The Budget & Finance Committee meeting was called to order by Chair Mike Lee at 10:06 a.m.

Craig Barth reviewed the 2nd quarter 2014-15 financial statements for the period ended December 31, 2014, beginning with the balance sheet. Short-term investments (which include LAIF) and receivables were $1.8 million lower than at the same point in the prior year due to operating cash shortages which were replenished with LAIF funds. Potential exists to be able to pull approximately $1.3 million out of the $4.23 million in the restricted cash account held with the Bank of New York pending a successful refinancing of the 2005 Series A bonds through the CSU. Long-term investments have increased by $1.33 million to its current level of $21.82 million. Accounts payable has been reduced significantly as obligations related to capital projects, such as the Starbucks renovation, are settled. UEI’s net position is $36.75 million, against $35.74 million in the prior year.

Barth began his review of the Statement of Operations by noting that UEI’s University Support Programs had generated a surplus of $1.08 million through six months, resulting from revenue generated by the Office of Water Programs’ storm water project, higher billing rates, and high levels of shareback revenue. Food sales revenue is $840 thousand higher than last year mostly because of the Starbucks addition as well as positive revenue swings in the Courtyard Market, summer conferences, overall University Union operations, and Catering. Cost of goods sold has increased by $463 thousand, owing to UEI’s assuming additional self-operated dining service venues, as well as higher food costs. Barth noted the success of both Sponsored Programs Administration (SPA) and the California Intern Network (CAIN), with administrative fee (indirect recovery) revenue totals $262 thousand and $193 thousand higher, respectively, than the prior year. Total operating expenses have increased by $309 thousand due to increases in Sponsored Programs ($153 thousand) and Property Services ($135 thousand). The downsizing of the US Geological Survey in Modoc Hall has contributed
to a decrease in rental income by $419 thousand as well as having produced negative budget variances. The College of Continuing Education has leased most of the space formerly occupied by the USGS but will not begin paying rent until July 1, 2015. UEI is showing a $395 thousand investment loss for the first six months of the fiscal year, mostly resulting from negative returns on its international stock holdings.

Barth then switched the focus to results of operations against budget, noting favorable overall Dining Service revenue variances. Students continue to gravitate away from the Dining Commons to the Courtyard Market. The delayed opening of Baja Fresh has produced low operating expense totals. Starbucks revenue is above budget but the overall deficit is higher than budgeted, due to unanticipated personnel and labor costs related to training and other start-up costs. CAIN administrative fee revenue is $222 thousand over budget. SPA revenue is favorable as faculty and Centers & Institutes are generating increased federal and state/private business, respectively. UEI has contributed $40 thousand to the Faculty Grant program, a Board-approved increase of $15 thousand over budget. It was noted that when the investment loss is added back to total revenue over expense (because no gain/loss is budgeted), results of operations exceed budget by $466 thousand.

Under “Other business”, Barth updated the Committee on the status of the Series 2005 Bond refinancing efforts. UEI will not seek to refinance the 2005B (taxable) Series due to projections that call for a significant refunding loss. However, UEI continues to work with the Chancellor’s Office in furtherance of a refinancing of the 2005A (non-taxable) Series. Plans include introducing the refinancing as an agenda item for approval at both the CSU and UEI March Board meetings.

Director Reinhart informed the Committee that he will be seeking $40 thousand in order to cover the costs of the Togo’s renovation. Preliminary discussions are underway about a potential Starbucks addition in the Hornet Bookstore, replacing the current café, at an estimated cost of $1.1 million. Reinhart updated the Committee on UEI’s plans to enter into a lease-purchase agreement with the city of Sacramento to acquire the McAuliffe Ballparks located on the edge of campus, for $2.275 million to be paid over ten years and to repurpose the property for student housing. UEI would be responsible for the costs to replicate the ballfields at Depot Park in Sacramento, at an estimated $5 million.

The meeting was adjourned at 10:59 a.m.

Respectfully submitted,

Craig Barth  
Chief Financial Officer