MEMBERS PRESENT:
Larry Furukawa-Schlereth        CFO, Vice-President for Administration and Finance, Co-Chair
Saeid Rahimi                Interim Provost, CAO, Vice-President for Academic Affairs, Co-Chair
Matthew Lopez-Phillips    Interim Vice-President for Student Affairs & Enrollment Management
John Wingard       Chair of the Faculty, Anthropology Department
Ben Ford            Chair-Elect of the Faculty, Chair, Math Department
Susan Moulton    Immediate Past Chair of the Faculty, Art Department
Catherine Nelson (proxy)  CFA Representative, Political Science Department
Bill Silver           Dean, School of Business and Economics, AABAC Representative
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
Bridgeette Dussan  President, Associated Students
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
Matt Benney         Executive Director, University Support Services
Michelle Covington Operations Manager, Development

MEMBERS ABSENT:
Ruben Armiñana       President, SSU, Chair
Dan Condon          Vice-President for University Affairs
Patricia McNeil      Vice-President for Development

AGENDA
I. APPROVAL OF THE MINUTES
II. PRIOR YEAR-END FINANCIAL REPORT
III. PRIOR YEAR UNIVERSITY-WIDE BUDGET VS ACTUAL EXPENDITURES
IV. 2010-2011 BUDGET PLANNING
V. CAMPUS DIALOGUES ON FINANCIAL MATTERS
I. APPROVAL OF THE MINUTES
Saeid Rahimi called the meeting to order at 8:06 am. Larry Schlereth asked for a motion to approve the minutes of the May 20th, 2010 meeting. Bridgette Dussan moved; Jason Wenrick seconded. The minutes were approved with no changes. Schlereth welcomed Ben Ford to the committee as the new chair-elect of the Academic Senate and Rahimi as the Interim Provost. Schlereth also welcomed Dussan and Katie Robinson as the ASI President and VP for Finance for the 10/11 year.

II. PRIOR YEAR-END FINANCIAL REPORT
(Please see the September 30th, 2010 agenda packet for related documents)
Schlereth reviewed the prior year-end budget balances by Division. The year-end budget balance in the Executive Office was largely due to the 09/10 travel curtailment and cutting back on holiday events. That funding has since been dedicated primarily to faculty work stations. University Affairs and Development also had budget balances available which Schlereth explained were generated because each of the divisions were aware of budget cuts coming in 10/11 and so were holding positions vacant in 09/10 to prepare for the 10/11 cuts. These vacant positions resulted in salary savings that make up the bulk of the year end budget balances. Administration and Finance had the largest year-end balance, which was specifically designed to cover the structural deficits for IT and Athletics in 10/11 from 09/10 salary savings. Matthew Lopez-Phillips explained that the SAEM balance was also a result of the hiring freeze and travel curtailments and that his division is using this one-time money for computer refresh and other similar items in 10/11. Lori Heffernon explained why Academic Affairs shows a year-end balance available of zero, which is due to the fact that any budget left on the table on June 30th was either encumbered or restricted to specific expenses and thus unavailable. For example, the faculty development funding was spent during the summer, as well as funding being held for some high cost vacation payouts. Schlereth further explained that some CSU campuses sweep all of the year-end balances, but our campus leaves this funding in each of the divisions and leaves the decisions on how to best utilize it to the VPs and their respective advisory committees.

III. PRIOR YEAR UNIVERSITY-WIDE BUDGET VS ACTUALS EXPENDITURES
(Please see the September 30th, 2010 agenda packet for related documents)
Schlereth reviewed the prior year-end University-wide budget vs. actual expenditures by expense category. There was a small amount of money leftover in the benefits category; we were a little over budget in financial aid and a little over in the reserve. The main area to focus on is the student fee revenue which came in about $1.5M higher than anticipated when the 09/10 budget was made. This funding is important to the financial strategy that Schlereth will be presenting as a potential recommendation to the President for the 10/11 year. A portion of this plan is to use part of this money to fund the 10/11 shortfall in Extended Ed rather than dipping into their fund balances. This funding of $111,882 would go directly to the Schools and departments to cover a portion of the Extended Ed distribution. Susan Moulton asked if this shortfall is after the GMC debt service and Schlereth replied that it is. Heffernon added that this augment to the Extended Education distribution would be much appreciated in Academic Affairs.
Schlereth reviewed the prior year-end status of the campus reserve which was over budget by about $44,000. Each year, the campus reserve has a budget of $625,000 to cover anticipated items or items that the President or the PBAC determine should be covered by the Reserve. The items in 09/10 included the third and final year of the WASC faculty associates with a cost of $41,000; the risk pool deductible which covers the campus’ general liability for workers comp with a cost of $143,476; $110,000 to cover the 09/10 furlough savings shortfall; $92,000 to disabled accessibility in SAEM; $31,000 to fund the University 238 course sections; $95,596 in faculty sick leave costs; $15,483 to cover the ASI and SHC fees for fee waiver students; the annual $8,500 payment for the COAST facility; $15,000 to replace the dimmer board in Person Theater; $95,000 for the stand alone financial statements; and finally, $22,390 towards last year’s Commencement. Schlereth noted that there are some items on the reserve list that are annual costs that we should try to build into our base in the long-term. The committee will review the 10/11 reserve status at the December PBAC meeting.

**IV. 2010-2011 BUDGET PLANNING**

(Please see the September 30th, 2010 agenda packet for related documents)

**Operating Fund Plan**

Schlereth reviewed the budget plan for 10/11. The furlough program ended on June 30th, 2010. The State University Fee (SUF) has been increased by 5% and may be increased again in November for the Spring semester since the State budget currently assumes a 10% SUF increase in the 10/11 year. The campus has made a commitment to shielding Academic Affairs from any cuts this year and the President continues his commitment to no layoffs of permanent employees.

**Foundation Endowment Distribution**

Schlereth explained that, though the Foundation will not make an endowment distribution in 10/11, scholarships have been fully funded both for 10/11 and 11/12 by SSE gift funds of $950,000 and the distribution which would normally be made to various campus programs will be fully addressed using the Revenue Management Program’s (RMP) past interest earnings which will be close to $900,000 in the 10/11 year. The Foundation’s endowment performance continued to be lackluster last year which left the choice of selling equities and other investment holdings which were at value or undervalue in order to fund the distribution or to find an alternative fund source on the campus. The recommendation was to hold those investments until they were at a better value and to use the RMP earnings instead. Those earnings were generated on student fee revenue investments from prior years and the campus was advised by the CSU not to spend those earnings, but Schlereth believes that now is a good time to utilize the $1M that we have been holding. It will be distributed to campus programs in lieu of the Foundation distribution and hopefully the endowment performance will improve for next year. Rahimi noted how important the scholarship and endowment distribution is to Academic Affairs and the students; Dussan agreed. Ben Ford asked if all endowment funds will be covered and if they will be covered at the historical rate. Schlereth said that yes, all funds are included and the distribution value is based on the spending policy calculation of 4% of the five year rolling average of the endowment market value. John Wingard clarified that the funding sources being used are all one-time funds and Schlereth agreed.
**Extended Education Distribution**
The Extended Education distribution will be honored, as discussed earlier in the meeting.

**Permanent Base Budget Reductions**
Schlereth reviewed the allocation of the $2.7M base reduction to the campus budget for 10/11 based on a target enrollment reduction of 72 FTES, continuing the $10M budget reduction and reduction in enrollment from the 09/10 year. The campus can mitigate the $2.7M cut with one-time funding of 09-10 furlough savings related to faculty 12 month appointments being realized in 10/11 of $450k and the utilization of Federal Stimulus Funds received in 09/10 which were held for use in the 10/11 year of $1.2M. The rest of the budget reduction is the permanent reductions realized by the divisions, which has been largely set aside by position reductions made in the 09/10 year. A permanent solution still needs to be determined for the offsets of the one-time funding for next year and the cuts have been allocated to each of the divisions based on the marginal cost formula, since the reductions are associated with enrollment.

**Estimated One-Time Funding for Enrollment Growth**
Schlereth explained that there are some positive developments that may help the campus mitigate the 10/11 budget reductions. First, the CSU should receive $106M of Federal Stimulus Funding for enrollment growth. This translates to 106 new FTES for our campus funded by both State University Fee and marginal cost funding for an estimated total of about $1M. This funding is to be allocated to the divisions by the marginal cost formula with no assessments. Dussan asked if these funds have been specified for items specifically related to teaching and instruction or whether they will be used to mitigate the cuts. Schlereth replied that the Chancellor has indicated that these funds should be used as growth funds and not be used to mitigate cuts. Catherine Nelson emphasized that the campus is being directed to budget enrollment growth using one-time funding. Schlereth continued that the campus will add another 110 FTES, in addition to the 106 funded by the Federal Stimulus Funds. These 110 may get full marginal cost funding once the budget passes, but for now, the entire State University Fee associated with those 110 FTES of about $327,000 is being allocated to Academic Affairs for direct instruction costs. This should allow the campus to bring back some of our lecturers and this growth of 216 FTES puts us on the road to build back up the 450 FTES that were cut over the last two years.

**Estimated One-Time Funding to Mitigate Base Budget Reductions**
Of the $106M to the CSU from Federal Stimulus Funds, a portion of it was allocated to enrollment growth and the CO has directed that the other portion should be used to mitigate the base reductions of the last two years. These reductions were not associated with enrollment cuts and so were allocated out to the divisions based on share of campus budget, so that is how this one-time funding, totaling around $1.3M will be allocated in 10/11. Schlereth emphasized that this is one-time funding and he has advised the VPs to spend this money on one-time needs such as instructional equipment and workstation refresh.

Schlereth concluded that the budget picture for 10/11 is looking much more positive than it did in May, however, the CA State budget has not yet been passed, so the picture may change yet again. Schlereth asked if the committee had any objections to the use of the RMP funds for the Foundation Endowment
Distribution, a portion of the prior-year University-wide balance for the Extended Ed distribution and the proposed hold on the remainder of the $1.3M left in the University-wide category at year-end. The PBAC expressed no disagreement with this plan.

V. CAMPUS DIALOGUES ON FINANCIAL MATTERS
Schlereth noted that in the previous semester he had various conversations in the Academic Senate about matters of importance on campus and would like to continue those discussions. One of those topics would be the financial condition of the University including a review of the University’s financial statements. Second, once we have a state budget, to have a meaningful conversation about how to align our finances with our mission. It should also be discussed how we want to move the campus forward and to set a list of priorities for the next five years. Schlereth envisions this to be a specific and tactical plan which is more tangible and prescriptive than our current University Strategic Plan. Third, the Green Music Center has a lot of financial implications for the campus, such as managing the debt service, finishing the construction, and operating the center while keeping alignment with the academic mission. Schlereth believes that this is an important discussion topic and that this committee is the appropriate body to discuss it. Lastly, the Foundation board is questioning whether the aggressive investment strategy they have been following, modeled on campuses with large and sophisticated endowments such as Stanford and Harvard, is the appropriate approach. Perhaps it would be better to follow the model of some smaller, more conservative Bakersfield who follow a less aggressive approach. There needs to be consensus about what the strategy should be for the endowment and Schlereth believes that the University should provide guidance to the Foundation board. Schlereth concluded that these are the four areas that he would like to discuss and emerge with consensus in the PBAC.

Moulton asked Schlereth how he envisioned these dialogues occurring. Schlereth responded that he’s not completely sure yet, but he believes that the recommendations should come from this group and be presented to the campus. Schlereth suggested a two day retreat of the PBAC and the University Planning Steering Committee to discuss the alignment of financial resources and mission. Schlereth asked the committee members to discuss this topic at their respective representative bodies and agreed that a tactical communication plan needs to be composed. Rahimi added that it is important to engage the entire campus community, but he envisions a more abbreviated and focused process than the original strategic planning process. The current push would be to focus on implementation and engage a smaller number of participants who are communicating with the campus at large. Bill Silver added that as a part of the discussion of the financial alignment of the University’s mission and resources, he encourages a broad discussion of the revenue portfolio of the University and a consideration of the return on investment of various areas, such as fundraising.

Discussion ensued regarding what portions of the budget should be discussed at Academic Senate in the afternoon and it was agreed that Schlereth should report on things that we have certainty on such as the Foundation and Extended Ed distributions and do a more detailed briefing once the state budget is enacted. The committee also encouraged Schlereth and Rahimi to plan a discussion regarding the GMC with the general campus community. Dussan added that there have been major efforts to get students more involved in the GMC through the ASP and OCP programming.

Schlereth adjourned the meeting at 9:35 am.
Minutes prepared by Laura Lupei.