

AZTEC SHOPS, Ltd.
Minutes of the Board of Directors
June 8, 2018
Board Meeting

Members present: Brie Hornig, Gina Jacobs, Joey Lucero, Tom McCarron, Tyler Morgan, Tomi Osinfolarin, Eric Rivera, Chris Thomas and Carl Winston

Members absent: Bill Earley, Dr. Seth Mallios and Xavier Leausau-Aguilar

Others present: Todd Summer, Lisa Albers, Kathy Brown, Gayle Fernandez, Jennifer Lakin, Paul Melchior, R.D. Williams and guest, Eric Hansen (Office of Housing Administration).

I. Call to Order

Tom McCarron, Secretary/Treasurer, called the meeting to order at 12:13 p.m.

II. Approval of the minutes of the Board of Directors Meeting of April 27, 2018

Joey Lucero moved to approve the April 27, 2018, Board Meeting minutes. Carl Winston seconded the motion. Motion was approved 9-0-0.

III. Public Comment

Tom McCarron opened the meeting for public comment. There was no public comment at the meeting.

IV. Thank you Gina Jacobs

Tom McCarron thanked Gina Jacobs, President Sally Roush's designee, for her service and contributions during her tenure on the Board of Directors.

V. Election of Officers

The Board of Directors offered the following slate of officers:

Chair:	Seth Mallios
Vice-Chair:	Christopher Thomas
Secretary/Treasurer:	Tom McCarron

Per the bylaws, the Secretary/Treasurer position of the corporation is automatically filled by the Vice President of Business and Financial Affairs at San Diego State University.

Carl Winston moved to approve the election of Seth Mallios, Chair and Chris Thomas, Vice-Chair. Eric Rivera seconded the motion. Motion carried 8-0-1. Chris Thomas abstained.

VI. Benefit Oversight Committee Report, May 3, 2018

Lisa Albers reported the Aztec Shops Defined Benefit Pension Plan Oversight Committee (Todd Summer, Lisa Albers, Jennifer Lakin, Tom McCarron, and Leah Messenger),

Mike Roberts and Tom Kokjohn, Morgan Stanley representatives, and Donna Tusack, guest, met on May 3, 2018. Morgan Stanley provided an overview of defined benefit plan and 403(b) conversions to Principal. The committee reviewed plan investments, actuarial reports and financial audits. Lisa reported the audits for both plans were discussed, there were no audit findings and all tax filings were completed timely. The Oversight Committee meeting minutes were distributed to the Board.

VII. Audit Committee Meeting Report

Tyler Morgan reported that the Audit Committee (Tyler Morgan, Board member and Chair, Seth Mallios, Board member, Valerie Peterson and John Penrose, university representatives), university guests (Michael Welch, Beth Warrem and Kim Reilly), management representatives (Todd Summer, Lisa Albers and Donna Martens) met with Rick Wentzel and Gina Marie Hernandez, Grant Thornton audit firm representatives, on May 9, 2018. The committee accepted and approved filing the **IRS** Form 990, unrelated business income tax 990T and applicable California returns. A complete copy was provided to each board member prior to filing by the May 15, 2018, deadline. The specifics of the upcoming 2017/2018 financial audit were discussed. The audit will be conducted in accordance with generally accepted auditing standards in the United States (GAAS) which includes a risk based approach. Rick Wentzel described the audit methodology and that materiality will be on total revenues. He explained the areas identified as significant risks and that is where they will focus on in their upcoming audit. Tyler Morgan, Chair of the Audit Committee, signed the engagement letter. The meeting minutes and the attachments from the May 9, 2018, meeting were distributed.

VIII. Management Discussion

Todd Summer discussed the financials to date with the board.

IX. Property Performance Update

R.D. Williams, Director of Business Development and Contract Housing, reported on the System-Wide Revenue Bond-Financed Apartment Properties performance from 2012-2018. The properties, which include Albert's College Apartments, College West Apartments, Piedra del Sol and Fraternity Row Apartments, consistently met or exceeded projections with returns on investment estimated at 11.2% for fiscal year 2018.

X. Approval of the 2018/2019 Operating and Capital Budget

Todd Summer reported that a budget workshop to review the proposed 2018/2019 operating and capital budgets was conducted on May 22, 2018. He explained that Tom McCarron and Agnes Wong Nickerson, SDSU Business and Financial Affairs, reviewed the budget prior to the budget workshop. The Board had an opportunity to discuss the budgets in detail at the workshop.

Todd presented the key financial points in the Aztec Shops overall budget including the 3% merit pool effective January 2019, California minimum wage \$.50 increase, first year budgeting the incentive program, and a full year of occupancy for South Campus Plaza. The major items in the capital budget were highlighted.

Tyler Morgan moved to approve the 2018/2019 operating and capital budgets. Joey Lucero seconded the motion. Motion was approved 9-0-0.

XL Allocation of Earnings

Todd Summer reported that for the 2018/2019 fiscal year management recommends an earnings allocation in the amount of \$310,000 to the University's Auxiliary Discretionary Fund and an allocation in the amount of \$55,000 to the Associated Students Campus Community Relations. Tyler Morgan moved to approve the allocations as outlined in the board attachment. Tomi Osinfolarin seconded the motion. Motion carried 9-0-0.

Todd Summer reported that an additional \$400,000 will be allocated for the 2017/2018 fiscal year toward San Diego State University's Strategic Plan goal as outlined by the President and the Scope of Authority.

XII. Resolution Establishing Board of Directors Schedule of Meetings for Academic Year 2018/2019

Todd Summer presented a resolution to establish a Board meeting schedule for the 2018/2019 academic year. Tom McCarron moved that the Board of Directors approve the resolution establishing a Board of Directors meeting schedule for the 2018/2019 academic year. Joey Lucero seconded the motion. Motion was approved 9-0-0.

XIII. Aztec Shops Benefits

A slight change to the Incentive policy where future CEO and Directors' percentage payouts would be changed was recommended by management. It was suggested by board that incentives be prorated for partial year employees still in service at the end of the incentive plan period where the employee has worked at least 50% of the year. Tyler Morgan motioned to accept the slight recommended change from management, with Tom McCarron, secretary and treasurer, approving and finalizing language for the additional board recommended change on pro-rated payouts. Joey Lucero seconded the motion. Motion was approved 9-0-0.

Todd also discussed changes to the employee vacation and sick time plans. These changes will be implemented beginning in January, 2019 and continue through January, 2022 until the changes are completed.

XIV. Adjournment

Joey Lucero moved to adjourn the meeting at 1:20 p.m. Gina Jacobs seconded the motion. Motion was approved 9-0-0.



Todd Summer
Chief Executive Officer