

**PRESIDENT’S BUDGET ADVISORY COMMITTEE  
MINUTES  
December 13, 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-Newman	Immediate Past Chair of the Faculty, Math Department
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
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
Tim Wandling	Chair of the Faculty, Chair, English Department
Catherine Nelson	<i>Proxy for Andy Merrifield</i>
Elaine Leeder	Dean, Social Sciences, AABAC Representative

**STAFF PRESENT:**

Bill Ingels	University Treasurer, Administration and Finance
Ian Hannah	Management Trainee – Administrative Services and Foundation Operations, Administration and Finance

**GUESTS PRESENT:**

Kathy Mahler	Budget Manager, Administration and Finance
Laura Lupei	Management Trainee – Budget, Administration and Finance
Susan Kashack	Associate Vice President for Communications and Marketing

**MEMBERS ABSENT:**

John Kramer	Faculty Representative at Large, Political Science Department
Andy Merrifield	CFA Representative, Political Science Department
Tristan Kelley	Vice-President for Finance, Associated Students

**STAFF ABSENT:**

Katie Pierce	Associate Vice-President for Academic Resources, Academic Affairs
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AGENDA

- I: CALL TO ORDER AND APPROVAL OF THE AGENDA
- II: APPROVAL OF THE MINUTES (November 8, 2007)
- III: REPAIRING THE BASE INITIATIVE – UPDATE
- IV: BOARD OF TRUSTEES 2008-2009 BUDGET REQUEST: UPDATE
- V: REVIEW OF 2007-2008 UNIVERSITY RESERVE
- VI: UNIVERSITY STRATEGIC PLANNING
- VII: BUDGET PRIMER
- X: ITEMS FOR THE GOOD OF THE ORDER

**I: APPROVAL OF THE AGENDA**

(Please see the December 13, 2007 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 8, 2007**

(Please see the December 13, 2007 Agenda Packet for this document)

The minutes from the November 8th meeting were unanimously approved.

**III: REPAIRING THE BASE INITIATIVE – UPDATE**

Larry Schlereth stated that a priority has been established to address the most threatening needs facing the institution. Schlereth and Ochoa have met with some of the schools and plan to meet with the remainder of the schools in addition to the Library, standing committees of the Academic Senate, Associated Students Senate, and Deans or Department Chairs. Hopefully by March the meetings will be completed and the main issues and ideas will be brought back to the PBAC as part of consultation to discuss what areas to solve and when. Part of this process will also involve repairing the base funding deficits within each division.

Scott Miller mentioned that he believes this initiative is effectively a survey of the entire institution and its financial needs. He added that this committee should think creatively of ways this information could serve the campus. Ochoa stated that despite efforts in Academic Affairs to address the budget cuts, difficulties are still being faced and welcomes Schlereth's help in this process and in the opportunity to develop a template that would be uniformly applied to each of the units. Miller and Elaine McDonald thanked Schlereth and Ochoa for undertaking this process.

McDonald then asked if a brief update could be provided of the issues discovered thus far. Schlereth responded that he felt the largest issues in the School of Science and Technology related to equipment needs and lab space when it comes to recruiting new professors. In the School of Social Sciences it consists of inadequate operating expenditures support. In the School of Arts and Humanities the issues include addressing the Green Music Center (GMC) and challenges maintaining music accreditation. For the School of Business and Economics, accreditation issues and regulations are the biggest concern. For the School of Education there is the increasing demand to adapt to regulations, often unfunded at the CSU level. For Extended Education, the loss of summer school is the biggest item to address. Present throughout the schools were the issues of insufficient refresh of faculty workstations and instructional technology support. Matthew Lopez-Phillips mentioned that for SAEM the main items include staffing needs, budgetary issues, and issues in Athletics.

Schlereth added that the items mentioned are organizationally threatening issues that must be addressed as a first priority. Patricia McNeill stated that the University Strategic Planning process and the issues brought forth as part of this process will help feed into preparation for a comprehensive campaign.

#### **IV: BOARD OF TRUSTEES 2008-2009 BUDGET REQUEST: UPDATE**

Schlereth informed the committee that today's newspaper (SF Chronicle) contained an article which indicated that the State budget deficit is now an estimated \$14B, equating to a shortfall of close to 10%. Unfortunately, it seems unlikely that the CSU will still receive full funding of the Compact. Ochoa added that SSU's new FTES target for next year is 7,700. This means that SSU must shrink by approximately 89 FTES next year due to the current year's over-enrollment. Ochoa clarified that growth funding will still be received at SSU because it will be backfilled from the over-enrollment in the current year. Due to student attrition, new students will still be accepted for next year but it will be at a reduced level. There was a surge in enrollment systemwide this year and currently the entire CSU system is about 10,000 FTES over target. This will result in a difficult situation for the CSU system because the State, in the midst of the budget deficit, believes that the campuses can handle the over-enrollment without additional associated funding. Schlereth added that this will negatively affect SFR and the CSU will most likely lose funding for long term needs and mandatory costs. This will also make the repairing the base initiative particularly challenging. McDonald asked how the reduction in SSU's growth rate will impact funding the GMC and student housing. Schlereth responded that this could have a considerable impact related to the GMC but not a large effect on housing as the Tuscany project could be filled today with existing enrollment.

#### **V: REVIEW OF 2007-2008 UNIVERSITY RESERVE**

(Please see the December 13, 2007 Agenda Packet for this document)

Schlereth stated that it is part of the budget cycle to review the status of the reserve half way through the year. The reserve amount in base funding stands at \$625,000 for 2007/08. So far items have hit the reserve related to Accreditation – year 2 of 3 (\$40,240), Risk Pool Deductible (\$115,000), Faculty Sick Leave (\$149,633), Disabled Accessibility (\$100,000), Campus Catalog (\$45,000), and a Spring 2008 Over-enrollment Advance (\$435,000). The total of these items equal \$884,873, providing a negative balance available for distribution. However, this will be supported by the over-enrollment funds that will be returned when the enrollment figures materialize in the Spring and the reserve fund balance should become positive. Schlereth mentioned that such items as graduation and summer orientation also currently do not have a permanent funding source.

Tim Wandling asked if the Presidential Scholars program now has a permanent funding source. Schlereth responded that the Foundation Board approved realizing some unrealized gains on invested assets in order to help fund the program for this year and to shore up a deficit from the previous year. In addition, proceeds from the lost and found auction and support from the Barnes & Noble campus bookstore have provided additional funding sources.

Schlereth also provided information related to the fire in Tech High, stating that the funds are being assessed to the school district in the amount of \$2,500 to cover water damage associated with extinguishing the fire.

## **VI: UNIVERSITY STRATEGIC PLANNING**

(Please see the December 13, 2007 Agenda Packet for this document)

Ochoa provided an update on the University's Strategic Planning process. There still are additional comments from the University Planning Steering Committee (UPSC) that have not yet been incorporated into the draft version of the five year SSU (2007-2012) Strategic Plan that was provided in the agenda packet. The plan begins with a (currently incomplete) narrative introduction providing the purpose, background, and institutional context of the plan. The introduction will be expanded to describe SSU within the context of the CSU system as well as adding in additional environmental trends. A mission, the vision, and core values for the University are presented along with the nine strategic goal areas with corresponding objectives. These nine goal areas include: Academic Programs, Community Engagement, Diversity, Enrollment Management, External Support, Faculty and Staff, Infrastructure, Quality of Student Experience, and Sustainability. Finally, new University-wide funding initiatives are provided.

Ochoa added that the repairing the base review in addition to the University Strategic Plan will work together to provide a guide for prioritization and implementation. Schlereth added that repairing the base should first be discussed in the PBAC and then tied to the Strategic Plan. Nelson and Miller mentioned the difficulty of the repairing the base and funding initiatives given the likely budget cuts. Ochoa added that the schools have priorities which are clear to them and will be brought to this committee for prioritizing.

Ochoa noted that the point of the Strategic Plan is to attempt to get the University to have a shared understanding of what and where we are as an institution and converge toward a shared vision. This is the first iteration of this process and thus it would be best if people first had a comfort level with the plan once completed by the UPSC. He added that prioritizing is still one step short of funding however. Schlereth mentioned that we are all evolving in this process and is hopeful that the campus will come to a sense of consensus of the prioritization. Wandling agreed.

Wandling noted that putting SSU's plan within the context of the CSU system shows what needs to be done one way or another but this will assist members of the University to understand that it must be accomplished as part of the Strategic Plan and should become educational. Whitney Diver stated that the plan was not supposed to be controversial to the campus and is intended to be inclusive. If items in the plan are prioritized, it will cause for controversy. The items in the plan are currently alphabetized or in numerical order but not prioritized.

## **VII: BUDGET PRIMER**

(Please see the December 13, 2007 Agenda Packet for this document)

Schlereth discussed the composition of SSU's budget for 2006/07 in the context of a PowerPoint presentation.

The General Fund budget for 06/07 was \$82.7M and is made up primarily from a State appropriation and about \$23M from student fees. Should reductions in the State budget occur and affect the CSU, these reductions typically show up in the General Fund budget.

The Capital Budget was \$40M for 06/07 but varies from year to year depending on the capital program and strict restrictions are set on how these funds are used.

The Grants and Contracts Program revenue was initially budgeted at \$29M but is now realistically closer to \$13M. Resources are restricted to the specific grant or contract and the campus is reimbursed for overhead costs via Indirect Cost Recovery (IDC). Schlereth also announced that Letitia Coate has been conducting an analysis of the IDC over the last five years and a report on this will be provided at the Academic Senate in order to show how IDC has been expended by division.

The SSU Housing Program budget stood at \$15.7M and these resources are restricted to this program. Housing has a substantial level of outstanding debt (\$76M with annual debt service payments of \$5.1M, plus Tuscany will add an additional \$59M) making it a significant item to maintain. Schlereth added that the time the debt service will become due varies with each housing project and that a high debt amount is characteristic of a young and highly residential campus such as SSU. Housing also has an investment in the GMC Hospitality Center related to increasing interest for summer housing and associated revenues from this activity.

The School of Extended Education budget was \$3.9M and soon will be challenged with an annual debt service obligation related to the second Systemwide Revenue Bond (SRB) issuance related to the GMC.

The Parking Program budgeted revenue is \$2.1M and these resources are restricted to the Parking and Alternative Transportation programs. Parking has outstanding debt of approximately \$9M with annual debt service payments of \$630,000 that is associated with the construction of parking lots L, M, N and O. Diver asked if this fund pays for additional lighting in the parking lots. Schlereth responded yes, however, they are not responsible for funding pathway lighting.

The Instructionally Related Activities (IRA) budget was \$2.9M. These resources are generated via a mandatory student IRA fee and budget recommendations are developed by the Fee Advisory Committee. Schlereth stated that this program involves around 27 different programs which are all tied to the instructional program but are not integral to it.

The remaining funds include the four SSU auxiliary corporations. All exist primarily to support the University's mission and include: Associated Students Inc., Student Union Corporation, Sonoma State Enterprises, and the SSU Academic Foundation.

The budget for Associated Students Inc. (AS) was \$1.6M and this budget is developed by the AS Board of Directors. The Student Union Corporation had a \$2.2M budget, which is also developed by its Board of Directors. The Student Union has outstanding debt in excess of \$15M associated with construction of the Student Recreation Center, which was built and is operated by the Student Union. The related annual debt service payments total approximately \$1M. Miller asked how the mission of the Student Union would be articulated

compared to Associated Students. Diver explained that Associated Students is more representative of the student government body and programs, whereas the Student Union is more infrastructural in running building costs and related staffing. Schlereth noted that the Student Union along with Associated Students, Housing, and Sonoma State Enterprises are all partners in collaboration for the University Center project.

Sonoma State Enterprises (SSE) had a budget of \$9M which is developed by its Board of Directors. SSE has debt outstanding to the SSU Academic Foundation totaling \$5.4M, at an interest rate of 7%, with annual debt service payments of \$525,000. This debt is related to the renovation of Salazar Hall, essentially providing SSE ownership of a component of Salazar. The division of Administration and Finance in turn pays rent to SSE for use of this space. SSE also has debt associated with the restaurant component of the GMC and they are hopeful to use this facility for both restaurant and hospitality functions to generate additional revenues.

Wandling asked if SSU's bonds were rated. Schlereth responded that all self-supporting funds of the CSU campuses are viewed together and rated as a system. The CSU has a high rating and is actually currently rated better than the State, providing a very competitive rate of interest. Leeder asked if there was a rating within the CSU for each of the campuses. Schlereth responded that a campus cannot bring a debt issue forward unless certain system-wide provisions are met. This has helped the CSU maintain its high debt rating. SSU has maintained proper debt service coverage ratios and is prudently managed from a debt perspective, although it is highly leveraged for a campus of our size.

The Sonoma State University Academic Foundation (SSUAF) worked off of an \$189,775 General Fund budget for 06/07. However, total assets of the SSUAF were \$87.3M. This figure will be reduced significantly in the future once the GMC assets are moved to the University. SSUAF resources are obtained from private gifts and earned interest. Donor intent drives how resources are allocated. The rates of return for the SSUAF Endowment funds are high within the CSU system. McNeill added that SSU is in "group 2" of the three CSU peer groups in the CSU Advancement Classification Model. Ochoa stated that the SSUAF is also providing an annual endowment distribution to the schools, which is currently greater than \$1M.

Schlereth described the various annual audits that the campus undergoes. The University as a whole goes through an annual GAAP financial audit currently conducted by KPMG and each of the four auxiliaries are audited annually by external firms. Additional audits include: A-133, FISMA, audits on every major construction activity, SRB audits, and various special audits performed from time to time. Schlereth explained that the CSU undertakes an RFP process in deciding on an audit firm for the GAAP audit of the CSU system. The level of scrutiny that now exists with each of the audits is now very high. Coate added that unlike the GAAP audit, each of the auxiliary auditors is determined at the campus level. Ochoa added that there are only about three big accounting firms now to choose from for the CSU system. Coate clarified that this is due to the need for a firm with the level of resources and expertise required for a firm to complete an audit for all of the CSU campuses during the same time frame. Schlereth also mentioned that each auxiliary Board receives a presentation from their respective auditors and thought perhaps the KPMG auditor could present the University financials audit (GAAP audit) to the PBAC in the future.

Schlereth then described the annual budget cycle, including the role of the PBAC throughout the year. (The annual budget cycle can be viewed here: <http://www.sonoma.edu/afd/pbac/BudgetCycle.pdf>)

**X: ITEMS FOR THE GOOD OF THE ORDER**

No items were reported.

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

*Minutes prepared by Ian Hannah.*