

**STUDENT UNION BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING**

Meeting Minutes

~~September 20, 2021~~

Meeting Rescheduled for September 27, 2021

4:00 PM

This is a hybrid meeting.

In-person: Student Union Inc. Building, Conference Room 6

Telecommute meeting by Zoom Video Conference.

This meeting was facilitated in person and through an online Zoom format, consistent with the Governor's Executive Order N25-20, suspending certain open meeting law restrictions.

Voting Members Present: Hoon Cho, Dr. Sonja G. Daniels, Charlie Faas, Aarushi Sharma, Soumya Trivedi
Voting Members Absent: None
Non-Voting Members Present: Isaiah Andrews, Anoop Kaur, Joshua Reyes, David Alves, Tamsen Burke
Guests: Patrick Day

I. CALL TO ORDER

Director Cho called the meeting to order at 4:05 p.m.

II. ROLL CALL

Director Cho asked Kelly Goldsmith to take the roll. Kelly Goldsmith completed a verbal roll call.

III. APPROVAL OF SEPTEMBER 20, 2021 MEETING AGENDA

Director Cho asked for a motion to approve the agenda. Tamsen Burke requested the motion to state a correction to the date of the agenda title. The Finance Committee meeting was moved from September 20 to September 27, 2021. The agenda title was not revised to reflect the new date of September 27, 2021 date.

Director Trivedi motioned to approve the Finance Committee Meeting agenda with the corrected date of September 27, 2021; Director Sharma seconded the motion.

Vote on the Motion:

5-0-0

Motion Passed

IV. APPROVAL OF JULY 16, 2021 MEETING MINUTES

Director Cho asked for a motion to approve the JULY 16, 2021 FINANCE COMMITTEE MEETING MINUTES.

Director Sharma motioned to approve the July 16, 2021 Finance Committee Meeting minutes as presented; Director Trivedi seconded the motion.

Vote on the Motion: 5-0-0 Motion Passed

V. DISCUSSIONS ITEMS:

A. Discussion of Local Reserve Purchase - Radios for SRAC and SU Operations

Ms. Burke provided a brief explanation of the request and that this is normally done during the annual budget process. A full inventory was done of the radios and it was discovered that a number of radios needed to be replaced. She explained that we are working towards aligning all of our business practices across the two centers; SRAC and the Student Union building. This purchase would ensure that we have the highest level of efficiency across each center. Ms. Burke thanked Kevin Kish and Shawn Clark for working on the quote from Motorola.

B. Presentation of June 30, 2021 Financials to Date - Operating Cost - Short Term Cash Reserves for Trust Fund Fees Allocation

Dave Alves, Associate Director of Accounting and Finance, reviewed the Cash Flow Analysis document that was presented to the Board of Directors. He provided a brief explanation of each section and that the yellow highlighted areas are agreeing with the audited financial statements. He presented each month starting with July, and identified from the bank statements, what the sources and uses of cash are. For September data, Mr. Alves used a cutoff date of September 10, 2021 for the actuals and provided a forecast for the remainder of September in terms of inflows and outflows. He brought two numbers to the attention of the Board of Directors; the July utility payment which is due in September, has not been made and he does not know the status of the first quarter cost allocation invoice. They are identified in the document because they are actuals from the cost allocation preliminary memo that came out earlier this year. As of October 1, 2021, the expected remaining cash for operations post October 1 to be only \$9,801.

Mr. Alves explained that the forecasted average operational expenses for October, November, and December, to be \$1,344,535 per month. The request is to use \$4,033,604 from the Student Union Inc. trust account to cover second quarter cash requirements for operations.

Mr. Alves answered questions from the Directors which included clarification of the payroll and benefits amount for each month, that USB is our investment portfolio house that we use for managing both short and long term funds, and that LAIF stands for Local Area Investment Fund which is essentially managed by the Controller for the State of California.

C. Student Union Reserve Policy and Financials

1. University held Student Union Fees

2. SUBOD Long Term Reserves and Financials

Ms. Burke explained that the Reserve Policy was approved by the Board of Directors in 2019. The local reserves should be maintained for minor repairs and replacement, economic uncertainty, and working capital. The University held reserves are held on behalf of the Student Union for major maintenance repairs and replacements, capital renovations and upgrades, and catastrophic events. She explained at the time the policy was approved, the estimated replacement value of the Student Union building, Spartan Recreation Aquatic Center, and the Event Center, was \$344 million.

The reserves are broken down into two separate groups. The University held reserves are reserves that are managed as a part of the fees collected by the Student Union. The Student Union will always strive within that account to maintain a minimum of 1% towards major maintenance repairs and replacement, capital renovations and upgrades. For catastrophic events, the Student Union would maintain a minimum reserve of 1% of the total value of replacement of all three facilities with a goal to reach 10% of the total replacement cost of all three facilities. Capital development and projects, the Student Union would strive to have a reserve of a minimum of 0.5% of an annual operating budget with a goal of reaching 3% of it's annual operating budget.

For the funds in the University held reserve, the Student Union has made a commitment of 45% of its remaining fees to major maintenance and repairs, and capital projects, 45% to catastrophic events, and 10% to capital development for new projects. The funds held in the Student Union reserves, which are the local long term investment reserves, the Student Union would strive to maintain a minimum of 25% of the annual operating budget with a goal to reach 50% to allow for growth and opportunity for new innovation and creativity as we meet the needs of students on the campus. Ms. Burke explained the three areas of commitment that the Student Union has recognized for the Student Union reserves long term investments which are, staff salaries, assets within the Student Union buildings, and the retirement and lifetime medical benefits for staff.

First priority of the reserves is the completion of the salary surveys. Anticipating the survey to be completed and results to be presented to the Personnel Committee this first quarter with a recommendation for salary adjustments for all of our staff. The hope is that it would then be approved by the Board of Directors with a mid-year adjustment. The second area is for the replacement and lifecycle of all of the Student Union's equipment and furniture. There is a lifecycle plan in place for the repair and replacement of the exercise equipment at Spartan Recreation. The third area is support of the retirement as well as the lifetime medical benefits that have been approved by the Board of Directors.

Director Faas stated that the furniture and fixtures do belong as a call-out line item in the reserves which he estimated to be around \$500,000. This is a one-time reserve, not an annual reserve. He also stated that anything to do with salaries is in the operating budget and has nothing to do with the reserves. Retirement is accounted for within the financial statements and there is nothing that is unfunded liabilities. Ms. Burke clarified that the exercise equipment, elliptical machines, stair climbers, treadmills, etc. will need to be replaced or repaired over a course of many years. It will not be just a one-time purchase. There is also the functional equipment that typically needs to be replaced after one or two years depending on the use.

Ms. Burke stated that based on the last financial receivable we had from USB, our reserves are \$9 million dollars, not \$11 million dollars to date, September 27, 2021, due to expenses incurred July 2021 to September, 2021. Director Faas explained that he based the \$11 million dollars on the audited financials that were presented June 30, 2021.

The Board of Directors discussed this item and asked questions which included why the Student Union is having to use its reserves when the student fees allocated for the Student Union are in a trust that can't be accessed, the appropriate use of the student fees that were collected, and what is the amount that needs to be spent down in the reserves before the Student Union is able to receive the funds from the trust account.

Director Faas explained that the Student Union has \$10 million dollars in unallocated reserves. He explained that the Student Union fee trust account being held by the University is set aside only for the use through the Student Union facilities that are at the University. It can not be used for other things.

Ms. Burke asked if the expectation of the University is that the Student Union spend down the reserves? What are we doing with the current student fees that were collected for summer and fall? Director Faas explained that all of those fees will be available for the Student Union to use in its normal course of operations after there is an operating agreement, and after some of the reserves have been used.

Vice President Day explained that they have been rethinking spending across the entire institution. There is a significant amount of reserves that are available in the Student Union that are not currently being utilized. His goal is to make sure that the Student Union and all of its programs are able to continue to flourish.

Director Kaur asked by what authority may the University seek reserved assets? Director Faas explained that the University is not seeking any of the reserves from the Student Union. Vice President Day explained that the reserves continue to be governed by Title V and continue to be in the same fund that they would come in to. The University is not taking those funds for other uses. Director Kaur stated that she would stipulate that the University is by asking the Student Union to go into their reserves for operating assets, the University is seeking reserved assets. Director Faas explained that the University is asking the Student Union to spend down the local reserves to an appropriate level and then the University would supplement that use of reserves with the student fee trust account. That will fund this year as Vice President Day stated, then next year it reverts back to a more normal course, the full \$14 million dollars, (estimated operating costs for the Student Union), would get pulled from the Student Union fee reserve account that is on the University side, and that would be funded directly.

Director Faas explained that the Student Union local reserves need to be spent down until there is \$5 or \$6 million dollars remaining. Then the Student Union would be able to access everything fully and completely from the Student Union fee account. This would be the same way going forward. There will be no shortage of activities or funding of Student Union activities and events. No one is talking about cutting or reducing the number of events. Director Faas explained that student tuition and fees all come in through the Chancellor's office and then all the fees reside at trust accounts at the campus level.

Vice President Day clarified that these are Title V funds and that they are restricted. The funds can not be used to build buildings. He also cautioned that when the reserves are too high, it could be perceived that those funds are not being utilized so there is balance that needs to be figured out. He would like to have more activities and programming which would likely require more spending out of the Student Union as opposed to less. The goal is to try and find some balance but there still needs to be some metrics determined to figure out what those numbers need to be. That may take a year or two but it is not a long term process.

Director Faas explained that this year is a hybrid in which the Student Union will spend some of their local reserves. That amount of money will be supplemented by the trust account to get to the \$14 million dollar budget. Next year the local reserves will be down to about five to six million dollars so the entire \$14 million dollars will come out of the trust account for the budget. Ms. Burke asked for the University to put that in writing so that the Student Union has assurance year over year that the reserves is a one-time reduction. Recognizing within the operating agreement that the Student Union does not have the capacity to generate revenue to supplement the long time reserves in the future.

The Board of Directors discussed the salary survey and that the decision will need to be made by the Personnel Committee and through the budget process. Salary increases would be an ongoing liability which would come out of the operating budget and not the reserves. The Commonfund Higher Education Price Index (HEPI) increase was suspended for 2020 and 2021. The HEPI increase is for salary increases which the University and the Student Union have not done the past two years. Also discussed was communication regarding student fees from the Student Union and University, to help students understand what the intention is for those fees and how we can provide additional support for students for the fees that they pay. Vice President Day encouraged the Board of Directors to focus on how to increase support for students.

VI. ACTION ITEMS:

A. Approval Local Reserve Purchases - Radios for SRAC and SU Operations

Director Cho asked for a motion to approve local reserve purchases of radios for SRAC and SU operations.

Director Daniels motioned to approve local reserve purchases of radios for SRAC and SU operations; Director Trivedi seconded the motion.

Vote on the Motion: 4-0-1

Motion Passed.

Yes: Director Cho, Director Sharma, Director Trivedi, Director Daniels

Abstain: Director Faas

B. Approve Annual Fiscal FY 21/22 Audit Report

Director Cho stated this agenda item will be redirected to the Audit Committee for approval and is not part of the Finance Committee. A vote was not needed by the Finance Committee.

C. Approve Recommend June 30, 2021 Financials to Date - Operating Cost - Short Term Cash Reserves Financial Request of Student Union Trust Funds to Cover Operational Expenses during gap between University distribution of Student Fees and signed Operating Agreement

Ms. Burke explained the Student Union would be requesting \$4 million dollars of trust funds to support the operations in the gap between the distribution of student fees and the operating agreement. She clarified that the reserves are not local reserves, these are investments that are required to be secure. Director Faas directed Tamsen Burke, the Executive Director, to start the process of selling \$4 million dollars of long term reserves. Ms. Burke clarified that the Board of Directors have the authority to determine how they will use their reserves.

Director Cho asked for a motion to approve recommended June 30, 2021 financials to date.

Director Sharma motioned to approve recommended June 30, 2021 financials to date; Director Trivedi seconded the motion.

Vote on the Motion:

3-1-1

Motion Passed.

Yes: Director Cho, Director Sharma, Director Trivedi

No: Director Faas

Abstain: Director Daniels

VII. MEETING ADJOURNMENT

Director Cho asked for a motion to adjourn the meeting.

Director Trivedi motioned to adjourn the meeting; Director Sharma seconded.

Vote on the Motion:

5-0-0

Motion Passed

Meeting adjourned at 5:29 p.m.