



BOARD OF DIRECTORS ANNUAL MEETING #3
Friday, April 30, 2021 8:30 a.m.

MINUTES
Fiscal Year 2020-21

Present: Phil Barlow, Cara Crye, Cole Dorris, Keith Humphrey (*arrived at 10:08am*) Sean Hurley, Geri LaChance, Patrick Mullen, Alan Faz, Renee Pera, Steven Rein, Cynthia Villa, Dean Wendt (*left at 10:10am*)

Absent: Andy Thulin

Guest: Penny, Sandman, Michelle Winterfeldt

Staff: Joe Alves, Dan Banfield, Jodi Block, Andrea Burns, Ellen Curtis, Jim Dunning, Jess Dozier, Carly Jones, Angie Kraetsch, Will Marchese, Amie Mellinger-Watts, Matt Ryan, Fatma Spanton, Doug Speers, Cody VanDorn, Amy Velasco

I. CALL TO ORDER

Chair Cynthia Villa called the meeting to order at 8:31 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 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 Andy Thulin will be absent today.

II. PUBLIC COMMENT

There was no public comment.

III. MINUTES

- A. Board Meeting Minutes – February 5, 2021**
(M/S/P) (Wendt/Hurley) That the board accepts the February 5, 2021 minutes as presented.
None opposed

IV. CONSENT AGENDA

V. CHAIR REPORT

Villa commented that all Corporation employees have been on some type of furlough since last April when the pandemic started.

Villa also stated that Corporation took on the tough project of the COVID-19 Help Desk with a great attitude and was a very important function on behalf of the university. The Campus Dining team came together and had to make multiple adjustments this past year to accommodate and provide meals to students in isolation. The university is very appreciative and Cal Poly Proud of the Corporation. She thanked Cody VanDorn for his leadership, fortitude and patience.

VI. STAFF PRESENTATIONS

VanDorn gave an update on campus activities. Some of those included the testing program, which has administered over 50,000 tests. Fatma Spanton and her Conference and Event Planning staff established and opened testing and surveillance sites on campus. The testing sites produced a very low positive rate for COVID-19 with students on a three-day regime. The low positive student test volume helped move the San Luis Obispo from the red to orange tier and enable business to reopen. Starting May 6 if students have been fully vaccinated and show proof of vaccination records they will no longer be required to participate in the three-day testing compliance regime.

Commencement for 2021 will be in-person on June 12 and 13. A total of six ceremonies (three each day) and up to two guests will be allowed to attend per graduate.

As the university transitions into repopulation for Fall 2021, most classes will be in person and student housing will be at 95 percent capacity. For Fall 2021 COVID-19 vaccinations will be required for all students, faculty and staff if vaccines receive FDA approval. Currently vaccines are still under emergency use.

Villa reported on the following update on the university.

The university budget is considerably better than was anticipated and is a result of actions that were taken such as a hiring freeze and budgets reduced by \$15 million at the start of this fiscal year. The General operating budget is close to break even. University Housing and parking enterprises are still looking at a \$21 million deficit. The auxiliaries; Cal Poly Corporation, Cal Poly Foundation and ASI have a \$2.9 million deficit overall most of the deficit is within the Corporation, who was the most impacted by COVID-19.

Next year the Governor has stated that he will restore in the next budget cycle the amount of monies that was cut in the previous budget.

Budget planning for the 2021-2022 Fiscal Year is underway. Although, the budget is in a much better position than anticipated, the university still needs to move forward conservatively. Capital gains this year is what has helped balance the budget.

VanDorn reported on the following Corporation updates:

Corporation employees and our teams have done a great job this year during very difficult time

Corporation was the only entity on campus that incurred furloughs. Corporation employees felt the impact financially, the challenge of completing work tasks while providing childcare, and working remotely while still giving 110 percent to help the campus move large

initiatives that the Corporation was asked to do. Beginning July 1 all furloughs will be removed for the entire Corporation.

VanDorn gave a few examples of how Corporation leaders and teams crossed boundaries to provide a safe student experience and allowed students, faculty, and staff to return to campus. He thanked and acknowledge Spanton and her Conference and Event Planning staff, who coordinated the campus asymptomatic testing operations. He also thanked Ann Roy who took on the challenge of creating and managing a COVID-19 Help Center fielding hundreds of emails and phone calls daily to help students navigate any testing compliance and vaccine questions. Jennifer Wharton also assisted with the staffing of the COVID-19 Help Center.

The Corporation facilitated a golf club house donor funded \$2 million project for the Cal Poly Golf Program giving the teams a home. VanDorn thanked Will Marchese and John Thomson for their efforts in working with the donor on completing the project.

Corporation management is currently discussing the repopulation of campus, specifically Corporation work space. Working on implementing flex work schedules, telecommuting and office space.

Corporation leadership and teams have been working to update the Corporation's Strategic Plan. Three strategic directions have been created: Purpose, People and Perform. The Corporation's focus will be on why the Corporation exists, highlighting our impact and communicating to others what our purpose is on and off campus. Perform is the most complex directive with goals and measurements of the services the Corporation provides.

VanDorn stated that future topics that he will be discussing with the board include: Post COVID-19 repopulation strategies, Strategic Plan finalization, transitioning operations at Bartleson Ranch to the Corporation and overseeing Cal Poly Ventures (CIE Program for OCOB). There will be a budget for Cal Poly Ventures at the June meeting along with a budget for the corner of Slack Street and Grand Avenue, a 21 acre site to revitalize the project. The site is for 250-350 work force housing for Cal Poly faculty and staff.

CFO Report

Dan Banfield reported that revenues for core operations through March 31, 2021 revenues down 47% year-over-year. Corporation revenues are 5% ahead of revised budgets and are projected to be 7% below at the close of fiscal year 2020-21. The majority of the variance is the result of a decision to allow students to roll-over remaining dining plan dollars. The revenues related to the roll-over dollars will be captured in fiscal year 2021-22. Although rolling dining dollars over has not been a Corporation practice in the past, the circumstances from this academic year warranted Corporation providing this flexibility to students.

Management projects that core operations will close FY 2020-21 with an operating loss of \$5.2 million, approximately \$1.3 million below the revised budgets. The General Investments has had a remarkable year. Through March 31st, interest and dividends have provided approximately \$1.1 million of investment income. Over the past nine months, the portfolio has seen market valuation gains of \$10.3 million, which is an \$18 million rebound over the same period last year. Sponsored Project expenditures totaled \$16.4 million through March 31st, only a slight decrease of 5% from the same period last fiscal year.

Revenues from the Technology Park, Commercial Ag and University Graphics are tracking favorable compared to their budgets and are approximately 22% ahead of budget.

Corporation management has been finding and looking at ways to reduce expenditures. Furloughs this past year saved \$2.2 million. Adjustments made to employee benefits will result in a savings of \$850,000 this calendar year. Despite these efforts, expense reduction measures taken will only reduce Corporations overall operating losses. Operating reserves are sufficient to absorb these losses. Long-term goals are to rebuild the reserves, by targeting revenue increases through student loyalty, and exploring ways to restructure long term benefit costs.

Capital Projects Updates

Will Marchese stated that there are several projects currently in progress and updates are included in the board packet. Those projects include: Scout Coffee Co., post fire assessments for Swanton Ranch, Subway and Building 19 renovation. His update today will be highlighting the University Store remodel.

Phil Barlow asked if at the next board meeting that Marchese could give an analysis of what was learned on the Vista Grande building project that could be useful for future projects.

Marchese reported that the University Store project is a collaboration with Follett Higher Education. The construction drawings for the remodel of the University Store have been submitted to FCPC for permitting and are currently pending the State Fire Marshal's approval. ASI is completing the work on installing fire sprinklers and replacement of the back-up generator is also pending approval. Construction is projected to start June 2021 once the fire sprinkler plan is approved.

Follett is committing \$1.6 million to update and refresh the store. The project will consist of relocating the front entrance to face the plaza, moving the primary point of sale, and upgrading the exterior of the building including adding eyebrow awnings. New interior finishes include carpet, paint, signage, new technology center, merchandise displays, and dedicated flex/study space to be utilized by students. Completion of the project is expected January 2022.

Board took a break at 9:45 a.m. and reconvened at 9:50 a.m.

Andrea Burns and Jess Dozier reported the following on the Corporation's commercial services strategic plan. The strategic plan is a three-part approach consisting of physical, e-commerce and event management to serving the needs of the campus community.

Physical: Infrastructure investments will help solve the needs of continuing students, particularly in the Poly Canyon Village (PCV) area, as well as create a launching pad for increased variety through the addition of ghost kitchens.

With Building 19 under renovation next year, Campus Dining will be adding food trucks and converting spaces for maximum throughput in the University Union area, continuing to partner with the university and ASI to invest in additional outdoor spaces.

There's a robust line up of initiatives in the coming academic year, one in particular is the licensing agreement and business partnership with Scout Coffee Co. that will result in the

build out of the retail space next to the visitor center in yak?it?ut?u. Additionally, a ghost kitchen will be built out where Canyon Café currently is, a new Subway is going in where the Jamba was in PCV, and renovating Village Market to provide more pre-made meal options for students in PCV apartments.

During the second year of the Strategic Plan once Building 19 is open, transformation of Mustang Station into a pub environment where students and the like can hang out before sporting events will begin. Campus Dining is partnering with ASI to join the space between Mustang Station and the bowling alley for a more functional gathering area.

Corporation will also be addressing a much-needed event infrastructure at Spanos and Baggett stadiums. The scale of retail investment will be determined as the spaces are developed. Investing in much needed infrastructure to address the limited options for continuing students and improving everyone's experience on campus.

E-commerce: The vision for the virtual marketplace is tap into a massive market of off-campus purchases, from groceries to bedding. The ecommerce app/website will be multi-faceted and provide a landing spot for local and national retail partners to sell products, while gaining access to Cal Poly Students. It will also provide a much-needed e-commerce platform for many student-led programs, such as the Cal Poly Creamery and the Strawberry Center. Investing in this virtual space opens up a large untapped market for the university and will allow the Corporation to fund even more programs that enable student success. Shop Cal Poly provides a retail option to students without an investment for expensive physical location on campus.

Event Management: By joining forces across many departments involved in booking performance and conferences, the Corporation can more fully leverage its campus infrastructure for larger events and more effectively utilizing existing spaces. On Monday, May 3 a representative from LiveNation will be on campus touring campus event spaces and will provide an assessment of the short- and long-term possibilities.

VII. REPORTS

A. Investment Advisory Committee Report

Alves reported the following highlights on the year-to-date and last quarter performances. The Corporation saw a \$10.3 million market gain in the general investment fund. Most of the gain was in the Corporate Pool and largely due to the significant performance of domestic equities, which is a continuation of the V shaped recovery seen over the past year.

All funds outperformed their benchmarks, even the Grant & Annuity Society, which houses the charitable gift annuities. In fact, these funds outperformed their benchmarks for year-to-date, one-year, and five-year periods. Active managers for our mutual funds have added some significant performance as well and contributed to overall returns.

The Corporate Pool also realized some of the market gains. Corporation management has begun a planned withdrawal of \$5 million, which was started a couple months ago and is to be completed by the end of the fiscal year. The timely withdrawals take advantage of some of the market value gains over the past year and will be applied to capital project spending. Given market performance, management has acceleration triggers where they will move up a withdrawal, if the portfolio rises more than 2 percent between withdrawals. This situation has occurred twice this fiscal year.

Value investing has outperformed growth for the second consecutive quarter, by 8.7 percent for the most recent three months. This is important since Corporation's portfolio has a value-style tilt. TIAA Kaspick continues to see attractive valuations in both domestic and international equities.

B. Budget and Finance Advisory Committee Report

Banfield reported that, at their meeting on April 28th, the Budget and Finance Advisory Committee reviewed the financial results through March 31st and projections for the remained of the fiscal year.

Patrick Mullen commented that the committee had a great discussion regarding the financials and is confident that the Corporation is definitely headed in the right direction despite the pandemic. The reserves are down but are still substantial. The committee also discussed the Follett bookstore contract, Scout Coffee contract and how Corporation investments overall has helped mitigate the impacts of COVID-19 this past year.

Mullen also commented on the decision to allow dining plan dollars to roll-over. Even though it caused an impact financially, the committee agreed that it was the right decision in supporting the students in these unprecedented times.

Banfield reported that the Corporation is projecting a \$5.2 million net to reserve loss at the end of this fiscal year. A large portion of that loss is depreciation expense due to the Vista Grande Dining Complex, which was placed in service earlier this year. The Corporation is depreciating the building over a 30-year period which adds \$1.5 million to depreciation expense each year. Excluding the impact of depreciation expense, the Corporation projects a cash flow loss of approximately \$3.2 million this year.

XIII. ANNOUNCEMENTS

VanDorn commented that he has spoken to most of the board members regarding potentially meeting in person for the annual board meeting in June. He also stated that there are conflicts with the June 4 meeting date and the meeting needs to be rescheduled. Ann Roy will email the board members for their availability for a new date and time.

IX. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 10:28 a.m.

Respectfully submitted,

Ann Roy

Ann Roy, Recording Secretary