

**BUDGET PLANNING COUNCIL**  
**December 19, 2008**

In Attendance: Jeff Fulk, Peter Wickman, David Thomas, Joe McLaughlin, Bill Decatur, Betty Sindelar, Sergio Lopez, Brenda Noftz, Dennis Irwin, Chuck McWeeney, Hugh Sherman, Kathy Krendl, Michael Adeyanju, Kent Smith

Absent: Ann Tickamyer

Staff: Rebecca Vazquez-Skillings, Dawn Weiser, John Day, Becky Watts, Katie Quaranta, Ann Fidler, John Demmler, Diane Lucas, Marjorie Mora

Guests: Stephen Flaherty, Harry Wyatt, Julie Allison

**I. Budget & Process Updates**

A. FY 2009 Budget Planning – several information requests have been made of planning units at this time

- i. Position Review: Reported Vacancy Savings, Abolished Positions & Discontinued Searches
  - Have received estimates of \$2.2M in total vacancy savings from units but still awaiting some reporting – those vacancy savings are being worked into the FY09 targets as a source to reach the targets
  - FY09 targets have been distributed to PUs – no transfers to the ‘savings accounts’ have been accomplished yet but BPA plans to get those transfers underway so that the projected savings is known prior to year-end
  - Since the beginning of the year 250 vacancies have been abolished – these included vacancies in the system that didnot have funding in the current year budget
  - There have also been some positions created since the beginning of the year so the 250 is not a ‘net’ number
  - 146 position vacancies have been indentified that units intend to fill but the Position Review Committee has not seen that many requests
- ii. Carryforward Submissions – PUs are working on this too

B. FY 2010 Budget Planning

- i. Targets Distributed for 2010 last week

C. Fund Balance Reconciliation

- i. Deans and VPs dealt with this discussion in their most recent meeting
- ii. The issue is now being pressed as an item that needs cleaned up - \$75M in Carry Forward Budget authority vs \$62M in Fund Balance for a \$13M structural deficit from FY08
- iii. Other extraordinary items that will have a negative impact on fund balance include the year-to-date unrealized losses in investments due to the market decline, use of carry forward to meet FY09 savings targets, use of funds to cover future early retirement buyouts, possible under attainment of revenues, etc.

- iv. These factors will cause this structural deficit to increase further and create an additional and unacceptable risk to our financial picture – reconciling fund balance and carry forward authority will be a priority

## II. Overview of Facilities Management-Related Budgets

### A. Utilities & Maintenance

- i. GF \$10M & R&DH auxiliary \$3M in purchased utilities budgets
  - Gas & Coal are 40% of budget, Electric is 50% and Water is 10%
  - Increases in coal prices last year were due to changes in plant ownership but still remained a relative bargain; next set of increases will likely be much higher
  - AEP has requested a 15% increase beginning this January – we have a 13.5% increase built into the budget and we think that is ‘likely’
  - We are doing well on our utility budget in FY 2009 – slightly less on GF and slightly more on R&DH
- ii. Key cost drivers include weather, mix of coal & gas usage at Lausche, maintenance needs at the power plant
- iii. Utility Service Levels and Methods to Impact Budgets
  - looking at implementing different temperature settings in winter and summer to save on utilities costs – could save \$50-\$100K per year
  - looking at controls to implement automatic setbacks at certain times of day
  - looking at centralized scheduling as a significant way to save utilities costs – not an all or nothing proposal...there are opportunities for a phased approach, for example begin by only looking at a number of rooms per building
  - special events planning need to be centralized too to maximize efficiency
  - shutdown of campus between Christmas and New Years is also being looked at but there are risks as well as savings potentials – freezing temps could cause needs to staff and offset the projected \$60K savings and the savings is looking at a TOTAL shutdown – not easy and must be planned ahead well in advance
  - many projects to invest in energy savings initiatives have around a 7 year payback but would involve investment to achieve savings
  - there are no-cost or low-cost behavioral ways to reduce our consumption and intensity of energy use as well as projects which require investment – opportunities are being explored in conjunction with HB 251 requirements to reduce energy intensity

### B. Maintenance – 7M gsf in campus buildings on 1,000 acres to maintain, spread out Athens campus

- i. Harry shared a functional org chart of the Facilities organization
  - Maintenance is comprised of FTE funded from sources including GF, Auxiliary, and Designated sources
  - Use APPA guidelines to gauge the service levels provided on campus – on a scale of 1-5, 1 is luxurious service and 5 is negligent; in custodial we are performing between a 3 and a 4 and are staffed at a level 5 which

- is 'neglect'; in maintenance we are staffed at a 3.2 level and performing in a 3-4 range but it feels very reactive -> putting out fires
- In Grounds about ½ of the work is dedicated to specialized fields – golf course, athletic fields, recreation fields – each require a varying degree of effort but ½ of the grounds effort to those specialized areas is not proportional
- ii. Traditionally we have done a good job of planning for the maintenance and operation in the annual POM budget request
  - the formula has NOT taken into account the TYPE of space so there have been mismatches in staffing and need
  - also, cuts have mismatched the POM funding received with the facilities served as a matter of necessity
  - many services are FREE and that creates an unlimited demand – such as moving services, etc.
  - a couple of areas charge for their services – Construction Crew and Project Planning – as funds are drying up, those programs may need to be scaled back to live within their funds
- iii. Budget
  - POM for this FY is \$422K; \$319K for FY10 due to addition of space and ARC; POM requests are diminishing over the out years as new construction slows down...most is renovation of existing space in the out years
  - Formula for POM has served to focus us on the fact that adding space does result in added maintenance and utility costs

### III. Overview of Centrally Prepared Budget Items & Key Expenditure Drivers – a summary of central pool items was reviewed

- A. Recommendations on changes to EE waivers could be recommended by BPC; our program is quite generous
  - i. possible considerations for plan changes - a time limit for dependents usage of 4 years, an age limit of pre-25 years of age, and use for bachelors and not masters
  - ii. also looking at the combination of usage of aid and waivers by dependents – Craig Cornell is investigating and will come to a future BPC to discuss these benefits
  - iii. BPC is looking at repackaging the benefits and how to use to the best benefit; comparing and benchmarking them to the peers

### **DISCUSSION:**

- All planning units have their reduction targets and their plans are due first week of February
- Dean/VP work groups are preparing initial reports today and from that work there will likely be a large number of projects to investigate how to carry out the low effort / high savings projects.
- BPC will need to consider opportunities in the larger central budget items – fee waivers, health care, etc – and develop an array of options
- By end of January will have the Governor's budget and the impact on our budget – we can then rework the FY10 budget with that info and work to put together a strawperson budget and make a recommendation by mid-February so action can be taken to reduce costs. We must begin to implement reduction strategies which will be in effect July 1 due to our lack of fund balances to 'bridge' until savings begin.

- Our application numbers are quite strong at this time – stronger than our peers including OSU based on discussions. An unknown is the yield we might enjoy on those applications – students may need to stay closer to home and we can't predict retention. We are still seeing strong international enrollment also.
- There will be a proposal brought forward on a furlough to create one-time savings. Several other institutions have implemented a furlough – BPC members should be thinking about the structure of that – considering the Clemson model where we reduce payroll by 5 days per year and those days can be taken throughout the year. Consider below what wage and salary levels we might exempt from furlough.
- What issues are on who's table for action? It was indicated that recommendations from all the work groups will be coming to BPC.
- Winter quarter retention will be known 15 days into the quarter – if a negative trend is observed we will need to react quickly.
- There still is a need to communicate the URGENCY of this budget situation – the idea of the Senate's hosting a budget summit was discussed. Communication and Marketing is putting up a budget website with information on what is going on across the country.
- We must consider dollars and symbols in our sacrifice in order to present 'shared sacrifice'.
- The \$20/\$30/\$40M cut scenarios were based on a \$4B issue at the state and now the state number is \$7.4M, effectively doubling the scenarios.

**IV. NEXT MEETING: January 9, 2009, 10-NOON, Baker Center 235**