

PRESIDENT'S BUDGET ADVISORY COMMITTEE

November 6, 2008

MEMBERS PRESENT:

Ruben Armiñana	President, SSU, Chair
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
Letitia Coate	Associate Vice-President for Administration and Finance
Janice Peterson	Senior Director for University Budget, A&F, CRC Representative
Elaine Leeder	Dean, School of Social Sciences, AABAC Representative
Scott Miller	Chair of the Faculty, Director, Writing Center
Susan Moulton	Chair-Elect of the Faculty, Art Department
Andy Merrifield	CFA Representative, Political Science Department
Henry Amaral	Staff Representative, Facilities
Derek Pierre	President, Associated Students
Nicolette Margi	Vice-President for Finance, Associated Students

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:

Susan Kashack	Associate Vice President for Communications and Marketing
Christopher Dinno	Senior Director for Facilities Management

MEMBERS ABSENT:

John Kramer	Faculty Representative at Large, Political Science Department
Sam Scalise	Chief Information Officer, Administration and Finance
Tim Wandling	Immediate Past Chair of the Faculty, Chair, English Department

AGENDA

- I. APPROVAL OF THE MINUTES**
- II. INTRODUCTION OF LAURA LUPEI**
- III. 2008-2009 FINAL BUDGET ALLOCATION**
- IV. FALL 2008 BUDGET REDUCTION**
- V. POTENTIAL MID-YEAR BUDGET REDUCTION**
- VI. FIVE YEAR CAPITAL OUTLAY PROGRAM**
- VII. CAMPUS FINANCIAL TOWN HALL MEETINGS**
- VIII. TRUSTEES 2009-2010 BUDGET REQUEST**
- IX. BUDGET PRIMER**

I. APPROVAL OF THE MINUTES: September 4, 2008

Eduardo Ochoa called the meeting to order at 8:12 am. Ochoa asked for a motion to approve the minutes from the September 4, 2008 meeting. Dan Condron moved, Scott Miller seconded. The minutes were approved with no opposition.

II. INTRODUCTION OF LAURA LUPEI

Ochoa introduced Laura Lupei who will be taking over the staffing of the PBAC from Ian Hannah. Lupei has completed the Management Trainee program and has been placed in her permanent position in the Budget Office.

III. 2008-2009 FINAL BUDGET ALLOCATION

(Please see the November 6, 2008 agenda packet for related documents)

Schlereth explained that the PBAC was being presented with this year's final budget allocation later than usual because the state budget was passed late this year. Schlereth noted that the PBAC members should be keenly aware of what is happening with the budget because he anticipates that there will be many questions from the campus community. There is a funding increase this year of \$2.1M to the campus, largely due to the student fee increase. One-third of this funding, \$705,000, is set aside for Financial Aid. The proposal is to allocate the remaining \$1.4M to the Divisions based on the marginal cost formula even though it is not technically growth money. This gives a slight advantage to Academic Affairs.

There are also a number of mandatory costs for this year, which exceed the base increase. These costs are normally funded by the state through the compact and even though the compact was not met this year, these costs still exist on the campus. The proposal is to allocate these costs based on Division share of the campus budget. This is difficult to do for the Executive Office since it is so small, so the share for that Division is allocated out to the other Divisions. The result is an overall reduction in spending power for the campus of about \$1M, largely due to increased compensation costs. This is not technically a cut, but rather a redirection of resources to cover mandatory costs.

Schlereth moved to recommend these final budget allocations to the President; Letitia Coate seconded. Andy Merrifield noted that there aren't many other options at this point, but in future years when there is time, further discussion would be very useful. Schlereth noted that the use of the marginal cost formula as an allocation model to distribute new student fee revenue is a significant change but the committee seems to agree that this is an acceptable approach.

Schlereth also explained that the campus is overenrolled for Fall and, most likely, for Spring. The over enrollment produces additional revenues in the state university fee, however, there is no marginal cost co-funding provided by the State. Once the amount of additional fee revenue is confirmed, it is the President's policy to allocate 100% of

these funds to instruction. This represents a disadvantage for Student Affairs and campus institutional support, but it is recognized that the predominant increase in workload is in the area of direct instruction. Ochoa added that using all of the extra fees for instruction allows for funding just at the marginal cost of instruction only, and so mitigates the impact on class size from over enrollment. Increases in work load for this year are due to cuts and not the over enrollment. However, this is not sustainable in the long run because over enrollment does effect the entire University.

Schlereth continued that there is a number of pending financial concerns for this year. These include the following: the Fall budget reduction, the potential for an additional mid-year budget reduction; the insufficient IDC rate to support the Grants and Contracts program, the challenge of adding to the base funding for the Faculty Development and Repairing the Base initiatives; potential shortfall in the Utilities budget due to rising utilities costs; costs associated with the Trustee mandate to address Information Security Audit recommendations which are required to ensure student and employee privacy and is anticipated to cost up to \$400K, the effects on the Foundation endowment portfolio due to the world-wide economic conditions which has a direct effect on the expected endowment distribution to both campus departments and scholarships; a potential operating deficit in the Student Union due to the anticipation of a steady growth pattern and the requirement to recognize post retirement health care benefits on the financial statements; potential operating deficit in Extended Education of about \$500K due to rising costs and the loss of the summer school; and, the operating deficit in Athletics due to increased NCAA regulations and rising costs.

Ochoa added that he believes the Extended Ed deficit can be covered by their fund balance. The School has a good turnaround plan and will be generating the proper revenue in a couple of years. The current concern is the payouts to the other Schools. Schlereth emphasized that the distribution is a very high priority.

IV. FALL 2008 BUDGET REDUCTION

The campus is receiving a cut of \$711,000 which is most likely a one-time cut. In order to provide the least disruption to University operations, the proposal is to use non-recurring funds from the Reserve. Schlereth provided an overview of the 2007-2008 budget vs. actuals in the University-wide category. The year ended with \$643,000 left with an additional \$255,000 of extra fee revenue dedicated to Academic Affairs. Of the remaining \$643,000, the proposal is to use \$200,000 to cover the 07/08 Athletics deficit, leaving \$443,000. That \$443,000 would then be used for the Fall reduction leaving about \$267,000 left to cover. The proposal would be to take the remainder from the 08/09 University Reserve budget. The other choice is to assess the divisions for this funding, which is not very practical at this point in the year. However, with the other anticipated needs on the Reserve this year, this strategy may create a deficit in the Reserve. There are potential savings in benefits, but costs such as the risk pool deductible and faculty sick leave may increase. Elaine Leeder asked if there was a risk of assessing the Divisions. Schlereth responded that he hesitates to say so now, but it is a

possibility. Schlereth continued that it is a worry that there could be no roll forward in the reserve for next year. Discussion ensued regarding the various items that are funded from the reserve and the longer term need for a higher reserve.

Schlereth asked for a recommendation from the PBAC to the President on the strategy to handle the Fall budget reduction. Discussion ensued on the challenging situation, the lack of other viable options and the committee generally agreed that, due to the timing of the cut and the desire to provide as little interruption to University operations as possible, the strategy laid out by Schlereth is an acceptable approach.

V. POTENTIAL MID-YEAR BUDGET REDUCTION

Schlereth explained to the committee that it is likely that the CSU will receive a mid-year budget reduction, though the details are still unclear. We may be able to discount the amount that has been cut in the Fall, or it may be an additional cut of between 3-7%, and it is still unclear whether the cuts will be permanent or one-time. The President has asked each of the Divisions to curtail hiring as much as possible, though a total hiring freeze has not been enacted. Schlereth explained the difficulties of handling a mid-year cut in a University where most of the spending for the year has already been determined at this point. Because there is not a lot of operating expense available, over enrollment revenues and salary savings become important considerations.

VI. FIVE YEAR CAPITAL OUTLAY PROGRAM

Schlereth introduced Christopher Dinno, Senior Director for Facilities Management who is attending as a guest to provide any needed detail on the Five Year Capital Outlay Program presentation. Schlereth reviewed the presentation for the committee. Capital outlay projects for the time frame between 2009/2010 and 2013/2014 total \$95,950,000 for potential state funded projects such as the Professional Schools Building and the Stevenson Hall Renovation. The Non-State Funded Capital Outlay Program projects total \$121,633,000 over the five years, including such projects as the Faculty/Staff Housing project and the University Center. Susan Moulton asked if there would be assessments to the Schools for the Stevenson Renovation like there was for Darwin. Schlereth replied that there are two kinds of campus costs associated with a state-funded capital outlay project – the feasibility study and any relocation costs incurred for shutting down a building. Schlereth also noted that Dinno would recommend a feasibility study of the Ives building, which would cost \$200,000 to \$300,000. This is difficult to do this year but may be a priority for the campus. Ochoa said that the Space Committee should consider how urgent the Ives classroom renovation is in comparison with the other classrooms on campus. Schlereth asked Ochoa to take the Five Year Capital Outlay Plan to the Joint Committee for Academic Planning and receive any suggestions for changes to these projects before submission of the proposal to the President in February.

VII. CAMPUS FINANCIAL TOWN HALL MEETINGS

Schlereth announced that, due to the unprecedented scope of the budget crisis facing the University, he supports the jointly sponsored set of campus dialogues to discuss how we should address these budget cuts. These meetings which are being called the Campus Financial Town Hall Meetings are not sponsored by PBAC, but are jointly sponsored by the Academic Senate, Associated Students, CFA and the University administration. Schlereth expressed his hope that those from PBAC would attend these meetings. PBAC is ultimately responsible for providing budgetary recommendations to the President, but, in this situation, the discussion needs to be broader.

VIII. TRUSTEES 2009-2010 BUDGET REQUEST

Schlereth told the committee that the Trustees' 2009/2010 Budget request will be submitted in November. The request is for compact funding, plus additional funding for a number of items. The chances of receiving the full amount of funding in the budget request are questionable.

IX. BUDGET PRIMER

Item deferred.

Ochoa adjourned the meeting at 10:00 am.

Minutes prepared by Laura Lupei.