

CAL POLY

CORPORATION

BOARD OF DIRECTORS MEETING

Friday, January 29, 2016, 8:30 a.m.

Corporation Administration Building #15

Conference Room #124

MINUTES

Fiscal Year 2015-16

- Present:** Phil Barlow, Lexi Bonestroo, Steven Harding, Brady Hiob, Paul Hoover, Kimi Ikeda, Nick Pettit, Kim Shollenberger, Keith Humphrey (*left at 9:43 a.m.*), Cyrus Ramezani (*left at 9:04 a.m.*), Andrew Thulin, Cindy Villa
- Absent:** Mary Verdin
- Guest:** Montana Kosty, Jeff Moulyn, Conner Muench, Kevin Louge
- Staff:** Preston Allen, Joe Alves, Dan Banfield, Frank Cawley, Kacey Chun, Ellen Curtis, Taffy Duran, Jeff Heller, Starr Lee, Lorie Leetham, Melissa Mullen, 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. She welcomed and introduced students Montana Kosty, Jeff Moulyn, Conner Muench, and Kevin Louge and announced that these students will be presenting the Student Investment Management Portfolio report to the Board.

She also introduced Board member Nick Pettit and stated that this was Nick's first Board meeting as he was absent at the Board meeting in October.

II. PUBLIC COMMENT

There was none.

III. MINUTES

A. Board Meeting Minutes –October 30, 2015

(M/S/P) (Harding/Shollenberger) that the Board accept the October 30, 2015 minutes as presented.

None opposed.

IV. CHAIR REPORT

Kimi announced that in consideration of the students' class schedules, the Student Investment Management Portfolio presentation will move and be presented before the updates.

She also announced that Larry Lahr and Matt Wilson are newly appointed members to the Investment Advisory Committee and read biographies on each of the new members.

V. UPDATES

A. Executive Director's Report

University Updates:

Jessica Darin, Deputy Chief of Staff for the CSU Chancellors Office, has been named the new Chief of Staff and Associate Vice President for Cal Poly. She will assume her new role on May 2.

Cal Poly is in the early stages of discussion for a public-private partnership to build a workforce housing complex near the Grand Avenue entrance to campus. The project could include up to 420 market-value units and would be targeted toward Cal Poly faculty/staff and qualified members of the San Luis Obispo community. As this project moves forward, there will be discussions and analysis on the best structure for the lease of the land to a potential private partner. The discussions could include a request for Cal Poly Corporation to hold the ground lease.

The College of Agriculture, Food and Environmental Sciences received a \$1.2 million gift from Alumni Troy and Basia Gillespie. The gift will help fund the new viticulture lab planned as part of the Wine and Viticulture Center.

The Performing Arts Center Managing Director search is in the recruitment process. The PAC search committee invited three candidates to visit campus over the past two weeks, with one candidate declining. The candidates met with campus constituents and community leaders. Open forums were also held for each candidate. The Search Committee is meeting later today to discuss how they should proceed.

Corporation Updates:

Frank Cawley has been appointed as Interim Director of the University Store while a search is conducted for a new Director of Campus Stores. Frank was the University Store Director until he retired in 2012.

Campus Dining Director Mike Thornton has taken on a new role as the Director of Business and Concept Development for Campus Dining and will be working to ensure that the facilities and restaurant concepts developed are consistent with the Corporation's vision. The leadership of Campus Dining has transitioned to an interim internal management team. Michael Albright, Executive Chef will now be leading the culinary and production team as Associate Director and Executive Chef. Starr Lee has taken on an additional role as lead for the operations management team and Roberta Rosenthal will be the accounting and finance lead. Russell Monteath, who currently oversees University Catering, has taken on additional responsibilities as an operations manager.

Dustin DeBrum has resigned his position with the Corporation Marketing team to take on a new position with the University's ITS Department.

Sponsored Programs is in the final negotiations to accept a \$1.5 million Department of Energy grant as part of a second phase feasibility study for the California coast to serve as a world class National Wave Energy Testing Facility. On behalf of the Dean of Research, Sponsored Programs has accepted and will provide the fiscal management support for a new award from the National Science Foundation in the amount of \$340,000. This award will support the construction of a boat landing for the Center for Coastal Marine Sciences Pier Facility.

Lorlie asked Mike Thornton and Dan Banfield to give an update on the Campus Dining Capital projects.

Mike presented the master facility development plan, showed renderings of Vista Grande and the Culinary Support Center, and discussed all three phases for the Vista Grande project with the Board.

Dan walked the Board through a condensed financial forecast for the projects. He stated that the forecast includes actuals for the next three years and ten years of projected data.

There was some discussion and concerns regarding a possible required meal plan for sophomores. There was also a discussion on how the Corporation plans to accommodate the students once Vista Grande is not in operation.

VI. BUSINESS

A. Vista Grande Capital Outlay Approval

M/S/P (Shollenberger/Villa) that the Board approve the facility outlay expenditures of \$29.1 million with a 10% variance allowance to replace Building 112 (Vista Grande).

Jeff Heller reported that this business item is asking the Board for \$29.1 million with a variance not to exceed 10%. The \$29.1 million that the Corporation is asking for is part of the \$30.6 million estimate that was provided by the DLR Group as a total project cost, including the design costs, less the \$1.5 million approved by the Board in October 2014.

B. Engagement of Independent Auditors

M/S/P (Thulin/Harding) that the Board approve the engagement of Glenn Burdette Attest Corporation as independent auditors for the fiscal years 2015-16 and 2016-17.

Brady Hiob reported that the Audit Committee met on January 25 to discuss the engagement of an auditor for the Cal Poly Corporation. The committee recommends that the Corporation offer the incumbent audit firm, Glen Burdette Attest Corporation, a two year contract with the potential of a one year extension.

C. Facilities Capital Outlay Request- FY 2016-17

M/S/P (Thulin/Hiob) that the Board approve the proposed fiscal year 2016-17 Facilities Capital Outlay Requests.

Dan Banfield reported that last year in January the Corporation moved the review and approval of the facilities capital expenditures to the January meeting to facilitate and manage the capital projects in a timely and efficient manner. He also stated that if the Facilities Management and Development Department can accommodate a project prior to June 30, 2016, or if project expenditures need to start prior to summer to ensure completion of the projects, the project would proceed and expenditures would be made during the 2015-16 fiscal year. The Corporation would report back to the Board that the projects have started.

Jeff Heller reported that there are two capital requests and both requests are for the Corporation Administration Building 15. The first request is for the painting and repairs of the trellis in the amount of \$40,000. The second request is for the replacement of the carpet in the amount of \$96,000. Total capital outlay requests are paid from the facility reserve funds.

VII. REPORTS

A. Student Investment Management Portolio (SIMP)

Cyrus Ramezani introduced the student presenters and thanked the Corporation for providing

the funds to SIMP since 1992.

Montana Kosty, Jeff Moulyn, Conner Muench, and Kevin Louge together made the Student Investment Management Portfolio presentation to the Board.

Fall 2015 activities included a portfolio rebalancing by reallocating individual stock exposures in an attempt to mitigate volatility. They also assessed relevant macroeconomic factors. Twenty students were selected for the SIMP class. Each student in the class was assigned to a specific company where they conducted a preliminary analysis report and provided detailed recommendations on the company.

Portfolio allocations for fall 2015 were conducted by weighing the risks, performing preliminary analysis reports, and making formal presentations on each company. Then, as a group, the students read all the preliminary reports and voted on each company's allocation.

During the spring quarter, the students conducted further research, issued new recommendations and completed a ten page final report on the individual companies.

In looking ahead, the SIMP group will look at the construction of valuation models, reallocate positions when necessary and assess the best allocation for cash holdings.

The student presenters thanked the Board for giving them the opportunity to gain hands on experience with fundamental analysis and valuation methods.

The Board took a break at 10:31 a.m. and reconvened at 10:38 a.m.

B. Quarterly Financial Report, December 31, 2015

Dan Banfield reported on the following financials as of December 31, 2015:

Excluding the General Investment fund, year-to-date income from core operations is up \$1.5 million. Year-to-date core business net position is down \$732,000 as a result of market value losses of \$2.2 million.

Core commercial activities year-to-date are \$676,000 above budget due to the freshman headcount being 6.5% higher than projected, an increase in tech sales, and labor savings from vacant positions. In addition, textbook rentals are on the rise and the SOAR summer program was required for all freshmen for the first time this year. Sponsored Programs activity from last year to this year is up 33% with most of the increase coming from federal and nonprofit sectors.

Over the first six months of the 2015-16 fiscal year, the Corporation's total net position decreased \$2 million, assets were up \$7.3 million and liabilities were up \$9.3 million.

C. Quarterly Investment Report, December 31, 2015

Joe Alves reported on the following investments as of December 31, 2015:

General Investment Fund: Money Market & CD's were at \$18.8 million, short term mutual funds yielded 1.5% and low duration yielded 2.51%. The Corporate Pool underperformed its benchmark by 1.4%. The primary detractor of performance is the PIMCO All Asset All Authority Fund and the dedicated commodities position also contributed to the drag on returns. The Student Investment Portfolio was at \$479,000 and outperformed its benchmark.

OPEB Assets: OPEB Pool was at \$5.3 million and underperformed its benchmark by 0.9% and the VEBA Trust Pool was at \$21.5 million and also underperformed its benchmark. Both investment pools are 100% funded as of July 1, 2015.

Gift Assets: Endowment Pool was at \$5.4 million and Grant & Annuity Society was at \$1.8 million. Both pools underperformed their benchmarks.

Joe reported that the Investment Advisory Committee met this past Wednesday, January 27, and a decision was made, based on the recommendation from Kaspick, to exit PIMCO All Asset All Authority and PIMCO Commodity funds in the Endowment Pool over the course of 12 months. A decision was also made to exit half the PIMCO All Asset All Authority allocation and all of the PIMCO Commodity fund allocation in all other investment pools over the course of 12 months. There was some discussion amongst the Board as to the reasoning behind the exit.

The Board convened into closed session at 11:07 a.m. and reconvened into regular session at 11:20 a.m.

VIII. CLOSED SESSION

New Lease and Costs for Cal Poly Downtown

The following motion was passed in closed session:

M/S/P (Shollenberger/Hoover) that the Board authorize the Executive Director or her designee to negotiate and execute a long term commercial lease for Cal Poly Downtown, and authorize an allocation of funds up to \$125,000 for fixtures and tenant improvements.

IX. ANNOUNCEMENTS

Next Scheduled Board Meeting: April 22, 2016, 8:30 a.m.

Lorlie announced that Mustang Madness is being held on May 21, 2016, at 4:30 p.m. at the Alex Madonna Expo Center and if any Board Member would like to attend as a guest of the Corporation, to please let herself or Ann Roy know.

X. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 11:23 a.m.

Respectfully submitted,


Ann Roy, Recording Secretary