

**PRESIDENT'S BUDGET ADVISORY COMMITTEE
MAY 20, 2010**

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
Matthew Lopez-Phillips	Interim Vice-President for Student Affairs & Enrollment Management
Susan Moulton	Chair of the Faculty, Art Department
John Wingard	Chair-Elect of the Faculty, Anthropology Department
Andy Merrifield	CFA Representative, Political Science Department
Letitia Coate	Associate Vice-President for Administration and Finance
Janice Peterson	Senior Director for University Budget, A&F, CRC Representative
Jason Wenrick	Acting Chief Information Officer, Administration and Finance
Henry Amaral	Staff Representative, Facilities
Bridgette Dussan	President, Associated Students
Nick Curry for Katie Robinson	Vice-President, Finance, Associated Students

STAFF PRESENT:

Ian Hannah	Acting University Treasurer, Administration and Finance
Lori Heffernon	Director of Academic Resources, Academic Affairs
Laura Lupei	Budget Manager, Administration and Finance

GUESTS PRESENT:

Kathy Mahler	Lead Budget Manager, Administration and Finance
Mike Ogg	Budget Manager, Administration and Finance
Robert Rosen	Director of Business & Operations, Office of the Dean of Ext. Education
Matt Benney	Executive Director, University Support Services

MEMBERS ABSENT:

Ruben Armiñana	President, SSU, Chair
Dan Condon	Vice-President for University Affairs
Patricia McNeill	Vice-President for Development
Scott Miller	Immediate Past Chair of the Faculty, Director, Writing Center
Bill Silver	Dean, School of Business and Economics, AABAC Representative

AGENDA

- I. APPROVAL OF THE AGENDA
- II. APPROVAL OF THE MINUTES
- III. BUDGET PLANNING: 2010-2011 - THE MAY REVISION
- IV. REVIEW OF CAMPUS RESERVE
- V. 2010-2011 ENDOWMENT EARNINGS DISTRIBUTION
- VI. 2010-2011 EXTENDED EDUCATION EARNINGS DISTRIBUTION

- VII. STAND ALONE FINANCIAL STATEMENTS
- VIII. 55% RULE TASK FORCE UPDATE
- IX. SUMMER MEETING SCHEDULE

I. APPROVAL OF THE AGENDA

Eduardo Ochoa called the meeting to order at 8:05 am. Ochoa asked for a motion to approve the agenda. The agenda was approved with no changes.

II. APPROVAL OF THE MINUTES

Ochoa called for a motion to approve the minutes of the April 29, 2010 meeting. Jason Wenrick moved; Janice Peterson seconded. The minutes were approved with no alterations.

III. BUDGET PLANNING 2010-2011 – THE MAY REVISION

(Please see the May 20th, 2010 agenda packet for related documents)

Schlereth explained that there has not been much change in the 2010-2011 budget with the May Revision. The major change is that the restrictions which were associated with the \$66M for the system have been removed and are no longer related to the receipt of federal stimulus funding. The Chancellor's Office views this as positive news but are still advising campuses to continue to plan using the original estimates which assume that we will receive neither the \$305M or the \$66M because it is uncertain whether the legislature and the Governor will be able to honor these commitments. Additionally, if the campus is over-enrolled next year, it is likely that we will not be allowed to keep the student fee revenue associated with the over-enrollment. We are planning on sticking to our target of 7,050 FTES for next year, unless we receive some of the \$305M and are allowed to increase enrollment. Schlereth added that it is possible that the state budget will not get passed until September or October, which raises concerns about cash availability, so the campus is working on a contingency plan. The campus payroll costs about \$7M per month, so three months without an allocation is about \$21M. Our student fees are about \$30M a year, so we will have collected about \$15M for the Fall. Additionally there is a distribution for financial aid that needs to be made and basic bills to pay like the utilities. So, even though the projected budget numbers look relatively good, there may still be cash problems. Andy Merrifield added that this is not a problem unique to SSU, so there may be some pressure on the Chancellor to do something about the cash situation.

IV. REVIEW OF THE CAMPUS RESERVE

(Please see the May 20th, 2010 agenda packet for related documents)

Schlereth explained that the PBAC reviews the status of the campus reserve twice a year. The campus had a good year and has about \$86,000 for the remainder of the year. New items since December include the COAST assessment for \$8,500 which every campus has to pay to help support the marine research facility at Humboldt State and a dimmer board in Person Theater for \$15,000 which went out last week and is a critical piece of instructional equipment that they cannot operate without. Schlereth recommended that the \$86,000 balance be rolled forward to the reserve for next year. Merrifield asked

what is the usual roll forward for the reserve and Schlereth replied that the reserve is usually over budget, but this a better year because the campus is being extremely careful with expenditures.

V. 2010-2011 ENDOWMENT EARNINGS DISTRIBUTION

(Please see the May 20th, 2010 agenda packet for related documents)

Schlereth explained that this is the point in the annual budget cycle when PBAC discusses the endowment earnings distribution because the Schools and programs are planning their budgets for next year and many rely on these funds. The Deans and the Vice-President made a recommendation to the Foundation Board to change the spending policy to spend 4% of the 5-year rolling average of the Pooled Endowment market value. Based on this new spending policy, the amount for distribution in the 2010-2011 year would be just over \$1M. The endowment itself is restricted by donor intent to scholarships or campus programs. The perception that the endowment is used to fund capital projects is not the case; rather, about 68% goes to campus programs and 32% to student scholarships. SSE Board elected to make a contribution to the University of \$550k for student scholarships, so the \$337k on this distribution list is fully funded and the rest of the SSE funding is primarily going to Athletic scholarships. So, it is the \$700k distribution to campus programs that needs to be funded. Schlereth reviewed the categories for funding and noted that, though the funding plan is not yet solidified, all the funds will be distributed in 10/11 for those programs that require this funding. Schlereth further commented that the perception is that the Foundation has lost millions of dollars, but the financial markets continue to fluctuate and, as of April 30th, the endowment is back above water. Merrifield asked Schlereth to confirm that funding for these Academic Affairs programs would not be generated by otherwise cutting Academic Affairs and Schlereth responded that it would not. Ochoa added his appreciation to the entire University for supporting the academic mission and sparing Academic Affairs from budget cuts.

VI. 2010-2011 EXTENDED EDUCATION EARNING DISTRIBUTION

(Please see the May 20th, 2010 agenda packet for related documents)

The annual distribution from Extended Education to the schools is another important part of the Academic Affairs budget. Extended Education is currently projecting a \$564,674 distribution from their operations in the 2010-2011 year. This would be the highest distribution in their history and about \$200k higher than last year. Schlereth asked Robert Rosen to provide some insight on the reasons for this increase. Rosen explained that Extended Ed has increased their amount of programming, beginning with the upcoming Summer 2010 session. Additional new programs will be rolled out next academic year and the program expects another strong January intersession. John Wingard asked how much is Extended Ed's debt services on the GMC and Schlereth responded that it is about \$530,000 per year. Schlereth thanked Rosen and congratulated Extended Education on their hard work to reinvigorate the Extended Education program.

VII. STAND ALONE FINANCIAL STATEMENTS

Schlereth asked the committee to provide him with advice on this topic and requested that this agenda item be an action item. Currently, the campus prepares stand alone financial statements that are reviewed by an external auditor on an annual basis. The annual cost for the external audit used to be

about \$20,000 per statement. However, the costs have dramatically increased to about \$80,000 to \$100,000 per statement per year. The legal requirement for the campus is to have an external audit review every three years. The CSU statements as a whole will continue to be audited annually and the campus would still generate an annual financial statement, but the question is whether we should continue to have an external auditor review our financial statements annually and, if so, how shall we fund this cost? Schlereth indicated that, for transparency purposes, he supports having an external audit every year. Merrifield asked how many campuses are opting to do them annually and Schlereth replied that he did not know, but that many campuses are having this same discussion. Merrifield agreed that we should not be wasting money, but that the current reality of the campus climate needs to be taken into account and it is worth considering the cost of building trust. Ochoa responded that we do these same audits already and it does not seem to be helping to build trust. Merrifield replied that there are two issues – first, the external audit which confirms that we are spending money how we say we are and second, the issue of resource allocation decisions. Merrifield concluded that it would not be good procedural policy to lose this annual audit. Schlereth added that he would like to present the audited financial statements at the Academic Senate so that people can really understand the financial statements. Bridgette Dussan argued that, as a student, she would prefer that this funding goes to more tangible items that directly impact students. Wingard noted that, if we do this, we will definitely lose trust, and the loss of trust itself is costing us money, which we can't quantify. Lori Heffernon noted that the amounts discussed cover the audit costs, but not the personnel cost. Merrifield added that he hates to disagree with the student perspective that we should be spending as much as possible on academic programs, but there is a political aspect of this, which is, in the current climate, do we really want to appear like we are moving towards less transparency? Jason Wenrick asked if we can make this decision on a year to year basis or are we locked in. Letitia Coate responded that each year we can choose to do a stand alone or just be included in the CSU system statements, but that we do need to make the decision for this year now. Nick Curry thanked Schlereth for bringing this topic forward and indicated that he has great trust in the University. Until that trust is disproven, he doesn't see a tremendous advantage to doing this and views the expenditure of funds as a waste. Matthew Lopez-Phillips added that, while transparency is important, it is also important for the campus to have a victims' advocate which we can't currently fund, so he would vote no on this and choose instead to create a counselor position. Susan Moulton argued that the real issue is priorities and that this is not a zero sum game. Wenrick suggested that, given the current campus climate, he recommends to continue the independent audits and reassess every year. Schlereth indicated that he agreed with Wenrick's recommendation, but since the committee is not of one mind, he will report these various viewpoints to the President.

VIII. 55% RULE TASK FORCE UPDATE

A task force is being set up to review the 55% rule and all the current members have been listed on the agenda. It was suggested that Lopez-Phillips or Matt Benney be added to the group. Schlereth agreed and believes that meetings will begin in the early fall.

IX: SUMMER MEETING SCHEDULE

Schlereth announced that the PBAC usually meets in the summer, but the schedule will be based on any developments in the State budget.

Schlereth adjourned the meeting at 9:20 am.

Minutes prepared by Laura Lupei.