

**PRESIDENT'S BUDGET ADVISORY COMMITTEE
MINUTES
December 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
Elizabeth Stanny	Past Chair of the Faculty, Business Administration
Elaine Leeder	Dean, Social Sciences, AABAC Representative
Katharyn Crabbe	Vice-President for Student Affairs and Enrollment Management
Bucky Peterson	Interim Vice-President for Development
Janice Peterson	Senior Director for University Budget, A & F, CRC Representative
Nadir Vissanji	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:

Andy Merrifield	CFA Representative
Sam Scalise	Chief Information Officer, Administration & Finance
Steven Campbell	Vice-President for Finance, Associated Students
John Kramer	Professor, Political Science Department

GUESTS PRESENT:

Tandy Whitaker	Budget Manager, Administration & Finance
Kathy Mahler	Budget Manager, Administration & Finance
Les Adler	Dean, Extended Education
Robert Rosen	Business Manager, Extended Education

AGENDA

- I: CALL TO ORDER AND APPROVAL OF THE AGENDA
- II: APPROVAL OF THE MINUTES (*November 16, 2006*)
- III: UNFUNDED COSTS RELATED TO COMPENSATION
- IV: SPECIAL REPORT: ACADEMIC AFFAIRS BUSINESS PLAN, GMC SRB FINANCING
- V: SPECIAL REPORT: DEVELOPMENT OFFICE AUDIT OBSERVATIONS
- VII: SPECIAL REPORT: REVENUE MANAGEMENT PROGRAM
- VII: SPRING SCHEDULE

I: APPROVAL OF THE AGENDA

(Please see the December 14th, 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: *November 16, 2006*

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

The minutes were approved unanimously.

III: UNFUNDED COSTS RELATED TO COMPENSATION

Schlereth discussed two new unfunded costs which will continue into perpetuity. One relates to a grievance matter through the California Faculty Association and the other is tied to employee compensation.

The grievance matter relates to pay increases (SSI) in which the arbitrators ruled in favor of the California Faculty Association. This will cost the CSU about \$6M in total, with an estimated \$129,000 of this being passed along to SSU. This represents a permanent adjustment to the base budget of each division in an amount proportional to that division's share of the total budget.

The second item of employee compensation began with the Governor's compact of a 3.64% salary increase. The overall compensation increase for SSU employees totals 4%, which creates a difference of about 0.4% in unfunded increases that will need to come out of the campus budget. This equates to a cost of around \$220,000 - \$250,000. Elizabeth Stanny asked where the campus reserve fund stands. Schlereth responded that much of the reserve fund is currently depleted. He also clarified that annual funding of this reserve fund will continue. President Armiñana and the Board of Trustees see closing the salary gap as one of the most important issues. The salary increases represent a positive for employees of the campus. However, it has come at a cost to the University as this is the first time salary increases have been paid out of the campus operating budget.

Eduardo Ochoa mentioned that the 15% budget reduction at SSU in recent years has been covered in large part by salary savings. He added that salary savings are also currently being used for other means. A redirection of these dollars related to the new costs mentioned above will cause for permanent cuts of some activities.

Schlereth reported that he and Ochoa recently met with Richard West. West gave the impression that all campuses will have to learn how to manage differently as the funding is just not sufficient. Ochoa added that West also explained that schools such as Humboldt are not dealing with entrenchment of enrollment well. CSU campuses in general are not good at dealing with the budget implications of stagnant or declining enrollment. West feels enrollment growth will taper off sooner than expected as the demographics start to taper. Schlereth added that after 2010/11, growth will begin to

slow. Elaine McDonald asked if this will affect the decision to build the next phase of student housing. Schlereth responded that Tuscany is the last housing project addition under the current Campus Master Plan. Katharyn Crabbe explained that housing would still be needed because as it currently stands, many juniors and seniors wish to stay on campus and there currently exists a wait list in housing.

IV: SPECIAL REPORT: ACADEMIC AFFAIRS BUSINESS PLAN, GMC SRB FINANCING

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

Les Adler was accompanied by Robert Rosen in order to present the School of Extended Education's business plan to cover their portion of the SRB financing. A document was provided at the meeting titled *School of Extended Education – Business Plan: Progress Report for GMC Revenue Bonds*. Adler explained that Extended Education exists in a constant state of challenge. The program has grown from gross revenues of \$3M to \$5M and the loss of the summer session will probably drop revenue down to around \$4.2M. The annual debt service related to the SRB will represent \$350,000 to \$400,000 a year, as a long term addition to the budget. Adler mentioned that they need to look at the program areas that are solid and growing. The sheet provided a predictable cost basis and assumed no unexpected costs. Growth programs have been planned at a conservative annual revenue growth of 5%, compared to current actual growth of about 10%. Gross revenue for the summer program currently stands around \$950,000, but the net on this amount is only about \$150,000 due to the costs for summer teaching. The document shows total growth in gross revenue of \$1,393,882 with \$400,000 remaining after expenses as the total amount available for funding the annual bond payment.

Extended Education will be gaining space for programs from this process. The SRB financing is allowing Extended Education the ability to use space in the Academic wing of the GMC. As it currently stands, Extended Education has had to rent space from the Cooperage for the Lifelong Learning Program at about \$60,000 per year.

Extended Education would now, in essence, own some portion of the GMC space, particularly the Recital Hall and the rehearsal rooms. Schlereth explained that the CSU provided funds for the Academic wing but not a large enough amount to cover all related construction costs. Thus the answer was either to remove a portion of the project or to issue an SRB in order to keep the Recital Hall and other academic space. The CSU and President Armiñana believed this space was very important to the academic mission and thus an SRB was issued for this purpose. Tim Wandling asked what would happen should a shortfall occur within Extended Education. Adler responded that they currently hold about \$1.2M in reserves and should these be depleted, other options could be to look to increases via other programs, or the unlikely possibility of reducing staff. Stanny expressed concern that the General Fund would ultimately be on the hook should the revenues not materialize. Schlereth added that the primary responsibility of the SRB bond relies with Extended Education. If Extended Education were to default, it would become

the responsibility of the campus. Overall, the SRB debt has restricted the financial leverage of the institution.

Ochoa mentioned that a growth in programs will have positive effects for the University and that Extended Education will be increasing its marginal profitability. Schlereth commended Adler on what appears to be a good plan. Crabbe stated that the academic calendar looks 6 months out. With the addition of programming related to the GMC, a new academic program and room reservation program will need to be extended out further. Ochoa responded that he is currently looking at this issue and plans to bring a plan to the Extended Cabinet. Adler also mentioned that many of the current programs are receiving community support and will continue to have this support into the future.

V: SPECIAL REPORT: DEVELOPMENT OFFICE AUDIT OBSERVATIONS

Schlereth explained two audits related to the Development Office. These include the annual audit performed by Moss Adams and an audit performed by the CSU Trustees audit staff. Both audits found that fundraising systems currently being used at SSU are not adequate. To address this problem, upgrading the system is required. This will be an item on the BOT Audit Matrix which is developed by the CSU audit staff. This matrix, which shows findings and how long they have remained unaddressed, will be brought to a future meeting of the PBAC.

The Peoplesoft system offers an optional Contributor Relations module. The implementation of another module of Peoplesoft is not inexpensive and includes both a one-time cost and on-going costs. Bucky Peterson mentioned that this new module would ultimately be a revenue generator and added that the current system puts us in a high risk area. Ochoa mentioned that pro-forma projections of unrestricted funds would be informative in looking at the contribution made by Development to the University and what the new system could do. Letitia Coate added that the new system also has a direct connection with the alumni base.

Tim Wandling expressed his frustration with the CSU system as this represents yet another audit item that will be required to be funded at the campus level. Ochoa mentioned that an academic audit would be helpful to quantify deficiencies in the academic system. Schlereth added that audits have moved into the Student Affairs division but have not made their way to the Academic Affairs division.

VI: SPECIAL REPORT: REVENUE MANAGEMENT PROGRAM

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

Letitia Coate provided a PowerPoint presentation on an update of the Revenue Management Program, formerly referred to as "Student Fees in Trust". The CSU proposed AB 1802, an amendment to the Education Code which would allow for the deposit of student fees into a local trust account. AB 1802 passed, effective July, 1 2006, as amended Education Code 89721. With the new authority to deposit all student fee

income in a local trust, the CSU has begun its implementation of a brand new operating model. All operating funds will be deposited and maintained within the new CSU Central Bank (recently awarded to Wells Fargo), as opposed to being deposited into the State Treasury. SSU will transition to the new depository bank on January 1, 2007 and the new disbursement bank by February 1, 2007. The delegation of fiscal authority is being completely revised and a specifically related Executive Order is being processed. The CSU is now allowed to deposit revenue from student fees into the State University Trust Fund. The investment firm that will be managing these dollars is still out to bid.

Some significant changes include: the CSU will have greater fiscal control over its revenue and cash, fiscal operations will be more efficient, and the CSU will be able to control and optimize its banking activities. A reserve policy will be developed by the campus CFO's under the CABO group to ensure sufficient operating capital.

Overall, business processes should be more efficient, simpler and standardized across campuses but these changes require a new way of thinking and new training requirements.

Ochoa adjourned the meeting at 10:05 a.m.

Minutes prepared by Ian Hannah.