University Enterprises, Inc.
Budget & Finance Committee Meeting
April 28, 2014
Conference Room
1:30 p.m. – 2:45 p.m.

Members Present: Mike Lee - Chair
Nielsen Gabriel

Members Absent: Larry Cook
Randy Sater

Staff Present: Jim Reinhart, Executive Director
Craig Barth, Chief Financial Officer
Arlette Barnard, Recording Secretary

The Budget & Finance Committee meeting was called to order by Mike Lee at 1:34 p.m. Craig Barth presented UEI's 2014-2015 Operating Budget, Capital Outlay, and Schedule of Unrestricted Net Asset Reserves.

Barth stated that UEI is proposing a ($669,300) budget deficit for 2014-15 against a revised forecasted surplus of $862,800 for 2013-14 and a budgeted surplus of $36,600 for 2013-14.

Certain activities have been reclassified, eliminated or renamed for the 2014-15 budget season. Following is a summary:

<table>
<thead>
<tr>
<th>Department/Area</th>
<th>Fiscal Year 2013-14</th>
<th>Fiscal Year 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copy Graphics</td>
<td>Stand alone department</td>
<td>Ceased operations</td>
</tr>
</tbody>
</table>
| Sponsored Programs         | Research & Contracts Admin | Renamed "Sponsored Programs"
| University House           | Not in budget       | Property Services               |
| Baja Fresh at RFC          | Not in operation    | Dining Services                 |
| Juice it Up-Roundhouse     | Not in operation    | Dining Services                 |

**Significant financial changes:**

- Current estimates on the Starbucks location construction costs are $1.2M, with $370,000 of that total to be recorded as a contribution to the University with the remainder to be capitalized and depreciated. All work is expected to be completed in the current fiscal year.
- UEI continues to introduce more self-operated dining concepts, with Starbucks, Juice it Up! - Roundhouse and Baja Fresh expected to commence operations in 2014-15. They join Togo’s, RF Greens, Epicure, Good Eats! and four Java City locations.
- UEI has engaged a new public accounting firm – Matson & Isom and agreed to a three year contract. Fee savings are expected to be considerable, including a $42,850 reduction in the first year.
• UEI has extended its agreement to provide accounting and administrative services to the University Foundation. The annual fee will increase to $150,000 in 2014-15, $175,000 in 2015-16 and $200,000 in 2016-17.

REVENUE

• UEI is budgeting $27,599,300 in total revenue against $28,284,200 forecast for 2013-14, a decrease of $684,900 (2.5%). Significant changes between years include the following:

INCREASES
• Total Dining Commons revenue is budgeted for a $143,000 net increase over the prior year. This is the result of a combination of two factors: a 3.6% increase in the meal plan fee and additional students signed up for the plan (1,645 total).
• Courtyard Market revenue is projected at a $149,000 increase, largely a result of the same two factors.
• Starbucks, expected to open in June 2014, and operating in the former Copy Graphics space, is expected to generate $431,000 in net revenue.
• Baja Fresh in the Riverfront Center, expected to open in July 2014, is projected to generate $317,800 in net revenue.
• Dining Services is projecting a $99,800 increase in net Catering revenue due to a higher volume of campus functions.
• The Julia Morgan House, not in use in 2013-14 is anticipating $104,100 in event revenue during 2014-15.

DECREASES
• UEI only budgets for interest and dividend income, not realized and unrealized investment gains. Through December 2013, $1,562,800 in such revenue has been recorded. None is forecast for 2014-15, per UEI policy.
• A decrease of $356,700 in Modoc Hall rental income is anticipated, resulting from a rent adjustment pursuant to the expiration of the lease with the US Geological Survey.
• The Bookstore commission fee guarantee from Follett will be reduced by $111,400 in 2014-15 due to a contractual annual decrease equivalent to 7.5% of the previous year’s fee.

EXPENSES

• UEI is budgeting $28,268,700 in total expenses against $27,421,400 forecast for 2013-14, an increase of $847,300 (3.1%). Significant changes between years include the following (amounts are exclusive of corporate overhead allocations):

INCREASES
• An increase of $430,400 in wage and benefit expense for Starbucks and Baja Fresh, not in operation during 2013-14.
• Projected operating and other expense of $429,600 at the two aforementioned venues.
• A total increase of $211,600 in Upper Eastside Lofts operating expenses due to a combination of increases in the following areas: Marketing, wage and benefits, utilities, and repair & maintenance.
DECREASES

- The entire $370,000 contribution to the University for improvements to the Starbucks location will be made during 2013-14.
- The amount of post-retirement medical premium expenses is projected to decrease by $271,100. This is pursuant to the latest actuarial study, which resulted in an adjustment in the amount of the annual amortization of the accrued liability.

- Total budgeted labor and benefit costs for 2014-15 are $11,025,700. This represents a $389,800 (3.7%) increase over revised 2013-14. This increase is attributable to:
  - Staffing and benefit obligations for the aforementioned new dining venues.
  - $50,000 budgeted in salary increases resulting from the findings of the UEI compensation study and minimum wage increases.
  - Budgeted new positions include the following: Dining Services clerk, Baja Fresh supervisor, and Payroll Administration Specialist. Six other positions are budgeted to be vacant during 2014-15 owing to attrition.
  - Decreases in medical premium rates of 1.10% under 2013-14 offset by increases in dental rates of 3.51%.

Benefits and payroll tax expense as a percentage of total payroll expenses equals 26.5%, compared to 27.0% for forecasted 2013-14.

- Total planned capital expenditures for 2014-15 are $1,081,600, resulting in additional annual depreciation of $123,500. Actual year-to-date capital expenditures for 2013-14 total $3,509,300 through March 31 against $1,528,200 budgeted for the entire year. The current year total includes $2,766,700 for the purchase of the University House. Following are budgeted 2014-15 capital expenditures greater than $100,000:

<table>
<thead>
<tr>
<th>Description</th>
<th>Location</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baja Fresh upgrades</td>
<td>River Front Center</td>
<td>$410,000</td>
</tr>
<tr>
<td>Juice it Up upgrades</td>
<td>Roundhouse</td>
<td>$225,000</td>
</tr>
</tbody>
</table>

DEPARTMENTAL SUMMARIES (amounts include corporate overhead)

Dining Services

- A surplus of $70,300 is budgeted for 2014-15 against a forecasted deficit of ($69,100) for 2013-14, an increase of $139,400.

Central Dining Services

Central Dining Services (CDS) comprises vendor dining activities occurring in the River Front Center (as well as Subway and Saigon Bay), the Library and Modoc Hall Java City operations, self-operated by UEI, and the following UEI operated venues: Togo’s, Juice it Up (in the Roundhouse-replacing Java City), RF Greens, Starbucks and Baja Fresh. The latter two are new locations set to open in June and August 2014, respectively. The above operations will contribute to total CDS revenue and expense of $2,305,400 and $2,536,000, for a projected deficit of ($230,000) against an ($81,800) deficit forecast for 2013-14.

CDS sales revenue is expected to increase significantly, by approximately $1,087,100, as the introduction of Starbucks and Baja Fresh is predicted to generate a combined $1,102,800. There will be a corresponding
increase in Cost of Goods Sold, representing the value of the food sold, estimated at $335,400. The top six contracted vendors, in order of projected revenue, are Subway, Panda Express, Saigon Bay Express, Gyro to Go, and Hiraku. Starbucks and Baja Fresh are projected to yield $70,600 in additional depreciation expense, resulting from construction costs. Additional staffing obligations will result in additional wage, tax and benefit costs of $418,700. Finally, additional operating expenses will cause total Central Dining Service expense to increase by $824,400, before overhead.

Food sales from Togo’s should remain constant against a $16,200 decrease in expense. Java City operations are expected to maintain financial consistency in 2014-15. Juice it Up is projecting a ($115,500) loss in its first year of operations. Starbucks and Baja Fresh are forecasting first-year deficits of ($104,200) and ($141,800), respectively. In its second year of operations, RF Greens should substantially reduce its current year deficit.

UEI receives an annual $480,000 commission from Pepsi. Previously, this money was applied to the Broad Athletic Facility commercial paper obligation. With this debt having been settled in September 2013, the funds are now used in general Dining Service operations, including an annual $25,000 contribution to the Department of Athletics.

**Vending**
UEI operates 96 vending machines (60 Pepsi/36 Canteen) on campus, generating close to $70,000 annually in commissions. Commission rates are 18.0% and 22.5% respectively, for Pepsi and Canteen. Total commission revenue is expected to remain consistent with 2013-14. Staffing efficiencies will lower expenses and should contribute to an increased surplus.

**Dining Commons**
Dining Commons represents 21.5% of total Dining Services net revenue. Recently in relative decline as a higher percentage of students were using meal points at the Courtyard Market, sales figures are back on the increase, including 6.0% projected over the current year, due to the increase in meal plan fees combined with more students expected to purchase meal plans. There is no corresponding increase in expenses such that the overall deficit should be reduced significantly, down to an estimated ($48,800), after overhead. Total projected cost of goods is 26.8% of revenue.

**Summer Conferences**
As has historically been the case, Summer Conference activity is expected to yield a deficit ($166,700), roughly the same as 2013-14. Higher conference sales revenue of $16,100 should be partially offset by higher expenses. There is a $17,600 projected increase in total personnel costs.

**Courtyard Market**
Courtyard Market revenue continues its steady rise, with total gross revenue expected to eclipse $3M for the first time, and rise 5.9% over the current year’s forecast. The meal plan fee increase and higher enrollment are the primary contributing factors, as is the case with the Dining Commons. Food costs of 30.1% cut into the sales. However, net revenue still comprises just short of one-quarter of total Dining Services sales. Higher personnel costs will only partially counteract the revenue increase so that a total surplus of $1,099,500 in budgeted, $37,900 higher than the current year. There is very little depreciation expense associated with the Courtyard Market as its construction costs were covered under the American River Courtyard Suites construction budget.

**University Union**
University Union includes the following: University Union vendors, Catering, Concessions, Epicure Restaurant, Java City (the Buzz and Eco-Grounds) and Good Eats! Combined, a deficit in the amount of
($604,700) is projected, significantly less (by $90,500) than that projected for 2013-14. An increased surplus of $78,500 over the current year from budgeted contracted vendors is the largest single factor for this improvement.

University Union vendors comprise dining activities occurring in the Union, mostly, and in order of projected revenue, from Round Table Pizza, Panda Express, Burger King Express, Gordito Burrito, Jamba Juice, and Mother India. Union vendors regularly generate surpluses, including a cumulative $157,300 projected for 2014-15. With more self-operated venues, personnel costs continue to shrink, with only $15,700 in total staff payroll allocated to outside Union food vendors.

Catering has, in recent years, reduced what is still a sizeable deficit ($312,100 projected for 2014-15). A projected rise in revenue by $121,000 (14.4%) is expected to be matched by a similar increase in total expenses. This is owing to increased staffing requirements and operating expenses. The facilities leasing costs are the result of the Catering department utilizing the former Tarts & Truffles space and absorbing the cost of the space. Cost of food used for catered functions is approximately 24.7% of total revenue.

Concessions have been downsized in recent years. Although increasing slightly, very little staff is required to generate a projected $31,000 in total revenue. The end result is a budgeted surplus in the amount of $21,100, $5,800 lower than the current year. UEI also records commissions from food truck sales here.

Epicure Restaurant gross revenue is projected to closely approach $100,000. Care continues to be given to controlling food costs with a cost of food percentage of only $24.1%. Unfortunately, the cost of running the restaurant is significant. Staff salaries alone, exclusive of taxes and benefits, is higher than gross food sales. Extensive renovations have contributed to total annual depreciation expense of $72,200. The result is a projected total deficit of ($226,700), $17,000 less than forecast 2013-14.

The two Union-based, self-operated Java City locations are projecting a combined deficit of ($130,500), with ($124,700) attributable to the Buzz, while Eco-grounds should approach a break-even level. Combined gross revenue is $807,100, against $280,200 in food costs (34.8%). While Eco-grounds generates higher revenue, extensive staffing requirements at the Buzz are the primary source of its annual deficit.

Good Eats! continues to steadily increase its gross revenue every year with another 16.3% rise predicted for the 2014-15 budget year. However, high salary expense as a percentage of revenue (35.7%) remains high and is expected to lead to a deficit of ($113,900), almost exactly the same as the current year. Good Eats! continues to be burdened by approximately $50,000 in annual depreciation costs. Also, food cost percentages are relatively high (34.1%).

**Sponsored Programs Administration**

- A deficit of ($1,822,900) is budgeted for 2014-15 against a forecasted deficit of ($1,904,800) for 2013-14, an increase of $81,900.

Formerly Research and Contracts Administration, the newly named Sponsored Programs Administration (SPA) has two main components: Faculty, Centers & Institutes (FCI) and University Support Programs (USP). The combined budgeted deficit of ($1,822,900) is nonetheless lower than the current year’s forecasted deficit. As always, it is important to stress that, among other elements, corporate overhead is calculated and assigned based on total projected gross revenue for all direct activity, which approximates $25.4M. The by-product is total overhead in the amount of $1,962,000. When added back to the deficit, SPA is actually
showing a $139,100 surplus. Total indirect recovery on grants and contracts is projected at $2,134,600, for a cost recovery rate of 8.4%. Total forecasted recovery for 2013-14 is $2,049,900, for an indirect rate of 8.5%.

Revenue and expense activity reported both in this budget as well as internal UEI financials is exclusive of revenue realized from direct receipt of grant and contract awards in addition to the direct expenditures related to those awards. Rather, it includes indirect costs recovered as a percentage of direct grant revenue as well as general operating expenses.

Previously in decline, FCI activity has reversed course and is projecting an $84,000 increase in revenue over the current year, on totals of $1,901,800. Pre-overhead surplus is projected at $89,300. Inclusive of overhead, the total budgeted FCI deficit is ($1,382,200), slightly lower than anticipated for the current year. USP is far less lucrative and carries lower cost recovery opportunities while the cost of running those programs is far less than for the FCIs. The result is a ($440,700) budgeted deficit.

FCI activity began to decline sharply in 2009-10 and is only just recently recovering, while not yet approaching previous levels in terms of total contract dollars awarded. However, proposal submissions, amounts and dollars of actual awards received, and project expenditures are all back on the rise. Unfortunately, recovery rates continue to lag, and are actually still in decline since their high water mark in 2010-11.

**Property Services**

- A surplus of $1,948,900 is budgeted for 2014-15 against a forecasted surplus of $2,914,900 for 2013-14, a decrease of $966,000.

Property Services accounts for 51.6% of total UEI revenue and 41.6% of total expense. Revenue is expected to decrease by 4.1%, the result of the reduced Bookstore commission (see Bookstore - below), loss in recorded rental income at Placer Hall (see Placer Hall – below) and loss in rents at Modoc Hall. Total expense is expected to rise by 3.6% as a result from the deployment of the Julia Morgan House as a functioning event venue and higher operating expenses at the Upper Eastside Lofts. There are currently 12 properties that fall under the heading of Property Services, of which five are expected to generate surpluses. These are summarized below, in descending order of surplus/deficit.

**SURPLUS PROPERTIES**

*Folsom Hall – 188,098 sq. ft.*

Folsom Hall, originally a commercial office building, is master-leased to the University and is continuing its transition into an educational facility. It yields 39.8% of total Property Services revenue. It is currently 20.0% occupied by the School of Nursing and affiliated classrooms, 7.8% by Physical Therapy, and 6.4% by University Transportation & Parking, Academic Talent Search, the Center for Entrepreneurship, North Central Information Center and a UC-Davis joint project. The remaining 65.8% remains vacant. Plans are in place for future occupancy by the Department of Physical Therapy, Departments of Speech Pathology and Audiology and the Institute for Social Research. The master lease agreement with the University is expected to produce $5,642,900 in lease income during 2014-15, yielding a total surplus of $3,613,900 for Folsom Hall. These funds are used for debt service payments on the 2011 bonds, reserves for property systems and structural maintenance, and recovery of UEI’s cash invested in the property. Folsom Hall is considered a direct-financing lease which incurs $1,168,000 in annual interest expense charges on its debt.
**Placer Hall – 67,100 sq. ft.**
US Geological Survey (USGS) occupies 81.0% of Placer Hall under the continuing Cooperative Agreement with the remaining 19.0% housing the University’s Geology department. It is budgeted to yield a surplus in the amount of $340,300 from $1,277,800 in lease revenue. Amounts recorded as lease revenue decline every year due to accounting adjustments. However, actual cash received remains constant. Placer Hall incurs approximately $472,100 in annual interest expense and is classified as a direct financing lease originally financed through the issuance of 2005 Series A and B bonds. Total projected expenses of $878,000 should represent a slight decline over the current year.

**Del Norte Hall – 35,784 sq. ft.**
Del Norte Hall is fully occupied by a combination of Sac State uses and UEI Projects - The University’s Human Resources (34.1%), College of Continuing Education (17.4%), UEI’S Archeological Research Center (13.2%), and the University’s Anthropology Department (5.7%). The remaining 29.6% is occupied by various University classrooms. 2014-15 forecasts call for a surplus in the amount of $236,600, $14,600 higher than the current year projection. 55.8% of total expenses are attributable to depreciation charges. Revenue from this building is used to meet debt service coverage ratios on the 2005 bonds.

**USGS Warehouse (23th Avenue) – 19,100 sq. ft.**
Similarly to Placer Hall, the Warehouse is fully occupied by a combination of USGS (81.0%) and the Geology Department (19.0%). It is a 28 year old building, devoid of debt, with budgeted rental income of $178,900, consistent with prior years. Overall expenses are manageable in relation to revenue. The result is a property which produces consistent annual surpluses in the $80,000 - $90,000 range.

**ATM Services**
UEI receives $16,400 in rent from the deployment of two automated teller machines located in Del Norte with no corresponding expenses.

**DEFICIT PROPERTIES**

**Upper Eastside Lofts - $147,006 sq. ft.**
The Lofts consist of two components: Student Housing and UEL Commercial. The combination results in a total budgeted deficit of ($966,500) for 2014-15 against a revised forecasted deficit of ($706,400) for 2013-14. The increased deficit is mostly the consequence of higher student housing operating expenses (see above). The UEL 15-year master lease expires on July 31, 2022.

- **Student Housing** – Projections from EdR Management, responsible for oversight of the UEL, call for total student lease revenue of $2,485,200, consistent with the current year as occupancy rates are expected to remain consistent. Other sources of revenue include conference housing income and parking fees. UEI pays annual rent of $2,001,900, representing 58.4% of total expense and 80.6% of rental income. The addition of all other operating expenses results in a net deficit of ($868,700) on just the Student Housing portion of UEL operations.

- **UEL Commercial** - Comprises activities related to businesses leasing commercial space from UEI and operating at the Lofts. They include: Anytime Fitness, What’s the Scoop, Bikram Yoga, and Dad’s restaurant, which has replaced Mr. Pickles, who nonetheless remains obligated to pay rent through the end of the lease term (April 2016). Combined rental income is budgeted at $236,200, almost exactly the same as the current year. Total budgeted expenses are $334,000 of which 62.3% goes to rent. The overall budgeted deficit is ($97,800).
**Modoc Hall – 81,065 sq. ft.**
Modoc Hall is 61.7% occupied by the US Geological Survey, whose lease expired in April 2014. Because USGS was paying above market rents on the previous agreement, the renegotiated rate is considerably lower, with the consequence a $356,700 reduction in rental revenue. The remaining tenants in Modoc include the Office of Water Programs (19.1%), US Fish and Wildlife (7.6%), the Chancellor’s Office Teaching program (4.8%), UEI Dining Services (3.8%) and University Advancement (3.0%). Due to high interest and depreciation expense, insufficient to offset rental income, the building is projected to lose $641,000. Current year losses are projected at ($347,500). Modoc Hall is burdened with $1,220,000 in annual interest expense, 71.9% of total revenue.

**Hornet Bookstore – 93,170 sq. ft.**
The actual Bookstore comprises 52.6% of the building space with UEI’s 3rd floor office accounting for 25.4% and the remaining 22.0% unassigned, “common” areas, such as lobbies and hallways. UEI’s commission guarantee from Follett has been reduced to $1,373,600, per agreement stipulating commission revenues of 92.5% of the prior year’s figure. UEI also receives $74,500 in annual rent from University pre-award for their use of the 3rd Floor. $25,000 has been added to revenue for the anticipated addition of a Wells Fargo Bank branch and ATM in the Bookstore. Total Bookstore interest and depreciation expense account for $1,549,100 in total expenses, which exceeds the amount of the commission by $175,400. Including operating expenses and corporate overhead, the Bookstore’s deficit is $428,400, and rising. The building is classified as a capital lease through UEI’s lease agreement with the University.

**Julia Morgan House – 7,200 sq. ft.**
After attempts to sell the Julia Morgan House were unsuccessful, the historic property was removed from the market and continues to be readied to serve as a fully functioning conference and event facility. With a total of $600,000 in renovations planned, depreciation expense of over $80,000 will be charged during 2014-15. In combination with higher operating and wage expenses necessary to operate the house, a loss of ($116,200) is projected. Total event revenue is projected at $104,100 for the year.

**Napa Hall – 33,932 sq. ft.**
This facility is 100% occupied by the College of Continuing Education. Its original acquisition was bond financed and it is considered a direct financing lease. Napa Hall incurs an annual deficit as a result of interest expense which equals 60.2% of total revenue in addition to annual operating expenses of approximately $189,200. The budgeted deficit of ($96,100) is slightly higher than forecasted 2013-14.

**University House – 7,837 sq. ft.**
UEI receives $5,000 per month in rental income from the University House. Total expenses in 2014-15, its first full year of operation, are projected at $150,400, including $67,900 in depreciation charges.

**3707 T Street – 986 sq. ft.**
UEI is the owner of the home next to the Julia Morgan house, obtained at a purchase price of $292,500. The property is leased at $1,550/mo. ($18,600 annually) in rental fees against total expenses of $20,100, the majority of which is depreciation expense.
OTHER PROPERTIES

Other (Riverfront Center-1st Floor) – 7,664 sq. ft.
UEI had been receiving $229,900 in annual rental income from Sac State for its use of a portion of the 2nd floor of the Riverfront Center. The University uses this space for its College Assistance Migrant Program. The lease expires on June 30, 2014.

Contract Services

- A surplus of $31,000 is budgeted for 2014-15 against a forecasted deficit of ($4,300) for 2013-14, an increase of $35,300.

Contract Services includes an annual fee received from the University Foundation related to UEI’s MOU with the Foundation for the provision of accounting and administrative services. It also encompasses the following areas: Truck Rental, Licensing, Electronic Billboard, and Union-WELL HR Services.

University Foundation
Effective July 1, 2014, the University Foundation and UEI extended for three years, the accounting/administrative agreement between the parties. The service fee for 2014-15 is $150,000, representing a $25,000 increase over the current year. The calculated value of services to the Foundation in the form of allocated staff time and operating expenses totals $252,900. Therefore, a deficit of ($102,900) is projected.

Truck Rental
$17,100 in rental income is derived from the leasing of three vehicles on behalf of the Archeological Research Center. After deducting for fleet expenses, a surplus of $6,500 is projected.

Licensing
UEI is budgeting a $2,800 increase in licensing revenue. Of monies collected by UEI, 50% is remitted to the University, per agreement. The remainder ($31,400) is budgeted to revenue for 2014-15. There are no expenses associated with this account.

Electronic Billboard
UEI is anticipating the receipt of approximately $145,000 in annual rents from Clear Channel for the Electronic Sign on Route 50. In addition, $75,000 is recognized in annual deferred revenue for the original $750,000 lump sum receipt covering what is a ten-year agreement. Of the above amount, $45,000 is remitted to Public Affairs and $25,000 to Faculty Travel, leaving an overall surplus of $143,400, after applying overhead.

Union-WELL HR Services
Per MOU with the Union-WELL, UEI receives a fee equal to 10% of Union-WELL payroll in exchange for providing payroll and HR services. The amount budgeted for 2013-14 is $448,000, which is consistent with the current year. The account is burdened with significant corporate overhead. The total projected deficit is ($47,300).
California Intern Network

- A deficit of ($406,300) is budgeted for 2014-15 against a forecasted deficit of ($525,300) for 2013-14, an increase of $119,000.

California Intern Network (CAIN) is the successor to the former Student Employment Services (SES). It was extracted from Research and Contract Administration (now Sponsored Programs) and is now a stand-alone department. CAIN has been revamped as a result of the side letter agreement between the State of California and SEIU Local 1000, whose result was the layoff of 1,300 UEI student employees in August 2012. Revenue is in the form of indirect cost recovery on student contracts. Budgeting for this figure remains problematic due to the continuing uncertainty surrounding the awarding of state contracts, and the projected pace of hire of new students. At its height, the CAIN student population was 1,600. The current figure is only 450, with projections falling somewhere in between a return to pre-student layoff levels and the current situation. $831,400 is forecast, against projected $766,500 for 2013-14. Projected pre-overhead surplus is $475,600. A large corporate overhead charge is contributing to a budgeted deficit of ($406,300) against a current year forecast of ($525,300). The lower deficit is a function of an expectation of approximately $64,900 in additional revenue.

Administration

Administration is broken down into the following areas: Investment Administration, Benefits Clearing, Information Technology, Business Services, Administration, Human Resources, Marketing Services, Payroll, Cashier’s Services, and Building Services. These are the traditional “overhead” centers which are not historically income-producing. The work performed in the aforementioned areas is considered necessary to support the operations of UEI’s revenue-producing units who benefit from those services. It is for that reason that those departments are charged a proportionate share of corporate overhead expense. A total of $5,129,700 is distributed as overhead, representing 84.3% of total administrative expenses. Post-retirement medical expenses and Contributions to the University are excluded from the overhead pool.

The only income derived from Administration is investment income earned on UEI’s investment portfolio, managed by Sand Hill Global Advisors, as well as interest income earned from the remainder of UEI’s investment (CDs and LAIF investments), and checking accounts. UEI does not budget for either unrealized or realized market gains or losses. As a result, the $470,700 in the budget plan only includes actual dividend and interest income projected to be earned during 20143-15.

Following is a comparison of budgeted administrative 2014-14 expenses against forecasted 2013-14 expenses:
EXPLANATION OF SIGNIFICANT VARIANCES (plus or minus 5%)

<table>
<thead>
<tr>
<th></th>
<th>Revised Forecast 2013-14</th>
<th>Proposed Budget 2014-15</th>
<th>Increase/Decrease in $</th>
<th>Increase/Decrease in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits Clearing Account</td>
<td>1,013,148</td>
<td>769,867</td>
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<tr>
<td>Information Technology</td>
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<td>882,412</td>
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<td>Business Services</td>
<td>1,022,849</td>
<td>1,001,502</td>
<td>(21,347)</td>
<td>-2.1%</td>
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<tr>
<td>Administration</td>
<td>1,130,396</td>
<td>780,167</td>
<td>(350,229)</td>
<td>-31.0%</td>
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<tr>
<td>Human Resources</td>
<td>850,539</td>
<td>935,978</td>
<td>85,439</td>
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<td>Marketing Services</td>
<td>457,436</td>
<td>429,659</td>
<td>(27,777)</td>
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<td>Payroll</td>
<td>375,171</td>
<td>405,638</td>
<td>30,467</td>
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<tr>
<td>Cashier Services</td>
<td>127,956</td>
<td>174,408</td>
<td>46,452</td>
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<tr>
<td>Building Services</td>
<td>776,238</td>
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<td></td>
<td>6,629,867</td>
<td>6,090,794</td>
<td>(539,073)</td>
<td>-8.1%</td>
</tr>
</tbody>
</table>

EXPLANATION OF SIGNIFICANT VARIANCES (plus or minus 5%)

**Benefits Clearing Account**
The results of UEI’s most recent post-retirement actuarial study revised the estimated amount of the total liability to be amortized annually. The amortizable portion of the total was reduced by $198,100 with the remaining difference representing a reduction in annual “pay-as-you-go” funding into the plan.

**Administration**
Of the $1,200,000 in total planned upgrades to the Starbucks space, $370,000 is being budgeted to Administration as a contribution expense to Sac State. Construction is expected to be completed in time for a June 2014 opening.

**Human Resources**
Total salary and benefit expenses are projected to increase by $101,900 as a result of the new HR Manager being in position for a full 12 months in 2014-15.

**Marketing Services**
Payroll and benefits expense will decrease by a projected $24,600 largely as a result of the loss of a position that will not be refilled in 2014-15.

**Payroll Services**
Total salary and benefit expenses are projected to increase by $29,200 as a result of the addition of a new Payroll Administration Specialist, starting January 1, 2015.

**Cashier Services**
The volume of work for Cashier’s Service department has increased substantially as a result of the addition of multiple self-operated dining venues, which requires the processing of more cash bags. Along with the additional supplies, more staff is needed. Approximately $18,600 in previously unused part-time labor will also be necessary.
Building Services
Total Property Services personnel costs are budgeted to decline by $74,400 as more staff time is being charged to the actual properties the employees service in an effort to better capture the true costs of each building and account.

Barth reviewed the proposed capital expenditures over $10,000 and the mandatory/non-mandatory unrestricted net asset reserve goals for 2014-15.

Following discussion the committee recommended sending the Board the following motion for approval at the May 14, 2014 Board of Directors meeting:

“Move to approve UEI’s 2014-2015 Operating budget, Capital Outlay and Schedule of Unrestricted Net Asset Reserves.”

Reinhart discussed the Voluntary Employee Beneficiary Association (VEBA) Trust funding. Following discussion the committee recommended sending the Board the following motion for approval at the May 14, 2014 Board of Directors meeting:

“Move to approve a contribution for UEI Central Staff to the Voluntary Employee Beneficiary Association (VEBA) Trust in the amount of $300,000. Contributions from the Union Well and the Office of Water Programs, for which UEI is the employer of record, in the amounts of $67,000 and $90,000 respectively, are also authorized.”

Reinhart discussed the Juice It Up!/Roundhouse renovation funding. Following discussion the committee recommended sending the Board the following motion for approval at the May 14, 2014 Board of Directors meeting:

“Move to approve funding of $283,000 for the renovation and conversion of the Round House into a Juice It Up!”

Funding of $70,000 for the design and construction documents for the Roundhouse which includes food service/consultants, equipment and required investigative work for the infrastructure was previously approved on 12-06-13. Total costs are estimated to be $353,000.

The meeting was adjourned at 2:41p.m.

Respectively submitted:

Arlette Barnard
Recording Secretary