Union WELL Inc. Board of Directors Meeting
Wednesday, April 28, 2021, 7:30am
Zoom meeting ID: 951 8167 5326

Minutes

1. **The meeting was called to order at 7:32 a.m. by Ethan Shaw, Chairperson**
   a. Members present: Ethan Shaw, Joy Stewart-James, Bill Macriss, David Rolloff, Shubh Kaur, Franky De La Torre, Missy Anapolsky, Lovepreet Kaur, Ed Mills, Tranh Pham, Justin Reginato
   b. Also present: Bill Olmsted, Jill Farrell, Andrew Singletary, Amy Jacobsen, Tori Butler

2. **Public Comment:** None.

3. **Consent Calendar: (MSP: Mills, Anapolsky)**
   a. Approval of Board of Directors Meeting Minutes – March 17, 2021
   b. Board of Directors Meeting Dates for 2021-22
      i. Approved as amended with date/year corrections

4. **New Business:**
   a. Election of Board Chairperson for 2021–22: **(MSP: Mills, Anapolsky)**
      i. S. Kaur, who was nominated for the board chairperson at the last meeting, gives a statement of interest and provides her background with the organization and campus involvement.
      ii. Olmsted acknowledges the conclusion of Shaw's chair position and extends appreciation for his time and leadership. Shaw thanks the group and states it was a great experience.
   b. 2020-21 Budget:
      i. 2021–22 Operating Budget, including Capital and Plant Fund Expenditures
         1. Olmsted discusses meeting goals and briefly reviews the categories of approvals that will be requested. He begins the budget presentation with a 2020-21 budget YEP (year-end projections) summary, including variances. He notes that the current year's budget originally projected a surplus of about $946,000 when approved by BOD (Board of Directors) this time last year, but was modified and presented again to campus CFO and President, and adjusted to the final budget. There was a slight downturn in revenue due to facility closures and limitations in services. Expenses were down significantly due to many factors such as savings in supplies and utilities from the buildings not fully operating, and travel that was budgeted for which never happened. Capital and plant spending increased a little due to many projects being pulled forward. The variance in expenses is mostly personnel related, which accounts for just over $3 million of the savings for a total surplus of $3.7 million. How to use surplus will be discussed as well as the plan to run a deficit budget in the coming year, to take advantage of having a surplus below the line in local reserves, which will fund the deficit and major expenses.
         2. Olmsted presents a 2020-21 to 21-22 budget to budget comparison including variances. The 21-22 budget shows a deficit (less return of surplus), allowing ability to pendulum money back up to cover costs on the state side of accounting. Olmsted explains that running deficit is a strategy to balance spending and where reserves need to be, and points out the $900,000 variance in expenses.
            a. Pham asks how the total variance was calculated. Farrell explains that the total of revenue and expense variances is calculated, then the total of the two variances is the net difference between two budgets. Stewart-James agrees that the visual is confusing since rows are being calculated horizontally, but the

last column calculates vertically. Farrell explains that the numbers should calculate horizontally and vertically. Macriss clarifies that brackets reflects savings; it's not a negative number but is a positive change. Mills understands what Farrell is saying but visual does not reflect that, and agrees that it doesn't make mathematical sense. Olmsted acknowledges that the illustration needs to be adjusted to visually present more clearly.

3. Olmsted shares a budget to budget summary comparing the current year's budget against the 20-21 YEP and original budget, with revenue and expenses broken down. He notes that capital repair and replacement is decreasing since a lot of projects were pulled into the current year, therefore less projects in the coming year. He discusses budget complexities beginning with the status of COVID and the state of Sacramento or campus in the fall being unknown. The long-term effect of last year, building usage, buying patterns, or how students will interact with campus and services, is all unknown. Predicting the bandwidth of HR's ability to fill positions, or what additional resources or dollars WELL expansion might require is challenging. And, although the hope is that compensation study findings are implemented, it is not known what the UEI board will allow as a result of the study, or if an annual compensation package will be allowed for cost of living (COL) or pay for performance increases. Olmsted then discusses revenue variance factors including a decreased return of surplus, increased revenue from tenants returning to campus and areas reopening, and decreases in facility use fees, interest, and programming revenue, which is expected, but to what degree is unknown. Expense variance factors include personnel impacts from vacancies of both full-time and student positions, annual benefit rate changes, and annual salary increase pool, which is projected conservatively at 5%. If the expense is more resulting from the compensation study and overall compensation package being approved by HR, reserves are available to make up the difference. If the implementation happens in phases, the expense is tentatively budgeted in a future year (22-23) to allow for increases. Also, utility rates are increasing and overall usage in the WELL is expected to increase due to expansion.
4. Olmsted reviews a list of vacant positions, which is similar to last year's list with additional openings. He notes that the Assistant Director search is in its final phase, Coordinator of Member Experience search is midway, and the UU Director opening was announced and has been posted for two weeks. Hope to work through rest of positions to get posted and search process completed, onboard mid-late summer/early fall. The estimated savings in wages and benefits, for all positions budgeted for in the current year versus next year, is $95,000 including taxes, benefits and the 10% fee paid to UEI for providing HR services.
   a. Macriss asks to confirm that a COL increase has not been approved, just budgeted for in case it is. Olmsted confirms that is correct and notes that UEI board meetings year were postponed and a decision won't be made until late June. The compensation study results will also be presented at this meeting, to review findings and decide how any changes for the organization might be implemented.
5. Olmsted continues and discussing the impact of the last increase of minimum wage, which will reach $15 per hour January 1 and represents about $200,000 of the budgetary increase due to the amount of part-time staff that the organization has. Regarding benefits, Kaiser and Anthem rates are expected to increase 4.5%, although historical data is lacking and which could result in savings. No increase for dental, vision or life insurance, and only a slight increase is expected on PERS. The total decrease from benefits and PERS is just under $14,000 including the UEI fee. Student wages are expected to increase to an estimated $293,000 as the UU prepares to reopen in the fall, and bringing a large number of students back over the summer. The overall impact of wages and benefits is $603,000, and makes up a large part of the budget to budget difference of $900,000.
6. Olmsted reviews campus cost allocations (CCA), which are fees for services provided by campus such as IRT, public safety and mail, and notes that the difference when comparing budget to budget is not significant. Outside services is projected to increase in both buildings, including utilities which are historically challenging to budget but are starting to be more predictable and some savings are possible. Other outside services (OS)

include the custodial contract for services in both buildings, which is the largest contract the organization has. The current year's budget was projected at $1.2 million, and YEP is very close at $1.02 million. Olmsted explains that the buildings have not been fully open but lots of activity is happening with projects, vendors, occasional special events, and staff working in offices. Custodial has been working almost as much as a regular semester with the shift in focus to certain areas and enhanced cleaning protocols. He notes that the upcoming year's budget accounts for students coming back to campus as well as added square footage in both the recreation and SHCS side of the WELL, and represents an increase of $238,000. Olmsted adds that the custodial contract is put out to bid every few years to ensure the organization is getting the best cost and service possible and to keep pricing competitive. It has come back up in the cycle and the team is looking to put out an RFP (request for proposal) next spring. The total impact of CCA and OS just shy of $300,000. Add that to the $600,000 for personnel, and that makes up the majority of the $900,000 increase.

   a. Mills understands running a deficit budget due to last year, but asks how increases will factor in for future years when cost goes up but the organization is not running a deficit budget. Looking 3-5 years ahead, how will that impact the ability to balance the budget if costs continue to go up. Olmsted understands that costs for services from campus will go up, but there has never been an increase that the organization was unable to keep up with. For utilities, the team feels that, while utility cost has increased over the last ten years, the improvements made in both buildings for energy savings and conservation of energy will level out costs and be more predictable. Olmsted is confident of the organization's ability to keep up. And as things change outside of what was predicted, an area of reserves is available to cover the difference. Farrell adds that the long-range plan includes a 2% increase in expenditures to allow for increases. When a future increase is known, for example minimum wage increase was known five years ago, it is precalculated and extrapolated out each year, and built in beyond the 2% standard increase. The reduction in return of surplus is this year only, but an entry was put in for 22-23 to ensure the same return of surplus isn't anticipated, to make sure the budget is sustainable based on Union WELL Inc. (UWI) policy.

7. Olmsted recaps with revenue budgeted at $10.8 million and expenses at $14.8 million, resulting in a deficit of $4 million.
8. Olmsted reviews the 21-22 capital and plant project lists. Capital projects include two new golf carts, and a variety of new equipment and technology in both buildings. Repair and replacement projects include replacement of a golf cart, and of fitness equipment which is done annually on replacement cycle. The grand total of capital and repair & replacement projects is $596,000
   a. S. Kaur asks if UWI received any HEERF (Higher Education Emergency Relief Fund) funding. Olmsted says it did not, explaining that UWI did not qualify because of the organization's size as it is meshed in with the size of UEI's organization. Additionally, UWI has been able to continue to operate with reserves available and wouldn't want to take funding away from organizations with greater need.

ii. 2021–22 TBU01 and TBU04 Expenditures

1. Olmsted explains that TBU01 and TBU04 accounts are for significant facility projects and replacement of large integral pieces of equipment and discusses project list highlights. TBU04 projects include more work on outdoor hardscaping, UU west bathrooms on all 3 floors, outdoor seating, and scoreboard replacement. The projected grand total of TBU01 and TBU04 projects is $8.1 million.

iii. 2021–22 Long Range Plan

1. Farrell explains that the long-range plan (LRP) is based on headcount projected by campus, which is estimated at 31,000 for the fall, 29,000 for the spring. She shares the LRP spreadsheet and explains the flow of funds beginning with revenue including student fee revenue lines and interest income, resulting in a revenue subtotal of $7.8 million. Adjustments & return to ops of $8 million is removed from the revenue fund, which is much lower intentionally to allow more reserves to stay above line and allowing

use of more below the line by not taking as much return of surplus. That $8 million is drawn down from reserves to revenue, then to operating budget. Also removed from the revenue fund is the bond payment (mortgage) on both buildings. She reviews TBU01 and TBU04 funds that Olmsted spoke of, which is a higher amount than usual due to much larger project lists. She explains that the budget reflects lower return of surplus to cover the major capital projects. She discusses the $4 million WELL construction fund, which is a placeholder that chancellor's office and campus asked for to cover COVID expenses that may impact construction. She adds that those expenses are only predicted to be $100,000, and funds will be released back into reserves once the project completes. The ending fund balance above line is estimated at $9.2 million and will increase once the construction fund releases. Under Campus operations, return of surplus is $8 million, the recreation fee, which is also based on headcount, is estimated at $705,000, and income from operations projection is $1.9 million, which is lower than normally anticipated, and interest income estimated at $177,000. Total income is projected to be $10.8 million. She reviews the breakdown of $14.8 million in expenditures, resulting in a deficit of $4 million. She explains that the $3.7 million surplus from 20-21 allows ability to run this budget one year only, and allow reserves to remain up top to fund larger capital projects. She explains that when expenditures have to be capitalized, the organization needs to be able to the fund local repair & replacement account. The ending fund balance totals $15.5 million in reserves. Debt coverage requires $7.5 million, and the ability to cover six months of the annual operating budget of $14.9 million in order for the budget to be appropriate. Undesignated reserves of $9.8 million will go into completing WELL expansion as well as TBU01 and TBU04. If budget is approved, funding is approved and all projects are done, money will still be available in designated reserve accounts if things go wrong or something breaks. Net income will cover the debt to coverage ratio. Farrell explains that the budget has a solid debt coverage ratio and covers the board policy.

iv. 2021–22 Reserve Levels

1. Farrell shares a recap of reserves including a history of the revenue fund and a breakdown of reserves for property and equipment, repair & replacement and art reserves. Reserves total $19.9 million and is included in the audited financial statement that gets presented to BOD.

Approval 2021–22 Operating Budget, including Capital and Plant Fund Expenditures: **(MSP: Mills, S Kaur)**
Approval 2021–22 TBU01 and TBU04 Expenditures: **(MSP: Anapolsky, L Kaur)**
Approval 2021–22 Long Range Plan: **(MSP: Anapolsky, Pham)**
Approval 2021–22 Reserve Levels: **(MSP: Anapolsky, L Kaur)**

c. Delegation of Authority to Executive Committee: **(MSP: Macriss, Mills)**

i. Since the group won't reconvene again until September, and knowing things happen in between, Olmsted asks the board to agree to designate authority to an Executive Committee consisting of the chair, vice chair, and secretary treasurer, in case something comes up requiring approval.

5. **Reports and Comment**

a. Board Members

i. Pham appreciates the honor and privilege to serve on the board, learned a lot and felt very welcomed.

b. Executive Director/Union

i. Olmsted extends appreciation for everyone's time and commitment to the board over past year. He acknowledges that while it is not a significant amount of time, he appreciates their time each day and values their participation.

c. Facilities & IT

i. Singletary provides updates on facilities and IT projects including the UU south door project, UU west bathrooms, replacement of HVAC pneumatic controls, ongoing chiller maintenance, maintenance of skylight atrium in UU above Ace Sushi, and plumbing drain line repairs in back of house behind ballroom. As buildings prepare to reopen, water will be tested including water fountains and bottle filling stations. Lastly, re-staining and re-polishing of the Redwood Room concrete floor.

1. Mills asks if the UU doors project starts June. Singletary confirms yes, adding that June 15 is the anticipated start date in hopes of being done by end of July. Olmsted notes that materials have been ordered and, as far as he knows, there no issue in supply chain.

d. The WELL

i. Smith states the WELL is continuing in-person and virtual programming. Operations in PS3 continue to go well, with 1300 to 1400 visits per week, and hours will be extended March. Virtual group fitness participation has decreased as students Zoom out and weather is improving, and will be decreasing. The Sac State virtual 5k has been occurring over last two weeks and is a huge success with 440 participants and 98 dogs. Currently the biggest challenge is hiring, with four full-time recruitments coming up and anticipating 150 students needed to open both UU and WELL. Expansion has taken over the entire building with August as the target timeline. PS3 will be closed and a transition period to move back indoors will be decided. Indoor operations will be modified to start because of expansion, but construction crews are working towards being able to open some areas for modified operations.

1. Pham asks where students can apply for job openings. Smith says students can find openings on Handshake, the UEI website, and the WELL website.

6. The meeting was adjourned at 9:10am

Respectfully submitted:

Shubhkawanpr Kaur
Shubhkawanpr Kaur (Sep 15, 2021 12:48 PDT)

Authorized Signature

Sep 15, 2021

Date