Board of Directors Meeting Minutes  
Monday, May 14, 2018  
3:30 p.m. to 5:00 p.m.  
Administration Building, ADM 153 L  
1600 Holloway Avenue, San Francisco, California  

I. Call to Order by the Chair, Trevor Getz (5 mins)  

Jay Orendorff chaired the meeting in his capacity of an officer of the Board as Trevor Getz was unable to attend in person.  

There being a quorum present, The University Corporation, San Francisco State (UCorp) Board of Directors was called to order by the designee for the Vice President of Administration & Finance/CFO, Jay Orendorff, at 3:35 p.m. at San Francisco State University, Administration Building, Room ADM 153 L.  

Board Members Present  
Jay Orendorff  
Brian Beatty  
Maureen Carew  
Anoshua Chaudhuri  
Gene Chelberg  
Trevor Getz, Chair (phone)  
Bonnie Li Victorino  
Kathy O’Donnell  
Jason Porth  

Others Present  
Constance Cavallas  
Andrew Lok  
Tammie Ridgell (phone)  
Anthony Victoria  

Board Members Absent  
Neil Cohen  
Monica DiLullo  
Nancy Gerber  
Hrag Kalebjian  
Auggie Melendez  
Kal Salama  
Alison Sanders  
Rob Strong  

1. Approval of the Agenda  

Jay proposed to move Item VI, the resolution approving the FY1819 budget before Item V, the report from the Bookstore Advisory Committee Chair. There were no objections to the change.  

2. Approval of the Board of Directors Meeting Minutes for April 16, 2018  

Jay asked for a motion to approve the April 16, 2018 Board of Directors Meeting Minutes as presented. It was moved by Jason Porth, seconded by Brian Beatty, and approved unanimously.  

BOD resolution No. 20180514-01  

II. Public Comment  

There were no members of the public present.
IIII. Board Announcements/Constituent Reports (5 mins)

There were no reports or announcements from constituent groups.

IV. Report from the Retail and Commercial Services Committee Chair, Neil Cohen (10 mins)

Andrew Lok reported out on behalf of Neil Cohen. At the April 30 Retail and Commercial Services Committee Meeting, the committee discussed the Shop24 replacement project. Part of the discussions included the possibility of bringing a self-contained coffee kiosk to campus, Café X. The operations team has been in contact with this local company and will be scheduling a site visit.

Andrew noted the while the Open 24 solution is a like-for-like swap in service with Shop 24, the cost of the machines is significantly less, making it an effective stop-gap solution.

V. Budget Approval moved from Item VI to Item V.

Resolution: Budget Approval for Fiscal Year 18-19................................................................. Action (30 mins)

Approval of The University Corporation, San Francisco State operating provisional budget for the fiscal year commencing July 1, 2018 through June 30, 2019

WHEREAS, The University Corporation (UCorp) Finance Committee has reviewed and recommended for approval the attached projections for the fiscal year 2018/2019 as well as UCorp's insurance carrier and associated liability insurance coverage and insurance coverage of all assets;

WHEREAS, UCorp Board of Directors has also satisfactorily reviewed the projections for the fiscal year 2018/2019 and liability and asset insurance coverage;

WHEREAS, the reserve requirements for the 2018/2019 fiscal year were also reviewed and deemed to be adequate;

WHEREAS, other fiscal and operational issues were considered and concluded to be reasonable, including, but not limited to the UCorp’s continued support of the University;

THEREFORE, BE IT RESOLVED, the proposed provisional operating budget for UCorp’s 2018/2019 fiscal year in the form attached, hereby be adopted.

Tammie Ridgell presented the Proposed Budget Presentation for FY2018-19, highlighting the following:

All funds (FY1819 Budget Page 2)
- The All Funds report provides an overall view of our organization's activity. It includes both discretionary and restricted assets. For the restricted items, the estimates are based on a three-year average of the audited financial statements.

Discretionary Fund FSR (FY1819 Budget Page 3)
- UCorp's revenue is generated from three main sources: IDC & program administrative fees, business service income, and investment income.
- IDC is projected to be slightly higher for FY1819 due to the expectation of certain grant amounts, some of which have already been secured. This year UCorp did not budget IDC income from the campus as an agreement for the campus to cover those costs has not been reached.
- Increase in the budget for program revenue is related to expected fees for projects like Holloway, commencement, the Lot 25 agreement with Park Merced.
- Vendors’ rent will have modest increases based on CPI. The budget projection is less because it does not include the vending voucher program.
- Follett commission is expected to be 10% less than FY1718 actuals. This is based on the contract which has a built-in floor of 90% of previous year commissions. UCorp will net approximately $160K after deducting rent for the space.
- Salaries include a 3% increase for management. Additionally increase is related to the rise in minimum wage increase to $15 and the proportional increase for lead cashiers to maintain equity.
- Support services salaries to the university will increase approximately 5-7%. This includes a 3% general salary increase as well as expected increases related to reclassifications.
- UCorp’s director, officer, and general liability insurance is projected to cost $30K.
- The Shop24 refresh is expected to cost approximately $50K. The funds will come from UCorp’s FY1617 operations and be transferred to the Plant Fund.
- Cost allocation to the campus is projected based on the current fiscal year at $150K. This serves as a placeholder. With the change in Administration & Finance leadership it is difficult to project what may change.

Source and Use of Funds (FY1819 Budget Page 4)
- The Sources of Revenue chart highlights revenue sources and their proportionate contributions. This chart does not include investment income - which would comprise approximately half of the chart. The Board asked that future versions of this chart note the omission of investment income.
- The Use of Funds chart highlights expenses, with is 66% allocated to salary and benefits.

Investment Values and Return (FY1819 Budget Page 6)
- For the third year, investment income projections are based on smoothed numbers.
- The Portfolio Values graph illustrates a smoothed value of $21 million and the actual value of $23 million.
- The Portfolio Returns graph compares the investment returns budgeted versus the investment returns received. The smoothed budgeted return is based on a 5-year average. Sometimes actuals are higher than budget, sometimes they are less because of volatility. Instead of capturing the peaks and troughs annually, UCorp budgets for a smoothed average return.

Capital Projects (FY1819 Budget Page 6)
- UCorp has contributed approximately 1.1 million to the construction of the University Club. Originally the repayment timeline was approximately 10-15 years. There have been some changes to the revenue streams since then, the new payment plan is still TBD.
- UCorp is projecting a contribution of approximately $150K to enhance the space surrounding a renovated Station Café. The vendor will cover the remaining project costs.
- Approximately $50K in UCorp Operations funds will be contributed to the refresh of Shop24.
- The ending balance in the Working Capital Fund is approximately $1.4 million.

Reserve analysis (FY1819 Budget Page 9)
- UCorp is required by policy to maintain two separate reserves: Operations and Plant Fund.
- The Operations Reserve of $1.8 million is based on six months of operations. UCorp will need to increase the reserve by approximately $48K to meet the six-months of operations requirement.
- The Plant Fund reserve must have $500K. UCorp has approximately $1.2 million to use toward projects such as the University Club.

Insurance
- Anthony Victoria presented estimated insurance costs for FY1819, highlighting the following:
  - Insurance limits and deductibles have remained steady for the last several years.
  - The liability insurance covers directors and officers.
  - The workers’ compensation and unemployment costs are passed to projects and programs that have UCorp employees. These costs are not included in UCorp’s budget.
  - There have been no claims, which helps to drive down the costs of insurance. UCorp is part of AORMA, which contributes further to lower rates. UCorp’s deductible is zero, our limits are $25 million.

Gene Chelberg motioned to approve the resolution accepting the FY1819 budget proposal as presented. It was seconded by Brian Beatty and approved unanimously.

BOD Resolution No. 20180514-02

VI. Report from the Bookstore Advisory Committee Chair, Brian Beatty (10 mins)

Brian Beatty reported out on the April 26, 2018 Bookstore Advisory Committee meeting, highlighting the following:

Bookstore Director
- Cameron Casey has stepped into the role of interim manager for a smooth transition since Husam’s departure. Follett has begun their interview process to fill the position.
Auto Adopt
- The bookstore staff presented a brief report on the auto adopt program: approximately 50% of materials are auto-adopted, roughly 1100 sections. Less than 300 titles were altered after adoption. There does not seem to be a noticeable difference in the number of titles cancelled or changed since the implementation of the auto adopt program.

Bookstore Sales
- Sales are down 15% overall, with textbook sales driving the decline. Follett is aware of the University’s initiatives to reduce costs for students do work with us to help lower costs when possible.

Immediate Access
- After receiving support from the fee advisory committee and obtaining feedback from the Academic Senate Executive Committee, Brian will recruit a subcommittee from the Bookstore Advisory Committee to move the project forward. The group will meet over the summer to draft the appropriate plan, gain Cabinet approval, and secure feedback from the various departments that will need to be involved. The hope is for a Spring 2019 implementation.
- Though prices for opt-out materials will be lower, the sell-through rates will likely increase from 50-60% to 85-90%, negating any negative impact to the Bookstore.

Follett Contract
- A second subcommittee will be formed for initial conversations about contract extension. UCorp is beginning the 2nd year of the 1st two-year extension offered. The committee will discuss different alternatives for moving forward. Recommendations for a change, of course, will require a bigger campus conversation.

VII. Report from the Director of Finance and Administration, Tammie Ridgell (10 mins)

The following information regarding the finances for the period ending March 31, 2018 was reported as part of the Budget Presentation.

FSR (FY1819 Budget Page 3)
- The increase in food vendors/other rental is related to the orientation voucher program administered by UCorp’s operations staff. The program will clear approximately $4K.
- The Follett commission is lower than the previous fiscal year due to the reduction in Follett sales. It is built into the contract that UCorp’s commission be no less than 90% of the previous year.
- Ctrl+P is expected to be up. Shop24 revenue is down, however expense is also down because there is no licensing fee to Shop24.
- Investment income is projected to be up about 30% over budget if the market trends remain. This is, of course, subject to change.

VIII. Report from the Director of Operations, Chris Farmer (10 mins)

Andrew Lok reported out on behalf of Chris Farmer.

Ike’s Lease
Ike’s has officially left campus. The temporary replacement process has been very smooth. Over the course of just three weeks, UCorp has been able to work with the owners of Nizario’s to assign the remaining year of the lease. Nizario’s had been brewing a sandwich shop, they are happy for the opportunity to pilot their idea. Crave Subs is already open for business. The lease assignment was a win-win for the campus and UCorp. No rent was lost, and there was a very short gap in time for food service from Ike’s old location. The lease assignment will terminate in June 2019. UCorp will begin an RFP process for the space in Fall.

Shop24
A like-for-like replacement for Shop24 will be completed over the summer. There may be some supplemental choices to the updated version, such as a coffee option. The new solution will be able to accept all forms of payment.

Orientation Vendor Voucher Program
The orientation vouchers program will take place over summer, again. This UCorp program coordinates the orientation with vendors allowing participants the opportunity to try different foods on campus. Last year 13K vouchers were used. Before this program, the orientation used one vendor to cater their events. This more well-rounded option is a win-win for the orientation program and for our community of vendors.

Self-operations Inventory
It is inventory time of year for the self-operation shops. Inventory allows UCorp to generate statistics on sales and trends, and guides informed decision-making for the upcoming academic year.
Sugar Tax Research
UCorp was approached by a professor and graduate student in the College of Science and Engineering to assist in collecting data to support research about if and how the sugar tax affects buying behavior on campus. This is an exciting opportunity for UCorp to support and learn from academic projects on campus.

Clean Bites
Clean Bites has been open since the beginning of April. So far the feedback has been good. The space looks great. The owners are deliberate about their ingredient sourcing, and the food is of high quality.

IX. Report from the Executive Director, Jason Porth (10 mins)

Jason Porth started his report by noting the month of May as a time for transition. He congratulated Maureen Carew and Constance Cavallas. Both will have officially earned their Master’s in Public Administration next week.

Jason also announced Constance’s departure from UCorp to pursue an off-campus job opportunity. Constance received both her bachelor’s and master’s degrees from SF State. Jason highlighted the opportunities associated with pursuit of higher education and SF State’s direct contribution professional growth of students and staff.

Bookstore
Cameron Casey has stepped into the role of interim manager at the Bookstore, and will likely be offered the position. Cameron is also an SF State alumni. Follett offers UCorp the opportunity to interview candidates for higher positions on campus. Though they make the final decision, we offer input.

Budget
Jason noted Tammie’s work on the budget. It’s a huge endeavor, and it takes place during the same time as audit preparation.

Holloway
Instead of bringing a private bank or private equity firm on as a financial partner, the Holloway development team has brought on one of the largest student housing companies in the country, American Campus Communities (ACC). They have made some positive refinements to the design plans. They have also requested some changes to the finances in the sublease agreement. The ground rent will not change, and it will now be guaranteed by a publically traded company instead of an LP organization. The participation rent options have changed. There is a large contingency built into the construction budget. ACC has offered to give exposure to any cost savings from the construction, to be split 50/50. It is a different approach, but it could provide the same bottom line if there are cost savings. We are very close to finalizing the deal. If we are unable to partner with ACC, we will not be able to have a 2020 opening. However, Jason expressed positive feelings that an agreement will be reached soon.

University Club
University Club was developed with a financial model that was to draw from revenues to repay UCorp over time. There are aspects of that model that have changed. Initially the club was to be developed on an opt-in membership model. However, exclusivity does not fit with the University’s ethos. We had proposed an administrative buy-out option to the Academic Affairs Council whereby all faculty and staff would have access to the club. It happened that our presentation was just slotted just after a budget presentation. The idea did not gain traction.

In thinking of creative solutions to lean away from the membership model, Jason has had some conversations about contributing UCorp’s cost allocation to support membership for all faculty and staff. The cost allocation model is new within the last five years. We believe using the $150K to support the club falls within the mission of UCorp and will also allow us to be made whole.

A second change to projected revenue streams is related to the food vending portion of the space. UCorp released an RFP but did receive any responses. University Clubs are a notoriously difficult business model. Around the same time, UCorp was approached to look for solutions for the Vista Room, which will reduce service to three-days-a-week lunch model in Fall 2018, serving instructional meals only. We have begun early discussions with the College of Business and the Hospitality and Tourism Management Department to look for way to solve both issues with one solution, perhaps finding a way for the Vista Room to be in charge of the University Club food program.

There is a lot of work to be done. There is recognizable collective value in keeping the Vista Room operating with its current schedule.

UCorp is also considering supplementing food service with vending, self-operations, or other alternatives that we can provide.
X. Schedule of Meetings

Board of Directors:
Monday, June 25, 2018   3:00 p.m. to 4:30 p.m.   4th Floor, ADM 460

XI. Call for Adjournment

There being no further business to conduct, The University Corporation, SF State Board of Directors meeting was adjourned at 4:47 p.m.