

## MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

April 16, 2021

**Members Present:** Mr. Scott Apel, Chair Dr. Praveen Soni  
Dr. Wendy Reiboldt Ms. Adriana Andrade Rodriguez  
Ms. Tracey Richardson

**Staff Present:** Mr. Robert de Wit, Interim General Manager/Controller  
Mr. Tom Collier, Accounting Manager  
Ms. Marianne Russo, Executive Secretary

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**A. Call to Order:**

The meeting was called to order at 8:38 a.m. by Chair, Scott Apel

**B. Approval of the Agenda:** April 16, 2021

Motion to accept the Agenda as presented.

M/S Dr. Soni / Ms. Andrade Rodriguez

By acclamation the Agenda for the meeting of April 16, 2021 was hereby approved as presented.

**C. Approval of Minutes:** January 22, 2021

Motion to accept the Minutes as presented.

M/S Dr. Soni / Ms. Andrade Rodriguez

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

**D. Time Certain Presentation:**

- Dr. Ammermann was unable to come to the meeting that morning so this presentation will need to be moved to the next F&I Committee meeting scheduled for Friday, May 14<sup>th</sup>.

**E. Action Items:**

- **3<sup>rd</sup> Quarter 2020-2021 Financial Review:** 3rd Quarter operating results are running below plan
  - Financial Overview
    - Sales came in at \$2,822,221 which is 45.9% below budget
      - While Bookstore sales came in at 67% volume, there was a pick-up in computer related sales that totaled \$744,000 thanks to special campus orders.
      - The Outpost remains the only retail dining location open at this time.
    - Residential Dining remains at below 20% of planned occupancy
      - The Great Plates program brought in over \$183,337 which has been placed into

- the Catering section of our balance sheet for any possible UBIT concerns at the end of the fiscal year.
- The Shops are averaging a monthly operating loss of about \$354,000, however, that has been mitigated by an investment gain of over \$340,785.
  - Negative cash flow of around \$503,000 when factoring in the net gain of \$2 million from the second PPP loan.
  - Capital expenditures are at \$50,501 for the quarter.
  - Key Issues and Activities
    - The Shops received an additional Paycheck Protection Program Loan of \$2 million from the SBA on March 3<sup>rd</sup> which is reflected in cash value and liabilities on the balance sheet.
      - A third round of documentation in support of the initial PPP loan forgiveness documentation has been submitted.
    - The Shops are projecting a \$5.8 million operating loss at current levels with a net \$3.3 million net contribution that has been mitigated by the year's investment gain to date.
    - Other financial operational impacts have come from the recent Senate Bill 95 that extended Covid sick time coverage retroactively by the state. Unemployment Insurance Liability (UIP) managed through CSURMA/AORMA is escalating with a potential Shops liability of \$750,000.
    - There was a recent CalPERS actuarial reassessment resulting in a liability increase of \$1,024,129 that will be booked at year-end.
      - A prior Board approved pay-down program for this liability amounting to \$500,000 is being deferred due to cash management concerns.
      - PPP loan forgiveness amounts could be utilized to fund this purpose moving forward.
  - Capital Status Full Year 2020-2021
    - Current year expenditures of \$204,058
      - Recently spent \$32,523 on a storage system upgrade for our IT infrastructure
  - Year over Year Financial Statement Overview & Comparison
    - The Shops Cash/Investments are up \$1 million from last year which can be misleading since this includes the following:
      - \$4 million from the 2 PPP Loans received to date
      - \$2.3 million investment gains year-to-date
      - \$400,000 as part of the planned VEBA withdrawal for retiree medical benefits
      - There are large vendor payments pending for digital textbooks D1DA program.
      - The Shops net reserve position has moved into negative territory
    - From a balance sheet perspective, inventory and A/R are down \$1.2 million and \$200,000 respectively due to reduced business volume.
    - March and year-to-date cash flows came in at negative \$138,000 and \$1.2 million respectively.
    - While operating expenses are down by 56.1%, sales are down 70.5% with the Retail Dining division being limited.
    - Margin rates are down at 37.3% vs. 57%.

Motion to accept the 3<sup>rd</sup> Quarter 2021-2022 Financial Review

M/S Dr. Reiboldt / Dr. Soni

By acclamation the 3<sup>rd</sup> Quarter 2021-2022 Financial Review was hereby approved to recommend to the Board.

**E. Discussion Items**

- Budget Schedule
  - Mr. de Wit reviewed the current 2021-2022 Budget Schedule breakdown and reported that preliminary departmental budget figures would be coming in by the end of this week.
    - The next step will be meeting with the Directors for further analysis and to amend as necessary before providing the finalized budget at the F&I Committee and Board meetings on Friday, May 14<sup>th</sup>.
  - In regards to budget assumptions, while the campus is planning for 50% of classes to be online, Housing is optimistic with a 90% occupancy figure for next fall.
  - Additionally, the Shops will be taking a conservative approach to hiring along with keeping loss business areas closed through the next fiscal year
- UDP Planning and Cost Sharing/Recovery
  - The Shops were recently approached by ASI to use space within the University Dining Plaza for a Basic Needs teaching kitchen that would be funded through a grant they had received along with interest by the Family Consumer Sciences department for space within the Chartroom location for training and labs for their classes.
  - The Shops would like to share the building so at some point there may need to be a discussion about the EO-1000 implications and reception for it to remained closed.

**F. Adjournment**

- There being no further business, the meeting was adjourned at 9:40 a.m.