



BOARD OF DIRECTORS ANNUAL MEETING #2
Friday, February 5, 2021 8:30 a.m.

MINUTES
Fiscal Year 2020-21

Present: Phil Barlow, Cara Crye, Cole Dorris, Sean Hurley, Geri LaChance, Patrick Mullen, Alan Faz, Renee Pera, Steven Rein, Andy Thulin, Cynthia Villa, Dean Wendt

Absent: Keith Humphrey

Guest: Michelle Winterfeldt

Staff: Joe Alves, David Bains, Dan Banfield, Jodi Block, Andrea Burns, Ellen Curtis, Jess Dozier, Carly Jones, Angie Kraetsch, Aaron Lambert, Will Marchese, Amie Mellinger-Watts, Matt Ryan, Fatma Spanton, Mike Thornton, Amy Velasco

I. CALL TO ORDER

Chair Cynthia Villa called the meeting to order at 8:30 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 Keith Humphrey will be absent today.

II. PUBLIC COMMENT

There was no public comment.

III. MINUTES

A. Board Meeting Minutes – October 30, 2020

(M/S/P) (Thulin/Pera) That the board accepts the October 30, 2020 minutes as presented.

None opposed

IV. CHAIR REPORT

Villa announced that Cody VanDorn sends his regrets for not being at the meeting today. He has been out of the office on a family matter for the last two weeks and is expected to be back next week on Monday. Dan Banfield has stepped in as acting Chief Executive officer and will be giving the CEO report.

Villa also announced that Renee Pera vice president of research and economic development will be leaving Cal Poly effective April 5, 2021. Pera is moving back to Montana to lead a non-

profit. Villa commented that Pera is an outstanding leader and excellent colleague and we wish her all the best in her future endeavors.

Renee commented that it has been a pleasure working with Villa and could not have worked with anyone better and to be part of such a great community.

Villa asked Corporation management to forward the Administration & Finance budget presentation that she presented at the October 30, 2020 board meeting to the board.

Villa stated that some of the board members who have served for a while will probably notice a slight change in the agenda. The changes are a result of the development of the Budget and Finance Advisory Committee. Creating this committee has allowed for deeper dives into the finances. This in turn has allowed the board to make better use of everyone's time with more effective and efficient high-level discussions at meetings.

Villa stated that sometime around the annual meeting, a survey will be sent to board members. The survey will be surrounded by ideas on how to better engage and inform this board and keep it functional and interesting.

V. CHIEF EXECUTIVE OFFICER REPORT

Dan Banfield stated that he would be providing the CEO report on behalf of VanDorn who as Villa mentioned could not be in attendance today. He also stated that the Chief Executive Report and the Chief Financial Officer report would be combined.

Banfield commented that this has been the Corporation's most challenging year in its 80-year history. The Corporation continues to feel the strain from the pandemic but is very proud of the way the staff has rallied together during this time. Campus Dining staffing has been a challenge at all levels. The team has responded quickly shifting hours and moving staff around to popular venues to ensure coverage. The catering team delivered meals to students in quarantine and is delivering upwards of 200 meals a day.

The Corporation continues to support the university through the pandemic. Most recently the Corporation was asked to help stand up a COVID help call center to respond to inquiries via phone and email to assist students with questions they may have related to the coronavirus and compliance. Banfield thanked Ann Roy for the countless hours worked in getting the call center up and running.

VI. UPDATES

Banfield commented that the intent of the board subcommittee's is to make the board meetings more effective and efficient. All board members are invited and encouraged to the subcommittee meetings for a more in-depth discussion of the Corporation's financial health. Beginning with this board meeting the committee reports will serve as a summary of what took place during the subcommittee meetings.

Banfield gave a summary of the Corporation's financial position. Compared to last year, revenues are down over 50%. The largest driver of that is Campus Dining. The decision to have mostly virtual classes and a limited residential population has impacted the Corporation significantly. At the Board meeting in October, the Board approved revised budgets for Core Commercial Operations and actual results are tracking closely with those revised budgets. Overall, income for operations is ahead of budget, due to the General

Investment Fund having a banner year. Other areas of the Corporation are holding steady. Sponsored Project Expenditures are only slightly down compared to this time last year. Corporation continues to look for ways to reduce, cancel or postpone discretionary expenditures related to Core operations. The Corporation team is also exploring ideas to restructure and reduce CalPERS retirement expenses, which currently amount to \$2.5 million per year.

Corporation management is focused on targeted revenue growth over a five-year period. One of the biggest opportunities to achieve this is the Corporation's ability to retain continuing student loyalty to dining plans. Only about 10% of students historically choose to acquire a meal plan beyond their freshman year.

Banfield stated that at the board meeting in October VanDorn shared the Corporation's priorities and focus on three pillars: organizational health, student experience, and long-term vision. Banfield provided an update under each category.

Organizational Health: The wellbeing of our employees is our top asset. Many of the employees and their families are still feeling the impact of furloughs. Corporation has sought ways to reassign staff to other areas on campus. For example, some of the Conference and Event Planning staff is now working at the COVID testing centers and the call center helpline. It's also important for our staff to make the connection between the work they perform every day, to the organization's greater purpose. As VanDorn mentioned at the last meeting, the Corporation has invested significant time in identifying our "Why" as an organization. Management is also working diligently through our strategic framework.

Student Experience: The Corporation continues to focus on a "Studentology" approach defined as the science of understanding the student experience. In the Fall, Vista Grande opened and the Corporation has received positive feedback. We also created additional outdoor seating areas on Mustang Way, Multi-Cultural Center and, around the UU.

Long-term Goals: Opening Vista Grande was an important milestone in our focus on the long-term vision of re-shaping the student dining experience. Now a lot of management's attention is on the renovation of our central dining facility, Building 19.

Banfield stated that Will Marchese will now give a capital projects update.

Marchese gave a program recap on the Building 19 Renovation Project. This represents the largest capital project and biggest opportunity for Campus Dining and the university. The Building 19 renovation project has a \$27.8 million budget with a 5% margin for error. Building 19 is one of the highly most utilized buildings on campus. It is a primary hub for distribution for Campus Dining production; it's a center and a place for students to hangout.

The design of building 19 is complete and construction documents are currently in the permitting process sitting with the State Fire Marshal. Corporation management is also actively engaged in the procurement front for the project. The CM At-Risk contractor specialty has now received bids for the competitively bid portion of the project which is essentially 40% of the project budget, with the other 60% being design-assist. Currently, the budget is within a couple hundred thousand dollars of the targeted budget. There is also an abundance of value engineering items that are on the table. Management is on task to fully negotiate the Guaranteed Maximum Price by the middle of February. Construction is

scheduled to begin March 2021 with the completion of the project to be in September 2022 to be open for fall quarter.

Marchese walked the board through the schematics for Building 19 and the University Union space and presented some of the venues that will be included in the project.

VII. BUSINESS

A. Building 19 Financing Resolution 21-2

M/S/P) (Dorris/Faz) That the board approve the Building 19 Financing- Resolution 21-2

Banfield reported that on December 9 the chancellor's office approved financing for the Building 19 project. The approval from the chancellor's office is subject to a resolution being approved by the Corporation Board of Directors with the principal amount of the loan not to exceed \$16.4 million. Corporation management is recommending the approval of resolution 21-2 and authorize the Chief Executive Officer or his designee(s) to negotiate the documents necessary to facilitate the renovation of Building 19.

Financing is approved through the CSU Chancellors office subject to the approval of the resolution presented to the board today. The draft loan agreement is a tax-exempt debt note amortized over 30 years based on a level debt schedule. This loan will consolidate the Vista Grande loan and the original Tech Park loan to be under one loan umbrella.

B. Approve the Revised 2020-21 Operating Budgets for Specific Non-Core Operations of Cal Poly Corporation

M/S/P) (Rein/LaChance) That the Board approves the revised 2020-21 operating budgets for specific non-core operations of Cal Poly Corporation.

Banfield reported that the Budget and Finance Advisory Committee met on Wednesday, February 3, 2021. The agenda items included a review of the quarterly and annual financial information, and a review of revised budgets for Cal Poly Arts and Swanton Pacific Ranch.

Banfield reported that at the annual Board of Directors meeting in June the budgets that were presented and approved were based on the best information available at that time. It was assumed at that time that Cal Poly Arts would return to in-person events during the 20-2021 academic year. Unfortunately, those assumptions did not materialize and had a major impact on the revenues for Cal Poly Arts.

During August, the CAZ August Lightning Complex fire in Santa Cruz County destroyed 80% of the Swanton Pacific Ranch. Preliminary estimates in damages are between \$5 and \$10 million to the Ranch.

Pat Mullen commented that when the Budget and Finance Advisory Committee met this past Wednesday the committee thoroughly went over all the details of the revised budgets being presented today and asked questions of the impacts and reasons for making the revisions. The committee unanimously voted to make the recommendation that the Board approve the revised budgets as presented.

Mullen stated that the committee looked in-depth at both budgets and the impacts the pandemic has had on those budgets, especially the impact on Swanton Ranch and the programs and loss of structures. The devastation at Swanton although sad does provide a silver lining moving forward to re-envision the purpose and intent.

VIII. REPORTS

A. Audit Committee

Matt Ryan reported that last November an RFP was sent to seven accounting firms with experience in nonprofit higher education. Management received responses from four firms including the incumbent firm, Glen Burdette Attest Corporation. Qualified bids ranged from \$85,000 to \$115,000.

On Wednesday, January 27, the Audit Committee met to review the results of the RFP for audit and tax services. A unanimous decision was made to reappoint Glenn Burdette Attest Corporation as the provider. Corporation's management has had an excellent overall experience with Glen Burdette Attest Corporation in the past and had the lowest qualifying bid received.

Sean Hurley reported that one of the RFP's was submitted late and low and was from a firm that is small and did not cover everything in the RFP. The committee looked at and discussed higher bids that were received to evaluate if it made sense in value to have a bigger firm come in and if it would provide enough savings for the extra cost. The committee determined that it would not be the case. The committee believes the Corporation would benefit from having an audit firm with historical knowledge and understanding of the Corporation; therefore, the committee voted to accept the four-year agreement with Glenn Burdette Attest Corporation.

B. Investment Advisory Committee

Joe Alves stated that the Investment Advisory Committee met this past Wednesday. Representatives from TIAA Kaspick were in attendance. Agenda items included approval of the previous meeting minutes, review of the second quarter investment portfolio performance, and the short-term holdings which include the Corporation's operating account and money market holdings. Second-quarter portfolio performance was strong and ahead of benchmark.

Geri LaChance commented that the meeting was very interesting and had great discussions. She has enjoyed being on the committee and attending the meeting.

Alves reported on the following on the December 31, 2020 investment reports.

The general investment fund had a \$7.8 million market value gain, of that gain \$7.7 million was in the corporate pool.

All funds outperformed their benchmark for the quarter and most had over 100 base points of outperformance.

Corporation's portfolio had three rebalances over the past year. The first one was in March when equity values declined and CPC sold fixed income and purchased equities. The second took place in June when equity values were increasing and the most recent rebalancing took place in December. The rebalancing in December helped drive the market value gains during the recovery.

Value investing outperformed growth in the second quarter of this fiscal year. This is important since the Corporations portfolio has a value tilt. Alves stated that while one

quarter does not make a trend, it's a positive sign that the market may yet return to a longer period where value outperforms growth.

C. Budget and Finance Advisory Committee

Banfield reported that the Budget and Finance Advisory Committee met on February 3 and reviewed the Corporation's six-month financial activity from July 1, thru December 31, 2020. The committee reviewed the commercial operations for Campus Dining and the bookstore, as well as, the revised budgets for Swanton Pacific Ranch and Cal Poly Arts.

Banfield reported that the year-to-date operating losses from core business operations, excluding the general investment fund is \$3.8 million. The general investment fund gains could not have come at a better time to support the long-term strategic goals.

Total assets at September 30 were up \$13.6 million, total liabilities were up \$13.5 million and net position was up \$193,000. The increase is the result of a \$350,000 increase in the net position of core business results previously mentioned combined with a \$157,000 decrease in the net position of university programs.

Mullen commented that he appreciates the budget and finance advisory committee's participation and the opportunity to have a good in-depth discussion regarding the Corporation finances and revised budgets.

IX. ANNOUNCEMENTS

Villa announced that the next scheduled board meeting is April 30, 2021, at 8:30 a.m. This board meeting was originally scheduled for April 23 but was moved to provide more time for the Corporation finance team to prepare financial and investment reports.

Andy Thulin thanked Corporation management and staff for the help with Swanton Pacific Ranch after the fire. He thanked VanDorn, Banfield and, Marchese for their help. He commented that the Corporation is a wonderful group and is thankful for CAFES great partnership with the Corporation and all the Corporation does in support of CAFES and the university.

Cara Crye commented that she echoes what Thulin said and stated that she is very impressed by all that Corporation does.

X. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 9:57 a.m.

Respectfully submitted,

Ann Roy, Recording Secretary