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Faculty Trustee's Report

CSU Board of Trustees Meeting – July 24, 2018

Hereby I respectfully submit a summary of the Board of Trustees meeting. My report is largely based on the preparatory materials provided to the trustees, on my personal notes from the meeting, and on my memory.

I tried my best to accurately reflect the deliberations, and I hope to have quoted correctly and paraphrased in the spirit of the speakers' and presenters' intentions. If you notice any inaccuracy or misrepresentation, please let me know (Romey.Sabalius@sjsu.edu).

This BoT meeting was only one day long. Items for the Committee on Educational Policy have been postponed until the September meeting. Therefore the focus of this report is stronger on legislative and financial matters, especially on the debate about executive compensation.

If you do not have enough time to read the full report, you can just review the activities of the committees that interest you. Alternatively, you can merely glance at my bold highlights, which try to emphasize the most pertinent issues.

Romey Sabalius
Faculty Trustee

San José, CA – July 28, 2018

Faculty Trustee's Report

CSU Board of Trustees Meeting: July 24, 2018

On July 24, 2018, the California State University Board of Trustees meeting was held at the Chancellor's Office at 401 Golden Shore in Long Beach, California.

1. The **Board of Trustees** met on Tuesday morning in **Closed Session** to discuss Executive Personnel Matters.
2. The **Committee on Collective Bargaining** met in **Closed Session**.
Note: The Faculty Trustee is excused from deliberations of the Collective Bargaining Committee.

The **Public Meeting** started on Tuesday, July 24 shortly after 9 am.

3. **Committee on Governmental Relations.** There were no comments from the public.
 - a. The committee received the State Legislative Update as an information item. CSU's "Office of Advocacy and State Relations continues to monitor approximately 375 bills that have met all deadlines and are advancing through the legislative process." Several bills that may have an impact on the CSU were presented, and a few were discussed briefly.

The compromise on SB 577 (Dodd) was seen as a successful effort of working with the legislators. The CSU opposed the bill in its original form, which would have given the CCCs the authority to establish programs to award teacher credential degrees. The current bill (Public Postsecondary Education: California College Teacher Credentialing Partnership Pilot Program) "establishes a grant funded pilot program to encourage collaborative partnerships between community colleges and accredited institutions of higher learning in California to create opportunities to earn teacher credential degrees in remote areas of the state through distance education." The current version considerably narrows the scope of the original draft.

The office remains engaged in the development of SB 320 (Leyva). "CSU and UC campus health centers would be required to offer abortion by medication to their students by January 2022." Although the bill stipulates the collection of private funds, there is concern whether sufficient monies will be available in the long term.

Several bills would make it easier for the CSU to raise money through bonds. Trustee McGrory cautioned that there also need to be sufficient revenues to cover the bond obligation.

Satisfaction was expressed about the "unprecedented advocacy effort" and the positive results for the CSU budget. The collective and unified voice of students, faculty, presidents, the Chancellor's Office, and the Board of Trustees led to solid funding of the CSU for the year 2018-2019, which by far exceeds the \$92 million augmentation initially offered by the governor in January.

4. The **Committee on Finance** echoed the satisfaction with the broad-based advocacy efforts and the resulting fiscal stability of the CSU.
- a. *Appointment of the California State University Investment Advisory Committee Chair.*
While usually the Chair of the Committee on Finance (Nilon) would serve as Chair of the IAC, he or she “may elect to designate another Board member to serve on the IAC.” Accordingly, Trustee Taylor will continue to serve as the Chair of the IAC for the 2018-2019 fiscal year.
- b. The committee received the *California State Polytechnic University, Pomona Lanterman Real Property Acquisition Update* as an information item. After a comprehensive selection process, the university chose FivePoint Holdings LLC as master developer for “287 acres of real property ... located approximately one mile from the Cal Poly Pomona campus core.”
- c. The *2018-2019 Final Budget* is “healthy and strong.” While not all segments of the Trustee’s Budget Request have received full funding, the amount allocated by the legislators considerably exceeds the BoT’s request for \$282.9 million of additional funds. However, instead of receiving a permanent allocation to the CSU general fund, the legislators approved a mix of permanent and one-time allocations.
- Year two of the “Graduation Initiative 2025” is fully funded with \$75 million
 - Compensation increases for faculty and staff are fully funded at \$106.6 million
 - Our estimated mandatory cost increase (health care, maintenance of new facilities, etc.) of \$30 million are not funded. However, compensation was estimated to be approx. \$15.5 million higher, and these will be applied to partially cover mandatory costs
 - Student enrollment increases over the next four years have been funded with one-time funds of \$120 million. **It is the first time that enrollment increases are supported with one-time funds, rather than with augmentations to the base budget. The assumption is that legislators wanted to be cautious in regard to enrollment trends; yet, the one-time funding will pose fiscal challenges in the long run for the CSU.**
 - No new permanent funds will be dedicated to infrastructure needs. “This marks the third straight year that the CSU has not been able to more aggressively address its infrastructure need with additional incremental funding from the state. Instead, the CSU will use the one-time \$35 million provided by the state for deferred maintenance.” **“The systemwide deferred maintenance backlog cost is approximately \$2.0 billion and grows by approximately \$150 million per year.”**
 - CSU’s Share of Retirement Costs are approximately \$5.9 million. “Without funding for retirement cost increases, campuses and the Chancellor’s Office will have to redirect resources from other program areas to meet these obligations.” Trustee Sabalius maintained that the needed amount is a mere fraction of the approximately \$7 billion general fund of the CSU, and he suggested that the CO should utilize monies from the contingency fund, rather than passing this obligation to campuses and forcing them to divert money from other programs.

- State minimum wage increases “are funded by moneys supporting the compensation item above.”

To summarize, the Board of Trustees requested a \$282.9 million augmentation to its operating budget, but received \$197.2 in recurring and \$169.2 in one-time funds. Additionally, the CSU will receive \$20 to \$40 million due to enrollment increases (depending on the final enrollment number). This is mostly great news, since the CSU received more funds than the BoT even asked for, notwithstanding the fact that a large number of revenues are only one-time allocations.

Trustee Nilon suggested that the Board should take a lead from Lieutenant Governor Newsom (as articulated at the BoT meeting in May) and be bolder in its budget request, rather than asking for the bare bone needs. Chancellor White cautioned campuses not to invest one-time money in long-term commitments (e.g., non-recurring funds should not be used to hire tenure-line faculty, but rather lecturers). Personal note: one aspect of the fully funded “Graduation Initiative 2025” is to increase tenure density.

5. **The Committee on University and Faculty Personnel** discussed an Executive Compensation Policy as an action item. Sibson Consulting presented data that showed that in the period from 2012/13 to 2017/18, salaries of executives increased by 9.84% compared to 11.31% for MPPs, 15.21% for staff (CSUEU), and 14.29% for faculty (CFA). It further illustrated that none of the CSU presidents earns the peer median salary and only five of them are within 15% of the peer median (in their cases below), which is considered market competitive. Four models were presented to bring the salaries of all presidents to market competitiveness.

A very robust debate (!) ensued. Trustee Sabalius asked whether only salaries were considered when comparing our presidents to those of comparable institutions (that assumption was affirmed), and he pointed out that CSU presidents receive a generous housing allowance, a car allowance, and excellent health and retirement benefits. Trustee Eisen questioned the validity of the peer median and suggested that the salary range of comparable institutions could also be taken as an indicator of market competitiveness. Trustee Faigin warned about a “salary arms race.” If the CSU raises presidential salaries, the median will go up, and then other institutions will increase their executive pay as well, creating an upward spiral.

Trustee Faigin also read a letter from Governor Brown, which was sent to all trustees prior to the meeting. The governor strongly urged the trustees to “reject the proposals on executive compensation,” especially since some of the proposed increases would “amount to individual raises of several tens of thousands to one hundred thousand dollars.” Speaker of the Assembly and ex-officio trustee Rendon pointed out that “this idea was never part of [the legislators’] calculus ... over the course of a six months process,” and “if this had been brought up, I am sure that our conversations would have been different and I am certain that the results of the final vote would have been different as well.”

Other trustees opined that not only salary determines the desirability of a CSU appointment, but many other factors as well, such as the impact and the reputation of the CSU as the largest university system in the nation, the social mission of our institutions, and the desire to serve the public good. It was also mentioned that the CSU was quite successful in filling presidential posts with “exceptional people” (Eisen), and that most

presidents leave due to retirement. The few presidents, who left for other positions, were promoted to higher levels (e.g. chancellor of state university systems or president of the AASCU) with salaries that the CSU could not compete with in any case.

Several trustees questioned the timing of the proposal (during the summer break) and lamented the insufficient information provided prior to the meeting. Some also wondered why the item showed up as an action item on the agenda and not first as an information item. The chancellor felt compelled to reject direct or indirect assertions and speculations that the timing or the distribution of information was strategic to avoid a detailed scrutiny of the proposals.

6. During the lunch break, the **Board of Trustees** retreated into **Closed Session** to further discuss Executive Personnel Matters. The debate was about process and not about policy, which must be debated in open session.
7. The **Committee on University and Faculty Personnel** continued debate about Compensation for Executives in **Open Session** in the afternoon.

The Board decided to increase the salary of the presidents (including the three incoming presidents), the executive vice chancellors, and the chancellor by 3% in line with increases for almost all of the CSU bargaining units. Yet, the Board did not take any action on the proposed four models for equity increases or any other presidential salary policy.

8. The **Committee on Campus Planning, Buildings and Grounds** began with Public Comments. Seven speakers spoke in support of the ballot initiative for the November election that would allow San Diego State to purchase 132 acres of land with the former San Diego Chargers stadium. Four speakers voiced their opposition to CSU Northridge's plan for a hotel to be developed in a public-private partnership. They cited concerns over gas emissions and other adverse impacts on the neighborhood. Two speakers, on the other hand, welcomed the project and asserted that it would improve the community.
 - a. The committee received the California State University Seismic Safety Program Annual Report. Of particular concern are multiple buildings at the SFSU Tiburon Center that are listed as a seismic concern.
 - b. The committee approved the CSU Northridge Master Plan Revision, which includes plans for the aforementioned hotel.
 - c. The committee approved the CSU Maritime Academy Master Plan Revision with Enrollment Ceiling Increases. The plan envisions a comprehensive renewal of the campus, which requires the demolition of approximately 141,000 GSF to create approximately additional 621,000 GSF for an enrollment increase from 1,100 FTE in 2017-2018 to 2,200 FTE by 2032. "[T]he proposed master plan revision would result in significant and unavoidable impacts to campus cultural resources concerning the demolition or renovation of potentially historic buildings." Hence, "a Statement of Overriding Consideration is required" to move ahead, "[i]f the specific benefits of the project outweigh the unavoidable adverse environmental effects." Since the buildings in question qualify for protection purely due to their age (over 50 years old), rather than because of their esthetical value, the Board had no objections to approve such a statement.

- d. The committee endorsed the SDSU West Campus Research Center, Stadium and River Park Initiative. In the November election, residents of San Diego will have the choice between two competing ballots: one organized by “Friends of SDSU,” which would direct the city to offer the property to SDSU at market rate, and an initiative called “FS Investors’ Soccer City,” which would mandate the sale to a private firm that intends to develop a stadium for a potential Major Soccer League expansion team. Should the pro SDSU initiative pass, the Board of Trustee would hear and have to approve concrete plans for the eventual development.

Personal note: Whenever this land acquisition possibility is presented to the Board (by president Roush in November 2017 and by president de la Torre in July 2018) – as well as by public speakers in support of it –, the focus is on academic facilities, housing, and the River Park. Yet, in fact, front and center of the development plan is the stadium and related facilities for the Aztecs football team. This aspect of the project will also require the vast majority of the development funds.

9. The Committee on Audit

- a. received a Status Report on Current and Follow-up Internal Audit Assignments by Larry Mandel, Chief Audit Officer (CO). “For the 2018 year, assignments were made to develop and execute individual campus audit plans; conduct audits of Information Technology (IT), Sponsored Programs and Construction; implement continuous auditing techniques; and to provide advisory services and investigation reviews. Follow-up on current and past assignments was also being conducted on approximately 35 completed campus reviews.”

Other than conducting general and targeted audits, the Audit Office also conducts special investigations (whistleblower, tracking external audits) and provides advisory services. “Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns.”

- b. The committee discussed Revenue Generation Enhancement Opportunities that might help “to properly resource the University, minimize future increases in tuition and ensure continuing and deserved financial support for faculty and staff.” Trustee Sabalius urged that, when selecting a contractor “to identify potential revenue enhancement opportunities,” the CO should not only consider outside contractors, but offer this opportunity also to expert faculty of the CSU. Trustee Taylor pointed out that other universities, including the UC, have already done such expensive and extensive studies, and that the CSU should “use the results from other system’s investment.” Trustee McGrory noted that “many campus-based initiatives already exist” and a systemwide effort should “not impede what campuses already do.”

There was additional discussion of whether this agenda item would not better be situated in the Committee of Finance and what the role of the Audit Office would be in such an enterprise.

10. The **Plenary Session** began with a long list of Public Speakers. William Blischke, President of the CSU Emeritus and Retired Faculty Association (CSU-ERFA), announced the approved change in name and membership (CSU-ERFSA), and that effective August 15, the organization will be open to all CalPERS employees including staff. To the many ways retired personnel help the CSU, an effort to register the vote will be added this fall. The same four speakers that spoke in opposition to the CSU Northridge hotel development delivered their exact same speeches again (albeit much faster, since this segment for public comment allowed only one minute per speaker). Various speakers from the CSUEU addressed compensation issues, DACA protection, AB 1231 ("step increases should be back"), and SB 320 ("we are not equipped to do this"). Neil Jacklin, President of the CSUEU (very often a harsh critic in public comment), praised the collaboration of management and the union and expressed appreciation for the employer neutrality regarding union membership in the wake of the Supreme Court's ruling against mandatory union fees (also known as "agency fees" or "fair-share fees"). A group of speakers reminded the Board that the murder of an African-American student at Humboldt State has not been solved yet. They suspect a racial motive and "a cover-up by the Arcata Police Department and by Humboldt State University," and called on the chancellor to use the influence of the CSU to intensify the investigation. Several personal grievances were also brought to the attention of the Board.

The Board received Reports from the

- a. Chair of the Board of Trustees, Adam Day, who will be the new chair for the year 2018-2019. His proclaimed goal is to make sure that "every CSU graduate will be prepared to contribute to the global innovation economy."
- b. Chancellor, who stressed the CSU's focus on inclusivity, making our system a national leader on diversity by setting new standards.
- c. Chair of the Academic Senate CSU (ASCSU). The new chair for the academic year 2018-2019, Catherine Nelson, could not attend the meeting due to illness. Vice-Chair Robert Keith Collins attended the meeting and read a statement by Chair Nelson. There was no report on academic senate resolutions, since the ASCSU does not meet during the summer break. The next meeting of the senate's Executive Committee will be a retreat with the CO leadership to discuss "student success" with special attention to equity and diversity.
- d. President of the California State Student Association (CSSA). Mia Kagianas, the new CSSA president, hopes for "a new partnership with the state," to allow for a more "predictable, long-term planning."
- e. President of the CSU Alumni Council, Manolo P. Morales, introduced the new Alumni Council Executive Committee, which includes alumni trustee Nilon.

To close the session, the Board approved all resolutions that were previously passed in the various committees.

The meeting was adjourned on Wednesday, July 24, shortly before 5 pm.