PRESIDENT’S BUDGET ADVISORY COMMITTEE
APRIL 29, 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
Dan Condon Vice-President for University Affairs
Patricia McNeill Vice-President for Development
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
Bill Silver Dean, School of Business and Economics, AABAC Representative
Catherine Nelson (proxy) 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
Heather Hanson President, Associated Students
Nick Curry 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:
David Crozier Assistant Controller for Financial Reporting, Administration and Finance
Kathy Mahler Lead Budget Manager, Administration and Finance
Mike Ogg Budget Manager, Administration and Finance
Tim Wandling Chair, English Department

MEMBERS ABSENT:
Ruben Armijana President, SSU, Chair
Scott Miller Immediate Past Chair of the Faculty, Director, Writing Center

AGENDA
I. APPROVAL OF THE AGENDA
II. APPROVAL OF THE MINUTES
III. BUDGET PLANNING: 2010-2011
IV. OVERTIME PAID TO DATE: 2009-2010
V. TASK FORCE ON THE 55% RULE
I. APPROVAL OF THE AGENDA
Eduardo Ochoa called the meeting to order at 8:07 am. Ochoa asked for a motion to approve the agenda. John Wingard moved; Letitia Coate seconded. The agenda was approved with no changes. Larry Furukawa-Schlereth introduced Jason Wenrick to the committee as the Acting Chief Information Officer and a new member of the PBAC. Schlereth also welcomed Catherine Nelson who attended the meeting as a proxy for Andy Merrifield.

II. APPROVAL OF THE MINUTES: February 4, 2010
Ochoa called for a motion to approve the minutes of the February 4, 2010 meeting. Dan Condron moved; Wingard seconded. The minutes were approved with no alterations.

III. BUDGET PLANNING: 2010-2011
(Please see the April 29, 2010 agenda packet for related documents)

Schlereth explained that not much has changed regarding next year’s budget planning. The assumption remains that the furloughs will cease on June 30th, 2010 and the bargaining units are preparing accordingly. The campus plans to reduce enrollment to 7,050 FTES. The CSU is still assuming that we will not receive the enrollment growth funding or the $305 M as indicated in the January Governor’s Budget. However, the Governor recently announced that if the legislature submitted a budget to him without the $305M for the UC, the $305M for the CSU and the $126M for the Community Colleges, that he would veto it. So, that may be a possibility. Nelson added that, if that is the case, the funding for K-12 will be problematic. If we do get the funding, the cuts will need to come from somewhere and the legislature is unwilling to vote for cuts to social services. Schlereth added that the President has indicated that if we do receive the $305M the system would restore 20,000 FTES, which would equate to an increase to our campus by 400 FTES. This would reverse the enrollment cut from the prior year. Assuming the fee increase or equivalent buy out, assessment of mandatory costs and the revenue loss associated with the enrollment reductions, the Projected Net Reduction from the 2009-2010 base equals about $2.7M. This reduction includes offsets from furlough savings to be realized in the 2010-2011 year of approximately $450,000 and 2009-2010 federal stimulus funds of $1.2M held by the CO until the 2010-2011 year.

IV. OVERTIME PAID TO DATE: 2009-2010
(Please see the April 29, 2010 agenda packet for related documents)

Schlereth indicated that Susan Moulton had asked for a report on overtime charges for this year as compared to last year. The concern was that overtime would dramatically increase due to the furloughs, but based on the data provided, that does not appear to be happening.
V: TASK FORCE ON THE 55% RULE
Schlereth explained that the Academic Senate passed a resolution to recommend to the PBAC and the President that a minimum of 55% of the state support budget each year be allocated to the Schools and the Library for instruction and academic support. The consensus of the group seemed to be that the 55% figure was not set in stone but that the intent was to establish a benchmark for the Academic allocation in the University budget. Schlereth would like to recommend that a task force be created to review this question and that Tim Wandling, the Chair of the Budget Senate Committee, be a part of the task force. Wingard so moved; Moulton seconded. Discussion ensued regarding the makeup of the task force and it was recommended that there be two student seats. Wingard and Peterson both agreed to serve and Nelson suggested that Merrifield be a part of the taskforce as well. Silver inquired as to what the charge of the task force would be and Schlereth responded that it would be in creating a percentage to be allocated to academics out of the campus budget along with a corresponding rational to bring back to PBAC for approval. Silver noted that there are many different ways to budget and he’s not sure this approach will provide the security for funding for instruction that people are looking for. Silver would prefer a broader charge for maintaining a secure budget, rather than a specific percentage. Wandling added that the intent is to establish an effective baseline. Heather Hanson noted that the Associated Student senate has discussed this item and is concerned how creating a baseline for Academic Affairs will affect Student Affairs, so she also supports a broader charge. Wandling agreed that fully funding that area is also important, but this resolution is focused primarily on instruction. Ochoa called for a vote on the motion to create a task force, which was approved with two abstentions.

VI: PRIOR YEAR EXTERNAL AND INTERNAL AUDITS
(Please see the April 29, 2010 agenda packet for related documents)

Schlereth noted that it is the time of year according to the budget cycle to discuss the prior year’s external and internal audits. Schlereth asked David Crozier, the Assistant Controller for Financial Reporting to present on the 2008/2009 GAAP statements. Crozier explained that SSU received an unqualified opinion from KPMG which is the best response that can be received. Crozier then reviewed the audited Financial Statements. Between 2007/08 and 2008/09, total revenues fell about $25M from $174M in the prior year to $148M in 08/09. Student tuition and fees revenue increased due to the 10% increase in student fees while grants and contracts fell a little bit due to the non-continuation of grants in CIHS. Tuition and fees were reduced by $18M, which is the budget reduction that happened in the 09/10 budget year, but was recorded as lost revenue for the Financial Statements in the 08/09 year. That reduction is offset by the $6M received in federal stimulus money. No state appropriations were received for capital outlay and the grants and gifts category is reduced as the GMC construction winds down.

Crozier explained the variations in the GAAP expense categories between the 07/08 and 08/09 years. Total expenses fell slightly from $149.5M in the prior year to $149.1M in 08/09. Public Services expenses were lower due to non-renewal of CIHS grants. Academic Support expenses were lower in 08/09 due to some large one-time expenses of the Library in 07/08. Student Services increased largely due to increased support for InterCollegiate Athletics. Schlereth added that if anyone is interested in the increases to Athletics, they should attend the Academic Senate meeting this afternoon where a presentation will be made on the Athletics budget. Institutional Support increased due a change in the way that GAAP requires Cost Recovery from the Auxiliaries to be recorded. Previously it was required to be netted out for the financial statements, but new regulations recommend that we show both the
revenue and the expense. So this is not an actual increase in expense, just an adjustment in how we report the expense. Operation and maintenance of plant increased due to the purchase of Tuscany furniture and Auxiliary enterprise expenses increased due to significant maintenance and repair projects done by Housing in 08/09 that did not occur in 07/08. Moulton clarified that these categories do not reflect our campus organization and Coate responded that this is correct. For the GAAP statements we reorganize all of our financial data from our campus organizational categories into these GAAP functional categories. This allows us to make useful comparisons to other campuses. Coate additionally clarified that these GAAP statements included the University and its Self-Support funds only, not the Auxiliary organizations. When the report refers to “auxiliary enterprise”, that is primarily a reference to the Housing and Parking programs.

Crozier reviewed a comparison of operating expenditures between the current year and prior year audited financials per FTES. Schlereth noted that this is a very important slide because it indicates how much is being spent per FTES in these categories and it also allows us to compare our data with the CSU system as a whole since each campus uses these same GAAP categories. Schlereth also pointed out that enrollment has a large effect on these figures because if you are overenrolled, as our campus typically is, you basically diminish the value of the budget per student. Schlereth noted that the next slide detailing the “Unrestricted Net Assets” is always important because, though it sounds like we can use those funds for anything, for GAAP purposes, “unrestricted” simply means that there are no “outside” sources dictating how to use the funds. However, from a GAAP perspective, SSU is considered internal to the State of California, and there are State and CSU regulations on how those funds can be utilized. One such regulation is Executive Order 994 which requires the campus to assess the adequacy of reserves for funds that are pledged to Systemwide Revenue Bond debt. These pledged funds have reserves adequate enough to cover about three years of debt service payments and have a healthy Debt Service Coverage Ratio (DSCR) of 1.45 for the 08/09 year. Schlereth continued that in order to maintain this DSCR, it will be necessary to get enrollment back up to maintain revenues in Housing and Parking.

Schlereth moved on to explain that the A-133 audit is important because it is an audit of our federally awarded Grants and Contracts. Coate noted that for a Federal grant to be audited under A-133, it must be determined to be a major program within the CSU system. SSU received no findings in this audit. Coate noted that two years ago, there were findings in the A-133 audit related to the Head Start program, so it is reassuring that we have resolved those problems and had no findings in this program.

The presentation continued on to the Financial Integrity and State Manager’s Accountability (FISMA) Act Audit which is performed by the CSU Office of the University Auditor. There were four areas suggested for improvement and Schlereth asked Coate to explain each of the recommendations. First, in the area of cash receipts, it was recommended that the campus strengthen control over cash receipts of satellite cashiering areas such as Athletics and CPA. Schlereth noted that these areas are not handling high cash values and the recommendation would be to implement a centralized cashiering system for these areas. However, a cashiering system will be expensive. The second recommendation is in the area of accounts receivable and relates to the pursuit of delinquent third-party and student receivables. Though we have a very high rate of collections, the recommendation is that the PeopleSoft report be generated in a way to better indicate the timeframe in which the receivable should be pursued. The third recommendation is in the area of Payroll and involves returning payroll warrants that are not picked up at Customer Services back to the employees’ department rather than returning it to the Payroll department. Lastly, in the area of property, Crozier explained that the recommendation is to include the sales tax and shipping costs in the value estimation of non-capital (under $5,000) equipment and to enforce the use...
of laptop use forms when laptops are taken off site. The campus is working on responding to all of these recommendations.

**VII: ITEMS FOR THE GOOD OF THE ORDER**
(Please see the April 29, 2010 agenda packet for related documents)

Schlereth provided an article that may be of interest to the committee in the agenda packet related to the state’s funding of higher education. Schlereth also encouraged anyone with interest in the Athletics budget to attend the Academic Senate meeting in the afternoon. Schlereth announced the launch of a new Transparency website which will be linked to the SSU Home Page and will include University and Auxiliary tax returns, all contracts over $50,000 and a link to the Expenditure Plan. At the May meeting, Schlereth would like to discuss the frequency of our University Audits. The process will be increasing in cost and we have the option to conduct them every three years instead of every year. This option will save us some money, but the committee should reflect on this issue.

Schlereth also noted that as the ASI elections have occurred, this will be last meeting for Heather Hanson and Nick Curry and extended appreciation to both for their outstanding service, advice and counsel in what has been one of the most difficult budget years in the history of the University.

Schlereth adjourned the meeting at 9:45 am.
Minutes prepared by Laura Lupei.