

**PRESIDENT'S BUDGET ADVISORY COMMITTEE
MINUTES
November 16, 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
Elizabeth Stanny	Past Chair of the Faculty, Business Administration Department
Elaine Leeder	Dean, Social Sciences, AABAC Representative
Katharyn Crabbe	Vice-President for Student Affairs and Enrollment Management
Andy Merrifield	CFA Representative
Janice Peterson	Senior Director for University Budget, A & F, CRC Representative
Sam Scalise	Chief Information Officer, Administration & Finance
Nadir Vissanjy	President, Associated Students
Dan Condron	Vice-President, University Affairs
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:

Bucky Peterson	Interim Vice-President for Development
Steven Campbell	Vice-President for Finance, Associated Students
John Kramer	Professor, Political Science Department

GUESTS PRESENT:

Neil Markley	Senior Director for Entrepreneurial Activities
Christopher Dinno	Interim Senior Director for Capital Planning, Design, & Construction
Tandy Whitaker	Budget Manager, Administration & Finance
Kathy Mahler	Budget Manager, Administration & Finance
Susan Kashack	Associate VP for Communications and Marketing

AGENDA

- I: CALL TO ORDER AND APPROVAL OF THE AGENDA
- II: APPROVAL OF THE MINUTES (*September 14, 2006*)
- III: BOARD OF TRUSTEES BUDGET REQUEST: 2007-2008
- IV: SSU CAPITAL OUTLAY PLAN
- V: GRANTS AND CONTRACTS
- VII: DEVELOPMENT OFFICE AUDIT OBSERVATIONS
- VII: GREEN MUSIC CENTER UPDATE

I: APPROVAL OF THE AGENDA

(Please see the November 16th, 2006 Agenda Packet for this document)

Eduardo Ochoa brought the meeting to order at 8:10 am. The agenda passed unanimously.

II: APPROVAL OF THE MINUTES: *September 14, 2006*

(Please see the November 16th, 2006 Agenda Packet for this document)

The minutes were approved unanimously with one abstention by Andy Merrifield.

III: BOARD OF TRUSTEES BUDGET REQUEST: 2007-2008

(Please see the November 16th, 2006 Agenda Packet for this document)

Larry Schlereth described that the 2007-08 CSU budget approval which took place at the November 14th & 15th Board of Trustees Meeting. A copy of the agenda item from the BOT Committee of Finance, titled *Report on the 2007-2008 Support Budget* was provided. The budget request to the State provides \$266,815,000 new dollars to the CSU system. Elizabeth Stanny asked what SSU's share is of the CSU budget. Schlereth responded that it is about 2.3%. He explained that the budget request is really about growth, compensation, and mandatory costs. The types of priorities to be funded include mandatory costs, enrollment growth, financial aid, long-term need, compensation, and funding to support the second year of a five year plan to reduce the salary gap for many of the CSU's employee groups. The Board recognized further budget challenges through one-time requests which were included in the support budget request, above the Compact funding level. These include \$71.7M in items under ongoing programs as well as \$50M in items under one-time programs. In addition, the CSU continues to identify priorities within the system that have not been funded in recent years, yet remain vital to the success of the University's educational program. The additional unmet need as the CSU enters the 2007-08 budget cycle totals \$832M, primarily consisting of deferred maintenance and reducing the salary gap.

Eduardo Ochoa discussed the strategic planning process at the system-wide level. Several major domains were discussed at a recent meeting. Methods of structuring conversations on each campus were discussed as this would feed into the campus strategic plans. Further discussions are to take place between now and March of 2007 and a system-wide summit is to occur before the end of this year. The completion of a draft strategic plan is to be concluded by the end of the summer, to then be finalized by May of 2007 with approval by the BOT.

IV: SSU CAPITAL OUTLAY PLAN

(Please see the November 16th, 2006 Agenda Packet for this document)

Schlereth provided a presentation on SSU's Five Year Capital Outlay and Capital Improvement Program, noting this is the first time a presentation such as this has been made to the PBAC.

The presentation offered a description of items between 2007/08 and 2011/12 requested under the State Funded Capital Outlay Program. These projects are funded through State Bonds or General Obligation Bonds. Projects under this program may include: Major Capital Outlay projects, Minor Capital Outlay & Energy projects, Nurse Education Governor's Initiative projects, or Capital Renewal projects. The major projects listed for this five year period include the Professional Schools Building and Stevenson Hall Renovation. Much of the Minor Capital Outlay tends to apply to deferred maintenance items, with a priority for classroom renovations. Schlereth discussed the possibility of a sub-committee of the Campus Planning Committee, working as a task group, to discuss the future use of the Commons in light of the plan for a Professional Schools Building. This will be in relation to the approval of the Campus Master Plan in 2000, expanding the SSU campus capacity to 10,000 FTES. Schlereth discussed how the Capital Outlay Plan ties to the Campus Strategic Plan and WASC standards 4.1, 4.2, and 4.3. He added that the campus has to keep on its enrollment growth pattern in order to justify the buildings. Andy Merrifield stated that a 4.5% annual growth in FTES will be needed. He also expressed his concern for growth qualitatively, which was not well addressed by the BOT in their desire to build new buildings. Christopher Dinno expressed that much more back-up data is needed, such as feasibility studies. He added, considering the fact that all of the CSU campuses are vying for the same pool of money, SSU has been very successful. Schlereth expressed his intentions to tie capital budget discussions to operating budget discussions as buildings are major undertakings and not all costs are covered by capital outlay funds.

Ochoa discussed the issues of growth and quality. The CSU Academic Council has been focusing on the quality issue for some time. The strategic planning process after Cornerstones has been labeled Access to Excellence with a focus on an excellent education for students. The strategic planning cycle has been positioned on supporting and improving quality. Cornerstones mentioned three principles all referring to resources supporting academic quality. These relate to faculty development, faculty & staff compensation, and support for diversity & the quality of the student experience.

Ochoa also spoke to the issue of growth. The Marginal Cost Formula is funding FTES at a higher rate than the base is funding FTES. There are still items on the campus such as initiatives, structural changes, and assessments which need to be funded regardless of whether they are related or unrelated to growth. Therefore, although the growth funding is not enough to address the gaps in the base, overall, we are better off with growth funding.

Schlereth then explained the items between 2007/08 and 2011/12 planned under the Non-State Funded Capital Outlay Program. These projects are typically donor funded or are funded through System-wide Revenue Bonds or Student Fee Referendums. Unlike State funded items, debt for Non-State funded items appear on the balance sheet of the University. Projects under this program include only Major Capital Outlay projects often

directly tied to growth. The major projects listed for this five year period include Faculty/Staff Housing, Tuscany (Beaujolais Village Phase II), and the University Center.

The requested five year State Funded Capital Outlay Program projects total \$97M and the planned five year Non-State Funded Capital Outlay Program projects total \$178.5M. Schlereth mentioned that bringing the Capital Outlay Plan to the PBAC is an attempt to consult with the campus on capital items. Andy Merrifield requested that Schlereth continue to bring items forward as dollar amounts change and construction costs increase. Schlereth expressed that this has been presented to the PBAC for a budget review but it will ultimately be brought to the Campus Planning Committee for adoption. Ochoa added that items will be continually examined by the campus and the CSU relating to enrollment growth and so forth. Schlereth added that he is attempting to tie the budget to the Strategic Plan. Stanny suggested that the PBAC look at the percent over budget for each of these projects for budget planning purposes.

V: GRANTS AND CONTRACTS

Schlereth discussed the implications of a recent A-133 audit. A finding existed which showed \$300,000 in items that will not be able to receive an expected reimbursement for CIHS. This will cause for the fund balance/reserve of CIHS to be completely depleted. Schlereth added that reserves in all of the areas are held for these types of unforeseen items.

Schlereth further explained that State Pro Rata charges apply to self support funds in two areas. These areas include general state overhead and post retirement health care benefits. General state overhead results in a change to self support funds. Post retirement health care benefits are covered by each self support fund and are now being subject to related Pro Rata charges. The bottom line is a cost of about \$850,000 per year to Grants & Contracts associated with these post retirement health care benefits. SSU will work with the principal investigators in an attempt to have this cost be written into the grant in order to have it become a direct cost to the grant. This will prove to be more successful in 07/08 than 06/07. This amount will deplete the fund balance in Grants & Contracts and the IDC planned distribution. Katharyn Crabbe asked to what effect this would increase the benefit rate. Schlereth responded that our average benefit rate now is at about 38%. The increased cost would bring the post retirement health care amount up to nearly 50%. Ochoa stated that Grants & Contracts will need a large subsidy due to the relatively large size of CIHS compared to the size of SSU's grants activity. He expressed that Tony Apolloni will be looking into downsizing CIHS and scaling back the research activity supported by grants. Apolloni is very concerned about his staff in CIHS and plans to look for ways to spin off certain large projects that may be able to find a home in other entities within SSU.

VI: DEVELOPMENT OFFICE AUDIT OBSERVATIONS

This item was deferred until the December meeting.

VII: GREEN MUSIC CENTER UPDATE

(Please see the November 16th, 2006 Agenda Packet for this document)

Schlereth provided a business plan for the GMC System-wide Revenue Bonds as they related to Entrepreneurial activities, particularly the CEC program. The annual debt service combined with facilities management & utility costs total \$770,000, with numerous fund sources presented in the document. Elizabeth Stanny asked, what was the rationale for having two phases of construction? Schlereth responded that this had always been planned. It was advantageous to start the foundation phase first in order to be able to open the facility in Fall 2008. This allowed adding in more months to the cycle for construction rather than beginning in September. Stanny also asked how much more money is needed to open the GMC. Schlereth responded that about \$15M is still needed to equip, furnish, and landscape the project. In addition, the cost of the lawn is in the \$3M - \$7M range. This is necessary for outdoor concerts but not for instructional use. The lawn is currently owned by the Foundation with a plan for it to be eventually gifted to the State through fundraising. Many people may hear \$22M being used in the current fund raising campaign underway. This relates to the restaurant, hospitality center, and instructional equipment. There also exists pledges required to be paid by donors (by April, 2009) but the University has made a commitment to raise about \$12M so that not all pledges are necessary.

Ochoa spoke to the role of the Santa Rosa Symphony. The recent SRB issuance and the signing of the construction contract sparked the donor community and the Santa Rosa Symphony Board. The campaign is chaired by Jay Abbe, from the Symphony Board, and Dan Lanahan. The Symphony had previously attracted \$10M in funds to support the GMC but with the escalation in costs, they have made a commitment in the time of the Board and the staff to raise additional funds.

The Business Plans for Extended Education relating to the SRB financing will be brought to the December PBAC meeting.

Ochoa adjourned the meeting at 10:25 a.m.

Minutes prepared by Ian Hannah.