

MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Tuesday, May 2, 2023 – Corporate Conference Room

Members Present: Mr. Scott Apel, Chair Dr. Beth Lesen
Mr. Milton Ordoñez Ms. Mitali Jain

Absent: Dr. Praveen Soni

Staff Present: Dr. Miles Nevin, Executive Director, 49er Shops and ASI, Inc.
Mr. Gordon Copley, Chief Financial Officer, 49er Shops and ASI, Inc.
Mr. Tom Collier, Accounting Manager, 49er Shops
Mr. Idris Aydin, Director of Finance and Administration, ASI, Inc.

A. Call to Order:

The meeting was called to order at 2:08 p.m. by Chair, Scott Apel

B. Approval of the Agenda: May 2, 2023

Motion to accept the Agenda as presented.

M/S Ms. Jain / Dr. Lesen

By acclamation the Agenda for the meeting of May 2, 2023, was hereby approved as presented.

C. Approval of Minutes: April 21, 2023

Motion to accept the Minutes as presented.

M/S Ms. Jain / Dr. Lesen

By acclamation the minutes of April 21, 2023 were hereby approved as presented.

D. Action Items – Mr. Copley presented the FY 2023-2024 Budget for review:

- He explained that next year’s budget would represent a stabilization of operations taking into account re-opening this year with traffic on campus that hasn’t been seen since 2020.
 - This would include staffing back to levels to help provide the support to students and services for our campus community.
 - Additionally, inflation has already impacted our cost of goods and labor numbers and that is anticipated to continue into this next fiscal year.
- Since this is the first budget Mr. Copley has done for the Shops, he presented his 5-phase planning process:
 - Phase 1 involves prepping the system that collects the budget data along with development and training of departmental managers.
 - Phase 2 is a departmental round-one of putting these budget data totals together which lasts around 27 days.

- Phase 3 consists of a presentation and review of the departmental managers and their Directors with the Accounting Manager, Mr. Collier, and Mr. Copley to personally review the plan and provide more feedback about potential adjustments that could be made for the final budget numbers.
- Phase 4 marks the departments' round-two of budgeting to detail plans based on the feedback from the meetings so that financial numbers can be finalized.
- Phase 5 is what we are currently in, which is the formalization of these budget figures to present and review with the F&I Committee for recommendation to the Board.
- Key Assumptions:
 - In terms of volume, enrollment on campus is anticipated to remain flat to the current year with the prevalence of virtual and on-site classes being factored into traffic.
 - Residential Housing occupancy expected to stay at current trends.
 - Additionally, the Bookstore has been seeing a consistent decline in physical textbooks sales which is anticipated to continue into next year.
 - the following is expected when reviewing rates for this upcoming year:
 - A newly negotiated increase was put together for the Residential Dining Meal Plans.
 - With inflation costs increasing, we are anticipating increased utility and insurance costs along with the fact that this is creating headwinds for the gross profit margins.
 - The inclusion of all current and open positions are assumed within the budget along with the corresponding budgeted benefits divided by division and employee type.
 - An additional amount was added for a potential minimum wage increase as that has been the trend in California over the past several years.
 - There are plans to put a temporary hold on a directive that the Board put in place several years back to paydown the CalPERS liability, however this could be re-instated if financials turn out to be better than we have anticipated with this budget.
- High-Level Overview for 23-24 Budget:
 - We are anticipating an overall revenue increase across all divisions but primarily from Residential Dining.
 - A minimal gross profit percentage improvement will be driven by the Bookstore's blend switch from textbooks to higher-margin retail merchandise.
 - Payroll increases will occur due to partial staff within the forecast as opposed to the full staff allocated in the budget.
 - As part of this, the G&A departments will be operating at full staffing to better support the operations through this next year.
 - This also includes the potential budgeted numbers if California does increase minimum wage again.
 - Due to the year-end \$5.1 million CalPERS liability adjustment, we are anticipating a negative net contribution for next year.
- 5-Year Trend Financial Review
 - Overall revenue has increased due to higher occupancy rates over the past two years along with the recent Residential Dining rate increase.
 - Gross Profit percentages should show minor increases as we continue blend shift from textbooks to retail merchandise in the Bookstore plus commission and revenue sales.
 - Gross Profit percentage increases do pose a potential for risk in our budget.

- Operating income percentages have increased over the past two years and show efficiency.
- The G&A departmental percentages revenue is around 2.2% and is at an acceptable level of overhead for the organization.
- Capital Expense Budget:
 - For the 2022-2023 fiscal year, the Shops are budgeting capital funds of around \$2 million for needed projects involving maintenance and repair along with system and safety upgrades that include the following projects:
 - Purchase and implementation of new cloud-based general ledger accounting system
 - Replacement of Air-Conditioning system for the Bookstore
 - ADA upgrades to Bookstore elevator along with repairing the railing on the north side of the Bookstore building
 - Replacing the refrigeration units at the Caffeine Lab
 - Contingency funds for potential repairs, maintenance, and upgrades for Retail Dining locations.
 - A follow up conversation is planned with Beach Building Services and the campus to discuss opportunities to coordinate on capital improvements.
 - This would include the potential for partial debt-based funding along with the coordination with the New-U program.
- Projected Fund Balances
 - Our designated fund balances are budgeted at over \$9 million and are reserved for the following items:
 - Student Managed Beach Investment Group (BIG)
 - Sick Leave Reserves
 - Beach Club deposits
 - PERS Unfunded Liability
 - SRB Funding - Outpost

Motion to approve the 49er Shops Budget for the next fiscal year 2023-2024

M/S Ms. Jain / Dr. Lesen

By acclamation the 2023-2024 budget is hereby approved for recommendation to the Board of Directors.

E. Adjournment

- There being no further business, the meeting was adjourned at 3:01 p.m.