



University Budget Committee Meeting Minutes

DATE: Thursday, July 23, 2020

LOCATION: via Zoom

MEMBERS PRESENT: Interim VP & CFO Jeff Wilson, Co-Chair and Provost & VP Jennifer Summit, Co-Chair. Interim VP Beth Hellwig, VP Jeff Jackanicz, VP Jason Porth, Dean Amy Sueyoshi, Senate Chair Teddy Albinak, Ian Dunham, Andrew Ichimura, Mary Menees, Kathleen Mortier, Gitanjali Shahani, Jerry Shapiro, Genie Stowers, Dwayne Banks, Maria Martinez, Elena Stoian, Sutee Sujitparapitaya, Associate Students President Andrew Carrillo and VP of Finance Rashid Abdul Rahiman, President Lynn Mahoney

Advisory team present: Enrollment Mgmt/President’s Office: Tom Enders, University Controller: Sylvia Piao, UE/UCorp: Tammie Ridgell, SAEM: Mirel Tikkanen, ADV: Venesia Thompson-Ramsay, A&F: Cesar Mozo

Absent: (none)

Guests Present via Zoom: (no special guests; attendee list upon request)

Committee Staff Present: Nancy Ganner, Edwin Critchlow (Budget Administration & Operations)

Accompanying PowerPoint presentation for this meeting can be found here:

<https://adminfin.sfsu.edu/sites/default/files/documents/UBC%20July%2023,2020%20Presentation%20PDF.pdf>

UBC Co-Chairs called this meeting to order at approximately 10:03 A.M.

Agenda topic # 1 – Welcome from Co-Chairs

- **Jeff Wilson** and **Jennifer Summit** welcomed new members and guests

Agenda topic # 2 – Approval of Minutes from June 25, 2020 meeting

- **Jeff Wilson** requested approval of the meeting minutes. They were approved, seconded and passed.

Agenda topic #3 – Opening Remarks by President Lynn Mahoney

- **President Mahoney:** Thanked everyone for their hard work and appreciatively noted over 118 attendees at this meeting. Shared her concern for the challenge of the \$18M budget funding gap, and reiterated we will not have any mitigation from the system this year - it's up to us to work together to close the gap. Many cuts already taken were in suspended searches and operating expenses – also some services were reduced, but will have to be restored when face-to-face instruction returns.
- Reported Governor Newsom, Chancellor’s Office and the Board of Trustees cautioned us to prepare for three years of budget cuts, and next year may be worse. Advised all will do their best to plan strategically for these difficult years, which will require more reductions and layoffs, as mentioned in her email on Monday, and also judicious use of our reserves, along with other cost-saving strategies. Clarified carryforwards vs. reserves, terms often confused (<https://budget.sfsu.edu/content/budget-basics>).

- Lamented this will not be easy. Lecturers have already experienced the consequences of our enrollment downturn and soon we will be moving towards layoffs. Implored all to plan for permanent reductions, as recent cuts were done quickly when the pandemic happened. Anticipating future cuts is needed, with careful and thoughtful planning to keep students at the forefront.
- Acknowledged this will be a very hard and painful time, but voiced hope that since this is not a small, private university, we will be here on the other side of the pandemic; smaller, but then can rebuild back up, unless this is handled this poorly and negatively affect our student's ability to get the courses or advising they need to graduate. Thanked everyone again for their interest and attendance (now 124+).

Agenda topic # 4 – 2020-2021 Budget Update

(see slides 7-36)

- **Jeff Wilson:** Shared update on the 2020-2021 budget. Opened with the agenda on slide 8.
- Planning budget assumptions are a process we do every year (in pre-pandemic times) using revenue sources and expenditures. These are what we need to complete our mission and typically don't change, but we did not expect these drastic changes, nor the response to the drastic changes that we had to take.
- Revenues include University-wide funds (an example may be monies we hold centrally at the CO to fund our operations), and unit-attributable (an example may be cost-recovery for campus side operations that support our auxiliary enterprises). Salaries, wages and benefits account for over 80% of our general operating fund. University-wide expenses are across the University rather than isolated in one unit/division/dept.
- CSU budget (see slide 13) – noted: these numbers are in Billions (ex: \$3,982,552, 000) the red numbers shows reductions from the State to the CSU (\$299,043, 000). The CSU is forecasting an adjustment for 2020-2021 of \$24,165,000 at the system level, taking into account changing enrollment patterns across the system. Next slide shows same info, showing declines in state appropriations and revenue. Some campuses have stable or stronger enrollment, and some are in decline, such as ours.
- SF State budget: noted adjusted planning assumptions, on slide 16.
- We had change assumptions to consider the enrollment impact of the pandemic. The CO issued a "hiring chill", meaning we could only fill critical positions necessary to support the campus. The campus forecasted a 10% reduction in resources, which was a combination of how the state appropriation reductions would affect us as a campus and taking into account our enrolment challenges. Slide 17 shows how campus is better served administering reductions where needed rather than across the board, and making decentralized decisions.
- Slide 18 shows SF State's 1020-2021 working budget overview as of July 8th, taking enrollment into consideration and deferring expenses where possible. Currently it stands at \$363.8M – a 9.3% reduction which was close to the 10% we were planning, noting salaries, wages and benefits totaling over \$306M of this. Other University-wide expenses are things that cannot be changed year-to-year. Our remaining funding gap is \$17.9M (nearly \$18M).
- Addressing multi-year downward budget gaps; recent adjustments made may not address full face-to-face instruction and operations plans when we return, as further reductions from the State are almost certain, and enrollment will continue to be a challenge.
- Since 2019, our consolidated reserves declined from \$134M to \$82M. Slide 22 shows the details, and reserve funds are restricted to their listed areas or subject to legislation, such as the Lottery Funds. Each reserve fund cannot support the general operating fund, as an example. Balances are determined by their flow into the University with use of those resources. Noted CEL reserves grew under Dean Alex Hwu.
- CSU Fund 485 is the general operating fund, and reserves on slide 23 are restricted to those categories. Noted in slide 27, a "0" balance in Capital Maintenance & Repairs means this was a deferred cost, until our budget and resources improve. Economic uncertainty represents reserves set aside for future uncertainty. It has not been

recategorized to short-term obligations because we're in this now, and this will have to be considered as we plan how to fill the funding gap.

- Encumbrances are funds reserved against enforceable contracts and obligations, such as contracts where we have committed to paying a vendor for a service that the vendor has provided, so we are obligated to pay. \$18M of the \$40M in reserves is committed to fund ongoing operations and is not available to fill the funding gap. This is indicative of a structural problem where we are using our reserves to fund ongoing operations. In a budget year like this one, this is highlighted even more. However, \$22M remains but we have to use it responsibly to cover three years of downward adjustments and any other emergencies that may occur, such as fire, flood damage, or critical infrastructure failures. Insurance recovery is possible to some degree and that takes time, and these resources will be used to address any emergency immediately.
- This discussion is at the UBC to determine how we use those reserves. The Governor is doing the same with the Rainy Day fund. We have to remember this needs to be used proportionally over three years, with pending larger reductions. Finally, we cannot deplete our reserves. Unlike the State that can increase taxes and take other measures, there is little support for tuition increases in these times. Also noted, the State can reallocate resources within their agencies.
- The UBC will need to recommend how to take the steps outlined on Slide 33 and 34, which will include combing through every corner of operating expenses that we have, which may not be realistic when considering a full return to face-to-face instruction, hopefully, next year. We cannot continue to live off our reserves – they are a one-time bridge. When things stabilize, we can create a longer term plan.
- Looking ahead on slide 35, a forecast based on actual data. We have to build a budget to live within those resources. Options are noted on slide 36.
- Jeff Wilson ended the presentation and opened the floor to member questions.
- **Genie Stowers** asked about the list of reserve funds and if CEL's funds can be used by other areas. Jennifer Summit noted CEL operated in a deficit for 5 years, and part of CEL's goals were to build funds to address their deficit because of legacy financial challenges. Genie asked further why there are reserves, rather than covering their deficit, and Jennifer Summit responded they weren't planning to sit on the reserves and will be used this year.
- **Genie Stowers** noted some of the reserves are indirect costs and asked that if they were obligated elsewhere, are they still obligated, or available to be reallocated? Jeff Wilson clarified they are included in the committed portion of the reserves – they remain obligated.
- **Teddy Albiniak** asked if the working budget provided includes the proposed layoffs, as mentioned by President Mahoney. Jeff Wilson responded they were not included in the working budget – the budget only included positions that were not filled as a result of the "hiring chill".
- **Teddy Albiniak** asked for clarification about the categories of critical emergency vs. economic uncertainty. Jeff Wilson responded economic uncertainty is a general term, as it can be caused by catastrophic events.
- **Teddy Albiniak** asked about speculation that Governor is asking to use reserves to decrease allocation, and spending down reserve might entice more funding allocations in the future. President Mahoney responded the State is asking us to responsibly plan how we cut our budget and use our reserves, and may be less sympathetic for future allocations if we don't plan well. It's hard to answer because we can't predict our economy, and noted that we have a legislature that currently supports the CSU.
- **Kathleen Mortier** asked if there are any ideas or possibilities to increase revenues. Jeff Wilson responded the ideal method is increasing enrollment, as we go through a strategic enrollment development process, it increases our tuition and fees. Lobbying at the Legislature level for additional funding is another way but it's more complicated now in the State's terrible budget situation as well. Philanthropy can help, but as a remedy, not a solution. Asked all members and guests to help put forth any sustainable revenue-generating ideas.

- **President Mahoney** noted a message from Dean Sueyoshi on the Chat that it's not only about increasing new student enrollment, but also increasing our retention rates and keeping our current students enrolled.
- **Jeff Wilson:** Noted no further questions. Thanked everyone and moved onto next topic.

Agenda topic # 5 – Research Service Organizations:

(see slides 37-38)

- **Jennifer Summit:** Reported we have 21 Research Service Organizations (RSO's) on campus, the bulk of which are in Academic Affairs, which include organizations funded through philanthropy, such as the Center for Iranian Diaspora Studies and others funded almost entirely through grants. Some were founded in order to be funded through grants, but the IDCs have decreased so they have been funded more with the General Fund to subsidize them. As those subsidies have grown, we now must review and determine reasonable, sustainable and consistent guidelines for their funding. This has been discussed at Academic Affairs councils with Deans and RSO leaders decided, and all decided the appropriate group to begin to formulate these guidelines would be the UBC.
- Asked UBC members to volunteer to serve on a task force to focus on RSOs with the goal of creating funding guidelines. An email will be sent for self-nominations.
- **Jennifer Summit:** Noted no questions. Thanked everyone and moved onto the next topic.

Agenda topic # 6 – UBC workgroup update: Revise of UBC Charge:

(see slides 39-44)

- **Jennifer Summit:** Thanked the members of the workgroup for this final review of the UBC Charge and asked the UBC members to approve it, so we can complete this work and send to the President.
- **Beth Hellwig** asked about the 2nd staffmember addition and whether it might be a Student Affairs representative, as there are no other UBC members from SAEM other than the VP when it comes to voting. Jason Porth, as a member of that workgroup, agreed and noted any UBC member can vote, including ex officio members (who may also be from SAEM).
- **Kay Gamo** asked if union reps were non-voting members or non-members. Jennifer Summit confirmed once the Charge is assumed, they would be non-voting members of the UBC.
- **Jeff Wilson** asked members to vote. The revised Charge was approved, seconded and passed.

Revisit of the Agenda topic # 4: Budget Update and the discussion of Reserves:

- **Jeff Wilson** circled back to the budget presentation and reminded UBC members that university leadership seeks their guidance on the use of the \$22M in reserves, to be used over the next three to possibly four years, and to maintain a responsible reserve for emergencies and contingencies.
- **President Mahoney** requested feedback from committee members. Advised against using all the reserves this year, knowing there will be additional cuts in the future. Suggested recommendations perhaps in percentages, like 30% for every year, so she and Jeff Wilson can discuss.
- **Mary Menees** asked if we expect the budget deficit will grow over the next three years or remain the same. President Mahoney replied we expect our State allocation to decline, and enrollment is unstable. The Governor said we will have budget cuts, and yesterday the Chancellor stated next year's cuts could be potentially worse.
- **Genie Stowers** commented it might be more prudent to frontload a bit for this year, because we have not had time to plan and there's inadequate time for units to go back and plan in a reasonable way. Suggested 35% this year, rather than 30% across the board for each year.

- **Rashid Abdul Rahiman** echoed Genie's proposal and suggested up to 40% if possible, because this is the year we took the hit and if we recover stronger in the first year, then the 2nd and 3rd years should be easier to plan. How we use it is of the most concern, and recommended we use it for marketing to increase enrollment.
- **Kathleen Mortier** agreed with both comments to having a higher percentage this year because to be laid off this year when the economy is hit hard overall, will be more difficult than in later years.
- **Dwayne Banks** said it's difficult to put a number on the use of reserves with so much uncertainty in both the short term and long term: uncertainty in unemployment, natural disasters, return on investments – preferred a more conservative approach in the short term and look more towards a 5-year planning horizon and what we would like the University to look like, after the 5-year horizon. Using reserves as a short term means to a long-term structural problem is the better strategy.
- **Teddy Albinak** spoke in favor of offering the divisions and Cabinet leaders an opportunity to think about budgets and changes they could make, given their current vantage point. A more aggressive use in the short term, while also being mindful of their needs. Supports the 35% proposal.
- **Jeff Wilson** noting no further comments, thanked members for their feedback and gave appreciation for this type of deliberative discussion this committee can have around these important issues.

Agenda topic # 6 - Open Forum

- **Jeff Wilson:** Invited any speakers to "raise their hands" to speak.
- **Jerry Davis:** Asked about the IDC part of budget, and department and RSO funds that were previously special project funds that have a lot of IDC in them - what would happen to those, since they were mixed from IDC and converted to General Fund? Jeff Wilson replied that funds that were restricted for a particular purpose cannot become unrestricted. Can report back this topic at a later meeting. Jennifer Summit also noted there is a UBC subcommittee working on IDC issues and agreed that funds tied to specific projects are considered to be encumbered. President Mahoney said over the next few UBC meetings, all the Vice Presidents and Tom Enders from Enrollment Management will present their budgets and it will show how they will get through this year by moving operating expenses to carryforwards. There may be conversations in some divisions where they do look at these types of carryforwards/reserves that may be allotted for a project, and go through them with a fine-toothed comb to see where units can find money to sustain their core operations. Invited all to attend those meetings as well.
- **Laura Burrus** noted as Chair of Biology, they have a unique situation where their enrollment is increasing. Echoed Jerry Davis's concern re: IDC, as that's huge for them. Asked also about staff and lecturers, and how the University will prioritize layoffs vs. furloughs vs. pay cuts. President Mahoney responded that all adjustments to compensation, whether staff, faculty or MPPs, is done centrally. There are conversations about those compensation reductions happening and the Chancellor remarked that while furloughs/paycuts are off the table this year, the CSU may resume that conversation later with its unions. Layoffs are done at the campus level. Our SoCal campuses are overenrolled and will not have layoffs, but the way its done here is centrally by classification and in consultation with the unions.
- **Laura Burrus** also asked the other question asked was what support will be given to departments that are actually growing, such as Biology? Jennifer Summit responded that support is given, as in any year; funding is linked to enrollment and that benefits those areas where enrollment is growing. The goal is to support the colleges, to support the students, in delivering our core mission by offering the classes that students need so they can graduate with high quality degrees. This also goes back to our goal about maintaining enrollment by keeping our students here. One of the biggest complaints we hear from our students, still, is course availability, in particular the high

demand courses in the lower division. Now we have ways of predicting what those courses are and we'll continue to do that as we're moving forward.

- **Danny Gabriner** asked about the Metro College Success Program and understands one of the key ways to improve this situation is improving enrollment and retention. The University can improve outreach, and asked if there is any maneuverability for using monies that are planned for Capital Planning, to adjust our current situation. There's a multi-year plan for new buildings, so is there any flexibility in using those resources? Jeff Wilson replied that those funds are restricted by the State and by the CSU for Capital purposes and cannot be used as in general operations. If not used for that purpose, other campuses or State agencies can use those Capital funds. It's incumbent upon us to invest the funds that we have been entrusted with by the CSU for Capital purposes to move forward with those projects that we can afford. President Mahoney added that during the recession, that was one of the most frustrating things that people experienced; having budget cuts and layoffs, but then seeing a new building go up. If we declined them, funds would be moved to the next CSU on the list.
- **Russell MacArthur** asked if in the interest of equity and social justice, if the leaders of the CSU and our University would be willing to take sliding-scale pay cuts before considering layoffs of our lowest wage workers, who may not live as comfortably and where pay cuts may be catastrophic. President Mahoney responded that CSU monies are spread over 23 campuses, and she has asked the CO to ensure that reductions to executive compensation are on the table this year, as a system. These decisions are done centrally, and in our Cabinet, some AVPs are asking to take pay reductions. If the same is done as a system, our colleagues will embrace and support that. We are also advocating for the use of Capital to mitigate layoffs. It's tricky because the State has given us these as one-time dollars that we're not allowed to use them to offset long-term issues, like pay cuts. That's something that the system would negotiate with the unions, as compensation isn't done on the individual campus level. She voiced appreciation of this question and the complexity it revealed.
- **Sandee Noda** echoed President Mahoney's remarks about decisions made at the CSU level and currently the Chancellor said this is off the table. Many campuses have met their enrollment targets and don't have the same budget situation we do. Asked President Mahoney if she might seek out the CO to discuss if they can consider campus furloughs vs. CSU-wide furloughs. It's never been done before, but we've never been in this situation before so it may not have been explored. Regarding the layoffs and consulting with the unions, the unions will know who is going to be laid off, but has no say in it. The union will be insuring seniority is accurate and if staff have retreat rights back to their original positions. Asked the President about her letter to campus and the early exit program mentioned, and whether this is still being considered, and when campus will be advised it's an option. Jeff Wilson replied they are exploring it, as it does represent a significant investment to undertake this, because there is an incentive payout to the person deciding to retire. They are working through the calculations of what type of program would be an option for our campus, in light of already-strained resources. President Mahoney added they would consult with Sandee Noda if they determine they have the resources to do this. She also did ask the CO if they can take campus-specific action given our challenges, and was told we could not – we're part of one CBA, one agreement. There are lots of benefits to being part of a large system, but campus flexibility is not one of them.
- **Darleen Franklin** asked if there have been collaborative discussions and brainstorming with our other 22 CSU campuses to look at ways to increase funding. President Mahoney responded that the campuses advocate together for our State allocations and without that, we may have faced even worse cuts. The Governor supports the CSUs and that's where our power as a whole, helps.
- **Darleen Franklin** asked about increasing revenue with ramping up online enrollment. Biology is for students in medical fields and with the pandemic, that may be why it's seeing a rise. Jennifer Summit replied that since we rolled out online teaching support for faculty this summer, we will have faculty that will be highly skilled in this who may be able to use those skills in ways that serve our students, even when we are back face-to-face. Many of our

students are best served in face-to-face classrooms, but Dean Alex Hwu from CEL will agree that CEL is an excellent place for us to develop our online offering and degree/degree completion programs and they're already working on that, to serve our community and also raising revenue for departments and programs. We do currently have two online degree completion programs ready to launch in Ethnic Studies and Criminal Justice. Added that she's grateful to everyone working together to make these revenue-generating, as well as serving our mission.

- **Darleen Franklin** reported that their post-Gator Day surveys noted a preference in Biology for face-to-face instruction and asked whether we were planning the return of face-to-face instruction next Fall. President Mahoney replied that Chancellor will make a decision this Fall about Spring plans, but as news of California's status worsens, it's unknown. Whatever we do, we will conduct it with the same care for the health of our faculty, staff and students, and remains proud the CSU took the measures it had to in order to protect everyone.
- **Kay Gamo** asked about changes to pay plans, such as in SHS, and wondered if some are interested in reducing their pay plans which would help the campus financially. Jeff Wilson deferred the question to Ingrid Williams in Human Resources.
- **President Mahoney** closed with remarks about the transparency of the UBC in budget planning and recommendations, adding and if planned well, we may emerge stronger than we entered this crisis. Echoed a comment from the Chat that recessions are great for graduate programs and how we can to grow ours, and thanked all for their attendance and participation.
- **Jennifer Wilson and Jeff Wilson** gave closing remarks and appreciations. Asked all to read the website: <http://budget.sfsu.edu/> for further information. Seeing no further comments, closed open forum.

Meeting adjourned approximately 12:00pm.

- Next meeting: Thursday, August 6, 2020, 3:00pm – 5:00pm

/nr-g