

MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Friday, January 21, 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. 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
Mr. Miles Nevin, Executive Director of Associated Students, Inc.

A. Call to Order:

The meeting was called to order at 8:34 a.m. by Chair, Scott Apel

B. Approval of the Agenda: January 21, 2022

Motion to accept the Agenda as presented.

M/S Dr. Soni / Dr. Lesen

By acclamation the Agenda for the meeting of January 21, 2022 was hereby approved as presented.

C. Approval of Minutes: October 22, 2021

Motion to accept the Minutes as presented.

M/S Dr. Soni / Dr. Lesen

By acclamation the minutes of October 22, 2021 were hereby approved as presented.

D. Action Items:

- **2nd Quarter 2021-2022 Financial Review:** 2nd Quarter operating results are ahead of Plan.
 - Financial Overview:
 - Sales came in at \$6,033,309 which is 20% above budget.
 - Bookstore retail sales are up by 25% and remain steady with more in-store traffic over these past months than had been anticipated.
 - ❖ However, textbook sales were minimal at \$93,468.
 - Residential Dining is up at \$3,860,144 and \$755,504 (24.3%) over budget with occupancy remaining consistent at 90% for the fall semester.

- Retail Dining is at \$440,000 with the limited location openings as had been planned.
- Operating expenses have been held in check even though the business volume has increased in part due to continued hiring challenges across the organization.
- Operating income came in at \$781,417 which is \$828,271 better than planned.
- Investment gain of over \$430,000 which helped recover the investment loss sustained during the first quarter.
- Net contribution of \$355,925 and is over \$1 million better than originally budgeted.
- Operating cash flow of \$490,040
- Capital Status Full Year 2021 - 2022
 - Current year expenditures have been kept to a minimal with only the following expenses:
 - Caffeine Lab opening in the University Library which came in below the \$75,000 budget at only \$34,571
 - \$15,297 was for Outpost table repairs
 - There was a maintenance repair to the Nugget done by Beach Building Services at \$27,592
- Financial Statements:
 - Cash/Investments are up \$1.1 million benefitting mostly from investment gains realized in the second half of FY2020/2021.
 - Inventory is down \$500,000 stemming from reduced business volumes in our Textbooks/Course Materials department
 - Accounts payable is down \$600,000 primarily offset by the unemployment insurance reserve.
 - Year to Date cash flow comes in at around \$284,000
 - Compared to last year, our operating results have improved but our business model has changed slightly over these past few years.
- Year-to-Year Comparison:
 - Sales are up by 286% at over \$6 million and margins are up by 10 points due to increased economy of scale across the board.
 - Operating income of \$781,417 with a positive variance of \$2,057,108 resulting in a positive operating contribution of \$73,373.
 - Reported Net contribution of \$355,925
- Plan and Objectives
 - The Shops recently received notification that the 2nd Paycheck Payroll Protection Loan had been forgiven in full as had been the case with the 1st PPP Loan.
 - This will reduce the Shops liability and designated funds by \$2 million moving forward.
 - We will continue to manage cash flow by reinvesting idle cash as per the Auditors' recommendation.
 - This will include a paydown of the CalPERS unfunded accrued liability as planned with the Board before the onset of the COVID pandemic.
 - Mr. de Wit has already put forth the request to conduct a VEBA FAS106 Actuarial report since that hasn't been done since June 30, 2019.
 - At this time, the Shops are gearing up for the Spring Semester with a soft opening of a couple retail dining locations.

Motion to accept the 2nd Quarter 2021-2022 Financial Review

M/S Dr. Soni / Dr. Lesen

By acclamation the 2nd Quarter 2021-2022 Financial Review was hereby approved to recommend to the Board.

E. Discussion Items

- CalPERS Actuarial Report
 - Mr. de Wit had distributed the latest CalPERS actuarial reports for the Legacy and PEPRA programs with a valuation as of June 30, 2020, as these are typically assessed over a year in arrears.
 - The Shops unfunded accrued liability for the Legacy program was similar to previous reports at \$5.5 million.
 - The summary GASB 68 re-evaluation is pending for year-end reporting. This brings forth the account holdings to June 2021 values (one year in arrears) and is based on pooled rates and recent contributions.
 - As previously discussed, Mr. de Wit plans to re-institute the Board approved pay-down of \$1 million within the next few months.
 - That would include a \$500,000 catch-up payment for 2020-2021 and another \$500,000 for this fiscal year.
 - Mr. de Wit anticipates that we could be close to fully funded by the end of this year for GASB 68 reporting purposes.
- Budget Planning
 - When it comes to budget planning for the next fiscal year, the assumption will be that come the fall semester the campus will be returning to in-person instruction.
 - Hopefully by the start of this process in March, the Shops will have a better idea about the impact of the pandemic for the fall semester campus plans.

F. Adjournment

- There being no further business, the meeting was adjourned at 9:20 a.m.