

**PRESIDENT’S BUDGET ADVISORY COMMITTEE  
MINUTES  
February 21, 2008**

**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
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
Elaine Leeder	Dean, Social Sciences, AABAC Representative
John Kramer	Faculty Representative at Large, Political Science Department
Andy Merrifield	CFA Representative, Political Science Department

**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

**MEMBERS ABSENT:**

Matthew Lopez-Phillips	Interim Vice-President for Student Affairs & Enrollment Management
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 (December 13, 2007)
- III: REPAIRING THE BASE INITIATIVE – UPDATE
- IV: GOVERNOR’S 2008-2009 BUDGET
- V: PRIOR YEAR EXTERNAL AUDIT

**I: APPROVAL OF THE AGENDA**

(Please see the February 21, 2008 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: December 13, 2007**

(Please see the February 21, 2008 Agenda Packet for this document)

The minutes from the December 13th meeting were unanimously approved, with one abstention from Andy Merrifield.

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

Larry Schlereth stated that he and Ochoa have been meeting with the various areas of the University including each of the Schools. Student Affairs is the only area that still needs to be analyzed. This is the first year of what will probably be several years of attempting to repair the base. Various emerging issues have been expressed by the Deans related to such items as operating expenses, staffing, and equipment. It is also the plan to meet with the standing committees of the Academic Senate. A list will be prepared and provided to the committee so that discussion can take place on how to address these issues. Schlereth added that these are items that need to be addressed if the University is to remain viable. Elaine Leeder asked how this initiative will be possible given the budget situation. Schlereth responded that that campus may have to cut a little deeper in some areas to address these issues. He added that many of these issues are related to the 03/04 and 04/05 cuts to the campus base budget. Ochoa noted that although the campus is tight on funding, some areas are hurting relatively more than others and the overall effectiveness of the institution could be improved through re-direction of resources. This could principally be addressed out of campus growth funds, which could be differentially distributed, based on the items identified as priorities.

Schlereth discussed four areas of investment that could provide returns to the campus. These include Development, Extended Education, Research and Sponsored Programs, and Entrepreneurial Activities. Investments in these areas would provide opportunities for external revenue sources but would require sacrifices in the short run. The most immediate issues however, relate to the repairing the base items.

Scott Miller thanked Schlereth and Ochoa for undertaking this initiative. He also mentioned that most of the concern he has heard does not relate to operating expense issues but rather that there are not enough faculty members to teach courses and advise students. Schlereth responded that perhaps meetings to hear of the students' perspective and with the standing committees of the Academic Senate will provide for a different perspective on where the issues lie. Ochoa indicated the bulk of the cuts in each of the Schools were absorbed in instructional staff. Upon taking on the repairing the base initiative, the focus was on more manageable areas that could be made whole and have a more significant impact. For

example, it would cost over \$1M to reduce the SFR by one point but this same level of funding put toward operating expenses would have a more dramatic effect.

Tim Wandling asked if a cut still remains related to instructional technology. Schlereth responded yes, that the Information Technology department was reduced by approximately \$800,000 and has been supported annually via one time funding. Therefore, funds have been provided but I.T. has a substantial structural deficit. Departments across the campus have this type of structural dilemma because in many cases funding has not been restored from the 03/04 and 04/05 budget cuts. Wandling stated that SSU has been in a crisis mode for many years now and he has always heard that assistance would come from growth funds, but issues still exist. Schlereth responded that he feels the University needs to make a fundamental change of how it operates and focus very clearly on a few main priorities. Too many things are attempted on this campus and this causes for areas to become diluted. Ochoa echoed this opinion, believing our reach is exceeding our grasp as an institution. This has made the University vulnerable during downturns. However, SSU is not alone as these diverse trends and challenges are hitting the CSU system as a whole and are shared on all campuses. Schlereth added that the repairing the base initiative should be meaningful change, not just idle talk.

#### **IV: GOVERNOR'S 2008-2009 BUDGET**

(Please see the February 21, 2008 Agenda Packet for this document)

Schlereth informed the committee of the projected impact of the Governor's proposed 2008/09 budget for the CSU system and SSU. The 08/09 augmentation to the CSU budget is \$214M and an additional assumed student fee increase of 10% would provide an additional \$73M to the system. However, a reduction of \$313M would also be implemented, causing for a net reduction of \$26M to the CSU. This translates to an approximately \$649,000 net reduction for SSU but this alone is not the whole picture. It was initially anticipated that the Governor would fund additional costs related to negotiated faculty/staff/administrator compensation, and unavoidable facilities costs. These additional items are unfunded and thus bring a total projected impact to SSU of about \$3.4M, which represents about a 3.7% cut from SSU's current \$91M General Operating Fund. Schlereth mentioned that should this budget remain true, the University would have to re-allocate resources from other areas into the unfunded areas, particularly to compensation. Ochoa emphasized that in addition to this cut, the CSU and SSU will not receive growth funding since the campus is not allowed to grow its FTES target in 08/09. Schlereth added that even without the growth, the CSU system is currently over-enrolled by approximately 10,000 FTES and thus will actually have to reduce its number of FTES going into next year.

Dan Condron emphasized that new budget figures are now coming out of the State budget, whereas the sheet provided in the packet shows the impact of the January budget. Schlereth noted that it is possible that the budget could get worse in the new revise and the \$312M reduction could increase. He also does not believe the CSU Trustees have an appetite to approve anything greater than a 10% student fee increase.

Merrifield mentioned that these figures should not be where we are focusing all of our efforts as they may likely change. We should reasonably and sensibly look at planning but the CSU system is also fighting against this cut through a restoration movement.

Merrifield made a motion to pass a resolution that the PBAC recommend to President Armiñana that he work with all of the various advocacy groups on the campus and throughout the community to restore the proposed cuts, using the figures provided in the document as support. Elaine McDonald-Newman seconded and the committee unanimously agreed.

Schlereth discussed the University Advocacy Effort as a University-wide strategy to restore the Compact level funding. The effort is attempting to (1) eliminate the reduction of \$313M and (2) buy out the fee increase of \$73M, for a total positive impact of \$386M. Having these cuts restored would eliminate the Student Fee increase, eliminate the net reduction, fund mandatory costs, fund the compensation plan anticipated for 08/09, provide \$43M for long term needs, and allow the CSU to grow by 2.5%. Schlereth added that we must also be cognizant that the final budget result may vary from what has been presented. Condrón indicated that this effort will be relayed as a unified voice to Sacramento, to the media, to the legislature, and to community members. Merrifield affirmed that there is real action being planned in terms of lobbying and outreach to the community. There will be massive outreach to many groups to express the impact that the CSU has on the economy.

Elaine Leeder asked if the five year funding initiative of \$200,000 per year for faculty development would still be funded. Schlereth responded that he believes this commitment should remain and would have to be included, along with the repairing the base issues, as campus budget priorities.

## **V: PRIOR YEAR EXTERNAL AUDIT**

Schlereth stated that last year, Brian Orr, Senior Accountant, provided a presentation on the University's Financial Statements. Due to recent campus interest in this subject, Schlereth announced a proposal to have the external auditor (KPMG) come and present the audited financials to the PBAC or to the University community as a whole, perhaps within the context of the Academic Senate. The auditors could then be questioned directly related to the integrity, accuracy, and systems of internal control that they are hired to audit. This is similar to what occurs in an audit presentation provided to the Board of Trustees at the CSU system level. KPMG could also speak about the A-133 audit and Moss Adams could speak to the financial audit of the Academic Foundation.

Many members of the committee supported the idea that this presentation should be made to a larger campus audience. Condrón added that if the Academic Senate does not prove to be a good option for this then an alternative venue should be explored. The University will soon begin a series of Campus Forums, on a variety of topics, which will be open to the whole campus community. Condrón and Schlereth agreed this may be an appropriate place to hold this topic. A possibility was discussed of having the presentation co-sponsored by the Academic and Student Senates.

Discussion ensued regarding the content and area of focus of the presentation.

Merrifield commented that audits analyze if the University's spending is being conducted legally as opposed to looking at the question of whether the spending is being conducted wisely. It also does not provide for an in-depth discussion of policy and priorities. Letitia Coate stated that this report would be of the University's financial statements according to Generally Accepted Accounting Principles (GAAP) created by SSU staff

according to the general ledger. The auditors come and provide an opinion on the statements to see if they are correctly stated and whether an unqualified opinion can be given. This is completed through their review of numbers, the rules used to present them, tying them back to source documents, trend analysis, and interviews with management. They also look at internal controls so benchmarks in this regard could be asked of the auditors.

Wandling added that some of the concern on the campus revolves around looking for a review of priorities of spending and how decisions in this regard are being made. Kramer expanded on this and commented that the real issues are about policy decisions such as those made related to the Green Music Center (GMC). Coate noted that KPMG does not come in and do that type or level of analysis under the scope of their audit and what is being asked for is more of an investigation and complete review and analysis than an audit. Schlereth stated that a legitimate conversation can take place about how resources were allocated but this is a different question than the financial team expending the resources appropriately as approved by the President.

Schlereth also announced that a new State Controller's Audit of the campus General Fund expenditures over the last three years (associated with the Revenue Management Program) would begin in March. SSU and Sacramento State are the pilot campuses for this audit. This audit will assess whether SSU has been expending the General Fund dollars within the parameters of the educational code.

Kramer felt that the forum should focus more on whether other priorities on campus are secondary to finding money for the GMC. It should be reviewed what these funds might have alternatively been used for on the campus. This question may not be looked at in an audit but should be discussed. Schlereth responded that he would like to find a way to make a process to work through these types of questions once and for all. Merrifield added that it would be important to receive a more manageable understanding of the issues behind the GMC but felt it is very optimistic to think differences in opinion related to policy will ever be solved. Ochoa announced that on the other hand, the Music building at CSU Northridge came in about \$40M over bid and their Academic Senate actually endorsed borrowing money to fund the project. Therefore, he felt there must be a process by which a campus can achieve consensus on this sort of thing. However, we can only look to make adjustments in the future and cannot turn back the clock and fix the process that brought us to this point. Bill Ingels noted that a providing a refresher on the GMC budget, including costs and funding sources, could help the committee to understand the issues. Wandling agreed with the issues brought up by Kramer but also agreed with the mentality to move on and indicated that the question now is where are we going in the future and believes we are moving in this direction. McDonald-Newman stated that the repairing the base initiative will begin changing minds but she would still be interested in a line by line accounting of how the GMC project will be paid for given the recent slowdown in student growth projections.

Patricia McNeill provided that SSU has only one fundraiser position and the GMC has been their main focus. Additional investment in fundraising could provide for more efforts focused on raising money to support the University's primary educational mission. She added that the community has been extraordinarily generous to the GMC and it did succeed in bringing in interest from individuals formerly not connected with SSU, whom have also donated to other areas of the campus. McNeill also mentioned that it is important for the campus to go through a strategic planning process such as what is currently underway, in

order to decide as a campus what the priorities are and to make a deliberate effort to focus fundraising efforts on those priorities.

Ochoa provided that a business plan of the GMC should soon be completed and has benefited from input of a consultant in the Arts Management profession. McNeill and Ochoa also discussed a presentation made by Ochoa at the recent North Bay Economic Outlook Conference, which showed the potential positive impact the GMC will have on the local economy.

Ultimately, no clear conclusion was reached as to the best format, content, or venue for delivering the Audit presentation.

## **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.*