



BOARD OF DIRECTORS ANNUAL MEETING #3

Friday, May 1, 2020 8:30 a.m.

MINUTES

Fiscal Year 2019-20

- Present:** Phil Barlow, Cara Crye, Cole Dorris, Celeste Esparza, Steven Harding, Keith Humphrey, Sean Hurley, Patrick Mullen, Nick Pettit (*left at 10:23 a.m.*), Steven Rein, Andy Thulin Cynthia Villa, Dean Wendt
- Guest:** President Jeffrey Armstrong, Brian Dietterick, Jaime Ding, Jim Dunning, Allyson Fischlin, Erica Gulseth, Sanjana Gupta, Angie Kraetsch, Tess Loarie, Olivia Lozano, Dominique Morales, Tim Northrop, Mark Swisher, David Valadez
- Staff:** Joe Alves, David Bains, Dan Banfield, Jodi Block, Andrea Burns, Ellen Curtis, Jess Dozier, Aaron Lambert, Lorie Leetham, Will Marchese, Amie Mellinger, Cortney Newby, Matt Ryan, Fatma Spanton, Douglas Speer, Eumi Sprague, John Thomson, Mike Thornton, Amy Velasco, Jennifer Wharton

I. CALL TO ORDER

Chair Cindy Villa called the meeting to order at 8:30 a.m. She announced that Ann Roy will take a verbal roll call of all Board members.

After roll call, Villa asked that it to be noted in the minutes, that through roll call, all participating members in attendance have demonstrated their ability to effectively communicate and engage in all matters present before the Board today through the Zoom virtual meeting platform.

Villa introduced guests Brian Dietterick, Director Swanton Pacific Ranch, Jim Dunning, Associate Vice President, Corporate Engagement & Innovation, and President Armstrong. Villa stated that Dietterick and Dunning will be giving presentations and President Armstrong will be providing a university update.

Villa announced that Jess Dozier was recently hired as the new Campus Dining Director. She read a brief bio and welcomed him to Cal Poly. Villa also announce that Eumi Sprague, IT Director will be retiring on May 15 after 30 years of service to the Corporation.

Lorie Leetham gave a brief history of Sprague's work history with the Corporation. She thanked her for the many years of dedicated service and stated that she will be greatly missed.

II. PUBLIC COMMENT

Villa and Leetham read seven letters submitted for public comment. The letters were submitted by Cal Poly Democrats Club Executive Board, Alan Faz, Tess Loarie, Zach Noyes, Shayna Lynch, Sanjana Gupta and Mark Borges. All the letters were in regards to requests to change the Mustang Meal Share policy.

III. MINUTES

A. Board Meeting Minutes – January 29, 2020

(M/S/P) (Thulin/Humphrey) That the board accepts the January 29, 2020 minutes as presented.
None opposed.

IV. CHAIR REPORT

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

President Armstrong thanked the board for inviting him to speak today and thanked, everyone, for their service and dedication. He reported on the following university updates.

Cal Poly will receive approximately \$14 million in CARES Act funding. The funds will be used to support students, primarily by providing direct financial support to students negatively impacted by COVID-19, with a preference for those with the greatest need. The full details of the plan are still being worked out and will be announced in the coming weeks.

The Rec Center has been equipped to serve as an alternative care site in the event that hospitals are unable to manage patient numbers. Campus Dining has been providing food services to care site workers and has a plan in place to serve patients in the event that the facility becomes operational.

Currently, all spring classes are all being held virtually and summer classes are also being offered virtually. To be able to return to full face-to-face instruction Cal Poly will need to have the capacity to do rapid testing and quarantining of community members who test positive. The university is preparing for several scenarios for fall quarter. It is not known at this time, how COVID-19 will affect admissions in the fall. Total applications are down, but very modestly.

The university's budget is going to be significantly impacted for the next academic year. The Governor has the option in May to revise the State Budget.

Corporation has borne the brunt of the COVID-19 shut down and has been hit hard alongside University Housing, Athletics and Transportation and Parking Services. Corporation did apply and was accepted to receive the CARES PPP funding. However after discussions with the Chancellors Office and followed by more research, the decision was made to return the money. President Armstrong wanted to make it clear that the Corporation handled everything appropriately when applying for the loan.

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

Villa gave an update on the CEO search. The search had paused for five weeks following the State's shelter-at-home order. The committee identified a slate of nine candidates for Zoom interviews and had two candidates since withdraw from the pool. Interviews for those seven candidates are currently scheduled and will conclude next week. From those interviews, three to four candidates will be recommended for final interviews. The plan is to conduct the final interviews in person, but may need to be conducted virtually. The desire is to make an offer to the finalist in June to have some overlap before Leetham's retirement.

V. UPDATES

Lorlie Leetham reported on the following:

Corporation has had representatives on the Emergency Operations Center team since its activation. These members from administration, Human Resources and Campus Dining meet with the EOC team daily. Anthony Knight and Tina Hadaway-Mellis, who are leading the efforts and our representatives on the EOC team have done an amazing job with updates and communications.

Since the start of the COVID-19 situation on campus most employees have been telecommuting from home. There are three to four employees in the main Corporation administration building on any single day and a few more on Fridays for check issuance and check deposits. Corporation has committed to paying employees who cannot work from home, through May. Spring quarter dining plans have been refunded and all catering and concession events have been cancelled.

Corporation received the CARES PPP Funding loan. After revisiting the intended use of the PPP funds for organizations like the Corporation, President Armstrong ultimately made the decision to return the PPP funds. Currently, management is making other plans to mitigate the financial burden and stress caused by the COVID-19 situation. To mitigate costs, Corporation legal council is working with the property owner of the downtown store for a reduction in monthly lease payment. Part-time and intermittent employees were furloughed as of April 5. Hiring and travel restrictions have been implemented and non-essential expenditures cancelled.

Financial implications of the COVID-19 situation are \$11.4 million in revenue losses, investment losses and cash flow impacts. Events with more than 50 participants have been cancelled through June, with some large groups either postponing, cancelling or going virtual. Most dining venues have closed with those still open using Grubhub and no longer accepting cash payment. Cal Poly Downtown closed on March 19 with the State shelter-at-home order and the University Store has transitioned to mainly online orders.

The final permit plans for Grand Avenue Market have been received from the State Fire Marshall, but the decision has been made not to move forward at this time. Focus and commitment needs to be paid to the completion of Vista Grande. Grand Avenue Market is not the best use of funds at this time. Work in collaboration with housing has begun to determine other options for that location.

All 2020-21 Fiscal Year budgets have been reviewed and revised by 10 percent. Corporation management is currently going through budgets again, preparing for all possible scenarios.

Conference and Event Planning has been engaging in advisory services with Brailsford & Dunlavey and the work is almost complete. A conference call was held with Brailsford & Dunlavey to wrap up the services and reserve the right to call back before fall for an on-campus presentation.

The F&A rate proposal was completed and submitted. This is the rate that Cal Poly can apply to externally-funded grants and contracts to support indirect costs.

University Store renovation is moving forward. Corporation is currently working with the Follett Higher Education store design team.

Will Marchese reported on the following capital projects.

The Vista Grande project is progressing steadily with an anticipated mid-June completion date. Marchese shared some updated pictures of the project.

The University Union Alley project is complete. This space has created a great area for socializing and studying. The Mustang Station Patio project is nearing completion with minor punchlist items remaining. The area has an audio/video wall, heating and lighting features and an outdoor fireplace. Comments received on the space have been very positive.

Building 19 renovation, design team is moving forward with 95% construction documents. Corporation expects to receive the completed documents and submit to the State fire Marshal for review in mid-June with revisions to follow. The Construction Manager at Risk ("CM@R") for the Project, Kitchell Construction Management, was removed from the project by FPCP and SBS for

undisclosed reasons. An RFP has been issued to partner with a new CM@R partner. There were three respondents that have submitted proposals.

The board took a break at 10 a.m. and reconvened at 10:05 a.m.

Villa commented that she would like to recognize and congratulate Cole Dorris for being elected as Chair of the University Union Advisory Board.

VI. REPORTS

A. Technology Park

Jim Dunning introduced himself to the board and reported on the following.

The Technology Park (Tech Park) is a home on campus for technology-based businesses and for firms to engage with faculty and students. Dunning discussed the industry, campus and community benefits of having the Tech Park on campus.

Phase I is a 25,000 square-foot two-story multi-tenant building that was completed in 2010. In its 10 years, the Tech Park has housed 30 companies, providing opportunities for over 300 students to collaboratively research with faculty in many disciplines across campus. Tech Park companies have donated time, labor and software valued at over \$1 million, to various departments. There are currently eight tenants operating at the Tech Park.

Phase II will be a 30,000 square foot, \$11.2 million project and will be developed with the support of a grant from the Economic Development Administration (EDA) in the amount of \$6.7 million that does not have to be paid back. The remainder of the project will be funded by a \$1.5 million loan from the Corporation and \$3 million from Extended Education. Estimated construction start date is 2022 with a completion date of 2024.

B. Swanton Pacific Ranch

Brian Dietterick introduced himself to the board and reported on the following.

Currently focusing on improving staff housing, adding platform wall tents, portable restroom, and kitchen facilities for the interim to accommodate students, groups and visitors until the Education Center is finished. Completing the Water System Infrastructure Project, and finalizing the design plans for the Ed Center are future priorities.

Three key staff positions have been filled; Aaron Lee is the new Management Specialist, Kara Porterfield is the new Livestock Manager and Mark Swisher is the Associate Director of Business Operations. Due to COVID-19 restrictions, there are six staff on site performing essential duties.

The COVID-19 situation has had a significant effect on summer programs and revenue. Internships were cancelled, which reduced gift revenue that was already committed.

Operations had a number of successes, including record sales of apples from the U-pick operation. The resident herd of cattle was reduced in size to achieve certain rangeland goals, but the same amount of beef product was sold.

A letter of intent was submitted last Friday, at the encouragement of Cal Fire, for a training and demonstration program for students and professionals at Swanton Ranch. The focus of the training will be on how to develop, review, and permit vegetation management plans and fuel reduction plans that address forest health and wildfire concerns. If the program is funded, it will help with workforce shortages in the timber industry, resource agencies, non-government organizations, as well as consulting firms.

C. Investment Advisory Committee

Joe Alves reported that the Investment Advisory Committee met Wednesday, April 29 to review the investment performance and allocations. Damon Whelchel and Matt Turcotte from TIAA Kaspick were in attendance. Points of discussion included impact of COVID-19 on the global economy and how that has translated into the losses in Corporation portfolios and short-term funds including operating account and money market funds.

Alves reported on the March 31 quarterly investment report. The Money Market was valued at \$26.8 million and \$13 million is FDIC insured. It had an average interest rate of 1.66% earning \$534,500 year-to-date.

The fixed income mutual funds short to mid-term funds had a good yield despite market risk. Yields were 2.82 percent for short-term and 3.17 percent for low duration funds. The yield is higher than the total return due to market losses. Both funds underperformed their benchmark.

The corporate pool long-term investment fund at March 31 was valued at \$42.9 million, and saw an underperformance return of -12.4 percent versus its benchmark of -10.6 percent.

The Student Investment Management Portfolio (SIMP) was valued at \$678,900 outperformed benchmark due to the timing of the large cash position they had about \$540,000 on December 31. They invested \$241,000 in February and \$141,000 in March.

OPEB & VEBA funds both underperformed their benchmarks. At March 31, OPEB was at \$9 million and had a year-to-date return of -8.4 percent. The VEBA trust was at \$23.1 million and had a year-to-date return of -9.2 percent. Both pools are currently 100 percent funded.

The endowment fund was valued at \$2.1 million at March 31 and had a slight underperformance to 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 outperformance to benchmark due to increased treasury holdings. There are currently 49 contracts. There is one contract expected to run dry. Corporation has already funded the reserves for this contract.

The COVID-19 situation had a drastic effect on the Corporation portfolio. Balances fell sharply from December 31, 2019 to March 31, 2020. As of April 24, the portfolio is up 4.6 percent from March balances.

D. Budget and Finance Advisory Committee

Dan Banfield reported that the Budget and Finance Advisory Committee held its third meeting Wednesday, April 29, and had full attendance. The committee reviewed the financial statements thru March 31 and discussed the impact of the COVID-19 situation on this fiscal year. Pat Mullen, chair of advisory committee, commented that President Armstrong attended the meeting and shared with the committee the reasons why the University asked the Corporation to return the PPP funding.

Banfield Reported on the March 31 quarterly reports, projections for the rest of the Fiscal Year and the impacts the COVID-19 situation are having overall on the financial statements. Year-to-date core business operations have experienced a \$3.1 million loss and greater losses are projected by the end of the fiscal year. The losses are primarily driven by the investment losses as well as revenue losses from commercial operations due to the COVID-19 pandemic. Total net position decreased approximately \$6.4 million during the first nine months of the fiscal year.

Campus Dining revenues are under budget partially due to challenges in budgeting student spending behavior. This is the first year three total declining balance meal plans were offered. Sales from February to March decreased \$1.3 million largely in response to the COVID-19 shutdown and are projected to decrease significantly through the end of the fiscal year. Cost of sales is approximately \$1.1 million under budget, the result of the decrease in sales. Payroll is under budget primarily due to a decrease in intermittent and student labor and vacancies in full time positions. Operating expense is under budget and expect to remain under budget for the Fiscal Year.

The University Store and Cal Poly Downtown revenues prior to the COVID-19 situation were already trending downward and were further compounded by the State's shelter-at-home order. Expenses are slightly under budget. The fiscal year projection assumes the annual commission guarantee will be honored. Corporation has received notice from Follett Higher Education advising the inability to pay those commission guarantees.

Cal Poly Print & Copy started to see a decrease in revenues prior to the COVID-19 situation in courseware and color prints. The variance was further compounded by the COVID-19 situation and resulting shelter-at-home order. Cost of sales and payroll are both under budget. Sales are expected to see minimal change between March 31st and the end of the fiscal year. Payroll and expenses are projected to end the fiscal year under budget.

Conference and Event Planning revenue is under budget and less than prior year primarily due to unanticipated decrease in participation at certain events. The COVID-19 situation has had a minimal effect as of March 31 due as most revenues were earned last summer. Revenues will see an impact during the next quarter as June events have been cancelled. Payroll is consistent with budget and operating expenses are over budget to due to University Housing charges.

General and administration revenues are over budget and payroll is slightly above budget due to promotions. Operating expenses are under budget and is a result of a timing difference in the billing for audit and tax expenses.

Plant Operation revenues are consistent with budget, and operating expenses are under budget due to less than anticipated maintenance and project equipment expenditures for Corporation facilities.

Sponsored Programs revenues are under budget and less than prior year. This is due to project activity being down from the prior year. Payroll is under budget largely due to staff vacancies. Operating expenses are slightly under budget due to timing differences related to consultant expenses.

Operating reserves have been 100 percent funded, and are specifically held for unforeseen events such as the current COVID-19 situation. With these reserves the Corporation will be able to absorb the losses associated with the COVID-19 situation for the short term.

At March 31, 2020, total assets were down \$2.6 million, total liabilities were up \$3.5 million and net position was down \$6.4 million.

VII. BUSINESS

- A. Golf Training Facility and Clubhouse Project (M/S/P) (Mullen/Harding) That the board authorizes the Chief Executive Officer or her designee(s) to execute all documents necessary to facilitate development of a golf training facility and clubhouse at the Dairy Creek Golf Course.**

Will Marchese reported that the golf training facility and clubhouse that will be located at the Dairy Creek Golf course is a 100 percent donor funded project. The project will be permitted by San Luis Obispo County. The clubhouse will be a 2,400 square foot pre-engineered steel building. It will include covered hitting bays, coach's offices, team lounges, refueling station, club storage space and bathrooms. The estimated cost of construction is \$1.4 million. The project will commence in June with an anticipated completion date of October 2020.

Corporation will take the lead role in post-design, project administration related activities, including receipt and management of donor funds, issuance and administration of contracts, permitting, and day-to-day project management services. In addition, the Corporation will receive cost recovery for project management services on a time and material basis, not to exceed \$28,000 for this project.

There was a discussion regarding limited availability of water at the Dairy Creek Golf Course site and responsibility for maintenance costs. Villa stated that the university is aware of the water situation and has had discussion with San Luis Obispo County. The University holds the site agreement with the county and is responsible for ongoing management and maintenance costs. Corporation's contribution is limited to managing the post-design project administration and construction of the building.

VIII. CLOSED SESSION

IX. ANNOUNCEMENTS

Villa announced that Corporation leadership team would like to change the annual meeting date from June 5 to June 12. Moving the meeting would give the team the time they need to prepare updated budgets that consider the impact of the COVID-19 situation. The board members agreed that the meeting would be moved to June 12.

Leetham asked to comment on the public comments made in regards to the Mustang Meal Share program policy. The concern and issue is putting the financial responsibility completely on the freshman students meal plans. Corporation understands the student concerns, commitment and passion for this program and their fellow students and wants to support and be responsive while being responsible as to impacts it could have on the program. She also stated that over the last two years, Corporation has made cash donations to the program at year-end.

Steve Rein commented that the idea to allow students to make donations at end of the year would make sense. Tess Loarie addressed the board and reiterated the reasons stated in the public comment letters submitted to the board by students asking for the change in policy. Sean Hurley stated that he would challenge the assumption that updating the policy would change the behavior of students in donating meals. The change may make it a worse situation than a better one and changes can result in unintended actions.

X. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 11:42 a.m.

Respectfully submitted,

Ann Roy
Ann Roy, Recording Secretary