

# PRESIDENT'S BUDGET ADVISORY COMMITTEE

## April 30, 2009

### 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
Dan Condron	Vice-President for University Affairs
Patricia McNeill	Vice-President for Development
Matthew Lopez-Phillips	Interim Vice-President for Student Affairs & Enrollment Management
Janice Peterson	Senior Director for University Budget, A&F, CRC Representative
Sam Scalise	Chief Information Officer, Administration and Finance
Elaine Leeder	Dean, School of Social Sciences, AABAC Representative
Scott Miller	Chair of the Faculty, Director, Writing Center
Tim Wandling	Immediate Past Chair of the Faculty, Chair, English Department
Susan Moulton	Chair-Elect of the Faculty, Art Department
John Kramer	Faculty Representative at Large, Political Science Department
Andy Merrifield	CFA Representative, Political Science Department
Henry Amaral	Staff Representative, Facilities

### STAFF PRESENT:

Lori Heffernon	Director of Academic Resources, Academic Affairs
Bill Ingels	University Treasurer, Administration and Finance
Laura Lupei	Budget Manager, Administration and Finance

### GUESTS PRESENT:

David Crozier	Assistant Controller, Administration and Finance
Ian Hannah	University Associate Treasurer, Administration and Finance
Kathy Mahler	Lead Budget Manager, Administration and Finance
Mike Ogg	Budget Manager, Administration and Finance
Brian Orr	Internal Auditor, Administration and Finance
Sandy Ratliff	Administrative Manager, Student Affairs & Enrollment Management

### MEMBERS ABSENT:

Ruben Armiñana	President, SSU, Chair
Letitia Coate	Associate Vice-President for Administration and Finance
Derek Pierre	President, Associated Students
Nicolette Margi	Vice-President for Finance, Associated Students

## **AGENDA**

- I. APPROVAL OF THE MINUTES**
- II. 2009-2010 ANTICIPATED BUDGET REDUCTIONS**
- III. ENDOWMENT EARNING DISTRIBUTION FOR 2009-2010**
- IV. EXTENDED EDUCATION EARNINGS DISTRIBUTION FOR 2008-2009 AND 2009-2010**
- V. PRIOR YEAR EXTERNAL AUDIT**

### ***I. APPROVAL OF THE MINUTES: February 26, 2009***

Larry Furukawa-Schlereth called the meeting to order at 8:07 am. Schlereth introduced guests, Brian Orr, Director of Internal Audit and David Crozier, Assistant Controller, who would be presenting the University's audited financial statements. Schlereth also welcomed Sandy Ratliff, the Administrative Manager of Student Affairs and Enrollment Management who was joining PBAC as a guest.

Schlereth updated the committee on the status of the annual Expenditure Plan. Typically the Expenditure Plan is finalized in early April, but this year the GAAP statements from KPMG are late and we are also waiting to receive the final report from the State Controller's Office on the internal control audit. Schlereth noted that this second audit could be of great interest to the campus, particularly the Academic Senate. Those reports should be received in the next week so the Expenditure Plan will be finished soon. Moulton asked if the Expenditure Plan could be sent out electronically; Schlereth replied that the campus has never done that before, but that he would look into it.

Eduardo Ochoa asked for a motion to approve the minutes of February 26<sup>th</sup>, 2009. Scott Miller moved; Dan Condrón seconded. The minutes were approved with no opposition.

### ***II. 2009-2010 ANTICIPATED BUDGET REDUCTIONS***

(Please see the April 30th, 2009 agenda packet for related documents)

Schlereth reviewed the budget plan for 2009-2010. A new item on this list is the addition of Revenue Management Program Interest Earnings of \$120,000 to the University-wide base budget. The Chancellor's Office doesn't want campuses building this revenue into the base budget until the earnings are stabilized. However, Schlereth and Janice Peterson believe that the \$120,000 revenue is a conservative estimate based on an analysis of RMP earnings that can be built into the permanent budget. These earnings are from investing student fee revenues which, in the past, were held by the State Controller. Now that we manage those funds locally, the campus earns the

interest. This additional revenue item is offset by the addition of the GIS Lab funding in the School of Social Sciences. This area was identified in the Information Security Audit as an issue. The recommendation was to move the area over to IT and create a base budget, which has never existed for this department, to provide for staffing and equipment. The funding from the Federal Stimulus came in a bit greater than anticipated, however, there is much uncertainty regarding what will happen at the special election on May 19<sup>th</sup>.

Schlereth then reviewed how each of the divisions are planning to fund the cuts in 2009-2010. The President's Office is unable to make reductions because there are really only two positions, so that reduction of \$22,700 typically is passed out to the other divisions based on their share of the rest of the budget. Schlereth asked Dan Condrón to discuss how University Affairs plans to fund their share of the cut which amounts to \$25,436. Condrón explained that University Affairs' budget is largely used for salaries and benefits, so they have reduced their headcount by one position which was vacated through attrition. Condrón noted that the division would like to recruit for the position, but is holding it vacant for now. Andy Merrifield asked what the function of the lost position was and Condrón replied that it was the campus photographer function, which they would like to replace with an internal communications specialist. Condrón added that this position is not enough to fund the cut, so the division is also attempting to reduce operating expense by cutting publications, specifically the Insights magazine. John Kramer asked what the overall percentage of the cut was and Schlereth responded that it is about a 2.7% cut across the board.

Patricia McNeill then spoke regarding how Development was planning to handle their cut of \$43,760. McNeill explained that the bulk of expenses in Development are also salary and benefits expense, which they have reduced slightly by having the Alumni Association pay for one of their staff. However, the bulk of their cut will be made in operating expense by cutting down on publications such as the GMC newsletter and reducing the number of events for donors.

Ochoa discussed the distribution of the cut of \$1,590,402 throughout the Academic Affairs Division. Henry Amaral asked how these cuts affect the students directly. Ochoa responded that each Dean handles the cuts differently in each of the schools. Some schools have retirements which have provided salary savings. To a greater or lesser extent, each school has had to cut down on lecturer hires for next year, so the student/faculty ratio will probably increase and certain upper grad classes that would normally have gone through with low enrollment may no longer happen. Tim Wandling asked where the Faculty Development funding is and Schlereth responded that the Faculty Development funding is not subject to these cuts. Kramer asked how many sections this cut translates to. Ochoa replied that he would have to look into more detail at each of the schools' budget decisions to make that estimate. Lori Heffernon pointed out that our target is going down as well, so some of the scaling down of classes is deliberate. Wandling said that since our target enrollment was the same in 08/09 and

09/10 we should be able to compare the number of sections. Merrifield expressed some concern about the ability of campus to actually scale down enrollment and Ochoa responded that the campus has been pretty good at hitting near target with the exception of last year due to a large unpredictable behavior change in students. The campus is aiming for target this year rather than target plus 2%.

Discussion ensued regarding registration limits and shadow sections and Ochoa clarified that the priority is to meet the needs of the students who are here. If there is a need somewhere, then there needs to be a reduction somewhere else. Merrifield asked what the effect is on the benefits pool of cutting lecturers who do not receive benefits. Schlereth responded there is a zero sum net effect on the pool in the long run. In the short run the pool loses the money in the payout, but this assists the School who had to contribute that funding to the pool when the position was created. Miller noted that the strategies for dealing with the cut seem different than in the past and wondered how we will handle further cuts without cutting enrollment further. Ochoa responded that the Chancellor has made it clear that the CSU cannot take any further cuts and continue to enroll the current number of students. If the economy gets worse and does not recover, there will need to be drastic changes instead of chipping away and managing the cuts with one-time bridge funding as we have been doing.

Matthew Lopez-Phillips discussed how Student Affairs and Enrollment Management is planning for their share of the cut which amounts to \$296,474. Lopez-Phillips said that there were a number of open positions which have been held open, such as an admissions position, direct support for the VP's office and a club advisor position has been eliminated. SAEM is also attempting to reduce operating expense by 12%. The division is trying to preserve Student Bridge, EMT and retention and diversity efforts. There may be some departments that are hit a little harder in order to preserve the areas that meet University-wide priorities.

Schlereth addressed Administration and Finance's planning for a cut of \$756,228. Schlereth has a number of strategies to discuss with CRC tomorrow such as eliminating the Senior Director of Facilities Services position formally held by Rich Marker which will be taken on by Christopher Dinno who will still be managing CPDC. The second is the elimination of the old Harvey Delorm position whose duties will be assigned to Mike Annala. There is also an AIS unit position which may be eliminated due to possible simplifications associated with the Common Financial System project. Ron Barthlomew's duties as the Facilities Director at the GMC may be assigned to a current CPDC project manager. The funding for these four positions gets close to, though does not totally cover, the full cut, so other vacant positions are being evaluated. Schlereth clarified that there will be no cuts to the Police force and positions may even be added to handle the addition of 700 residential students with Tuscan. CRC is reluctant to reduce landscapers and will examine custodial positions, Finance and HR at tomorrow's meeting. The division is looking into other ways to generate savings, such as sustainability initiatives and partnering with other campuses. Schlereth also pointed out

that he is generally targeting management positions for elimination since they are typically more expensive and more money can be saved while eliminating fewer positions. Additionally, the division is the largest employer of student assistants and is attempting not to effect student jobs.

Schlereth then reviewed the Non-General Fund budget challenges including the Foundation Endowment Distribution for 09-10, the Athletics Scholarships for which the coaches are now committed to raising \$200,000 of the \$400,000 that is needed, the Classroom Renovation program, which we are hoping to receive state funding for, and the Extended Education Operating Deficit for 09-10.

### ***III. ENDOWMENT EARNING DISTRIBUTION FOR 2008-2009***

(Please see the April 30th, 2009 agenda packet for related documents)

Schlereth reviewed the Pooled Endowment Earnings Distribution of the Academic Foundation. In 08-09, \$1,144,258 was distributed. This year, if a distribution was made, it would be \$1,168,252. However, the endowment is not currently generating earnings, so it isn't possible to make a distribution without selling assets that are currently undervalued. This funding is built into base budgets for many of these areas expecting distributions so the funding needs to be identified from an alternate source or else this will represent an additional cut to those areas. Schlereth does not yet have a solution to this challenge but plans on meeting individually with the owners of these endowment distributions to understand their needs and the minimum amount they would need to receive to get by in the 09/10 year. At this point, it is too soon to present a recommendation, more will be clear after the special election on May 19<sup>th</sup> and the release of the Governor's Revised Budget.

John Kramer asked what the value of the endowment is and Bill Ingels replied that the pooled endowment is approximately \$18M, down from approximately \$32M a year and a half ago. Moulton asked if any of these programs could be supported with the faculty development money and Schlereth replied that this is probably a question that should be addressed by AABAC.

### ***IV: EXTENDED EDUCATION EARNINGS DISTRIBUTION FOR 2008-2009 AND 2009-2010***

(Please see the April 30th, 2009 agenda packet for related documents)

Schlereth advised PBAC members to review the entire Extended Education business plan which is available at the Extended Ed website. The critical item for discussion is the University Bridge Financing item which illustrates support of \$500,000 in both this year and next year. Extended Ed has suffered from the loss of the summer school, changes in bargaining agreements and the addition of the GMC debt service. Schlereth anticipates that by 10/11 the program will be in a balanced position. The distributions to the

schools are still in the budget, but most likely will not be coming directly from the Continuing Education Revenue Fund (CERF), but rather from the General Fund bridge support. Where that funding is coming from is not yet clear. Wandling expressed some concern about the transparency of the budget document since a different interpretation could show that the General Fund is indirectly supporting the GMC loan payment. Ochoa responded that the CERF is pledged against the second GMC bond, so the program has to show all existing revenue sources, which is why the budget is structured in this manner. Ochoa continued that Extended Ed will be able to grow new revenue sources using that space to increase the distributions to the schools. Dean Merickel feels strongly that the distribution to the schools is a critical function for Extended Ed and wanted the budget plan to reflect that priority.

Moulton asked if there is a capital budget plan for the GMC that encompasses all of the bonds. Schlereth replied that the plans are split by SRB I and SRB II since part of the debt is owned by SSE and part by Extended Ed. Schlereth added that the Hospitality Center portion will be presented at the CRC tomorrow. There is also a GMC business plan. Discussion ensued regarding Extended Ed's business plan and programmatic changes.

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

(Please see the April 30th, 2009 agenda packet for related documents)

Schlereth asked David Crozier to present on the 2007/2008 GAAP statements. Revenues had increased about \$16M from the prior year due to increases in student fees, slight increase in the state appropriation, increase in capital revenue due to the receipt of GMC funding from the Foundation and offset by a decrease of about 15% in the grants and contracts. Expenses decreased from the previous year partially due to the non-renewal of CIHS grants. The remainder of the presentation was deferred to the next meeting due to time constraints.

Ochoa adjourned the meeting at 9:54 am.

Minutes prepared by Laura Lupei.