

**UNIVERSITY STUDENT UNION  
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE  
FINANCE COMMITTEE MEETING  
MAY 12, 2017  
MINUTES**

**I. Call to Order**

The meeting was called to order by Committee Chair, Michael Odinlo at 2:23 p.m.

**II. Roll Call**

<b>Present</b>	<b>Absent</b>	<b>Staff/Guests</b>
Khusbeen Dhillon, Student Representative (voting)	Sharon Eichten, University Representative (voting)	Emery Hernandez, Student Administrative Assistant
Brenda Flores, Student Representative (voting)	Farhad Khorasani, Student Board Representative (voting)	Jonathan Navarro, Accounting Manager
Debra Hammond, Executive Director (non-voting)	Thelmari Raubenheimer, Board Chair (non-voting)	
Joseph Illuminate, Executive Secretary (non-voting)		
Michael Odinlo, Committee Chair (voting)		
Dr. Shelley Ruelas-Bischoff, Student Affairs Representative (voting)		
Aleyna Williams, Student Representative (voting)		

*Dr. Shelley Ruelas-Bischoff arrived at 2:34 p.m., departed at 3:07 p.m., returned at 3:12 p.m., and departed at 3:13 p.m. Debra Hammond departed at 3:08 p.m.*

**III. Approval of Agenda**

M/S/P (B. Flores /K. Dhillon) Motion to approve the agenda for May 12, 2017.

*Main motion passes by general consensus*

**IV. Approval of Minutes**

M/S/P (A. Williams/B. Flores) Motion to approve the minutes for April 04, 2017.

*Main motion passes by general consensus*

**V. Chair's Report**

Committee Chair, M. Odinlo congratulated Brenda for winning BOD Committee Member of the Year Award. He also congratulated the Accounting & Finance Department for being the recipient of the Janie J.J. Jones Team of the Year Award. He also welcomed Emery Hernandez, who is Joe's new assistant.

**VI. Action Items**

**A. 2017-18 Designated Reserves Allocation Proposal**

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M/S/P (K. Dhillon/B. Flores) Motion to approve the 2017-18 designated reserves allocation proposal for \$376,359.

Chair, Michael Odinlo explained that the 2017-18 Designated Reserves Allocation Proposal has not changed from the previous Finance Committee meeting in April.

Designated for the General Staff Salary Reserve for \$349,614 is for general salary increases (GSI), bonuses, salary adjustments, employer-paid payroll taxes, and salary adjustment attributable to the Employers Group organization compensation survey.

Designated for the Employer-Paid Payroll Tax Reserve for \$26,745 to pay taxes on salaries funded by the General Staff Salary Reserve.

*Main motion passes 3-0-0*

**B. 2017-18 Operating Budget Proposal**

M/S/P (A. Williams/B. Flores) Motion to adopt the 2017-18 Operating Budget Proposal with projected revenues and expenses of \$16,636,169.

Chair, Michael Odinlo explained that the University Student Union's (USU's) 2017-18 Operating Budget Proposal totals \$16,636,169 in revenues and expenditures. The budget proposal reflects the USU's commitment to the student and the campus community by maintaining financial viability and integrity within the constraints of available resources brought on by increasing personnel and operating costs. The budget is the conduit by which the organization implements its strategic priorities and allocates resources to student facilities, programs and services. This balanced budget proposal represents the USU's continued commitment to prudent fiscal management.

Michael noted that that total revenues and expenditures in the operating budget proposal are in alignment with the corresponding revenues and expenditures for the 2017-18 fiscal year in the USU's financial plan.

An integral piece of the financial plan is that the Debt Service Coverage Ratio (DSCR) is required to be equal to or greater than 1.25<sup>i</sup>. The projected DSCR is gradually trending downward because expenditures are outpacing revenues over time<sup>ii</sup>. The reversal of the downward trend in the DSCR will be critical during the 2018-19 budget development process as we implement plans to increase revenue and slow down the rate of expenditure growth.

A key component of the proposed budget is that financial resources are set aside for unallocated reserves to accommodate unexpected operational changes or any other economic events that could affect the USU's operations. The USU is proposing unallocated reserves of \$201,000 that is included as part of the operating budget proposal. In 2016-17, we introduced a successful strategy to maintain or increase available unallocated reserve levels by identifying and returning unutilized funds to reserves during quarterly budget reviews. This strategy will continue in the 2017-18 fiscal year.

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Another key budget component used to control expenditures is administrative contingencies. Administrative contingencies are one-time expenditures that are not ordinarily included as part of the subsequent fiscal year operating budget. We are proposing administrative contingencies of \$591,621.

**Where the Comes From**

The projected increase in revenue is \$1,321,697 or 8.6%. See the detailed breakdown of significant changes in revenue categories in the following table:

REVENUE	2016-17 6 & 6 Budget	2017-18 Proposed Budget	\$ Variance	% Variance
Student Fees	\$ 12,972,045	\$ 14,332,699	\$ 1,360,654	10.49%
Food Service Commissions	\$ 89,790	\$ 94,281	\$ 4,491	5.0%
Rental Income	\$ 788,467	\$ 796,878	\$ 8,411	1.1%
Program Income	\$ 502,401	\$ 517,056	\$ 14,655	2.9%
SRC Income	\$ 740,523	\$ 658,868	\$ (81,655)	-11.0%
Interest Income	\$ 32,717	\$ 39,960	\$ 7,243	22.1%
Miscellaneous Income	\$ 188,529	\$ 196,427	\$ 7,898	4.2%
<b>Total Revenues</b>	<b>\$ 15,314,472</b>	<b>\$ 16,636,169</b>	<b>\$ 1,321,697</b>	<b>8.6%</b>

**Where the Money Goes**

Expenditures are projected to increase by \$1,321,697 or 8.6%. Salaries and benefits compromise 60% and operating expenses compromise 40% of the expenditure budget. The following table summarizes the dollar and percentage variances in each expenditure category:

EXPENDITURES	2016-17 6 & 6 Budget	2017-18 Proposed Budget	\$ Variance	% Variance
Staff Salaries	\$ 4,115,549	\$ 4,442,015	\$ 326,466	7.9%
Hourly Wages	\$ 160,141	\$ 167,235	\$ 7,095	4.4%
Student Wages	\$ 2,987,245	\$ 3,381,437	\$ 394,193	13.2%
<b>Total Salaries &amp; Wages</b>	<b>\$ 7,262,934</b>	<b>\$ 7,990,687</b>	<b>\$ 727,753</b>	<b>10.0%</b>
<b>Benefits</b>	<b>\$ 1,842,455</b>	<b>\$ 2,003,422</b>	<b>\$ 160,967</b>	<b>8.7%</b>
<b>Total Salaries, Wages &amp; Benefits</b>	<b>\$ 9,105,389</b>	<b>\$ 9,994,109</b>	<b>\$ 888,720</b>	<b>9.8%</b>
Cost of Goods Sold	\$ 28,600	\$ 19,550	\$ (9,050)	-31.6%
General Operating Expenses	\$ 412,506	\$ 391,803	\$ (20,703)	-5.0%
Supplies & Services	\$ 1,992,672	\$ 1,863,607	\$ (129,065)	-6.5%
Travel	\$ 196,952	\$ 207,458	\$ 10,506	5.3%
Utilities	\$ 797,832	\$ 851,196	\$ 53,364	6.7%
Repairs & Maintenance	\$ 1,775,801	\$ 2,025,955	\$ 250,154	14.1%
Fees & Charges	\$ 52,814	\$ 44,133	\$ (8,681)	-16.4%
Reserves	\$ 607,563	\$ 766,022	\$ 158,459	26.1%
Grants & Scholarships	\$ 62,818	\$ 55,988	\$ (6,830)	-10.9%
Expendable Equipment	\$ 307,601	\$ 205,744	\$ (101,857)	-33.1%
Amortization & Depreciation	\$ 204,169	\$ 210,605	\$ 6,436	3.2%
Transfers in from University	\$ (230,245)	\$ -	\$ 230,245	-100.0%
<b>Total Operating Expenses</b>	<b>\$ 6,209,083</b>	<b>\$ 6,642,060</b>	<b>\$ 432,977</b>	<b>7.0%</b>
<b>Total Expenditures</b>	<b>\$ 15,314,472</b>	<b>\$ 16,636,169</b>	<b>\$ 1,321,697</b>	<b>8.6%</b>

*Main motion passes 3-0-0*

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**C. Third Quarter (9&3) Budget Report**

M/S/P (K. Dhillon/B. Flores) Motion to accept the 2016-17 Third Quarter Budget Report as presented.

Jonathan Navarro presented the 9&3 budget report to the committee.

The USU's financial condition is solid as of March 31, 2017. There is an actual change in net assets (surplus) of \$1,228,953, a cash balance of approximately \$4.5 million, and a \$527,274 budget balance available in unallocated reserves.

Total assets are \$5,312,823. Total liabilities are \$2,962,530 of which \$2,193,843 is the estimate to pay for the projected medical expenses of current and future USU retirees who are eligible to participate in the Retirement Health Benefits Plan (RHBP).

Actual total revenue is \$11,470,581, which is 75.3% of the revised budget of \$15,236,907. Total expenditures are \$10,475,463, which is 67.7% of the revised expenditure budget of \$15,470,922.

Noted was that the Intensive English Program (IEP) suddenly cancelled all their annual remaining reservations resulting in a \$59,000 decrease in projected room rental revenue. Debra Hammond pointed out that the USU needs a cancellation policy in order to minimize the impact of a mass cancellation.

The following are other important notes from the report:

1. CSU Systemwide Investment Fund Trust (SWIFT) - the USU has earned \$25,824 in interest income fiscal year-to-date.
2. Unallocated Reserves - the balance increased by \$1,734 during the third quarter. The strategy of transferring unutilized/surplus funds to unallocated reserves for other organizational priorities continues to be successful. The management team approved additional one-time purchases prior to the 2016-17 fiscal year-end since there are sufficient reserves remaining.
3. Designated Reserves - \$10,634 transferred to the operating budget during the third quarter for vacation advances. The designated reserves balance is \$312,904.
4. Capital Outlay – the revised budget \$302,958 with a budget balance available of \$91,739.
5. CSUN Foundation - the total cash balance is \$361,606 of which \$69,648 is restricted.
6. Work Study – receipts year to date are \$38,095 and expenditures are \$31,218 leaving a balance of \$6,876 as of March 31, 2017.

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*Main motion passes 3-0-0*

**D. Procurement Policy**

M/S/P (A. Williams / B. Flores) Motion to approve the Procurement Policy effective July 01, 2017.

The Finance Committee discussed the Procurement Policy at the Finance Committee held on April 04, 2017. There have been no changes since that meeting.

*Main motion passes 3-0-0*

**E. Purchasing Policy**

M/S/P (K. Dhillon/A. Williams) Motion to rescind the Purchasing Policy effective July 01, 2017.

The Purchasing Policy is outdated and does not reflect current procurement practices. The Procurement Policy replaces the Purchasing Policy.

*Main motion passes 3-0-0*

**VII. Discussion Items**

**A. 2016-17 Finance Committee Goals Year-End Review**

No	GOALS	OUTCOME
1	Revise the following policies and procedures (5.31.17): <ul style="list-style-type: none"> <li>• Purchasing Policy</li> <li>• Credit Card Policy (update to include the purchase card program)</li> <li>• Risk Management &amp; Contracts Policy</li> </ul>	1. Purchasing Policy – <b>Completed</b> – May 2017 2. Credit Card Policy- <b>Partially Completed</b> – updated to increase the single purchase transaction limit to \$5,000 in April 2017 3. Risk Management & Contracts Policy – <b>Not Completed</b> – time constraints
2	Complete the implementation of the USU American Express purchase card program (5.31.17)	<b>In Progress</b> – Concur is in the implementation phase – testing of the electronic credit card monthly report and the interface between Concur and the PeopleSoft accounting system will take place prior to fiscal year end
3	Create a procedure to provide guidelines for the purchase and security of gift cards (3.31.17)	<b>Completed</b> - policy approved by the Board in March 2017.
4	Update the long-term financial plan to ensure there are sufficient reserves for the following (12.31.16): <ul style="list-style-type: none"> <li>• The costs associated with the renovation of the Northridge Center (NRC) as determined by the Brailsford &amp; Dunlavey report.</li> <li>• The increase in staff wages attributable to the findings of the Employers Group</li> </ul>	<b>In Progress</b> – the financial plan takes into account the annual increase in the minimum wage and potential decreases in enrollment and headcount. The financial plan includes estimates for increases in staff wages. Solid numbers will be included once the Employers Group completes the compensation survey. NRC-related costs will be included in the plan once Brailsford & Dunlavey

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	compensation survey. <ul style="list-style-type: none"> <li>• The annual increase in the minimum wage through fiscal year 2020-21.</li> <li>• Potential decreases in enrollment and headcount.</li> </ul>	issues its consulting report.
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**B. Committee Member Appreciation**

Chair, M. Odinlo provided each student representatives in attendance certificates of appreciation for the extraordinary work accomplished this year. J. Illuminate also provided M. Odinlo the Committee with Certificate of Appreciation.

**VIII. Announcements**

Chair, Michael Odinlo informed the committee that he would be on the Board of Directors during the 2017-18 fiscal year. He wished everyone good luck, especially the students with their finals and encouraged them to finish strong. He congratulated Aleyna for reaching the graduation finish line this semester.

**IX. Adjournment**

Committee Chair, Michael Odinlo adjourned the meeting at 3:18 p.m.

Respectfully submitted by,

Joseph Illuminate  
Associate Director, USU Accounting & Finance

- i The DSCR is a ratio that indicates if an auxiliary has the capacity to repay annual debt service on outstanding bonds. A 1.25 DSCR signifies that there is \$1.25 of student fee revenue for each \$1.00 of annual debt service. A 1.25 ratio is the minimum DSCR the Chancellor's Office will accept for student unions.
- ii a. The fall/spring student fee increases by an average of 1.7% each fiscal year whereas salaries and operating expenses increase by an average of 3%.
- b. Student wages continue to increase steadily each fiscal year as the minimum wage increases. It rises to \$12.00 per hour on July 1, 2017. The financial impact is approximately \$394,000.
- c. Staff salaries continue to rise. A projected 3% increase in staff salaries is anticipated to occur when the results of the compensation survey conducted by the Employers Group is complete. To manage increasing workload, the budget proposal recommends converting four temporary staff positions to regular staff positions: Pride Center Supervisor; Coordinator, Veterans Resource Center; Fitness Supervisor (SRC); and Coordinator, Fitness Training (SRC). Funding for these temporary positions was included in the 2016-17 budget so the organization recommends allocating \$157,635 to fund these positions in 2017-18. The budget proposal also recommends adding two new staff positions: Coordinator, Facility Operations (SRC) and Accountant I (Accounting & Finance). The cost of the SRC positions is partially offset by leaving the SRC Administrative Assistant II position vacant.
- d. Employee benefit costs are rising at an average rate of 7.5% annually.
- e. Operating costs such as janitorial services, contract services, repair and maintenance continue to increase. Building facility systems such as Heating, Ventilation and Air Conditioning units are reaching the end of their life cycles and need replacing.