CAL POLY
CORPORATION

BOARD OF DIRECTORS ANNUAL MEETING
Friday, May 27, 2016, 8:30 a.m.
Corporation Administration Building #15
Conference Room #124

MINUTES

Fiscal Year 2015-16

Present: Phil Barlow, Alexandra Bonestroo *(left at 10:01 a.m. and returned at 11:12 a.m.)*, Steven Harding, Brady Hiob, Paul Hoover, Kimi Ikeda, Nick Pettit, Kim Shollenberger, Cyrus Ramezani, Andrew Thulin *(left at 10:33 a.m.)*, Mary Verdin, Cynthia Villa *(left at 10:33 a.m.)*

Absent: Keith Humphrey

Guest: Karen Aguilar, Victor Brancart, Brian Dietterick, Jim Dunning, Megan Fukamaki, Steve Lerian, Nicole Smith, Denise Stoeber, Vince Uhler, David Valadez

Staff: Preston Allen, Joe Alves, Dan Banfield, Frank Cawley, Ellen Curtis, Lynnette Held, Jeff Heller, Starr Lee, Lorlie Leetham, Melissa Mullen, Fatma Spanton, Eumi Sprague, Mike Thornton

I. CALL TO ORDER AND INTRODUCTIONS

Chair Kimi Ikeda called the meeting to order at 8:33 a.m. and welcomed everyone to the meeting. Kimi introduced the guests in attendance: Megan Fukamaki, Steve Lerian, Brian Dietterick, and Jim Dunning. Lorlie introduced Karen Aguilar, David Valadez, and Victor Brancart.

Kimi announced that Student Directors Alexandra (Lexie) Bonestroo and Brady Hiob are both leaving the Board. She thanked them for their service and presented them each with a Commendation and gift.

II. PUBLIC COMMENT

There were none.

III. MINUTES

A. Board Meeting Minutes – April 22, 2016

(M/S/P) (Verdin/Shollenberger) that the Board accept the April 22, 2016 minutes as presented. None opposed.

VI. UPDATES

A. Executive Director's Report

The Corporation is including in the budget proposal a 3% merit-based compensation pool across all units. This amount is consistent with the university. The only difference is the Corporation's compensation pool is based on merit whereas the university's is 3% across the board, not based on merit.

The fringe benefit rate is 62.6% for the 2016-17 fiscal year, up from 56.8% in 2015-16. Effective

January 1, 2017, minimum wage will increase to $10.50 per hour and will have an impact on the payroll assumptions for the 2016-17 fiscal year.

The general operating expenses are budgeted to increase 2% based on the CPI index. Based on information from AORMA, liability insurance is budgeted to decrease 88% and property insurance is budgeted to decrease 6.19%. The results of the general assessment and allocated services study will be applied to the 2016-17 fiscal year.

Campus Dining and Catering were awarded the National Silver Green and Gold Event Award in 2015.

Lorlie asked Starr to address the board to provide clarification on the form they will be asked to complete regarding alcohol license applications. Starr stated that there is no personal liability to the directors and officers by signing the forms. As Directors, they are covered by the Corporation's insurance. The forms must be signed and notarized. If any Board member does not have access to a notary, they can make arrangements with Ann Roy to have the documents notarized. After filing the documents with the California Department of Alcoholic Beverage Control, some of the Board members will be asked to do a Livescan. Andy asked if the board members would have to go through this process again if the Corporation was to apply for another license in the future. Starr replied that once a base file is established with ABC, the Corporation does not have to complete the process again unless a majority of the current board members are no longer serving on the Board.

Lorlie asked Brady and Lexie to address the Board as to what their future plans are.

Brady stated that he will be graduating in two weeks with a degree in mechanical engineering and is deciding between a couple of job offers.

Lexie stated that she is finishing her third year as a chemistry major. She will be working on her senior project next year and has applied to serve on the Corporation Board of Directors for the 2016-17 fiscal year.

V. BUSINESS

A. Election of Officers and Appointment of Board Members

M/S/P (Shollenberger/Bonestroo) that the Board approve the President's nominations of Officers for the Corporation Board of Directors.

Kimi announced that President Armstrong has appointed Cynthia Villa as his designee to serve a one-year term beginning July 1, 2016. Additionally, President Armstrong made the following appointments, with all terms to start July 1, 2016: Cyrus Ramezani, for a three-year term as a Director; Kimi Ikeda for a three-year term as a Director; and Steven Harding was reappointed for a second term as a Community Director.

Two new Student Directors will be appointed at a later date as Lexie Bonestroo and Brady Hiob are transitioning off the Board.

President Armstrong has nominated the following officers to serve a one-year term beginning July 1: Cynthia Villa, Chair; Nick Pettit, Vice Chair; Andrew Thulin, Secretary/Treasurer.

B. Publicly Available Pay Schedule for CalPERS

M/S/P (Villa/Shollenberger) that the Board approve the publicly available pay schedule for the Corporation employees, which will then meet the requirements of California Code of Regulations (CCR 570.5).

Kacey reported that CalPERS requires that the Corporation have a CalPERS publicly available pay schedule guideline. The pay schedule has to be approved by the Board and every position has to show a pay range, time base and must be able to be accessed by the public with an effective and ending date and cannot reference another document.

C. Cal Poly Corporation University Programs FY 2016-17 Operating Budgets and Capital Outlay Proposals

M/S/P (Villa/Hiob) that the Board approve the University Programs FY 2016-17 Operating Budgets and Capital Outlay Proposals.

University Graphics Systems (UGS)

Megan Fukamaki introduced herself as a third year graphic communications student and next year's Production Manager for UGS. Nicole Smith then introduced herself as the current Production Manager and also introduced Vince Uhler, UGS Manager/Technician, and stated that they both were in attendance today to answer any questions.

Megan reported on the 2016-17 fiscal year operating budget and capital outlay proposal for UGS.

Some of the accomplishments during the 2015-16 fiscal year included: a donation of a Duplo DB120 saddle stitcher; streamlining of UGS billing processes; and the opportunity some UGS students were given to tour the California State printing facility in Sacramento.

Next fiscal year, UGS goals include: expanding digital printing services; expanding their digital, design, web and sheet-fed offset production markets; and increasing the accuracy and efficiency of invoicing.

The 2016-17 budget includes projections of $180,000 in total sales, expenses of $229,000 and $50,000 in offset income from the College of Liberal Arts (CLA).

There are no capital outlay requests.

Mary Verdin asked if the $50,000 from CLA is a normal offset. Nicole replied that it is an award that CLA gives to UGS every year to support "Learn by Doing." Phil Barlow suggested that UGS collaborate with the colleges on campus by physically going to the departments to find out what their needs are. Lexie Bonestroo asked if UGS has considered breaking into Evites. Nicole replied that they have not, but it would be something they will be looking into for the future.

Cal Poly Arts

Steve Lerian reported that Cal Poly Arts (CPA) was founded in 1985 and celebrated its 30th anniversary season this year. CPA is a department within CLA and presents 40-60 public events per year.

Steve reported on the 2016-17 fiscal year operating budget and capital outlay proposal for Cal Poly Arts.

Accomplishments for the 2015-16 fiscal year included establishing a partnership with the SLO County Library Foundation, presenting events in two new off-campus venues, and assisting in the successful search for a new PAC Managing Director.

CPA is projecting ticket sales to be in excess of $1.2 million and to have a net-to-reserves of $80,000 by June 30, 2016.

In the 2016-17 fiscal year, CPA's focus will be on maintaining a balanced budget and building a cash reserve as well as launching a planned giving campaign. CPA will also be reshaping its programming model to feature more genres that have a higher financial success.

The 2016-17 fiscal year total income is budgeted at $1.5 million, expenses are budgeted at $1.44 million, and net-to-reserves are budgeted at $65,000.

There are no capital outlay requests.

Phil Barlow asked how the expenses associated with administrative costs amount to only $40. Steve stated that the university pays for CPA administrative salaries and office space. Phil asked whether that was true for all the budgets. Lorlie replied that it is true for all of the University Program budgets being presented at the day's meeting; and confirmed that what the Board is approving is the portion the Corporation is responsible for and supports.

Technology Park

Jim Dunning reported that this fiscal year the Technology Park received a $500,000 grant from the Economic Development Administration for the Technology Park Expansion Studies through May 2017.

Jim also reported on the goals and objectives for the 2016-17 fiscal year.

Jim reported on the Technology Park 2016-17 operating budget and capital outlay request.

Total project revenue is expected to decrease 3% due to anticipated tenant vacancies. Gross revenues before operations are expected to be $447,000. Net income from these operations will be used to service the debt and fund reserves.

Operating expenses are expected to increase by 2%. Other operating expenses include fees for management services provided by the Corporation, which had not been adjusted since the Technology Park's first year of operations.

Overall net-to-reserves is negative due to depreciation expense on the Technology Park facility and related equipment, as well as tenant improvements. Overall, the Tech Park operations are in a positive cash position and income from operations is sufficient to service the annual debt payments.

Capital outlay requests in the amount of $17,000 are to make improvements to the parking lot and improve drainage by installing an asphalt curb to accommodate water run-off.

Swanton Pacific Ranch

Brian Dietterick reported that the operations on the ranch include Forest Management, Livestock Management and Crop Management. Each operation generates revenue for the ranch to supplement its operating budget, improve facilities or support educational programs. These operations offer Cal Poly students opportunities to participate in planning, implementing, and/or studying these practices. Swanton Pacific Ranch offers 10-15 paid internships each year. Annually, the ranch hosts more than 500 students on overnight and weekend field trips. There are four Cal Poly courses held at the ranch: Sustainable Forestry Environmental Practices, Sustainable Rangeland and Livestock Management, Field Methods in Water Ecology, and Certifications in Organic Agriculture. The ranch also accommodates an array of professional workshops and seminars every year, and 6-10 senior projects are completed there annually.

Brian reported on the 2016-17 fiscal year operating budget and capital outlay proposal for Swanton Pacific Ranch.

Sales of livestock, beef, pumpkins and apples is budgeted for $155,000 and revenue from land rent, housing, facility use, courses and endowments is budgeted at $662,000. Payroll expenses are budgeted at $617,000 and operating expenses are budgeted at $524,000. Depreciation expenses of $224,647 and a capital outlay request of $60,800 leaves a deficit of $159,000. The Timber Harvest revenue will cover the deficit.

Capital outlay requests in the amount of $60,800 are for the planning of the Swanton Pacific Educational Center and Field Camp and to purchase a utility truck bed.

Commercial Agriculture

Andy Thulin reported that this past year, Animal Science had 850 students participate in enterprises classes and hired seven new faculty members and two new staff members. The Poultry Unit received a $1 million donation for a major expansion and renovation for the unit. Andy reported that Horticulture and Crop Science: had more than 210 students involved in enterprise classes; increased efficiencies in water usage and precision farming; completed construction for two new cooler facilities; and hired a faculty member for the Organic Farm. Food Science and Nutrition also has a new operations manager, who will focus on production efficiency, product quality, and supply cost reduction. Wine and Viticulture removed the Trestle Vineyard due to disease and will replant the vineyard in 2017-18.

In the 2016-17 fiscal year, Animal Science will continue to "right size" the livestock herds due to drought conditions; they will also review cheese sales and distribution and increase all dairy product sales. Horticulture and Crop Science will implement the new Point of Sale system at the Poly Plant Shop, continue to monitor water usage, and increase production and marketing channels at the Organic Farm. Food Science and Nutrition will continue efforts within the industry to procure donations of supplies; they also plan to increase production efficiencies through scheduling and reduced equipment changeover. Wine and Viticulture's goal is to secure bonding to operate as a commercial winery and continue advancement efforts for vineyard support.

Andy reported on the 2016-17 fiscal year operating budget and capital outlay proposal for Commercial Agriculture. CAFES is predicting a $253,000 variance in net-to-reserves.

The proposed operating budget includes payroll expenses of $735,000, operating expenses of $2.3 million and net-to-reserves of $235,000.

The total Capital Outlay request in the amount of $115,025 includes the purchase of a new spray tractor, a used three-quarter ton truck and replacement parts for the stubble disc.

The Board took a break at 10:33 a.m. and reconvened at 10:44 a.m.

D. Cal Poly Corporation Core Programs FY 2016-17 Operating Budgets and Capital Outlay Proposals

M/S/P (Shollenberger/Hiob) that the Board approve the Cal Poly Corporation Core Programs FY 2016-17 Operating Budgets and Capital Outlay Proposals.

Sponsored Programs

Melissa Mullen reported that during the 2015-16 fiscal year, Sponsored Programs Administration underwent a diagnostic review with the aid of an outside consultant to assess Sponsored Programs' readiness and compliance with new regulatory provisions for the administration of federally funded projects. Since then, Sponsored Programs has completed a review of all of their policies and procedures. Several externally-sponsored audits were also completed with no significant findings.

This next fiscal year, Sponsored Programs will be focused on building partnerships and developing and improving services to enable more regular engagement with faculty.

Melissa reported on the 2016-17 fiscal year operating budget and capital outlay proposal for Sponsored Programs.

Income is expected to increase by $85,000 from prior year and other revenues are budgeted to increase by $29,000. Payroll expense reflects a 7% increase and is due to a 3% merit pool as well as an increase in the minimum wage. Total operating expenses are budgeted to be slightly lower and operating expenses are expected to increase by $62,000, primarily due to the increase in the Corporation administrative assessment and the CPSU AFD cost allocation. Transfers out are expected to increase by $197,000 as a result of no further funding requirements for the C & I OPEB Reserve.

There are no capital outlay requests.

Lorlie asked Melissa to clarify Sponsored Programs' primary source of income. Melissa replied that with each contract activity a 38.5% facility and administrative cost is assessed. Sponsored Programs receives approximately 17% of the overall effective rate.

There was some discussion about the lack of efficiencies and support received by faculty and staff from Sponsored Programs and the Grants Development Office. It was commented that this is the most common complaint amongst faculty. It was also suggested that a survey be conducted to receive feedback from the user-side experience with Sponsored Programs and Grants Development offices.

General Administration

Dan Banfield reported on the 2016-17 fiscal year operating budget and capital outlay proposal for the General Administration.

Dan reported on the accomplishments for the 2015-16 fiscal year and the goals and objectives for the 2016-17 fiscal year.

Revenues are budgeted to increase slightly, primarily due to the increase in assessments charged to Corporation departments. In addition, payroll expenses are projected to increase 7% as a result of personnel additions, a 3% merit pool, a minimum wage increase and a higher fringe benefit cost for regular benefited employees.

Operating expenses are expected to remain consistent with the current year. Market losses have totaled $1.4 million for the first 10 months of the 2015-16 fiscal year, resulting in an overall net operating loss of $380,000. As of April 30, 2016, the combination of current year market value losses and transfers to General Administration have exceeded current year net investment income, resulting in an overall decrease in net position for the General Investment Fund of $1.4 million.

At June 30, General Administration reserves are estimated to be $4.0 million and investment reserves are estimated to be at $6.2 million. It is anticipated that the 2016-17 fiscal year earnings will be sufficient to fully fund the operating reserves.

The capital outlay request includes a central management log system, a large format printer and fiber switches for communications between the Corporation data center and a disaster recovery location, for a total request of $61,732.

Plant Operations

Dan Banfield reported on the 2015-16 fiscal year accomplishments and the goals and objectives for the 2016-17 fiscal year.

Dan reported on the 2016-17 fiscal year operating budget and capital outlay proposal for the plant operations.

Income is expected to decrease slightly, which is primarily the result of decreases in rental rates charged for the Corporation administration building and the Corporation warehouse. Other revenues include funding received from the Orfelea College of Business (OCOB) related to the operation and maintenance of the two condo units owned by the Corporation on OCOB's behalf.

Total operating expenses are expected to increase by 4% due to increases in operating costs for the Corporation administration building and the Corporation warehouse. The budget also includes audio and video upgrades to the Corporation administration building boardroom.

Capital outlay requests in the amount of $146,000 include installing hardwood floors in the corporate unit at Bella Montana, replacing the carpet in the Corporation administration building, and repairing and repainting of the Corporation administration building trellis.

Conference and Event Planning (CEP)

Fatma Spanton reported on the accomplishments for the 2015-16 fiscal year and the goals and objectives for the 2016-17 fiscal year.

Fatma reported on the 2016-17 fiscal year operating budget and capital outlay proposal for CEP. Operating revenues are projected to exceed budget primarily due to SOAR. Payroll expenses are expected to increase 14%. This increase is due to the 3% merit pool, minimum wage increase and hiring additional staff. Total operating expenses are budgeted to be $392,000 higher than the current year. The increase is related to the Corporation administrative assessment fee. CEP will also contribute for the first time to the University Services distribution in the amount of $19,000.

Reserves are budgeted to be at $850,652.

The capital outlay request is for two golf carts in the amount of $33,820.

University Store

Frank Cawley reported on the accomplishments for the 2015-16 fiscal year and the 2016-17 fiscal year goals and objectives.

Frank reported on the 2016-17 fiscal year operating budget and capital outlay proposal for the University Store.

Overall sales for the University Store are expected to remain consistent with the current fiscal year.

Payroll expenses are expected to increase by 5%, the result of a 3% merit pool increase as well as an increase in the minimum wage. In addition, the budget reflects higher fringe benefit costs for regular benefited employees. Operating expenses are projected to increase, which includes a five-month overlap in lease expenses as a result of the Cal Poly Downtown relocation. In addition, the budget includes $60,000 in consulting fees related to a review of University Store operations.

Reserves are projected to be at $9.5 million at June 30, 2017.

A capital outlay reserve request in the amount of $159,508 includes MBS Point of Sale registers, the purchase of a used truck and the relocation and remodel of the Cal Poly Downtown store.

Campus Dining

Dan Banfield reported on the 2015-16 accomplishments and the 2016-17 goals and objectives.

Dan reported on the 2016-17 fiscal year operating budget and capital outlay proposal for Campus Dining.

Revenues are based on freshmen enrollment of 4,500 and a 6.5% increase in the dining plan. Cost of sales is expected to remain consistent, payroll expenses are budgeted to increase due to the increase in minimum wage, a 3% merit pool and higher fringe benefit costs for regular benefited employees.

Operating expenses are budgeted to increase $546,000 due to royalty expenses, venue upgrades, vehicle fleet upgrades and contract management services.

Net income is budgeted to decline due to the Vista Grande demolition, a non-operating expense of $350,000, and a university contribution of $623,000.

Capital outlay requests in the amount of $1,000,000 include the re-branding of Ciao! to include the addition of a pub, updates to the Sandwich Factory, as well as the purchase of three food trucks, a refrigerator truck and presidential china.

VI. ANNOUNCEMENTS

A. Tentative Board Meeting Schedule 2016-17

- October 21, 2016
- January 27, 2017
- April 28, 2017
- June 2, 2017

VII. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 12:17 p.m.

Respectfully submitted,

Ann Roy

Ann Roy, Recording Secretary