University Budget Committee Minutes
September 22, 2017, 8 A.M. – 10 A.M., KNDL 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.

1. Approve Minutes from April 28, 2017. (2:08-4:25)
The Minutes were approved.

2. Approve Agenda. (4:26-4:35)
The Agenda was approved.

3. UBC Overview and Budget Cycle Review (4:37-15:20).
Wyrick began the meeting by noting the intent to make UBC meetings open to all. Everybody should assume the role of a participant. Attendees not members of UBC are encouraged to participate by requesting recognition to speak from a member of the committee.

Wyrick noted that at the first meeting of UBC in September 2016, the purpose of the UBC and the overall cycle of how the UBC and those involved in budget development "can do their work in concert" was defined.

President Hutchinson stated at the first UBC meeting for AY 16-17 in September 2016:

> The first meeting of UBC should occur in September "to remind ourselves what the process is about." The second meeting should occur in November to get a sense of what the CSU put in and what we might anticipate. And finally, we should meet after the Governor has issued his budget in January, "to start thinking what that means." Departments and units should be prioritizing their budgetary needs. In spring, UBC should make its recommendations to Cabinet about prioritization. Finally, when the Governor's "May Revise" has been issued and the budget has been set, the President will receive recommendations from UBC as well as others who have been working to prioritize their parts of the budget.

We are very excited about how the budget has come out so early. There is a completely different timeline, and this year the budget plan is coming out about two months earlier than last year. The Provost's Academic Council received a budget to look at in June.

Hutchinson noted that our budget cycle aligns with the budget cycle of the state. Over the summer, the CSU has been engaged in budget planning. A budget request will be submitted to the legislature in November. Basically, the Trustees are articulating what is needed, in terms of operations, number of students, compensation, deferred maintenance, and "you name it." In January, the Governor submits his budget to the legislator. Everyone "scrambles about" trying to figure out what this might mean to us. In February, the Legislative Analyst issues an analysis of the budget and tries to give a "guestimate" of how the final budget will look. Finally when the May revise has come out and the budget is set, the President will receive recommendations from this body as well as all the others that have been working to prioritize their parts of the budget. This is the cycle and shows key points when the UBC could make formal recommendations. By June 30 (ideally), the state adopts the budget. The CSU receives its allocation "typically" in July. "We'll never have enough money."

4. Review of the <u>2016-17 Budget to Actual</u>. (15:24-23:19).
In 2011-12, the campus received about $83 million in state funds. In 2017-18, we are up to $115 million. In 2007-08, we received about $120 million. We are almost back to the level of funding for a decade ago. However, we now serve more students and costs keep rising.

Kitchell noted that the campus budget plan, which projects revenues and expenses, is finalized in the fall. The Actuals, indicating actual revenues and expenses for the year, is finalized on June 30. The base budget for 2016-17, which is the "operating fund," was $211,334,467. (Tuition is included in the base budget but not housing, Continuing Education, parking, etc.). Onetime revenues, $13,614,844, streamed in over the year. Expenditures totaled $224,543,623, along with encumbrances of $2,644,029, resulted in a net change of $-2,238, 341. Reserves are drawn upon to cover this negative amount. Reserves totaled $45,159,484. Drawing down by $2,238,341 leaves a reserve balance of $42,921,143. Reserves are what is left over at the end of the year. *It is onetime funding.* Hutchinson added "Best practice" is to maintain a reserve sufficient to cover 5 months of operation, and we are far under that."

5. Enrollment Update and Discussion of Link between Enrollment and Budget—Discussion Item (23:25-35:40).
Registrar Daniel Parks reviewed enrollment figures. The latest enrollment update is September 22, 2017. Figures are updated weekly. Parks noted that on July 14, when we received our budget allocation, the 2017-18 resident FTE target, 15,197, was adjusted upward to 15,250. This upgrade is seen as an annual occurrence. We figure in a 1% cushion to keep us from dropping below target. Sistrunk noted, "Enrollment is where the rubber hits the road." Is any thought given to hold back on enrollment increases? Park noted that our goal "is to not exceed target." However, targets are increasing at the state level. To maintain an "annualized target," spring enrollment, which tends to fall below fall enrollment, is regulated to get us back to our annual FTE target.

2017-2018 enrollment planning
• 2017-18 funded resident FTES target is 15,250
• 2017-18 target is +153/.3% over the 2016-17 resident FTES target of 15,197
• Annualized headcount estimates is 16,989
• Summer 2017 resident FTES actual was 53 (planning goal was 50)

Park reviewed the following figures:

Comparison with fall 2016:
• Headcount is up 242/1.3%
• Total FTES is up 328/2%
• Resident FTES is up 417/2.6%

• Average resident unit load is 13.96 (details below), up over last year at this time of 13.89
• International enrollment is 431, lower than last year at this time of 516
• Nonresident domestic enrollment is 171, lower than last year at this time of 197

Park noted that average resident unit load is up, "and that's a good sign." We are trying to get students to take more courses and graduate in a timelier manner. Due to circumstances that "I'm sure you are all aware," international enrollment is down considerably.

Park reviewed the following figures:

Other highlights:
• Census was 9/15 (estimate two to three weeks for clean-up)
• Financial aid disbursed: $70M to 11,459 students, which is 64% of all students
• New student enrollment is 5,017 (enrollment planning goal was 5,073)
Chiari inquired regarding the status of the International Task Force that met last year and focused on a plan for increasing international enrollment. Larson noted that a great plan was developed and some seed money (not as much as they would like) was allocated to kick-start the plan. The intent is to move away from onetime funding to support the plan. "I am very excited move in that direction." Park concluded by reporting that "We have already started our 2018-19 enrollment plan." Ford noted the $70 million disbursement for financial aid, of which around $23 million was centrally managed funds. "Sometime I would just like to get a breakout of that $70 million; understand where it all comes from."

6. Update on the 2017-18 Campus Budget Plan—Discussion Item (35:41-53:35).
Kitchell noted that total budget revenues increased $11,719,607, from $211,334,467 in 2016-17 to $223,054,074 in 2017-18. This is the "operating fund" and includes state support, tuition, and other fees. Three broad categories of funding are "Central Mandatory Costs," "Special Allocations," and "Incremental Allocation." Much of the funding in Central Mandatory Costs is earmarked for compensation, health and dental, retirement, etc. Kitchell noted that compensation increases include the accompanying benefit package. Kitchell noted the $2,916,000 under Special Allocation for the Graduation Initiative 2025. Kitchell broke down the 2016-17 and 2017-18 budgets by division, noting the 5.5% overall increase from $211,334,467 in 2016-17 to $223,054,074 in 2017-18. Kitchell noted that 72% ($129.6 million) of the total division allocations, $180 million, goes to Academic Affairs. Kitchell reviewed the breakdown of centrally managed funds, noting that $24.8 million of the total $43 million for centrally managed funds goes to Financial Aid. Larson and Douglas clarified the manner in which the $2.9 million for the Graduation Initiative 2025 was divided between Academic Affairs ($2.2 million) and Student Affairs ($700,000). This division of funding will allow us to move on quickly in a positive direction.

7. Update on the 2017-18 Academic Affairs Budget and College Allocations—Discussion Item (53:36-1:17:57).

Larson reported that, amid concerns that we would not receive what we need, we all got together "and we really rolled up our sleeves in May and tried to put together what the 17-18 budget looked like." We focused on what we thought the monies coming in would be and what our expenses would be. We were able to reduce a projected $4 million in centrally managed spending by $1.5 million. Additionally, the deans were able to reduce their college spending by $671,000. The "penultimate" allocations on June 27 yielded a deficit spending of $1,265,468. Employee expenses are increasing, and now consuming about 95% of the budget, leaving very little flexibility in spending. The reserve for Academic Affairs, $11.550,235, covers only about one month of compensation (salary and benefit). Luckily and surprisingly, we received an extra $1 million for employee expenses. We were able to return the $671,000 to the colleges, plus an additional $1 million to HFA. We were projecting that we would be able to close the 2017-18 year "basically at zero." This will allow us to discontinue the drawdown on reserves, "a really great step for us to take and a very responsible set of practices for us." We were able to approve 27 tenure-track searches costing around $3.2 million dollars. The tuition increase will generate about $2.2 million.

Larson noted that an essential feature of college allocation model "is that you don't step up competing interests in your leadership."

Larson reviewed stateside college allocations. The comparison between ABC/DE allocations and fixed expenses yields surpluses for all colleges except HFA. HFA incurs a deficit of $701,862. The model allocates $9,762,817 and the fixed expenses are $10,464,709. This deficit will be covered by an additional $1 million allocation to HFA (see above paragraph). Larson noted that the ABC/DE allocation model is based about 80% on FTE. The remaining 20% of funds are in areas that do not fit into an FTE model, including administration, technologies, special needs, and the University Farm. The model is based on an interplay of areas of teaching, including undergraduate, graduate, and GE. However, bear in mind, "all models are wrong." We will impanel a task force to look at ways of upgrading our model as circumstances continue changing—"open this model back up and look at it." Larson reviewed the "Share of Uses" for stateside college allocations:

Colleges	51.3%
Support Units	12.2%
Benefits	32.1%
Division Funded	3.3%

Larson noted, "Benefits are just growing like crazy." Larson concluded by briefly reviewing some data by college that is "independent of the allocation model," including annualized undergraduate majors, instructional costs per FTES, FTES/FTEF, and fall tenure density. Larson noted the need to closely monitor whether or not the college allocation model is sufficient to support the fixed costs of each college. In HFA, it is not (underfunded by $701,862). This is not simply based on one thing, "it's a multifaceted story." "Try to help me. I am really interested in having a vibrant, exciting, energetic HFA. Doing what we've been doing in the last few years is going to get us there." The crux of the issue is FTES. Most of the colleges has remained flat or growing. HFA is declining. This the primary driver between the allocation model results and fixed expenses. **Ford noted that the budget cycle necessitates that local decisions need to be made in April and May yet we don't know our budget until about now. This is terribly inefficient. "We're never going to get our budget before we have to make decisions." We'll never overcome this. However, moving decision-making earlier and having it more transparent "will have a lot of long term value and be a lot less disruptive."**

Sistrunk initiated discussion of how and when the (ABC) funding model will be critically reviewed and revised. Bell noted the development of a committee—people "willing to dig in and do the work to look at these forms of models--to begin the process, with open discussions in several venues, including the Academic Senate and University Budget Committee. Wyrick requested that anyone interested to please consider participating and nominating others. The composition of the committee will be brought to the Executive Committee and to the Academic Senate in early spring. Bell added that a group is being put together to consider what needs to be done so those considering serving on the committee will know what lies ahead.

8. University Advancement Update—Discussion Item (1:17:59-1:33:42).
Boura reviewed fundraising for 2016-17. Boura noted that the total amount raised, $14,818,352, and the total number of donors, 15,026, were the highest one-year totals ever. We have 180,000 people in our database. The 15,026 gave 33,390 gifts. Gifts supported Public Services ($3,710,722), Buildings and Facilities ($3,196,070), Academic Programs ($3,189,606), Scholarships ($2,497,078), Faculty Endowments ($1,075,000), Athletics ($302,664), Other ($471,542), and Unrestricted ($375,669). Who is donating? – Alumni (39%), Friends (25%), Parents (18%), Students (11%), Organizations (5%), and Faculty and Staff (2%). The top designations by number of donors included the Chico State Fund, North State Public Radio, College of Business, Gateway Science Museum, and the Osher Lifelong Learning Institute. The amount donated toward scholarships in 2016-17, $2,318,568, supported 1,090 scholarships.

The big picture" shows $51,602,203 received from 2012-2017. The "bigger picture" -- "Transform Tomorrow, The Campaign for Chico State, is to raise $100 million by 2020 for three priorities: Empower Student Success, Renovate and Build, and Invest in People (endowments for scholarships, faculty support, and programs).

Boura spoke on the Tower Society. The society includes 678 "Tower Society" members ($1,500 or more annually) and 163 "Tower Gold" members (Targeting graduates of the past who can join for $150 or more annually). The total donated was $5,848,184, well above the $2,259,571 in 2015-16.

Our overarching focus is "How to build a donor base for the long term." *Together We Will.*

9. Student Affairs Update and Graduate Initiative Funds—Discussion Item (1:33:45-1:45:11).
Douglas reviewed the uses of the funds allocated to Student Affairs for the Graduate Initiative, including $705,400 from base funds and $697,558 onetime funds. The primary purpose of these funds is "to help students get out of school—to move students along." The total $2.9 million is split between Student Affairs and Academic Affairs. Ford noted that the role of the Graduation Initiative Implementation team and the need for it to be made aware of any augmentations to

Graduation Initiative funding. The UBC should discuss the process of how uses of all GI funds are allocated. Chiari added that these issues should be discussed at the Academic Senate at the November 05 meeting.

10. Business and Finance Overview—Discussion Item (1:45:19-1:59:41).

a. Observations on System Funding.
Stivers reported that it's always good to see a budget increase of $12 million "and that's what happened last year." It allowed for movement in the right direction. California has one of the healthiest pension systems, if not the best, in the country. "We have a lot of good things to be proud of here." But these good things are a drain on the budget.

Last year, $157 million was proposed for the CSU System for 2017-18. CSU's request was $324.9 million. The final state budget allocated $177.2 million, leaving a deficit of $147.2 million. The total unfunded request since 2013-14 is $577.7 million. "This is where the rubber meets the road." Despite all, we are moving forward. We just completed an incredible fine arts facility and we have a $90 million science building close down the road. We are moving ahead incrementally but we must do everything we can to keep the pressure on the state to provide the necessary resources when we need them and for the purpose for which we need them. Design and function of contemporary buildings has changed. Today we are building multipurpose buildings, designed and equipped for multiple uses.

b. Facility Conditions Assessment Report.

Stivers reviewed the status of buildings on campus

39 buildings assessed

- Facility Condition Needs Index (FCNI) – ratio of renewal needs to replacement value
- Chico FCNI was 0.41
- Far below the CSU average and the worst of 15 campuses evaluated
- **$290M** in **Facility Renewal Costs** *(over the next 10 years)*

Stivers noted that *33% of our buildings have deteriorated beyond replacement level.* Aside from safety and usability, buildings serve as the visual cornerstone of the campus.

What brings students to campus: facilities, leadership, and culture.
What do students and parents see first and last on campus: facilities.
We need $290 million over the next 10 years to bring the physical plant up to an acceptable level.

Stivers reviewed critical infrastructure needs.
Critical Infrastructure Needs

- Main **electrical switchgear and wiring** date back to the 1970s
- Undersized domestic and fire **water lines** without adequate isolation valves to support emergency leakages
- Direct-buried steel **steam lines** with insulation currently experiencing leakages leading to loss of useful heat
- Existing **sanitary sewer** system was installed in the 1950s and is subject to failure due to root intrusion, cracking, and pipeoff-sets

Kitchell noted that an estimated $13 million annually is required to maintain buildings at their current state, “which is not where we want to be.”

11. Other. (1:59:45-2:03:20)
Boyd offered a most befitting conclusion to the meeting. This meeting has brought to the table number of “firsts” – a two month earlier budget plan, earlier college budget allocations, a “budget to actual,” a review of donors and gifts, and a “thorough overview” of the physical status of facilities. “We are in such good hands here.” Boyd thanked all who have and are working together to keep to provide this information.”

Respectfully submitted,

Joe Crotts, Secretary