UNION WELL INC SAC STATE

Union WELL Inc. joint meeting of the;
Budget and Finance Committee
University Union Advisory Group
The WELL Advisory Group

April 20, 2022
7:30am, Zoom Meeting

<u>Minutes</u>

1. The meeting was called to order at 7:35 am, by Oneto
   a. Present: Nicole Oneto, Michael Thompson, Missy Anapolsky, Bernard Omiple, Franky De La Torre, Mandy Facio, Spencer Struve, Lisa D'Angelo, Debbie Bruffett, Bridie Carinci, Tamara Franklin, Tony Lucas, Yasmin Moran, Izel Castillo, Sebastian Raya,
   b. Also Present: Bill Olmsted, Jill Farrell, Amy Jacobsen, Tori Butler, Norma Sanchez, Zena LaPorte, Rebecca Dietzler, Rina Chhong

2. Public Comment: None

3. 2022–23 Budget: **Action Requested**
   a. 2022–23 Operating Budget, including Capital and Plant Fund Expenditures **(MSP: Lucas, Thompson)**
      i. Farrell begins the 22–23 budget presentation by sharing the 21–22 YEP (year-end projections) compared to 21–22 original budget ~~predictions~~. Revenue, which was originally budgeted at $10.8 million, is projecting to be just over $10.7 million. Expenditures were estimated to be $14.8 million and ended up at $13.1 million, which is a $1.7 million variance. The bulk of savings is coming from personnel since the organization is short staffed in both full-time and part-time positions, for a total of $1.4 million in savings. Another $303,000 of savings is in program supplies, travel, capital and plant projects, etc.
      ii. Olmsted shares a budget worksheet and explains that each department has one sheet for every budget account ~~where they track month-to-month predictions and actuals~~. He explains how the data flows into the cross spread, which reflects budgets for all departments in Union WELL Inc.~~and program areas, broken down by account code and categories, and includes totals and variances.~~ The cross spread is summarized ~~distilled down~~ further for the executive summary, which provides a snapshot of major budget categories for the original 21–22 budget, 21–22 YEP and 22–23 projections.
      iii. Olmsted shares a 21–22 and 22–23 budget to budget comparison, which reflects an increase of $5.06 million in revenue and an increase of $1.3 million in expenditures. He notes that the plan for 21–22 was to run a deficit budget, which is ~~did~~ happening but to a lesser extent than was budgeted. Next year, the budgeted deficit will be ($253,000). Events/programs, insurance, utilities, and wages and related categories have the biggest increases.
      iv. Farrell discusses budget complexities for 22–23, the biggest being staffing, which has been difficult to predict as management is working with HR on hiring for about 14 different full-time positions, plus student staff. The timing is unknown as far as when positions will be filled or when the expenses will hit. Not knowing to what degree events will return is a challenge. Also, expansions were done in both buildings and a lot of areas have not been fully occupied, so there is a lack of usage patterns, making it difficult to predict well for utilities, etc.

v. Olmsted discusses revenue variance factors including the increased return of surplus of $4.2 million, and a full year of lease revenue for dining services operations, The Store, and the expanded spaces in both facilities. Programming, services, and events return to near 100% in 22–23, so usage of conference and meeting spaces are now back in projections. Expense variance factors include personnel, caused by multiple vacancies and delayed hiring. Campus cost allocations are increasing, as are utility rates.~~, some of which are increasing significantly.~~

vi. Olmsted discusses personnel budget impacts including a number of vacant positions and multiple new positions. Full-time staff budget will increase $690,000, including wages, taxes, benefits and the 10% UEI fee. The potential cost of living (COL) salary increase is being projected at a 4% salary pool totaling $212,000, although the team doesn't know exactly what the increase will be. Student wages is another major factor as the organization employs about 300 student staff. More students are coming back for fall and positions are being added to expanded spaces, resulting in an increase of $321,000 in student wages, including taxes and the UEI fee. Full-time benefits such as medical, dental, vision, life insurance and long-term disability will increase 0%. Workers compensation rates will decrease in all classifications. PERS contribution increased 2.12% and post-retirement medical benefits will also increase. The total impact of benefits from 21–22 to 22–23 is a $41,000 decrease including the UEI fee. Total impact of personnel, budget-to-budget is $1.1 million which is always a big portion of the budget increase year to year.

vii. Olmsted reviews minor changes to campus cost allocations, which are fees for services provided by campus such as IRT, public safety, mail services, fee collection, financial and business services. For utilities, the University Union is projecting a $32,000 decrease, largely due to a $48,000 decrease in electricity, which is the biggest utility category. The savings is the result of energy conscious upgrades such as swapping out lighting fixtures with LED, and setting up lighting control systems and sensors in rooms. The $78,000 increase in WELL utilities is due to the significant addition of square footage. Contracted custodial services, which is the biggest contract the corporation has, will have a $79,000 increase. Olmsted adds that this contract goes out for RFP (request for proposal) every five years to ensure that the organization receives the best value in service and best rate for the market. This process just completed and the contract for the next five years was awarded to the contractor that has been in place. The total impact of campus and outside services is an increase of $165,000. The total variance in wages and benefits and outside services combined is $1.3 million. Olmsted shares the executive summary, which projects $15.9 million in revenue and $16.1 million in expenses, resulting in a deficit of $253,008.

viii. Olmsted shares the project lists for the capital fund (70), which is for purchasing new furniture or equipment and totals $37,000, and the plant fund (80), which is for replacement and repair of equipment and furniture, and totals $552,000. The grand total of accounts 70 and 80 is $589,000 for 22–23.

b. 2022–23 TBU01 and TBU04 Expenditures **(MSP: Struve, Omiple)**

i. Olmsted reviews TBU01 and TBU04 project lists, which include resurfacing floors and replacing carpet in the WELL, installing roof cranes on both buildings, and air handler replacements. The grand total of TBU01 and TBU04 accounts is just over $2 million.

c. 2022–23 Long Range Plan **(MSP: Facio, Thompson)**

i. Farrell shares the long-range plan, with focus on the 22–23 column. She explains the flow of funds beginning with revenue, which starts with the prior year fund balance (reserves), then student fee revenue based on campus's estimated headcount and the $419 Union WELL Inc. fee, and interest income. Total estimated revenue for 22–23 is $41 million. She then reviews expenses such as adjustments and return to operations, the organization's bond payment, which will be $8 million this year, transfers to the TBU01 fund in the amount of $1.6 million and TBU04 for $3.3 million, and the general overhead expense of $66,000 for the Chancellors Office. She notes that construction funds are for construction projects or fees for upcoming projects. Olmsted explains that the North Field project is on the horizon, which is in collaboration with Intramural (IM) Sports and other departments on campus who also utilize the space. Monies have been allocated for the next phase of the project in the coming year. Farrell summarizes that the ending fund balance is $13.3 million in reserves above the line, which is the revenue fund. Below the line is the organization's own budget, with $12.25 million drawing down from return of surplus and $2.8 million from operations income. The subtotal of revenue is $15.9 million. Operating expenses, which includes all expenses except personnel, totals $16.2 million. She then discusses the adjustments made at year end, resulting in an ending fund balance, or reserve balance, of $16.5 million. When the ending fund balances above and below the line are combined, the total is $29.8 million, which is the year-end working capital, or reserves. Farrell explains that the organization must be able to cover a minimum debt coverage ratio set forth by campus at 1.1 of annual spending in order for campus to approve budget, and is currently at 1.73.

A. Lucas asks how debts are estimated to continue to decrease over years. Olmsted refers to the long-range plan which includes future years and shows how the ratio decreases.

d. 2022–23 Reserve Levels **(MSP: Lucas, Omiple)**

i. Farrell discusses reserves, beginning with $29.8 million in undesignated reserves. Board policy requires the organization to be able to cover an additional year of debt, plus six months of operating expenses, which is $16.1 million. This leaves $13.7 million remaining in available undesignated reserves. With a lot of TBU01 and TBU04 projects scheduled, the corporation needs reserves in order to remain agile. Designated reserves include $2.7 million for repair and replacement, $2.5 million in TBU01 fund, and $3.7 million in TBU04. Farrell shares a recap of reserves reflecting $16.5 million for operations, $2 million for property and equipment, $2.7 million for repairs and replacement, and $41,800 for art acquisition, for a total of $21.3 million in reserves, if the budget is approved.

A. Lucas commends the advisory committee and staff who put a student-centered and focused budget together. He also commends the organization for making it through COVID responsibly, with monitored expenditures, and ended up close to revenue. This shows stewardship of a really well managed and well cared for budget. Olmsted states that many staff are involved, and especially acknowledges Jacobsen, Assistant Director of Financial Services, who is a heavy-lifter throughout the year.

4. The meeting was adjourned at 8:46am

Respectfully Submitted:

Yanni Y

Authorized Signature

9/14/22

Date