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COMMITTEE ON BUDGET AND RESOURCE ALLOCATION

23-24 COBRA 13
April 10, 2024

TO: The Academic Senate

FROM: Committee on Budget and Resource Allocation (COBRA)

SUBJECT: 23-24 COBRA 13: CSUEB Budget Update #4

PURPOSE: For Information to the Academic Senate

BACKGROUND INFORMATION:
Myeshia Armstrong, VP Administration and Finance and CFO came to COBRA to provide additional budget updates on March 13th 2024 and March 27th 2024

ACTION REQUESTED:
For Information to the Academic Senate.

Presentation by Myeshia Armstrong VP, Administration and Finance and CFO

Myeshia Armstrong, VP Administration and Finance and Chief Financial Officer joined the COBRA meetings on March 13th and march 27th and provided additional updates on the budget and ongoing efforts to address the deficit. VP Armstrong noted that she was waiting on updates from the Chancellor's Office as well as the Governor's May revise to provide a more comprehensive update. VP Armstrong provided a few slides, and these are linked here for March 13th and here for March 27th and the relevant slide #s are referenced in the report.

In the March 13th visit VP Armstrong first addressed the university deficit (see Slide#2). The projected deficit for FY23-24 now stands at $7.7M and for FY24-25 at $12M. This reflects an increase in the projected deficit from earlier estimates in part due to the unfunded portion of the salary increases that will come into effect for the current fiscal year and moving forward. The same guiding principles presented by the President in March 2023 are still in place as a mechanism to reducing the deficit. This included acting strategically rather than making across the board cuts and streamlining and consolidating processes to yield cost savings.

One strategy was to develop a Voluntary Separation Incentive Program (VSIP) (see slide#3) to yield cost savings with respect to salaries and benefits which constitute the largest budgetary outlay. The intent of the program is to not only benefit the university but also offer an opportunity to long-standing employees who are close to contemplating retirement. Slide#3 lists the criteria which include 10 years of service, at least 50 years of age, and retirement eligible as of 6/30/24. The program includes a severance package whereby an employee would receive 6 months of their salary to a cap of $75K inclusive of any payout due. It is estimated that over 300 employees would qualify. The CO and HR have been consulted and the net step requires a meet-and-confer with the respective unions. At this time, a tentative application date of 4/1/24 is being contemplated.

VP Armstrong next spoke about the migration from Google to Office365. This has come up in COBRA in earlier meetings via ITAC and is a topic of much discussion campus wide with many members of the university community deeply concerned about the adverse consequences of such a migration. It was explained that initially Google was a free product but now a cost is being associated and as such, in line with examining budget priorities, the university is looking at ways of reducing costs. Microsoft Office 365 is supported by the CO and comes at no cost to the campus. Currently 19 campuses are using Office 365. VP Armstrong noted that wide campus consultation will take place regarding the pros and cons of such a move. Depending on how events unfold the migration would take 18-months. At this time no final decision has been made. It is anticipated that the cost saving would be around $100K annually.

The last update for the March 13th meeting was to discuss emergency preparedness. In light of the campus shutdown due to a power failure, concerns had been raised over the campus' level of preparedness and communication as the crisis unfolded. VP Armstrong explained that, contrary to some claims, the campus does have an emergency operations plan located on the Risk Management Website (see Slide#5). There are plans to review and update the plan this summer and input will be sought on revisions. Currently underway is a comprehensive review of the circumstances around the February power outage and the subsequent impacts. This is being facilitated by the emergency preparedness unit from the Chancellor's office. It was felt a neutral party to the event would help facilitate discussions, identify areas of weakness and strengths as well as make recommendations for

improvement. Once this has been completed a post incident report will be shared with the campus. Several emergency preparedness activities are planned to include building evacuation drills and an all-campus building evacuation drill as part of the Great California Shakeout scheduled for 10/17/24.

In the March 27th visit VP Armstrong first addressed the VSIP which had just been formally announced and had been presented to COBRA at its March 13th meeting (see above). VP Armstrong also prefaced her comments by noting that the budget situation is still very fluid, and information expected from the CO in mid-March was not forthcoming. VP Armstrong hopes that by the deep dive scheduled for April 20th this information will be available and a more comprehensive update would be available.

One update that was noted and which adds to the budget challenges is the unfolding concern over the state budget deficit and how this will impact the Compact Deferral Funding (see slide#2). The governor had announced the $240M to the system under the compact would be deferred. The CO agreed to cover this for 24-25 but there are now concerns that have been expressed in several forums that the deferment might not happen and that any increase under the compact for 25-26 might be under threat. With this being a possibility, campuses need to plan to address this shortfall and with this in mind Slide#3 articulates the projected cumulative budget challenges and the impact on reserves and the deficit. VP Armstrong reiterated that this may need revision as the CO provides additional information and updates.

Monique Cornelius, Director University[1], and the Presidential appointee to COBRA walked the committee through Slide#3. For 23-24 the increase in the deficit to $7.7M is largely due to unfunded compensation that is the onus of the campus. There are some potential savings through the deficit strategies, but these may be offset by anticipated increases in utilities and insurance effective 1/1/24. To cover the increased deficit the reserve balance will fall to $60.1M. Moving to 24-25 one assumption is that enrollment will remain flat and as such no increase in revenue (depending on final enrollment numbers, adjustments will need to be made and could increase or decrease the deficit) that will be compounded by the CO reallocation of $3.1M for not meeting enrollment targets. Unfunded compensation increases are projected at $3.4M although some savings are projected centrally which combined increases the deficit from$7.7M in 23-24 to $12.5 in 24-25. This is then projected to impact the reserves dropping them to $47.7M. Looking to 25-26 the deficit is projected to rise further due to the reallocation plan and the unfunded compensation further reducing reserves – as a matter of good fiscal practice there should be enough in reserves to cover 6-months of operating costs and the projected $27.7M is well below this threshold. The VSIP will hopefully help reduce the deficit and change these numbers as the impact of reduce salaries and benefits take effect. There will though be a one-time impact on reserves to cover the severance associated with the program.

[1] VP Armstrong announced that Monique Cornelius has been promoted to Vice President to reflect changes in her role and responsibilities.

In Slide#4, the target savings for the VSIP has a goal of $10M. Over 300 employees are eligible, and the program applications open on April 2nd and closes May 1st 2024. Information sessions are planned for late March.

VP Armstrong closed out her update by speaking to future plans (see Slide#5) starting with the budget deep dive on 4/22/24. A relaunch of the budget department website is planned to include more dashboards as well as a clearer presentation on actuals relative to projected costs. In addition, providing an archive of prior budget plans. VP Armstrong is looking at the reactivation and renaming of the former University, Planning, Assessment, and Budget Committee[2] to draw on a wider range of university constituents. VP Armstrong also addressed reorganization post VSIP, namely, units and divisions needing to evaluate positions and roles and responsibilities. As staff and faculty separate, there will not be any automatic backfill of the positions vacated. In approving VSIP applications there will be some consideration of the number of individuals seeking to separate based on classification and critical needs. It is hoped this program and other budget reduction measures[3] will obviate the need to declare exigency or having to consider layoffs. VP Armstrong would let reserves go to zero before pursuing such options and noted that there are other campuses already at the level of zero reserves. She will possibly speak more to this at the budget deep dive on 4/22/24. It was acknowledged that while initial conversations would take place at the unit level, there are wider implications and impacts on operations with faculty and staff taking up the VSIP. From this discussion questions arose around at what point would a spending down of reserves and the loss of faculty and staff to separation would compromise services.

[2] A review of the university website indicated that the COBRA chair served on the UPABC with this committee tasked with advising the President on university budget matters. I couldn't find any details on when the committee last met.

[3] When the current lease at the Oakland Center expires it will not be renewed leading to a cost saving of around $800K.