AGENDA

I. APPROVAL OF THE MINUTES, MARCH 24, 2011
II. 2011-2012 BUDGET PLANNING
III. PRIOR YEAR AUDITED FINANCIAL STATEMENTS
I. APPROVAL OF THE MINUTES

Larry Furukawa-Schlereth called the meeting to order at 8:09 am. Schlereth asked for a motion to approve the minutes of the March 24th, 2011 meeting. Jason Wenrick moved; Janice Peterson seconded. The minutes were approved with no changes.

II. 2011-2012 BUDGET PLANNING

Update
Schlereth explained that there is no update on the budget since the last meeting. The campus is waiting for detailed information from the Chancellor’s Office regarding budget allocations for the 2011-2012 year. The CO has provided some information suggesting a reduction of $8.8M plus mandatory costs, but more detail is needed before we can be sure what our cut will actually be. The detail is supposed to be provided by early next week. Andy Merrifield asked how the postponement of the tax increases is affecting planning and Schlereth replied that the campuses have been directed to continue to plan on the $500M cut to the CSU.

Fall Schedule of Classes
Schlereth noted that that campus is making available, regardless of what happens with the budget cuts, up to $2M for lecturers in the Fall term, based on the discussions that the PBAC had at the March meeting. The Fall schedule is currently being built based on that assumption, so if major cuts come, they will have to be taken in the Spring term. Saied Rahimi said that he is working together with Schlereth to minimalize as much as possible the impact of the budget cuts on our sections and our faculty. He continued to explain that this has not been an easy job considering the size of the cuts, but emphasized that the Academic Affairs division has been somewhat shielded from the full impact of the cuts.

Schlereth added that the next meeting in May is scheduled to review the May revision, though he doesn’t believe that the Governor’s budget revision will be ready by then. Schlereth also added that the campus is not yet prepared to handle the approximately $9M cut. To date, we have identified about $4M to cut.

Stand Alone Financial Statements
Schlereth reminded the committee that they were divided at the last meeting as to whether or not we should continue to have stand-alone financial statements. Schlereth said that he acted as the tie-breaker and recommended to the President that the campus should continue to have stand-alone audited statements for the 2010-2011 year and the President has agreed.

III. PRIOR YEAR AUDITED FINANCIAL STATEMENTS
(Please see the April 14, 2011 agenda packet for related documents)

Schlereth explained that it is the time of year according to the budget cycle to discuss the prior year’s external and internal audits. Schlereth asked Letitia Coate, Associate Vice President for Administration and Finance and David Crozier, the Assistant Controller for Financial Reporting to present on the 2009-
2010 GAAP Statements. Coate explained that this presentation is a condensed version of the full report which is available in its entirety on the web. SSU received an unqualified opinion from KPMG and had no findings. Coate then reviewed the auditing Financial Statements beginning with the Summary of Net Assets which shows a decrease in assets of $7.7M between 08/09 and 09/10. This decrease is primarily related to the use of investments and cash to complete the Tuscany project. Total liabilities decreased by $26M, most of which is due to the American Recovery and Reinvestment Act (ARRA) funding transaction which will be explained further on in the presentation. Net assets increased by $18M.

Coate then reviewed the total revenues slide based on the statement of revenue and expense. Between 2008/09 and 2009/10, total revenues increased by about $12M due to an increase in student tuition and fee revenue and the ARRA funding transaction. Coate then reviewed the total expense slide based on the statement of revenue and expense and explained the variations in the GAAP expense categories between the 2008/09 and 2009/10 years. Total expenses decreased by $6M from the prior year due primarily to the budget cuts and furloughs.

The net income of the University in 2009/10 is shown as $18M which is due to the timing and recognition of the ARRA funding. Coate then explained the effect that the ARRA funding has had on the University Operating fund over the 2008/09 and 2009/10 years. In the 2008/09 year, the campus received a $62.6M state appropriation. In May of that year, the state cut our appropriated budget by $16.4M, reducing our 2008/09 appropriation to $46.2M. The state then gave back $6.1M in federal stimulus money – the ARRA funding. At year end, total funds from state appropriation and ARRA funding combined was $52.3M and the campus had an $8.8M net loss. During the 2009/10 fiscal year, the state appropriation to the campus was $52M, plus an additional $10.3M in federal stimulus ARRA funding. This 10.3M of ARRA funding replaced the 2008/09 reduction in state appropriation funding. The total combined funds from state and federal appropriations in 09/10 were $62M. The ending fund balance in 2008/09 was a negative $11.2M. Due to the 2009/10 ARRA funding, increased student fee revenue and lowered expenses, 2009/10 had a positive ending fund balance of $5.3M. Schlereth added that this was discussed in PBAC and it was decided that this funding would be used for the following: roll forward of utilities funding associated with the energy project loan, roll forwards for the divisions related to savings that were generated in anticipation of the upcoming budget cuts and to pay for our part-time faculty in the Fall of 2010/11.

Coate moved on to explain the Unrestricted Net Assets category. Schlereth noted that though it sounds like we can use these funds for any purpose since they are considered “unrestricted”, for GAAP purposes, “unrestricted” simply means that there are no “outside” entities dictating how to use the funds. However, SSU is a state agency and there are State and CSU regulations on how those funds can be utilized. For example, EO994 requires the campus to assess the adequacy of reserves for funds that are pledged to Systemwide Revenue Bond debt such as our Housing, Parking and Student Union funds. These pledged funds should have reserves adequate to cover about three years of debt service payments and have a healthy Debt Service Coverage Ratio (DSCR).

Coate continued with the presentation to discuss the A-133 audit. This is an annual audit of our federally awarded student aid grants and sponsored program awards. SSU received no findings on this
audit and Coate added that she is very proud of our team as we had a full scope A-133 audit which reviewed our entire financial aid program, national Head Start Family Literacy Award and TRIO.

Coate then asked Crozier to present on the comparison of operating expenditures between the current year and prior year audited financials per FTES. Instruction expenses decreased between the two years, largely due to the furloughs and budget cuts. Academic support costs went up, mostly due to an adjustment in reporting categories for the IT and CMS departments which were reallocated partially out of institutional support to student services and academic support categories. Subsequently, institutional support costs were slightly reduced. Plant operations is showing a large decrease between the two years. The reasons for this are related to the opening of Tuscany. Opening the new residential community increased our campus square footage which is used for this calculation. There was also a spike in spending in the prior year for furnishings for the Tuscany project.

Crozier proceeded to review the expenses per FTES categories as compared between SSU and the CSU systemwide average for the 2009/10 year. SSU's instruction, academic support and student services expenses are slightly higher per FTES than the CSU total average and institutional support and plant operations are lower. Our SFR and average class sizes are also slightly lower than the CSU average.

Schlereth concluded the meeting at 9:35 am.

Minutes prepared by Laura Lupei.