The Budget & Finance Committee meeting was called to order by Chair Mike Lee at 1:03 p.m. Lee introduced and welcomed new board members Larry Cook and Nielsen Gabriel who will be joining the committee.

Brigett Reilly gave an update on the Starbucks construction project at River Front Center. An increase of $200,000, over the approved budget of $900,000, will be presented to the Board of Directors for approval due to unexpected fire and life safety related issues. Bids have been received and are being validated. Once the bid is awarded, construction is anticipated to begin October 6th and to be completed by mid-January.

Reilly also discussed the renovations of the Julia Morgan House. Due to additional structural and mechanical costs for the heating and cooling system, a redesign of the disabled parking stalls and the purchase of furnishings for the historical portion of the home, an additional $200,000, over the approved budget of $400,000, will be presented to the Board for approval.

The Budget & Finance committee was in consensus to present a motion to the Board of Directors at the September 26th Board meeting to increase the construction budget of Starbucks and the reconstruction budget of the Julia Morgan House by $200,000 each.

Craig Barth reviewed the 4th quarter financial statements for the year ended June 30, 2013. UEI had a $1.65 million deficit for the fiscal year reflected by a decrease in audited net position of that same amount. This includes deficits of $1.25 million and $398 thousand respectively.
in UEI’s Central Enterprise operations and University Support Programs. Contributing factors to the deficit include the temporary effect of the reduction in UEI’s Student Employment Services program due to the SEIU Local 1000 Side Letter Agreement resulting in actual program net revenue of $2.07 million less than the prior year, plus the pre-payment in full of UEI’s obligation on the Broad Athletic Fieldhouse loan with the University in the amount of $2.9 million.

Barth stated that the deficit was partially offset by $2.23 million in total investment earnings, including $1.75 million in realized and unrealized gains, combined.

Significant changes in the balance sheet between fiscal years ended June 30, 2013 and 2012 include the following:

- A prior period adjustment related to a loss on bond refunding in the amount of $4.16 million, previously not recognized over the shorter life of the debt, was restated at the beginning of the year.
- UEI elected to implement GASB 65 in 2013 which required deferred bond issuance costs to be fully expensed rather than amortized, requiring a prior period adjustment of $1.13 million, which was included in the beginning of the year balance.
- Short-term investments and receivables decreased by $4.55 million due primarily to the Broad Field house loan repayment and the reduction in student employment activity.
- Total long-term debt increased by $2.62 million primarily due to the aforementioned prior period adjustment of loss on bond refunding offset by the normal paydown of principal payments.
- Long-term investments increased by $1.08 million as a result of the aforementioned investment gains.
- Accrued liabilities decreased by $1.18 million due to the reduction of student employment payroll related expenses.

Barth discussed the permanent closure of Copy Graphics in December of 2012 and the financial justification for doing so. Reflecting sales from student meal plans, River Front Center, Union operations, Epicure Restaurant and Catering, total Dining Services revenue was under budget. Research and Contracts revenue was under budget due to the effect of the reduction in UEI’s Student Employment Services (since renamed “California Intern Network”) program and less indirect revenue recovered.

Barth stated that Property Services, which includes the Upper Eastside Lofts, Julia Morgan House and a guaranteed commission from Follett, reported a $518 thousand surplus over budget. The Follett commission was renegotiated so that the annual guarantee will equal
$1,485,000 in the 2013-14 fiscal year, and thereafter 92.5% of the previous year’s actual commission payment to UEI.

Contract Services, which includes accounting and administrative work performed for the University Foundation, the Well and Union, rental income from the Digital Sign, and commission from the Pepsi contract, shows a loss due to the prepayment of the remaining balance of the Broad Athletic Fieldhouse debt, listed under Other University Contribution. The Administration division shows a surplus due an approximate 14% gain in long-term investments this year.

The meeting was adjourned at 1:57 p.m.

Respectfully submitted:

Arlette Barnard
Recording Secretary