

## MINUTES

FORTY-NINER SHOPS, INC.

### BOARD OF DIRECTORS MEETING

**Friday, May 14, 2021 – Zoom Conference Meeting**

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

**Members Present:**

Mr. Scott Apel                                      Dr. Beth Lesen                                      Dr. Wendy Reiboldt  
Mr. Omar Prudencio Gonzalez      Ms. Genesis Jara                                      Ms. Maythe Alderete Gonzalez

**Absent:**

Ms. Adriana Andrade Rodriguez                                      Ms. Tracey Richardson  
Dr. Praveen Soni    Mr. Jeremy Harris

**Staff Present:**

Mr. Robert de Wit, Interim General Manager/Controller  
Ms. Marianne Russo, Executive Secretary  
Ms. Rosa Hernandez-Henderson, Director of Human Resources  
Mr. Alfredo Macias, Director of Residential Dining Services  
Ms. Cyndi Farrington, Interim Bookstore Services Director

**Guests:**

Mr. Jesus Gonzalez, ASI President for 2021-2022  
Ms. Lindsay Apaza, ASI Executive Vice-President for 2021-2022

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**A. Call to Order:**

The meeting was called to order at 10:32 a.m. by Mr. Scott Apel, Chair.

**B. Approval of the Agenda:      May 14, 2021**

Motion to accept the Agenda as presented.

M/S      Dr. Lesen / Dr. Reiboldt

By acclamation the Agenda for the meeting of May 14, 2021 was approved as presented.

**C. Approval of Minutes:              April 16, 2021**

Motion to accept the Minutes as presented

M/S      Dr. Lesen / Dr. Reiboldt

By acclamation the minutes of April 16, 2021 were approved as presented.

**D. Board Chair's Report:**

- Campus Updates:
  - Mr. Apel reported that even though the CDC and some government agencies have proposed changes to Covid safety mitigations and restrictions, the campus is aligning with CalOSHA and their current guidelines have not changed as of yet.
  - On the budget front, May revisions are set to go out soon from the state which could potentially allocate more funds for additional capital project for the campus moving forward.

- The newly constructed Parkside North residential facility is set to be completed soon and turned over to Housing for use in the fall semester.
- University President Dr. Jane Close Conoley should be sending out an email announcement next week about who would be the next campus Provost.

**E. Finance & Investment Committee Chair's Report:**

- Mr. de Wit presented the FY 2020-2021 Budget for review:
  - The Shops would be moving into a rebuilding and transition year as the historical business volume needed to generate cash and build reserves may not materialize until after this fiscal year due to the ongoing covid pandemic environment.
    - With these unprecedented ongoing circumstances, the Shops are projecting an anticipated negative operating contribution of \$2,041,024 and a negative net contribution of \$1,661,020 respectively.
  - Key Drivers & Business Impact –
    - In terms of the fall semester, 50% of classes to still be conducted online which could result in an estimated 25 to 50% traffic volume as compared to the full-year 2018-2019 result.
    - Residential Dining volume has been budgeted at a conservative 70% occupancy
    - Pouring Rights contract bids are pending which include historical volume misses and the sponsorships with Athletics.
    - Vending was budgeted at a minimum given the contract adjustment moving from \$100,000 to only \$15,000.
    - Covid cleaning and safety supplies have been budgeted at current levels for the fall semester with a possible reduction for the spring semester.
    - California minimum wage increase in January 2022 is going to \$15.00 per hour with the Salary Exempt Law pushing the minimum salary wages to double that amount. .
  - Key Activities –
    - The Shops have \$4 million in SBA Paycheck Protection Program loans with any potential forgiveness to be recorded as income within the operating statements.
    - Outpost Bond interest expense is budgeted at \$133,000 in expense with another \$100,000 for principal payment.
    - Estimated 4% investment return budgeted for the next fiscal year.
  - General Assumptions –
    - Executing to contracts in place
      - All known rate increases accounted for including annual insurance/contribution increases of 10 – 50% for unemployment and property insurance, health insurance, workers comp, CalPERS as well as EO-1000 and utilities.
    - Minimal staffing planned throughout all divisions
    - Enrollment flat and similar to 2020/2021 numbers

Motion to approve the Operating Budget FY 2021-2022 with a negative Operating Contribution of \$2,041,020 and a negative Net Contribution of \$1,661,020

M/S Dr. Reiboldt / Dr. Lesen

By acclamation the Operating Budget for FY 2021-2022 is hereby approved

- General & Administrative
  - The Shops have eliminated most employee appreciation events due to social distancing protocols with plans to slowly bring those back for the spring semester.
  - There is a net zero budget for the retiree medical benefits as the average amount of \$400,000 of expenses will be coming from the VEBA trust as planned.
- Campus Contributions and Corporate Donations
  - The Operating Statement includes an anticipated campus contribution amount of \$1,764,661 in donations, partnerships, reimbursed services, and capital improvements.
  - Mr. de Wit reviewed our annual corporate donations that require approval for items above \$2,500. After approval by the F&I Committee earlier, the following donation allotments were recommended to the Board:
    - Shops Student Employee Scholarships: \$10,000
    - 49er Shops Textbook Scholarship: \$10,000 for the fundraising event planning
    - BIG – SMIF Bloomberg Terminal: \$26,500

Motion to approve the FY 2021-2022 Corporate Donations over \$2,500 as specified above

M/S Dr. Reiboldt / Dr. Lesen

By acclamation those approved corporate donations for FY 2021-2022 are hereby approved

- Capital Funding
  - The Shops is asking for an approval on current year expenditures of \$258,762 for the following items:
    - Ongoing Point of Sale compliance project
    - IT System Storage upgrade
    - Replacement of Electric Carts for safety reasons
  - For the 2021-2022 fiscal year, the Shops are requesting capital funds of \$408,000 with no major projects planned except for the following maintenance allocations:
    - Fire Code Repair
    - Nugget construction segregation and re-opening costs
    - Possible facility and elevator repairs

Motion to approve the current year expenditures of \$258,762 and to approve the Capital Funding request for 2021-2022 of \$408,000

M/S Dr. Lesen / Dr. Reiboldt

By acclamation the current year expenditures and the Capital Funding FY 2021-2022 are hereby approved

- Reserve Planning
  - Adequate funds will need to be available for near term support. With the planned negative cash flow next year, this could put the Shops in a negative reserve position pending future cash flow.
    - However, current plan does not take into account any PPP Loan Forgiveness that could be received over the next year.
- Mr. de Wit recommended that monies be designated as assets without donor restrictions in the amount of \$15,345,154 allocated as the following:

- 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 \$408,000
  - Beach Club Student Held Funds at \$365,00
  - Pre-Retiree Sick Pay at \$768,432 for the pre-1989 staff plus CalPERS invested pre-retirees
  - First SBA Paycheck Protection Loan at \$2 million with a projected \$1 million due back in the 2021-2022 fiscal year
  - Cal PERS unfunded liability at \$4,506,552 as per the most recent CalPERS actuarial assessment
  - AORMA Unemployment Insurance Premium of \$600,000 as per accrued unemployment from pandemic driven lay-offs
  - Beach Investment Group at \$500,000
- Priority 2 items would include incurred and asset-backed contingency liabilities whose designation could be subject to a holdings limit for the following items:
  - Second SBA Paycheck Protection Loan at \$2 million with anticipated pay back in the 2022-2023 fiscal year
  - SRB Funding for the Outpost at \$3,070,339 (Current bond liability)
- At this time there are no available funds for any Priority 3 items.

Motion to approve the Reserve Designations of \$15,345,154 for FY 2021-2022

M/S Dr. Lesen / Dr. Reiboldt

By acclamation the Reserve Designations for FY 2021-2022 are hereby approved for recommendation to the Board of Directors

#### **G. General Manager's Report:**

- Mr. de Wit reported Shops highlights for the past month including:
  - Textbook staff were able to return \$1 million in overstock with credits of \$680,000 to be converted to cash to help with cash flow moving through the slower summer months.
  - Commencement commissions are better than anticipated with over 6,300 caps & gown sold to date.
  - Drive-Thru Rental Drop Off event is scheduled to start soon with a more favorable contract through MBS for this program.
  - The Great Plates Senior Meal Program has been extended through September and our Residential Dining staff have served 22,296 meals with a revenue of over \$432,000 to date.
- Mr. de Wit reported that they are in the fourth submission of additional data to support the initial Paycheck Protection Loan forgiveness program.
- The Shops are gearing up to hire 160 employees for the fall semester with all job postings scheduled to be placed by June 1, 2021.

#### **J. Adjournment**

There being no further business, the meeting was adjourned at 11:54 AM