

## MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

**Friday, April 22, 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. Milton Ordonez  
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

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**A. Call to Order:**

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

**B. Approval of the Agenda:** April 22, 2022

Motion to accept the Agenda as presented.

M/S Dr. Soni / Mr. Ordonez

By acclamation the Agenda for the meeting of April 22, 2022 was hereby approved as presented.

**C. Approval of Minutes:** January 21, 2022

Motion to accept the Minutes as presented.

M/S Mr. Ordonez / Dr. Soni

By acclamation the minutes of January 21, 2022 were hereby approved as presented.

**D. Action Items:**

- **3<sup>rd</sup> Quarter 2021-2022 Financial Review:** 3rd Quarter operating results continue to run better to Plan.
  - The second Paycheck Protection Program loan for \$2 million was forgiven this past January 2022 and will be recorded as income on our financial statements.
    - While this will reduce the Shops overall liabilities and designated funds by \$2 million, it does not impact cash flow.
  - The Shops did pay down the CalPERS liability as planned in March as per the previous Board resolution plan that was put on hold during the pandemic.
  - Sales were flat at over \$7.1 million but continue to shift in the following areas:

- Residential Dining continues to outperform to what was previously budgeted with occupancy consistent at 90%.
- Bookstore sales are mixed with merchandise sales doing much better than anticipated while textbooks sales are down by 58.2%
- Retail Dining Services are not at planned levels as the Nugget remains closed due to staff shortages in this area.
- Gross Margin rates are 10 points better which lends itself to an improved bottom line overall.
- Operating expenses continue to be held in check in part due to hiring challenges especially in our dining locations.
  - Operating income came in at \$1,559,788 which was \$756,469 better than the original 3<sup>rd</sup> quarter plan.
- G&A Expenses remain in line with budget as minimal staffing does remain in place with some staff holding down multiple positions.
- Other income is volatile due to market downturns, however, the \$2 million second PPP loan forgiveness did offset this investment loss of \$838,000.
  - Year-to-date investments are down by over \$739,000.
- The 3<sup>rd</sup> quarter showed a net contribution of \$1,997,478 which was over \$1.9 million better than budgeted.
- Capital Year Expenditures remain minimal at \$94,394 which includes the following:
  - Caffeine Lab opening in the University Library which came in below the \$75,000 budget at only \$34,571
    - A 3<sup>rd</sup> quarter expenditure of \$12,343 occurred for an espresso machine transition at the Caffeine Lab location.
  - \$15,297 was for Outpost table repairs
  - Maintenance repair was done Beach Building Services to the Nugget for \$27,592
- Year over Year Financial Statement Overview & Comparison
  - The Shops Cash/Investments are down by \$1.3 million from last year which includes:
    - \$1 million CalPERS paydown in March
    - Investment losses and fair market value adjustments due to inflation and global conflict concerns
  - From a balance sheet perspective, inventory was up by \$438,000 with textbook returns in process and liabilities down by \$4.8 million due to the forgiveness of both PPP Loans, the \$650,000 Post Retirement Medical (VEBA) adjustment and \$100,000 bond reduction.
  - Cash flow for the 3<sup>rd</sup> quarter was a negative \$899,000 and year-to-date comes in at a negative \$1.2 million.
- Year-to-Year 3<sup>rd</sup> Quarter Comparison
  - Operating results have improved over last year especially as sales are up by 153% at over \$7.1 million and our margin percentage up by 24 points.
    - Operating income is at \$1,559,788 with a positive variance of \$1,932,452.
    - Operating contribution is positive at \$719,400 with a reported net contribution of \$1,997,478.

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

M/S Dr. Lesen / Mr. Ordonez

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

**E. Discussion Items**

- Actuarial Reports
  - Mr. de Wit reviewed the Shops 3<sup>rd</sup> Quarter plans and objectives which included the following:
    - Receiving total loan forgiveness for the second PPP Loan which was done in January 2022
    - Paying down the CalPERS Unfunded Accrued Liability (UAL) as had been planned through the Board before the pandemic.
    - Conduct the VEBA FAS106 actuarial which hasn't been done since June 2019 to better ascertain the liability levels.
    - Gearing up for the Spring Semester with a soft opening of expanded food services, however, we are still seeing hiring issues in our dining divisions.
  - In terms of the 4<sup>th</sup> Quarter plans and objectives those would include the budget process for next year, year-end audit entrance in June with a Physical Inventory scheduled, and withdrawing \$400,000 from VEBA as budgeted for our retiree medical expenses.
    - This would also include recording the FAS106 Actuarial adjustment which is dependent on the year-end VEBA account balance along with recording the GASB68 CalPERS Actuarial adjustment.
  - The year-end reporting impact from these Actuarial reports are as follows:
    - There will be a \$4.5 – \$5 million liability reduction which must be recorded as income by June 30, 2022.
      - GASB68 Liability reduction will come in at about \$3.1 million
      - FAS715 Liability reduction will come in at about \$1.5 - \$2.4 million and will be dependent upon the final VEBA Trust balance as of June 30, 2022.

**F. Adjournment**

- There being no further business, the meeting was adjourned at 9:26 a.m.