

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
FINANCE COMMITTEE MEETING
NOVEMBER 18, 2016
MINUTES**

I. Call to Order

The meeting was called to order by Committee Chair, Michael Odinlo at 2:20 p.m.

II. Roll Call

Present	Absent	Staff/Guests
Khusbeen Dhillon, Student Representative (voting)	Ferny Arana, Student Representative (voting)	Tina Jensen Kronqvist, Student Administrative Assistant
Sharon Eichten, University Representative (voting)	Debra Hammond, Executive Director (non-voting)	Jonathan Navarro, Accounting Manager, Accounting & Finance
Brenda Flores, Student Representative (voting)	Farhad Khorasani, Student Board Representative (voting)	
Joe Illuminate, Executive Secretary (non-voting)	Thelmari Raubenheimer, Board Chair (non-voting)	
Michael Odinlo, Committee Chair (voting)	Aleyna Williams, Student Representative (voting)	
Dr. Shelley Ruelas-Bischoff, Student Affairs Representative (voting)		

III. Approval of Agenda

M/S/P (K. Dhillon/B. Flores) Motion to approve the agenda for November 18, 2016.

Main motion passes by general consensus

IV. Approval of Minutes

M/S/P (K. Dhillon/B. Flores) Motion to approve the minutes for October 14, 2016.

Main motion passes 3-0-1

V. Chair's Report

None

VI. Discussion Items

A. Procurement Policy & Procedure

M. Odinlo explained the changes to the policy & procedure since the last meeting.

The new policy and procedure has been further developed and the recommendation is to change the name of the policy from "Purchasing Policy" to "Procurement Policy" in order to be consistent with the terminology the campus utilizes.

Even though the Finance Committee votes on policies and not procedures, the procedure is being

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presented to the committee in order to receive input. The draft policy and procedure has been sent to the management team and Accounting & Finance staff to obtain their feedback too.

The draft policy was developed by reviewing related campus policies. The proposed USU Procurement Policy encompasses the following fundamental principles:

1. Commitment to the maintenance of high standards of performance based on fair, ethical, and professional business practices.
2. Recognition that the development of purchasing policies is to establish efficiencies, transparencies, and safeguards for obtaining the best value in the acquisition of goods and services.
3. Recognition that policies will be in accordance with sound business judgement and practices.
4. Ensure all procurement activities are in compliance with regulations applicable to procurement regarding ethnicity, race, gender, sexual orientation, personal use of information, conflict of interest, advance payments, restrictive specifications, and prohibition of labor abuse.

A key component of the new policy is the encouragement to develop methods for reducing the acquisition costs of low-value purchases where little or no value is added by processing the transaction through the standard procurement process e.g. purchase orders. The principal purchase method for low-value purchases would be the corporate credit card. The increase in the utilization of the corporate credit card for low-value items would reduce the number of purchase orders, invoices, and checks.

According to Deborah Flugum, the Director of Purchasing & Contract Administration for the campus, there is no set minimum or maximum amount for a low-value purchase. The reason is so that the campus and auxiliaries have the flexibility to determine a threshold that best accommodates their particular procurement processes.

However, she stated the campus dollar limit for an authorized low-value purchase is \$10,000. J. Illuminate recommended that the low-value purchase dollar limit for the USU should be less than or equal to \$5,000. A \$5,000 low-value dollar limit would require a change to the Corporate Credit Card Policy to increase the individual corporate credit card transaction limit from \$3,500 to \$5,000.

Based on input from the committee and the USU staff, the following revisions will be incorporated into the Procurement Policy & Procedure:

1. The sentence "Purchase orders processed after goods or services have been ordered expose the USU to negative audit findings" will be changed to "Purchase orders processed after goods or services have been ordered after-the-fact expose the USU to negative audit findings." The campus refers to such purchase orders as "after-the-fact," so it was recommended that the USU use this language too in order to be consistent with the campus terminology.

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2. The requirement for three written vendor quotations should be raised from \$5,000 to \$10,000.
3. Travel-related expenses are exempt from the \$5,000 single transaction limit which is the current practice allowed by the Credit Card Policy.

B. Gift Card Policy & Procedure

M. Odinlo reviewed the proposed Gift Card Policy & Procedure with the committee. Since the previous meeting, the following changes to the policy are being recommended:

1. Reverse the decision to only allow the purchase of gift cards with the corporate credit card based on management team input. This decision created the unintended consequence of requiring the cardholder to physically go to the retail outlet to purchase the cards causing an unnecessary inconvenience.
2. Development of a Gift Card Purchase Request Order Form on the intranet which is required to be completed and approved before a gift card purchase can be made.
3. Add the requirement that copies of receipts for gift card purchases made on the corporate credit card must be provided to the cashier office when the gift cards are turned in to the cashier office for safekeeping.

J. Illuminate explained that Michael Jardinico has developed the Gift Card Purchase Request Order Form on the intranet. The purpose of this form is to centralize gift card purchases so that they can be tracked with a report generated from the intranet. The report will be used to ensure that all gift cards are turned in to the Cashier's Office for safekeeping.

Michael Jardinico has also created a perpetual inventory spreadsheet that Accounting & Finance will utilize to track the physical quantity and dollar amounts of gift cards stored in the Cashier office.

S. Eichten suggested having the USU's internal auditor, Howard Lutwak, review the proposed Gift Card Policy & Procedure.

VII. Action Items

A. First Quarter (3&9) Budget Report

M/S/P (B. Flores/K. Dhillon) Motion to accept the 2016-17 First Quarter (3&9) Budget Report.

Jonathan Navarro, Accounting Manager, USU Accounting & Finance, presented the budget report to the committee. The optimal operating range is 25% of the yearly budget, although limits from 20% to 30% are acceptable. The percentage indicates the total amount of revenue received or the total amount of expenditures incurred for the quarter.

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Summary

The first quarter financial results are positive as evidenced by the following figures:

1. Actual surplus - \$567,316
2. Net Assets - \$1,688,573
3. Cash on hand - \$3,618,788
4. Unallocated reserves - \$397,269, an increase of \$140,469
5. Total revenues and total expenditures within the operating range

Fiscal Year-to-Date Revenues

Total revenues for quarter were \$4,024,902, which represents 26.3% of the revised budget of \$15,312,077.

1. Rental Income - SRC Lockers and Towels (32.5%)

- a. This category is above the operating range. This revenue stream is seasonal with the majority of the sales occurring at the beginning of the semester (late August, early September). It is anticipated that this category should be within the optimal range by December 2016 since sales are typically minimal from October to December.

2. Program Income - Games Room (15.1%)

- a. This account is below the operating range because the Games Room does not open until late August. The revenue stream in this category is generated from billiards, table tennis, and console gaming.

3. Summer Camp Income (47.0%)

- a. This category is above the optimal range because of deferred summer camp revenue carried over from the 2015-16 fiscal year is recorded as actual revenue in the first quarter of 2016-17. The balance of the revenue budget is projected to be received in the fourth quarter when camp resumes operation in May.

4. SRC-Related Income (37.0%)

- a. This category is above the optimal range due to the following reasons:
 1. Deferred SRC income carried over from the 2015-16 year is recorded as actual revenue in the first quarter of 2016-17.
 2. This revenue stream is seasonal with the majority of the sales (e.g. memberships) occurring at the beginning of the semester (late August and September). It is

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anticipated that this category should be within the optimal range by December 2016 since sales are typically minimal from October to December.

5. Interest Income

- a. This category is within the optimal range at 25.8%, but the budget was increased by \$21,000. The interest income generated by the Systemwide Investment Fund Trust (SWIFT) is higher than what was conservatively budgeted.

Fiscal Year-to-Date Expenditures:

Total actual expenditures for the first quarter were \$3,457,586, which represents 22.6% of the revised expenditure budget of \$15,312,077. Salaries, wages, and benefits are 23.4% and operating expenditures are 21.3% to budget.

1. Staff Salaries

- a. The budget for this category was reduced by \$10,003 as a result of the vacancy in the Assistant Director position in the USU Reservation and Events Services department.

2. Hourly Wages

- a. The budget for this category was reduced by a net of \$16,785 due to savings for hourly wages from SRC Fitness & Wellness department:
 - i. The Fitness Supervisor position was vacant until mid-September - \$3,985 savings.
 - ii. The hourly Boxing Supervisor position was converted to student assistant position - \$6,879 savings.
 - iii. Budget was transferred from hourly wages to student wages to fund the Boxing Supervisor student assistant position - \$6,011 savings

3. General Operating Expenses (37.0%)

- a. This category is above the operating range for the following reasons:
 - i. Rental of scaffolding and a crane to install decorative art pieces on the outside of the Oasis Wellness Center.
 - ii. Sunny Days Camp Program Food Costs are seasonal and are typically above the operating range during the first quarter. Summer Camp 2016 ended in mid-August and resumes in May 2017.

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- iii. Advertising Expenses were outside the operating range due to the payment of \$7,956 for “Clear the Air” Sundial Ads on behalf of the University. The University will reimburse the USU in the second quarter for the cost of these ads.

4. Supplies and Services (23.2%)

- a. This category had a net budget increase of \$131,078 primarily due to transfers in from administrative contingencies to Supplies and Services:
 - i. PeopleSoft Upgrade Fee - \$38,829
 - ii. Employers Group Contract - \$23,000
 - iii. Brailsford & Dunlavey Consulting Services - \$64,650

5. Travel (10.3%)

- a. This expenditure category is seasonal and is typically below the optimal range during the first quarter. The following major conferences will take place as the fiscal year progresses:
 - i. Associated Colleges Union International (ACUI) Regional and National conferences
 - ii. Auxiliary Organizations Association (AOA)
 - iii. National Intramural Recreational Sports Association (NIRSA) Regional and National conferences

6. Fees and Charges (19.1%)

- a. This expenditure category is partly seasonal since Merchant (credit) fees for Sunny Days Camp registration does not commence until February. Credit card fees will be monitored to determine if there will be any projected savings by December 2016.

7. Unallocated and Designated Reserves (0%)

- a. Please reference the Unallocated and Designated Reserves Summaries included as part of this package for further information.

8. Grants and Scholarships (34.6%)

- a. This category is above the operating range because the tuition reimbursement for one graduate assistant, the BOD Chair, and the BOD Vice-Chair were paid in August 2016.

9. Expendable Equipment (36.0%)

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- a. The budget for this category was increased by \$77,641 primarily due to transfers in from administrative contingencies to Expendable Equipment for the following items:
 - i. Replacement of bouldering mats for the Rockwall in the SRC.
 - ii. Replacement of trash cans.
 - iii. Office furniture for the Technology & Support Services (TSS) department.
 - iv. Banquet tables ordered by the USU Reservations & Events department.

10. Amortization & Depreciation (18.2%)

- i. This category is below the optimal range because there was only one capital outlay purchase of \$22,431 during the first quarter. The total capital outlay budget is \$289,306. Fixed assets (capital outlay) are amortized or depreciated over their estimated useful life on a monthly basis.

Statement of Changes in Financial Position

1. Total assets are \$4,457,235 of which \$3,618,788 is liquid cash.
2. Total liabilities are \$2,768,662 of which \$2,077,789 is the estimate to pay for the projected medical expenses of current and future USU retirees who are in the Retirement Health Benefits Plan (RHBP).
3. The Net Current Year Activity (actual net surplus) is \$567,316.

Investment Summary

The USU continues to yield positive returns in the money invested in the CSU Systemwide Investment Fund Trust (SWIFT). The USU has earned YTD \$8,432 in interest income.

Reserves

Unallocated Reserves

The strategy put into place in 2015-16 to identify surplus funds in order to increase unallocated reserves has proven to be successful during the current fiscal year since the 2016-17 budget for unallocated reserves is fifty percent of the 2015-16 unallocated reserves budget.

During the first quarter, unallocated reserves were *increased* by \$140,469 from the approved budget of \$256,800 to \$397,269. The largest return to unallocated reserves was \$86,761 from administrative contingencies for the purchase of furniture for the offices on the second floor of the Sol Center (this purchase will not take place). Please reference the Unallocated Reserves Summary included as part of this report.

Designated Reserves

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A total of \$92,855 was transferred to departmental operating budgets during the first quarter for professional staff and management team general salary increases (GSI) and employer-paid payroll taxes. Please reference the Designated Reserves Summary as part of this report.

Capital Outlay

The capital outlay budget is \$289,306. The purchase of the ADA stage lift was the only capital outlay expenditure that occurred during the first quarter.

USU/CSUN Foundation

The total cash balance on deposit at the CSUN Foundation is \$365,130 of which \$290,781 is unrestricted.

Work Study

The USU has received \$10,312 and has expended \$4,067 leaving an unexpended balance of \$6,245 as of September 30, 2016.

Main motion passes 4-0-0

VIII. Announcements

Chair, Michael Odinlo encouraged the members to attend U-Day on December 2, 2016. Matt Eickhoff had informed him that not only student employees, but also committee members, are welcome to attend the events.

He thanked Jonathan Navarro for coming to the meeting and presenting the First Quarter Budget Report.

The committee members agreed to cancel the next meeting on December 16, 2016 so there will be no more meetings scheduled for the fall semester. The proposed schedule for the spring semester will be sent to members before the winter break.

IX. Adjournment

The meeting was adjourned by Committee Chair, Michael Odinlo at 3:36 p.m.

Respectfully submitted by,

Joseph Illuminate
Associate Director, USU Accounting & Finance