1. Call to Order/Roll Call/Declaration of Quorum/Remarks from President
Chair Miller called the meeting to order at 10:10 am. A quorum was present, and the meeting, having been duly convened, was ready to proceed.

President Wiewel announced Monica Rimai’s departure from PSU, effective June 30. He said that efforts started by her will continue once she’s gone. He noted that there had not been an interim named yet, and that a nationwide search would begin once that interim was named. He felt that it was a reasonable goal to have a Vice President in place by January 1.

Rimai shared some thoughts about the team in the University Finance & Administration Department, and noted that it was a very strong team, and that the university will continue to grow and thrive. Pete Nickerson said that he took confidence in her presence and that she would be missed.

2. Housekeeping
   Approval of Minutes:
   It was moved by Castillo and seconded by Nickerson that the minutes of March 6th be approved as submitted. Motion passed.

   It was moved by Castillo and seconded by Nickerson that the minutes of April 24th be approved as submitted. Motion passed.

3. Quick Orientation
Rimai went through a very quick primer on Biennial Math. She noted that even though the appropriation was a two year appropriation, that it was not a 50/50 split. She noted that the appropriation is backloaded, and it’s more like 49% the first year, and 51% the second year.
4. **Presentation of FY 2014-15 Operating Budget**

Rimai opened her comments by saying that this could be a long discussion, and that the goal was to have a conversation about the resolution to be presented to the committee, and hopefully forwarded on to the full Board.

She provided some background on the philosophy of budget development, and that it was a two year process to get it into alignment. She noted that FY 15 is really the first year of Performance Based Budgeting (PBB), but that the development of this budget started in earnest about three years ago, with the development of a five year plan.

Rimai also noted that if this alignment had happened in one year, it would have required many un-strategic decisions. She noted that the first year, even though there were cuts, it still pushed the majority of that realignment into FY15. By spreading the alignment out over two years, it gave the flexibility to more strategically re-balance the budget.

She indicated that because of timing, the committee was not able to be involved in the FY15 budgeting process, but all felt strongly that they should be part of and contributors to the development of the FY16 budget. She noted that it was very typical to start with expenditures and work backwards into revenue.

Rimai noted that a large portion of the expenditures are fixed, and outside of the control of any one entity. She noted that with PSU heading into year-end close that the numbers would likely change just a bit, because all numbers are refined during that closing period. Once books are closed, it will give a more accurate starting picture for FY 15.

She said that this is the first year PSU has presented the budget in an all-funds sort of way, and noted that many were not used to budgeting that included even restricted funds. She observed that PBB allows units to own the impacts of the budgeting decisions they make. She said that there had been much discussion to get to this point.

Rimai reminded everyone that at every institution there were units that generate revenue, those that break even, and those that need support.

She briefly talked through the Revenue and Cost Attribution Tool (RCAT). She noted that it was not PBB, but a tool to help units understand the impacts of decisions they make.

There was some discussion about what all was included in the revenue total. Rimai noted that it was tuition, fees, state level funding, grants, auxiliary services, gifts, etc.

Rimai reviewed the FY 13-14 budget to date, and noted that reserves have been used to true up the numbers. She noted that there are some units, like auxiliaries, that are required to support themselves. She mentioned that when the FY13-14 is viewed, based on what was said earlier about how the RCAT applies, it doesn’t seem to fit. She noted that was a product of departments not understanding how to book expenses, but that everything really was in alignment.
Rimai pointed out the negative balances in Auxiliary, and noted that they were largely a feature of depreciation. There was discussion about depreciation and how and where it showed up. Reese provided some clarification on SB 270, in relation to buildings. Rimai noted that most of the buildings are owned by the state. She then walked through the forecast by fund type for year end.

Rimai talked through how the FY15 budget was developed, both in terms of revenue and expenses. She noted that the recent settlement of the AAUP Collective Bargaining Agreement would put additional strain on the budget, but because of when those negotiations were settled in relation to when units developed budgets, that a decision was made to not ask those units to adjust based on the settlement. It was noted that the estimated extra expense on that settlement was approximately $3,000,000.

Bespitch asked how many students would have to attend to reach that number. Provost Andrews said that was a difficult question to answer, because of the differences in tuition for in-state, out of state, international, undergraduate, graduate, remissions, etc. A short discussion about remissions followed.

There was discussion about fund balance, rate of spending, the 5 year forecast, and quarterly updates.

Questions were asked specifically about the online fee. It was noted that the rate is charged on a per credit hour basis, that it’s been lowered, and that it applies to only fully online courses. Provost Andrews noted that her office is starting to look at each school and college, specifically on not losing enrollment. She noted that there is a fine line on the return on investment breaking point.

Rimai and others noted that there has to be sensitivity to staff and staffing levels, and how to balance between retaining valuable employees without spending increasing.

Chair Miller asked about accepting and recommending a budget that’s not even a break-even budget. He stressed that he wants to see the start of discussion around the FY 16-17 budget start now, instead of waiting.

Wiewel and Rimai noted that since 16-17 was the beginning of another biennium that there was a huge opportunity for the committee to be involved from the ground up.

Rimai noted that a review of the budget will be done in October, once fall enrollment figures are in. She noted that at that time, it would be much easier to determine where things stand, and if any other measures will need to be taken.

Nickerson asked that the minutes reflect a desire of the committee for a thorough review of the budget after those fall enrollment numbers are solid. The committee will meet in November, so a review will be done at that time.
Committee members asked that even though there was a quorum, since not everyone was there, was there a way to have an initial vote, and then follow up with members who were not present so that the committee could reach a unanimous vote on the resolution.

Reese noted that there is no mechanism to allow a committee to add to the vote after the fact. He said that since there was a quorum there today, that if they wanted to make a statement to the Board, one way or another that they should vote today.

Nickerson asked if there was anything that could be done to balance the budget if you set state funding aside.

Rimai noted that unfortunately, most major gift donors don’t really want to contribute towards operational costs. The other factor that could aid in balance the budget would be an unanticipated significant increase in enrollment.

Committee members still expressed a slight unease about not presenting a balanced budget. Some noted that we should possibly review opportunities to generate revenue in non-traditional ways. Possibly work closer with Advancement. Wiewel noted that there is an ongoing Enrollment Management Workgroup that is focusing on retention and expansion of enrollment in all programs at all levels.

It was moved by Nickerson and seconded by Castillo that the Budget Resolution presented to the F&A Committee on May 21 be submitted to the full Board of Trustees for their approval. The motion carried unanimously.

5. Questions and Comments
   Pete Nickerson asked if there was a spreadsheet anywhere that showed fixed assets.

6. Adjourn
   With no further comments or questions, Chair Miller adjourned the meeting at 12:03 pm.