

**CAL POLY**  
CORPORATION

**BOARD OF DIRECTORS MEETING #2**  
**Friday, January 25, 2019**  
**Corporation Administration Building 15**  
**Conference Room #124**

**Fiscal Year 2018-19**

**MINUTES**

**Present:** Phil Barlow, Cara Crye, Steve Harding, Kshitij Mehta, Patrick Mullen, Nick Pettit, Cyrus Ramezani (*left at 11:05 a.m.*), Steven Rein, Andy Thulin (*left at 11:05 a.m.*), Cynthia Villa, Roman Waskiewicz

**Absent:** Keith Humphrey, Dean Wendt

**Staff:** Dan Banfield, Ellen Curtis, Aaron Lambert, Lorie Leetham, Ken Manning, Will Marchese, Matt Ryan, Fatma Spanton, Eumi Sprague, John Thomson, Mike Thornton, Amy Velasco, Thomas Visvikis, Jennifer Wharton

**Guest:** Clara Calleran, Christopher Clark, Dylan Fetzer, Michaela Ippaso, Megan Stuart, David Valadez, Christopher Wu

**I. CALL TO ORDER AND INTRODUCTIONS**

Chair Cynthia Villa called the meeting to order at 8:30 a.m.

Villa announced that Keith Humphrey and Dean Wendt had other commitments and would be arriving late.

**II. PUBLIC COMMENT**

**III. MINUTES**

**A. Board Meeting Minutes – October 26, 2018**

**(M/S/P) (Thulin/Mullen) that the Board accepts the October 26, 2018 minutes as presented.**

None Opposed.

**IV. CHAIR REPORT**

Villa announced and introduced new Board member Cara Crye. Crye will be replacing Paul Hoover who resigned from the Board. She read a brief bio and thanked Crye for agreeing to serve on the Board.

Villa asked everyone in attendance to introduce themselves.

**V. UPDATES**

Lorie Leetham reported on university and corporation updates.

**University updates:**

The university has recently hired Dan DiPaola as the executive director of internal audit for Administration and Finance. He will start his new position on February. 4.

Cal Poly has partnered with Dr. Damon Williams, a nationally recognized expert on Inclusive

Excellence, to assist with a 12 month, “call to action,” to move the university quickly towards the campus goal of increased diversity and inclusion.

Provost Kathleen Enz Finken, who has been with the university for almost seven years, has announced that she will be retiring this year. Information regarding a new provost will be forthcoming. Three finalists have been selected for the vice president of research position. Two finalists have completed a two-day on campus interview process with the third finalist scheduled to be on campus next week.

The Science and Agriculture Teaching & Research Complex schematic design was approved by the CSU Board of Trustees this week.

A beach volleyball court donor-funded project is an item on the agenda today. The university is proposing to build an NCAA beach volleyball facility on the south side of Mott gym.

**Corporation Updates:**

The corporation has several employee updates: Jennifer Wharton was recently hired as the director of human resources; John Thompson was recently promoted to project and property manager; Amie Mellinger returned to campus as the University Store director.

The corporation is currently in its final stages in its recruitment for an associate executive director. Three finalists are scheduled for on campus interviews in February.

Corporation staff attended the AOA Annual Conference held in Indian Wells last week. Leetham stated that she is on the AOA executive committee and is the chair of the commercial services committee. Corporation staff presented in two session tracks: commercial services and marketing. Russell Monteath presented “Economics and Beyond-Partnering to Combat Food Insecurity and Food Waste”. Dan Banfield and Ellen Curtis presented “Re-Engineering Marketing and Communication for Student Success”.

Corporation’s marketing and communications department (MarCom), received 10 prestigious MarCom awards for campaigns promoting the excellence and hard work of Campus Dining, corporation and Administration and Finance. MarCom won three platinum awards, three gold awards and four honorable mentions.

Ellen Curtis, director marketing and communications, was nominated by one of her students as one of the most influential people in his career at Cal Poly.

The CSU Chancellor’s office auxiliary audit of the corporation has been completed. There were seven findings, but the findings were not substantial. Remediation of the findings are due by April 30.

The corporation has contracted with Career Resources Incorporated, the same firm who prepares the corporation’s Affirmative Action Plan, to assist with the Office of Federal Contract Compliance Programs Audit. In addition to updating the January, 1, 2018 Affirmative Action Plan, for a partial year, the corporation is also required to submit additional information, including year-to-date personnel activity data and exhibit items. The results of the audit are still pending and the Affirmative Action Plan for 2019 is in the final stages.

Corporation staff met with Chartwells’ regional team to discuss changes and flexibility for next

year's meal plans, with Vista Grande opening and building 19 going off-line. This past fall, there were some successes and some challenges in the rollout and execution of the dining plans.

The Grand Avenue Market project was sent back to the design phase to be re-evaluated under the new building codes. Once corporation receives the design back from code review, the project can be sent out for construction bids.

There was some discussion on what if any relief the Grand Avenue market will have on the whole student population, strain on other venues and what the plan is when building 19 goes off-line.

Mustang Station patio and alley projects have been delayed by the State Fire Marshal. Representatives from university facilities department and Pfeiffer Partners are meeting with the Chancellor's office liaison to Cal Fire. They hope to interpret and discuss the code applicable to this project to reach a consensus to be able to bypass local jurisdiction.

## **VI. REPORTS**

### **A. Student Investment Management Portfolio (SIMP)**

Students Dylan Fetzer, Christopher Clark, Michaela Ippaso, Clara Calleran and Christopher Wu presented on the Student Investment Management Portfolio.

Only 24 students are selected for the Student Managed Portfolio Project (SMPP) Class. The current class started the year with a portfolio consisting entirely of cash. Each student selects an industry, chooses three stocks, constructs dividend discount models and places appropriate limit orders. Currently, the students manage 38 positions. The current market value of the portfolio is at \$517,000.

Going forward, the students will look at reallocating positions, construction of valuations models, researching and initiating covered option trades and increase capital levels due to cash being fully exhausted in the existing portfolio.

During the spring quarter, the SMPP students will be working on writing analyst recommendations, issuing new recommendations, hosting additional speakers, and looking to reach their goal of being optimally invested by the end of spring quarter. Also during the spring, seven students from SMPP will be participating in the CFA Investment Research Challenge.

The students thanked the Board and the corporation for giving them this "Learn by Doing" opportunity.

### **B. Quarterly Investment Report**

Joe Alves reported that the investment advisory committee had a meeting on Wednesday, January 23. At the meeting Damon Whelchel of TIAA Kaspick reported on the quarterly performance and asset allocation as of December 31, 2018.

Whelchel also discussed the ongoing trade war with China, underperformance from international large and small cap funds, as well as the value vs. growth style tilt of the corporation's portfolio and short-term funds review of cash and money market holdings.

At the meeting corporation management, with the concurrence of the committee, agreed to fund an additional \$150,000 to the SIMP pool. The cap was originally set at \$500,000 but corporation received a request from Cyrus Ramezani to increase the cap by \$150,000. Strong

returns, educational value, and the increase in student participation were all contributing factors in granting the request.

Alves reported on the quarterly investment report.

Money market funds were valued at \$35.4 million as of December 31, 2018.

Fixed income mutual funds and short-to-midterm funds had positive returns, but came in below their benchmarks. The long-term corporate investment pool was valued at \$4.6 million as of December 31, 2018 and outperformed its benchmark. The outperformance is due to transfer of activity during the quarter.

SIMP fund at December 31 was valued at \$491,000. As of today, it is valued at \$517,000.

OPEB & VEBA funds underperformed due to the smaller equity exposure. Both pools were 100 percent funded at July 1, 2018.

The endowment fund as of December 31 was valued at \$2 million and underperformed its benchmark by .05 percent. These funds are held on behalf of other entities that have a relationship with the corporation or university. The corporation currently manages eight endowments.

Charitable gift annuities benefit the university and affiliated groups. There are currently 50 active contracts. Two contracts matured for a total of \$212,500 and the money was transferred to the Cal Poly Foundation.

**C. Quarterly Financial Report**

Dan Banfield reported on the December 31, 2018 quarterly financial report.

Income from core operations is at \$443,000 and under budget. Year-to-date results are primarily driven by net losses from the general investment fund. First-time freshman student head count for fall 2018 is .5 percent below budget projections. The corporation entered into a third amendment with the CSU Board of Trustees. The amendment replaces the \$25.9 million in proceeds from commercial paper notes issued to the corporation in the prior year with proceeds from the issuance of Systemwide Revenue Bonds (SRB). First payment on the SRB will be made this coming November. Sponsored Programs total expenditures are \$13 million for the first quarter of 2018-19. The corporation purchased a Bella Montana unit and sold one unit.

Total assets increased \$10.3 million, total liabilities increased \$10.9 million and net position is down \$600,000 from June 30, 2018 to December 30, 2018.

General administration revenues were consistent with budget. Payroll is under budget primarily the result of the unanticipated departure of the senior director of human resources, as well as the vacant associate executive director position. Operating expenses are under budget due to the timing differences in the billing for audit and tax fees as well as contract management expenses.

Market losses totaled \$2.8 million for the first six months of the fiscal year. The Corporate Investment Pool accounted for \$2.6 million of total losses and short to mid-term fixed income mutual funds in the Internal Fund accounted for \$133,000 in losses. The Student Investment

Management Team contributed losses of \$10,000.

Campus dining total income for the year is consistent with the budget and less than prior year due to the decrease in first-time freshman student headcount and the change in the dining plan structure. Cost of sales is under budget and payroll is under budget by 4 percent primarily due to a favorable variance in student labor and vacant full-time positions. Operating expenses are under budget and less than prior year due to a significant decrease in contracted maintenance and repairs.

University store net income represents commissions earned less corporation's continuing operating expenses. Commissions are under budget and less than prior year. The difference is primarily due to the November and December commissions not being received until after the monthly closing of the December accounting books.

Cal Poly Print & Copy revenues are at budget, cost of sales is below budget and payroll is below budget due to vacant positions. Operating expenses are below budget due to maintenance that was anticipated but did not take place.

Conference & Event Planning revenues are over budget due to an increase in events and participation in certain events. Payroll is slightly over budget and operating expenses are over budget as a result of an increase in campus housing expense. As participation increases, housing will increase along with rates for housing.

Plant Operation revenues are slightly under budget as a result of OCOB not charging rent for their units, which was included in the budget. Operating expenses are under budget and above last year due to expenditures for property taxes increased over the prior year. Property taxes on the Grand Avenue properties were not paid in the prior year because of a tax exemption that was later revoked by the county.

Sponsored Programs total income is over budget and \$417,000 over prior year, primarily the result of an increase in federal expenditures. Payroll expenses are under budget due to vacant positions and operation expenses are under budget yet higher than the year prior. The increase in expenses from prior year is due to an increase in the university cost allocation.

***The Board took a break at 9:59 a.m. and reconvened at 10:08 a.m.***

## **VII. BUSINESS**

### **A. Facilities Planning and Design Reserve**

***M/S/P (/) that the Board approve the establishment of a facilities planning and design reserve not to exceed one hundred fifty thousand dollars (\$150,000).***

Will Marchese reported that the corporation is asking to establish a reserve fund that the corporation can draw on when necessary to deliver more detailed and accurate information at the time projects are presented to the board. Having this reserve will also improve overall project planning, delivery and allow additional time to address lengthy permitting processes.

Phil Barlow commented that this is a fantastic idea and feels it would be very helpful to the corporation team in being able to move forward on construction projects and preplanning in the early stages as much as possible, and it would give great flexibility. Barlow suggested that the amount be increased to \$200,000. Andy Thulin concurred with Barlow on increasing the amount and that by doing so, it could possibly prevent corporation management from having to come

back later asking for additional monies.

Phil Barlow made a request to amend the motion to read:

***“That the board approve the establishment of a facilities planning and design reserve not to exceed two hundred thousand dollars (\$200,000).” M/S/P (Barlow/Thulin)***

(None opposed)

**B. Building 19 Renovation**

***M/S/P (Mullen/Harding) that the Board approve facility outlay expenditures of twenty-five million dollars (\$25,000,000) with a 10 percent project contingency for the renovation of building 19.***

Marchese reported that building 19 is one of the university’s primary dining facilities, making it critical to the dining program and overall campus experience. It has a 1,000-seat capacity and currently serves over one million students and campus guests each year. It also serves as the primary production facility that supports all campus dining activities and houses the catering department and concession operations that support all campus athletic events.

The University Union (UU) Neighborhood Master Plan and design, envisions a future for building 19 as the centerpiece of a “Time Square” inspired union with a deliberate sense of connectivity between building 19, building 65, and the university union plaza.

In line with the master plan, the focus of the design is on all aspects of building 19 including access, connectivity, space utilization, service capabilities, aesthetics, and infrastructure.

ASI has agreed to partner with the corporation and will contribute approximately \$2 million dollars toward the project. The remaining funds will come from System-Wide Revenue Bonds in the amount of \$7 million, and \$16 million from corporation facilities reserves.

Marchese showed renderings of what the UU and building 19 spaces would look like once the project is completed.

There were some discussions on the balance that would remain in the facilities reserves if the board approved this request and if there were any other potential projects coming up in the next five years that the corporation would potentially need these reserves for. Banfield replied that the corporation has known they would need to renovate building 19 and has been setting aside reserves for this project. The facilities and capital reserves, by Board policy, are meant for these types of projects.

Leetham stated that the corporation does have small renovation plans in the future, but nothing significant, as the corporation has renovated almost every venue.

Banfield also mentioned that the corporation can’t proceed with building 19 until Vista Grande is up and running.

Barlow asked if corporation management felt the \$2 million from ASI was a fair amount. Leetham stated that corporation management does.

**C. Beach Volleyball Court Design and Development**

***M/S/P (Harding/Thulin) that the Board authorize the executive director or her designee(s) to execute all documents necessary to facilitate design and development of a beach volleyball court on the Cal Poly campus.***

Marchese stated that Cal Poly is very privileged to have a large amount of outstanding donor support to fund athletic programs including the beach volleyball team who are ranked fourth in the nation. A group of generous donors have committed to leverage financial support and expertise in an effort to fully fund and develop top-notch beach volleyball courts on campus to help continue the success of the volleyball team's ultimate goal of competing for a national championship. This project will be executed via an innovative, donor-driven delivery method.

The project will include five NCAA-regulation sand volleyball courts, bleachers and open area seating for up to 300 people and will be located on the south side of Mott Gym.

CPC will receive and manage the project funds, issue contracts and payments, reimburse university costs and manage project risk. Initial cost estimates for the beach volleyball court are \$3 million.

This request before the board today is to authorize the executive director or her designee(s) to negotiate and execute all documents necessary for design and development of a beach volleyball court on the Cal Poly campus.

**D. Pouring Rights Agreement**

***M/S/P/ (Barlow/Pettit) that the Board authorize the executive director or her designee(s) to enter into negotiations and if necessary execute all documents to extend the current pouring rights contract or enter into a new contract.***

Mike Thornton reported that in 2009 the university and CPC signed a 10-year contract with Coca-Cola for exclusive beverage vending and pouring rights on campus. The current contract expires on July 30, 2019 and includes a provision granting Coca-Cola a "Right of First Negotiation" during the final year of the term, which provides a 30-day window to negotiate an extension or reach a new agreement.

Benefits of this agreement to the campus have been the sponsorship dollars that have benefitted the athletics department, and in-kind gifts of product and equipment that have served athletics and the university as a whole.

Corporation, along with strategic business services and athletics, formed a committee and looked at contracts that have been recently negotiated from comparable schools within the CSU and UC systems. This has provided the corporation with valuable insight into the current beverage pouring rights market and value. Utilizing this market data, the corporation will evaluate the proposal from Coca-Cola based on the collective priorities of the corporation, athletics, and the university. If the corporation does not receive an offer representative of the market value and demonstrates key programmatic goals of the campus, the corporation will move forward with the process of issuing an RFP. However, if Coca-Cola submits an offer with strong financial and programmatic goals, the corporation will look to extend the current contract with Coca-Cola.

**VIII. ANNOUNCEMENTS**

- A. Next scheduled Board meeting: April 26, 2019, 8:30 a.m.**

**B. Mustang Madness: May 18, 2019, 4:30 p.m. Alex Madonna Expo Center**

Lorlie reminded the board of Curtis McNally's offer to give them a tour of Vista Grande. She stated that Ann Roy will reach out via email for possible dates and times for tours.

**III. ADJOURNMENT**

No further matters appearing, the meeting was adjourned at 11:16 a.m.

Respectfully submitted,

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**Ann Roy**  
**Recording Secretary**