the summer will be similar to prior year summer programs but the business side will be run more like a regular semester. Crabbe warned the committee that it can be anticipated that additional needs and support will be required in addition to that received from the Marginal Cost Formula for SAEM for the work it will take to mount another registration cycle.

Ochoa asked for the committee to take the overview of priorities for 07/08 as information for later discussion.

**VII: GREEN MUSIC CENTER BUDGET UPDATE**

(Please see the September 14th, 2006 Agenda Packet for this document)

Schlereth mentioned that in previous discussions, the GMC budget was out of balance in the amount of \$2M. The excess was to be hopefully raised over the summer to close the \$2M amount in order to sign the final phase on construction on or around September 15<sup>th</sup>, 2006. The University received the Guaranteed Maximum Price from the general contractor in early August. This number came in a great deal higher than had been estimated, at about \$14.5M in excess of budget; largely due to the continued escalation of construction costs internationally, nationally, and regionally. The campus worked hard (on finance and design side) to mitigate this challenge in three primary

fronts: to determine if the building design could be dramatically changed without affecting acoustical quality and save money, work with the general contractor to attempt to obtain concessions on the price, and attempt to acquire additional funding from the CSU. In addition, the Development office has been attempting to close the \$2M gap over the summer.

The design was successfully modified without affecting the acoustic program and price concessions were received from Rudolph and Sletten and the subcontractors. These two combined items brought the \$14.5M amount down to about \$10.5M. Additionally, Bucky Peterson and the Development office were able to identify a gift in the amount of \$1.3M to help close the gap.

There remained two main choices at this point for the future of the project: to make a very significant or profound change in the design of the building, or to obtain additional financing. Dr. Armiñana met with CSU officials to discuss completing the building. The CSU provided \$3M in additional equipment needs and agreed to help with the financing via a SRB through the Non State Funded Capital Outlay Program in an amount not to exceed \$12.9M.

Schlereth then discussed how this debt will be paid back. First, the School of Extended Education, which is in desperate need for space and will increasingly be in need as enrollment grows and existing classrooms are needed for general instruction. Extended Education will need to rethink the space use to accommodate adult learners and non traditional aged students. The GMC allows for this non traditional space. The challenge for Extended Education will consist of coming up with their portion of the debt payment without impacting their contributions to the schools. This must be done in order to remain revenue neutral to the schools and may ultimately become revenue positive to the schools over the long haul. The second half of the debt will be handled within the Entrepreneurial Activities unit, by attempting to mount an Entrepreneurial Presenting Season for our students and our community through popular presentations/concerts such as the Eagles concert recently held at SSU. The Presenting Season staff will be working closely with the campus programming organizations such as Associated Students.

This new debt issue will require more discussion and effort on the sides of both Extended Education and CEC. The SRB financing will be brought to the BOT meeting on September 19th & 20th for approval, with the contract to be signed September 20th and completion of the construction scheduled for Fall 2008.

The presented project budget is about \$20M higher than the budget formerly presented particularly due to additional debt. Ochoa added that Les Adler, Larry and himself will be working to develop a 5 year business plan for Extended Education that is consistent with these new developments with the GMC. He views this as a challenge but also as an opportunity to re-invent Extended Education in the wake of the YRO transition and to really start moving into the potential that is out there.

Elaine McDonald had several questions in light of the new circumstances: Who is on the hook if we do not make these debt service payments? What is the opportunity cost to the spending particularly in Extended Education? What types of liabilities exist with this new Presenting Season? McDonald also pointed out that the GMC's new financing was received by faculty yesterday, raising further questions, but with limited time to discuss them.

Larry attempted to answer the questions as the meeting came to an end. The CSU is ultimately on the hook should the payments not be covered. Entrepreneurial Activities and the School of Extended Education are on the hook for their portions of the debt payment which stresses the importance of this business plan to be developed to create revenue that would otherwise not have been possible without the GMC facility. For the Presenting Season, only concerts that make money will be featured, this money to be earned primarily in the sales of parking and food services.

In regards to the opportunity cost, it is not as high as may be thought because this new revenue will occur as a result of the new facility, creating an opportunity that otherwise would not have existed. Schlereth provided the example of Tanglewood and what it provides to Boston University. Ochoa added that in addition to the challenge, it creates an opportunity to do something very creative in actually integrating this facility with the Academic life of the campus. In the interest of time, Ochoa ended the meeting although it was evident that future discussion was desired by the committee on this topic.

Ochoa adjourned the meeting at 10:10 a.m.

*Minutes prepared by Ian Hannah*