

CAL POLY CORPORATION

BOARD OF DIRECTORS ANNUAL MEETING #4

Friday, June 12, 2020 8:30 a.m.

MINUTES

Fiscal Year 2019-20

Present: Phil Barlow (*arrived at 8:40 a.m.*), Cara Crye (*arrived at 10:25 a.m.*), Cole Dorris, Celeste Esparza, Steven Harding, Sean Hurley, Keith Humphrey (*left at 11:00 a.m.*), Patrick Mullen, Steven Rein (*arrived at 9:00 a.m.*), Andy Thulin, Cynthia Villa, Dean Wendt (*arrived at 9:10 a.m.*)

Absent: Nick Pettit

Guest: Sally Guess, Jennifer Haft, Angie Kraetsch, Steve Lorian, Renee Pera, Stuart Styles, David Valadez, Cody Van Dorn, Amy Velasco, Megan White

Staff: Joe Alves, David Bains, Dan Banfield, Jodi Block, Andrea Burns, Ellen Curtis, Jess Dozier, Brian Gautrey, Carly Jones, Aaron Lambert, Lorlie Leetham, Will Marchese, Amie Mellinger, Maya Orth, Matt Ryan, Fatma Spanton, Mike Thornton, Jennifer Wharton

I. CALL TO ORDER AND INTRODUCTIONS

Chair Cynthia Villa called the meeting to order at 8:37 a.m. and welcomed everyone in attendance. 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 announced that Nick Pettit is absent today, Keith Humphrey will be in and out, as his schedule allows and Cara Crye will be arriving late. She welcomed guests in attendance; Steve Lorian will be presenting the Cal Poly Arts budget and President Armstrong will give a university update.

II. PUBLIC COMMENT

There was no public comment.

III. MINUTES

A. Board Meeting Minutes – May 1, 2020

(M/S/P) (Mullen/Humphrey) that the Board accepts the May 1, 2020 minutes as presented.

None opposed.

IV. CHAIR REPORT

Villa announced the proposed 2020-21 FY board meeting dates and asked that if the board has any concerns with the dates, please let Lorlie Leetham and Ann Roy know.

Villa announced that board members Celeste Esparza, Steven Harding and Nick Pettit terms on the board are expiring. Villa thanked them for their participation and dedication to the board. She stated that gifts and commendations were sent to each of these board members.

Villa announced that this is Lorie Leetham's last board meeting as she is retiring on July 31. She thanked her for her leadership and all that she has done in support of the university and the Cal Poly Corporation.

President Armstrong thanked Leetham for her leadership. He stated that Leetham has been on campus 24 years, the last six at the helm as CEO of the Corporation. During her time as CEO, the Corporation has completed many major capital projects such as; building a LEED certified Vista Grande Dining Pavilion, updating the Corporation Strategic Plan, successfully organizing and hosting the USA Pentathlon National Qualifier, partnering in the UU neighborhood project, and overseeing the Corporation's \$5 million donation to the William and Linda Frost Center for Research and Innovation.

Villa mentioned that Leetham has a gift in her possession that was given to her on behalf of the board in appreciation of her exemplary service to the Corporation and the university. She asked Leetham to open the gift while she read the note that was included with the gift to the board.

Lorie thanked the board for the gift. She thanked President Armstrong for his kind words and stated she has enjoyed working with him. She stated that she is grateful for the opportunities she has been afforded at Cal Poly and will miss the interaction and engagement with everyone, but looks forward to the next phases in her life.

Armstrong thanked the board members for all that they do for the Corporation and the university and for their service on the board.

Armstrong announced and introduced Cody VanDorn as the next CEO of the Corporation. VanDorn was selected after a nationwide search facilitated by the executive search firm Isaacson Miller. VanDorn will assume his new position on August 1. Armstrong gave a brief background on VanDorn's work accomplishments, history and experience.

VanDorn addressed the board and stated that he looks forward to the opportunity to maintain and build over the next 5-10 years. He said that he is excited and looks forward to collaborating with all the board members and working with everyone at the Corporation.

V. UPDATES

A. Executive Director's Report

Leetham stated that this is her last Board meeting. Thanked the board members for their influence and impact they have had on her life and thanked each one individually for their dedication and professionalism on the Corporation board. She also thanked the Corporation senior staff and Campus Dining leaders for their dedication and professionalism, especially over the past several months.

Leetham gave an update on the following:

In response to the public comments from numerous students at the May board of directors meeting, and the ASI student resolution, the Corporation implemented a rollover policy for Mustang Meal Share donations. Corporation management took the time to look at the policy in depth and decided to move forward as a pilot, primarily to see what impacts this change may have. The change in policy will allow students to donate up to 30 meals at any time throughout the year. The old policy allowed for up to 10 meal donations per quarter.

The Corporation received the final consultant's report for Conference and Events Planning advisory services. The Corporation has held off rolling this out to campus for discussion due to the impact of

the COVID-19 crisis. The goal is to share more information with the campus and the board before the end of July 2020.

The Corporation implemented a staff furlough program and extended student and intermittent employee furloughs from May 31 to Aug 31, 2020. Staff furlough program varies from 10% in areas that support a wide variety of programs and more in areas that are deeply impacted, such as Campus Dining and Conference and Event Planning. In late summer staff that are on full furlough will start a staggered come back out over time as more activity on campus occurs.

The Corporation has been involved in extensive fall planning efforts and have been engaged with the campus, Cabinet, and EOC with detailed plans.

Program priorities include the completion of the Vista Grande Dining Pavilion and starting the decommission of Building 19. The renovation of Building 19 is critical. There was a change of the risk manager on the project. Specialty Construction replaced Kitchell. This change will not delay the completion and opening scheduled for fall 2022.

University Store remodel plans continue.

The Corporation made the decision to not to proceed with the Grand Avenue Market space and take the existing revenue resources and put them towards other critical projects.

The furniture remodel in Building 15 has been paused and management will take that time to revisit the way the environment should be configured post COVID-19.

The Budget and Finance Advisory Committee met last week and completed a detailed and extensive review of the program budgets under \$1 million. This year the Corporation had the Budget and Finance Advisory Committee review these budgets rather than present them in full to the board. The advisory committee accepted the budgets and will be recommending the board approve the budgets as presented.

The benefits committee met on June 11 and approved the VEBA trust financial statements for the 2020-21 FY. The VEBA Trust is healthy and fully funded.

Core budget assumptions for 2020-21 FY are that the fall residential population will include a minimum of 4,000 freshman. Operating expenses have been decreased across the board for all core programs by 10%. This does not include furloughs. Reduction in administrative assessments to core programs and reduced the university services contribution.

Salary and wage assumption are to continue furloughs through June 30, 2021, reduced part-time and student labor and minimum wage goes up to \$14 per hour in January. The fringe benefit rate is slightly higher for 2020-21 FY. There will not be any salary compensation increases for the 2020-21 FY.

Leetham stated that Dan Banfield would now give a consolidated overview of the operating budget.

Banfield reported that the consolidated operating budget for next year is close to a break-even budget. Corporation management has established targets and goals to achieve the budget proposed. Individual programs are impacted more than others due to the current economic environment. There are large reductions in revenues when compared from last year to what is

projected for next year, almost \$10 million decrease in revenues with most of the reductions occurring in Campus Dining.

VI. BUSINESS

A. Appointment of Board Members and Election of Officers

M/S/P (Humphrey/Barlow) that the Board approves the President's nomination of officers for the Corporation Board of Directors.

Villa reported that President Armstrong has appointed Renee Pera to serve a 3-year term ending June 30, 2023, Dean Wendt has been appointed as the president's delegate to serve a one-year term ending June 30, 2021. Community representative appointed is Geri LaChance to serve a two-year term ending June 30, 2022. Student representatives appointed are Cole Dorris to serve a second one-year term ending June 30, 2021, Alan Faz to serve a one-year term ending June 30, 2021.

Villa also reported that President Armstrong has nominated the following officers to serve a one-year term beginning July 1, 2020: Cynthia Villa, chair; Renee Pera, vice chair; Andy Thulin, secretary/treasurer.

B. Recommendation from the Budget & Finance Advisory Committee to approve Cal Poly Corporation 2020-21 FY Operating Budgets and Capital Outlay Proposals for Programs with Revenues Under \$1M

M/S/P (Rein/Harding) that the Board approves the recommendation of the Budget & Advisory Committee for the Cal Poly Corporation FY 2020-21 Operating Budgets and Capital Outlay Proposals for Programs with Revenues Under \$1M

Pat Mullen stated the budget and finance committee met last week and completed a deep dive into the program budgets under \$1 million. The committee all agreed after their review to make the recommendation to the board to approve the budgets.

Mullen thanked all the members for their time and partnership going through these budgets. Villa asked Mullen to remind the board who the members are on the committee. Mullen stated that he serves on the committee along with Phil Barlow, Steve Rein, Dan Banfield, Sean Hurley, Dwayne Brummett, Angie Kraetsch, Mark Benadiba, and Ed Rainbolt.

The board took a break at 9:25 a.m. and reconvened at 9:35 a.m.

C. Approval of Cal Poly Corporation FY 2020-21 Operating Budgets and Capital Outlay Proposals for Programs with Revenues over \$1M

M/S/P (Harding/Hurley) that the Board approves the Cal Poly Corporation FY 2020-21 Operating Budgets and Capital Outlay Proposals for Programs with Revenues over \$1M

1. Commercial Agriculture Operations

Andy Thulin gave a brief overview of CAFES, stating that it is the fifth largest college of agriculture in the United States, with 4,200 undergraduate students and is the only college in the top twenty that is not in a land grant and receives no federal or state funding for its facilities or operations. CAFES has nine departments and 15 majors.

Agriculture Enterprises (AE) are an integral part of CAFES' Learn by Doing educational philosophy. More than 75% of CAFES' courses require laboratories, which use the facilities supported by the AE.

Thulin highlighted some of the 2019-20 FY accomplishments and the goals and objectives for the 2020-21 FY.

Some of the 2019-20 accomplishments included an affiliation agreement for Veterinary Practicum with Western University of Health Sciences, which brought income to the beef, swine and sheep operations. The dairy obtained a grant with California Air Resource Board (CARB), and received over \$100,000 in funding toward the purchase of a new front-end loader. The organic farm purchased a mini harvester and the Food Science and Nutrition department utilized a kettle for jam production. The Cal Poly performance horse sale in June 2019 experienced record earnings of over \$191,000 in sales. This event was originally scheduled for June 2020, but had to be postponed until June 2021 due to COVID-19. Environmental Horticulture used social media to cross-post and create marketing synergies. The Plant Shop tomato mania event sold out in just a couple of hours.

Some of the 2020-21 FY goals and objectives, include the dairy operations will focus on reducing shrink, maximizing its workforce efficiency, and obtaining feed that is more economical to continue to operate within its budget. Environmental Horticulture will collaborate with Morro Bay in Bloom, increasing public outreach and visibility by growing plants for the city plantings. The Poly Plant Shop will create workshops on a monthly or quarterly basis. The swine unit has recently increased its herd size thanks to the donation of 60 commercial gilts. An increase in revenue is anticipated from this donation through the sale of the livestock.

Thulin reported on the 2020-21 FY budget.

An increase in net sales is expected due to restoration of normal operations. Operating expenses are expected to increase once the units return to normal operations. Payroll expenses are expected to increase and is due to the increase in student wages and moving the food science and nutrition's manager wages from state payroll to Corporation payroll. Net operating income is budgeted at \$267,000 and net to reserve is budgeted at \$374,000.

The reserve balance is expected to increase \$374,000 by the end of the 2020-21 FY.

There are no capital outlays requested for the 2020-21 FY.

2. Cal Poly Arts

Steve Leria gave a brief business overview of Cal Poly Arts (CPA).

CPA was established by the College in Liberal Arts in 1985. Cal Poly Arts typically holds 35-50 performances a year at venues on and off campus. Cal Poly Arts' primary source of revenue comes from ticket sales, contributions and sponsorships.

CPA had 52 scheduled public performances for the 2019-20 season. The COVID-19 pandemic forced the closure of all local performance venues which caused CPA to cancel 10 of its scheduled performances. Of those events cancelled four performances have been rescheduled for 2020-21 and one in the 2021-22 season. Estimated ticket revenue loss from the canceled performances is \$600,000. Net loss was \$70,000. Ticket sales revenue from the performances that did take place was \$829,000

Leria highlighted some of the 2019-20 FY accomplishments and the goals and objectives for the 2020-21 FY.

Accomplishments for the 2019-20 FY included nine sold out events, seven Poly Arts for Youth Outreach Programs serving more than 500 participants at K-12 schools, and sponsors of canceled shows donated \$101,300 back to Cal Poly Arts.

Goals and objectives for the 2020-21 FY include rebounding organizationally and financially from the COVID-19 program stoppage, adapt the audience experience to implement new public safety and hygiene mandates, offer more programs that stress diversity, inclusion and equity, remain nimble in programming by re-negotiating contracts to reduce fee guarantees and the ability to cancel performances if reduced seating requirements make them economically unfeasible. CPA will also re-envision the ticket sales process by eliminating subscriptions for one year to allow patrons more flexibility in show selection.

The 2020-21 FY operating budget is a net zero budget. Total income and expenses are both budgeted at \$1.4 million.

After three years of surplus operating budgets, Cal Poly Arts entered the 2019-20 FY with a healthy operating reserve of \$460,000. Due to COVID-19 related operating issues, the 2020-21 FY will experience an operating loss in the range of \$35,000-\$40,000. The 2020-21 FY budget is projecting \$0 net to reserves

There are no capital outlay requests for the 2020-21 FY.

3. Campus Dining

Andrea Burns gave a brief business overview and reported on the accomplishments for the 2019-20 FY.

Campus Dining is the largest commercial operation within the Corporation, generating \$30M in annual revenues, and employing over 900 staff and students. Profits from the program provide funding for University Services and other initiatives.

Accomplishments include creating "Feed Cal Poly" as a platform to provide resources to the food pantry and Mustang Meal Share. Campus Dining team prepared for the opening of the Vista Grande Dining Pavilion and in April won a NACUFS bronze medal in the "most innovative nutrition program" category. Two key positions, Campus Dining director and executive chef have both been filled. Tapingo/Grub Hub mobile app was implemented and the POS system has been upgraded to a new cloud based system.

Jess Dozier reported on some of the 2020-21 FY goals and objectives.

Some of the goals and objectives include; implementing a COVID-19 back-to-school plan in all venues, leveraging technology to assist in physical distancing and sanitation goals and additional training for employees in this area, adopting a lean mindset to right-size operations to keep within significant labor savings as budgeted, and successfully opening the Vista Grande Dining Pavilion prior to the start of the academic year.

Dozier reported that the 2020-21 FY operating budget, with the reduced meal plans and other lower revenues Campus Dining is facing, and aggressive cost cutting measures that have been implemented, is a positive/break even scenario.

Campus Dining will have a strong base of meal plans at 80% of historical averages, however, non-meal plans will have significant erosion of an estimated 60% of revenue in cash sales, primarily due to the predominately virtual class environment. Cost of goods sold are budgeted to be slightly higher than prior year as revenue shifts and core meal plan discounting. Payroll expenses are budgeted to decrease due to the combination of furloughs and reducing retail hours of operation. Overall Campus Dining remains strong long-term and the rebuilding of reserves will occur over the coming years.

Major and minor capital outlay requests for the 2020-21 FY total \$526,500. Major capital outlays include remodeling the walk-in freezer in Building 82 and retrofitting the Avila House.

4. Conference and Event Planning

Fatma Spanton gave a brief business overview and highlighted accomplishments for 2019-20 FY.

Some of the accomplishments include; receiving final review and assessment from the external consultants, Brailsford & Dunlavey, hosting a 2020 USA Pentathlon National Qualifier, expanding the external client base, collaborating with various universities and implementing a zero waste initiative.

Some of the goals and objectives for the 2020-21 FY include developing and implementing a new safety approach to events and youth camps, producing large events on campus, securing contracts for the 2021 spring and summer events, coordinating new virtual events, and expanding partnerships and internship programs.

Spanton reported that the budget for the 2019-20 FY is ending slightly under budget due to the cancellation of events from March through June. The revenue reflects a \$90,000 deficit.

Spanton reported that for the 2020-21 FY revenues are expected to decrease 90.47%, operating expenses are expected to decrease by 83.20% and a decrease in university services contribution from \$10,000 to \$2,500

There are no capital outlay requests for the 2020-21 FY.

5. Sponsored Programs

Jodi Block presented a brief overview of the Sponsored Programs department and operations. Sponsored Programs supports Cal Poly's educational mission by facilitating sponsored research and scholarly activities that enrich the Learn by Doing experience. Through a number of different services from contract negotiation and award management to expenditure approval and audit services, Sponsored Programs provides support needs for students, faculty and staff to create, research, and learn.

Block highlighted some of the 2019-20 FY accomplishments, and the 2020-21 FY goals and objectives.

Some of the accomplishments included assisting in the submission of the facilities and administrative rate proposal, developing a process to capture all research related expenditures across campus, being involved in the implementation of Corporate Engagement and Innovation (CEI) and successfully completing the CSU audit.

Some of the goals and objectives include refining the process of collecting research expenditures across campus, developing and implementing a post award process between CEI and Sponsored Programs, working closely with Trish Brock to develop a process for post award compliance and streamlining electronic processes.

Block reported on the 2020-21 FY budget. Income is budgeted to decrease due to a slight decrease of research funds received and a decrease in expenditures for the 2019-20 FY. Payroll is budgeted to decrease due to re-organization and hiring freeze. Operating Expenses are budgeted to decrease due to the reduction in Corporation Administrative Services Fee, a reduction in non-essential travel and moved consulting expenses to the Office of Research and Economic Development.

Reserves are healthy and fully funded.

There are no capital outlay requests for the 2020-21 FY.

6. General Administration

Banfield gave a brief business overview and highlighted some of the 2019-20 FY accomplishments and the 2020-21 FY goals and objectives.

Some of the 2019-20 FY accomplishments include; Corporation strategic plan rollout, employee self-service system, successfully executing the pouring rights agreement, Corporation's overall response to COVID 19, and bringing the property management oversight of the Tech Park in house.

Some of the goals and objectives for the 2020-21 FY include; adapting to EOC response to COVID-19 as things evolve and restrictions clarified and changed, re-configuration of Corporation Administration building, onboarding of the new CEO, completing the design for the Building 19/UU neighborhood project and finding ways to utilize technology more efficiently.

Banfield reported on the 2020-21 FY budget. Total revenues are expected to trend down, payroll expenses are expected decrease due to furloughs, and operating expenses are budgeted to slightly decrease.

It is anticipated that 2020-21 FY earnings will be sufficient to fully fund the operating reserves.

There are no capital outlays requested for the 2020-21 FY

VII. ANNOUNCEMENTS

Villa announced that the board would now be going into closed session and asked that everyone who is not a board member to please log out of the meeting.

The Board convened into closed session at 11:26 a.m.

VIII. CLOSED SESSION

Closed Session in accordance with California Education Code, Section 89920, et seq.

The board unanimously agreed to move forward with the Tanklage real property family gift.

The board approved the salary for the CEO position.

M/S/P (Thulin/Hurley) None opposed.

The board reconvened into regular session at 11:56 a.m.

IX. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 11:58 a.m.

Respectfully submitted,

Ann Roy

Ann Roy, Recording Secretary