



CAL POLY Corporation

BOARD OF DIRECTORS ANNUAL MEETING #1
Friday, October 25, 2019 8:30 a.m.
Corporation Administration Building #15
Conference Room #124

MINUTES
Fiscal Year 2019-20

Present: Phil Barlow, Cara Crye, Cole Dorris, Celeste Esparza, Steven Harding, Sean Hurley, Keith Humphrey
(*arrived at 10:26 a.m.*), Patrick Mullen, Nick Pettit, Steven Rein, Andy Thulin (*left at 10:42 a.m.*)

Absent: Cynthia Villa, Dean Wendt

Guest: Stephanie Zappelli

Staff: Joe Alves, Dan Banfield, Andrea Burns, Ellen Curtis, Aaron Lambert, Lorie Leetham, Will Marchese,
Matt Ryan, Fatma Spanton, Eumi Sprague, Mike Thornton, Jennifer Wharton

I. CALL TO ORDER

Vice Chair Nick Pettit called the meeting to order at 8:31 a.m. He announced that Dean Wendt and Cindy Villa would be absent today and Keith Humphrey will be arriving later. He also announced that Campus Dining would be offering a sample tasting of food options that will be available in the new Vista Grande at the conclusion of the meeting in the courtyard of the corporation administration building.

Pettit introduced Sean Hurley, a new board member appointed to serve a three-year term, and thanked him for his service. Pettit then introduced the new student board members, Celeste Esparza and Cole Dorris. Dorris has also been appointed to serve on the corporation's Audit Committee.

Pettit read biographies on all three members.

II. PUBLIC COMMENT

There was no public comment.

III. MINUTES

A. Board Meeting Minutes – May 31, 2019

(M/S/P) (Thulin/Harding) That the board accepts the May 31, 2019 minutes as presented.

None opposed.

IV. CHAIR REPORT

Pettit announced that when Keith Humphrey arrives, he would give an update on the CPX survey, discussions and results.

Pettit stated that Lorlie Leetham has officially announced her retirement effective March 2020. A national search is being initiated for this position. Estimated timeline is as follows:

- Selection of search firm – November 2019
- Appointment of search committee – November 2019
- Executive Search Committee Meeting – November/December 2019
- Search Firm Develops Candidate Pool – December 2019 to February 2020
- Estimated Position Offer – April 2020

V. UPDATES

Lorlie Leetham reported on the following corporation updates:

With the help of the consultants, Brailsford and Dunlavey, a report and proposal package were prepared and submitted to the CSU's Land Development Review Committee (LDRC), for the Student Housing P3 initiative. Leetham stated that next week she, Cindy Villa, and Dru Zachmeyer would be meeting with the LDRC at the Chancellor's office to discuss the project.

The corporation has also partnered with the university's Strategic Business Services office and two other CSU campuses to leverage collective power on a Master Pouring Rights Contract. Negotiations are in the final stages and will provide substantially better benefits to the campus than the one the corporation had previously.

The corporation will now be handling the property management of the Technology Park. The agreement has been executed, with an effective date of December 1, 2019.

Sponsored Programs F&A rate proposal is due to the Department of Health and Human Services by December 31, 2019. Huron Consulting has been engaged to assist with the short form submission and additionally to assess campus readiness for submission of a long form F&A rate proposal in the future. The proposal and resulting rate will determine the indirect cost rate that Cal Poly can apply to federal research grants and contracts.

Leetham reported on future projects/plans that will be taking place within the corporation. Conference and Event Planning has been working with a consultant to help grow its business. A report and action plan will be completed this fall and will be reviewed with campus constituents. The Vista Grande dining complex will be completed, and will open spring 2020. At that time, building 19 will be decommissioned and will undergo a complete renovation. University Store will undergo a renovation in partnership with Follett as part of the University Union/Building 19 project. The renovation will feature the new Cal Poly branding, include more community, and lounge space for students to use for gathering. The University Store's immediate access program will be launched and will allow students access to course material in digital format on the first day of classes at a significantly lower cost.

Will Marchese gave a process overview of capital projects on campus and how it is decided who manages each project. He also gave a brief update on each capital project that corporation is currently working on.

VI. REPORTS

A. Audit Committee

Pettit reported that an external audit is conducted each year by board policy and California Education code.

The external auditors from Glenn Burdette met on September 17 and presented their report to the Audit Committee. The auditors issued a non-qualified report, which expresses that the information reported within the financial statements fairly presents the financial position of the corporation as of June 30, 2019. The Audit Committee unanimously accepted the audited financials.

Banfield commented that there were no written or verbal findings and thanked the Audit Committee and the corporation staff for their diligence throughout this process.

B. Investment Advisory Committee

Joe Alves reported that the Investment Advisory Committee met this past Wednesday to review the investment performance and allocations. The committee discussed the bond market concerns, domestic REIT outperformance, the portfolio after the rebalancing in September and the short-term funds.

Alves reported on the annual June 30, 2019 and the quarterly September 30, 2019 investment reports. The money market fund was valued at \$35.8 million at June 30 and \$36 million at September 30. The large balances are due to the capital projects that are coming up in the near future.

Fixed income mutual funds had positive returns and outperformed their benchmarks at June 30 and September 30.

Corporate pool long-term investments were valued at \$49.1 million at June 30 and \$49.5 million at September 30. It experienced a slight underperformance at June 30 but outperformed its benchmark at September 30. As of October 1, the fund is up 1.1 percent or \$562,000.

SIMP had outstanding returns for the 2018-19 Fiscal Year, but had an underperformance at September 30 which is attributed to the group sitting on a large amount of cash until they decide on how they want their portfolios to look.

OPEB & VEBA underperformed for the annual returns, but outperformed for the quarter ending September 30. Both pools are currently 100 percent funded.

Endowment fund was valued at \$2.2 million at June 30 and September 30. These funds are held on behalf of other entities that have a relationship with the corporation or university.

Grant & Annuity did not have any new contracts during the 2018-19 Fiscal Year. Two contracts were paid out to Cal Poly Foundation in the amount of \$212,500. Corporation currently has 49 contracts.

C. Budget and Finance Advisory Committee

Dan Banfield reported on the annual June 30, 2019 and the quarterly September 30, 2019 financial reports.

Core operating income at June 30 was at \$3.6 million above budget. The general investment fund had a return of \$3.7 million. Campus Dining had an expense savings of \$1 million and Sponsored Programs had activity of \$25.8 million.

During the 2018-19 Fiscal Year, the corporation sold the Valencia Creek property for \$8.2 million. It also purchased a unit and sold a unit at Bella Montana. The unit that sold was one the corporation held on behalf of the College of Business. Additionally during 2018-19, the Corporation received proceeds from system-wide revenue bonds, in the amount of \$27.7 million for construction of the Vista Grande Dining Complex project.

At June 30, total assets were up \$17.3 million, liabilities were down \$2.5 million and net position was up \$15.1 million.

At September 30, core-operating income was at \$376,000. Corporation investments had a return net of \$914,000. First-time freshman head count was slightly above budget and Sponsored Programs activity was at \$7.2 million.

Total assets at September 30 were at \$228.1 million, total liabilities were at \$91.8 million and net position was at \$125.2 million.

The board took a break at 10:17 a.m. and reconvened at 10:26 a.m.

Pettit announced that Keith Humphrey would now give an update on the CPX Diversity and Inclusion Survey.

Humphrey discussed the results of the CPX survey and reported on the Strategic Diversity Leadership Institute that took place on October 17 and 18. The next step will be a CPX campus dialogue that will be held in November to dive further into the CPX data and identify ways to advance diversity, inclusion and equity on campus with additional learning opportunities, training and tools to create action plans for long-term change.

VII. BUSINESS

- A. Employee Medical Benefit Program Contribution Rate for 2020-Resolution 20-01**
(M/S/P) (Mullen/Barlow) That the board approve resolution 20-01 to change the corporation's employer contribution rate for the CalPERS employee medical insurance program to be effective January 1, 2020.

Jennifer Wharton reported that Cal Poly Corporation currently has approximately 230 benefited employees; of those employees, 200 have elected medical insurance.

The CSU offers the same six medical insurance plans as 2019, but their costs are higher. This is due to corporation being a public agency with plan premiums that are based on the Southern California region.

The total cost for corporation health insurance (medical, dental and vision) for 230 benefited employees is \$2.9 million per year. Corporation-paid medical insurance provides a significant benefit to its employees' total compensation package, paying from \$4 to \$10 per hour for full-time employees.

- B. Publicly Available Pay Schedule for CalPERS**
(M/S/P) (Humphrey/Crye) That the board approve the publicly available pay schedule for corporation employees.

Wharton reported that CalPERS requires that the publicly available pay schedule must be approved by the board. The schedule must include every position with accompanying pay range, time base and must be accessible by the public with an effective date.

The last time the board approved the publicly available pay schedule was at the October 2018 Board of Directors Meeting.

Wharton stated that to ensure the corporation pay schedule meets all appropriate requirements the corporation contracts with a compensation consultant who has been selected by the Auxiliary Organization Association (AOA) across the CSU.

C. Mustang Station Patio Project

(M/S/P) (Humphrey/Harding) That the board approve an increase in facilities capital outlay expenditures of one hundred forty-six thousand dollars (\$146,000) with a 10 percent project contingency for the Mustang Station patio project.

Will Marchese reported that last year the board of directors approved capital outlay expenditures of \$125,000 to proceed with the design and development for the Mustang Station Patio project. Construction estimates that the corporation has received since the approval have exceeded the approved capital outlay expenditure by \$146,000 for the complete build out design. The increase in cost is largely due to the actual vs. estimated cost of the major component parts of the project, including the commercial rated exterior heating systems, lighting systems, fireplace feature, and audio-video components.

However, in light of the overall funding gap, and in order to fulfill the intent of delivering a high quality student experience at the Mustang Station patio, management is reintroducing this project to the board with complete cost information and recommending that the board augment the 2018-2019 capital outlay allocation to deliver the entire project per plan.

VIII. ANNOUNCEMENTS

Pettit announced that the next scheduled board meeting is January 31, 2020 at 8:30 a.m.

He also reminded the board that there would be a Vista Grande taste testing after a brief presentation by Campus Dining chefs, in the corporation administration building courtyard, once the meeting adjourns.

IX. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 11:08 a.m.

Respectfully submitted,



Ann Roy, Recording Secretary

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