

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
FINANCE COMMITTEE MEETING
NOVEMBER 28, 2018
MINUTES**

I. Call to Order

The meeting was called to order by Committee Chair, Arrah Ebot Enaw at 9:03 am.

II. Roll Call

Present	Absent	Staff/Guests
Paolo Aiello Student Committee Member (voting)	Debra Hammond Executive Director (non-voting)	Shannon Intluxay Student Administrative Support Assistant II
Joel Castellanos Student Committee Member (voting)	Dr. Shelley Ruelas-Bischoff Student Affairs Representative (voting)	
Arrah Ebot Enaw Committee Chair (voting)		
Sharon Eichten Director, Budget Planning & Management (voting)		
Joe Illuminate Executive Secretary (non-voting)		
Michael Meneses Student Committee Member (voting)		
Diego Paniagua Student Committee Member (voting)		
Guadalupe Perez Barrios Student Committee Member (voting)		
Jesus Suarez Committee Co-Chair (voting)		

III. Icebreaker

Committee Co-Chair, Jesus Suarez, led the icebreaker with a game that allowed everyone to tell two truths and one untruth followed by the next person having to guess which of the three was an untruth.

Jesus Suarez

Truths:

- Hit by a car
- Can drive stick-shift

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Untruth:

- Scuba dived

Michael Meneses

Truths:

- Took a trip across the state without parents knowing
- Major is undecided

Untruth:

- Broke his arm skateboarding

Diego Paniagua

Truths:

- Has been arrested
- Had four surgeries on his arm

Untruth:

- Speaks three languages

Sharon Eichten

Truths:

- Worked at CSUN for 25 years
- Majored in Marketing

Untruth:

- Has three kids

Guadalupe Perez Barrios

Truths:

- Oklahoma is the farthest she's travelled
- Has a dog

Untruth:

- Born in California

Joel Castellanos

Truths:

- Loves playing Fortnite
- Has one brother

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Untruth:

- Majors in Chemistry

Shannon Intluxay

Truths:

- Loves eating sushi
- Wants a dog

Untruth:

- Has travelled out of the country

Arrah Ebot Enaw

Truths:

- Has four siblings
- Not from California

Untruth:

- Speaks four languages

Joe Illuminate

Truths:

- Has one brother and one sister
- Graduated from CSULA

Untruth:

- Born in San Francisco

Paolo Aiello

Truths:

- Graduating this year
- Favorite film is Miracle on 34th Street

Untruth:

- Born in New Jersey

IV. Approval of Agenda

M/S/P (J. Suarez/P. Aiello) Motion to approve the agenda for November 28, 2018.

Main motion passes by general consensus

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V. Approval of Minutes

M/S/P (J. Castellanos/J. Suarez) Motion to approve the minutes for November 07, 2018.

Main motion passes by general consensus

VI. Chair's Report

Committee Chair, Arrah Ebot-Enaw announced that this will be our last meeting for the fall semester. The December 19, 2018 tentative Finance Committee meeting is officially cancelled.

VII. Action Items

A. 3&9 First Quarter Budget Report

M/S/P (J. Suarez/P. Aiello) Motion to accept the 3&9 First Quarter Budget Report.

Executive Secretary, Joe Illuminate presented the 3&9 First Quarter Budget report. He stated that the purpose of this report is to summarize the financial results of the University Student Union (USU) as of September 30, 2018. This report reflects financial operations for the three-month period ending on September 30, 2018. The optimal operating range is 25% of the yearly budget, with limits from 20% to 30% being acceptable. The percentage indicates the total amount of revenue received or the total amount of expenditures incurred during the quarter.

Summary

The USU's financial performance for the first quarter is solid. Both total revenues and expenditures are within the operating range (26.5% and 23.0% respectfully). There is a \$599,373 surplus and approximately \$4.5 million in cash on hand.

Year-to-Date Revenues

Total revenue is \$4,542,570 which represents 26.5% of the revised budget of \$17,172,984.

○ **Rental Income: SRC Lockers and Towels (48.7%)**

This category is above the operating range because most of the semester's locker and towel service was sold out at the beginning of the fall semester.

○ **Food Service Commission (19.9%)**

The Accounting & Finance team prepared an analysis of campus food sales recorded by The University Corporation (TUC) for fiscal years 2016-17 and 2017-18. Total campus food sales declined from \$18.3 million in 2016-17 to \$17.4 million in 2017-18. A reduction in total campus food sales means lower commission income for the USU since commission income is based on a percentage of total campus food sales.

Total campus food sales for the first quarter of 2018-19 were \$4.1 million and total campus food sales for the first quarter of 2017-18 were \$4.0 million. The 2018-19 total campus food

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sales budget, provided by TUC, is \$20 million. It appears that the \$20 million total campus food service budget is overstated since 2018-19 first quarter total campus food sales aligns with 2017-18 first quarter total campus food sales. This trend indicates the total projected campus food sales budget for 2018-19 will be in the range of \$17 million to \$17.5 million. As a result, the budget for food commission income could be reduced by approximately \$20,000 during the second quarter.

○ **Summer Camp (44.8%)**

This category is above the optimal range because of deferred summer camp revenue carried over from the 2017-18 fiscal year. This occurrence is typical every fiscal year so summer camp revenue is usually above the operating range as of September 30th. We expect that summer camp revenue will be within the operating range by fiscal year end.

○ **SRC-Related Income (46.8%)**

This category includes income generated from the Pro Shop, intramurals, and membership income. Membership income is the largest revenue source in this category. This category is above the optimal range because deferred membership income is carried over from the 2017-18 fiscal year. This occurrence is typical every fiscal year, so SRC-related revenue will normally be above the operating range as of September 30th.

○ **Grant Income (0.0%)**

This category is below the optimal range because the Division of Student Affairs was not invoiced during the first quarter for Campus Quality Fee (CQF) expenses. Student Affairs will be invoiced prior to the end of the second quarter.

○ **Interest Income (91.7%)**

This category is above the optimal range because the System Wide Investment Fund has modified the method in which they apply interest earned in (SWIFT). The budget for this category will be increased during the second quarter.

○ **Miscellaneous Income (18.8%)**

This category is below the optimal range because the Auxiliary Organization Risk Management Alliance (AORMA) workers compensation (\$10,629) and general liability (\$27,947) dividends were not received during the first quarter.

Year-to-Date Expenditures

The total expenses for this period were \$3,943,197 which represents 23.0% of the revised budget of \$17,174,394.

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- **Staff Salaries (21.7%)**

The budget for this category was reduced by \$12,253 due to staff vacancies in various departments.
- **Student Wages (26.9%)**

The budget for this account was decreased by \$22,545.

 - \$11,718 – the Intramurals department had savings due to various leagues not being filled to capacity resulting in savings from student assistant scorekeepers and referees.
 - \$7,800 – the Marketing department transferred funds from Student Wages to Hourly Wages for the Art Curator hourly position.
 - \$3,027 – the Technology Support Services department realized savings due to student assistant vacancies.
- **Cost of Goods Sold (13.9%)**

This category is significantly below the operating range because the Pro Shop has sufficient inventory in stock as of September 30, 2018. It is anticipated that purchases will be made in the second quarter to restock any items that are in demand.
- **General Operating Expenses (33.0%)**

This category is significantly above the operating range due to the following:

 - Sunny Days Camp food costs paid in the first quarter due to eight of ten weeks of camp in July and August.
 - Advertising expenses were higher due to a large payment to the Sundial to achieve cost savings on advertisements.
- **Supplies and Services (21.1%)**

There were budget transfers into this category totaling \$127,130 of which \$122,678 was transferred from administrative contingencies. \$98,680 of the transfer was in relation to the Cross Cultural Center Renovation Project for contracts with Brailsford & Dunleavy and Sightlines. Please reference the 2018-19 Administrative Contingency Listing included in this report.

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- **Travel (8.8%)**

This category is below the optimal range since travel for major regional and national conferences, such as ACUI, AOA, and NIRSA do not take place in the first quarter. This occurrence is typical every fiscal year so travel will be below the operating range as of September 30th.
- **Utilities (24.3%)**

This category had a \$76,193 budget decrease based on the actual costs for electricity, gas, and water for the previous 12 months. These savings were transferred to unallocated reserves.
- **Fees and Charges (19.1%)**

This category is slightly below optimal range because credit card fees were lower than anticipated. Credit card fees will be monitored to determine if there will be savings that could be transferred to unallocated reserves during the second quarter.
- **Reserves (0.0%)**

Please reference the Unallocated and Designated Reserves Summary included as part of this report.
- **Grants and Scholarships (30.9%)**

This category is above the operating range because the tuition reimbursement for the graduate assistant, BOD Chair, and Vice-Chair were paid in August 2018. Tuition is always paid during the first quarter, so this category will be above the operating range as of September 30th.
- **Expendable Equipment (60.8%)**

This category is significantly above the operating range because the Technology Support Services department purchased a vast majority of their budget for expendable equipment items in the first quarter. The purchases include the following:

 - \$ 85,958 – Dell Desktops/Laptops replacements for staff
 - \$ 2,316 – Keyboards and Mice
 - \$ 3,808 – Miscellaneous Purchases e.g. laptop cases, power supplies, computer batteries, and screen filters.

Statement of Changes in Financial Position

Total assets are \$5,529,664 of which \$4,539,115 is liquid cash. Total liabilities are \$2,908,538 of which \$2,250,324 is the estimate to pay for the projected medical expenses of current and future USU retirees eligible to participate in the Retirement Health Benefits Plan (RHBP).

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Investment Summary

The USU continues to yield positive returns with money invested in the CSU Systemwide Investment Fund Trust (SWIFT). The USU earned \$53,718 in the first quarter.

Unallocated Reserves

The unallocated reserves balance increased by \$107,318. The board approved budget for unallocated reserves was \$250,000. The balance is now \$357,318 because department managers are proactively identifying budgeted funds which will no longer be utilized:

- \$31,125 – Staff wages and student assistant wage savings
- \$76,193 – Utilities

Designated Reserves

A total of \$154,623 of designated reserves was transferred to the operating budget during the first quarter for general salary increases and employer-paid taxes leaving a remaining balance of \$111,273.

Capital Outlay

The capital outlay budget is \$252,966. The following capital outlay (fixed asset) purchases were completed during the first quarter:

- Compact Hydraulic Shear
- Hydraulic Box and Pan Brake
- Massage Chairs– Oasis Wellness Center

USU/CSUN Foundation

The total cash balance on deposit at the CSUN Foundation is \$265,252 of which \$198,377 is unrestricted and \$66,875 is restricted. There is a \$15,000 balance for the Board-designated donation, to pay for DACA application fees, remaining to be allocated.

Work Study

The USU expended \$1,829 of work study funds during the first quarter. The first work study payment was received in November 2018.

Main motion passes 7-0-0

VIII. Discussion Items

A. USU Renovation Project Financial Model

Committee Chair, Arrah Ebot Enaw, introduced the USU Renovation Project Financial Model. She stated the purpose of the model is to familiarize committee members with the basics of the Financial Model e.g. headcount, revenue, and expense assumptions; debt service coverage ratio (DSCR); project debt financing; the major repair and replacement fund; and total net assets.

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Executive Secretary, Joe Illuminate, emphasized the following points in regard to the financial model:

1. The financial model is a draft and has not been reviewed by campus or the Financing & Treasury Office at the Chancellor's Office. We will work more closely with campus and the Financing & Treasury Office as we select an option and work through the design process. Many of the specifics related to non-personnel cost savings of new space or renovated space won't be known until we have an actual design to consider and how that impacts any deferred maintenance.
2. The Major Repair & Replacement section of the financial model is not complete. This section will be updated once our 30-Year Major Repair & Replacement Plan is updated to take into account aspects of the proposed project.
3. The \$12 million to \$24 million down payment being considered are at the low end and high end of the down payment range. The final amount of the down payment could be a number within the \$12 million to \$24 million range assuming the total cost of the project does not change.
4. Increasing the down payment on the project from \$12 million to \$24 million does not mean the amount of the proposed \$125 Fall/semester student union fee will be reduced. Decreasing the down payment and reducing the fee would have the following impact:
 - a. Lowering the fee would provide less student fee revenue to provide programs and services.
 - b. Lowering the fee would have a negative impact by lowering the Debt Service Coverage Ratio (DSCR). In addition, a lower USU DSCR would reduce the overall campus DSCR since the USU has the highest percentage of debt of any entity on campus.
 - c. Lowering the fee would have a negative impact on the amount of Total Assets in the Revenue Fund which would mean less funding for annual debt service, major repairs and replacements, and the operating budget.

He then explained the advantages of making \$24 million down payment instead of a \$12 million down payment:

1. Being good stewards of student fees by saving over \$869,000 in annual debt service payments each fiscal year. Total savings from 2022-23 through 2035-36 is \$12,162,000. The availability of additional funds provides the USU with more financial flexibility for preparing the operating budget and for transferring funds to the Major Repair & Repair Replacement Fund.
2. A larger down payment, resulting in lower annual debt service payments, proved to be a successful strategy with the Student Recreation Center Project. Lower annual debt service payments provided funds to pay cash for major projects like the SRC Turf Field and the Oasis Wellness Center.

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3. The Debt Service Coverage Ratio (DSCR) does not fall below 1.25 and remains higher in subsequent years when compared to the annual DSCR in the \$12 million down payment financial model. Also, the USU's DSCR will not drag down the overall campus DSCR as long as the USU's DSCR remains above 1.25.
4. The transfer of \$7,750,000 from the Major Repair & Replacement Fund to the Revenue Fund provides Higher Ending Net Assets in the Revenue Fund in 2022-23 when the project is set to open.

He then presented the following table with the assumptions for project financing, fund transfers, enrollment, student fees, and operating revenues and expenses for both the \$24 and the \$12million down payment options:

Project Financing Assumptions	
GSF* Present	421,749
GSF New Construction	79,772
GSF Major Renovation	38,281
GSF Demolition	57,850
GSF New	443,671
Project Cost	\$118,012,523
USU Cash Contribution (Down Payment)	\$24,000,000
Financing Cost	\$1,410,188
Capitalized Interest	\$6,291,030
Total Project Cost to Finance (Bonds)	\$101,713,741
Annual Debt Service	\$6,806,372
Interest Rate to Finance the Project (Est)	5.25%
Total Years to Payback the Bonds	30
Debts Service Coverage Ratio (DSCR)	1.25 Minimum

**GSF = Gross Square Footage*

Fund Transfer Assumptions	
Transfer from the Major R&R* Fund to the Revenue Fund (2021-22)	\$7,750,000
Transfer from the Revenue Fund to the Major R&R Fund (2019-20 to 2022-23)	\$0.00
Current Infrastructure: Average Annual Transfer from the Revenue Fund to the Major R&R Fund (Beyond 2022-23)	\$3,800,000
New Infrastructure: Annual Transfer from the Revenue Fund to the Major R&R Fund (2024-25 and Beyond)	\$500,000

**R&R =Repair & Replacement*

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Enrollment Assumptions	
Semester Headcount - Gross	37,000
Fee Population Discount	2%
Semester Headcount - Net	36,260
Summer Headcount - Gross	6,600
Fee Population Discount	2%
Summer Headcount - Net	6,468

Student Fee Assumptions	
Current Fall/Spring Semester Fee (2018-19)	\$283
Current Summer Fee (2018-19)	\$167
Current Fall/Spring Semester Fee Annual Increase	\$5.00
Current Summer Fee Annual Increase	\$3.00
Fall/ Spring Semester Fee without the Project (2022-23)	\$316
Summer Fee without the Project (2022-23)	\$187
Additional Project Fall/Spring Semester Fee Increase (effective 2022-23)	\$125
Additional Project Summer Fee Increase (effective (2022-23)	\$74
New Project Annual Fee Increase*	2%
Total Fall/Spring Semester Fee at the Opening of the Project (2022-23)**	\$441
Total Summer Fee at the Opening of the Project (2022-23)***	\$261

**This 2% increase applies only to the new project fall/spring and summer fee.*

***\$316 + \$25 = \$441*

****\$187 + \$74 = \$261*

Operating Revenue & Expense Assumptions	
USU Generated Revenue	2%
Interest Income	1.22%
Staff Wages	3.0%
Hourly Wages	3.0%
Student Assistant Wages (2018-19 thru 2020-21)	Based on Minimum Wage
Student Assistant Wages (beyond 2020-21)	0.5%
Staff Benefits	40% of Total Staff Wages

B. Cash & Equipment Donation Policy

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Committee Chair, Arrah Ebot Enaw, introduced the Cash & Equipment Donation Policy. She stated the policy needs revision to establish procedures for the Board of Directors to make their annual gift.

Executive Secretary, Joe Illuminate, explained that establishing written procedures to document the annual gifting process would provide a measure of accountability by requiring the gift recipient to report to the Board how the donated funds were used to benefit students. One process suggested was to create a Pre-award Phase, an Award Phase, and a Post-Award Phase.

In the Pre-Award Phase, a discussion item is placed on the agenda in January or February so the Board can select potential campus entities to receive gifts and to determine the amount of funds available for gifts.

Potential gift recipients would complete and submit the Gift Application Form. The applications would be reviewed by the Board in consultation with the Finance Committee and management team. Applicants are then invited to present their proposal to the Board prior to the June Board meeting.

During the Award Phase in June, an action item is placed on the agenda to select the gift recipients whose applications have been approved. The gift recipients are notified and the gift is disbursed to the gift recipient.

During the Post-Award Phase, the gift recipient would provide a written report to the Board no later than December. The report would note how much of the gift has been expended and provide information on how the gift has been used to benefit students.

The consensus of some members of the committee is that the procedure as presented could prove to be too cumbersome for campus entities to adhere to. The consensus was to revise the procedure to make it less cumbersome while maintaining an element of accountability.

IX. Announcements

Committee Chair, Arrah Ebot Enaw, announced that this will be our last Finance Committee meeting for the semester and thanked everyone for their consistent attendance. A Finance Committee meeting schedule for Spring 2019 will be sent out once an agreeable date and time has been determined.

Committee Co-Chair, Jesus Suarez, announced the opportunity for student committee members to participate in VITA (Volunteer Income Tax Assistance) Program. This program allows students to achieve experience in helping those in need of help with filing their taxes. There are no GPA or prerequisite requirements.

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X. Adjournment

Committee Chair, Arrah Ebot Enaw adjourned the meeting at 10:51 am.

Respectfully submitted by,

Joseph Illuminate
Associate Director, USU Accounting & Finance