

CAL POLY

CORPORATION

BOARD OF DIRECTORS ANNUAL MEETING

Friday, April 28, 2017 8:30 a.m.

Corporation Administration Building #15

Conference Room #124

MINUTES

Fiscal Year 2016-17

- Present:** Phil Barlow (*arrived at 10:03 a.m.*), Alexandra Bonestroo, Paul Hoover, Keith Humphrey, Kimi Ikeda, Nick Pettit, Kim Shollenberger, Cyrus Ramezani, Mary Verdin, Cynthia Villa
- Absent:** Steve Harding, Justin Rajah, Andy Thulin
- Guest:** Greg Benedikt, Victor Brancart, Dario Buechi, Jim Dunning, Perry Judd, Koll Roberts, Jordan Smith, Amy Velasquez
- Staff:** Preston Allen, Joe Alves, Dan Banfield, Ellen Curtis, Spyros Gravas, Starr Lee, Lorlie Leetham, Will Marchese, Fatma Spanton, Eumi Sprague, Mike Thornton

I. CALL TO ORDER AND INTRODUCTIONS

Chair Cindy Villa called the meeting to order at 8:33 a.m. and welcomed everyone in attendance. She announced that Board Members Andy Thulin, Justin Rajah and Steve Harding would not be in attendance today.

Cindy introduced guests Ellen Cohune, Amy Velasco, and Perry Judd and commented that Jim Dunning and the Student Investment Management Portfolio Group would be joining the meeting later to present reports to the Board.

II. PUBLIC COMMENT

There were none.

III. MINUTES

A. Board Meeting Minutes – January 27, 2017

(M/S/P) (Shollenberger/Humphrey) that the Board accepts the January 27, 2017 minutes as presented.

None opposed.

IV. CHAIR REPORT

None

V. UPDATES

A. Executive Director's Report

Lorlie Leetham reported on university activities and updates, which included Open House and the rodeo. She also played the "Dear Mustang" video the Corporation Marketing Department created and presented during Open House.

Other updates included Administration and Finance and CPC strategic planning, new appointments and searches that are currently underway, the I Field celebration scheduled for the first week in May, and the Campus Master Plan EIR scheduled for completion in May or June of this year.

Lorlie introduced Will Marchese as the Corporation's new Manager of Facilities and Capital Projects. Will commented that he is excited to be a part of the Corporation team and looks forward to improving relationships and streamlining projects.

Lorlie reported on the following Corporation activities and projects:

Building 15 is currently in the process of being refurbished with new paint, refinishing the woodwork, new chairs and new video technology for the boardroom.

The University Store RFP process is complete and a contract has been fully executed with Follett Higher Education Group. Priorities included in the contract were courseware affordability, existing staff retention, and financial return to the Corporation.

Campus Dining was awarded the California Sustainability Best Practice Award for Sustainable Food Systems.

Campus-wide surveys and on-site insight studies have been completed. Slightly fewer than 200 volunteers participated in the surveys. The Corporation's first quarterly meeting with the Chartwells regional team is scheduled for May 4.

Some immediate impacts of the Chartwells Management Contract with Campus Dining have been management initiatives, organizational structure changes, menu rotations, and asset protection training.

The Vista Grande bid opening was held on April 18 with an anticipated project start date in the next couple of weeks.

University Union neighborhood project work group that includes Corporation, ASI, Facilities and the University Union Advisory Board is currently having meetings to discuss and identify the best approach and use for the exterior spaces in the University Union.

Discussion ensued regarding the specifics of the University Store contract with Follett Higher Education Group.

VI. BUSINESS

A. Vista Grande Capital Outlay and Financing

M/S/P (Humphrey/Ramezani) that the Board approve an increase of \$5,400,000 with a 10% variance allowance for facility capital outlay expenditures to replace Building 112 (Vista Grande).

Dan Banfield gave a background on the Vista Grande project capital outlay and financing.

At the October 21, 2016 Board of Directors meeting, the board authorized the Executive Director to negotiate and execute documents necessary to facilitate the financing using the CSU's Systemwide Revenue Bond Program, and approved a resolution for financing not to exceed \$26.5

million.

The project went out to bid in February 2017 and bids were opened on April 18, 2017. The re-forecasted total cost of the project is \$36 million. The original estimates were at \$30.6 million.

Corporation management has thoroughly analyzed cash flow projections and program capacity and determined that construction and completion of the project as currently designed and at the increased cost can be met by a combination of financing and cash. The request before the board is to authorize an increase of \$5.4 million with a 10% variance allowance for the Vista Grande replacement project.

There was some discussion about if the Corporation would benefit by waiting or by scaling back the project.

Perry Judd gave a brief background on the five stages of the project from concept to actual construction.

VII. REPORTS

A. Student Investment Management Portfolio (SIMP)

Students Koll Roberts, Greg Benedikt, Jordan Smith and Dario Buechi introduced themselves and gave a presentation on the 2016-17 fiscal year Student Investment Management Portfolio.

Only 31 students are selected for the SIMP class. In the class, students provide initial buy, hold or sell recommendations in addition to the recommended weight allocations. They track portfolio movements on a weekly basis, and continue to have presentations from outside speakers.

Year-to-date the student-managed portfolio's performance is at 7.01% and outperforming its benchmark of 6.63%.

Going forward, the students will re-allocate their cash to new positions, host additional speakers, and look to reach their goal of being optimally invested by the end of spring quarter.

B. Technology Park Expansion Update

Jim Dunning introduced himself and gave a brief background on the Technology Park from its 2010 completion to present. As of April 2017, 12 companies employing more than 100 professionals reside at the Technology Park, providing an estimated economic impact of \$16 million per year.

Jim reported that in 2015, planning studies were initiated leveraging a \$500,000 Federal Investment to expand the Technology Park into an Innovation Complex. These studies will be concluded in summer of 2017. He presented slides to the Board indicating where the expansion for the Innovation Complex is planned and the timeline from site planning studies to be completed in June 2017 to building completion in 2020.

The Board took a break at 9:50 a.m. and reconvened at 10:03 a.m.

C. Quarterly Financial Report, March 31, 2017

Dan Banfield reported the following on the March 31, 2017 financial report:

General and Administration revenues are under budget due to the decrease in income from allocated facilities services. Payroll is slightly under budget, primarily due to an early retirement. Operating expenses are under budget, primarily the result of a savings in expenditures for travel and special events. The difference also reflects a favorable variance in consulting and project equipment expenditures.

General Investment Fund dividend and interest income are both under budget and primarily due to a decrease in special dividends. During the prior year, the Corporation received a one-time special dividend payout. The current year anticipated similar special dividend activity, which has not been realized this year. Market gains and losses totaled \$2.1 million for the first nine months of this fiscal year.

Campus Dining revenues are under budget primarily due to lower than budgeted first time freshman enrollment. Cost of sales is under budget. Payroll expense is up mostly due to student payroll expenses. Overall operating hours were extended starting in fall of 2016, which resulted in high student labor costs. Operating expenses are under budget and above prior year. Some of the savings realized were due to the delay or postponement of supplies and equipment related expenses.

University Store revenues are down, partially driven by a lower first time freshman count. Cost of Sales is under budget and is primarily the result of decreased sales during the current fiscal year. Payroll and operating expenses are also under budget.

Conference and Event Planning revenues are above budget and exceeded the prior year. The increase is a result of an increase in total events and an increase in participants at repeat events. Payroll is slightly under budget. Operating expenses are consistent with the budget and above prior year.

Plant operations revenues are slightly above budget and prior year. Operating expenses are over budget and above prior year as a result of an increase in maintenance expenses for the Corporation Administration Building.

Sponsored Programs revenues exceeded the budget and prior year activity. This increase is consistent with the growth in overall project expenditures. Project expenditure activity has increased over the prior year, the result of increases in both the federal and non-profit industry sectors. Payroll expenses are over budget and operating expenses are slightly under budget.

Total assets are up \$11.4 million, liabilities are up \$4.5 million and net position is up \$6.9 million.

B. Quarterly Investment Report, March 31, 2017

Joe Alves reported that the Investment Advisory Committee met on Wednesday and Damon Whelchel from Kaspick and Company walked the committee through the quarterly and year-to-date results.

Joe reported the following on the March 31, 2017, quarterly investment report:

The General Investment fund's Money Market and CD interest rates have risen since the beginning of the year. The Corporation is continuing to monitor and evaluate cash needs to take advantage of higher returns.

Short-Term and Low-Duration funds both outperformed their benchmarks by 2.3% and 1.5%. The Corporate Investment Pool had an 8.8% return, outperforming its benchmark of 7.9%. The main drivers of the performance were strong returns from domestic and international equities. The asset allocation reduction of the PIMCO AAAA fund has been completed and is now at the target allocation of 7.5%.

OPEB Pool and Veba trust each outperformed their benchmarks by 1.4% and 1.7% respectively. Both funds are 100% funded.

Endowment Funds had a return of 8.6%, outperforming its benchmark of 7.9%. These funds are not owned by the Corporation, but are funds held on behalf of others. Currently, the Corporation manages eight endowments.

Grant & Annuity Society outperformed its benchmark of 7.9% with a return of 8.3%. There were two new contracts with a total value of \$75,000 since the start of the year.

Joe reported that the OCIO subcommittee has selected RV Kuhns to provide consulting services in the Corporation's search and review of its investment advisors. The Corporation has received a search report from RV Kuhns and will be scheduling presentations from candidates in May. Joe stated that this is a joint project with the Cal Poly Foundation and that Kaspick and Company is being included in all steps of the process.

VII. ANNOUNCEMENTS

Cindy Villa announced that the next scheduled Board of Directors meeting is June 2, Mustang Madness is at 4:30 p.m. on May 20, at the Alex Madonna Expo Center and the Board's visit to Swanton Pacific Ranch is scheduled for June 8.

Lorlie announced that Green and Gold is on the evening of May 5, the I Field dedication is May 5 and a major gift announcement from Bill and Linda Frost is scheduled for May 3.

IX. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 10:25 a.m.

Respectfully submitted,


Ann Roy, Recording Secretary