

MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Friday, May 9, 2022 – Zoom Conference Meeting

(Exception Made Due to Covid-19 Issues & Campus Safety Precautions)

Members Present: Mr. Scott Apel, Chair Dr. Praveen Soni
Dr. Beth Lesen Mr. Milton Ordoñez
Mr. John Barcelona

Staff Present: Mr. Robert de Wit, Interim General Manager/Controller
Mr. Tom Collier, Accounting Manager
Ms. Marianne Russo, Executive Secretary

Guest(s): Ms. Kristina Randig, Business Manager, Financial Management

A. Call to Order:

The meeting was called to order at 3:05 p.m. by Chair, Scott Apel

B. Approval of the Agenda: May 9, 2022

Motion to accept the Agenda as presented.

M/S Mr. Ordoñez / Mr. Barcelona

By acclamation the Agenda for the meeting of May 9, 2022, was hereby approved as presented.

C. Approval of Minutes: April 22, 2022

Motion to accept the Minutes as presented.

M/S Dr. Lesen / Mr. Ordoñez

By acclamation the minutes of April 22, 2022 were hereby approved as presented.

D. Action Items – Mr. de Wit presented the FY 2022-2023 Budget for review:

- The Shops' budget is based on next year being a transitional and re-building year with post-pandemic activities that would include:
 - Shared Services transition support
 - The need to staff to levels in support of both the Residential and Retail Dining facilities with continued minimum retail dining options until a Master Food Plan is developed.
- Key Drivers & Business Impact –
 - Campus has planned for 90% of fall semester classes to be back in person.
 - Residential Dining volume was budgeted at 90% occupancy for 2,700 students.
 - The Retail Dining budget assumes the Nugget re-opening during the next fiscal year.

- Campus Contributions of \$2.1 million with donations subject to review and approval by the committee and the Board.
- Continued closures of the following areas/departments:
 - University Dining Plaza building
 - Shops Catering Department
 - Concessions
 - Carpenter Performing Arts Center is currently being serviced through the Outpost with over \$91,000 in projected sales.
- Vending contract minimums have not been reached through this past year as they require \$5,500 per week in sales over a full semester.
- Key Drivers – Wage Administration
 - No formal California minimal wage increase while \$15.00 an hour as of January 2022 remains in place.
 - Labor scope creep, retention and hiring concerns with the current job market as most newly hired employees are at a starting \$16 - \$18 an hour.
 - A 4% salary increase was factored into the budget with a potential salary compression impact.
 - Outpost Bond interest expense of \$128,025 plus an annual principal payment of \$105,000 that is billed through the Chancellor’s Office.
 - An estimated 5% investment return has been included.
- Key Activities – Retirement Benefits
 - An estimated \$1 million pay down is planned for CalPERS that would cover the \$500,778 minimum unfunded liability expense due by July 30, 2022, along with the prior Board approved annual payment of \$500,000.
 - A fall Actuarial Report is pending with a possible reversal of fortune from recent investment market downturns.
 - The VEBA Account is now considered fully funded and an annual \$400,000 withdrawal has been included in the Operating Statement for the retiree medical expenses.
- General Assumptions –
 - Executing to contracts in place
 - All known rate increases accounted for including annual insurance/contributions, increases for property, workers compensation, PERS and liability along with campus allocations for EO-1000 and utilities.
 - Health insurances rates remain flat through next year.
 - Enrollment flat when compared to Fall 2021 numbers with 39,700 projected.
- Summary Operating Statement
 - Sales are conservatively budgeted at over \$28 million for the 2022-2023 fiscal year.
 - The Shops could see a \$5 million actuarial credit based on the CalPERS, UIP and VEBA Actuarial assessments pending final Year-end investment balances

Motion to approve the Operating Budget FY 2022-2023 with a negative Operating Contribution of \$363,449 and a negative Net Contribution of \$116,551

M/S Dr. Lesen / Mr. Ordoñez

By acclamation the Operating Budget for FY 2022-2023 is hereby approved and will be forwarded to the Board of Directors for approval

- General & Administrative Budget:
 - Shared Services Staffing includes a new Chief Financial Officer hire with an additional \$200,000 allocated for part-time labor beyond current limited core staff.
 - This would be specifically in the departments of IT, Accounting and HR to help absorb the Shared Services transition workload.
 - No Executive Director allocation budgeted at this time in coordination with ASI Budgets.
 - Net Zero budget for retiree medical premiums with \$400,000 being reimbursed from the VEBA account.
 - Traditional business costs have been re-instated for activities such as Board meetings, Employee Appreciation events and in-kind donations.
- Campus Contributions
 - Mr. de Wit reviewed the list of annual corporate donations that are required to be approved if they are above \$2,500:
 - Shops Student Employee Scholarships: \$10,000
 - Presidents Scholars Cash Donation: \$10,000
 - 49er Shops Textbook Scholarship: \$10,000
 - Student Emergency Fund: \$5,000
 - Guardian Scholars: \$2,750
 - BIG – SMIF Bloomberg Terminal: \$26,500

Motion to approve the FY 2022-2023 Corporate Donations over \$2,500 as specified above

M/S Dr. Lesen / Mr. Ordoñez

By acclamation those approved corporate donations for FY 2022-2023 are hereby approved for recommendation to the Board of Directors

- Capital Funding Request:
 - The Shops do not have any unbudgeted items for approval from last year's budget, with current year expenditures of \$94,384 for:
 - Caffeine Lab Opening
 - Safety Compliance
 - For the 2022-2023 fiscal year, the Shops are requesting capital funds of \$680,584 for projects that are mainly contingency based:
 - Moving Great Plains to the Cloud
 - Replacing and Upgrading Servers
 - Possible facility and elevator repairs
 - Replacing analog security cameras with new digital equipment
 - Covid related air filters

Motion to approve the Capital Funding request for 2022-2023 in the amount of \$680,584

M/S Dr. Lesen / Mr. Ordoñez

By acclamation the Capital Funding FY 2022-2023 are hereby approved for recommendation to the Board of Directors.

- Reserve Planning
 - Mr. de Wit recommended that monies be designated as assets without donor restrictions in the amount of \$8,789,397.
 - Priority 1 items would include any committed and incurred liabilities that are non-asset backed and break down to the following:
 - Working capital at 8% of operating expense at \$1,126,831
 - Annual Capital Replacement projects at \$680,584
 - Beach Club Student Held Funds at \$500,000
 - Pre-Retiree Sick Pay at \$520,000 for the pre-1989 staff plus CalPERS invested pre-retirees
 - Cal PERS unfunded liability at \$2,382,218 as per the most recent CalPERS actuarial assessment
 - AORMA Unemployment Insurance Premium to be paid in full 2021-2022
 - Beach Investment Group at \$622,233
 - Priority 2 items would include incurred and asset-backed contingency liabilities whose designation could be subject to a holdings limit for the following item:
 - SRB Funding for the Outpost at \$2,985,531 (Current bond liability)
 - At this time there are no available funds for any Priority 3 items.

Motion to approve the Reserve Designations of \$8,789,397 for FY 2022-2023

M/S Dr. Lesen / Mr. Ordoñez

By acclamation the Reserve Designations for FY 2022-2023 are hereby approved for recommendation to the Board of Directors.

E. Adjournment

- There being no further business, the meeting was adjourned at 4:11 p.m.