

California State University, Chico
Academic Senate
(530) 898-6201, Zip 020
MEMORANDUM

UNIVERSITY BUDGET COMMITTEE MINUTES

March 3, 2017, 8:00 p.m., K-207/209

University Budget Committee meetings are recorded. Traditionally the written minutes consist of a summary of topics discussed. For more detail, listen to the audio file [here](#). Time stamps for each agenda item are provided in parenthesis for convenience. CSU, Chico is committed to making its resources accessible for all audiences. If you have accessibility-related difficulties with any of these documents, please email oats@csuchico.edu.

Chair Boyd called the meeting to order at 2:34 and wished everyone good afternoon. (5:32).

She welcomed Provost Larson to her first official day on the job, and her first University Budget Committee meeting. Applause was heartfelt.

1. Approve Minutes of December 8, 2017. (6:11)

http://www.csuchico.edu/fs/ubc/3-2-17/ubc_minutes12-8-16.pdf

Jeni Kitchell offered some minor edits:

Page 3, section 4.a the wording was “16/17 budget which was not quite finalized” should read “16/17 budget which was finalized”.

Page 4, section b. [SLIDE 8] line 4 the wording was “compensation agreed on last Spring.” should read “compensation for open contract.”

Page 4, paragraph 3, last line the amount was \$217.00” should read “\$270.00”.

Page 4 [SLIDE 10] line one reads “\$138.1M” should read “\$139.1M”.

Page 7, paragraph 2, line 4 reads “exceeded that” should read “missed that.”

Sistrunk thanked everyone for the information they prepared for the last meeting as we had learned a great deal and he appreciated the careful teaching about the budget that had never been conveyed before.

Revised Minutes were approved.

2. Approve Agenda. (8:50)

http://www.csuchico.edu/fs/ubc/3-2-17/ubc_agenda3-2-17.pdf

Agenda was approved.

3. 2017-18 Governor’s January Budget Proposal (Hyatt/Kitchell). (9:09)

https://www.csuchico.edu/fs/ubc/3-2-17/ubc_slides_final_%203.02.17.pdf

Boyd handed it over to Jeni Kitchell, Director of the University Budget Office and Vice President Jim Hyatt. [SLIDE 2] Hyatt said the team would talk about our assets and

some of our liabilities and then discuss the huge issue of deferred maintenance.

4. Possible Scenarios for CSU Funding Implications to CSU, Chico. (9:41)

a. Funding based on November support budget request.

[SLIDE 3] shows links where more information can be retrieved based on the 2017-18 Governor's January budget. The Board of Trustees Request, the 2017-18 Support Budget, the Governor's January budget and the review of both the CSU and the Governor's proposals by the Legislative Analyst's Office. (This last review has interesting comments).

[SLIDE 4] shows the 2017-18 Governor's January Budget in detail. This is a maintenance budget of \$157.2M with no one time funding proposals (that may come with legislative consideration in March and April before the May revision).

This plan phases out the Middle Class Scholarship program by continuing to support students who are continuing their enrollments, but new students will not be supported. It sets aside \$1.5M in a discretionary rainy day reserve (since this Governor has been fairly conservative and continues to build this fund). The CSU has asked for an additional \$167M in state funds with a focus on permanent funding for the Graduation Initiative. Finally, there is a tuition increase proposed of \$77.5M.

Hyatt reiterated the specifics described in this slide with the Board of Trustees Request Incremental Expenditures spelled out in column one that total \$343.7M, and the Governor's Budget Proposal in column two that anticipates revenue of \$157.2 from General Fund Revenue. The Governor's Proposal does not fund the net tuition increase assumed by the Board of 1% enrollment growth of \$18.8M and the total difference between the Board's Request and the Governor's Proposal is \$176.0M (or \$167.7 if the enrollment increase occurs). ..

The difference of \$167.7M is quite substantial. This is the Governor's initial pass at the budget which will be considered by the legislature in March and April and altered by the May revision when all the revenue estimates are updated. The Governor's staff is assuming a very modest growth in personal income which will net a 3% rise in personal income tax in and the legislative analyst is estimating 5%. In the past it has been as much as 8%. There is thus some capacity if the legislature wants to make a case for some funding initiatives.

Larson pointed out that the \$10.0M listed by the Board for Academic Facilities and Infrastructure is actually for debt service on about \$150.0M in bonds.

b. Funding based on Governor's proposal. (14:21)

[SLIDE 5] This scenario shows what we currently know about the Governor's budget. It shows the CSUs request of \$343,700,000 and the Governor's current compensation commitments of \$139,100,000 and his mandatory costs of \$18,100,000. This results in a \$157,200,000 difference.

Jeni Kitchell added that the Governor's \$157.2M is a flat amount and he is not specifically line item funding. This chart then represents the CSU's best guess based on what we know about where the funding would go if this was all that was received. It shows the many specific items that could not be funded. Hyatt added that the Governor's amount currently represents unrestricted funding which will not necessarily be true in the revised budget.

c.Funding based on Governor's proposal and tuition adjustment. (16:04)

[SLIDE 6] This slide shows the budget if the Board of Trustees votes for a tuition increase in March as it looks like they will as both the CU and the CSU are proposing increases. This will result in an additional revenue of \$77.5M. The Board has said that any tuition increase will be part of the Graduation Initiative which is constructed for the benefit of students by allowing more classes to be offered so they can graduate sooner.

The slide also shows the impact of this tuition increase on Chico (\$3.1M), the current compensation commitments (\$5,564,000) and mandatory costs (\$725,000).

d.Funding based on Governor's proposal & one-time funding from the Governor.

(17:47)

There remains the question of whether other revenue will be forwarded by the system which would probably only be one-time money (perhaps for infrastructure) and is really unknown.

Jeni Kitchell added that this might be one time funding from the Governor for the Graduation Initiative (as happened this year), or other system-wide money. Hyatt clarified that these items were typically for infrastructure upkeep as these can be one-time, but other line items like compensation are continuing.

Boura asked what Chico's percent of the \$157.2M assigned by the Governor already and Kitchell answered that Chico was always about 4% of what the system received.

Boyd said that this information about possible scenarios was included so that the committee could begin to think about how we would respond to underfunding. Hyatt characterized the budget as a flat budget that did not envision increases except for tuition increases.

[SLIDE 7] Hyatt explained that this slide shows where we are on the timeline of the CSU budget cycle. Looking forward to May the negotiations will continue in Conference committee between the Governor and legislators leading to his revisions of the January budget. The final budget is supposed to be adopted on June 15 and the last several years, the Governor and legislature have been pretty close to this date. The next fiscal year begin on July1.

5. 2017-18 Enrollment Planning (Fortin, Juliano/Kitchell). (21:56)

[SLIDE 8] Barbara Fortin, Associate Vice President of Enrollment Management said she and Ben Juliano, Interim Chief Institutional Research Officer would explain the detailed model that Institutional Research creates to assist with annualized enrollment planning.

Admission of first-time freshmen must be completed by March and then all the candidates have until May 1 to select Chico State.

Ben Juliano explained that the estimated number of students who will be attending in 2017-18 is based on the number that attended the year before.

a. Impact resident/nonresident (25:09)

The resident target number [column D, line 3] of 15,197 was received from the Chancellor's Office in November and this number means we are not to have any growth. Columns C and D reflect the target and the President just approved an enrollment planning buffer of 1% over target (this is what columns G and H accommodate). Rows 10-15 all show headcount numbers. Rows 16-18 are FTES numbers.

Line 8, column D shows the low end of the estimated range of students enrolled in Spring (as of 2/21). The assumption is that there will be 600 non-residential FTES in 2017-18. The Continuation Rates are estimated in row 42 based on the continued enrollments from Spring to Fall 2016 (row 41).

Bell interjected that this would not include any successes from pushing the Graduation Initiative goals forward. He asked how this model would gauge these efforts. Ben Juliano repeated that the model is abstracting an ideal and that since human beings are more intelligent than the models they produce, there will always be variables and changes that have not been accommodated by them.

Barbara Fortin added that there are critical milestones through the year that are regularly considered and corrections and adjustments re. admitting new undergraduates are continually made until May 1, the Intent to Enroll Deadline. Corrections after this can be made for graduate students, but not undergraduates. Ben Juliano added that these numbers only focus on state-side supported students.

He pointed to row 11 as an example of the work done made by Enrollment Management in applying complicated estimations to project how many new students will be coming in Fall 2017. In moving between Fall 17 and Spring 18, the team uses the continuation rate of the previous year (column 41) to estimate the future (column 14).

Bell asked what the consequences are if we are lower or higher than the funded targets. Barbara Fortin pointed out that a few years ago several campus went well over target and Chancellor's Office response was that campuses should not go more than 3.5% over target. It does not appear that any other ramifications were felt.

Chuck Zartman asked if the efforts of the Graduation Initiative had impact that was not shown until next semester, would it be possible to adjust enrollments up in the middle of Fall.

Barbara Fortin answered that it would be possible to affect Spring 2018 new students, and that there will be great effort expended to keep evaluating the impacts of this program on our enrollment estimations. She said that showed how useful it was to plan in the 1% over target buffer as well. The team must remain nimble no matter what the

additional variables are that come into play.

Larson observed that is the Graduation Initiative work was going well, not only would we lose student numbers to graduation, but also gain them through better retention and persistence. Barbara Fortin acknowledged that retention is another variable that changes over time. Ben Juliano pointed out lines 42-43 that shows that we have already done slightly better with continuation rates since Fall 2016.

Ben Juliano explained how FTES for Fall 17 and Spring 18 was calculated. The total students estimated in line 12 and those estimated for Spring 18 on line 15 are combined and then the total is converted with the FTES multipliers on the print-out on rows 38 and 39. (The multiplier is FTES over Headcount).

Arno Rethans asked if there is a tuition increase will that affect the prospects of our students. Barbara Fortin said that admissions was preparing a variety of activities to increase our yield rates.

Ben Juliano explained how line 18 shows the Summer 2017 annualized estimate with variations over the semesters that are more or less close to 1% and therefore remain steady.

Lines 24-32 are predictions based on mixture of type of students which are then converted to actual numbers of students (34-35).

Bell asked how much we are above the 2017-18 resident target of 15,197. Barbara Fortin answered that the projection of the annualized 2016-17 resident FTES will be 15,510 or 315 over target. For this year the estimate is that we will be 2% over target.

Barbara Fortin said that the applicant pool was slightly down for first-time freshman and transfers. But as we adjust our yield targets we may need to consider how to manage them differently (as with waitlists or other criteria).

7. CSU, Chico Deferred Maintenance (Hyatt/Kitchell). (45:55)

[SLIDE 9] Hyatt continued with the bad news about our unfunded liabilities in three parts:

1). \$1,335,000 from 1% of 2016-17 negotiated compensation increases.

Chico did not receive base funding for this, but one time funding only and the expense was passed on to units as a temporary measure. We have heard conflicting news about this ongoing expense as it did not appear to be included in the Board's budget request to the Governor this year. Jeni Kitchell had news that it actually was included, but we will still be liable for this year. Hyatt said there is capacity in the units to address these for now.

2). \$1,300,000 Graduation Initiative 2025.

Efforts extend to 2025, yet funding was for 2016-17 only. If these initiatives continue, it will become an unfunded liability.

3). Deferred Maintenance Costs

[SLIDE 10] Hyatt reported on the Facility Condition Assessment in 2015 and 2016. **39 facilities** were evaluated they were below average in condition.

\$290M in facilities renewal costs are projected over the next 10 years that are unfunded.

- There is Deferred renewal of \$181M
Deferred renewal is work that should have been done because of the wear and tear on the building, but has not been undertaken
- Projected renewal \$71.5M
This is renewal that will probably happen
- Nonrecurring projects \$37.5M
These are preventive maintenance projects that will prevent issues that will incur additional costs

This \$290M in renewal costs will require us to reinvest **\$13M annually** for deferred renewal (1.9% plant value). This means we would preserve our below average buildings if we spent like this annually.

The campus has immediate critical needs in excess of \$6M

Infrastructure systems have not been assessed. These are all the things that keep buildings operational.

We have received funding for capital projects to renew the boiler chiller plant and Meriam Library one, but these are only one time dollars as is typical of state funded projects. We have also put \$1M of campus money into differed projects and when we do renovations, we often do differed maintenance as well.

These issues are on our radar screen and the system is aware of them, but the state has not come up with recurring dollars to help us. This can be serious, because if differed maintenance is not pursued, more disastrous ramifications will occur. As we look to the future, we need to think about how to fund this and how to make our case as well.

Hassenzahl pointed out that deferred maintenance does not rise in cost in a linear progression, but once breakdowns occur, the expense becomes even more significant. Is there any estimate of how much costs will increase, if we continue to have large amounts of differed maintenance?

Hyatt answered that these costs are based on the 2015-16 assessment, today they could be much higher. Waiting on projects do raise their costs. The problem is that donors don't want to fund steam valves and pipes. Waiting to take building off line when new ones come on is one approach. It allows whole buildings to be addressed at one time which is really cheaper. This might be done through surge funding.

Part of the system's problems are that there are 23 campuses. San Jose is older than we are, and there are those built in the last 10 or 15 years.

Rethans asked how maintenance is budgeted. Hyatt said that facilities renewal is something beyond routine maintenance. The facilities budget that we fund pays custodial workers and repairing systems. Jeni Kitchell said that the operating budget of FMS is about \$1M a year for supplies and then there are personnel expenses on top of that so that the entire cost is some \$7-10M a year. Quiet conversation about ongoing upkeep of buildings ran deep and mysteriously.

Boyd thanked Hyatt and Jeni Kitchell for bringing these important issues forward and for discussing budget scenarios to alert us about where we might be headed.

8. Advancement Funds Update (Boura). (55:56)

Boyd turned to consider some positive future possibilities and introduced Vice President, Ahmed Boura to describe developments in Advancement. Boura noted that the lack of resources is evident. We are short on operations, we are short on funds for maintenance, we need to find solutions for our University. He will report on the Office of Fund Raising which is one of six offices in Advancement.

He explained that at our University, as at many public institutions, the concept of philanthropy is new. He said we are building understanding among our constituencies, alumni, parents and friends that our staff can share people's success in their disciplines and that our stories need to be told. He described how we are in the first phase of a comprehensive capital campaign that is called the private or quiet phase, or the leadership phase that seeks to raise large contributions to achieve 60-70% of the campaign goals before you go public.

The campaign is called "Transform Tomorrow" to invoke the University motto "Today Decides Tomorrow" and the symbolism is meant to allude to the new day that is before us with a new President and the possibilities of writing the next chapter of the University. The campaign has been designed on three pillars:

1) Student Success

- develop relationships so that when students leave they can be reminded of how they benefited while they were here
- we need funds to support scholarship, hands on experience and education right away – this can be supported by donors giving to an annual fund (either restricted or unrestricted) that can be applied immediately to impact student needs
- this kind of giving requires donor understanding of student needs, whether they are directed toward a college, a program or generally to the University

2) Capital Projects

- help to build our new buildings, shore up some of our facilities
- invite people to invest in infrastructure to help the University or the colleges to grow (this can be for renovation, new buildings or the campus)
- it is hoped this kind of giving can build a foundation for this campaign and future campaigns as well

This is the first comprehensive campaign in our history. It can serve as a model for future campaigns that should be repeated as needed

3) Endowment: Investing in Our People

- the most important aspect of work life is the people you work with
- invest in scholarship and faculty to retain the best and improve the best

Making this campaign work requires helping donors to see themselves at a higher level of giving. The tremendous job that faculty and staff have done working with our students can be invoked to describe how donors can contribute to that continuing for others.

The campaign was launched in 2012 with a goal of \$100M by 2020 and it began quietly. As of January 30, we have about \$43.2M. In March we surpassed \$44M. In the annual fund we have a goal of \$35M and we have \$22.1M now. Investing in facilities is new to us. We have a goal of \$35M to support infrastructure projects and we have about \$25M in that.

Boura explained how Advancement can help donors give more generously and be particularly recognized for doing so.

He focused on the example of this last fiscal year from July 1 to June 30. We have about \$6.2M (\$3.2M cash; \$1.4M in pledges, \$1.5M deferred). The \$3.2 is the most important because it is cash in hand that can come to all the colleges and programs on campus to support operations on an annual basis. This means we are building a foundation of donors giving on an annual basis to the campus. And the money should be spent. This shows the donor that we need it and promotes more generous giving because we can actually show people how their gift is benefitting students right now and has had an impact. We hope to grow this operational fund by \$12-15M this year.

A year ago, the Tower Society was started and required donors to become leaders by giving a minimum of \$1500 with a maximum of \$100,000. Last year in ten months we gained 479 members who gave us \$3.9M. This year the 472 members have given us \$2.4M. We are offering people the opportunity to give to the school and the faculty and they are responding. This is creating a culture of giving for Chico.

There is also a Tower Society for the Golden Group made of a graduates who are ten years out of school. There were 93 members who last year gave \$11,600.00. This year they gave \$27,000. This kind of example creates a sustainable program and operation of giving over time.

This is extended to undergraduates as well and should start in their freshman year. Last year about 1800 students gave for the first time. So far, this year as of February 16 we have over a1000 students giving.

Boura shared some stories of major gifts. One person committed to giving \$1M over four years. He recounted how another interacted with students and was reminded of how everything had started for him here, and he ended up giving \$1.1M.

Advancement would like to create more endowments for the University which he described. A typical example might be that someone creates an endowment that then gives 4% annually to support the endowment activity like a professorship. Advancement would work closely with the Dean to determine what kind of salary should be given, what kind of responsibilities they should

have and what kind of work they should do with the students. The beauty of an endowment is that it will last in perpetuity.

Bell asked if there was a total of all the scattered scholarships and funds across the University. Are they being spent? How much money is in them? Boura said that the problem of people not spending their funds was because they feared losing them and he had to assure people that he would get them more. He said we are moving in the right direction. On a monthly basis Advancement considers all the varied funds and alerts Departments and colleges about what they have and things are continually improving.

Boura reiterated that the best gift that one could give is an unrestricted gift. In the Foundation we have about \$8M in unrestricted funds. The Foundation Board has created a “Special Endowment Program” that gave about \$4M last year.

Boyd said that people could discuss the final agenda item if they like as we continue with questions for Boura about the Foundation.

Barbara Fortin asked how much money we had in student scholarships and how much has this grown. Boura answered that in the Foundation we have about \$57M. Some of this is in the colleges and some is elsewhere.

Chuck Zartman asked how much of Advancement’s support for capital projects was dedicated to the two new buildings versus maintenance. Boura said that the donors had designated specific amounts to specific projects. One of these will be thinking about supporting a new Glenn hall for the college of business, one is for renovation in the college of Engineering and support of the college of Agriculture. Boura said it was possible to identify some benefactor that might be supportive of infrastructure work.

Boyd said that if we take 4% of the \$90.2M deficit we are potentially looking at what are the true deficit cost of that amount? Hyatt answered that the Board of Trustees list of items are just wishes and so the 4% is not a true deficit. Boyd wondered what that would be. Hyatt said it would be about \$10M. This is not an operating deficit but what you should be doing are not able to. Jeni Kitchell said that until the budget plays out, we will not know how much our deficit is. Hyatt added that we are not running a deficit budget here, but if we wanted to do other things that will require different accommodation.

Ford asked about the CO Taskforce on a Sustainable Financial Model that had called for a transfer of debt servicing to the campuses. Will the debt service for the new Science building be transferred to our campus? Hyatt said that we know for sure that it won’t be. Since the budget for the building is about \$82M and we have committed \$7M as our share the system will just issue revenue bonds and the debt service will be paid by the Chancellor’s Office.

Ford wondered where we should have conversation about considering this type of debt service for the new campus science building (as we did for the boiler chiller plant). Hyatt said that the boiler chiller is underway, but the science building is years out. Hyatt said that the feasibility study of the Science building showed that it would not cost \$79M but more like \$83M. We have

asked the system to share this cost. It was also discovered that the building would incur \$4M more in costs to reconceptualize it to be of use to our campus. It would be great if we could find a donor to cover this cost. Boura said that he was told every day that he needed to find this donor.

Hyatt said that there were new flexibilities to manage financing buildings.

Bell asked if we were operating on a deficit. Hyatt said no one is running a deficit and the divisions are in balance.

9. Addressing deficits and strategic goals – Discussion Item

10. Other. (1:35:48)

None.

11. Announcements.

None

12. Adjourn. (1:36:18)

Meeting adjourned at 4:03 p.m.

Respectfully submitted,

Tim Sistrunk, Secretary

General Resources for Background:

State of California, Department of Finance:

http://www.dof.ca.gov/HTML/BUD_DOCS/Bud_link.htm

State of California. Legislative Analyst's Office: <http://www.lao.ca.gov/>

CSU System: <http://www.calstate.edu/budget/>

CSU, Chico: <http://www.csuchico.edu/vpaa/planning/resourceallocation/index.shtml>

CSU, Chico: <http://www.csuchico.edu/bud/budgetplans/index.shtml>

OpenGov: <https://csuchicoca.opengov.com>