



## University Budget Committee Meeting Minutes

**DATE:** Friday, July 27, 2018

**LOCATION:** ADM 560 (NEC Room)

**MEMBERS PRESENT:** VP Phyllis Carter, Co-Chair, Provost Jennifer Summit, VP Jason Porth, Nancy Gerber, Sheldon Axler, Singing Chen, Andrew Ichimura, Nathan Jones, Jerry Shapiro, Darlene Yee-Melichar, Elena Stoian

**Excused Absences:** President Les Wong, VP Luoluo Hong, VP Robert Nava, Dean Andrew Harris, Sheldon Gen, Genie Stowers, Maria Martinez, Sutee Sujitparapitaya

**Guests Present:** Jeff Wilson, AVP of Fiscal Affairs and Mark Kelleher, AVP of Development

**Committee Staff Present:** Nancy Ganner

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❖ UBC Co-chair VP Phyllis Carter called the meeting to order at 10:08 A.M.

### **Agenda Topic #1: Welcome and Announcements (VP Phyllis Carter)**

- ❖ **PHYLLIS CARTER** → Good morning and welcome to the July UBC meeting. We have a few absences, and also unfortunately President Wong could not be here today as he had another commitment. Provost Summit is on her way after her conference call, and Student Affairs is having their annual retreat today so we won't have a representative from their group.
- ❖ I've been on board for two months now and I'm delighted to be here and appreciate all the people I've met. It's been a great experience so far and I'm looking forward to my journey with SF State. I've met with our AS representatives, with our Academic Senate Chair and have been trying to meet with all the Deans and Councils on campus. If I haven't met you yet, I hope we'll have an opportunity to do so soon. Nancy Ganner is helping me schedule meetings as part of my "listening tour" so if you'd like some time with me, I have an open door policy so you can drop by, or we can

schedule a meeting in advance. Thank you for your warm welcome and helping me on-board to this great University. With that, we can get started.

- ❖ **NANCY GERBER** → Can we take a moment to introduce ourselves?
- ❖ All members and guests introduced themselves – AVP of Development Mark Kelleher is representing VP Nava.

### **Agenda Topic #2: Approval of May 21<sup>st</sup> Meeting Minutes (VP Phyllis Carter)**

- ❖ Nancy Ganner acknowledged changes to the minutes from Sheldon Axler and Darlene Yee-Melichar.
- ❖ **Motion to approve requested, seconded and passed.**

### **Agenda Topic #3: 2018/2019 Budget Update/Planning (Exec. Director Elena Stoian)**

- ❖ **ELENA STOIAN** → Today's budget presentation will be on the campus budget status and next steps in the process. You can see the timelines can be complicated between the CSU, Governor and our own SF State timelines. (see page 7 of the presentation). In the corner is the legend: Blue for the Governor's office, Red for CSU Chancellor's office and Purple for the SF State budget process. This process has been shown several times and it's online at the Budget office website: <http://budget.sfsu.edu>. Also it was incorporated last year in the budget report: (<http://budget.sfsu.edu/sites/default/files/assets/budweb/SFSU%20Budget%20Manual%20as%20of%202018-06-19.pdf>).
- ❖ This timeline slide shows the three processes: the Governor's, the CSU Board of Trustees, and our campus, down at the bottom. I'm not going to go through it all in the time we have today, but I want to highlight the *first* step in the process with the CSU, which starts with the Enrollment Target support budget adopted by the BOT (Page 8 on the Presentation, mid-September), which gets submitted to the Governor. Then, in January, the Governor has his tentative budget submitted to the Legislature, the Governor's May revision, then the final Governor's budget in June. What's happening on campus now is the planning process, which started February/March with the campus enrollment targets. The next step is campus planning assumptions and budget allocations for the next fiscal year, which is included in the Memos we send to the Cabinets. We already did assumptions based on what we knew at the time from the Governor's May revise. We

didn't know what the Legislature was proposing, so to date, we're only talking about planning with assumptions. We don't actually have yet the budget request from the units reviewed or approved by the President.

- ❖ We are now in the process where it says July 25<sup>th</sup> (in red, Page 8 of the Presentation). This is a great timeline we use in Visio and it marks where we are in the process based on the date it's opened. My office has already reviewed the budget requests from the Cabinets, and next we have financial review meetings for the CFO's and President's review. Then next will be meetings between the VP's, CFO and President with additional requests for the original allocations. On August 15<sup>th</sup>, my office will consolidate the campus budgets for submission to the Chancellor's Office.
- ❖ Besides the timeline, my office works in parallel with the capital budget, which is a little more complicated (see Page 9 of the Presentation). Here we have four commitment processes that we deal with at the same time. We work in partnership with Capital Planning since we don't receive funding from the Governor except for the deferred maintenance projects, so we have to be very cognitive what type of financing we receive, what types of projects we submit, the timing of the projects, and also not only the capital budget for the current year, but we have the 5-Year plan that we submit to the Chancellor's Office, and Jason will elaborate more on that later. This 2018/2019 Budget Calendar has been published on my webpage (<http://budget.sfsu.edu/content/budget-process>) and shows the tasks to be completed. As of July 27<sup>th</sup> we've finished the review and have scheduled the meetings with the Cabinets, and the last meeting is with the President when the budget gets approved.
- ❖ I'd like to take a little time to show you the received allocation from the Governor (Page 11 of the Presentation). Going back to the timeline, this is how much BOT requested to be funded \$283K, this is the enacted budget that CSU received \$358M, of which \$197M is permanent and \$161M is one-time requests. Here is the last and final BMemo that we received from the Chancellors Office which shows \$14.2M.
- ❖ On the next slide (Page 12 of the Presentation), I'll show what the \$14.2M means for our campus. Our campus does "all-funds" budgeting, and here we will be focusing only on the operating General Fund: We received \$2.8M for Retirement adjustment, \$10.6M in Mandatory Costs. This is

unusual as we've not had this before, but this year we received guidance from the CO how much we should award the SUG, and this year we got an adjustment so it's going to be lower than previous years. The SSGI allocation is \$3.1M.

- ❖ Next slide we'll look deeper into our mandatory costs: Health is about \$700K, the State-funded retirement adjustment is \$2.9M which is a catch-up from the prior year, and employee compensation is about \$9.9M; again, it's a catch-up adjustment from the previous year (see note at bottom of slide re: SUPA and UAW). I want to highlight that all the mandatory costs come with expenditures already attached; they are already committed in one way or another. The Graduation Initiatives shows the CSU allocations of about \$75M, and they allocated to all the campuses in three categories: Base increases, eligible student Pell Grant and Tenure Track Recruitment retention. Our campus reported at higher than 65%, so we received \$678K. Our total allocation is about \$3.1M.
- ❖ **JENNIFER SUMMIT** → Can you tell us which of these are on-going and which are one-time allocations?
- ❖ **ELENA STOIAN** → Everything I presented here are on-going.
- ❖ **DARLENE YEE-MELICHAR** → The 5% decrease in SUG – the \$2.3M that's being decreased from our campus, how was that determined? Was that 5% across all campuses?
- ❖ **ELENA STOIAN** → When we received our preliminary BMemo, in order for us to do everything we committed to on campus, the advice we received was not to fund SUG 100%; only 95%. It's a complicated formula and we've been talking with the Chancellor's Office about it but they have different criteria. They looked at each campus, how much each campus grew, it's student population, how many Pell Grant students, etc. It would be helpful for us to better understand our population of students as well, to be able to predict what we'll receive towards SUG now. This conversation will need to have Financial Aid in the room as well, because I think that office reports those numbers.
- ❖ **DARLENE YEE-MELICHAR** → Is anyone going to be tracking the impact to the decrease of SUG to our student statistics, in terms of who is able to come and who can't afford to come?
- ❖ **ELENA STOIAN** → That's a good question, because the CSU is proud to be able to provide access to higher education to all students, and the majority of the population of our students come

through awards such as financial aid. For us, financial aid is 1/3 of our revenue. I'm concerned with how we'll meet enrollment this year if we have to limit our SUG awards, as this is a way we draw students to our campus. On the other hand, we can actually use two proformas as indicators. One is accessibility, and the other is Student Success, so we have to make sure that our students graduate on time and we meet all their criteria.

- ❖ **JENNIFER SUMMIT** → I have another question, and this is to get us back to the Graduation Initiative; how much of the \$678K has been set aside for tenure-track recruiting? I think it's very clear what the metrics for that are, but what are the other accountability measurements which we're going to be held to? Have you heard yet about those other base increases in our Graduation Initiative 2025 funding?
- ❖ **ELENA STOIAN** → That's a very good question. The Chancellor's Office has not really been specific how they are going to allocate the baseline of \$160M (Page 11 of Presentation). It's very generic. The only instruction we received in the Memo is the Tenure Track. This goes towards our campus Graduation Initiative goals.
- ❖ **PHYLLIS CARTER** → Elena and I had a conversation with Kara Perkins, the Executive Budget Director at the Chancellor's Office and we asked about that. She said at this time, the only specific instructions were for the 3<sup>rd</sup> element, which is Tenure-track. The fact that there is going to be an expectation to look at net faculty increases, and to determine and evaluate that quantity increase in Tenure-track you're on target to meet; that you're spending the funds, and how many new positions were added as of a certain point in time. Then we asked her to explain what the measurement is for it, and at that time she was vague; she said the Chancellor's Office needs to set the start date for measuring increases in faculty count, because that's going to be important to determine going forward. She also said that looking at the Tenure-track funding that's been provided, the Chancellor's Office recommends we recognize not only salary, but a portion of benefits be set aside for each new Tenure-track position next year, and funding for those funds; both the salary *and* benefits.
- ❖ **JENNIFER SUMMIT** → But why does it say "recruitment and retention" (see slide), and let me tell you why I'm asking this question: one of the things we know is that our faculty are not being paid enough in order to live in our region, and also that the salaries are capped low because of the

Collective Bargaining Agreement. Could we use this funding to increase current faculty salary, or is it limited to bringing in *new* faculty? I'm gathering from what you said about the net increase they're looking at *new* faculty, so what do they mean by "retention" here?

- ❖ **PHYLLIS CARTER** → That's a good question and we can refer it back to them, but she was very specific in that they're going to be measuring and reporting onto either the Legislature or the Governor's office what the net faculty increase is, in quantity counts. We can definitely ask them to clarify whether or not any portion of that can be applied to increases in existing salaries, or what amount can be used as helping in the recruitment effort.
- ❖ **JENNIFER SUMMIT** → Because we know we lose faculty due to the cost of living here and so there would be in effect a net *gain*, if we can reduce our faculty attrition, but this is a conversation we can take offline.
- ❖ **SINGING CHEN** → This could also be applied to staff, because every time we have to hire new staff we have to retrain them, and there's cost involved. To keep talent in the University, we can cultivate and create an environment that allows staff to stay at the University, so a lot of memory gets to be added, and we don't have to retrain. That saves us a lot of money in the long run.
- ❖ **ELENA STOIAN** → We are in agreement with that, but talking specifically about this allocation, I believe if looks at the performance measure more than anything else. We have reporting requirements and that's why Dr. Summit asked if we have more defined criteria requirements on each allocation. I'm with you on that; it's all across the board in all the units. It's the economic factor, but this specific line item in the allocation ties back to how we meet the Graduation Initiative 2025.
- ❖ **DARLENE YEE-MELICHAR** → I think Provost Summit brings up a really good point about the recruitment and retention issue. At the statewide Senate, conversations I've been privy to; there has been discussions about whether campuses think it's a good idea to do a faculty conversion of lecturers from part time to full time. I'm not quite sure where that conversation is, but there was a discussion about retaining faculty by converting lines.
- ❖ **PHYLLIS CARTER** → One of the things we did talk about with the budget office was that of course recruitment takes time. During that time, you can use a portion of those dollars to pay lecturers, because as Elena mentioned it's about the Graduation Initiative and increasing

completion, but also expanding possibly the numbers of course sessions offered. If your goal is to increase course sessions to assist students in getting through academic programs faster, then you need to hire lecturers, and you can do that with a portion of the funds. At the end of the day, they are going to measure your net faculty number increases, but you can justify that by saying until we were able to recruit and hire and bring them on board, and we used a portion of the dollars to hire lecturers. So there is the flexibility there, and she did communicate that in our discussions. Hopefully that was helpful.

- ❖ **JENNIFER SUMMIT** → It is, but if it's including benefits, then it doesn't amount to very many faculty.
- ❖ **ELENA STOIAN** → The next slide will be a fast overview of the Preliminary Fund Allocations to the campus. The first slide talks about the revenue. This is no longer a preliminary budget because right now we know how much we received in General Funds (see page 16 of the presentation). As you see the components of the General Fund are Tuition fees at 44%, the state allocations increased to 48% and 8% are other student fees such as course fees and non-resident fees. The left side shows actuals from 17/18 – I try hard not to focus on the actuals because I have to consider one-time allocations which come in different forms, like carry-forwards, fund balances or one-time expenditures. As we see, we have about \$9.1M transfers for designated resources. Uses against the revenue; this is our expectation at this point (see page 17 of the presentation). We're working on the distributions by Cabinets, but this is how it looks. The salaries and benefits are still the highest percentage at 79%. As discussed earlier, our financial aid allocation is going down, and we see a spike in Risk Pool and Utilities. This is just preliminary because we don't have the budget approved yet.
- ❖ This slide (see page 18 of the presentation) show we distribute funds by each Cabinet, and again, we're only talking General Fund, not other fund sources such as lottery, Instructional Related Activities, etc., that will add more to each Cabinet. Next, is the Universitywide, which is managed and distributed by my Cabinet A&F, and is responsible for the benefit projections, reconciliation of financial aid and work-study, and general salary increases. Then the funds are distributed to each Cabinet.
- ❖ **SHELDON AXLER** → Why is Financial Aid down?

- ❖ **ELENA STOIAN** → Going back to those slides, the allocation this year has an adjustment from last year, so we're down 5% in the SUG award, and that's based on BMemo from the Chancellor's Office.
- ❖ **JENNIFER SUMMIT** → I know that this is descriptive rather than prescriptive, but one of the questions that we've been asking is about operating expenses. Do you have a sense in terms of benchmarking; what is an appropriate ratio of salaries to operating expenses, when we're thinking about budgeting, whether its Universitywide or unit-per-unit? I recognize we're painting it in gross terms because it can vary from unit to unit.
- ❖ **ELENA STOIAN** → I don't think there's a perfect recipe for each Cabinet, but it's a start to begin pre-planning these types of expenditures. Usually operating expenditures are travel, training, contractual services, supplies for units, IT equipment or software, equipment that doesn't get capitalized (less than \$5,000), so look at your business processes and trends over the last 2-3 years and start planning for each unit; how much did they spend last year and for what.
- ❖ **JENNIFER SUMMIT** → Let me reframe the question a bit; do we think that 6% operating budget, for example, is appropriate? Are we spending too much or too little for our operating budget?
- ❖ **ELENA STOIAN** → I don't have an answer for that, but I can say one thing; we don't get funded for this, and we don't get updated to market costs. Usually the rule of thumb in the past, for any increases to salaries, usually the unit needs to adjust their expenditures. I don't think it's the best practice, but the Chancellor's Office is advising campuses to do cost efficiencies, cost awareness, process improvements, consolidations, shared services, etc. I have not seen anything coming from the Chancellor's Office as an allocation specific for this, nor for utilities, which is scary.
- ❖ **SINGING CHEN** → What does "Risk Pool" encompass?
- ❖ **JAY ORENDORFF** → That's us purchasing insurance for the University – that's our premium. Includes liability, property, worker's comp, and a few other items.
- ❖ **ELENA STOIAN** → This last slide shows next steps my office is working on. When we have a consolidated University budget, we are going to have campuswide presentations and forums on the budget.
- ❖ Thank you.

**Agenda Topic #4. Status of Trust Fund Transition and Effects (AVP Jeff Wilson)**



- ❖ **JEFF WILSON** → This is an accounting update, but it has to do with the budget so stick with me for a bit. For background, the Chancellor's Office directed the campuses to analyze activities that were contained in certain CSU funds; 491 and 496. Some of you know that on campus, activities are recorded in PeopleSoft; funds that roll up to CSU funds. Elena's office and my office performed the analysis of all the activities contained in those funds, and this analysis was performed according to guidance provided by the CO and the financial advisory committee.
- ❖ Fund definitions; the CSU fund 485 is the General Fund, CSU 491 is for capital projects, and CSU 496 is for anything that doesn't fit in those two funds. The methodology is to look at each campus fund in CSU 491 and 496 based on this criteria. Questions to ask:
- ❖ Is the fund revenue source from state appropriation? If the answer was "yes" to that fund, it belonged in the General Fund. "Is the activity listed in CSU Fund 496 definition; recovery or abatement from the General Fund"? And an interesting one: "is the revenue sustainable"? One-time revenues typically don't indicate that revenue source is sustainable. Is it included specifically in the CSU Fund 485 definition. In terms of campus timeline, we found out about this last summer, maybe even a little earlier; Summer of 2017, so through the Fall, we started our planning, we finished our analysis of the campus funds back in January/February, we finalized our treatment of each fund, and some of you in this room were part of meetings that we had with stakeholders across the campus to communicate these changes and getting feedback as to whether or not our analysis was correct. These are the mechanics that had to occur to kick off this transition. We had to close inactive funds; funds that should not have been active anyway, and we had to make sure that certain things contained in the old funds were appropriately moved to the new funds. Then the big event was transferring existing balances from the old funds to the new funds.
- ❖ Now, financial effects (see page 28 of the presentation): we analyzed 266 funds that had a fund balance of \$30.5M. 74 of those funds were where they were supposed to be; no changes necessary. 192 of those funds were deemed to be in the wrong fund and needed to be reclassified to another CSU fund. That was \$23.4M. On the next slide, you can see by Cabinet the funds that were transferred into CSU Fund 485, from 491 and 496 combined. Academic Affairs, A&F, a little bit of Advancement, President's office, and relatively small amounts in Student Affairs and University Enterprises. The underlying sources of those funds transferred; Reimbursed Release

Time, Recovered Indirect Costs, related to grants and contracts primarily. Cost Recovery; costs incurred by the General Fund on behalf of another fund. Programs and Initiatives; that's what we have set some funding aside for, particular initiatives. Maybe an individual faculty member or a collective in some campus unit; money had been set aside. Finally, internal mini grants.

- ❖ The financial effect of this; the big change that was reflected in the June 30<sup>th</sup> financial statements, is that our reserve for financial uncertainty grew from \$23M to \$43.5M. The current status is that we're responding to questions from departments, because this is a significant change so we're fielding those questions and doing our best to reply. We're assuring that funding has landed in the correct CSU fund. With 266 funds analyzed, we are open to possibilities that between the colleges and our offices, something could have been misanalysed and we're making sure that it landed in the right place.
- ❖ 2018 - 2019 is a transitional year, and we have until June 30, 2019 according to the Chancellor's Office to make sure we have this done correctly. We're going to continue assisting the departments in administering these funds in CSU 485. The departments will begin preparing because for fiscal year 2018-2019, there have to be budgets for all of these funds. So that \$23.4M that we transferred, those were never budgeted in the past. For 2018-2019, a budget has to exist. Then, in our 401, those programs and initiatives; we're implementing a spend-down over the next two years. From an accounting perspective, that \$6M has been languishing. It was set aside for a purpose and it hasn't been effectively spent, so we need to get an understanding of it. Does that need to be moved back to the General Fund and be spent that way, or does the program need to get busy spending the fund for the purpose it was originally appropriated?
- ❖ Then finally, and open item; the hospitality policy. In the past, trust funds had greater flexibility with regard to hospitality. Now that these funds have been moved into the General Fund, we are required to adhere to the CSU hospitality, which has more restrictions primarily related to providing meals and gifts in the form of hospitality. The good thing is the policy has changed. The bad news is, it's not effective until September 1<sup>st</sup>, so we have a two month gap where we're going to have to remain consistent with the existing policy. After September 1<sup>st</sup>, as our policy is revised, we should have the flexibility to provide the hospitality that we need to achieve our business purpose. The budget implications of this, if I wasn't clear; we've moved to \$23M into the General

Fund. That's not new money, that's not additional revenue, but it is money that is going to have to be budgeted and accounted for, like you would any other budget.

- ❖ **DARLENE YEE-MELICHAR** → Thank you, Jeff, for your report. I have a question for clarification: based on your earlier slides; I'm looking at "Financial Effects" (page 31 of the presentation) where you have the reserve financial uncertainty in CSU Fund 485 and it's being increased from last year by about \$20M; are we piggy-backing on the Governor's "Rainy Day Fund" where we're trying to move some of the funds into General Funds?
- ❖ **JEFF WILSON** → Absolutely not.
- ❖ **DARLENE YEE-MELICHAR** → Ok, and these three funds you've been talking about are campus-based, right? The system can't sweep our funds, right?
- ❖ **JEFF WILSON** → No they can't.
- ❖ **PHYLLIS CARTER** → Jeff mentioned this was a mandate from the Chancellor's Office to really look at the funds. Over 200 funds were created and in existence that possibly shouldn't have been; those dollars should have been put into the General Fund. I think the CO is encouraging the CSU's to clean up their accounting and how they manage the resources they've been given, and consolidate those funds into a smaller number which is more manageable, based on their purpose. The goal was to streamline.
- ❖ **NANCY GERBER** → You mentioned you went back and forth with the departments and how to implement this; could you give us an example of one or two of the bigger issues or problems you've run into?
- ❖ **JEFF WILSON** → There were little problems; based on our analysis of the fund description and the activities we saw going through that fund. We classified it one way and we were able to collaborate with the department or the college business officers, and they were able to explain to us "it's called this, but this is what we do with it..." so we hopefully rectified some of those situations. Then there were some more philosophical debates: "yes, it appears to us accountants that it doesn't belong here", and as we discussed it with the business officers, we determined our analysis was right – this needs to go to a different fund, but you should set up a trust fund to account for the activities that you consider appropriate in a trust fund.
- ❖ Thank you.

## Agenda Topic #5: Funding Strategies for New Academic Buildings (VP Jason Porth)

- ❖ **JASON PORTH** → For someone that showed up on campus in the last year or two, you'd think it was pretty common for us to do building. We have the wonderful addition of the Mashouf Wellness Center to SF State, with no thanks to the state for delivering that – that was all through funds provided by our students when they decided to build this facility for themselves. We can't thank the CSU or the Governor for building this Wellness Center; it was the students who decided to do so. For those who have been around a little bit longer, you'll remember that the last major construction project we had for a campus building was the Leonard Library renovation in 2006. So you have to ask "what's happened between 2006 and 2018"? "Where's the money going"? "Why aren't we getting any projects built on campus"? We have an aging campus, as we all know, but we're not seeing any new construction.
- ❖ Fortunately, I have good news to share for those of us who have driven past the south side of our campus: you'll have noticed a fence around the Tapia Triangle, which is great news. Those buildings will be coming down and will be replaced by a new academic facility; the first major campus construction project in many years, as you'll see from this slide (page 35 of the presentation). This is state-funded, and we're delighted. Essentially, we've gotten in line with other CSU campuses and finally, it's our turn to receive this funding. What this shows is that it's rare; we wait decade to get a major infrastructure project delivered to us. The one thing I'll point out in all fairness to the CSU is that there has been some investment that doesn't show up on this slide, and I'll point to two examples.
- ❖ Our campus in 2005 was 98 acres; it's gone up by 50% - we're closer to 150 acres now because of the purchase of University Park North and University Park South. Those were huge acquisitions that are going to allow us to do great things. That's wonderful that it happened, but still; those aren't academic buildings, and those aren't funded with General Fund; there are bonds on those parcels. So, where's the money – why aren't we having academic buildings built on campus and what can we do about it? This is probably the question that my colleagues and I and CPDC (Capital Planning, Design & Construction) hear the most.
- ❖ Anyone who knows CPDC knows that we have a 5-year Capital Improvement Plan – the "CIP". We have to rank projects in order of importance; essentially, a wish list. We also have to put to the top

of the list the projects that are critically important for life safety. What's reached the top of the list this year, is replacing the elevator in Ethnic Studies/Psychology. Now, when the elevator goes out, the top floors can't be reached by someone who has any particular need for accommodation, so the entire building becomes unusable for classes. Having an elevator go down in a 4-story building is unacceptable. It's something we had to fix, so that had to be put at the top of the list. We got \$3M from the CSU to address that, but it's the only money we received. You see other urgent projects on the list, but those have not been funded. We get these drops into our bucket of need every year and they've never enough to fill the bucket, so we're left with a growing list of deferred maintenance and a growing need for ongoing projects to provide the classes and the spaces that you and our students deserve. We recognize it's a problem and we also know there are some solutions. I'll walk you through our most recent building – the one at Tapia Triangle.

- ❖ We're unsure what to call it; I'll start there, and a big reason for that is we're all waiting for the funder to show up. We're all really hopeful that philanthropic dollars will come in and help support this building and I'll explain why (see page 38 of the presentation). As you can see the project cost \$81M. The CSU will give us \$58M. Finally, after a decade, it's our turn, and we get an academic building, but the \$58M isn't enough to cover the \$81M, so SF State will put some money towards it. We still have a \$20M shortfall. Then we turn to our friends in Advancement, Mark and team: "we need your help to fill the gap", but they need time to do so. We're counting on them to raise this \$20M so that we can put someone's name on the building and get the funds to complete the construction. Given that shovels are about to go in the ground, we're not waiting; what we've done is we've arranged for a unique financing mechanism which we just closed this morning, and I'm delighted to announce that \$20M is now in our escrow account and ready to be spent on this project.
- ❖ Where did it come from, how does it get repaid and why would someone give us \$20M – what's the security on it? For example: if you purchase a home, the bank knows they can take your home away from you as security, but no one's going to show up and take back the Creative Arts Building, but the equipment inside the building and other equipment around campus is serving as security until we pay back the \$20M. We have an annual payment until it's paid off and of course there's interest as well. However, in close collaboration with Advancement, when the donor shows up and

says “ I want this building named after me, I want to support the efforts going on in this facility, I believe strongly in the mission of SF State...”, then we can pay the lender back and we don’t have to pay on-going interest costs. Essentially, we’re looking at this as a bridge loan. We felt it was so critically important to move forward with this project that we essentially borrowed the money and will pay it back when the funder shows up. If the funder doesn’t, the campus knows we have an obligation to pay it back over 20 years.

- ❖ This is a unique approach; we haven’t done this before. However, we feel like we can’t keep waiting in line for our number to be called for academic projects. We are moving forward with an aggressive plan to build the facilities the campus needs, and not just keep waiting decade after decade for one project to be funded after another, every 10 years or so.
- ❖ This is our draft Campus Master Plan (page 39 of presentation) and you’ll see it’s extremely aggressive. In about 15-18 years we hope to have a campus that is, in large part, brand new. The benefit of replacing those old buildings new ones is that the Deferred Maintenance list goes away, because new buildings don’t have as much deferred maintenance as the old ones. In some ways, it helps us save on-going operating costs that we’re dealing with by paying for deferred maintenance. You’ll see a lot of new academic buildings and a lot of housing, and we all know how important adding housing is for our students as well as our faculty and staff.
- ❖ I want to focus on how we’re going to deliver this financially. It varies; here you see the types of things we’re going to add and each of this will have different financing mechanisms. You’ll see that there’s a significant increase on the academic space which is what we’re going to focus on, approx. 1.5M gross square feet, adding another 400,000 s.f – that’s not just adding buildings totally 400,000 s.f. – it’s also getting rid of old buildings and replacing them with new, so the next gain is 400,000 s.f.
- ❖ What I really want to focus on is this next slide. These are potential funding sources. The old school approach has been that we wait in line (page 41 of presentation) and then we get our allocation and we build a project. As Elena explained in her presentation, there’s the budget process we go through with our operating budget each year, and there’s also a capital budget project we go through where we update the 5-year plan every year. We consistently just wait our turn and finally we get our project funded. Usually as the project approaches getting funded, we get money for

planning like hiring architects, coming up with the building design and right now, our near-term project is a new science building. We've been working with Academic Affairs/College of Science & Engineering to refine plans for that building. When this group last heard about it, we were anticipating a \$300M building and that's extremely expensive. We got a lot of pushback from the CSU and they said "if you want to build a \$300M building, you can do so, but we're only giving you \$100M of it". Knowing that we would have to come up with \$200M was very concerning to us, and we didn't necessarily believe we could find a mechanism to do so and we'll talk about various mechanisms. Instead what we've done is we've worked with the COSE team and the Provost's team as well, and we continue to refine the plan and make modifications we don't think will adversely impact what we're offering. We're looking at a building that's closer to \$170M. Some of that is where it's sited, some is the mix of wet labs and dry labs. We continue to refine this, but what we know is the CSU is only giving us \$100M, and we can't come up with \$200M – but we can probably come up with \$70M.

- ❖ How do we come up with that? The first place we look is philanthropy. There're a couple examples we can point to. I mentioned the Mashouf Wellness Center is funded by student fees; the one caveat there was the large gift from the donor, Mr. Mashouf. We do see philanthropic support for buildings and we're relying on that for the additional \$20M for the Creative Arts Building as well. What are the other funding sources for buildings other than philanthropic support? Well there's systemwide revenue bonds, and this has been the go-to approach for things like housing, because the revenue bond is issued by the CSU with an expectation that there is revenue coming in off the parcel.
- ❖ The problem with an academic building is it's hard to identify a revenue stream, because you don't have any renters in the building who are paying back the bond debt that is owed. The easiest example I can point to in systemwide revenue bonds in housing are students, who live in the residence halls and that pays down the bond each year. There are instances where campuses are looking at revenue bonds for academic buildings. We haven't done it yet at SF State but you can imagine the scenario where, let's say a science building needs three stories and each story is 100,000 s.f., so they build a four story building and then they rent out the top floor to a rent-paying tenant. It has some tax consequences, because systemwide revenue bonds are tax free/tax

exempt, and so it raises questions about the tax status of what happens on that fourth floor. We think it's worth pursuing this as a possible idea. Public-private partnerships ("P3's") are something we're just starting to rely on. Right across the street as we've talked about in the past, were doing our first public-private partnership in many years. Right around October 1<sup>st</sup> we're breaking ground on our 500-bed student housing with ground floor retail project with no state money being used. It's a \$120M project but it's being funded by the developer who will take the student rent payments in exchange for building it. And at the end of the lease term, we own the building.

- ❖ You also see on the slide it lists a new science building as potentially a public-private partnership and what that could that look like. We know we need a lot of housing, as you saw on the Master Plan slide, and we plan on delivering that. Developers love building housing because it leads to a lot of revenue. We could say to a developer: "we're going to give you ten acres for development and on either of those acres, you can build housing, and on those other two you must build us an academic building". Not a lot of people on campus remember this, but the Student Services Building was delivered in that manner. The Student Services Building was given to us by the developers of the Village as an obligation under that contract, so we can look at a mechanism like that as well. We have colleagues across the CSU that are looking at this approach. CSU Dominguez Hills is doing a Master-Developer approach. They have 60 acres of their campus and various uses they're proposing for that project; everything from light industrial use, student housing, faculty housing, academic buildings, and they're hoping to find a developer who will deliver it all at once. This is appealing because we have so much building to do, and if we keep doing it in one-off's, it's never going to get done.
- ❖ Many of you know that a team of us have been working on the Holloway project for 7 years now, and it's only one acre. We can't keep doing projects that slowly; we've need to do them faster. Another example is student fees. We're always reluctant to go this route unless the students ask us to, and that's where Mashouf came from. There was a real desire to have a wellness center and the students essentially agreed for the costs to be collected, which allowed us to issue a bond which allowed the building to be built.
- ❖ One of the projects you'll see in this Master Plan is a new student union. We're not getting rid of the Cesar Chavez Student Center, but adding another one because we know how short space is.



This would only be done in collaboration with Associated Students and a campus-wide conversation about being feel comfortable collecting a new student fee to pay for this building.

- ❖ An approach that the City & County of San Francisco has used is as one building's payments go down for bonding, then they add a new bond payment. For instance, the people of San Francisco have agreed to tax themselves with one bond, and on the date it expires and is fully paid off, say, June 30<sup>th</sup>, July 1 a new bond kicks in so the taxpayers, in this case our students, don't feel like they're paying two bonds. One is replaced with another. The good news is we're near a place now where we have to start thinking about this this because the bond payment on the Student Center is coming near its end, so we can start thinking about, if students aren't paying that cost. Do they want a brand new building and continue to pay the same cost? That's obviously a conversation we have to start having with student government.
- ❖ So this gives you a sense of what we might look at; really the answer will be the hybrid approach. There's not going to be one solution for any building. For a science building, we're going to get \$100M from the CSU, and we're going to need to come up with \$70M. It won't be just one funding source; it's going to be many. It's probably going to include things like public-private, philanthropic support and the hope it that we can deliver on our very robust aggressive plan for all the needs we have for academic buildings, using a piecemeal approach to funding sources.
- ❖ **DARLENE YEE-MELICHAR** → With the P3 approach, has there been any thought about partnering with a hotel chain? I've been on other campuses and I've stayed at conference centers built by Marriot or Hilton, and what's nice about that is that they set aside a certain number of rooms for campus guests like new faculty, students, and conference visitors, which we could benefit from. Then we can negotiate with the Hospitality Management Dept. who can use student interns to help manage the property. I think we can be innovative in finding partners that way.
- ❖ **JASON PORTH** → I've raised that also. When the Towers Conference Center was built with the Towers above it, the thought was that several of the rooms were going to be for hotel use. Frankly it didn't work due to the appropriateness for students residing in the same building as visitors, and our colleagues in Student Affairs can talk about that. However, we've identified a space in the Master Plan, just north of Cox Stadium for a 400-room hotel. We're asking for 400 even though we won't need them. As you go through an environmental review process, you ask for more, but you'll

get less and be happy. It's likely closer to 200 rooms, and there's no hotel on the West side so we agree there's a need for it. It would be built with non-state funds. We're already in conversation with Hospitality/the College of Business with how we can make sure it's tied into the academic mission. Additionally our colleagues in Advancement have continued to have conversations with various hotel chains to see if there's interest, and there has been significant interest in pursuing this. We're very eager to do so - we feel the need. When we've started to talk with our neighbors that border the campus about a hotel, and we initially thought there was going to be a lot of pushback but the exact opposite has been true – there's a great desire for a hotel on this side of town.

❖ Thank you.

#### **Agenda Topic #6: SF State Campaign Update (AVP Mark Kelleher)**

- ❖ **MARK KELLEHER** → I'm going to give an update on the campaign and focus in on some of the figures related to the campaign and its impact. First, I'd like to provide some background, for those who are new to the campus.
- ❖ The Bold Thinking campaign was launched in January 2015. It's a six year campaign to raise \$150M by December 2020. It's a comprehensive campaign and the objectives are to support student success, especially to insure a high-quality public higher education for our students and to help increase and impact the graduation rate. Also to recruit and retain the highest quality faculty possible, and to energize academic programs and renovate and replace aging facilities. Also overall, the value-added of a campaign of regular fundraising, for those who haven't been involved in a campaign before, is to really increase the internal and the external momentum around fundraising to build capacity for, fundraising, as well as to address some of these issues that Jason has referred. We chose as a University for the first campaign to be a comprehensive campaign, and there's a reason for that.
- ❖ There are other kinds of campaigns. Some universities focus on capital projects during their campaigns, some focus on particular program areas like STEM, or undergraduate education. Some of the universities that have been doing campaigns for much longer have had their comprehensive campaigns, and then they focus in on successive campaigns on various topics. We may do that in the future, but our first is a comprehensive campaign, and every dollar counts. The reason we

chose to do that was to deepen the cultural philanthropy across the University. This is not the Development Office's campaign, nor Advancement's campaign; this is the University's campaign, and we want to involve all of the leaders at the University; faculty, staff, Deans – everyone, as well as all who might benefit from the campaign.

- ❖ We launched the Development Office in 2006-2007, and the campaign we launched was a relatively early one given the timeline of what the Development Office began. We wanted to make sure we had as broad a base support as possible, and as many leads as possible. This is the campaign progress so far. I'm going to walk through a couple of the phases (see page 47 of presentation). We are now at \$86.8 M at the very end of the Leadership phase of the campaign, sometimes called the "quiet phase" which some of you have heard of before. Actually as of today, these figures are from last week, we're at \$87.2M so we've raised some funding in the last week. The Leadership phase is the period when we engage our donors we've been working with the last 10 years or so; they're our closest donors – those who can make major leadership gifts, who are board members from the SF State Foundation and their networks, from University leadership, from faculty leaders across the campus who provide us with contacts to those who have been closest to the University throughout the period they've been involved. It was preceded by a Planning phase, which included a Feasibility phase where we reached out to some of the potential donors that we've focused on during the leadership phase. We had cultivation events through the leadership forum where the President delivered the vision for the campaign, and we followed up with interviews of internal and external leaders to determine where their interest was and what potential level they might be interested in. We are now approaching the "public phase".
- ❖ Most organizations launch this public phase when they're between 50%-60% of the campaign goal. You can see we're at about 55%. During this phase, we broaden our base of support and we reach out to additional leadership and major gift donors who would be interested. We've made a lot of progress but we also know there are many others out there. We have over 200,000 alumni, about 3,000 potential leadership donors, we've reached out to about half, so we still have a lot of work to do. If the market is as stays with us and fundraising remains steady, we will surpass our endowment goals early, and that's a good sign for the success of the campaign going forward.

- ❖ This is an interesting slide about who is supporting the campaign (page 48 of presentation). You can see alumni are in the lead. When I helped launch the Development office back in 2006-'07 with the previous AVP, alumni were among our lowest level of constituent support. The University had been doing a lot of activity in the community performing arts programs and they brought in a lot of friends as donors, but friends were leading alumni in terms of donations. Since then, alumni giving has increased significantly. Faculty and staff giving, which is now at about \$4.6M will be an important factor as we begin to think of a faculty and staff mini-campaign across the campus, which I'll address shortly.
- ❖ **SINGING CHEN** → Do you mean current faculty and staff? Would they give via their union?
- ❖ **MARK KELLEHER** → Current faculty and staff, as well as emeriti and retired faculty and staff.
- ❖ You can see also how giving is directed. During the Planning phase, we went through an 18 month process with the previous Provost, the President, Deans and Chairs across campus to determine the priorities for the campaign. You can see where those priorities sorted out (see page 49 of the presentation). As we've progressed through the campaign, you can see where our donors are focused. Fundraising is an art and a science in terms of bringing the donors together with the priorities of the University. We won't accept just any gift, and of course there are restrictions in giving, where it might come from, moral or ethical issues, potential donors, but if we can provide a match that can align the donation with the mission of the University, we will accept that for the campaign
- ❖ You can see our donors are still very interested in supporting students. That's a good thing overall – we would all agree with that , but as donors become more sophisticated, they do begin to understand what the more complicated and nuanced needs of the University are. More donors are moving in to support programming, and that's a good sign for the future. The students are the heartstrings, an easy case to make, but academic programming shows our donors have become more sophisticated and I think we have some proof there.
- ❖ You've not seen these next two slides before but I want to show you the impact of the campaign in terms of cash and pledges (page 51 of the presentation). To date since we began fundraising, about \$51.3M in cash has been received, and we have about \$33M in pledges. Our endowment generates approx. 4% interest and that becomes current use funding during the year, we also have

a \$2.2M in in-kind donations. The next slide breaks down the impact of the campaign in pledges on the various units in the University, as well as University-wide support, which supports a number of different projects.

- ❖ As we approach the Public phase in Spring, we're doing a lot of planning. Top goal is to meet and exceed the campaign goal, but we also have capital obligations to meet, as Jason pointed out earlier and we want to be helpful with that in the course of the campaign. We have a long history at the University for raising money for capital support but like with program support, we're building capacity towards that. In terms of the LCA building, we have been reaching out during the last year since we learned that we would be up front for raising funding on the building. We've been engaging donors across all of California and also in New York, we've had about four leadership programs where the President and Dean Harris have worked with us to reach over 100 potential donors, mostly BECA alumni. They're waiting for the ground to be broken, and we're getting some significant feedback about that due to previous projects being delayed or postponed in the past, so there's a little but if caution among potential donors, but there's definitely interest. The President, VP Nava and myself and the team are focusing in on those donors to bring them to that point where they'd be willing to consider that level of funding. That level is a big leap for them but they have the capacity and were very hopefully about that.
- ❖ Also capital obligations provide a big boost during the campaign so they're added late through the campaign. At RTC we have a lead donor of \$5M but he's waiting for the community relations issues we've experienced in the past to subside, but they're interested in that so were very hopeful about that. For the new science building, the President is in conversations with one lead donor who could potentially can name that building.
- ❖ One of the campaign goals is to increase the number of endowed faculty chairs and professorships. We have secured nine to date, and have four solicitations submitted and four additional conversations going on so we're making progress there. We'd like to expand support for the University beyond our traditional base as I said earlier, and that's one of the primary goals of the Public phase.
- ❖ For a faculty and staff campaign, we have to decide whether we should target a \$6M or \$8M goal. We've raised so far about \$4.6M. My colleague Caitlin Tramel, the Executive Director of Alumni

Relations, VP Nava have developed a plan and will be meeting with Provost Summit, the President, Deans and leaders across campus soon likely. This campaign will provide momentum but also a paradigm for fundraising that's specific to faculty and staff. Paradigm campaigns have deadlines; we can imagine a thermometer on the Quad showing the faculty and staff support, so it could be a lot of fun with lots of incentives. We're developing collateral for brochures and a website so we'll be launching that in the next couple months. This Public phase will help raise SF State's profile over all in the City, the Bay Area, Los Angeles and New York, through the branding outreach and marketing of the campaign.

- ❖ Our campaign leadership is very strong. Almost all of the University leaders across the campus have been involved at some level in planning and solicitation. In addition to that, we also have a campaign Cabinet Development Committee; and two of the members of your budget committee – Dr. Axler and Dr. Yee-Melichar are members and it's comprised of faculty who have been involved in development and are also major donors themselves, as well as members of the Foundation Board. Their primary charge is to provide leads, advice as well as to help us with reaching out to potential major donors.
- ❖ You can see here the current solicitation pipeline. This is reflective of the last slide, where you can see we have proposals underway at almost all levels. The Development team is focused in this mid-range, but we have not yet secured a leadership gift of \$10M and above – we need to do that for the success of the campaign. We're in active negotiation with several donors at that level. You'll see on this last slide there's more on the website, including a video. Any questions?
- ❖ **PHYLLIS CARTER** → In the Public phase, with an increase in faculty endowments and professorships, can you share with us the process by which an endowment is given and the timeline between the receipt of the gift and the time when it pays out?
- ❖ **MARK KELLEHER** → That's a great question - in fact I just developed a proposal on that very topic with Dean Harris and the President for a meeting with a major donors that's one of the \$10M proposals, and it includes several endowed Chairs. That's always a question the donor would ask: "how long will I have to wait before I see the results of my investment?". In general, when a donation is made that's directed towards endowment, it takes about a year to 16 months for that endowment to generate revenue, and that revenue is about 4% of that initial gift's corpus.

Sometimes it's actually shorter, especially when the market is doing really well but generally speaking, we tell donors it's about a year and a half, just to be safe.

- ❖ **SHELDON AXLER** → I think the idea the faculty/staff campaign is a great idea, but I just want to urge a little caution because of the academic culture. People in supervisory positions cannot ask people who report to them to make donations. You can't have a Dean say to a Chair "eight of the ten Chairs in this college have made donations but you haven't..." or even to an Assistant Professor "three of your five have made donations but what about the other two..." Those are academic concerns, so please be careful about that, but I do think this campaign is great.
- ❖ **MARK KELLEHER** → Absolutely. We want the faculty/staff campaign to be as engaging and as positive as possible. Any relationship of power we'll keep in mind and we would avoid all of that, each college and division will likely have a Chair for the faculty and staff campaign. The majority of the giving will be annual-level gifts, probably through payroll deductions anywhere from \$1 to \$50 perhaps. Major gifts, including planned gifts through emeriti, will count towards the faculty and staff campaign. Advancement does look at the entire community as a whole in supporting the academic mission of the University and we've been really out front about that, and it's been a key strategy in fundraising.
- ❖ **DARLENE YEE-MELICHAR** → Thank you for your report and like Sheldon, I'm happy to help out that the faculty and staff fundraising. I'm going back to the slide where you talk about campaign priorities in planned vs. progress to date, looking at how the percentages have changed from 2014/2015 to today and how the funding raised has changed from 10% for student support to 42% for student support in terms of scholarships. I have to say I'm not surprised by that, because our campus has done a very good job with UCorp in terms of the scholarships that are being housed there, but another thing that has really helped, and what I hear from our donors in Gerontology, is that Academic Works – the financial aid website where all the scholarships are listed, asked the recipients of the scholarships to write a 'thank you' letter to the donors. I think those letters are very meaningful and powerful to the donors, because many times you donate money and sometimes you get a form letter thanking us from the University. When you receive a written letter from the student, and it's personalized, it means a lot.

- ❖ **MARK KELLEHER** → The Academic Works program was an extraordinary investment – it’s paid off in a lot of different ways, including not only a way to manage those donor outreach efforts, and we have a great staffmember who oversees all that. We also have shown that more scholarship funding is given out because of the Academic Works website and by about \$2-3M previously. Prior to that, all the departments that had to manage that in addition to managing their departments. We were leaving a lot of money on the table for our students who need that funding.
- ❖ **DARLENE YEE-MELICHAR** → I also have a suggestion: I think a big portion of where we might get donors are the student’s parents, and I don’t see that listed anywhere. I say that because if we can use time management like holidays, where people are looking to give, they might say “hey, I can pay for a class for you...”
- ❖ **MARK KELLEHER** → You’re right – parents can be a very generous constituency and on an annual funding level, they have some of the highest levels in giving. You can see on major gift levels, not so high. One area in the Development office we need, is a team to develop working with parents. Since I’ve been AVP, I’ve included that in the Development officer’s plans, to work with parents in the colleges and report back to me. Some of the challenge is that students switch between colleges and departments a lot, and parents don’t identify with a particular college. I think there’s some information issues in terms of privacy and the parents’ info being current too, but I think we’re overcoming that. There’s no reason we shouldn’t be doing more, and it’s a top priority for me and the team.
- ❖ Thank you.

**Agenda Topic #7 Open Forum; Ten minutes, 3-minute limit per speaker**

- ❖ (No speakers present)

**UBC housekeeping (VP Phyllis Carter):**

- ❖ **PHYLLIS CARTER** → Since this is the first meeting of this academic year, I wanted to open it up and ask if anyone has items or topics they’d like to contribute to future meetings, or any standing items. Has anyone given any consideration to those?



- ❖ **SHELDON AXLER** → The purpose of this committee is to provide advice to you, the President, the VP's, about financial issues. We've just heard some really terrific presentations about the state of the budget, and that's pretty typical for these meetings. What's missing is the other part, that's supposed to be the main thing. Obviously a committee that meets only once or twice a semester, can't get into nitty-gritty on all sorts of things, but there must be throughout the year times when you and the President, the Provost and VP's have made some decisions, and have there's some tough calls like "what should we do about this?". That's going to vary from time to time, but this committee has not been used in the past like that. Such as "we're trying to decide what to do about this particular issue, maybe something big/maybe something small, what do you think?" That's never been asked of this committee, and I think it should be. It's the major charge of this committee, so as a standing item – what advice do you need? It will vary. We can't run the University or the budget, but perhaps, an issue you're considering, that you may be stuck on.
- ❖ **PHYLLIS CARTER** → Such as "what areas of advice would you like this committee to advise on?" Thank you for that. We'll give it some thought and bring back to the committee some things we're considering. Would that be appropriate?
- ❖ **SHELDON AXLER** → Yes
- ❖ **PHYLLIS CARTER** → Thanks. On that note, is it always necessary this committee convene to get that feedback? Or, will an email suffice, such as "we're not scheduled to meet until next month, but we'd like your advice to move on this item now..."
- ❖ **SHELDON AXLER** → Yes that's fine.
- ❖ **PHYLLIS CARTER** → Thank you, we'll give this some thought. I'd like to encourage further thought on the agenda, and if there are other items you'd like as standing items or suggested topics. Also, here are the proposed meeting dates – it follows the quarter reporting timeline. Does this schedule work for everyone?
  - **Mid October:** SF State's Enacted Budget Review
  - **3rd week January:** Mid-Year Review of SF State Budget & Gov Proposed Budget release
  - **Mid-March** (before break): SF State Budget Planning
  - **Late May** (before Commencement): Governor's Revised Budget release
  - **Late July:** Governor's Final Enacted Budget release

- ❖ **PHYLLIS CARTER** → It includes late May before Commencement, so we communicate the status of the Governor's proposal.
- ❖ **SINGING CHEN** → May tends to be the busiest time.
- ❖ **PHYLLIS CARTER** → Yes, and unfortunately that's when these activities happen. We also have a faculty member rotating off the committee and we'd like to invite recommendations to have another faculty member join.
- ❖ **NANCY GERBER** → That will come from the Academic Senate when we meet in September.
- ❖ **PHYLLIS CARTER** → Thank you. With no further comments or suggestions, we'll adjourn the meeting, and thank you all for coming.

The meeting adjourned at 12:00 pm.

**UBC Meetings for 2018/2019 Academic Year:**

Tuesday, October 9<sup>th</sup> – 10:00am – 12:00pm

Monday, February 4<sup>th</sup> – 2:00pm – 4:00pm

Spring/Summer 2019: TBD