PRESIDENT’S BUDGET ADVISORY COMMITTEE  
AUGUST 18, 2011

MEMBERS PRESENT:
Larry Furukawa-Schlereth  CFO, Vice-President for Administration and Finance, Co-Chair
Andrew Rogerson  Provost, CAO, Vice-President for Academic Affairs, Co-Chair
Dan Condon  Vice-President for University Affairs
Matthew Lopez-Phillips  Interim Vice-President for Student Affairs & Enrollment Management
Ben Ford  Chair of the Faculty, Mathematics Department
Margaret Purser  Chair-Elect of the Faculty, Anthropology Department
John Wingard  Past Chair of the Faculty, Anthropology Department
Bill Silver  Dean, School of Business and Economics, AABAC Representative
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
Alex Boyer  President, Associated Students
Collin Yballa  Vice-President, Finance, Associated Students

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

GUESTS PRESENT:
Kathy Mahler  Lead Budget Manager, Administration and Finance
Erik Greeny  Associate Vice-President for Development
Matt Benney  Associate Vice-President for Student Affairs and Enrollment Management
Arcelia Cabrera  Administrative Assistant, University Development
Katie Robinson  Special Projects Assistant, Administration and Finance

MEMBERS ABSENT:
Ruben Armiñana  President, SSU, Chair
Patricia McNeill  Vice-President for Development

AGENDA

I.  APPROVAL OF THE MINUTES: APRIL 14, 2011
II.  STAND ALONE FINANCIAL STATEMENTS
III.  2011-2012 FINANCIAL PLANNING
IV.  ENDOWMENT EARNINGS DISTRIBUTION
V.  ITEMS FOR THE GOOD OF THE ORDER
I. APPROVAL OF THE MINUTES

Larry Furukawa-Schlereth called the meeting to order at 8:03 am. Schlereth welcomed Andrew Rogerson, the new Provost and Vice-President for Academic Affairs. Schlereth also welcomed and introduced the new Academic Senate and ASI representatives to the committee.

II. STAND ALONE FINANCIAL STATEMENTS

Schlereth explained that the PBAC has been discussing whether or not to continue to have stand-alone audited financial statements. Governor Brown has solved this question for us by passing a law that the CSU will be audited as a system and individual campuses will no longer do stand-alone audited financial statements. The campus will still have audited financials for the 10/11 year and, in the future, we will continue to publish our financial statements. Those statements will then be rolled up to the system level and audited. Letitia Coate added that KPMG may still come to the campus to audit our information that will be included in a system wide statement. Our financial team will still do the same amount of work, our statements will still be reviewed by auditors and each campus will have a statement included as supplementary information in the system-wide financial statements. The footnotes and financials will be combined and there will be one audit opinion for the entire system. Schlereth clarified that the four auxiliaries will continue to be audited.

III. 2011-2012 FINANCIAL PLANNING

(Please see the August 17, 2011 agenda packet for related documents)

Schlereth reviewed the campus budget reduction plan, beginning with outlining the current environment. Our campus has a target enrollment of 7,450 FTES with a first time freshman class of 1,800 students. Furloughs and salary reductions are not being discussed as an option and the campus self-support programs have a responsibility to maintain prudent debt service coverage ratios. Schlereth continued on to discuss Extended Ed’s annual debt obligation for the Green Music Center of $530,000. The debt service obligation is making it difficult for Extended Ed to make the traditional allocations to the schools and Schlereth believes the campus should find a permanent solution for this problem. The campus also has various unfunded mandatory costs associated with new space, utilities and benefits totaling $2.6M. The State of California has mandated a budget reduction of $5.7M and, if state revenue projections fall short, the State will institute the “trigger” cuts of another $2M. Andy Merrifield added that it is almost certain that the state won’t make the revenue projections, but whether or not that means the CSU will get cut instead of other entities remains uncertain.

Schlereth continued on to discuss the financial plan to identify the $8.9M needed for this year. The first strategy is to reduce management and overhead. Savings from operating expense and management positions from all over the University have freed up $2.2M. The second item is reduction of part-time faculty which will increase the student faculty ratio by 2 points. This strategy provides another $2.2M. Merrifield asked what the headcount reduction in lecturers will be as a result of this reduction and Lori Heffernon replied that it is about 28 FTE. Heffernon added that we would not push the SFR any higher and Schlereth agreed that this cut will max out the campus SFR due to physical capacity issues.
Schlereth added that this plan assumes that any extra student fee revenue due to FTE over target goes directly to the Provost.

The next point in the plan cuts stimulus funding of $1.5M that was provided in previous years which was held to help meet reductions. The Student Health and Counseling and Psychological Services programs are moving off of the Operating Fund and to self-support which will save $500,000. There are also student fees generated with the increase in average unit load in 11/12 which will provide another $500,000. The final item is a reduction in Student Services expenses, of one vacant SSP position and consolidation of services to save $161,200. In total, these strategies have identified about $7.0M, leaving another $1.8M to be identified. There are some potential strategies to identify this $1.8M but there is no intent to go further into Academic Affairs or faculty lines. The next step is to examine our self-supporting areas to see if it is possible to further reduce the overhead and management of these funds. Schlereth added that he will be meeting with the student leadership to strategize on what can be done in these areas to make sure that the programs and their outcomes are not affected, but that efficiencies are found and institutional support costs are reduced. There is not any room left to cut in the operating fund. Wingard asked if there has been any discussion regarding what to do if we get the trigger cut. Schlereth replied that there may be some system-wide action in that case, such as an enrollment reduction in the following year. In the meantime, the campus would likely cover the gap with one-time funds and then figure out how to manage the permanent cut in the following year. Discussion ensued regarding potential investment areas on campus and ways to generate new revenue as well as the pressing need for funding for the Multi-Cultural Center. Schlereth agreed but added that the campus needs to address the $1.8M in funds needed for the cut first.

V. ENDOWMENT EARNINGS DISTRIBUTION
(Please see the August 17, 2011 agenda packet for related documents)

Schlereth asked Ian Hannah to discuss the endowment earning distribution. Hannah noted that this is good news since the committee has not seen this report for two years because the endowment was not able to provide a distribution. The endowment has regained a good portion of its value and is now above water and has some earnings to provide a distribution. Just over $1M will be distributed based on the current policy of distributing 4% of the five year rolling average of the endowment market value. All distributions are based on donor intent. About 70% go to campus programs and 30% to scholarships. Hannah added that the endowment has moved to a new, more conservative investment manager.

V. ITEMS FOR THE GOOD OF THE ORDER

None discussed.

Meeting adjourned at 9:01 am.
Minutes prepared by Laura Lupei.