SACRAMENTO STATE
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Union WELL Inc.
Budget and Finance Committee, Union Advisory Group and WELL Advisory Group
Minutes

April 15, 2020
7:30am, Zoom Meeting

1. The meeting was called to order at 7:34 am, by Begley
   a. Present: Kindra Begley, Justin Chuong, Ethan Shaw, KaBria Payden, Missy Anapolsky, Tony Lucas, Prabhjyot Shinh, Lily McCalla, Mary Ann Wong, Kellie Goldberg, Elena Larson, Drajwanee Dickerson, Nneka Omekam, Tranh Pham, Jasmine Lopez, Nadine Braunstein, Tamara Franklin, Shubh Kaur, Mark McGushin, and Rose McAuliffe for Norman Kwong
   b. Also Present: Jill Farrell, Bill Olmsted, Andrew Singletary, Amy Jacobsen, Rebecca Dietzler, Norma Sanchez, Zenia LaPorte, Dean Sorensen, Jessica Swart, Kate Smith, Rina Chhong, Tori Butler

2. Public Comment: None

3. 2020-21 Budget:
   a. General Revenue
      i. Olmsted begins the 2020-2021 budget presentation by acknowledging that the process was especially complicated this year with revisions up until Monday afternoon. The revised packet that was distributed reflected updated projections upon the announcement from President Nelsen that no form of events will be held on campus through August 14th in order to help mitigate the spread of COVID-19.
      ii. Olmsted presents the 19-20 to 20-21 budget to budget comparison which includes a 19-20 budget to YEP (year-end projection) comparison. Farrell discusses 19-20 budget to YEP variances as well as the changes due to COVID-19 that occurred since her report to the Budget and Finance Committee in March, beginning with revenue. The buildings are closed and it is unclear when they will reopen, so all projected revenue from the point of closure to the end of the fiscal year was removed, totaling approximately $905,000. In March, the YEP for revenue was reported as $14,962,436, and is now being projected at $14,055,179. The budget to YEP variance is now short by $766,728 instead of $140,529 over budget. She notes that expenditures related to revenue were also removed such as event staff wages.
   b. General Expenses
      i. Farrell reviews the 19-20 budget to YEP comparisons for expenditures and discusses the variances. In March, a YEP of $13,029,363 for revenue was reported to Budget and Finance against a $13,737,632 budget. At that time, accounts such as custodial supplies, utilities, and wages and benefits for full-time and student staff were reporting a significant savings. Now, due to COVID-19, expenditures related to revenue totaling approximately $734,000 have been removed. Rather than the $1,933,073 19-20 budget to YEP variance that was

reported to Budget and Finance in March, the variance for expenditures is now being projected at $1,760,453.

ii. Olmsted shows a sample budget worksheet that staff completes for every account, and briefly explains the budget process. He presents a comparison of 19-20 revenue and expense budgets compared to 20-21 budgets, and discusses the variances. He notes that some of the factors in question did not have answers in order to accurately forecast, therefore the plan is to remain nimble throughout the year and respond as needed. He explains that the organization will be taking a greater return of surplus from the account on the campus side since phase II of the WELL expansion project will begin and there are a lot of unknowns in the coming year. The corporation needs to have resources available in order to be able to respond.
    A. Anapolsky asks if construction is continuing on campus. Olmsted acknowledges that six counties in the bay area are on a construction stand down due to COVID-19. Sacramento is not on stand-down; therefore, the team is moving forward with the planning phase and is planning to start construction this summer.

iii. Olmsted reviews the budget summary and discusses budget complexities, noting that nobody expected to be in this position, which is ever evolving. Complexities include building closures which have impacted lease revenue, a campus wide "hiring chill" for students and full-time positions that includes auxiliaries, a compensation study that has been in the works with UEI over the past year and is not moving forward right now, and an anticipated increase in campus cost allocations due to uncertainties with the State Budget. Also, there is talk about COVID-19 hitting a peak later this month or in May, but some experts say it may resurface in the fall which could result in extended or additional closures. The team is trying to be prepared for what may happen.

iv. Farrell discusses revenue variance factors, noting that the revised packet included revenue adjustments stemming from the extended ban on events and gatherings through August 14 that was just announced. It is unknown how that impacts opening the buildings so, to be conservative, the budget was adjusted and revenue was removed for all of July and half of August, totaling approximately $335,000. Additionally, a headcount reduction of 2% was considered in the first packet with about $500,000 removed. The revised packet included an additional reduction of a 3% overall reduction in headcount, which was an additional $240,000 decrease.

v. Olmsted discusses expense variance factors which are mostly related to personnel such as salary and benefit rate increases, and California minimum wage increasing by $1.00 per hour on January 1, 2021. Because the majority of staff are students who are impacted by the increase, the impact to the organization is significant. Also, there are continued compression issues with full-time staff wages based on the minimum wage increase. Additionally, although utility rates are expected to increase, YEP reflects an improvement for utilities thanks to new processes and additional energy efficiencies in place. Farrell adds that the current building closures may pose issues with the ability to project utilities expenses in the future, due to the loss of data.

c. Personnel

i. Olmsted discusses personnel budget impacts such as the Union Director search and filling the Intramural Sports Coordinator vacancy. Maintenance hopes to add three full-time staff, two of which are existing vacancies that have not been filled. Olmsted announces that the WELL's Marketing and Member Services Manager resigned, and the position is being separated into two separate positions. The total impact of new positions is $378,200 including salaries, benefits, taxes, and the UEI fee which is 10% of personnel cost. The cost-of-living salary increase and potential pay for performance increase, which could be up to a total of 4%, would be $168,640 if everyone received the max increase, including taxes and UEI fee. The California minimum wage is increasing January 1, 2021 by $1 per hour, resulting in an impact of $185,866 including taxes and UEI fee. Olmsted reviews benefit rates and notes that the increases are estimated using historical data since actual data has not been received with the exception of PERS which is confirmed at 1.71%. The total impact of benefits is $153,770 including the UEI fee. Olmsted explains that VEBA (Voluntary Employee Beneficiary Association) is a fund to pay benefits for staff that retire, and is also assessed and reevaluated every year. The organization entered into new five-year VEBA plan, and when considering current retirees and those coming up, the contribution increased from $75,000 to $140,000, which will be the contribution for the next four years. He adds that the VEBA account is in addition to cash being paid to retiree insurance, and only funds retiree benefits if something happens to the organization. The total impact of personnel on the proposed 2020-2021 budget is $781,707.

   ii. Olmsted presents the proposed 20-21 budget for campus and outside services which includes a comparison against the 19-20 budget and YEP. The total impact of campus cost allocations, which are costs related to services such as IRT, public safety, business and mail services, is estimated at $367,277. The proposed budget for Utilities, which has decreased since last year's budget was very conservative due to the unknown building usage patterns and lack of data. A decrease is estimated for utilities of $143,490 for the Union and $14,983 for the WELL. The outside service contract with CSG for custodial services in both buildings reflects an annual increase that was built in to the contract as well as modifications in service. The variance on the total impact from 19-20 budget to 20-21 budget is a little under $12,000.

d. Capital
   i. Olmsted reviews the capital project list, noting that the costs are included in the proposed operating budget. He explains that capital projects are related to equipment, furnishings, cost of renovations, regular operations of the buildings and technology being added for programs and areas that are changing or growing.

e. Plant Fund (Repair and Replacement)
   i. Olmsted discusses the repair and replacement project list. He notes that fitness equipment replacement is done every year on a schedule and there is a lot occurring this year. The fund for purchasing art for the permanent collection has built up over time, and it was decided to use that fund to maintain the current art collection as well.
      A. Pham inquires about the RFID radio tracking system. Singletary explains that the organization has 120 radios which move around a lot. Having an RFID tracking system would speed up annual physical inventory process by improving the ability to check radios in.

f. Non-Recurring Maintenance and Repair & Capital Improvement (TBU01 &TBU04)
   i. Olmsted explains that funds for TBU01 and TBU04 are for larger repair and replacement projects. These projects are funded by money that is held on the campus side and go through campus procurement and contract services. He reviews the project list and notes that some projects have been discussed for several years and are carrying over.
      A. Sorensen clarifies that monies in TBU01 and TBU04 funds are not *from* campus, just being stored by campus.

B. Pham asks if there are plans to add a sliding door for the Union's north entrance, by the CARES office. Olmsted says no and notes that the entrance will be the only exterior entrance without automatic doors.

g. Long Range Plan
   i. Farrell discusses the long-range plan, which begins with student headcount. She refers to the spreadsheet and explains the flow of funds. The 20-21 year will begin with a prior year fund balance of $13,584,031 and a revenue fund of $36,772,877, including student fee revenue and interest income. Expenses such as return of surplus and bond payment total $21,713,756. The total ending fund balance for revenue after removals is $15,059,120. Farrell discusses the $14,777,163 operating budget, which is deducted from the $15,723,162 revenue budget, resulting in a net of $945,999 from operations. She explains capital equipment and expenses, and depreciation. The ending fund balance from operations is $16,060,627. The total combined ending fund balance from revenue and operations is $31,119,747. She explains the formula for calculating the debt coverage ratio, which is 1.55 for the 20-21 fiscal year. She notes that the budget could not be presented and would not be approved by campus if it were less than the required 1.1 debt coverage ratio.

h. Reserve Levels
   i. Farrell explains the board policy on reserves which requires one year of debt coverage and six months of operations, which totals $14,530,995. The corporation's reserve level for 20-21 is projected at $31,119,747. This leaves $16,588,752 in available undesignated reserves. Olmsted notes that the organization is trying to have reserves available for unknowns that may arise with the WELL expansion project. For example, the fire sprinkler retrofit project was not anticipated with the Union expansion and was about a $9 million hit. Reserves allow the organization the ability to respond to projects that come up, keep moving forward and remain compliant.
   ii. Farrell discusses designated reserves which includes an estimated $2,336,383 remaining in the repair & replacement fund, $2,310,180 remaining in TBU01 and $1,459,075 in TBU04 after all planned projects are backed out. She then recaps reserves with a year to year comparison and states that the net reserve balance of operations, property & equipment, repair & replacement, and art acquisition funds for 20-21 totals $19,846,013. And the revenue reserve fund balance is $15,059,120.

Budget 2020-2021

Events (Program)	$222,800
Insurance	$63,572
Supplies	$1,205,755
Services	$40,186
Contracts	$1,742,287
Utilities	$755,822
SOA Campus (SVCS)	$231,227
Retiree Med Ben (+ VEBA)	$175,266

Wages and Ben	$8,128,900
SOA (UEI)	$816,304
Cost Allocation (Campus)	$376,277
Travel	$143,039
Capital/R&R	$875,728

Undesignated Reserves

Revenue Fund (Projected):	$ 15,059,120
Local Reserves (Projected):	$ 16,060,627
Total Undesignated Reserves:	$ 31,119,747
BOD Policy Requires: 1 yr. debt coverage =	$ 7,142,414
6 Mo. Operating =	$ 7,388,581
Total BOD Policy Requirement:	$ 14,530,995
Available Undesignated Reserves:	$ 16,588,752

Designated Reserves

Repair and Replacement Fund (Projected, Local):	$ 2,336,383
NRMR Fund (Projected, TBU01):	$ 2,310,180
CIMP Fund (Projected, TBU04):	$ 1,459,075

Approval Operating and Capital & Plant Fund Expenditures Budget 2020-2021: **(MSP: Anapolsky, Wong. Roll Call Vote: Unanimously in Favor)**
Approval NRMR & CIMP Expenditures 2020-2021: **(MSP: Dickerson, Anapolsky. Roll Call Vote: Unanimously in Favor)**
Approval Long Range Financial Plan 2020-2021**: (MSP: Shaw, Larson. Roll Call Vote: Unanimously in Favor)**
Approval Reserve Levels 2020-2021: **(MSP: Anapolsky, Dickerson. Roll Call Vote: Unanimously in Favor)**

4. The meeting was adjourned at 9:19am

Respectfully Submitted:

Ethan Shaw
Ethan Shaw (Sep 17, 2020 14:34 PDT)

Authorized Signature

Sep 17, 2020

Date