



CAL POLY
Corporation

BOARD OF DIRECTORS ANNUAL MEETING #2

Friday, January 31, 2020 8:30 a.m.

Corporation Administration Building #15

Conference Room #124

MINUTES

Fiscal Year 2019-20

Present: Phil Barlow, Cole Dorris, Celeste Esparza, Steven Harding, Sean Hurley, Patrick Mullen, Steven Rein, Andy Thulin (*arrived at 9:40 a.m.*), Cynthia Villa, Dean Wendt

Absent: Cara Crye, Keith Humphrey, Nick Pettit

Guest: Brady Berg, President Armstrong, Tina Hadaway-Mellis, Renee Pera

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

I. CALL TO ORDER

Chair Cindy Villa called the meeting to order at 8:32 a.m. She announced that Cara Crye, Nick Pettit and Keith Humphrey would be absent today. Andy Thulin will arrive about 9:30 am.

Villa introduced guests Renee Pera, vice president of research and economic development, and President Armstrong. Villa stated that Pera will be providing an update on the Office of Research and Economic Development and President Armstrong will be providing a university update.

II. PUBLIC COMMENT

Villa asked if there were any public comments. She acknowledged one individual present and asked him to come forward and introduce himself to the board.

Brady Berg introduced himself to the board. He stated that food insecurity is a major issue on campus. He expressed his concerns regarding first year students' rising food costs that are two to three times higher than the year prior, exorbitant costs of meal plans and the lack of sufficient value meal options.

Villa thanked Berg for coming and sharing his concerns and comments, and assured him the board will take the information he shared into consideration.

III. MINUTES

A. Board Meeting Minutes – October 25, 2019

(M/S/P) (Mullen/Harding) That the board accepts the October 25, 2019 minutes as presented.
None opposed.

IV. CHAIR REPORT

Villa announced that President Armstrong would now give a university update.

President Armstrong thanked the board members for their service. He also thanked Lorie Leetham for her leadership and her team for all their efforts with the USAPM event.

President Armstrong provided an overview of the interim organizational structure of University Development and Alumni Engagement. Jessica Darin, university chief of staff is currently serving as interim executive director for development & alumni engagement, while Isaacson Miller is conducting a search for a replacement.

President Armstrong briefly discussed the state budget and CSU budget allocations. Total commitments to the CSU were almost \$570 million, an all-time high, with \$117 million allocated to Cal Poly. He also discussed the university capacity study, and facilities project updates including the Dignity Health Baseball Clubhouse, JUSTIN and J. Lohr Center for Wine and Viticulture, the Kennedy Library renovation and the William and Linda Frost Center for Research and Innovation. He stated that he is serving on the search committee for the new CSU Chancellor and a foundation board member is being considered for the CSU Alumni Trustee position on the CSU Board of Trustees.

President Armstrong discussed the possibility of increasing the campaign goal due to the success of the campaign to date to align with the 2022 Vision.

Chair Villa thanked President Armstrong for coming today and providing a university update.

V. UPDATES

Lorie Leetham reported on the following:

USAPM

Cal Poly hosted the USAPM qualifier event January 17-19. There were five events: swimming, fencing, equestrian and laser run. The event was a huge success due to the amazing work by the corporation's Marketing and Communications and Conference and Event Planning departments. She commented that she was very impressed by what they were able to produce, coordinate and pull together for such a huge important event in four short months. There were 75 volunteers and five chiefs of discipline. This was the first event that the USAPM has held outside of Colorado Springs. USAPM participants were very impressed and mentioned they would like to come back again. This could potentially be something that could bring visitors to Cal Poly and San Luis Obispo.

Supporting Basic Needs

Mustang Meal Share is a meal voucher program that allows first-year students to donate up to \$65 dining dollars from their dining plan per quarter. Students in need then receive a voucher to use for a meal through this program. The corporation has contributed dollars at the end of prior years from missed meal credits to fund the meal voucher program.

The EBT/SNAP program was introduced this past fall and is now available and accepted in Campus Market. The program is overseen by the government and can only be used to purchase groceries.

Campus Dining is currently looking at the COPIA food recovery program as a potential program. COPIA uses an app-based technology to help facilitate food donations to local nonprofits. It would provide analytics to track inedible food waste along with edible food donations.

Feed Cal Poly, a new program, was launched January 21. Through this program donations can now be made to the Cal Poly Basic Needs Initiative through any Campus Dining POS register. The program is to help students with food insecurities.

Campus Dining also offers value meals across campus with 18 options for breakfast, lunch and dinner.

Pouring Rights Contract

The pouring rights contract has been fully executed. It was a joint effort by corporation, the Cal Poly chief procurement officer, as well as campus and auxiliary staff from CSU East Bay and CSU Stanislaus. The contract resulted in a multi-campus master enabling sponsorship agreement for pouring rights, the first in CSU history. The agreement for Cal Poly, resulted in an additional \$4.8 million in revenues (\$4.1 million in cash and another \$704,000 in in-kind benefits) over a ten-year period, and cost savings of \$1.6 million on product.

Strategic Plan

Leetham reported on the progress of the Corporation strategic plan. Some of the progress made included a new master operating agreement that was fully executed and the supplemental operating agreements are at the CSU Chancellor's Office for review and signature; adopted lean concepts and applications to improve business processes; implemented employee self-services for electronic payment data and W-2's; and taking a greater, more visible role in community involvement and collaborating more in university activities and initiatives.

Leetham stated that she would discuss the Follett Immediate Access Program at the next Board of Directors meeting.

Chair Villa introduced Renee Pera and stated that she would be giving an overview of the Cal Poly Office of Research and Economic Development (ORED).

Pera gave a brief history on research in the university system and provided the following examples of current research: Center for Engineering, Science and Mathematics education, Center for Health Research, Space Sciences and Center for Coastal Marine Sciences.

Pera discussed the four goals for ORED and how the goals align with students, staff, students and other units, especially academic affairs, university development and government relations, with opportunities for undergraduate and graduate education at the core. She also discussed how to strengthen and expand RSCA enterprise and general sponsored programs to meet the needs of the Cal Poly community. Optimizing personnel development and operational processes, Pera said, will support and promote the economic development efforts of the Office of the President, the greater community and the Central Coast.

The board took a break at 10:08 a.m. and reconvened at 10:18 a.m.

Will Marchese reported on the following capital projects.

The Vista Grande project is progressing steadily with an anticipated mid-May completion date. Currently, exterior finishes, countertops, tile and big equipment are being installed. Ventilation, paint, drywall and waterproofing decks are ongoing.

Building 19 construction docs are at 50% completion. The budget for the project is not covering as much as was originally planned. Estimates from the architect firm have discrepancies that need to be reconciled.

The Mustang Station project is progressing well. Bar tops are being installed and the rough-in has been completed for the fireplace. Completion of the project is expected to be the second week of March.

NCAA Beach Volleyball was an all donor-funded project. The project was a huge success for the corporation as a partner with the university and Cal Poly Athletics.

The plans for the Grand Avenue market have been at the State Fire Marshall's Office for eight weeks. Corporation just received word that the fire marshall has started reviewing the plans and are hopeful that movement can begin on the project this summer.

VI. REPORTS

B. Investment Advisory Committee

Joe Alves reported that the Investment Advisory Committee met Wednesday, January 29 to review the investment performance and allocations.

Damon Whelchel, TIAA Kaspick Investment Advisor attended the meeting. Points of discussion included emerging markets; REIT manager outperformance; strong one-year returns from fixed income as credit spreads were compressed; short term funds; and the improved commercial banking ECR that started January 1, 2020.

Alves reported on the Investment December 31, quarterly report.

The Money Market was valued at \$33.2 million (of which \$12.9 million is FDIC-insured), and saw an average return of 1.89%.

The fixed income mutual funds short-term account had \$8.6 million with a return of 1.1%. Low duration funds had a return of 1.3% versus its benchmark of 1.1%.

The corporate pool long-term investment fund at December 31 was valued at \$52.3 million, and saw a slight outperformance return of 6.9% versus its benchmark of 6.8%.

The Student Investment Management Portfolio (SIMP) was valued at \$743,000 and underperformed to the S&P benchmark. The reason for the underperformance is that SIMP is currently sitting on a very large cash position of \$540,000.

OPEB pool is at \$10.2 million and had a return of 5.9% versus its benchmark of 5.8%. The VEBA trust is at \$27.2 million and had a return of 5.7% versus its benchmark of 5.8%. Cash flow timing is the reason for under performance.

The endowment fund was valued at \$2.56 million and was even with its benchmark. These funds are held on behalf of other entities that have a relationship with the corporation. The corporation currently manages nine endowments.

Grant and annuity charitable gift annuities had a slight underperformance, which had a lot to do with the allocation required by the Department of Insurance. It had a return of 6.5% versus its benchmark of 6.8%.

C. Budget and Finance Advisory Committee

Dan Banfield reported that the Budget and Finance Advisory committee held its second meeting Thursday, January 30, and had full attendance.

Banfield reported the following financial highlights for the first six months of the fiscal year.

Core operating income is at \$5.7 million, and is \$2.7 million over budget. These results are primarily driven by market value gains from the general investment fund. Net investment return

was \$4.1 million, first-time freshmen head count was slightly over the budget projections of 4,500 and sponsored project expenditure activity was \$12.4 million. The largest activity came in the federal and state government sectors. Amy Velasco is leading the F&A rate proposal related to sponsored projects and research. Corporation has engaged a consultant and is working closely with the consultant to meet a March 31 proposal deadline. Corporation is now managing Technology Park management property services that were outsourced to a third party.

Banfield reported on the quarterly December 31, 2019 financial reports.

General Administration revenues are slightly over budget, while payroll and operating expenses are at budget. General Administration is partially funded by interest and dividends from the General Investment Fund.

Campus Dining's total income for the year is \$2.1 million under budget. The reason for the variance is partially due to this being the first year that three declining meal plans and unused dining plan balances could roll-over in full each academic quarter. Cost of sales is under budget, but more than the prior year. Payroll expense is under budget due to favorable variances in student labor and vacancies in full-time positions. Operating expenses are under budget partially as a result in a favorable variance in management fees from Chartwells, due to the vacancy in the Campus Dining director position.

University Store revenue commissions from Follett are under budget due to a decrease in courseware sales. Operating expenses represent direct expenses as well as contract management and indirect cost support.

Cal Poly Print and Copy revenues are down, which is primarily the result of fewer course material orders than anticipated. Cost of sales is under budget, but more than the prior year. The decrease is also due to fewer course material orders. Payroll is consistent with budget and operating expenses under budget.

Conference and Event Planning revenues are under budget. This is due to a decrease in participation in events held over the summer. Payroll is consistent with budget. Operating expenses are under budget due to a delay in billing for on campus housing expenses.

Plant operations revenues are as anticipated. Operating expenses are slightly under budget. The main reason for the favorable variance is less than anticipated project equipment purchases and insurance costs. Bella Montana development currently has four units for sale. Corporation staff is closely monitoring these units and will repurchase if the need arises to retain them for faculty and staff.

Sponsored Programs revenue is under budget. This decrease follows a decrease in overall project expenditures. Payroll is under budget due to vacancies, and operating expenses are under budget due to timing differences related to consultant expenses

At December 31, 2019, total assets were up \$18.8 million, total liabilities were up \$13.6 million and net position was up \$5 million.

VII. CLOSED SESSION

Convened into closed session at 11:17 a.m.

The board discussed and agreed unanimously to change the title of Lorlie Leetham's position to chief executive officer and increase the annual salary to be commensurate with title and position responsibilities.

The board reconvened from closed session at 11:32 a.m.

VIII. ANNOUNCEMENTS

Villa announced that the next scheduled board meeting is May 1, 2020 at 8:30 a.m.

IX. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 11:37 a.m.

Respectfully submitted,


Ann Roy (May 11, 2020)

Ann Roy, Recording Secretary

III. Minutes

Final Audit Report

2020-05-11

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