

ASSOCIATED STUDENTS BUSINESSES COMMITTEE

This meeting was facilitated both in-person and via an online Zoom format, consistent with the Governor's Executive Order N-1-22, suspending certain open meeting law restrictions.

Monday, February 7, 2022

2 p.m.

BMU 205

Members Present: Austin Lapic, Jessica Nigel, Michelle Korte, Stacie Corona, Megan Odom, Anita Barker, Dominic Patrone

Members Absent: Cole Cassidy (unexcused)

Others Present: Jamie Clyde, Karen Bang, (recording), Tom Rider, Lauren Lathrop, Katrina Robertson, Hugh Hammond, Connie Huyck, Corinne Knapp, Windy Van Dam

- I. **CALL TO ORDER** – The Chair, Lapic, called the meeting to order at 2:02 p.m.
- II. **MECHOOPDA LAND RECOGNITION:** The meeting began with the reading of the Mechoopda Land Recognition Statement.
- III. **MINDFUL MINUTE** – Moved to follow Chair Report.
- IV. **AGENDA** – Lapic requested moving Mindful Minute to follow the Chair Report. **Motion to approve the 2/7/22 revised agenda (Corona/Odom) 7/0/0 MSC.**
- V. **APPROVAL OF MINUTES:** Minutes of the regular meeting of 11/29/21 – Lapic said the minutes didn't show the vote count for approval of the minutes, and noted it was 6-0-0 MSC. **Motion to approve the corrected minutes of the 11/29/21 regular meeting, as presented (Barker/Corona) 7/0/0 MSC.**
- VI. **ANNOUNCEMENTS** – Lapic said Happy Monday and Happy first ASBC meeting of 2022.
- VII. **BUSINESS**
 - A. **Discussion Item: 10/31/21, 11/30/21 and 12/31/21 Dining Services Financials** – Rider reviewed the reports with the committee and explained that they're tracking big deficits. He said it appears that when bills were being sent to University Housing and Food Service (UHFS) from our Financial Services Office (FSO), we were deducting cash sales income. We were contracted to pay \$489,000 and income has been showing as flat since July 2021. He explained that we were posting sales in retail, absorbing all of the costs and we weren't getting income listed on our P&L statement. Rider said a correction has been sent by FSO to UHFS and included in December numbers \$1,087,956. \$609,064 is money that we've been saving UHFS on the contracts. He said this has been corrected and will be done again at the end of the year. Rider said that overall, by putting income back in, it drops Cost of Sales to a much more reasonable 27.9% range. He noted that wages are still in line with the budget and income is up as more retail sales are expected. Robertson said compared to when they originally budgeted the net zero contract, retail sales and expenses are now a lot more than budgeted. She said this is a one-time adjustment to allow for expenses as we didn't know so many areas would be open. The \$609,064 is the reimbursement from UHFS to DS for expenses. Rider said this puts income where it's supposed to be. Clyde said in the budget there's a certain amount of money of what we said it was going to cost us this year; however, we're doing better in retail sales than we thought we would. She said UHFS will get all of the benefit of what we've done and the net effect is the expense of all areas of DS is going to UHFS, which is a good thing. UHFS will not be receiving \$600,000 back. Rider said they're working on contracts now and trying to get away from a net zero budget for 2022-23. He said the net zero contract was supposed to be a one-time thing, but increased to two years due to COVID.
 - B. **Discussion Item: 10/31/21, 11/30/21 and 12/31/21 AS Wildcat Store Financials** – Rider reviewed the reports with the committee and noted for December that Income was \$34,325, Expenses & Transfers \$69,005, Net Increase (Decrease) of (\$158,665) YTD and Commission Income at \$225,225 YTD.

- C. Discussion Item: 10/31/21, 11/30/21 and 12/31/21 Follett Wildcat Store Financials – Lathrop reviewed the reports for each month and noted that for December, overall, they ended the month at \$206,305 which was +46.2% to LY and -45% (\$166,853) to two years ago.
- D. Information Item: Steve's Pizza – Rider provided a spreadsheet for the committee's review. He reviewed the approved budget for Marketplace, assuming \$282,000 in income. He noted no rent is included and they are expecting a \$633,826 loss, which he said is not unusual. Rider next reviewed the Steve's Pizza column which shows sales of \$1,500,000 which is what the Marketplace used to do in sales. He noted a 10% commission, \$125,000 in build costs and rent at \$151,753. He explained that it goes from \$633,000 to \$323,000 in losses. Discussion was held and Rider said he could invite the owner of Steve's Pizza to attend ASBC regarding his thoughts, plans and vision for this area. Rider said he would like to get a yes or no from ASBC this semester regarding this project. He also reviewed the column regarding Steve's Pizza and Catering and said it's pretty realistic to 2021-22, what is going on right now. The far-right column is what they're getting back to. Rider said he's trying to keep the space whole. Clyde said that if we outsource the area, we know there are areas that costs will go down, and she requested Rider to keep the fixed costs that Dining has in the spreadsheet. She said this won't be a moneymaker but we'll lose less than we did before. Clyde said a normal year is \$600,000 in losses. Normal loss would be approximately \$120,000. Rider said Steve's Pizza would be located where the Deli area is, in the Marketplace and he'd like to open up to the west patio and have outside seating. He would also like to take over the whole Marketplace server area. He said the AS would be in the back Catering area only, and the kitchen/cooking area would be shared. Rider said he feels comfortable with \$1.5 million. Discussion was held. Clyde said they can't predict that COVID has changed the pattern of students in the ways no one could have foreseen. She said the \$1.5 million is a realistic number looking backwards. She also noted that due to our fixed costs, it's best to outsource. Discussion was held regarding this possibly taking away business from AS cash operations. Clyde said this is more than a dollar decision but also a campus decision, and what the students and University want – the coolness factor. She said even if it just breaks even, it would be better for campus. She said the numbers shared are for just the Marketplace area, none of the other cash operations areas. Next steps were discussed and Clyde said this committee would be asked to confirm the decision and the contract would go to the Board for approval. She noted that it's also possible that this project could die during contract phrase as it has in the past with other companies. She said if the project is approved and the contract is solidified, the summer of 2023 would be a potential build time. Discussion was held regarding the timeline.
- E. Discussion Item: Bookstore presentation – Clyde provided background regarding the bookstore, explaining that it was outsourced approximately seven years ago as the AS was experiencing declining sales. A contract was signed with Follett. She noted that Follett has also seen declining sales in textbooks and they also took a massive hit due to COVID. Clyde said the contract was renegotiated as Follett couldn't fulfill the commission as well as the minimum guarantee of 90% of commission of the year prior. She said when COVID hit, Follett took away the minimum guarantee from the 13 campus stores in the system. She explained that we held Follett to paying our original guarantee by reducing our commission by 2% and extending the contract for three years, as well as removing the guarantee moving forward. Clyde said we were made whole with HEERF dollars last year but knew coming into this year we'd be in the same place regarding declining sales. She said VP Sherman has asked her to run numbers as there are still possible HEERF dollars available. Clyde said we're going to lose approximately \$300,000 which is quite significant and VP Sherman will work with us to determine next steps. She noted discussion needs to be held regarding what we need to do next year as we can't go into next year with another assumption of loss. Clyde said there has been a lot of work that has happened and we have a good path forward regarding implementing technologies that Follett wants to do. She noted that Corona's area has been under pressure on how to move things forward and that it's complicated because many departments are involved. On the positive side, she said it supports students with textbooks costing less, and their ability to get financial aid. Clyde said decisions regarding the bookstore are discussed here at ASBC; however, the Board has to approve any contracts she signs. Discussion was held. Clyde explained that debt service on the building and what we contribute to the University does not change. She said this is not a sustainable model and hasn't been for a long time. The current contract expires in approximately 1 ½ years. Korte said this topic has been discussed many years and asked if there are models that Clyde has seen at other campuses that would provide potential ideas for restructuring moving forward. Clyde said we could go back out for bid, but the big push other campuses are doing is switching the technology and we're behind in that. She said Fresno State is utilizing on-line material and we're falling behind in that area. In addition, she said we also need to get rid of the fixed cost model. Clyde said they're also looking at an Amazon style store – it looks like a bookstore for students but the bookstore material piece of it would be outsourced. She also noted that we don't have economies of scale that Follett does and that the service Follett provides is better than what the AS would be able to do. Discussion was held regarding the new campus identity/logo. Barker said the new campus

communications/marketing person starts on March 2 and they have a significant campus marketing background regarding licensing/branding which she hopes will inspire some things.

- VIII. AUXILIARY BUSINESSES DIRECTOR REPORT** – Rider said he has ordered 24 units of vending machines, using \$209,000 worth of HEERF funds for the purchase. He said Sally the Robot will be approved by IT soon. Rider said the food trucks are on campus and noted where they're located. He said the Ozzi machine was installed at the end of September at Sutter and has so far saved 9,322 paper containers from the landfill, and saved the AS \$3,700 in paper products. Odom questioned management of vending machines and Rider said the same management company will be used but the AS will do a couple of them in-house, at the BMU and the WREC. He said per the contract, we don't make any money on food; only on snacks and beverages. The in-house machines will contain food, which the AS will benefit from. It was noted that Rider was promoted from Director of Dining Services to Director of Auxiliary Businesses. Clyde said this was done during COVID and he stepped up and took over day-to-day communications with Lathrop at the bookstore. Clyde still works with contractual pieces of the bookstore.
- IX. CHICO STATE WILDCAT STORE DIRECTOR REPORT** – Lathrop reported that Follett was bought out by a private investor group made up of families, called Jefferson River Capital, and they are now called Follett Higher Education. Made up of Follett, Follett on-demand website that produces a lot of their stuff online. She said the group of families that bought Follett out did not already own investments in higher education and noted there's not a whole crew of people coming in to take over jobs. Everyone's job remains the same across the company except for the CEO and President. The new management considers all as Follett One Team instead of being departmentalized. She said Emmanuel Kolady, the new CEO recognizes that the company is struggling with general merchandise and wants to grow it. Ryan Petersen is the new President and she said his big piece is access for students such as via software so that students can have their material day one and save money. Pay rates and benefits remained the same. Lathrop said over the next 30 days Kolady will be visiting the various stores. She's excited that this group of investors seems passionate about technology. • Lathrop said they're going into week three of the semester and had a great first and second week of school. She worked last Saturday and said now that softball and baseball are back there were a lot of people in the store purchasing merchandise. She is working on the March 2 and 3 Grad Fest. She said that this year's gown looks very different and is a one of its kind so students won't be able to buy it on Amazon. New stoles are also coming out. Lathrop said there will be 8 different designs of Grad shirts, which will include one for each of the 7 colleges. They are working with a local vendor for these.
- X. VP APPOINTEES' REPORT** – Patrone did not have a report.
- XI. EXECUTIVE DIRECTOR REPORT** – Clyde said the Board is discussing an increase to minimum wage; not the \$15/hour minimum wage but the \$18/hour campus minimum wage effective in January. She said final approval for this increase will go to the Board and would retro back to January if approved. This would be a total annual increase of approximately \$60,000 in salary and benefits. She said most of the lower wage earners reside in Dining. Clyde noted this will also have an issue on compression and this is step 1 of a multi-step process. • Clyde said we receive a Bookstore Scholarship from Follett of \$15,000 each year. Current policy says the ASBC VP of B&F chooses which organization some of the dollars go to and the rest to AS student employees that have been here one year and in good standing. She said last year due to COVID, we had no students and this year we don't have students that qualify for this so the money rolls over. Clyde reached out to Lathrop and asked if the policy of students only being able to use the funds to purchase books could be changed. She found out it's actually an AS policy and it will be brought to ASBC to see if they want to revise it to allow for different purchases, such as graduation stoles. She said it's up the ASBC to look at dollars and could give to different individuals on campus as well as AS student employees for purchases in the bookstore. Clyde said she would discuss this further with Latic and if he agrees will prepare a policy change
- XII. MINDFUL MINUTE** – Latic skipped due to time constraints.
- XIII. CHAIRS REPORT** – Latic said he went to Tahoe and it was very cold and very beautiful.
- XIV. ANNOUNCEMENTS** – Odom updated regarding upcoming Career Fairs.
- XV. PUBLIC OPINION** – Limited to three minutes per speaker, five minutes for entire topic – Robertson introduced Van Dam, the new Financial Services Assistant Director. Latic said filming at the start of the meeting was done this morning for the College of Business.
- XVI. ADJOURNMENT** – The Chair, Latic, adjourned the meeting at 3:32 p.m.