

November 30, 2006

Planning and Budget
Assistant Vice Chancellor
KAREN ECKERT

RE: Student Affairs Year-End Balance Summary by Fund

Dear Karen:

The division of Student Affairs 2005-06 year-end balances were \$11.0M after encumbrances of \$5.0M. This is a reduction of \$2.9M from last year's balance.

Non-Restricted Year End Balance	Balance	*Encumbrance	Total
<i>*The</i> General	\$636K	\$267K	\$369K
Restricted			
Registration Fees/M7	\$2.4M	\$289K	\$2.1M
Outreach (19924)	\$321K	\$197K	\$123K
Compulsory Campus-Based Fees	\$2.6M	\$1.1M	\$1.5M
Gifts and Endowments/UOF-OTT	\$1.8M	\$30K	\$1.7M
Other Fees and Self-Supporting Income	\$3.2M	\$643K	\$2.6M
Auxiliary	\$898K	\$2.4M	\$-1.5M
<i>Bay Tree Bookstore</i>	<i>\$-400K</i>	<i>\$25K</i>	<i>\$-425K</i>
<i>Housing Services</i>	<i>\$560K</i>	<i>\$1.9M</i>	<i>\$-1.4M</i>
<i>Colleges</i>	<i>\$431K</i>	<i>\$ 442K</i>	<i>\$-11K</i>
<i>Other (SOAR, Student Media, OPERS)</i>	<i>\$306K</i>	<i>\$ 26K</i>	<i>\$280K</i>
Reserves (Restricted)	\$4.2M		\$4.2M
Student Life Facilities	<i>\$1.9M</i>		<i>\$1.9M</i>
Grad Commons Fee	<i>\$ 327K</i>		<i>\$ 327K</i>
Registration Fee	<i>\$1.0M</i>		<i>\$1.0M</i>
Seismic/Safety Fee Reserves	<i>\$ 381K</i>		<i>\$ 381K</i>
Fitness Center Fee	<i>\$ 282K</i>		<i>\$ 282K</i>
Various (Colleges, Financial Aid, Housing)	<i>\$ 185K</i>		<i>\$ 185K</i>
TOTAL	\$16.0M	\$5.0M	\$11.0M

*Encumbrance detail is included in "2005-06 Year-end Liens and Commitments" report – Template A.

Non-Restricted Fund Balance

General Funds:

The general fund balance of \$369K is carried forward to fund collection center (centralized salary provision) expenses; major maintenance/minor capital projects and deferred maintenance matching funds for state funded facilities; and liened but not expended ergonomic and technology call expenses.

Restricted Fund Balances

Registration Fees:

The Registration Fee/M7 balance of \$2.1M is liened to cover increases in employee benefits, Business Transformation Project recharges, merit costs not fully covered by the state buy-out formula, cover potential one-time budget shortfalls due to fluctuation in enrollment, as well as to fund major and deferred maintenance projects in registration fee supported facilities.

Student Academic Preparation (previously Outreach):

The Student Academic Preparation balance of \$123K is restricted Office of the President funding for Academic Preparation, or funding previously known as outreach. The funding will be utilized to support non-budgeted infrastructure and business support costs and programming.

Campus-Based Compulsory Student Fees:

There are currently twenty-two compulsory campus-based fees (e.g. Campus Programs, College Student Government, Student Facilities, Transportation, OPERS Fitness Center, Childcare, Seismic Safety, CARE, etc.). The balance of \$1.5K after encumbrances of \$855K for Health Center insurance billings, is an accumulation of funds in part resulting from the year-end revenue adjustment process, which results in additional over-enrollment funds being transferred to organizations before there is sufficient time to expend the funds. Certain funds, such as the Seismic Safety and Student Facilities Fees, are already committed to major maintenance projects and/or bond payments that may not have actual expenses liened prior to fiscal closing deadlines.

Gifts and Endowments/UOF-OTT:

The majority of the Foundation and Gift year-end balance of \$1.7M resides in college-specific and scholarship accounts and are restricted to purposes specifically designated by each gift. The majority of these funds are controlled and administered by the academic provosts, but the balances roll up to the Student Affairs chart of accounts.

Other Fees and Income:

A wide variety of miscellaneous and program fees, summer conference income, UCCP course delivery income, rental/lease charges, faculty housing fees, income from surplus property sales, and federal contracts and grants overhead, all roll up into this \$2.6M 'Other Income' category. Income is used to offset program and services costs.

Auxiliary:

The year-end auxiliary fund balances include the Bay Tree Bookstore \$-425K, the Colleges and University Housing Services (CUHS) \$-1.4M, and other Auxiliary sources from SOAR, Student Media and OPERS \$280K.

- As addressed during our previous carryforward/deficit report submittals, the Bay Tree Bookstore is presently carrying a deficit in Accumulated Earnings of \$-425K. The causes of the deficit are relatively recent and cumulative, and are attributable to the following:
 - Insufficient reserves relative to a higher cost of construction than was initially anticipated;
 - Three years of non-profitable operations from behind a fence during construction;
 - A construction delay of over a year, which meant that a mortgage payment that would have been effective a year later (01-02) was actually absorbed in (00-01);
 - High start-up costs during first year of occupancy.
 - FY 05-06 saw a small loss from operations instead of the modest profit anticipated.

The campus and Bookstore are still due a large amount of money from liquidated damages accrued against the contractor because of the delay. The Bookstore portion of those liquidated damages would significantly reduce, if not totally eliminate, the amount of our deficit. It would also eliminate other categories of expense, notably negative STIP interest paid to the campus. It was anticipated in 04-05 that these liquidated damages would be recovered in 05-06. The campus is anticipating resolution by the end of Fall 2006.

Aside from liquidated damage recovery, the only avenue for reducing the deficit continues to be profits from operations. FY 05-06 saw a small loss from operations instead of the modest profit anticipated. On-going budget

projections anticipate a return to profitability this year. The combination of recovery of damages and on-going profitability should eliminate the deficit in 2-3 years.

- The Housing auxiliary balance of \$-1.4M is largely due to encumbrances in University Dining Services (\$1.9M) for raw food costs, food preparation and dining services/catering, and (\$442K) for 3-year planned major maintenance projects and capital projects, and planned major purchases.

Student Fee Capital Reserves

The division of Student Affairs is carrying forward \$4.2M in capital reserves.

- \$1.9M is in the Student Life Facilities Fee Reserve and per the referendum passed in 1987 supports the OPERS and Student Union facilities, as well as provides "seed" monies for additional (new) student facilities capital projects as described in the referendum.
- \$327K is the Graduate Commons facilities fee and per the referendum passed in 1996 is reserved for future building maintenance repairs and equipment and furniture replacement.
- \$1.0M is in the Registration Fee Capital Reserve, of which \$250K has been committed as an equity contribution for the Health Center expansion; placeholder for DRC one-time deficit coverage of \$150K with the balance slated for "seed" monies for new (and renovation of existing) registration fee supported student facilities projects that may be required in order to support a growing campus population.
- \$381K is in the Seismic Safety Fee reserve and will be used to fund the engineering assessment and detailed plans required for the larger seismic retrofitting projects in the Cowell Student Health Center and the West Field House, as well as partially fund a variety of safety fee projects in student-fee funded facilities.
- \$282K is in the Fitness Center fee reserve and per the referendum passed in 1996 supports operating and maintaining fitness and wellness facilities/programs.

Deficit Balances of \$10,000 or larger

Refer to Attachment A for an explanation of deficits.

Liens and Commitments

Refer to Template A for the Student Affairs detail liens and commitments report.

Sincerely,

Elise Herrera-Mahoney
Assistant Vice Chancellor
on behalf of

Jean Marie Scott
Acting Vice Chancellor Student Affairs

Attachment: 2005-06 Deficit Balances
Student Affairs Liens and Commitments

Ecc: Management Consultant Heit
Executive Director Matthews
Budget Analyst Onitsuka
Assistant Vice Chancellor Sifuentes

Student Affairs
2005-06 Deficit Balances of \$10K or larger
not absorbed by overall unit balances

Year-end reports printed and distributed by Planning & Budget to the campus include a listing of all of the organization accounts that were in deficit over \$10,000. Part of the rationale for this type of report was to highlight for unit managers where internal "organization" budgeting may be insufficient for particular program support, even in the cases where the overall unit operating budget was balanced and all individual program/account deficits were covered. All units were contacted to provide a rationale for this level of deficit.

The Student Affairs Division has focused its attention on those units that have an **overall** operating deficit. Those units include:

Admissions Orientation Program **-\$125,631**

The Orientation deficit of \$-126K was reduced from \$-455K last year via a combination of efforts including a divisional contribution, reduced costs, and increased revenue. The deficit is a result of escalating expenses versus stagnant income. The orientation program plans to meet their goal of addressing this deficit by the end 2007-08.

- Requesting fee increases for Orientation program for 6% in each of the next three years, thus reducing the deficit by \$25K per year;
- Continuing to scrutinize expenses for further reductions;

Bookstore **-\$629,801**
****Prior*** **-\$389,633**
Instructional Media-Photography **-\$240,168**

As addressed during our previous carryforward/deficit report submittals, the Bay Tree Bookstore is presently carrying a deficit in Accumulated Earnings of -\$389,633. The causes of the deficit are relatively recent and cumulative, and are attributable to the following:

- Insufficient reserves relative to a higher cost of construction than was initially anticipated;
- Three years of non-profitable operations from behind a fence during construction;
- A construction delay of over a year, which meant that a mortgage payment that would have been effective a year later (01-02) was actually absorbed in (00-01);
- High start-up costs during first year of occupancy.
- FY 05-06 saw a small loss from operations instead of the modest profit anticipated.

The campus and Bookstore are still due a large amount of money from liquidated damages accrued against the contractor because of the delay. The Bookstore portion of those liquidated damages would significantly reduce, if not totally eliminate, the amount of our deficit. It would also eliminate other categories of expense, notably negative STIP interest paid to the campus. It was anticipated in 04-05 that these liquidated damages would be recovered in 05-06. The campus is anticipating resolution by the end of Fall 2006.

Aside from liquidated damage recovery, the only avenue for reducing the deficit continues to be profits from operations. FY 05-06 saw a small loss from operations instead of the modest profit anticipated. On-going budget projections anticipate a return to profitability this year. The combination of recovery of damages and on-going profitability should eliminate the deficit in 2-3 years.

The Instructional/Media-Photography deficit is cumulative and is attributable to long-term structural operating deficit and negative impact of construction and loss of studio space. Due to the budget deficit, the University has eliminated funding for Photo Services and the program closed end of fiscal year 2004-05. Student Affairs will work with the campus to develop a plan to eliminate the deficit.

Childcare Services **-\$34,626**

The deficit is due to under-enrollment at the Granary Center because of partial program during the summer to accommodate a construction and renovation schedule. In addition to this, there was a significant grant (CCAMPIS) that expired. The deficit will be addressed in the current year by utilization of salary savings from an open provision.

Counseling and Psychological Services **-\$104,686**

The causes of the deficit are relatively recent and cumulative, and are attributable to the following:

- Vacation payout of retiring director;
- Unreimbursed ergonomic and technology call expenses;
- 2004-05 budget reductions;
- and an increase in casual salary expenses to meet increased demand for services.

The Health Center director will be working with interim Counseling leadership and the Division to develop a deficit reduction strategy with the goal of eliminating deficit by end of 2008-09.

Financial Aid Office **-\$11,082**

The Financial Aid Office ended FY 2006 in a deficit position of –11,082 reduced from \$68,332 in 04-05. The deficit was a result from extraordinary costs incurred by the office in support of the AIS implementation which were required to meet project timelines. The Financial Aid Office plans to eliminate the deficit by the end of 2006-07 by utilizing savings from two open staff provisions.

Learning Center **-\$143,828**

The deficit is largely attributed to the Learning Center's expansion of the MSI tutoring program to the UCSC undergraduate population that exceeded the current budget resources available.

Learning Support services Expansion, 1999/2000 – 2005/2006

Year	Learning Support Services Total Service Deliveries	
1999/2000	700	
2000/2001	1,592	127%
2001/2002	5,444	241%
2002/2003	6,265	15%
2003/2004	7,408	18%
2004/2005	8,156	10%
2005/2006	8,985	10%

Deficit reduction plans include implementing a reduction in services starting winter 2007, and allocation of divisional resources with the goal to eliminate the one-time deficit over a period of three years.

OPERS **-\$133,543**

The causes of the deficit are relatively recent and cumulative and are due to the following reasons:

- Year-end revenue posting was erroneously coded as fiscal year 2007 (\$89K);
- Increasing student payroll salary costs, particularly life guard salaries.

Deficit reduction plans include increasing revenue via the passage of the Intramural and Sports Club Team Activities, and Recreation Programs fee referendums passed during the Spring 2006, as well as continued scrutiny of expenses to identify reduction. The goal is to eliminate the deficit by 2007-08.

Student Housing Stewarded by CUHS:

UCSC Inn and Conference Center **-\$8,740,472**

The UCSC Inn and Conference center deficit balance of \$8.7M is due to a number of factors including:

- Large number of beds that were introduced to the campus inventory in Fall 2002.
- Slower than projected enrollment growth has lowered overall housing demand and decreased student occupancy.

- The lease of this property served the campus as a swing facility TO provide critical beds to the university during a time (2000 - 2002) when the campus was under great pressure to provide additional housing and we were several years out from the completion of additional on-campus housing.
- Additionally, the facility would serve as an LRDP mitigation (through 2011) to support institutional growth by increasing housing availability for undergraduate and graduate students.
- increased annual lease rate.
- increased repair and maintenance costs.
- decreased tourism revenue.

A multi-year financial pro-forma and options with recommendations for mitigations have been reviewed with campus Executive leadership. Discussions with the new building owner regarding mitigations will commence December, 2006.