

PRESIDENT'S BUDGET ADVISORY COMMITTEE

December 18, 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
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
Susan Moulton	Chair-Elect of the Faculty, Art Department
Tim Wandling	Immediate Past Chair of the Faculty, Chair, English Department
John Kramer	Faculty Representative at Large, Political Science Department
Andy Merrifield	CFA Representative, Political Science Department
Henry Amaral	Staff Representative, Facilities
Derek Pierre	President, 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
Ian Hannah	University Associate Treasurer, Administration and Finance
Kathy Mahler	Lead Budget Manager, Administration and Finance

MEMBERS ABSENT:

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

AGENDA

- I. APPROVAL OF THE MINUTES**
- II. 2008-2009 PENDING FINANCIAL ITEMS INCLUDING FUNDS FOR SPRING ENROLLMENT**
- III. 2009-10 BUDGET PLANNING**
- IV. BUDGET TOWN HALL MEETINGS**
- V. REVIEW OF CAMPUS RESERVE**
- VI. BUDGET PRIORITIES**
- VII. BUDGET PRIMER**

I. APPROVAL OF THE MINUTES: November 6, 2008

Eduardo Ochoa called the meeting to order at 8:09 am. Ochoa asked for a motion to approve the minutes from the November 6, 2008 meeting. Dan Condron moved; Janice Peterson seconded. The minutes were approved with no opposition.

II. 2008-2009 PENDING FINANCIAL ITEMS INCLUDING FUNDING FOR SPRING ENROLLMENT

(Please see the December 18, 2008 agenda packet for related documents)

Schlereth reviewed the financial concerns of the 08/09 year. The campus will be allocating \$450,000 to support instruction in the Spring. This includes the Leadership course as well as other courses. This decision was discussed in the Academic Senate and the AABAC, but not specifically at the PBAC, though many of the PBAC members were involved in the Academic Senate discussion and seemed supporting. Ochoa and the deans are monitoring the situation closely. Schlereth noted that the source of funds has not yet been identified. If necessary, the Operating Fund may borrow from one of the Self Support funds and pay the loan back over a number of years. Though we have used this strategy in the past, Schlereth is not recommending this right now as the campus is still pursuing other options, such as getting support from Long Beach, and analyzing the over-enrollment fee revenue. Ochoa noted that this is not a problem that is going away next year. The shortfall in the Spring schedule was due to the mid-year cut, and not the over-enrollment. If the cut is made permanent in 09/10, we will face the same problem unless we make some permanent cost reductions. We need to figure out how to handle 09/10 and beyond.

Schlereth reported that the Student Union Board of Directors took action to balance their budget and by the end of the year, the Student Union fund should be in balance. The University is providing General Fund support to the CCGS department and the employees of the Student Union Corporation are becoming University employees on a reimbursed basis. These employees will now be represented in the bargaining units and this change moves the liability of the post-retirement health benefits off of the Student Union books and onto CalPers. Two positions in Administration and Finance that were vacated through attrition will not be filled in order to provide the funding for the Student Union employees. Elaine Leeder asked Schlereth to expand on the changes to CCGS and the Student Union. Schlereth replied that there shouldn't be much change to the services being provided. Most of the strategies involve trying to integrate the Student Union and share resources. For example, Conferences, Events and Catering will be moving into the Student Union building and pay rent to the Student Union instead of Housing. Schlereth is asking for support from faculty for programmatic support for the CCGS using faculty release time reimbursed out of A&F salary savings. Additionally, Chuck Rhodes is looking at integrating the in-residence program with the CCGS under the strategic theme of diversity. Schlereth feels that the two campus diversity

committees should provide a recommendation on how to proceed with the CCGS program in 09/10.

Schlereth also reported that the Athletics operating deficit has been repaired for this year through the use of Administration and Finance salary savings. The challenge of securing funding for the annual Athletics scholarships still needs to be addressed.

Schlereth noted that the most pressing concern, in his opinion, is the operating budget support required for the Grants and Contracts program. The Schools and the institutional support areas need the IDC money generated by the Grants and Contracts program. Another area of urgency is the liquidity need in the Foundation. It may be very difficult for the Foundation to make an annual endowment distribution in 09/10, which would be a big issue for those areas which count on these funds. Andy Merrifield asked if the distribution would either be equal to last year's distribution or nothing and Schlereth responded that he believes it may be somewhere in between. Schlereth said that in order to make the distribution, the Foundation would have to sell investments at a loss, so a better strategy would be to attempt to bridge the issue until the market recovers and the earnings return. Wandling asked if there were legal requirements for distribution based on donor stipulations. Schlereth replied that the investment policy outlines the goals for distribution, but is not a legally binding document. Patricia McNeill added that it is a donor stewardship issue, but not a legal issue.

III. 2009-2010 BUDGET PLANNING

(Please see the December 18, 2008 agenda packet for related documents)

Schlereth reviewed the Trustees 09/10 budget request of \$341M. He added that it is not expected that this budget request will be met, so the CSU continues to plan for cuts in 09/10. It is believed that the \$711M one-time reduction in 08/09 will be made permanent in 09/10. Additionally, the 08/09 potential mid-year cut will most likely also be made permanent. The campus will also have to manage unfunded mandatory costs, which will be similar to this year's costs. This would result in a \$3.14M reduction to the campus, which is about a 3.5% overall cut. Schlereth clarified that this may change, and it is still very unclear. For instance, mandatory costs may go up based on bargaining units, the student fee increase may be higher than 10%. Next year we will also not have the over-enrollment fees since the CSU has stated that any campus over-enrolled by more than 2% will forfeit over-enrollment fees in order to discourage campuses from over-enrollment. This scenario includes the post-promotion increase for faculty and assumes no enrollment growth. Schlereth added that the costs for the Self Support areas also go up, but with no enrollment growth, their revenues do not increase, so this decreases their spending ability as well. Susan Moulton asked about the possibility of using dorm revenue to support the Operating Fund. Schlereth replied that it is possible to borrow funding from Housing.

Discussion ensued regarding the current enrollment figures for next year. Matthew Lopez-Phillips stated that the pool is about the same, perhaps a little lower, but holding steady. He added that there are so many variables this year that it is very difficult to predict and make target.

Scott Miller asked if the campus can even handle this cut. Ochoa replied that we will have to see the effect on SFR to determine if it is possible. Schlereth added that this cut will be hard on all of the divisions and basically represents a sharp decrease in full time employees.

IV: BUDGET TOWN HALL MEETINGS

Schlereth hopes that the Budget Town Hall meeting this afternoon can be a forum to allow the campus community to begin brainstorming ideas of how the campus can manage these cuts in 09/10. Starting up again in February, the plan is to have one of these meetings every month in order to keep the campus up to date on the budget challenges.

V: REVIEW OF CAMPUS RESERVE

(Please see the December 18, 2008 agenda packet for related documents)

Schlereth reviewed the status of the campus reserve which, at the moment, is in a slight deficit. It is also expected that the costs of faculty sick leave will rise and the risk pool deductible will probably go up to \$200,000. Hopefully, savings in benefits and financial aid will offset these increased costs, but the campus reserve may become a concern in the Spring term.

VI: BUDGET PRIORITIES

(Please see the December 18, 2008 agenda packet for related documents)

Schlereth asked the PBAC to consider endorsing the Budget Priorities list so that it can be incorporated with the University-wide initiatives in the University Strategic Plan. This list has been discussed many times in various forums and has been endorsed by the CRC. Though it is difficult to talk about these priorities in the face of serious budget concerns, it is important to state campus priorities so that the campus community has a common vision when funding does increase.

Miller expressed his hope that the PBAC will endorse this document. He believes it is very important for the campus to have planning values in place. Wandling added that these budget priorities are a response to dealing with the long-term, systemic problems on the campus and should be a part of the campus long-term vision. Merrifield asked if items not listed on the budget priorities document can be assumed to be lesser priorities? He pointed out that the no layoff policy trumps many of these items but is not listed here. Schlereth agreed that the no layoff policy greatly affects the decisions we make on this campus, though he viewed it more as an HR priority rather than a

budget priority. Merrifield asked if priorities were rank ordered and Schlereth replied that they are not in any particular order. Merrifield then noted that he would be willing to endorse the document as long as it has some operational purpose and that the intent is that these priorities are the place where we start when the funding is again available. Leeder asked how these priorities fit in with the University Strategic Plan. Ochoa responded that the institution endorses these budget priorities as the extension of the priorities outlined in the strategic plan. Other resource questions from the strategic plan would be resolved at the division level so this would be the only budget document in the strategic plan. Discussion ensued regarding the bullet point of "Access" and the committee agreed to amend this to be titled "Quality Access". It was also clarified that the Access priorities denote that 100% of the marginal cost funding for instruction is given to instruction and that there will be no off the top items.

Leeder made a motion to endorse the Budget Priorities document as amended; Wandling seconded. Wandling added that part of the motion should be to recommend to the President to add these priorities to the University Strategic Plan. There were no oppositions and the PBAC officially endorsed the campus Budget Priorities.

VII: BUDGET PRIMER

(Please see the December 18, 2008 agenda packet for related documents)

Schlereth reviewed the Budget 101 Presentation for the committee. The presentation provided an overview of the composition of the 07/08 SSU Budget including the Operating Fund, the Capital Budget and the Self-Support and Auxiliary Funds. The Operating Fund budget for 07/08 was \$91.1M and is made up primarily from the state appropriation and student fees. Schlereth noted that the Operating Fund continues to shrink as a percentage of the overall budget. The Capital Budget was \$71.2M in 07/08. This budget varies from year to year and strict restrictions are set on how these funds are used.

Schlereth then reviewed the budgets for each of the Self-Support funds. The Grants and Contracts program was budgeted at \$14.6M, comprised of about \$5M for CIHS, \$2M for ASC, \$2M for the NASA program, \$2M for the USPS and the remaining in the Schools. Resources are restricted to the specific grant or contract and the campus is reimbursed for overhead costs via Indirect Cost Recovery (IDC). Schlereth added that, in general, grant activity is declining in these tough economic times. The Housing program had a budget of \$16.2M in 07/08. These resources are restricted to the program. Housing has a substantial level of debt at \$148M, with annual debt service payments of \$5.1M. Schlereth added that the debt service terms vary with each Housing project and that a high amount of debt is characteristic of a young and highly residential campus such as SSU. The School of Extended Education budget was \$3.5M and typically distributes about half a million dollars to the campus per year. This fund is a little challenged right now due to the loss of the summer school revenue. The Parking program's budgeted revenue was \$2.1M and these resources are restricted to the Parking and Alternate

Transportation program. Parking has outstanding debt of about \$8.7M with annual debt service payments of \$630,000. The Instructionally related Activities (IRA) budget was \$3.3M. Merrifield inquired as to the discretion of the use of the IRA funds. Schlereth replied that budget recommendations for these revenues are developed by the Fee Advisory Committee.

Schlereth provided an overview of each of the campus Auxiliaries. The Associated Students Inc. (AS) had budgeted revenue of \$1.8M in 07/08. The Student Union's budget was \$2.6M. The Student Union has outstanding debt of \$14.8M with annual debt service payments of about \$1M. Sonoma State Enterprises (SSE) had a budget of \$10M. SSE has outstanding debt of \$5.2M with annual debt services payments of \$525,000. The Sonoma State University Academic Foundation (SSUAF) had a \$219,800 General Fund budget for 07/08. Total assets of the SSUAF were \$79M. Schlereth noted that many of the campus self support and auxiliary funds rely on student fees and revenues associated with enrollment. This may pose a challenge in 09/10 when there is no enrollment growth.

Ochoa adjourned the meeting at 10:05 am.
Minutes prepared by Laura Lupei.