

MINUTES

FORTY-NINER SHOPS, INC.

BOARD OF DIRECTORS MEETING

Friday, September 23, 2022 – Zoom & In-Person Conference Room Meeting

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

Members Present:

Mr. Scott Apel

Dr. Wendy Reiboldt

Mr. Milton Ordoñez

Mr. Jeremy Harris

Dr. Praveen Soni

Mr. Isaac Julian

Ms. Diamond Byrd

Ms. Mitali Jain

Absent:

Dr. Beth Lesen

Staff Present:

Dr. Miles Nevin, Executive Director

Ms. Marianne Russo, Executive Secretary

Ms. Rosa Hernandez, Director of Human Resources & Communications

Ms. Cyndi Farrington, Director of Bookstore Services

Mr. Alfredo Macias, Director of Residential Dining Services

Mr. Tom Collier, Accounting Manager

Guests:

Ms. Sylvana Cicero, Associate Executive Director of Associated Students, Inc

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: September 23, 2022

Motion to accept the Agenda as presented.

M/S Dr. Reiboldt / Dr. Soni

By acclamation the Agenda for the meeting of September 23, 2022 was approved as presented.

C. Approval of Minutes: June 3, 2022

Motion to accept the Minutes as presented

M/S Dr. Reiboldt / Dr. Soni

By acclamation the minutes of June 3, 2022 were approved as presented.

D. Public Comment:

- There was no public comment given.

E. Board Chair's Report:

- Campus Updates:
 - Mr. Apel reported that the campus would be announcing a new Capital Campaign under the title "No Barriers" next week.

- The goal for this campaign would be to raise around \$275 million in support of student scholarships and better educational opportunities for the campus.
- A new VP for University Relations and Developments was recently hired, Mr. Daniel Montoya, and he was expected to start in October.
- It was discussed that the campus was actively engaging in conservation efforts by restricting and limiting landscape watering with the severe drought conditions California is currently experiencing.
- There have recently been some significant changes in the Athletics Department with the departure of their Executive Director, Mr. Andy Fee, this past summer.
 - A new Interim Executive Director, Mr. Ted Kadowaki, has been chosen and agreed to serve in this role and, under a new organizational update, will be reporting directly to Mr. Apel as the head of the Department of Admin & Finance for the University.
- Vaccines and COVID Booster Shots will be offered to the campus community on Mondays and Wednesday in front of the Bookstore for the duration of the fall semester.
 - This is a part of how the University will be moving forward with the hopefully final phase of the pandemic in conjunction with the recent removal of the mask mandate for most campus departments and spaces.
- Shared Services:
 - Dr. Nevin asked to hold off on this agenda item as he would be explaining more about this process within the Executive Director's Report.
- Board Resolutions and Bank Signatures:
 - In association with the recent retirement of the Shops former General Manager/CEO, Mr. Robert de Wit, and in support of the current Shared Services project, Dr. Nevin discussed two Board Resolution up for review and approval by the Board:
 - The first resolution discussed was to amend the current organizational leadership job titles resulting from the Shared Services project and, if approved, would include the following:
 - The General Manager/Chief Executive Officer title would be amended to Executive Director of the 49er Shops.
 - Dr. Miles Nevin, the current Executive Director of Associated Students, Inc., would now also be designated as the Executive Director of the 49er Shops.
 - A new Chief Financial Officer management position has been created for the 49er Shops.
 - ❖ This position is being held by Mr. Gordon Copley now and moving forward.

Motion to accept this Board Resolution as presented

M/S: Dr. Reiboldt / Ms. Jain

By acclamation, this resolution was hereby approved as presented

- The second resolution pertains to the administration and opening of fiscal accounts along with performing investment transactions. The following changes were made:
 - The title of Executive Director replaced all previous mentions of General Manager/CEO.
 - The title of Chief Financial Officer replaced all previous mentions of Controller.
 - The Payroll Checking Account has been included within this designation of fiscal accounts.

Motion to accept this Board Resolution as presented

M/S: Dr. Reiboldt / Dr. Soni

By acclamation, this resolution was hereby approved as presented

- ABC Licensing:
 - As part of the updates approved from the presented Board Resolutions, Mr. de Wit would need to be removed from the ABC Licensing documentation and Dr. Nevin will need to be included as the newly appointed 49er Shops Executive Director.

Motion to accept these updates to the ABC Licensing authority

M/S: Mr. Julian / Ms. Byrd

By acclamation, this update was approved as presented.

- Board Vacancies:
 - Dr. Nevin discussed that there is a current Board vacancy for the Student At Large position since Ms. Genesis Jara had graduated last year and there hadn't been any qualified applications received.
 - Fortunately, there was someone interested in this position and we should have their documents received soon to begin this process.

E. Audit Committee Chair's Report:

- Dr. Reiboldt reported that the Audit Committee had met on Friday, September 16th, to discuss the final Audit Report.
 - While the report was delivered to the committee as scheduled, Mr. Copley and Mr. Collier met with Guzman & Gray following this meeting to verify that all the financial numbers and figures were accurate since the document had come in later than expected for the initial review.
- It was subsequently verified that all financial numbers presented to the Audit Committee were correct and confirmed that there were no significant material findings by Guzman & Gray that would need to be brought forward to the Board.

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

M/S: Mr. Julian / Ms. Byrd

By acclamation, this report was hereby approved as presented

F. F&I Committee Chair's Report:

- Mr. Copley did an overview of the total year end post-audit results:
 - Total sales for the year came in at a little over \$25 million up by 7.4% or \$1.7 million favorable to budget with Residential Dining sales up by 32.8% due to nearly 90% occupancy.
 - Operating expenses were favorable overall by almost \$900,000 due to staffing shortages primarily for the beginning of the year as the 4th quarter was closer to budgeted numbers.
 - Credits and Revenues came in better than anticipated due to strong grad vendor commissions for the spring semester 2022.

- A favorable gross profit percentage combined with operating costs being contained was able to yield a positive operating income of \$3.6 million.
- Investment returns were significantly down reflecting the worst market performance since 1970 according to the Washington Post and equated to total year investment losses of over \$1.9 million.
 - While this seems low, Morgan Stanley was able to beat the market downtown with alternative hedge funds included in our portfolio that tend to do better in a volatile economic market.
- The Shops ended the year with a positive net contribution of \$6.7 million with an operating contribution of \$6.6 million.
 - These results may be dramatically favorable to budget most likely due to a non-cash actuarial adjustment in CalPERS reflected in the G&A totals.
- June and 4th Quarter results reflected volume recovery with rebounding sales revenue of over \$2.1 million or 48% favorable to the budget.
 - This was primarily due to Bookstore sales which come in at over \$1 million for almost 4 months in a row from strong merchandise and graduation sales.
- Mr. Copley and Mr. Collier had received Audit Adjustments from Guzman & Gray that included the following information:
 - Additional accrued miscellaneous income from Balfour commissions received as per the contract.
 - Period related entries where transactions happened in June while invoices were reconciled in July.
 - Correction of non-cash actuarial adjustment which impacted our net contribution figures.

G. Executive Director's Report:

- Fall Status of Operations:
 - Dr. Nevin wanted to provide a quick financial update for the Shops' operations and was happy to report that the total revenue so far for the year was up by around \$503,000 which is 16.8% in a year over year comparison.
 - He provided the following divisional budget updates:
 - The Bookstore division is down year-over-year in textbook sales by 12.1% which translates into around \$262,000.
 - These decreasing numbers may be in part due to the steady transition from physical textbook sales to more digital alternatives sales that have gone from 50%/50% to now being 34% on the hard copy side and 64% for digital.
 - ❖ However, some of these decreased sales have moved from traditional register sales to the credit and revenue side specifically with the Day One Digital Access Program (D1DA) which does make up for some of this initial loss.
 - Residential Dining sales have increased by over \$665,000 due to higher occupancy rates for this year as opposed to 2021.
 - Retail Dining Services have seen an increase of over \$100,000 for this year primarily due to the higher traffic on campus this semester.
 - The Shops are actively working on re-opening the Nugget for the spring semester which could help bring in higher sales volumes for this division.
- Shared Services Update
 - As a reminder, there were originally 4 support services that were included in this Shared

Services project scope:

- Facilities and Maintenance
 - Finance
 - Human Resources
 - Information Technology
- Moving forward there may be some integration opportunities for the Communications departments which were not included in the original survey.
 - This Shared Services Integration Plan for the Shops and ASI have been broken down into a 3-Phase approach which would include the following timeline:
 - Phase 1 – About 12 months
 - This is the phase we are currently in which has included senior management re-organization, working to define and implement this Shared Services model which has included putting together a Memorandum of Understanding (MOU) between the organizations along with focusing on the integration of the Facilities, Finance, Human Resources and IT departments.
 - Phase 2 – About 2 to 3 years
 - This next stage would be a continuation of the reorganization and assessment of the progress made.
 - Phase 3 – About 3 to 5 years
 - During this part of the plan, we will continue to assess our progress such as taking into account if any departmental re-organizations would be needed as well as consider integrated legal structures moving forward.
 - There was a review of the functional Senior Management Team Organizational Chart which included the following:
 - Mr. Gordon Copley would be handling all financial aspects for the organizations including the Accounting Offices, budgets, investments and taxes along with managing the IT department.
 - Ms. Sylvana Cicero would be managing the ASI side of the organization specifically the University Student Union, Student Wellness & Recreation center, Grow Beach Garden, ASI Programs and Communications, along with the Commercial and Facility Operations.
 - Mr. Clint Campbell would be overseeing the Bookstore, Retail Dining and Residential Dining Services operations along with contracts, licenses and trademarks.
 - Ms. Rosa Hernandez would be managing the Human Resource Offices, Safety & Risk Management, Insurance and the 49er Shops Communications.
 - Dr. Nevin had each Senior Management Team member provide a report out for their respective areas:
 - Ms. Cicero discussed that the Facilities team members had met and done walkthroughs of all the new locations recently as well as being in the process of learning the Shops' maintenance work order system.
 - They were working on seeing if the current systems respectfully in place worked or if there would be a better project management and organizational system for both sides.
 - Additionally, she was working with Mr. Campbell about the possibility of consolidating 3rd party vendors for repair and maintenance moving forward.
 - Mr. Copley spoke to how he was engaging both IT departments' teams to help provide better efficiency for both sides.
 - Moving forward, he was taking a more project management approach in

- order to make sure that the IT staff was able to systematically handle their current project load in a more effective and successful manner.
- Ms. Hernandez reported that fortunately she had already had a working relationship with the ASI Human Resources team prior to the Shared Services integration discussion which has proved invaluable for this integration discussions.
 - Currently they are in the process of reviewing each other's policies and operations especially in terms of procedures and documentation required.
 - From there, the teams are looking at all of the functions of HR from recruiting to payroll to employee appreciation and reviewing ways that could help both departments be more audit proof, maximize systems and be more efficient with their concurrent workloads.
 - When looking at the priorities and challenges moving forward with Shared Services, the following was discussed:
 - There have been some cultural and technical shifts especially with the changes in the organizational management, that are being worked through and addressed primarily with open, honest and transparent discussions and overall communication.
 - The topics of cost-sharing and financial planning had not come up in the initial conversations of implementing the Shared Services project.
 - At this time, the group is looking at how this transition will impact the organizations' budgets along with reviewing what cost-sharing strategies would be beneficial moving forward.
 - In terms of stabilizing and prioritizing our operations, Dr. Nevin would like this to be an ongoing discussion with the Board to get their feedback on the following areas:
 - Re-Opening closed food services is definitely high on our priority list
 - Staffing is another high priority item as we manage recruitment and support needed in both the Retail and Residential Dining operations.
 - Over this next year, we will be looking at some contracts that will be up for negotiation and deciding which is the best course of action keeping in mind our core mission to the campus.
 - Analyzing our own self-operations along with the current Bookstore business model.
 - Additionally, Dr Nevin explained that they are looking at what opportunities may be available for both organization with the upcoming USU project.
 - Looking ahead for future meetings, there are plans to discuss the 1st quarter financial results, more information about the Shared Services' cost-sharing and budget adjustments, any contractual services that would require changes, along with discussing plans for rebranding the 49er Shops moving forward.
 - Dr. Nevin doesn't believe a fall retreat would be prudent at this time with the Shared Services discussions, however, we do plan on a spring retreat for 2023.

F. Adjournment

There being no further business, the meeting was adjourned at 11:52 AM