

**PRESIDENT'S BUDGET ADVISORY COMMITTEE  
MINUTES  
September 6, 2007**

**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
Scott Miller	Chair-Elect of the Faculty, Director, Writing Center
Elaine McDonald	Immediate Past Chair of the Faculty, Math Department
Elaine Leeder	Dean, Social Sciences, AABAC Representative
Mathew Lopez-Phillips	Interim Vice-President for Student Affairs & Enrollment Management
Janice Peterson	Senior Director for University Budget, A&F, CRC Representative
Whitney Diver	President, Associated Students
Tristan Kelley	Vice-President for Finance, Associated Students
Dan Condron	Vice-President for University Affairs
Patricia McNeill	Vice-President for Development
Sam Scalise	Chief Information Officer, Administration and Finance
Letitia Coate	Associate Vice-President for Administration and Finance
Henry Amaral	Staff Representative, Facilities

**STAFF PRESENT:**

Bill Ingels	University Treasurer, Administration and Finance
Katie Pierce	Associate Vice-President for Academic Resources, Academic Affairs
Ian Hannah	Management Trainee – Administrative Services and Foundation Operations, Administration and Finance

**MEMBERS ABSENT:**

Tim Wandling	Chair of the Faculty, Chair, English Department
John Kramer	Faculty Representative at Large, Political Science Department
Andy Merrifield	CFA Representative, Political Science Department

**GUESTS PRESENT:**

Kathy Mahler	Budget Manager, Administration and Finance
Laura Lupei	Management Trainee – Budget, Administration and Finance

**AGENDA**

- I: CALL TO ORDER AND APPROVAL OF THE AGENDA
- II: INTRODUCTION OF NEW MEMBERS
- III: APPROVAL OF THE MINUTES (May 24, 2007)
- IV: CALIFORNIA INSTITUTE ON HUMAN SERVICES FINANCIAL UPDATE
- V: UNIVERSITY-WIDE BUDGET VS. ACTUAL EXPENDITURES
- VI: YEAR-END FINANCIAL REPORT
- VII: PRESIDENT'S BUDGET ALLOCATIONS: 2007-2008
- VIII: CSU BUDGET PRIORITIES: 2008-2009
- IX: SSU BUDGET PRIORITIES: 2008-2009

**I: APPROVAL OF THE AGENDA**

(Please see the September 6, 2007 Agenda Packet for this document)

Larry Schlereth brought the meeting to order at 8:05 am. Elaine McDonald requested to have an update on the discretionary funds of Sonoma State University (SSE) recommendation to the President that was expressed at the prior meeting. The agenda was unanimously approved as amended.

**II: INTRODUCTION OF NEW MEMBERS**

(Please see the September 6, 2007 Agenda Packet for this document)

A list of the current PBAC members for 2007/2008 was provided in the packet. Each PBAC member and committee staff member present at the 9/6/07 meeting introduced themselves.

**III: APPROVAL OF THE MINUTES: May 24, 2007**

(Please see the September 6, 2007 Agenda Packet for this document)

The minutes from the May 24th meeting were unanimously approved.

**IV: CALIFORNIA INSTITUTE ON HUMAN SERVICES FINANCIAL UPDATE**

(Please see the September 6, 2007 Agenda Packet for this document)

Schlereth described that much of the oversight of the financial aspects of CIHS has been completed and a financial update was provided, with verified figures. The total impact of unfunded, disallowed, and non-billable costs of CIHS totals almost \$3M. These relate to unfunded administrative costs that stood as a deficit within CIHS at year end (\$817,000); unfunded vacation accruals (\$130,721); unfunded clearing house accounts (\$88,696); disallowed and/or non-billable items (\$1,113,092); and revenue withheld from the U.S. Government related to over billed travel costs that were due back with interest (\$792,383). A detailed breakdown of the disallowed and/or non-billable items and revenue withheld from the U.S. Government were provided in the packet. Additional potential disallowances (currently at \$661,377) are still being analyzed and when added in, increase the total deficit to \$3,603,269. Elaine McDonald asked if there was a possibility that this figure could increase. Schlereth responded yes as the analysis relates to a sampling of only eight grants over the course of one year.

McDonald asked why the total deficit has increased to \$3.6M, compared to the \$2.2M previously reported. Schlereth explained that some new items have been identified since April. These include the unfunded vacation accruals, unfunded clearing house accounts and the revenue withheld from the US Government. In addition, there has been an increase in the amount relating to unfunded administrative costs. Elaine asked for detail of the administrative staffing costs related to CIHS. Schlereth stated that detail of the entire Grants and Contracts program related to 2006/07 staffing will be brought to the next PBAC meeting.

The total deficit of \$3.6M is to be funded by a University-wide 2006/07 surplus (\$1,379,837); a CIHS “discretionary” fund related to funds held in an account that are required to be paid back to the U.S. Government (\$719,000); 2005/06 and 2006/07 unallocated IDC beyond delegated authority (\$773,852); and an inter-fund loan (currently at \$730,580). The amount of the inter-fund loan currently is not a concrete figure as it will equal the remainder of the balance and is dependent upon the above mentioned potential disallowances that are still being analyzed. Schlereth added that this debt would belong to the General Fund and the loan is considered in the CSU as short term cash borrowing which is interpreted as less than five years.

McDonald asked if the committee could discuss using the surplus revenues for other priorities separate from funding the CIHS deficit. Schlereth responded that the alternative would be to increase the inter-fund loan and asked to defer this discussion and decision making until the potential disallowances and amount needed for the inter-fund loan are more concrete as we proceed through this final analysis.

Scott Miller asked when we would have finality to the entire CIHS matter. Schlereth responded that the CSU audit will soon be finalized and made public.

#### **V: UNIVERSITY-WIDE BUDGET VS. ACTUAL EXPENDITURES**

(Please see the September 6, 2007 Agenda Packet for this document)

Schlereth described 2006/07 budgeted versus actual expenditures within the University-wide category. The total University-wide budget for 2006/07 was \$26,927,756 and actual expenditures ended up being \$25,547,919. This left an ending balance for the year of \$1,379,837. The largest contributors of this remaining balance include the following budget items: Employee Benefits/Risk Pool/Unallocated COLA of \$791,310 under budget was due to a one time windfall associated with employee accruals related to the Revenue Management Program; Financial Aid/Charge Card Fee/Hope Scholarship left a \$135,993 balance because not all funds were spent in Financial Aid; Student Fee Revenue over Budget of \$200,000 relates to fee revenue for Non Resident students that remain at the campus but are no longer accounted for in the Marginal Cost Formula; Net Revenue Management Program interest of \$276,958 is the net gain after expenses from this investment. As mentioned in the previous agenda item, the remaining balance of \$1,379,837 will be used as one of the funding sources to cover the CIHS deficit.

McDonald expressed that the committee should discuss the use of student fee revenues over budget (financial aid dollars, student fee revenue over budget, and net Revenue Management Program interest) and how these funds could be used to benefit the students rather than funding the CIHS deficit. Schlereth mentioned he would come back to this later in the agenda.

Schlereth then described the status of the 2006/07 University reserve. The allocation to the reserve was \$625,000 and total costs of \$1,029,906 have hit the reserve, leaving a negative balance of <\$404,906>. However, funds for the CFA arbitration award and

collective bargaining settlements in excess of budget had already been collected. Therefore the total ending balance available for distribution was <\$54,906>. Elaine Leeder asked if this negative amount would be rolled forward in this year's reserve. Schlereth responded that this amount was not rolled forward into the 2007/08 year as the University-wide fund balance was used to bring the reserve to \$0. Therefore, the reserve will be \$625,000 again for the 2007/08 year.

## **VI: YEAR-END FINANCIAL REPORT**

(Please see the September 6, 2007 Agenda Packet for this document)

Schlereth described the 2006/07 year-end balances net of committed expenditures within the various divisions. The budgets of University-wide, Executive Office, Academic Affairs, Student Affairs & Enrollment Management, and Administration & Finance were compared to actual expenditures in each of these divisions. Overall, the total budget stood at \$82,730,130, compared to actual expenses of \$81,228,035, leaving an ending balance of \$1,502,095. The vast majority of this balance relates to the \$1,379,837 ending balance in the University-wide category. The budget cuts of 03/04 and 04/05 have lessened the ending balance remaining to be rolled forward. Schlereth added that detailed budgets of each division can be seen in their respective committees, such as AABAC or CRC.

## **VII: PRESIDENT'S BUDGET ALLOCATIONS: 2007-2008**

(Please see the September 6, 2007 Agenda Packet for this document)

Schlereth mentioned that the advice from the PBAC previously provided to the President was to fund new enrollment growth with additional faculty at an 18.9 student to faculty ratio, at the starting salary of the CSU, and in a way consistent with ACR 73 (75% tenure track / 25% lecturers). Other recommended priorities include funding faculty development, taking care of compensation costs above funding and covering the increasing costs of the utility bill. An attempt to accomplish these items was outlined.

Schlereth discussed the use of 2007/08 projected new discretionary funds generated from a budgeted campus growth of 344 additional FTES. The CSU Marginal Cost Formula provides discretionary funding of \$8,797 per FTES growth, equaling \$3,026,000 in projected new discretionary funds to the campus. These monies are then allocated to each division based on the percentages provided within the MCF of 2.02% to Executive Office, 68.27% to Academic Affairs, 9.84% to Student Affairs & Enrollment Management, and 19.87% to Administration & Finance. The MCF funding per FTES has changed slightly since last presented in the PBAC due to an adjustment made in the Governor's budget. In addition, Non Resident students are not included in the 344 growth in FTES, as they are no longer included in CSU MCF funding. The estimated revenue from these students for 2007/08 is \$250,000 and will be allocated via the same percentages as in the MCF mentioned above. This brings a total of about \$3.2M in estimated new discretionary enrollment growth funds to the campus.

Funding for the priority of faculty development will be assessed in the amount of \$200,000 to each division based on its share of the campus budget. An additional \$850,000

related to compensation costs exceeding allocated funds will also be assessed to each division based on its share of the campus budget.

Schlereth also described that the 2007/08 projected proceeds from the Revenue Management Program is approximately \$500,000. This amount reflects a full year of investing and thus is greater than the previous partial year of implementation. Leeder asked what the interest return was on these funds and Schlereth responded about 5.2%. This new revenue source will be used to fund a projected utility cost increase of \$150,000 and the remaining realized revenues will be used to reduce the inter-fund loan associated with CIHS. Schlereth explained that each campus has been instructed by the CSU to not construct the Revenue Management Program into campus base planning at this time.

McDonald again expressed her recommendation that this committee should consider different ways of paying off the debt service for the CIHS. She suggested possibly using excess revenue sources, such as the proceeds from the Revenue Management Program for more immediate concerns, such as items related to the student experience. Schlereth responded that we will first need to fully understand what the debt service amount will be in total. Second, before making these decisions, we will also need to understand the base structural issues in each division so it is understood what needs to be shored up. The loan amount has thus not yet been determined. Ochoa agreed that there are two main issues relating to what the size of the CIHS deficit loan will be and how this burden will be distributed. Schlereth mentioned that hopefully at the November PBAC meeting we will be able to understand and look at a detailed analysis of the issues and deficits with each division and then look at possible solutions.

### **VIII: CSU BUDGET PRIORITIES: 2008-2009**

(Please see the September 6, 2007 Agenda Packet for this document)

Schlereth described the items which have been identified as 2008/09 priorities by the CSU System Budget Advisory Committee. The broad categories of focus include: mandatory costs, compensation, access, and long term needs.

The largest item under mandatory costs is employee benefits, in addition to new space, utilities, and full year SSI compensation. Compensation costs consist of a 3% general increase and year three of closing the salary gap. Schlereth added that each campus will have to cover some of these costs as they are not fully funded in the compact. Access relates to the 2.5% enrollment growth and related financial aid costs. Long term needs consists of information technology, libraries, maintenance, and the student services initiative.

### **IX: SSU BUDGET PRIORITIES: 2008-2009**

(Please see the September 6, 2007 Agenda Packet for this document)

Schlereth described the President's budget priorities for 2008/09. These include the key issues for the general operating fund as well as the auxiliary enterprise funds. Many of the key issues under the general operating fund mirror that of the CSU but with a few added

items. Under access, SSU will experience a 5% enrollment growth, which is slightly higher than the CSU as a whole. Also under access is the intent to hire new faculty at an SFR of 18.9 and at the CSU base starting salary as enrollment grows, with a focus on eventually achieving 75% of professors on tenure track. Under long term needs, an additional item relates to repairing the base funding to each division so permanent funds are in place where needed. One additional key item includes year two of five of the initiative for increased funding of faculty development.

The key 2008/09 priorities of the auxiliary enterprise funds relate to mandatory costs, compensation, Tusculum, the University Center and the Green Music Center.

Leeder asked if any new assessments should be expected down the line that would be over and above what our reserve would accommodate. Schlereth responded that he does not anticipate any but mentioned that the CSU has expressed that each campus should have approximately 3% of their General Fund budget in reserves in the event of future budget cuts or other financial difficulties. This would equate to close to \$3M for SSU. A discussion may need to take place regarding how to fund a reserve and start building towards it. Interest from the Revenue Management Program would be one option. Ochoa added that given the fact that most of the State budget is non-discretionary and that tax revenues are pro cyclical, this means that whenever there is a downturn in the economy, there will be cuts and higher education is one of the few places the legislature can go to cut.

#### **IX: Added Agenda Item: UPDATE ON DISCRETIONARY FUNDS OF SSE**

McDonald requested an update on the issue related to the SSE organization making allocations of funds for campus priorities. Schlereth stated that he has talked with Dr. Armiñana on this issue and this discussion will be taken up by the SSE Board by the President. A discussion should take place as to what is the most effective use of their resources. SSE currently has key projects to focus on, including the debt service related to the GMC, and significant equipment purchases to be made in order to run the facility and create the revenues necessary to pay this debt. Additionally, SSE is trying to respond to the student initiative related to the University Center. There is also the Tusculum project, which brings 700 new students living on campus and the infrastructure needed to support them. Schlereth added that the SSE Board members have a fiduciary duty to develop the budget for SSE. If they choose to include an allocation of a discretionary amount, this money should be allocated to the President to be used at his discretion, assumingly after seeking consultation from the PBAC of how these monies would be used.

Ochoa adjourned the meeting at 9:40 a.m.

*Minutes prepared by Ian Hannah.*