CALIFORNIA STATE UNIVERSITY, EAST BAY  
COMMITTEE ON BUDGET AND RESOURCE ALLOCATION  

Minutes of the Meeting of April 21, 2006

Members Present:  Sam Basu, Dana Edwards, Karina Garbesi (Chair), Armando Gonzales, Bonnie Ho, José A. López, Nancy Mangold, Saeid Motavalli, Sue Opp, James Petrillo.

Members Absent:  None

Visitors:  Bob Brauer, Bob Burt, Cal Caplan, John Charles, Dan Franke, Mary Fortune, Barbara Haber, Jim Kelley, Dick Metz, Norma Rees, Dave Travis, Don Sawyer

1. Agenda approved with no additions.  M/S

2. Approval of the minutes. Last meeting was BAC meeting.


President Rees indicated that the proposed 06-07 budget contains a significant “give back of money” due to failure to meet enrollment targets. She reminded COBRA of the pending WASC recommendations some of which have resource implications. Budgets from most units will be flat except for Academic Affairs from which most of the budget reductions will come. In past budgets, Academic Affairs has not been reduced as much and other units are now showing the impact of previous lowered allocations.

4. Report of the Chair

Garbesi introduced the topic for the meeting, Financial Risk Management, and asked VP Dick Metz to initiate the discussion. There was no formal Chair’s Report to provide sufficient time for the discussion.

5. Financial Risk Management

Vice President, Dick Metz, described the position of Internal Auditor as an effective way to mitigate risk. The ABA has requested this position for three years but has not been granted the funds. In the latest audit conducted by the CSU there were 40 “comments” which indicate some form of financial risk to the University. Metz said that the latest external biennial audit conducted by KPMG found that the University is “on the brink of non-compliance.” He said we were the last campus to close the books at 11:30 PM. The external audit report of December 23, 2005 made note of this finding. While the audit was “clean,” KPMG was exceptionally critical of the CSU Board of Trustees. CSUEB was one of five campuses with the largest number of problems mentioned in the auditor report presented to the Trustees. Metz will submit a budget request again this year for the Internal Auditor position but it will not be priority. There are other areas of higher priority such as Accounting and Grounds/Housekeeping.

Susan Opp asked about the difference between Internal Auditor position and that of Risk Manager. Metz responded that the Risk Manager deals with insurance matters. CSUEB is a member of the CSURMA, which is a systemwide insurance pool that manages the portfolio for the CSU. He described this investment as a way for the University to
mitigate risk by expending funds. The use of funds for the annual CSURMA $3, 400,000 premium helps to offset other costs.

Metz said that most of the CSUEB insurance costs are for Workers Compensation expenses. CSUEB is first or second in Worker’s Compensation costs due to the high number of employee claims. In terms of liability CSUEB is among the lowest in the CSU. The CSUEB insurance deductible is $100, 000 for all claims. The ABA budgets $5, 000, 000 for these claims.

Metz and Haber and others described Categories of risk to which the CSUEB is exposed.
  o Workers’ Compensation claims
  o Non-compliance with auditing & accounting regulations
  o General liability and that resulting from inadequate training
  o Unanticipated expenditures due to deferred maintenance
  o Degradation and Denial of Service

Training refers to employees and managers’ development in laws and regulations that could result in liability. This is a Human Resources dept. function but has almost been eliminated due to budget cuts. Metz gave the example of training for handling subpoenas and summons. The area of most concern in training for Metz is that of department chairs. He views Chairs as middle managers and believes we need more effective mechanisms for training of department chairs.

Business Continuity Planning is a systemwide directive that would sustain business functions during cataclysmic events. Craig Ishida is the CSUEB person with the responsibility for the University planning. He is chairing a committee with Cheryl Washington. Metz described current efforts in technology to protect records. Other areas include pandemics such as avian flu, which would have great effect on classes and residence halls. Presently the Deans are working with the Department Chairs in the Colleges. By May an initial draft will be presented to the CSU. Metz believes that the CSUEB initial response phase particularly with our system of Building Assistance Coordinators will be adequate but he’s concerned about the aftermath of such events.

Haber described another form of risk management as “Degradation and Denial of Service.” This includes preventative and predictive maintenance of buildings and equipment. Normally staff or contract services conduct maintenance. She believes it’s generally most cost effective to hire staff because of improved flexibility and responsiveness. She mentioned the importance of special environment maintenance such as working with technology. She said this was a crucial area of risk for the University.

A recent upgrade to our capabilities in voice, data and video installed many air-handling units in the small rooms where the equipment is place to support the university. This equipment requires maintenance that we do not have staff to perform. The remote server farms also require special cooling, power generation and redundancies. Haber believes we currently have insufficient staff to maintain the cooling systems already installed across both campuses. It’s been over a year since we’ve maintained these upgrades to the technology systems and Haber said the University is “inchng towards losing capability.” According to Haber it would cost $100,000 to hire and supply the staff necessary to maintain cooler systems for server rooms and equipment closets.
Another example is a need to connect the air handlers for the main University server rooms to the emergency generator. It would cost $30,000 to complete this project that is not in her or ICS departments’ budgets. The result of this lack of connections is that when we lose power on campus, ICS is forced to shut down the server rooms because of the heat in the room. Provost Kelly will seek to fund the connection of the air-handling units to the generator.

John Charles elaborated on maintenance of computers and related equipment. Many servers considered obsolete are still in service. Service contracts are unavailable due to the age of the equipment and staff attempts to provide maintenance but reduced staffing over the years hampers these efforts. Charles also said that his department does not have the funds to maintain Smart Classrooms throughout the University. While the Provost wants to expand the number of such facilities, Charles said his staff is insufficient to handle the current classrooms and equipment. His department needs $350,000 to replace servers, which he has requested in the past. The number is so large because his unit lost the budget capacity to replace servers 3 years ago. Today, 46 of the 114 servers within the data center are being operated beyond their expected life. The number of out-dated servers will jump to 73 next year without an infusion of server replacement funds.

Haber and Charles described deferred maintenance needs of the University and how they’ve been tracking the costs. It is estimated that CSUEB deferred maintenance costs is over $300 million. This does not includes technology, such as Smart Classrooms but is only the infrastructure costs (facilities).

Garbesi asked Metz about other sources of revenues available to the University. He mentioned that the CSU could be a source of funds for capital expenditures. He estimated this could amount to $1,000,000. Other sources include capital renewal and remediation project funds. In order to request such funds Haber said the CSUEB must conduct feasibility studies to document its needs for capital remediation money. The local campus must pay for these studies. Metz included funds for such studies in last year’s budget but funds were not allocated.

A discussion about potential costs overruns on new buildings ensued and Metz provided an overview of the monitoring process. He said that overrun costs for the Business and Technology center are unknown at this time.

6. Next Meeting. Dave Travis will present risk management issues for Student Affairs at the May 5th COBRA meeting. Future meetings:
   • May 5th
   • May 19th
   • May 24th (BAC)
   • June 2nd – Last regular meeting of 2005-2006

7. Adjournment -- The meeting was adjourned at 11:00 am.

Respectfully submitted,
José A. López, Secretary