

UNIVERSITY ENTERPRISES, INC.
Budget & Finance Committee Meeting
Thursday, November 17, 2016
UEI Conference Room
10:00 a.m. – 11:00 a.m.

Members Present: Larry Cook
Mike Lee
Randy Sater

Members Absent: Joni Zhou

Staff Present: Craig Barth, Chief Financial Officer
Angie Laguna, Recording Secretary
Jim Reinhart, Executive Director

Guest: Brigett Reilly, Director of Property Services

Chair Mike Lee called the meeting to order at 10:02 AM.

Brigett Reilly, Property Services Director, provided real estate related updates:

- At the September 29, 2016 board meeting the board approved the purchase of two buildings on University Avenue. After completing due diligence it was found that both buildings have significant ADA issues. As new owners, UEI would be required to update to current ADA guidelines. The general ADA improvement cost would be \$370,000. In addition, UEI would eventually have to add elevators costing an additional \$800,000. Due to the extensive improvement costs the decision was made to not purchase the buildings.
- S Street building update: Prior to purchasing this building the Office of the State Fire Marshal had reviewed and indicated no issues with the purchase. When requesting modifications to allow for temporary classes the fire marshal noted an issue with the square footage being too large for state employees to use the 3rd floor without updating the life safety system. UEI is seeking approval of the required modifications from the fire marshal and cost estimates prior to moving forward with preparation of construction drawings.

Chief Financial Officer, Craig Barth, reviewed the first quarter financials ended 9/30/16:

Balance Sheet:

Short term investments are down by approximately \$9.28 million compared to last year due to the Dining Commons servery renovations and purchase of the S Street property. UEI sold \$2 million in CDs and \$3 million in long term investments to cover the shortfall. The first quarter is typically the slowest as it includes the summer months when there are fewer students on campus. The large increase in capital assets is attributable to the value of the S Street building and the servery renovation. Accounts payable is down to \$1.3 million from \$5.5 million at June 30 due to the payment of servery renovation expenses. The OPEB balance has been adjusted to reflect the new estimates from the actuarial study. Overall net position is \$31 million on \$129 million in total assets.

Revenue and Expense:

Including our support programs, we are showing a (\$289,000) deficit versus a (\$3.22 million) deficit in the prior year. The biggest factor is a \$700,000 investment gain against a (\$1.81 million) loss last year. Compared to last year, Admin fees are up significantly due to Sponsored Program Administration's (SPA) indirect cost recovery fees. We have high expenses in Dining Services salaries and wages, while total operating expenses have decreased from \$2.33 million to \$2.10 million. Last year that line included the sale of the Knightsbridge property and associated fees.

Enterprise:

Dining Services was a bit under budget in food sales; however we did have a successful quarter in Dining Services commissions from contracted operations. Admin fee revenue is well above budget due to a strong first three months in the California Intern Network. Lease income is well over budget due to the Upper Eastside Lofts' 99% occupancy against a 95% budget. Investment gain was 3.58% for the quarter. We are under budget on the expense side as a result of benefits adjustments due to the OPEB valuation. There are also a couple of budgeted, but unfilled positions. Depreciation is under budget by \$90,000. The \$700,000 positive investment variance is mostly responsible for the \$1.02 million overall positive variance. The \$648,000 Dining Services deficit was anticipated due to the absence of the students on campus during the summer. Catering, Union food sales and Summer Conferences were \$99,000, \$74,000 and \$63,000 under budget for the quarter, respectively. \$25,000 on the Other University Contribution line is the annual donation made to Athletics. Dining Services depreciation is \$76,000 under budget and subject to further adjustment from the Dining Commons servery additions.

Sponsored Programs Administration:

First quarter revenue was \$108,000 above last year and \$41,000 over budget. SPA experienced an overall (\$463,000) deficit, which was not unexpected.

Property Services:

Reflects a \$174,000 positive lease income variance due to the Upper Eastside Lofts. This contributed to an \$84,000 surplus.

Contract Services:

Admin Fees revenue consists of monies received from the Union Well for HR and payroll administration; Commissions from licensing revenue, and the Rental income from electronic sign rentals. Included on the Other income line is 25% of \$200,000 received annually from the University Foundation for administering their accounting, audit and tax work. The contract with the University Foundation expires June 30, 2017. Other University Contribution is the amount for Faculty Research Grants. \$50,000 was budgeted and \$40,000 contributed.

California Intern Network:

\$614,000 in admin fees were generated. A new unbudgeted California Department of Transportation agreement has added 151 new student positions. We should continue to see a healthy variance throughout the year in that area. The agreement with The City of Sacramento is also a factor in an overall \$209,000 surplus.

Administration:

University contributions are generally made entirely during the first quarter. Total contributions of \$212,500, included \$150,000 to the President's Office. Out of \$1.69 million in total expenses, \$1.46 million was allocated out as overhead. Administration is where investment gains and losses are recorded.

Meeting adjourned at 10:52 a.m.

Respectfully Submitted,

A handwritten signature in black ink that reads "Angie Laguna". The signature is written in a cursive style with a long, sweeping tail on the "n".

Angie Laguna
Recording Secretary