UNIVERSITY ENTERPRISES, INC.
Budget & Finance Committee Meeting
September 1, 2016
UEI Conference Room
3:00 p.m. – 4:00 p.m.

Members Present:	Larry Cook Mike Lee Joni Zhou
Members Absent:	Randy Sater
Staff Present:	Craig Barth, Chief Financial Officer Angie Laguna, Recording Secretary Jim Reinhart, Executive Director

Chair Mike Lee called the meeting to order at 3:06 PM.

Barth reviewed UEI's ten-year cash forecast noting that, per accounting rules, certain direct financing leases do not allow for the entire amount of cash received to be recognized as income. The Chancellor's Office has allowed UEI to add the difference back to the amount of net income available for debt service. The maximum available debt service line shows $6.26 million, reflective of the single highest year of payments. In reality, that figure will only be reached in one year, 2016-17.

Balance Sheet:
Cash in short term investments is down due to the Dining Commons servery remodel and purchase of the S Street property. The LAIF balance was temporarily reduced to $3.2 million but has been replenished following the sale of $3 million in long-term investments, and now stands at $6.9 million as of this morning. During the past year, UEI also liquidated its $2 million in CD holdings to help cover capital purchases. The due to/from other funds line only includes Central Enterprise, and <u>not</u> Fund 20 grant and contract activities, which total over $30 million per year. Negative numbers reflect unbilled or outstanding grant and contract receivables. Restricted cash held in the Bank of New York for debt service is down following last year's bond refinancing. Capital assets are up significantly, reflecting the $5 million purchase of the S Street building.

New lines appearing in the balance sheet for deferred inflows and outflows of resources were added to assets and liabilities per recent accounting pronouncements. Accounts Payable is up due to timing of payments at June 30 related to the Dining Commons renovation. Long-term debt decreased due to bond refinancing. Net position is roughly the same as last year.

Schedule of Activity:
The $179 thousand ending surplus is reflective of a surge over the final six months, including a $514 thousand 4th Quarter surplus. University Support Programs incurred a $1.17 million annual deficit due to the Board-approved transfer of $1.44 million in Goethe funds to the University Foundation which was booked as a contribution expense. In the Enterprise fund, sales were up due to increased self-operated retail dining revenue. A 1.72% negative rate of return in the investment portfolio included a $938 thousand realized loss on actual sales. Interest expense is down due to the bond refinancing.

Sales revenue was over budget. Benefits and payroll taxes were under budget due to GASB related pension accounting adjustments.

Dining Services:
Outperformed both self-operated sales and contracted commission expectations. Total surplus after overhead was $411 thousand. The Starbucks truck generated $3,242 in its first three days of operations.

Sponsored Programs:
$892 thousand in administrative fee revenue in the 4th Quarter allowed SPA to finish ahead of budget, after applying overhead, with a $1.6 million deficit.

Property Services:
Includes the $1.27 million commission Bookstore guarantee from Follett. Julia Morgan House rentals were over budgeted by $117 thousand. Operating expenses exceeded budget due to the loss and selling expenses associated with the Knightsbridge Lane property. Interest expense savings of $263 thousand were attributable to the bond refinancing.

Contract Services:
Total Contract Services revenue budget was exceeded by $68 thousand. Included are fees received from the Union WELL for payroll administration, as well as licensing revenue, electronic sign rentals and fees received from the University Foundation for accounting services. The University Foundation contract expires at the end of the current fiscal year. $40,000 was dispersed in faculty research grants.

California Intern Network:
Enjoyed a very successful year with $1.55 million in fee revenue generated against a $1.41 million budget. This operation has limited expenses against revenue and is a reliable surplus generator. The new Caltrans agreement is expected to add approximately 300 more student positions.

Administration:
Includes investment gains and losses as well as a favorable pension benefits variance. Of the $5.81 million in administrative expenses, $5.48 million is allocated out as corporate overhead.

Reinhart provided updates regarding the 304 S Street and the McAuliffe Ballparks properties. He also discussed potential property acquisitions near the campus. The Committee was supportive of bringing two of the parcels to the September 29 board meeting for consideration by the board in closed session.

Meeting adjourned 4:12 p.m.

Respectfully Submitted,

Angie Laguna

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Recording Secretary