

PRESIDENT'S BUDGET ADVISORY COMMITTEE

August 20th, 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
Susan Moulton	Chair of the Faculty, Art Department
John Wingard	Chair-Elect of the Faculty, Chair, English Department
Scott Miller	Immediate Past Chair of the Faculty, Director, Writing Center
Andy Merrifield	CFA Representative, Political Science Department
Janice Peterson	Senior Director for University Budget, A&F, CRC Representative
Sam Scalise	Chief Information Officer, Administration and Finance
Henry Amaral	Staff Representative, Facilities
Heather Hanson	President, Associated Students
Nick Curry	Vice-President, Finance, Associated Students

STAFF PRESENT:

Bill Ingels	University Treasurer, Administration and Finance
Lori Heffernon	Director of Academic Resources, Academic Affairs

GUESTS PRESENT:

Nathan Halverson	Staff Writer, The Press Democrat
Jeff Kanlee	Photographer, The Press Democrat
Ian Hannah	University Associate Treasurer, Administration and Finance
Kathy Mahler	Lead Budget Manager, Administration and Finance
Mike Ogg	Budget Manager, Administration and Finance
Sandy Ratliff	Administrative Manager, Student Affairs & Enrollment Management

MEMBERS ABSENT:

Ruben Armiñana	President, SSU, Chair
Matthew Lopez-Phillips	Interim Vice-President for Student Affairs & Enrollment Management
Elaine Leeder	Dean, School of Social Sciences, AABAC Representative
Letitia Coate	Associate Vice-President for Administration and Finance
John Kramer	Faculty Representative at Large, Political Science Department

STAFF ABSENT:

Laura Lupei	Budget Manager, Administration and Finance
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AGENDA

- I. APPROVAL OF THE MINUTES**
- II. REVISED BUDGET ALLOCATIONS: 2009-2010**
- III. BUDGET PLANNING: 2010-2011**

I. OPENING COMMENTS AND APPROVAL OF THE MINUTES: July 30, 2009

Eduardo Ochoa called the meeting to order at 8:05 am. Ochoa called for a motion to approve the minutes of the July 30th, 2009 meeting. Susan Moulton stated she would inform Laura Lupei of a typo. Item was moved, seconded and approved with no objections or abstentions. Schlereth noted that Nathan Halverson and Jeff Kanlee from The Press Democrat were attending the meeting as guests.

II. REVISED BUDGET ALLOCATIONS: 2009-2010

(Please see the August 20th, 2009 agenda packet for related documents)

Larry Furukawa-Schlereth reviewed the SSU Reduction Plan for 2009/10 and 2010/11. He noted that some new developments have taken place since this item was last discussed. The reduction for the 09/10 year remains at about \$15.8M, which equates to about 17% of the 08/09 budget allocation. This figure may change depending on the outcome of a lawsuit related to the additional CSU student fee increase being charged for the Fall semester. There could also be an additional, more minimal impact, related to the new MBA professional fee.

The reduction plan includes three ways of handling the \$15.8M cut, all driven by the CSU system. First, the Trustees increased student fees by a total of approximately 30% from the prior year. The student fee increase, less the 1/3 set aside for financial aid, is estimated to provide just over \$5M for our campus. Secondly, the estimated salary reduction from furloughs is \$5.9M. This figure has been adjusted down by \$500,000 due to the fact that previous projections were based on last October's payroll, which has since decreased. In addition, some of the reduction plans from the various divisions are being made through unallocated reductions, rather than furlough savings. This \$5.9M figure is still subject to change once actual furlough savings are realized. It is also based on the fact that all bargaining units except for the SETC has agreed to furlough. The third approach to handle the budget cut is associated with the directive from the CO to reduce enrollment by 450 FTES over the next two years. SSU plans to reduce by 378 in 09/10 and the remaining 72 in 10/11. The cost reduction associated with a 378 FTES enrollment decrease in 09/10 is about \$4.4M. These three approaches still leave approximately \$500,000 in remaining unallocated cost reductions that will need to be addressed by the campus. Moulton requested to see projected furlough savings in the self-support areas. Schlereth responded that he could provide this information.

The cost reductions associated with the enrollment decrease are to be divided up between the divisions based on the marginal cost formula. The unallocated cost reductions are to be divided up between the divisions based on share of campus budget since that reduction is related to furlough rather than enrollment.

Schlereth reviewed three items which remain unfunded in the 09/10 year. There will be no addition to the base for the faculty development program in 09/10 but the \$200,000 allocated in the previous year is still in the base and will be allocated by Academic Affairs. Schlereth noted that after speaking with Matthew Lopez-Phillips, it has been determined that there are diversity initiatives related to CCGS expenses that are unavoidable. Lastly, a solution for addressing the GIS lab is still under discussion.

Schlereth then reviewed the non-operating fund budget issues. Extended Education continues to work to increase revenues in order to reduce the current year operating deficit, which resulted primarily from the loss of the summer school. Interim financing is needed in order to provide the distribution from Extended Ed to the schools that many departments rely upon. The 09/10 pooled endowment distribution issue has also not yet been resolved. This will need to be addressed as there are programs which rely on these funds. Athletics' participation in the NCAA Division II program requires certain expenditures which the campus has not been able to fund, creating both an operating deficit and a need for funds for Athletic scholarships. Maintenance of debt service coverage ratios in the self-support areas has become more of a concern as enrollment is reduced, affecting revenue generation in these areas.

Susan Moulton asked if a town hall meeting could be put together on the topic of Extended Education and the Foundation. Schlereth responded that University Affairs does scheduling for town halls but he would be happy to provide as much information as possible. Moulton asked what effect Senate Bill 218 will have on the Foundation. Schlereth responded that it would not have much effect since documents, such as Financial Statements and meeting minutes, are already made publicly available. The bill allows for donor anonymity, which would continue to be honored.

Schlereth emphasized to the PBAC his concern of a possible mid-year budget reduction as a result of the State's revenue projections and advised the members to begin to think of planning for an additional reduction in the 09/10 year. Moulton asked how the process for handling the additional cuts would occur. Schlereth commented that the marginal cost formula would probably not be the method used for allocating the cuts since it would not relate to a reduction in enrollment and any further reductions would probably be unallocated.

III: BUDGET PLANNING 2010-2011

(Please see the August 20th, 2009 agenda packet for related documents)

Schlereth reviewed the preliminary plan for 2010/11 based on numbers from the CO. The reduction in costs associated with the enrollment reduction of 72 FTES remains at \$838,136 with an additional \$3.2M in unallocated reductions. This brings the campus reduction of \$4M in 10/11. Schlereth added that these figures are a best case scenario and are in addition to the 09/10 cut. This will be difficult as there is not much more

room for enrollment reductions or operating expense cuts. The magnitude of the cuts in 09/10 and 10/11 will require some transformational type of change as business cannot continue as usual.

Moulton asked if fundraising campaigns would be underway to assist in funding for academic programs. Patricia McNeill responded that this is an objective in the University Strategic Plan but is nearly impossible in current times and additional resources would be needed in Development in order to do this.

Nick Curry inquired as to which entities and services would remain open during the campus closure days. Schlereth responded that Police Services would still be available 24/7. Schlereth also recognized the fact that SSU will soon have 3,000 students living on campus and these residential students require services such as the Dining Hall. Schlereth mentioned that he has heard a desire from students to have the Library and the Rec Center remain open but there is currently no plan to make an exception for these facilities. The closures will effect two Friday's each in the months of February, March, April and May. President Armiñana wants to make it clear that eliminating \$15.8M from the budget means things will not be same. He is also planning to call the campus closure days "state budget closure days". Schlereth added that as a result of the furloughs, the campus simply cannot complete the same amount of work in less time.

Moulton asked what would happen with the vacant beds in the residential community. Schlereth responded that the buildings would not be in use, no CSAs would be used in those areas, and the lost rental revenue would be partially off-set by utilities and facilities savings. The Housing department is intensifying its marketing efforts for 10/11 and is attempting to fill beds with more returning students or possibly offer affinity themed housing. Filling all of the beds has been a challenge due to the addition of Tuscany Village at a time when an anticipated growth in FTES instead turned into a loss in student enrollment. Andy Merrifield asked if there would be a problem in making the bond payments in Housing. Schlereth responded that this would not be an issue in 09/10.

Schlereth adjourned the meeting at 9:25 am.

Minutes prepared by Ian Hannah.