

**STUDENT UNION BOARD OF DIRECTORS**

**Finance Committee  
Meeting Minutes**

**May 19, 2020 at 4:00pm**

**This was a telecommuting meeting by Zoom Video Conference**

<b>Voting Members Present:</b>	Sonja Daniels, Charlie Faas, Cynthia Fernandez-Rios, Yissel Reyna
<b>Voting Members Absent:</b>	James Naung
<b>Non-Voting Members Present:</b>	Tamsen Burke, David Alves
<b>Guests Present:</b>	Amy Guerra-Smith, Terry Gregory, Jerry Darrell, Caryn Collopy, Kristine Kirkendall, Debbie Gairaud, Larry Aldama, Winston Adams, Shawn Clark, Donna Teutimez, Kevin Kish, Karyn Liensdorf, Tony Dianda, Schafaris Turner, Ruben Bravo, Matthew Lee, Chelsie Guzman, Kelsey Snook, Erick Campos, Diane Qin, Kim Hagens, Juane Pruitt

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**I. CALL TO ORDER**

Yissel Reyna called the May 19, 2020 Finance Committee Meeting to order at 4:07 pm.

**II. ROLL CALL**

Yissel Reyna asked Amy Guerra-Smith to take a verbal roll call. Amy Guerra-Smith completed a verbal roll call.

**III. APPROVAL OF MAY 19, 2020 MEETING AGENDA**

Yissel Reyna asked for any changes needed to MAY 19, 2020 FINANCE COMMITTEE MEETING AGENDA. Seeing no changes needed, Ms. Reyna asked for any objections to approve the May 19, 2020 Finance Committee Meeting agenda as presented. Seeing no objections, Ms. Reyna noted that the **May 19, 2020 Finance Committee Meeting Agenda was approved as presented by unanimous consensus.**

**IV. APPROVAL OF APRIL 21, 2020 MEETING MINUTES**

Yissel Reyna asked for any changes needed to APRIL 21, 2020 FINANCE COMMITTEE MEETING MINUTES. Seeing no changes needed, Ms. Reyna asked for any objections to approve the April 21, 2020 Finance Committee Meeting minutes as presented. Seeing no objections, Ms. Reyna noted that the **April 21, 2020 Finance Committee Meeting Minutes were approved as presented by unanimous consensus.**

**V. AGENDA ITEMS:**

**A. Presentation of FY 2020-2021 Budget**

Tamsen Burke presented the Finance Committee Members with details of the guiding budget principles and the two different budget proposals providing explanations and reasoning as to how that number was derived. Ms. Burke requested of the Finance Committee, as the budget is presented, to please recognize that there are still a lot of unknown variables that will guide most if not, all of the budgeting assumptions and helped the Student Union to prepare these budget proposals.

Ms. Burke explained that the Student Union learned today that SJSU enrollment numbers are currently at about 23% for incoming students and about 25% for transferring students. Ms. Burke also noted that the Student Union continues to monitor the Chancellor's Office directive regarding CSU campuses holding mostly online classes in the Fall and what does that mean for the Student Union in terms of engagement for three primary facilities on this campus.

Ms. Burke commended the team for being very thoughtful in preparing their budgets and David and Diane from the Accounting team for the endless hours of really tying this budget down into a format that was presentable. Tamsen Burke explained some of the barriers and obstacles and how the Student Union, Inc. is navigating the uncertainties for this budget. Ms. Burke noted that she sent the budget development principles to the Finance Committee. Tamsen Burke explained to the Finance Committee that the budget development principles assisted management on how decisions were made when creating this budget.

Ms. Burke noted that one of the most important things around COVID19 and its uncertainties is that the Student Union value goes beyond the facilities and our intentions are to be open in some format to engage intentionally with our students to make them feel welcomed and a part of this campus.

Tamsen Burke went on to explain in details the various budget development principles noting the highlights as preserving some of the staff positions and student positions with the possibility of a reduction of hours and possible reassignments and to continue to maintain staff benefits at the current levels. Ms. Burke noted that there is a potential to reduced hours based on enrollment and the potential cost savings it would be for these operations.

Ms. Burke noted that the Student Union does not project any revenue for summer or fall, however the Student Union extended an offer to Academic Scheduling the opportunity to use some of the larger Student Union facilities for specific academics to address the social distancing constraints for the potential 15-25% of students who will be on campus. The use of our facilities could provide an opportunity to have some revenue for summer and fall. Additionally, Tamsen Burke noted that another potential revenue source is Athletics' use of our facilities in August – December and then into the new year. The notation is for those two metrics for revenue but understand that this may change based on guidance from the Governor, the University, and public health officials. The Student Union hopes to make 50% of revenue across the three facilities per semester knowing that could be changed base on the status of those facilities.

Tamsen Burke noted another expense eliminated was all merit increases except for the mandated City of San Jose minimum wage increase slated for 2021, also noting that during the fall and spring recesses the Student Union, Inc. reduced student hours to 20 hours per week as they have an option to work up to 40 hours per week during non-academic sessions. Adding that another option is the potential of closing the facilities during these times. Ms. Burke noted that the corporation is already taking a great deal from the staff like time, access, and resources, so the corporation did not eliminate the staff development expense but noted that the team is aware that this is one expense that could be removed to reduce costs further but that the Leadership Team felt it important to continue to recognize our employees and continue with our recognition program because the students and staff are the heart of this organization and one of the most important things during this difficult time is to ensure keeping morale high and keeping our team engaged and feeling valued.

The Student Union, Inc. planned for a hybrid re-opening in July for the Student Union and SRAC facilities. Ms. Burke noted that is now changed to those facilities being closed in July and partially in August being contingent on academics and athletics. The Student Union will continue to keep the Event Center closed from August through December with staff supporting athletics and academics. The Student Union is working on re-opening plans to

support the operations as well as partners returning to the building who are also engaging students and providing services.

As noted earlier, one of the major metrics identified affecting the revenue are enrollment numbers. The budget proposals provided two different budget scenarios; one budget identified a 7% decline in enrollment and the other budget identified a 10% decline in enrollment. Ms. Burke noted that it is important for the Finance Committee to understand that there are so many unknown variables driving this budget which could result in this budget not portraying a fully accurate budget measurements, and that strive to be transparent that this is an evolving dynamic. Tamsen Burke also noted that affecting the revenue is the Student Union will realize an increase in the University cost allocation rate for 20-21 at about \$80,000 which is another cost imposed on the auxiliary. From a business revenue perspective with all the facilities producing no revenue for July and August, with a potential of 25% revenue for September – December, with a hope of reaching 35% revenue for January and February and 65% revenue in March through June. Ms. Burke noted that similar metrics were used for the programs and service areas, and we do not anticipate similar growth for May-June because as we will move into summer camps however, not knowing the state of affairs of COVID19 we indicated realization of 50% of revenue for May and June. Mr. Faas clarified that the Student Union expects zero revenue for summer 2020 and hopes for 50% revenue for summer 2021. Ms. Burke confirmed this clarification.

Ms. Burke indicated that the Student Union does anticipate full payment at the current rate based on a conversation with University partners and continues to work on the leases expiring June 30<sup>th</sup> to create documents that are consistent with the business practices.

Ms. Burke indicated with regards to personnel expenses, even with the reopening plan drafted for the summer we identified a 75% reduction in student employees utilizing mainly the full-time staff to operate the facilities. The staff has had conversations about furlough options given the closures for July and part of August. Ms. Burke noted that she is in conversations with other CSU campuses and with the Student Union attorney to identify best practices for navigating this situation and how to prepare the conversations with staff. Ms. Burke noted that if the Student Union has the capacity to open at some levels in September we will have a reduction of 50% of student employee payroll and hope that we have an opportunity to return to some sense of normal and that reduction would decrease to 25% in student employee payroll for the new year. Mr. Faas inquired what the budget's vision for who is on the campus in September that is potentially using the Student Union? Ms. Burke responded the 15-25% of students on campus but also the San Jose community. Ms. Burke noted that a major revenue stream for the Student Union is the community memberships at SRAC. Mr. Faas noted that SRAC is going to be used mainly by students and if there is only 15% of students on campus for those unique classes combined with the fact that gyms fall in late stage 3 phase, that he does not feel SRAC will open this year with the exception of the pool opening based on his conversations with the Santa Clara County Public Health Officer. Ms. Burke indicated that the SRAC team has a reopening plan that is solid based on data from national organizations that is being presented to the Vice President for Student Affairs to present to the cabinet for consideration.

Ms. Burke noted that the Student Union has capital reserves and investments and that she and David have looked at, as part of some of the revenue, that we would be able to use to offset some of the expenses if we open some of the facilities to allow the growth pattern that we identified for this budget.

Tamsen Burke indicated that the 3Q financials were included to provide an understanding of exactly where the Student Union is with income and expenses. She commended the team for 1Q and 2Q performance at 100% or more in multiple categories. Ms. Burke noted that the PPP money granted continues to help the corporation to pay the employees for the remainder

of the current fiscal year with student employees being paid through May 31st and full-time staff being paid through June 30th.

Ms. Burke noted that there was an \$830k additional revenue error in the previous year budget and noted that this was brought to the Finance Committee's attention in closed session late last Fall. Ms. Burke noted that she is bringing this to the attention of the Finance Committee again because this error continues to create an appearance that we did not save any money this year.

Tamsen Burke noted that the request for student fees with the 7% reduction, reduces the request for student fees of \$10,754,599 which support the operations of the Student Union, Inc. She also noted that all the space leases will remain the same except for the CIES lease will change due to that lease being an escalating lease from year to year. The ATM rentals will see an increase from \$28,000 to \$46,000. We are hopeful that the Event Center will realize a revenue in the 20-21 year based on annual events that we have in the Spring semester but not knowing the future for that facility. Ms. Burke noted that the annual budget projections for 2019-2020 for SRAC Memberships was \$319,000 and at the close of Q2, memberships were at \$580,000. For 20-21 SRAC Memberships revenue budget was reduced to \$295,000. Ms. Burke noted that the total income projection to \$14,842,122.

Ms. Burke noted that the reimbursable expenses are part of the list of uncertainties and explained that the reimbursable expenses are when the University uses one of the Student Union facilities, these expenses are charged back. Tamsen Burke commented that the Event Center staff supports the A/V needs for the entire campus including the Hammer Theater and Morris Daily.

OPEB is the post-employment retirement benefits package will increase to \$300,000.

Ms. Burke noted that with the portion of the building being closed there was a savings on the monthly utilities bills from \$94,000 to \$42,000 per month and that there is a consistent cost with SRAC due to maintaining the pool and the appropriate chemical levels.

Ms. Burke noted that with the 7% decreased enrollment budget proposal, the Student Union will end the year in a deficit of \$1.5million dollars. However, there is a possibility to the end of the year at \$2m net in the positive due to the PPP money award and with the opportunity to offset some of the expenses for next year if there is an option to roll that revenue source from this year into next year. We are currently investigating this option. Ms. Burke noted that in speaking with Cynthia Fernandez-Rios about the budget, she noted that Ms. Fernandez-Rios asked about the Student Union Reserves. Ms. Burke commented that the priority is to offset the expenses and maintain our reserves.

Tamsen Burke indicated that with the 10% enrollment reduction budget proposal, leaves the corporation in a different place, with a \$2.5m deficit and there is a potential that we would need to go in to Reserves.

Mr. Faas inquired about the number for salaries wages and benefits in the 10% enrollment reduction model. Tamsen Burke indicated that the challenge was that we do not show the actual reduction, and this is due to the \$830,000 skewing the previous year's number and revenue and projected expenses. Dr. Daniels posed a question if the current open positions are reflected in these proposals. Ms. Burke noted that the open positions are reflected in the budgets because once we get an idea of where we are and if the Event Center reopens, it will be important to have management in place to operate that facility.

Ms. Fernandez-Rios asked if the travel budget identified was high given the current circumstances and the states' limitation to essential travel only? Mr. Faas agreed that number is high and will most likely be reduced significantly. Dr. Daniels agreed and noted that travel on the state side is limited to essential travel only.

Charlie Faas commented that it would be helpful to see the forecast for this current year-end. Tamsen Burke indicated that it was not included because the Student Union had an unprecedented year, noting that Q1 and Q2 were stellar in terms of revenue and then 3Q and

4Q the revenue opportunity was minimized which created a perception that did not demonstrate a clear analysis year to year under these circumstances. Our goal was to provide a true and fair assessment of operating under the current environment.

Ms. Burke went on to explain that the Student Union has some aging facilities that need attention. Ms. Burke noted that mid-year the Event Center Refresh project was halted. Ms. Burke noted that the Student Union bond was refinanced for a savings of \$1.3m this year that is now sitting in reserves. The capital projects priorities include several projects in the Student Union facility like door replacements, rekeying, and replacing the tall stools in the dining area. Additionally, the microwave pavilion project was included as a basic need. This request came from multiple requests for a microwave pavilion as students, faculty, and staff wait up to 20 minutes to use microwaves. Ms. Burke noted that this is especially needed if Chartwells is not operating and providing food service, students and staff will need to bring their own food. Mr. Faas and Dr. Daniels both indicated that common use microwaves and refrigerators will not happen this year per public health officials' guidelines, as these require a lot of sanitizing and cleaning. Another project in the Student Union is the plenum repair and continue to address fixing the water damage that was done. Ms. Burke indicated that the SRAC capital projects include installing hand dryers, privacy blinds in the administrative offices, and the new SRAC Director does require ADA accommodation and those accommodations request are in the capital projects request. The Event Center capital projects include the Event Center offices renovation to provide Club Sports a home location as well as space for all the student organizations, and the Fire Alarm system is still a way from being completed to ensure that facility is at its required standards.

#### **B. Local Reserves Conversation**

Ms. Burke noted that she sent to the Finance Committee the Student Union, Inc. Reserves policy that was approved by the Board of Directors in April 2019. Ms. Burke asked that the Finance Committee to review these policies and noted that the Student Union, Inc. does hold out a percentage of our reserves for major maintenance, capital repairs and renovation. Ms. Burke also added that the Student Union also holds a portion of the reserves for the Bond debt for both the Student Union and SRAC. In addition, the Student Union does have catastrophic coverage for those and under the worst of situations if there are events or situations that require additional funding from the reserves that support us.

Cynthia Fernandez-Rios asked if the priority for the Student Union, Inc. is to use profits from 2019-2020 to pay for the 2020-2021 deficit before using the money held in reserves? Ms. Burke noted that yes, that is the priority of the Student Union, Inc. Ms. Burke also noted that the Student Union, Inc. does have Local Reserves to support any of the projects. Ms. Burke noted that the Student Union will not consider the microwave pavilion for this year. Ms. Burke noted that it is the Finance Committee's recommendation to the Board to execute any of these special projects as a part of that local reserve fund. Tamsen Burke asked the Finance Committee if there any further documentation or investigation that the Finance Committee would like the Student Union to do to be prepared to make a decision at the next meeting with regards to using the requested Local Reserves to fund the special and Capital projects? Charlie Faas requested to have the projects prioritized to what is critical to get done and what the Student Union, Inc. would like to have done. Mr. Faas noted that he has concerns that the income noted will not be as strong as indicated and that the Student Union will have to go into reserves to cover the gaps going into next year and potentially the next year.

#### **VI. MEETING ADJOURNMENT**

Yissel Reyna asked for any other business to discuss. Tamsen Burke asked if the budget proposals that were presented were on target at the 7% and 10% enrollment reduction. Mr. Faas indicated that those are the enrollment reductions that are expected. Ms. Burke also summarized the areas that the

Finance Committee requested to revisit in greater detail were SRAC Memberships, the \$541K Event Center revenue, the SU Event Services revenue breakdown, the depreciation, and the GASB 45 and the forecast and making sure the bottom of the 10% chart is accurate.

Ms. Reyna asked for any other business to discuss, seeing no other business to discuss, Ms. Reyna asked for any objections to adjourn the May 19, 2020 Finance Committee Meeting. Seeing no objections, Ms. Reyna noted that the **May 19, 2020 Finance Committee Meeting adjourned at 5:20pm by unanimous consensus.**