

## MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

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

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

**Members Present:** Mr. Scott Apel, Chair Dr. Praveen Soni  
Dr. Wendy Reiboldt

**Absent:** Ms. Tracey Richardson Ms. Adriana Andrade Rodriguez

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

**Guest:** Dr. Peter Ammermann

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**A. Call to Order:**

The meeting was called to order at 8:32 a.m. by Chair, Scott Apel

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

Motion to accept the Agenda as presented.

M/S Dr. Soni / Dr. Reiboldt

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

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

Motion to accept the Minutes as presented.

M/S Dr. Soni / Ms. Andrade Rodriguez

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

**D. Time Certain Presentation:**

- Dr. Ammermann presented recommended investment and administrative changes to our Shops BIG (SMIF) Fund and portfolio.
  - The first recommendation came from an earlier Board suggestion to adjust portfolio asset allocation guidelines to reduce allowable target allocation to fixed income and increase allowable target allocation to equity while tightening bands around these categories.
    - The proposed investment guidelines would include the following:
      - Adjustment of the Equity guideline range to 50% - 85%
      - Adjustment of Fixed Income guideline range to 15% - 50%
      - Include a Cash Equivalents guideline range with a maximum of 20%
    - The justification of these asset allocation adjustments would in turn make the

portfolio more consistent with long-term total return and capital appreciation objectives as mentioned at the recent Board retreat as well as remain more consistent with current thoughts and practices in the institutional investment world.

- Additionally, these proposed adjustments would enhance the educational experience by providing greater clarity to the students in making their portfolio decisions and in dealing with fixed income investing.
- The second recommendation was a proposed movement from of our BIG account from the current firm, TSG Wealth Management with clearing through Wells Fargo, to Pacific Coast Capital Partners, with clearing through LPL.
  - This move was predicated by the fact that the BIG Investment long-time brokers had left TSG Wealth Management to start their own firm Pacific Coast Capital Partners.
    - The recommendation given was based on the long-term relationship with these principals who already have a strong understanding, continued support and proven commitment to our students' needs as well as their clients' portfolios.
    - Additionally, the LPL trading platform would allow for greater flexibility to purchase specific securities not allowed through the Wells Fargo platform which would enhance the educational value of the program overall.

Motion to approve the proposed investment policy guideline changes along with moving the portfolio to Pacific Coast Capital Partners

M/S Dr. Soni / Dr. Reiboldt

By acclamation the proposed changes to the BIG/SMIF investment and administrative guidelines were approved

**E. Action Items** – Mr. de Wit presented the FY 2021-2022 Budget for review:

- The Shops are moving into a rebuilding and transition year as the historical business volume needed to generate cash and build reserves may not materialize until after next fiscal year.
  - As Shops locations are anticipated to re-open there will be a need to staff up to new levels, however, this could present a challenge in the post pandemic hiring market.
  - Mr. de Wit reported that while there are several key financial and operational unknowns at this time, there is an upside potential that has not been factored into the budget when it concerns potential SBA Paycheck Protection Loan forgiveness along with increased volume within the Residential Dining divisions.
    - These items could possibly result in a positive \$2 to \$3 million impact which could mitigate the currently budgeted negative operating and net contribution of \$2 million.
- Key Drivers & Business Impact –
  - The campus has planned for 50% of classes to still be conducted online with Spring transitioning to 100% instruction back on campus.
    - This will more than likely result in an estimated 25 to 50% traffic volume for the Bookstore and Retail Dining Services divisions as compared to the full-year 2018-2019 budget.
  - Residential Dining volume has been budgeted at a conservative 70% occupancy planned at 2,200 students including the new Parkside residential facility.
  - At this time, there are planned closures for the following departments/areas:

- The University Dining Plaza building other than the Nugget facility
- Our Beach Catering department pushing all catering through to approved third-party caterers already in place.
- The WallStreet Convenience Store location with a possibility to revisit re-opening this in the spring semester.
- Shops' concessions support as there would be limited activity and alternative services through Athletics are being reviewed.
- Pouring Rights contract bids are pending which include historical volume misses and the removal of prior sponsorships with Athletics.
- Our vending minimum has been adjusted 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 starting January 2022 to \$15.00 per hour and with the California Salary Exempt Law pushing the minimum salary wages moving forward.
- 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.
  - There is an ongoing Outpost Bond interest expense budgeted at around \$133,000 in expense with another \$100,000 from principal on the balance sheet.
  - An estimated 4% investment return budgeted for the next fiscal year.
  - CalPERS has a minimum unfunded liability with a total impact of around \$4.5 million including a prior board approved pay down of \$500,000 for next year.
    - Depending on next year's cash flow, a catch-up payment for 2020-2021 fiscal year could be allocated.
  - The VEBA trust is now considered fully funded based on the latest actuarials with a positive balance sheet impact.
- 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 the 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. Soni / Dr. Reiboldt

By acclamation the Operating Budget for FY 2021-2022 is hereby approved and will be forwarded to the Board of Directors for approval

- Corporate Donations and General & Administrative
  - On the G&A side, this annual budget will be limited to core staff.
    - 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 to cover these expenses are coming from the VEBA trust as planned.
- Mr. de Wit reviewed our annual corporate donations that are required to be approved if they are above \$2,500 and, it was decided to move forward in the same conservative manner as the previous year with the following donations allocated:
    - Shops Student Employee Scholarships: \$10,000
    - 49er Shops Textbook Scholarship: \$10,000
    - 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. Soni

By acclamation those approved corporate donations for FY 2021-2022 are hereby approved for recommendation to the Board of Directors

- 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. Soni / Dr. Reiboldt

By acclamation the current year expenditures and the Capital Funding FY 2021-2022 are hereby approved for recommendation to the Board of Directors.

- Reserve Planning
  - Adequate funds will need to be available for near term support. With the planned negative cash flow next year, this would put the Shops in a negative reserve position pending future cash flow.
    - However, this 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. Soni / Dr. Reiboldt

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

**E. Adjournment**

- There being no further business, the meeting was adjourned at 10:02 a.m.