

MINUTES

FORTY-NINER SHOPS, INC.

BOARD OF DIRECTORS MEETING

Friday, September 24, 2021 – Zoom Conference Meeting

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

Members Present:

Mr. Scott Apel

Dr. Wendy Reiboldt

Mr. Jeremy Harris

Dr. Praveen Soni

Ms. Genesis Jara

Mr. Jesus Gonzalez

Ms. Lindsay Apaza

Mr. John Barcelona

Absent:

Dr. Beth Lesen

Staff Present:

Mr. Robert de Wit, Interim General Manager/Controller

Ms. Marianne Russo, Executive Secretary

Ms. Rosa Hernandez-Henderson, Director of Human Resources & Communications

Mr. Clint Campbell, Director of Contracts & Facilities Management

Mr. Alfredo Macias, Director of Residential Dining Services

Ms. Cyndi Farrington, Director of Bookstore Services

Guest(s):

Mr. Corry Colonna, Executive Director of Housing & Residential Life

A. Call to Order:

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

B. Approval of the Agenda: September 24, 2021

Motion to accept the Agenda as presented.

M/S Dr. Reiboldt / Mr. Harris

By acclamation the Agenda for the meeting of September 24, 2021 was approved as presented.

C. Approval of Minutes: June 11, 2021

Motion to accept the Minutes as presented

M/S Mr. Harris / Dr. Reiboldt

By acclamation the minutes of June 11, 2021 were approved as presented.

D. Board Chair's Report:

- Campus Updates:

- Mr. Apel reported that the campus was doing well for the start of the fall semester as health and safety mitigations are actively being maintained. There have been very few positive Covid cases on campus and he hopes that trend continues for the rest of the semester.

- The campus was recently recognized for their outstanding vaccination rates within the CSU system as the student vaccination rate is currently around 95% and our faculty vaccination rate comes in around 80% so far.

- Additionally, there are several construction projects happening throughout campus including our new Housing facilities, the Alumni Center construction currently underway, the major remodel to the Kleefeld Contemporary Art Museum and the Horn Center who would both be re-opening soon, as well as a much needed update to the SSPA building.
 - Mr. Apel discussed that, the campus would be adding upgraded wifi access and additional seating areas along with 7 new outdoor classrooms in preparation for the spring semester.
- Membership Updates:
 - Ms. Tracey Richardson recently accepted and transitioned to a position at the Chancellor's Office to be their new Controller.
 - Mr. de Wit mentioned that Ms. Richardson had been the Board representative on the Shops 403B working group. While this was not a formal position, he wanted to reach out and extend the offer for this group to the rest of the members
 - Mr. Apel welcomed Mr. John Barcelona who was recently elected as the ASI Student Vice President of Finance.
 - Mr. Barcelona has joined the F&I Committee and did attend the meeting on September 17th.
- Fall Board Retreat – Friday and Saturday, November 5 & 6th, 2021
 - Mr. de Wit stated that these dates were tentatively chosen as we continue to work with Terranea since the Shops has a deposit on file with already.
 - Their representatives had recently reached out to us and would not be able to accommodate the November dates for this Fall Board Retreat.
 - After some discussion, it was decided that this retreat could be re-scheduled for earlier in January 2022 before the Spring Semester starts
 - Ms. Russo will reach out to Terranea and the Board on what timeframes would work best for all parties involved.

E. Audit Committee Chair's Report:

- Dr. Reiboldt reported that the Audit Committee met on Friday, September 10th, to discuss the auditor's report.
 - From their recommendations, a revised version was already emailed to the Board members stating that Guzman & Gray found no significant material findings that would need to be brought forward to the Board.
- Mr. de Wit discussed that their only recommendation was to consider lowering idle cash bank balances at the year end.
 - He explained that this additional cash is usually made available to help get the Shops through the summer months as this is considered a non-revenue generating period for the business.
 - While he will take their recommendation under advisement, a good majority of these funds were no longer idle having been allocated and used in preparation for the fall semester.

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

M/S: Dr. Reiboldt / Mr. Harris

By acclamation, this report was hereby approved as presented

F. F&I Committee Chair's Report:

- 4th Quarter Full Year 2020-2021 Year End Review
 - Mr. de Wit did an overview of the total year Covid impacted post-audit results:
 - Total year-end sales came in at \$10,263,290 as opposed to over \$28 million in 2019 – 2020 with a reported negative net contribution of only \$561,461 mitigated by the first Paycheck Protection Program (PPP) loan forgiveness and investment returns.
 - Pro-Forma operating Cash Flow of negative \$2,570,590 net of the second PPP loan funded in March 2021
 - Mr. de Wit discussed that there were minor re-classification adjustments of \$75,000 resulting from the audit due to invoice timing and insurance pre-payments.
 - June and 4th Quarter results were mixed with low volume operating results and sales limited to Bookstore activity at only 50% of normal sales.
 - The Bookstore saw strong grad commissions that came in around \$400,000.
 - The Shops had non-operating gains and benefitted from the first PPP loan forgiveness of \$2 million (June 11, 2021) and an investment return of \$459,000 for the quarter.
 - There was an additional withdrawal from the VEBA account of \$400,000 in June to taper the Post-Retirement medical benefits obligation for the year.
 - Additionally, a \$643,465 liability decrease from last year was noted as the fund benefited from a \$1.4 million investment gain.
 - There was minimal shrinkage from this year's Physical Inventory process with only a \$57,000 write-off against a \$109,000 shrinkage reserve.
 - Unemployment Insurance (UIP) accrual went up by \$500,000, however, AORMA has agreed to allow the Shops to pay this down over 5 years at a 3.5% interest rate.
 - The budget put together last year assumed that Spring classes would be back in person on campus and when that did not occur, this had a significant impact to financials.
 - Year-to-date sales were below budget by 39.8% as the Shops were volume and operationally challenged.
 - However, total year results were much better than planned due to non-core business benefits from the Great Plates program, the original PPP loan forgiveness and overall aggregate investment gains.
 - Year-to-year comparison saw operating results behind last year with the full year being affected by the pandemic as opposed to just one quarter of the previous year.
 - Sales and operating income were down across the board including our margin rates due to issues with economy of scale.
 - Total investment gain was \$4.4 million for the year
 - Mr. de Wit discussed that \$3.8 million was taken from investment reserves to help keep the organization running.
 - Capital Expenditures came in at \$260,397 for the following items:
 - IT Storage System upgrade expense of \$32,523
 - Bookstore received an ADA upgrade to their front doors at \$10,500 along with a \$23,980 update to the building's HVAC systems.
 - PCI Compliant residual costs came in at \$96,750
 - \$98,464 was for new and refurbished electric carts purchased pre-pandemic
 - Campus contributions were trimmed back to \$749,731 with the reduced business and the Board's directive on donations given during the ongoing pandemic.

G. General Manager's Report:

- Operational Updates
 - The 49er Shops and campus are in the process of finalizing the Pepsi Pouring Rights Contract.
 - Updated and Re-Opened Locations for the Fall Semester
 - A new coffee concept was put together at the University Library called the “Caffeine Lab” that will be able to provide Starbucks branded drinks through a supplier contract with Nestle.
 - The Art Store was re-opened with a new convenience store area.
 - The Bookstore Convenience Store had been refreshed and re-opened.
 - Management of Catering and Food Truck administration has been transitioned to the campus and Event Services.
 - In support of the campus, the Chartroom has been converted to a Covid testing station this semester.
 - Athletics is looking for a third-party vendor to oversee Concessions as the Shops will no longer be managing this activity.
- HR Activity
 - Covid Administration continues to be an ongoing priority as we align with campus safety and health mitigations including the Vaccine Attestation and tracking.
 - Fall staffing continues to be a challenge as we still are looking to find more student employee staff support for our Dining divisions.
 - At the end of last year, the Shops had been audited by CalPERS who had taken exception to our incentive program being reported as “special compensation” over the last 10 years.
 - Mr.de Wit reported that we had strongly disagreed with this finding and after some discussions, the CalPERS legal team ultimately supported our decision.
 - We have received a settlement that maintained our Incentive Plan was reportable to CalPERS without any diminishment of benefits or impacts to our retirees.
 - Our 403B Program was recently updated this month and eases restrictions for part-time employee participation allowing them to save for their retirement.
 - Ms. Richardson had made valuable contributions to these discussions over the past year so Mr. de Wit would like to see if we could get another board member representative to attend these meeting moving forward.
- Campus Outreach and Communications
 - In terms of outreach, our managers and staff are currently participating on various campus groups and committees like Staff Council, the Campus Communicators and University Resources Council where we can strategically promote the organizations’ messages.
 - Additionally, the Shops are scheduling monthly meetings with ASI to discuss shared challenges and opportunities being Auxiliary partners to campus.
 - Our Communications staff has been very successful in managing our social media presence such as the 49er Shops Instagram account that provides students, staff and faculty more information about who we are as a business and campus resource.
 - Through the pandemic we have enhanced our web presence with Covid safety and health efforts, put together alternative shipping options like Curbside Pick-up, created New Student and Faculty Resource webpages along with developing a more comprehensive Where to Shop & Eat webpage that includes the ASI Dining locations.
- RedShelf Digital Champion
 - Out of the 1,500 schools that RedShelf works with, we were named among the top 10 Bookstores in terms of providing exceptional leadership and performance in digital course materials delivery to our CSULB students.

- One of the reasons for this distinction was a 57% increase from 2019-2020 of courses utilizing our Day One Digital Access (D1DA) program that allows students digital access to their course materials the first day of instruction.
- Student savings with digital course material options came in at around \$1.3 million this past year, almost a 70% increase from the year before.
- Plans and Outlook
 - We are working with the Carpenter Performing Arts Center to help support their concession staff as they re-open their facilities over the next few months.
 - Knowing that the campus should be seeing more traffic for the Spring Semester, our management staff are gearing up to help support that by opening more Retail Dining locations in 2022.
 - There will be key staff members retiring over the next few years so the Shops will be reviewing succession planning as well as the future of current business model.

F. Adjournment

There being no further business, the meeting was adjourned at 11:40 AM