

MINUTES

FORTY-NINER SHOPS, INC.

BOARD OF DIRECTORS MEETING

Friday, February 24th – Zoom & In-Person Conference Room Meeting

(Exception Made Due to ongoing Covid-19 Safety Precautions)

Members Present:

Dr. Beth Lesen

Dr. Wendy Reiboldt

Mr. Jeremy Harris

Dr. Praveen Soni

Mr. Isaac Julian

Ms. Diamond Byrd

Ms. Mitali Jain

Absent:

Mr. Scott Apel

Mr. Milton Ordoñez

Staff Present:

Dr. Miles Nevin, Executive Director

Mr. Gordon Copley, Chief Financial Officer

Ms. Rosa Hernandez, Associate Executive Director of Administrative Services

Ms. Sylvana Cicero, Associate Executive Director, ASI

Ms. Cyndi Farrington, Director of Bookstore Services

Mr. Alfredo Macias, Director of Residential Dining Services

Guest(s):

Mr. Andy Price – Graystone Consulting/Morgan Stanley

Beach Investment Group (BIG) Class and Dr. Peter Ammermann

A. Call to Order:

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

B. Approval of the Agenda: February 24, 2023

Motion to accept the Agenda as presented.

M/S Dr. Reiboldt / Dr. Soni

By acclamation the Agenda for the meeting of February 24, 2023 was approved as presented.

C. Approval of Minutes: December 9, 2022

Motion to accept the Minutes as presented

M/S Ms. Jain / Mr. Julian

By acclamation the minutes of December 9, 2022, were approved as presented.

D. Public Comment:

- There was no public comment given.

E. Time Certain Presentations:

- Beach Investment Group (BIG) class presentation:
 - The students reviewed their 2022 Annual Report presentation for the Board.
 - They discussed that due to the unstable geo-political market and threat of

inflation, their group had to navigate through a significant amount of volatility this past year.

- These unprecedented circumstances resulted in serious adversity across various asset classes that predicated sticking to diversifications and re-balancing throughout the year.
 - ❖ Even through this financial adversity, they were able to ride the year over their composite benchmark yielding a Portfolio Beta increase of .82%.
- The current year of 2023 is also looking to be another financially historical year as we continue into more uncertain economic landscapes potentially shaped by the following:
 - A fight for inflation as the Feds have re-iterated that the interest rates will stay higher for longer and forecasting that there will be no rate cuts at all this year.
 - The Labor Market could remain soft with the potential of the unemployment rate moving higher even when inflation begins to subside.
 - The Yield Curve is the most inverted it has been since the 1970's and corporate earnings are expected to move down throughout the year as pressure on margins build and greater risks amount.
- Mr. Andy Price – Morgan Stanley
 - Mr. Price provided an overview of the Shops portfolio as of December 31, 2022, along with providing a Capital Markets commentary.
 - Mr. Price agreed that financially 2022 was quite a tumultuous year due to several factors that had been discussed by the BIG group in their presentation.
 - This resulted in a loss of around 17.18% that came in below their benchmark for the year.
 - He discussed that it was their belief that S&P 500 earnings were going to come in much lower than anticipated throughout 2023 as revenues and profit margins continue to get squeezed from consistently higher costs like interest rates, wages, materials and taxes.
 - Additionally, he cautioned that they are seeing certain factors like the PMI below 50 that are recession indicators, however, they are being largely ignored.
 - As such, their forecast is that inflation will remain closer to 3% and corporate earnings will be down greater than 10% which goes against the previously asserted “Goldilocks” scenario that many had anticipated for this year.

F. Board Chair's Report:

- Campus Updates
 - Dr. Lesen discussed that the Board's annual Spring Retreat would be held on Friday, April 14th at the Grand Hyatt Regency Resort & Spa in Huntington Beach.
 - This option was decided upon since it was more cost effective overall and closer to the campus.
 - Dr. Nevin added that this will be a one-day retreat on Friday, April 14th, with a full day of meetings ending with a group dinner that evening.
 - The agenda will be focused on strategic planning, board member

transition, orientation and team building.

- ❖ A request was made to have the meetings start at 9am that day if possible since some Board members lived farther away from the venue than others.

G. F & I Committee Report

- 2nd Quarter 2021-2022 Financial Review – 2nd Quarter financials align consistently favorable to our conservative budget numbers created.
 - Sales are up \$206,000 or 2.7% favorable to budget in most areas.
 - Retail Dining did report negative numbers, however, this will be potentially moving in the right direction with the recent opening of the Nugget.
 - When comparing year-to-date figures, sales are up over \$3 million or 26.9% from 2022 because of increases in Residential and Retail Dining along with the Convenience Stores.
 - Operating and G&A expenses are up around \$140,000 and \$4,000 respectively to budget.
 - This is primarily due to lower employee counts that yielded more favorable Labor and Benefit spending which resulted in a positive operating income of \$476,000.
 - While the investment marketplace still remains volatile, there was an investment gain this quarter of \$375,000 which will hopefully remain the same for the third quarter.
 - Overall net contribution is \$1 million for this quarter yielding an amount of \$740,000 favorable to the budget numbers.

Motion to accept the 2nd Quarter 2022-2023 Financial Review as recommended by the F&I Committee

M/S: Ms. Jain / Ms. Diamond

By acclamation, 2nd Quarter 2022-2023 Financial Review was hereby approved.

H. Personnel Committee Report

- Report on HR Policy Updates:
 - Mr. Harris, our committee Chair, discussed that the Personnel Committee recently conducted a meeting on Friday, February 17th, for the annual review of the Human Resources Policies which included:
 - Wage and Salary Plan Changes that addressed updated salary grades
 - The upcoming annual Evaluation Process and compensation strategy when looking at salary increases
 - The updated Open Enrollment Rates
 - Revisions to the Employee Handbook from recently passed laws and guidelines
 - The Injury and Illness Protection Program that would now include our Covid-19 Response Plan.
 - Org Chart reviews especially from the perspective of the Shared Services Program which is now fully under way.

Motion to approve the review and updates to the Human Resources Policy as recommended by the Personnel Committee

M/S: Ms. Jain / Ms. Diamond

By acclamation the Human Resources Policy review was hereby approved.

I. Nominating Committee Report

- Dr. Lesen reported that this committee met on Friday, February 10th, to review three Board positions that are vacant or coming up for review:
 1. Staff Member position
 2. Faculty Member position
 3. Student at Large position
 - For the position of Staff Member, Mr. Milton Ordoñez has expressed interest in continuing for a 2nd term with the Board of Directors.
 - Dr. Reiboldt is sadly approaching the end of her 3rd term so her position will need to be replaced with a new faculty member.
 - A request for applications was sent to the Academic Senate Chair, Pei-Fang Hung, and the committee would be interviewing candidates at their March meeting to provide a recommendation to the Board at the April meeting.
- There was a potential candidate for the Student-At-Large position, Mr. John Barcelona, and he was interviewed by the committee.
 - The committee agreed that they would recommend Mr. Barcelona to the Board for the Student-At-Large position.

Motion to recommend Mr. Milton Ordoñez for the Staff board member position and Mr. John Barcelona for the Student At Large board member position

M/S: Ms. Jain / Ms. Diamond

By acclamation, these Board member positions were approved as presented.

J. General Manager's Report:

- Dr. Nevin reported out on the following activities:
 - The Shops have recently been reviewing the contracts and leases for the following areas:
 - Beach Hut location
 - Beach on 2nd Street
 - Our new Residential Dining Agreement with Housing
 - When looking forward at long-range planning, he discussed the Shops desire to rebrand along with doing a thorough analysis of equitable and inclusive access for students to receive their leaning materials digitally.
 - These items would be discussed further as part of the Board Retreat agenda being putting together.
 - Ms. Cicero provided an update to the Future U Project:
 - ASI received over 5,500 completed surveys in total for this project and they are currently analyzing the data from these along with their engagement activities which provided around 15,000 impressions.
 - Dr. Lesen commended Ms. Cicero and her team for how well this alternative consultation process had been successfully handled.
 - In terms of Shared Services, he and the Senior Leadership Team had been reviewing the following activities:
 - The Cost Sharing Model is being formalized and would include Shared

- Purchasing as part of it.
 - Moving forward, they anticipate building in more shared staff events to their respective budgets for next year.
 - Future Service Department integrations are being finalized for the Human Resources, Accounting and IT departments.
 - These would be occurring over the next few months, however, there were no defined dates to share with the Board currently.
- Additionally, he highlighted a few upcoming events:
 - The Grad Fair was happening at the Bookstore the week of March 13 – 16th and this is always a very large and well attended event where the students can start looking at purchasing graduation essentials for the commencement ceremonies in May.
 - The campus was planning a Day at the Beach open house event on Saturday, April 15th, and both the 49er Shops and ASI would be participating in this event with many of our locations open that day.
 - Additionally, we would be donating all of the t-shirts for event volunteers who work that day.

K. Adjournment

There being no further business, the meeting was adjourned at 12:33 PM