



University Budget Committee Meeting

DATE: Friday, December 1, 2017

LOCATION: ADM 560 (NEC Room)

MEMBERS PRESENT: President Les Wong and VP Ann Sherman (Interim), Co-Chairs
Provost Jennifer Summit (Interim), VP Luoluo Hong, VP Robert Nava,
VP Jason Porth, Andrew Harris, Nancy Gerber, Sheldon Axler, Singing
Chen, Nathan Jones, Sheldon Gen, Andrew Ichimura, Jerry Shapiro, Genie
Stowers, Maria Martinez, Elena Stoian, Sutee Sujitparapitaya, Darlene
Yee-Melichar

Guests Present: Advisory members (see sign-in sheet for non-members)

Committee Staff Present: Nancy Ganner

Agenda Topic #1: Call to Order

❖ UBC Co-chair President Wong called the meeting to order at 10:07am.

Agenda Topic #2: Welcome and Announcements (President Wong and VP Sherman)

❖ **PRESIDENT WONG** →

- We have a pretty ambitious agenda today so I'm going to make my comments brief, as they are related to budget. Over the last couple days, we've had what I like to call "utility problems". Ann briefed me this morning and it looks like the heating pipes are close to working and water is circulating again. As you can see, the power is back on, so we've had our moment and hopefully it's behind us. It's really difficult to learn when classrooms are cold, and people are cold when we can't get their offices warmed. It was frustrating – issues with PG&E, etc.
- One of the things I wanted to work on when I first arrived in 2012 was an underground map. We got one 6-7 months ago, but the inaccuracy of it was so high it was almost of no value. We found out the underground pipe maps PG&E had did not match at all what we had. I want to thank Ann's team and Frank Fasano's crew for their enduring work to solve this.
- Another area where cooperation was super high, was making the decision to close the campus. It's not an easy thing to do. Alison is my representative on the EOC (Emergency Operations Committee), and they kept me updated throughout the day and helped organize a response. We

had a number of people trapped in elevators, and we had to put people in carriages to bring them downstairs. I'm not sure if you've seen that, but we all should. We *have* to do a lot of practicing. I hope you go back to your unit and talk about safety issues; practicing, phone trees, where people are, knowing what classes are being held and which aren't. I've tried to tell faculty often; we don't control when and how you meet your class, we just need to know if you're meeting that day, so we know who's in the building and who's not. We're going to get better at this, and when you have these real-life kerfuffles, you learn a lot from them. We need to practice, so the EOC teams work well and police can do their best.

- We still seem to have an issue about local control of space, so we can act fast. I'm the person who closes the campus, and we work hard to insure there's a lot of input to make that decision. When the decision is made to close the campus, campus is closed. You can't make a local decision to keep your building open or to let people in. It just hampers the situation, and when we find out that's happening, we have to divert police to that area. It was very troubling when I was receiving reports about removing people from elevators or getting them off top floors. We need to practice -- the more systemized and practiced-regular we are, the more everyone's safety goes up.
- ❖ **NANCY GERBER** → Can I ask a question about Thornton Hall and what efforts are being made to make sure that the safety issues which happened yesterday, along with the shut-down, don't happen again? The shut-down created a lot of problems.
- ❖ **ANN SHERMAN** → Frank's team is looking at that because Thornton Hall is one of those that's supposed to be on a generator, and for whatever reason it wasn't, so I can't answer that right now.
- ❖ **PRESIDENT WONG** → That's part of where we're going to do better. The building managers did a good job there, but I've not received a briefing on that particular issue.
- ❖ **SHELDON AXLER** → We were interviewing a job candidate and the booming building intercom came on and said "this is the University Police and we will be evacuating this building in one minute" and 30 seconds later the alarm event off, so it worked. It was almost surreal.
- ❖ **PRESIDENT WONG** → In that same vein, I wanted to use that campus loudspeaker that we often hear "this is a test...", but apparently that's a city-owned-and-operated system, and I can't use it to evacuate campus.
- ❖ **ANDREW ICHIMURA** → I have a comment that I wanted to save for the public forum but since you started off with the PG&E power outage I may as well; one of my faculty colleagues Dr. Palmer sent you an email about the temperature of the building (and thank you very much for replying and we appreciate the concerted action on that regard) but it does raise the larger issue again of infrastructure, when power goes off and lights go off, and safety, and how that's going to work best in the future, and how are departments react. We were having a safety talk with Marc Majewski, the Director of EHS when we had to evacuate, and then came back to it afterwards.
 - As a representative of COSE on this committee, the topic of a new science building is foremost in our mind in our COSE community for faculty and for students. There was chatter about it for some time, and perhaps at higher levels it's still going on, but as for faculty, we still don't know anything besides that it was a priority and in the Master Plan. There were some numbers tossed around of an estimate of \$300M, which for a new building is hardly in excess. At CSU San Luis Obispo, it was \$100M more, but since we're a small building, we'd like some updated info on that. Carmen Domingo is our new Dean and is doing her best, but details are missing, to give

some hope of where we're going and where funding is going to come from, not only with regards to safety. We were interviewing a new candidate and were going to make an offer (thank you, Jennifer, for speeding that process along) but I started the interview as Chair of that committee by apologizing for our infrastructure and saying "this is the room you have to teach in, this is the lab you have to teach in, and it is dismal...". I'd like to say "we have great facilities to get the work done", but "you have to teach in this". Today, I cancelled interviews because I didn't know if we would have heat, and if the power would be on, and I can't have someone from UC Merced come here. We're trying to recruit with these issues on campus. I think this is a larger issue that needs to be addressed and I know it can be solved with money, and I know there isn't money, but what steps can we take? I'd like to put this on the agenda for February unless some other info is forthcoming.

- ❖ **PRESIDENT WONG** → I think that's fair to do. Let's talk about that, particularly as the new Master Plan is in the final phase of being approved. The idea of a new science building for me is not simply an idea -- it's how to monetize it. There has been a lot of work done, and we can lay that out -- there are no secrets.
- ❖ **ANDREW ICHIMURA** → Great, then I can take that back to COSE after.
- ❖ **ANN SHERMAN** → Andrew, you mentioned there were two requests for the forum -- one was the new science building, and one was classroom renovations?
- ❖ **ANDREW ICHIMURA** → Yes, they go hand-in-hand -- if there's a new building, then we don't need to talk about renovations.
- ❖ **ANN SHERMAN** → There's a cycle for the classroom renovation process.
- ❖ **ANDREW ICHIMURA** → For the laboratories it's not that simple, as it's tied to infrastructure.
- ❖ **PRESIDENT WONG** → Let's talk about that in February and we'll give you a number to ponder. The minimal estimate of updating the campus right now is a little over \$500M. That's the deferred maintenance cost. That does not include new construction, so we'll tackle that in February.
- ❖ **ANN SHERMAN** → In the interest of time let's move onto the next agenda item which is the approval of the minutes.

Agenda Topic #3: Approval of Sept 12, 2017 Meeting Minutes (VP Sherman)

- ❖ **DARLENE YEE-MELICHAR** → I'd like to make the motion to change the "members absent" notation; we both had conflicting meetings and according to Roberts Rules, those were "excused", so can we make that change.
- ❖ **ANN SHERMAN** → Thanks. That change will be noted. As no other changes are requested, with the motion to approve seconded, July meetings minutes are approved.

Agenda Topic #4: Budget Process (VP Sherman)

- ❖ **ANN SHERMAN** → We're still approx. 6 minutes behind schedule, so I'll talk about the budget process very briefly, then turn it over to Elena.
There are two major things that changed in our budget process over the last several months.
 - We've talked about one of them, which was that we were preparing the budget based on our actual spending last year. Typically, divisions received incremental budget increases, so each year they'd get slightly more, and passed through to their various departments. It was relatively straightforward but what would typically happen is that those extra funds would be eaten by

salary increases/negotiated increases. This year, we offered divisions what they spent last year (actuals) but we didn't just offer more without a request. If they have need for more beyond what they spent last year, for example, an open position that was never filled, but was then filled this year so it would not have shown up in their actuals from last year, then they'd request this in their budget planning process, acknowledging the actuals *plus* the extra needed for that new position.

- The other thing that changed is we asked people to think about budgeting with *all* funds, not just the General Fund. We showed VP's the money we get from the State, and the part that's available for them. We did all of our budgeting with that alone. We had one "color of money". The issue is we have *multiple* colors of money; "multi-colored funds". Elena asked this year we budget with *all* the money we have available, not only the General Fund. What you'll see in this next presentation is the *multiple* types of funding for our campus. We pay salaries based on this multi-colored money, we pay expenses, we buy things, we run our operations on it, so we're going to hear about those additional types of funds, and I encourage you to think about what it means for all of our expenses, for all of our money. A lot of it comes from scholarships, and both Federal and State money, in addition to the General Fund money we're presented via the CSU. When Elena and I were talking about how to present this here, we acknowledged this is very important, because there's a lot happening at the Federal and State level that's probably going to affect us in the not-too-distant future, depending on what happens with tax reform in particular. We have an issue with Pell Grants and you'll see, that's a big chunk of money for us. With that preview, I'll turn it over to Elena.

Agenda Topic #5: Funds Chart Update (Elena Stoian)

- ❖ **ELENA STOIAN** → It's helpful for us to take a look at funding from a larger perspective. I called this presentation the "color of money" rather than the Funds Chart.
 - This is an illustration used by the CSU to demonstrate how different funding sources are identified and made available to achieve the mission of the university while adhering to laws, regulations and policies governing how funds are expended." (see slide on Pg. 8)
 - Today we'll be talking about the source of funding, not how we spend it. What the "color" is and what restrictions we have on it. This year for the first time we refer to our budget as the "consolidated budget of operations" rather than just the General Fund, because in the past we've only been focused on funding from the State, State Appropriation and Tuition.
 - There are four different categories of funds:
 - 1) Current Funds: Revenue used for current operating activities (e.g., tuition revenue, student fees, sponsored research support, state appropriation, endowment payout, and other investment income)
 - 2) Restricted Funds: Federal and state grants and contracts, endowment income, federal and state financial aid, and restricted gifts; use of funds for research, scholarships, public service and financial aid
 - 3) Capital Funds: Funds to be used for capital projects, such as construction of new facilities, nonrecurring maintenance or debt service
 - 4) Student Loan Funds: Funds to be borrowed by students
 - In the past when we did the allocation in the operational budget, we talked about allocated sources by the university, such as operating funds, state appropriation, campus mandatory fees,

grants and contracts, and lottery funds, and these allocated sources are the ones we received for the budget. When we look at our financial reports, the column we used to have in our past budget were the allocated sources only.

- The data in the next slide (Pg. 10) I used the SFSU's financial statements for 16/17 because they're already audited and we have the actuals. I eliminated fund 017, which is the transaction between our campus and the State Controller's office, and I presented only 05 (receipts which are the revenue) and 13 (transfers between the funds). Also, I'm presenting only period 1 – 12; June to July, because I'm going to present the gross revenue, not the adjusted revenue.
- ❖ **LUOLUO HONG** → Can you relate this slide to the former slide? This is what I'm taking away: this is a detailed description of the Current Funds – the “red” color.
- ❖ **ELENA STOIAN** → this was the perception in the past, that our budget is all allocated funds from the budget office – which perception changes since we have included in the budget process ~~right~~ ~~now~~ more funds and called “Current Funds”.
- ❖ **LUOLUO HONG** → So this is how we *used* to divide up our funding but you don't want us to think about this anymore, is that right?
- ❖ **ELENA STOIAN** → The way we used to do this was not wrong, but we want to evolve from this.
- ❖ **ANN SHERMAN** → – This isn't to say it was inaccurate; it just wasn't as comprehensive as our true picture.
- ❖ **ELENA STOIAN** → Now we'll look at each type of fund (see slide pg. 10)
 - Current funds: Our campus has over 1,200 campus funds, but for simplicity, these are the CSU's top hierarchy of funds. You can see we depend heavily on the 485 - the CSU Operating Fund (“Current Fund 1”). For the year 16/17, we have about \$448M in Current Funds, which is the gross revenue. This still includes scholarships, grants and waivers.
 - RECAP of FY 2016-17 Current Funds:
 - CSU Fund 485 – General Fund includes tuition and fees, student health fee, other fees (e.g. lab fees), and state appropriation.
 - CSU Fund 491 – Special Project Fund includes fees received for workshops, conferences, institutes, indirect costs (F&A) and special projects.
 - CSU Fund 496 – Miscellaneous Trust Fund includes fees received for purposes not described by any other CSU Fund such U-Corp reimbursed payroll, children campus operations, athletics programs
 - Funds that are collected outside of campus mandatory fees or state appropriation, they are simply classified under 491 or 496. By the end of the year, though, we have to identify if those are actually course recovery fees, which are paid for by the General Fund and our campus is to be reimbursed.
- ❖ **ANN SHERMAN** → Elena just said something that is dramatically different, which is that the CSU has recently changed its practice and directed us to look at the 491 and the 496 funds, and determine which ones are rolling back into the General Fund 485. We did not do that before.
 - They're saying “these funds are sitting there and not being well leveraged for the campus, so we're going to put them back into the General Fund so they are available for use. So this is one-time money that's going back into our General Fund. Obviously, they're time-sensitive and limited, but at least it will help us free up some cash we've had available but not leveraged.

- ❖ **ANDREW HARRIS** → Can you give me an example of what that might be like. It's a lot more reflective of appropriate charging of Reimburse/Reassign Time ("RRT"), so it's the sense then that RRT was not being moved back into the General Fund before, it was just held elsewhere? If it has been paid back, then it's not there?
- ❖ **ANN SHERMAN** → Correct.
- ❖ **ANDREW HARRIS** → Would it supplant other funds?
- ❖ **ANN SHERMAN** → No.
- ❖ **ANDREW HARRIS** → Then it would be one-time money, so if I count on \$10K that has never been charged, you would be saying "well next year, you should charge that back over, move it over, so does the university get that, or do I get that?"
- ❖ **ANN SHERMAN** → I don't believe they've gotten to that level of detail yet in the directions, as I did not attend that recent meeting, so I don't know how far they've gotten.
- ❖ **ELENA STOIAN** → University practice is that for every trust fund, we have a trust agreement. It says what the scope is, what type of revenue it is and what kind of expenditures the fund has. It also lists who ownership belongs to and who has authority to spend it. We have to review and audit, and in January we'll be doing that to present it to Ann. Our office is not authorized to make any changes – we'll be reaching out to those that have the proper authority per the existing trust agreements.
- ❖ **ANN SHERMAN** → Whoever's on the trust fund agreement at the moment is who we're planning to go back to.
- ❖ **DARLENE YEE-MELICHAR** → As I'm listening to you both speak, I'm hearing that the incremental budgeting that you started this conversation with, has shifted because we're looking at moving from State-support to State-assist, and because of that, it's shifting away from just looking at the 485 fund, and as a system and as a campus, we're going to be pushed more to look at the 491 and 496, and in some ways, building on Dean Harris's question, some of our units across campus are going to have to look at how we are to be revenue centers, to look at how we can be creative in bringing in more funds to the 491 and the 496, to offset the increments?
- ❖ **ANN SHERMAN** → I don't think I would go there. What we're saying was that in the past, we've given each group money, and maybe some groups spent 95% of their money; that 5% would keep rolling along, so the next time would be 5% plus another 5%, so compounding over time. We have been for several years in a structural deficit, and we were having to make up at the end of each year, money that was overspent because we were under-enrolled. Now, we have hit our enrollment targets, and we've had to pay back from our reserves the money we overspent the last several years. We don't want to get into that situation anymore. So, whatever we spent last year is probably whatever we're going to spend this year, and we're going to keep doing that. I would love if we could generate more money through grants and whatever – we should always have that goal, but it's not something that is in a crisis situation, we'd think "we don't have enough money for that right now".
- ❖ **ELENA STOIAN** → To complement that, the movement of the funds is mostly due to the fund balances, and we were presenting the current activity we have every year. That was a practice we're no longer doing. We really have to look at the funds balances and re-appropriate them properly. That exercise is going to happen in 491 and 496. If the expenditure is appropriate, it won't change.
 - (Referring to Page 12 of the presentation): I was trying to think of all the budget changes, to see if the funding landscape has changed. You can see we presented it over three years, and still, the

operating funds convey mostly all the cost for instruction and the financial health of the university.

- ❖ **ANN SHERMAN** → The reason this slide is cool is because now that we have actual numbers for these years, there is nothing dramatically different across those three years. It's somewhat unusual for CSU campuses to look at actual spend against your budget. This is really helpful for us because it helps us plan better, and we can say with some accuracy we can spend this much, because we have a trend line that indicates how consistent we are.
- ❖ **SHELDON AXLER** → I have a question about something you said a minute ago: you said whatever you spent last year is probably what you'll spend this year. I think you meant that a major expense for some units is salary, which goes up 2%-3% per year, even if you're doing the same thing, so did you really mean you get what you spend, plus that increment for salary increases?
- ❖ **ELENA STOIAN** → That's correct, because payroll is included in the actuals. It's based on the expenditures, not the allocation, so the expenditures include the expense which already includes the incremental salary increase.
- ❖ **PRESIDENT WONG** → Elena, correct me if I'm wrong; if I'm learning this correctly, because the spending is by actuals, because it's by contract where you have 3%, 3%, 3%, the base actually drives us, so it's not like you're always getting saved from past years, so the actual base from last year will float up as contracts are executed.
- ❖ **GENIE STOWERS** → So then it's not really accurate to say you're going to get next year exactly what you got last year, and that's going to be confusing to people, I think, to continue saying it like that, because it is more complicated than that.
- ❖ **PRESIDENT WONG** → Absolutely, because your salary costs are going to go up, and it could be that other parts of your budget will go up too. You're right, the language should be better. I think we're all getting used to this new piece. Elena, correct me if I'm wrong; the part that's most interesting is we've had decades of habits for special funds, that were thought of quite separately from the General Fund. So, special funds kept accumulating and you never spent it, but your General Funds, like they did in '08, take a dive. What's happening is they're saying that rule has now changed – your special funds, if not spent, can go back into your General Fund, so that's where the accounting by actual funds is going to be to our advantage, but it's a different habit.
- ❖ **GENIE STOWERS** → I have another question: are there going to be provisions for reserves in those funds?
- ❖ **ANN SHERMAN** → Yes. We have to do that.
- ❖ **ELENA STOIAN** → Next are Restricted Funds (see slide pgs. 13, 14) Financial aid – state and federal in an estimated amount of \$100 mil.
- ❖ **DARLENE YEE-MELICHAR** → It's my understanding that the SUGs, the State University Grants, are 10% of the student tuition fees and if we were not to allocate that – we're the only state that has a state university grant, right? So, if we didn't allocate that, it could be a revenue center for the CSU and for our campus, right?
- ❖ **ANN SHERMAN** → It's like a discount, actually, it's not a cash payout. It's a waiver. We can reduce the discount. It's very dramatic – we could talk about that next time.
- ❖ **ELENA STOIAN** → Each campus is provided with a target every year by CO, and the target every year increases based on the campus student population needs. The campus can't do anything about

the established threshold to fund. This year we have budgeted an increase of 4% of the SUG allocation.

Additional fund have been establish for the capital funding/capital budget per each campus entity general fund support or self-support.

For the first time 3 years ago, CSU introduced a new chapter in our financing and accounting requirements. Chapter 13 allows campuses to build their own capital programs. They came up with specific funds where every operation on campus funds and track their capital program.

Why is this positive? If we have a fund balance, we can apportion the money for future capital improvements and/or deferred maintenance program. In the past, everything was combined together and we didn't know what the strategic financial plan was to priorities the use of funds, and the color of money (what the restrictions were).

If we receive funds from the Foundation or donations for special projects, we can see the specific activity for that specific year or multiyear as well.

With the newly implemented Chapter 13 and financial reporting system is much clearer now; you can run the reports in the financial and can see all the funds and the activity associated with it.

- ❖ **PRESIDENT WONG** → To go back to our earlier talk (see slide P. 18), that \$19.8M represents 4% of the needed repairs.
- ❖ **SINGING CHEN** → I'm not sure; I worked for Endowment before, but usually with an allocated fund, the remainder, plus revenue - we used it to purchase real estate around the area, just the base 10%, and then people rent it so they generate revenue. Do we have anything on that program?
- ❖ **JASON PORTH** → University Park North and South were both purchased at the time with a public/private partnership by what was called the Foundation, and is now called UCorp. Ultimately those units were turned over to the University.
- ❖ **LUOLUO HONG** → I'm not sure if this question is answerable: if there is a facility that designates me as the building owner, and there's an associated repair and renovation account, such as Mashouf, then there's funding for that. However, for other buildings, such as the Student Services Building as an example, I'm unaware if there's a set account set aside for that so whenever there's repair and renovation needed, whether it should be paid from a central account, or, sometimes it seems I'm expected to pay. I'm trying to figure out how if there's some principle or approach, so we can identify when it's a central expense, or when it's the building owner's expense, or when it's a repair and renovation account expense. Does this make sense?
- ❖ **ELENA STOIAN** → Capital funds are a little more complicated than the regular funds. In the capital funding world, we identify academic buildings as "where instruction happens". For any other kind of building, such as Mashouf, or housing, they're considered "revenue-supported". So they are mandated to provide capital improvements with their revenue. We can't mix the money designated to provide academic funds such as 485 to maintain revenue-supported facilities.
- ❖ **LUOLUO HONG** → I get that – those are buildings I'm not worried about as there is an account for them. I'm worried about a building like the Student Services Building – is that considered "instructional"?
- ❖ **ELENA STOIAN** → The Student Services Building was built with General Funds, so to make capital improvements, the request goes into our 5-year capital improvement plan, which is submitted

every year to the Chancellor's Office for funding, just like the other 23 campuses. We have to list the projects that we propose for the next 5 years, for approval. However, even once approved, such as the science building was nearly 3 years ago, it doesn't mean funding is available. If we look at our 5 year capital program, it's about \$1.5B. There's no specific pot of money; it's based on priority, criteria, etc.

- ❖ **LUOLUO HONG** → Thanks. Let me refine my question: what's not clear to me is: when is it the responsibility of the campus, and when is it my responsibility? That's what doesn't make sense. Like when something breaks, I feel like it's always an experimental journey to go through the project and then, at the end, there's a pronouncement, and I have no idea what the answer will ever be. I get the bigger picture of how we get funding, but what about the process?
- ❖ **ELENA STOIAN** → Like how does it happen on campus?
- ❖ **LUOLUO HONG** → Yes.
- ❖ **PRESIDENT WONG** → Let me try to answer the question like this; your question will be answered when you get your budget. Because in the old way, dependent upon how the State entity acquired the money to build the building, we had system revenue bonds, and there was a variety of bonds, and that influenced how the budget to the vice presidents was laid out.
- ❖ **ELENA STOIAN** → That's right. When the Governor was running all the State revenue bonds, the program was called General Obligation program and we did not have any expenditures on the CSU books. The Governor 4 years ago said he was cleaning all the debt from his books and balanced his budget, and that obligation belongs to you, with some caveat that he was going to pay for some existing bonds, but nothing else because we now have the authority to issue our own revenue bonds. On campus, if we have any available resources on campus, its part looking for funds, and part prioritizing.
- ❖ **ANN SHERMAN** → LuoLuo, to answer your question from a very pragmatic standpoint, the answer to the question of who pays, is, in many cases, is how long and you're willing to wait for the repair. If it's a capital thing, then we can submit it to the Chancellor's Office and we put it through all that process, and it might show up in 3 years. So is that ok or not. Or, if we say we have to do something faster, then we need funding right now. So, that's why you get asked "do you have money right now" or "can you wait"? Sometimes it depends on how big the thing is. Something that's \$20K, ok, we can probably do something like that between the two of us, as that not even going to show up on the Chancellor's Office radar, and we're going to have it get it together.
- ❖ **ELENA STOIAN** → In addition to that, once you get it on the Chancellor's list, the campus has to co-fund 10% of the requested funds, and that 10% would include a study and maintenance costs. If we have a situations like building a building without planning for rising construction costs, according to what the market dictates.
- ❖ **LUOLUO HONG** → Can I make a suggestion so we don't have to keep talking about it here? What you said sounded reasonable and appropriate, but I'm not exactly sure that's how it's being communicated. For those of us who have buildings that are not like Campus Rec or ResLife, where there's already a way to account for a reserve to cover that -- I'm thinking of the Deans -- can we all get together and meet about this and share with you what's actually happening, and all come to one understanding of how we would like to have it happen going forward? I think that would help, so we don't have to do it here.

- ❖ **ANN SHERMAN** → I asked Jesus Garcia to map this out for us so one of the things I have on a future agenda is what the process is for determining what building repairs are covered and how. I want to be mindful of time – we’re about 25 minutes over and I want to be sure we have time to talk about the BAC and the committee charge.
- ❖ **ELENA STOIAN** → (referred to pgs. 17-21 of the presentation re: Student Loans and Auxiliaries). Thank you.
- ❖ **ROBERT NAVA** → Thanks, Elena. That was helpful. I’d like to sit down with you on the Foundation part and walk through it, as I wasn’t consulted and I have some questions on what you presented.
 - For discussion, I’m a little concerned about incorporating and embedding the State support from Sacramento into the student tuition piece. I think the optics of it are problematic for this reason: I think we have to separate out the State support, because in order for us to be effective in Sacramento with public policy leaders, we have to be able to make that case very clearly to them; the fact that we have diminishing support over the years. Although it has stabilized a little bit, we know it’s going to drop again. If we embed it into the overall resource base, it actually takes Sacramento off the hook, so I would argue we probably need to make that a separate item. Also for next year, I would also suggest we take the philanthropic piece out, because we’ve been successful, starting with the LCA building and few of the other capital projects, and it’s going to require more State and more private investment. Separating it out also helps us with that argument both to policy makers and with our own donors; the need to support these important initiatives with private support.

Agenda Topic #6: Academic Affairs. B.A.C. update (Provost Summit)

- ❖ **JENNIFER SUMMIT** → This is a very preliminary report on the work being done by the BAC to determine the cost of instruction. The last time you saw me, I walked us through the overall vision, set of goals, and the process.
 - What is the marginal cost of instruction? It includes all of these things (see slide); salaries, grad teaching assistants, labs, supplies, etc. What I’ll be sharing with you right now is just considering the salaries; it’s not considering all of these other things. We are working those through, but this is preliminary so we’re taking just the very basic level, in order to get to what we’re calling the Direct Instructional costs, and that is the faculty in the classroom.
 - How do we get to it? This is our formula; we’re taking FTEF (Full Time Equivalent Faculty), the average salaries, both the tenure line and also the lecturers, and then adding those together divided by the FTES (Full Time Equivalent Students). It’s really important to make the point that FTES is not the same thing as the students who are actually sitting in seats. In order to calculate it, we take the total credit units of enrollment and then divide it by either 15 (if undergrad student), or 12 (if grad student).
- ❖ **DARLENE YEE-MELICHAR** → I have a quick question re: your formula? Are the lecturers just General Fund or could they be from grants and replacement lines?
- ❖ **JENNIFER SUMMIT** → This is all General Fund. Again, what we’re trying to do right now is figure out what the curriculum costs.
- ❖ **LUOLUO HONG** → So, it actually wouldn’t matter what the source of funds is, it’s just the costs and how we pay for it is the differential.

- ❖ **JENNIFER SUMMIT** → Well, I think your question is “how did we arrive at what we have here”, and all we considered was the General Fund.
 - This shows you what went into the hopper in order to get here. We’ve got the enrollments, those salaries, the direct instructional costs, but there’s a lot that’s not here, including all those other things like supplies. It serves a very interesting myth-busting function.
 - Let me clarify what we’re looking at and what we’re considering: any curriculum works through a process of cross-subsidies, with low cost and high cost, the goal is that we want those to balance out so that high-enrolled courses are going to be cross-subsidizing some of the smaller courses. Undergraduate courses cross-subsidize grad courses and courses across some of the less expensive programs and cross-subsidizing the more expensive ones. To look at it and say something cost more is not necessarily a bad thing as long as everything balances, and that’s what we’re looking at.
- ❖ **GENIE STOWERS** → Where do administrator’s salaries go, in the colleges? Are they included in this at all?
- ❖ **JENNIFER SUMMIT** → Not at all. What this is doing is looking at the faculty salaries combined with the other items mentioned. There is a whole other side to this we’re not talking about today, but was presented at the last meeting, and we will cover again in the Spring that will include, for example, staffing costs, a really critical part of what it takes to make the college run.
- ❖ **NANCY GERBER** → Can I take from this that the faculty at LCA are getting paid a lot more than the faculty in, say, Business? Is that correct?
- ❖ **JENNIFER SUMMIT** → No, it reflects a lot of things, including the size of classes. LCA is responsible for all of those courses that have capped enrollment; writing classes, critical thinking, oral communication, etc. LCA has a lot more faculty than the other colleges, and it also has massive enrollments. We’re considering all fund enrollments, not only majors, but also all of the General Education enrollments, which are critical. All those go into the count.
- ❖ **ANDREW HARRIS** → If you go back two slides, you can see it gives the average tenure track salary, and while I would like it to be otherwise, the salaries are in fact, except for business, all around the same.
- ❖ **NANCY GERBER** → So this is really reflecting the size of the classes. For example, Business and Education; Business has very large classes, then that’s one reason their cost is going to be lower.
- ❖ **JENNIFER SUMMIT** → Exactly right. Ok, let’s skip ahead a bit. This is showing you how we get from the FTES the marginal cost of instruction, and then the total cost. Again, we’re calling these direct instructional costs of the faculty that are in the classroom. This is essentially taking the two figures that I showed you and pulling those together.
 - ❖ This is the beginning, and you’re going to be hearing from me some more, because next we try to figure out how we factor in all of those other costs of instruction, such as materials and some of the more indirect costs you were mentioning.
- ❖ **PRESIDENT WONG** → I want you to think hard about this data but also be extremely cautious, about it because this is just one slice of a larger pie about the cost of operating the university. This is just the cost of instruction, with a limited number of variables. Please be cautious, but it’s a great start. That’s what makes it so valuable, because we didn’t think systematically about our cost of instruction so I wanted to offer that caution because it does stun you until you start thinking about it. There’s a lot of pieces missing to that, but it’s very informative.

- ❖ **JENNIFER SUMMIT** → I do want to remind you it's descriptive, not prescriptive.

Agenda Topic #7: Faculty Housing Equity (VP Sherman)

- ❖ **ANN SHERMAN** → These are a subset of slides that I presented to the Academic Senate Executive Committee, earlier this week. Jeny Valdez and I had an opportunity to talk with the group, and I wanted to bring it forward to this group as well, because we had questions during our last open forum that we wanted to be responsive to. For those of you that I talked with earlier this week, this is a subset of what you had seen.
 - This first slide tries to immediately clarify one question that seems to be confusing on this campus, and that's whether or not we fall under San Francisco rent control. We do not. This issue comes up on a pretty regular basis. This in the white is a snapshot from the current License Agreement that our renters sign; it does emphasize that San Francisco rent control does not apply, so I just want to get that clarified.
 - Our market analysis in this slide shows the high bar is San Francisco as a whole, so you can see the dramatic increases in rent rates over the last several years in the city. The red bar is rent that is in our local area, so Daly City, Park Merced, Sunset area - those rents tend to be less than the city as a whole, so the red line indicates that. Our rent is in yellow, and what we strive for is 15% below the market rates. The blue line is rent-controlled rates in San Francisco, so you can see the differences. Most recently they have become more dramatic, within the last few years.
- ❖ **GENIE STOWERS** → I will point out that if you note on the graph to the right the line going through all the bars, that's the essential concern of the faculty who came forward to this committee. If you see the percent increase, on an annual basis, it's been in the 1%-2% area, and now it's being proposed to be suddenly 5%. So let's make sure we point that out.
- ❖ **ANN SHERMAN** → Thank you. There are 64 faculty tenants; 38 of those are below the current rates, the ones that are newer are not, as they're newer and came within the last year or so. Some of those that are below current rates are dramatically so - they are less than 50% of our current rates in a number of cases, and as a result, we do have a number of tenants that are not subsidizing our students. (see slides)
 - We also relax our qualification standards for faculty and staff; those individuals who may not be able to qualify for an apartment based on their financial history in other places can acquire housing here on our campus.
 - Our projected tax reform which I referred to earlier in relation to the Pell Grant proposed changes, also has a new component that says if we are to offer housing that is less than current market or current target rates, those individuals would be taxed the differential.
 - You asked earlier about reserves; there are recommendation reserves. The industry recommendation is .5% to 2.5% of the current replacement value of our buildings. For us, our deferred maintenance reserves should be \$3M – \$15M, presuming that our stock is in good condition, but it's not, as we have had a number of people point out. Our recommended allocation for capital improvements would run about \$12M - \$24M, or 2% – 4 % of our replacement values, and then asset development as we've discussed comes through the campus Master Plan and it would be determined by the amount and type of housing that we'd be looking to build.

- One of the things I've been quite concerned about is the belief that we're not exhibiting social justice in our housing rates. I vehemently disagree with that statement - I think that it's a false equivalency. We do not make a ton of money on it. There's also a belief we're a revenue/profit center. The reason that's not the case, and I was very confused about that myself. I wondered why we aren't making much money as our rates went way up, but the fact of the matter is there's only minimal movement each year. We only make that incremental change on a very small number of apartments – about 5%, maybe less, depending on what's happening in the rest of the market.
- We exhibit social justice in a number of ways. We do pay below market, we set our rates below market, our qualifications standards are relaxed, we make sure that, although housing is self-supported, we are paying at the increased rates that are negotiated for the campus as a whole, not just for the housing faculty but also for the campus staff that we recharge for. We have made arrangements for the last 3 years for incoming faculty to receive extra pay to help mitigate their housing upon their arrival and we have definitely put in a variety of housing-related things including affordability for workforce housing for graduate student housing and for student housing in the Master Plan.
- ❖ **GENIE STOWERS** → What I was hearing was a specific instance of saying that the university was not exhibiting social justice in the *increase* of the housing rates that were being proposed and the *way* it was done, that's what I heard people say. Not that it wasn't exhibiting social justice in general policy, but in the sudden, drastic increases.
- ❖ **ANN SHERMAN** → I have seen it very specifically tied to the rent increase.
- ❖ **JERRY SHAPIRO** → I really appreciate your presentation. I think the challenge is the standard of social justice care in SF is rent-controlled-defined. We characterize ourselves as a social justice community which I think we all agree. Definitely financial realities. How do we figure out to define what we're meeting social justice standard of care and at the same time outsmart this complexity, so rather than taking your positions, let's figure out how to collaborate. And I'd like to take this opportunity to say this is one of the best budget committee meetings I've been to in over a decade so thank you because this sets the community discourse for collaboration, and I hope we can follow up on this and find some way to define ways of actualizing who we are and what we're all about.
- ❖ **ANN SHERMAN** → So on that I'm going to skip, in the interest of time, either we certainly hear other issues, there's issues of communication, there's issues of maintenance, so here's some options. (see slide). As we said the big sort of thing was not just the fact that we have had maintenance problems, which we have had consistently, unfortunately, but also the increase proposal which was 5% on an annual basis for the next several years. So we have developed 6 – I only had 5 when I first when and talked with some of you earlier this week. 5 -6 diff proposals. One is that we proceed as planned, which is 5% for current affiliates, and in adherence to the spirit of the rent board increases for legacy tenants. Now this was promised at the time when those apartments were bought by President Corrigan which said that legacy tenants which have been there prior to the purchase we would adhere to the spirit of the rent board for the foreseeable future. They have not been given the increases as our incoming tenants have been over the last 10 years
 - Second thing is that we could in fact do 5% to all tenants, including those legacy tenants because it's a much bigger pool. So maybe it goes down to 4% in that case

- We could look at equity based rental increases based on ability to pay. This may not be legal, so we're exploring that. There are specific requirements with regards to housing including the fair housing board and so we need to make sure what we could actually do around that we could look at a number of things
- 4th we could do a progressive rent increase based on our current rental rate, so for those who are significantly below we could have a bigger increase, that's what this is demonstrating (see slide) so they're less than half of what they're currently paying, meaning they get a 6% increase so those that are at aren't would get 0.
- When we talked about that
- ❖ **SINGING CHEN** → I think it might be useful if we got a good sense of what percentage of housing is legacy and what percentage are under 50%
- ❖ **ANN SHERMAN** → Those are in the slides I didn't show just now but they're in the presentation in other places. The rent board doesn't allow for capital pass-through's, both for deferred maintenance and capital improvements, on top of the rental rate increases. To be perfectly frank with you it would be more than what we proposed, but we could do that. It would be completely in the spirit of the rent board but I don't actually think the people who are not happy right now would be too happy with that, that's an additional item we discussed when we met with you all the other day.
- ❖ **LUOLUO HONG** → Meaning the increase would be only 1% - 2% in additional increase that was linked to a formula around deferred maintenance and adding those two, which could actually come out to more than 5%.
- ❖ **ANN SHERMAN** → Yes, it most likely would, but that's actually allowable under the rent board. And then some combination of the above.
- ❖ **SINGING CHEN** → What is the parameter, was it for a lifetime?
- ❖ **ANN SHERMAN** → Jason and I were talking about that a week or so ago. It doesn't look like there was a – it just says “we will adhere to the spirit of the rent board.
- ❖ **LUOLUO HONG** → for the foreseeable future?
- ❖ **ANN SHERMAN** → Again, I would say we have exhibited a rather high degree some social justice principles by doing just that, but it's starting to cause us some real problems.
- ❖ **LUOLUO HONG** → And “legacy”, to clarify, are not even all affiliates and/or students? I'm raising that as an important issue.
- ❖ **ANN SHERMAN** → Most of them are not, actually, they are tenants that lived here prior to 2005, and in some cases, they've lived here for 40 years. Long, long term residents, very low rents. Impacts to students: as I said, the more that we do this for our faculty staff legacy tenants, the bigger impact it has, and there is a cost escalation for continued delays. We have a number of pretty major deferred maintenance we have to take care of, mostly around life and safety, and some security issues with regards to some of the crime we've seen that has increased in our surrounding area.
 - This is just a slide that shows with those 4 different options, what the average increase would be. At the 5% range for faculty and staff, would be about \$100. The progressive one was going to really vary, etc. You can look at that on your own time. This is fundamentally what we're trying to do – trying to provide accessible, below-market housing to as many of our campus community members as possible and yet, as Jerry pointed out this is not an easy nut, maintain a quality safe environment and preparing for future growth. We have to have more housing we have to have more capital to do that.

- You asked earlier, Singing, about whether or not we actually have rental stock. Jason and I were talking about that for a couple months, and we've benchmarked with some of the other campuses within the CSU and the UC and we are looking at some options for that.
- ❖ **NANCY GERBER** → Since we're over time we can leave the discussion of the Committee Charge until the February meeting. Hopefully everyone in their own time can look at the copy of the proposed charter that has gone around the faculty members of the committee, so we urge you to take a look at that so we can approve it at our next meeting. There is also a copy of the resolution by the Strategic Issues Committee that Sheldon Gen Chairs in the Senate. I don't know if you want to say a word about why this resolution the SIC asked to be distributed to all of you.
- ❖ **SHELDON GEN** → This is a resolution that follows up on the Strategic Issues Committee Budget Transparency Report that was submitted to the Academic Senate last Spring, under the leadership of Dylan Mooney. This resolution puts in one document the major recommendations of that report. It's important this committee understands what that report was getting at; trying to define what budget transparency would look like on this campus, and the general conclusions were four components; we have to have historic context of budgets in order to understand the context in which they exist. It has to talk about processes of budgeting, this hierarchical budgeting at State levels all the way down to academic divisions, and it's about communication, and it's about the actual data. There's already been a lot of movement on all those fronts, but this resolution puts it all together in one place in a summary. It's copied to us because it affects the UBC as a primary access point for the university committee to express their inputs.
- ❖ **LUOLUO HONG** → Can I ask for clarity; so usually ex-officio I have always inferred not be a voting member, but you've got ex-officio and then non-voting member.
- ❖ **NANCY GERBER** → Yes, according to Robert's Rules unless otherwise stated by by-laws, the ex-officio members are voting members. You have to specifically exclude them in the by-laws. So in this charge, we could, specifically exclude individuals if we wanted to, but by definition, ex-officio does not have any bearing on whether you're voting or not – you're just in there by virtue of your position. We checked this out last year.
- ❖ **LUOLUO HONG** → And then a second request, and I thank for all the work on this: This is actually a general request for all of us who run committees and meetings with closed agendas: it would be in the spirit of equity, inclusion and accessibility for our individuals who have disabilities, in terms of being able to access written materials, it is preferred, and ideal, that all attachments and all meeting materials are sent out in advance electronically and everything included, so that people who, for example, have a vision impairment can access it. In Section 3, if the agendas for the meetings and *all* referenced attachments can be sent in advance. This is a habit I would like to encourage us as a campus I would request us to do, about social justice then that's a way to be inclusive.
- ❖ **NANCY GERBER** → That's a great idea.
- ❖ **ANN SHERMAN** → With that, our meeting has concluded and our next meeting is February 1st. I really appreciate your time and attention today, and I appreciate all the feedback. By all means, if you've got anything you'd like to hear more about, let us know.

Agenda Topic #8: Updated Committee Charge/Membership (N. Gerber)

❖ (Postponed until next meeting)

Agenda Topic #9: Open Forum; Ten minutes, 3-minute limit per speaker

❖ (No speakers present)

The meeting adjourned.

Upcoming UBC Meetings for 2017/2018:

- Thursday, February 1, 2018, 2:00PM – 3:30PM
- April 6, 2018
- July 10, 2018