PRESIDENT’S BUDGET ADVISORY COMMITTEE
November 17, 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
Letitia Coate  Associate Vice-President for Administration and Finance
Janice Peterson  Senior Director for University Budget, A&F, CRC Representative
Bill Silver  Dean, School of Business and Economics, AABAC Representative
Henry Amaral  Staff Representative, Facilities
Alex Boyer  President, 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:
Matt Benney  Associate Vice President, Student Affairs and Enrollment Management
Arcelia Cabrera  Administrative Assistant, University Development
Christopher Dinno  Senior Director for Facilities & Construction Management, A&F
Kathy Mahler  Lead Budget Manager, Administration and Finance
Mike Ogg  Budget Manager, Administration and Finance
Katie Robinson  Administrative Support Coordinator, Administration and Finance

MEMBERS ABSENT:
Ruben Armiñana  President, SSU, Chair
Patricia McNeill  Vice-President for Development
John Wingard  Past Chair of the Faculty, Anthropology Department
Andy Merrifield  CFA Representative, Political Science Department
Jason Wenrick  Acting Chief Information Officer, Administration and Finance
Collin Yballa  Vice-President, Finance, Associated Students

AGENDA

I. APPROVAL OF THE MINUTES
II. “TRIGGER” UPDATE
III. BOARD OF TRUSTEES 2012-2013 BUDGET
I. APPROVAL OF THE MINUTES
Larry Furukawa-Schlereth called the meeting to order at 8:02 am. Schlereth asked for a motion to approve the minutes of the September 15th, 2011 meeting. Dan Condron moved; Janice Peterson seconded. The minutes were approved with no objections or changes.

II. TRIGGER UPDATE
Schlereth reported that there is not much new information on the potential mid-year budget cut trigger. The expectation is that there will be a trigger cut that will be approximately $2.3M and we are holding one-time funds to cover the cut for this year. Alex Boyer asked when we will know if the trigger cut is permanent or not and Schlereth replied that it is unclear, but more information may be available once the Governor releases his budget in January.

Schlereth explained that he and Andrew Rogerson are closely monitoring Spring enrollment and it seems likely that we will have a funding shortfall in instruction. Rogerson added that there will be a clearer picture in January after registration. Boyer asked if we would use over-enrollment as a strategy and if so, how would we pay the corresponding fine? Rogerson explained that the CO plans to charge the campus about $240,000 per each 1% that the campus is overenrolled. Schlereth added that the reason they are imposing the fine is to show the legislature that campuses cannot continue to provide services without the proper funding. If our campus was to use over-enrollment as a funding strategy, we would use the excess fee revenue to pay for sections and then once the fine came, the other divisions would need to cover the expense. Bill Silver asked what the campus strategy is going to be, are we going to cut classes to show that we need more funding or serve the students and fill in the hole somehow? Silver added that the campus needs to figure out how to serve our students and run the University with less funding from the state. Ben Ford countered that it is unreasonable to cram more students into fewer classes and reduce quality. Ford added that he believes the Trustees are correct, if we continue to serve more and more students, beyond what the legislature is willing to fund, they will continue to increase enrollment and cut funding. Silver replied that this discussion is important and that varying opinions are good, but that the campus needs to make a decision one way or the other. Schlereth asked the committee members to consider this issue and the committee will make a recommendation to the President at the December meeting.

III. BOARD OF TRUSTEES 2012-2013 BUDGET
(Please see the November 17th, 2011 agenda packet for related documents)

Schlereth reviewed the Board of Trustees budget which requests $397M in additional funding from the State.
IV: BUDGET PRIMER
(Please see the November 17th, 2011 agenda packet for related documents)

Schlereth reviewed the Budget Primer presentation for the committee. The presentation provided an overview of the composition of the 10/11 SSU Budget including the Operating Fund, the Capital Budget and the Self-Support and Auxiliary Funds. The Operating Fund budget for 10/11 was $93.6M and is composed primarily of State appropriations and student fees. The proportion of student fees are getting higher as the State appropriation is reduced. The Capital Budget was $6.1M in 10/11. The 10/11 Capital Budget included the GMC restrooms, lobby, and doors and design for GMC chairs, lighting courtyard and lawn and commons as well as the design for the Galbreath Preserve.

Schlereth then reviewed the budgets for each of the Self-Support funds. The Grants and Contracts program was budgeted at $8.6M, comprised of $2.0M for the Anthropological Study Center, $3.6M in the Schools and $3.0M related to student outreach and retention and public and graduation services. The Housing program had a budget of $22.2M in 10/11. Housing has a high level of debt associated with the construction of the various Housing villages. The 10/11 budget for the School of Extended Education was $6.3M. The Parking program had a budget of $1.9M in 10/11. The Instructionally Related Activities (IRA) budget was $3.4M which is generated from a student fee that supports a variety of co-curricular activities mainly Athletics, Performing Arts, the Children’s School and the Library.

Schlereth then provided an overview of each of the campus Auxiliaries. The Associated Students, Inc. (ASI) had budgeted revenue of $1.9M in 10/11. The Student Union’s budget was $2.1M. Sonoma State Enterprises (SSE) had a budget of $9.6M. The Foundation has a small general fund budget of $242,000 to support operations and the total assets of the Foundation were $47.3M. Schlereth added that the bulk of the work associated with the Foundation is the management of the endowment. There will be a change in the way endowment earnings are handled. Rather than being spent from the Foundation, the endowment distributions will be distributed directly to the University. This method will be more efficient and more appropriate with donor intent. This will make the Foundation’s assets go down and the University’s assets increase, but the net effect will be the same.

Schlereth reviewed the annual audit activity as well as the Debt Service Coverage Ratio (DSCR) and Campus Reserve policy requirements. Schlereth noted that there have been questions about the campus reserves and the unrestricted net assets category is largely made up of the reserves for the areas which have debt. It has been suggested that the campus spend that funding but that would be in violation of Executive Order 994.

V. FIVE YEAR CAPITAL OUTLAY BUDGET
(Please see the November 17th, 2011 agenda packet for related documents)

Schlereth introduced Christopher Dinno, Senior Director for Facilities and Construction Management who reviewed the five year SSU Capital Outlay and Capital Improvement Plan. Dinno explained that this program is a planning tool for the Chancellor’s Office to estimate future bonds and this plan covers the next five years from 2012-2013 through 2016-2017. The funds for these programs are restricted to the specific construction project for which the bond was issued and the campus is reimbursed for overhead
costs. All items are approved by the Board of Trustees and SSU is not required to pay back the funds for any state funded projects. Dinno reviewed the Major Capital Outlay Projects which include the Professional Schools Building, Stevenson Hall Renovation, Ives Hall Renovation, the Galbreath Observatory and the Kinesiology Renovation which total about $128.6M. Dinno noted that most of these are just placeholders and that the campus would need to do feasibility studies for Stevenson, Ives and the Kinesiology areas. Dinno is looking into adding Schroeder’s Hall to this program to be used as an academic lecture space. Minor Capital Outlay projects total $2.0M over the five years and include funding requests for classroom renovations, ADA projects and deferred maintenance. Dinno added that the campus has not received any of this type of funding over the last few years. The requested funds for energy projects is $1.6M for a building management conversion and the list of requested Capital Renewal Projects totals $13.2M over the next five years. The Non-State Funded Major Capital Outlay projects need to be funded via a State Revenue Bond and would have corresponding debt service. There are two pending projects in this category, the Faculty Staff Housing project and the Aquatic Center Expansion, totaling $77.3M though again, both projects are just placeholders.

Dinno does not anticipate that the state will put forward a bond until 2016, so this plan will continue to be updated with revised cost data and academic planning concerns as campus priorities shift.

Rogerson adjourned the meeting at 9:11 am.
Minutes prepared by Laura Lupei.