

MINUTES

BEACH SHOPS, INC.

BOARD OF DIRECTORS MEETING

September 15 – Karl Anatol Center Conference Room

Members Present:

Dr. Beth Lesen
Milton Ordoñez
Mitali Jain

Jeremy Harris
Dr. Praveen Soni
Alvin Tu

Dr. Virginia Gray
John Barcelona

Absent:

Scott Apel Teresa Falcon

Staff Present:

Dr. Miles Nevin, Executive Director
Gordon Copley, Chief Financial Officer
Rosa Hernandez, Associate Executive Director of Administrative Services
Sylvana Cicero, Associate Executive Director, ASI
Cyndi Farrington, Director of Bookstore Services
Alfredo Macias, Director of Residential Dining Services
Tom Collier, Accounting Manager
Idris Aydin, Director of Finance, ASI

A. Call to Order:

The meeting was called to order at 10:35 a.m. by Dr. Lesen, Vice-Chair.

B. Approval of the Agenda: September 15, 2023

Motion to accept the Agenda as presented.

M/S Dr. Soni / Dr. Gray

By acclamation the Agenda for the meeting of September 15, 2023 was approved as presented.

C. Approval of Minutes: May 9, 2023

Motion to accept the Minutes as presented

M/S Dr. Soni / Dr. Gray

By acclamation the minutes of May 9, 2023 were approved as presented.

D. Public Comment:

- There was no public comment given.

E. Board Chair's Report:

- Campus Updates:
 - Dr. Lesen discussed the recent Board of Trustees vote to raise tuition by 6% for all CSU campuses every year for five years starting in the 2024-2025 academic year.
 - Our campus will continue to work to support students who face financial difficulties because of this decision through our programs, scholarships and resources.

- She mentioned that Enrolment Services would be moving into the Student Affairs department and that transition would be continuing through the end of this semester.
- Bylaws Reviews
 - Dr. Nevin discussed that the Shops were looking to update our Bylaws to encompass some recent changes such as:
 - Under the Standing Committees section, there was a recommended edit that committees will assign an alternate Chair which will allow these meetings to still be conducted and quorum achieved in the event the Chair was unable to attend.
 - Mr. Harris suggested that may want to see about the possibility of assigning Vice-Chairs to all committees as a way to confirm which could be another workaround and Dr. Nevin agreed that this would be a good solution as well.
 - Updating General Manager/CEO to Executive Director
 - Inclusion of the dba “Beach Shops” under the 49er Shops title
 - These updates would be sent to the Board members for their review to discuss and potentially approve at our next meeting in November.

E. Audit Committee Chair’s Report:

- Mr. Harris reported that the Audit Committee met on Friday, September 1st, to discuss the year-end Audit report findings with our new Auditors, Aldrich Advisors.
 - While the report was delivered to the committee as scheduled, it was 95% completed as there were some additional financial updates that had come in late into the Audit process and to which Mr. Copley would be reviewing this new information with the Board in his 4th Quarter year-end report presentation.
 - As such, there was a recommendation that the action item for the Audit report be pushed to after the financial year-end review as these updates would be explained more in-depth within the context of that report out and the Board members agreed.

F. F&I Committee Chair’s Report:

- Mr. Copley presented the 4th Quarter 2022/2023 year-end review presentation:
 - In review, 2023 financials reflected challenges that come with an operational system re-start, however, it was also a year that included several accomplishments such as:
 - New Residential Dining contract agreement
 - Re-opening of the Nugget Grill & Pub
 - Beach Hut re-opening with the Amazon Just Walk-Out Technology
 - Establishment and branding of the Student Auxiliary Enterprises as part of our Shared Services project.
 - There were also several achievements done through the Finance & IT departments that included but were not limited to the following:
 - Transitioning the Shops to a traditional calendar report system
 - Complete revision of our financial statement format to reflect Security Exchange Commission best practices design.
 - Successful RFP process for new auditors which resulted in our partnership with Aldrich Advisors.
 - Accounting principal shift for ASI from GASBE to FASBE creating significant savings and simplification for years to come.
 - Creation and implementation of the Student Auxiliary Enterprises (SAE) cost-sharing program.
 - Financial Statement changes of significance that impacted the Audit results:

- New recognition of prior period loss of roughly \$350,000 from 2016 due to an Outpost bond refinancing.
 - Mr. Copley notified the Chancellor's Office about this discrepancy, and they recommended that the loss would need to be recognized in our financials.
 - ❖ This change will also affect the carrying cost of the bond along with the net assets that are reflected on the balance sheet.
- Additionally, there was a recognition of an additional \$729,000 CalPERS non-cash expense due to updated actuarial information that came in July 2023 and coincided with the Shops year-end.
 - It was identified that a net \$1.4 million of the total \$5.8 million in non-cash CalPERS adjustment dated June 30, 2023, should now be reported as a prior period adjustment which leads to a reduction in the current year overall accrual loss and corrects our prior year asset fund balances reflecting last years' portion of the change in valuation.
- Statement of Operations Review – Full-Year 2023 versus Full-Year 2022
 - Full-year 2023 financial statements reflect a return to normal operations with an 18.1% increase in revenue over 2022, especially for Residential Dining, Retail Dining and Convenience Store areas.
 - Gross Profit percentage improvement was seen in the Bookstore division with the marketplace shift from textbooks to higher margin goods.
 - Subsequently, Operating Expenses were up as we staffed to meet the demand and volume associated with volume increases.
 - G&A swing reflects the \$2.7 million favorable actuarial estimate in 2022 and the \$4 million unfavorable estimate discussed for full-year 2023.
 - To help the Board members, Mr. Copley reviewed a pro-forma adjusted statement with the non-cash adjustment pulled out and isolated.
 - Investment marketplace for the full year reflects more stability than has been seen over the past years.
- Performance to Budget – 4th Quarter Year-End 2023
 - Financial results from this past year reflect a return to full operations which yielded a 2% favorability to revenue with mixed results between the divisions.
 - Gross Profit percentages increased by .8% that was primarily due to the Bookstore's favorable shift in mix even with the significant inflationary environment that occurred within the marketplace
 - Additionally, Credits & Revenues were favorable with the higher level of graduation related sales.
- Capital Expenditures – Year-End 2023
 - The Shops came in below budget at around \$544,000 for Capital that included the following items:
 - Fourth quarter costs were \$25,000 for Bookstore building improvements and \$19,000 for Symphony upgrades and the re-opening of the Beach Hut.
 - Bookstore 3rd Quarter spending of around \$8,000 for air purifier equipment along with the Beach Hut Flooring and Caffeine Lab upgraded water filtration systems which cost around \$19,000.
 - Elevator ADA improvement deposit of \$8,000 from the 2nd Quarter along with PCI system compliance and security upgrades totaling \$39,000.
 - In the 1st Quarter there was an expenditure of around \$21,000 for upgrades to the Residence Dining Halls security cameras.

- Investment Results – Year-End 2023
 - Overall, economic and marketplace investment returns over the last two years have proven to be remarkably volatile, although the 4th quarter, including June, saw some strong results.
 - Morgan Stanley saw annual investments gains of 10.7% totaling \$940,000 and the BIG student group was also up 10.2% resulting in about \$58,000.
 - VEBA Trust was up by 8.5% or \$435,000 for the year.
- Financial Statements Overview – Year-End Full Year 2023:
 - When reviewing the Balance Sheets, cash balances have increased year-to-date from 2022 which is a favorable development, however, we have seen increases in A/R so collections will be a focus moving forward to help better support these balances.
 - Accounts Payable has also increased, which indicates a future use of cash.
 - Current and total assets have grown since the prior year’s end due to cash balances and small increases in inventory across the board.
 - Cash Flow Statement:
 - The Shops’ net contribution is down from the prior year primarily because of the Non-Cash CalPERS adjustment previously discussed and the PPP funds that had been received in 2022.
 - Additionally, the Shops’ net cash as a result of the Operating Activities demonstrates positive operational performance overall.

Motion to accept the final year-end Audit Report financials as recommended by the Audit Committee

M/S: Ms. Jain / Mr. Harris

By acclamation, this was hereby approved as presented

G. Executive Director’s Report:

- Shared Services Updates:
 - Mr. Copley reviewed a Student Auxiliary Enterprises project that had been discussed with the F&I Committee previously about how the Shops and ASI had gone through the process to upgrade the General Ledger system for both organizations as a part of Shared Services.
 - To provide a bit of context both accounting teams were running on two separate semi-functional systems, both of which were outdated and no longer supported.
 - In terms of the selection process, the goal was to find a system that would be from this century, compatible with Cloud Technology, more cost-effective in terms of price, value and performance, along with being user-friendly as to minimize operational disruptions.
 - After reviewing 3 different competitive bids, the obvious choice was Microsoft Dynamics 365: Business Central.
 - ❖ This new system should be completely integrated for both organizations in about 4 to 5 months.
 - Dr. Nevin discussed that on the Facilities front, we have assumed the management of the Residential Dining Halls maintenance.
 - In the past this has been done mostly by Housing’s facilities team but Arnecia and our staff and stepping in to really take on the preventative maintenance tasks to keep these locations running at full speed.
 - Additionally, the next big Shared Services cost sharing project will be under facilities as we are looking into a shared custodial vendor contract for both the Shops and ASI locations.

- In terms of Human Resources, the following activities were reviewed:
 - We are currently in the process of hiring a new Human Resources Manager for ASI to provide more support overall to our HR staff.
 - An Employee Compensation Review is set to begin soon for both ASI and the Shops that was overdue for both organizations because of the pandemic.
 - This is scheduled to be done through the fall semester to hopefully have results and a final report available for review with the Personnel Committee and the Board at the beginning of next year.
 - Additionally, our HR teams recently finished a comprehensive review to implement and align both organizations' medical benefits through Alliant as we lead up to Open Enrollment scheduled for October.
- Beach Shops Rebranding
 - The re-branding efforts have been going very well and have been well-received throughout our campus community.
 - Moving forward there are still some assets that need to be updated to which Rosa and the Communications team are continuing to work very hard on transitioning accordingly.
- Status of Operations
 - On the Bookstore Services side, Ms. Farrington and Dr. Nevin provided the Board with an overview of the campuswide Equitable Textbook Access Program (ETA) initiative we anticipate launching for fall 2024.
 - This began with a review of the ETA website updated with not only pertinent information about the program but also includes FAQ sections, a Powerpoint presentation and Executive Summary.
 - This site is a work in progress as we continue to incorporate feedback and more information asked by shareholder groups that we have been engaged with around our University.
 - The Bookstore has seen a greater demand from students for digital courses materials especially in the advent of the pandemic so ETA would be the logical next phase in the evolution of textbook delivery in in the most affordable, convenient and sustainable way possible.
 - Several universities, such as UC Davis, San Diego State and Cal Poly Pomona, have successfully adopted this kind of program and we are working with them to ensure that this will be a smooth adoption process for our student and campus community.
 - The Board members asked questions and provided their suggestions and feedback about this program which in turn will be used in terms of discussing this program with different campus groups in the future.
 - As for next steps, Ms. Farrington and Mr. Ovalles will be meeting with ASI's Student Senate to discuss and receive a senate resolution in support of this program moving forward.
 - Additionally, Ms. Farrington discussed a relatively new activity in which the Bookstore management is working with different campus departments to not only help them source and sell their merchandise in our store but also provide them with 20% of the total sales from these items to help support their overall goals.
 - In terms of Residential Dining, Mr. Macias discussed that he and his team were working with the campus' Sustainability department on a Food Waste Reduction campaign that would happen in the next month.

- Last academic year, we conducted a Food Waste study and discovered that within the span of a month there was roughly around 15,000 pounds of food waste discarded by students who ate at our Dining Halls.
 - This campaign is designed to make students aware of the environmental issues surrounding food waste and challenge them to actively reduce this waste by 20% over the month of October which also happens to be Campus Sustainability month.
 - ❖ If that goal mark is successfully achieved, then 100 students will be randomly chosen to attend a Sushi event.
- Also, they have been partnering with Housing to open the Dining Halls to allow students to study during some of the heatwave issues that were seen in the beginning of September which is working out well.

F. Adjournment

There being no further business, the meeting was adjourned at 12:15 PM