



CAL POLY

**BOARD OF DIRECTORS MEETING #1
Friday, October 29, 2021 8:30 a.m.
MINUTES**

Fiscal Year 2021-22

Present: Cara Crye, Cole Dorris, Marissa Hiji, Cynthia Jackson-Elmoore, Keith Humphrey (Left at 10:45) Sean Hurley, Patrick Mullen, Cyrus Ramezani, Steven Rein, Andy Thulin, Cynthia Villa, Dean Wendt

Absent: Geri LaChance

Guest: President Jeffrey Armstrong

Staff: Joe Alves, David Bains, Dan Banfield, Jodi Block, Umut Brown, Andrea Burns, Holly Clark, Ellen Curtis, Jess Dozier, Jim Dunning, Carly Jones, Will Marchese, Matt Ryan, Jennifer Wharton

I. CALL TO ORDER AND INTRODUCTIONS

Chair Cynthia Villa called the meeting to order at 8:33 a.m. and welcomed everyone in attendance.

Villa welcomed our new members Cynthia Jackson-Elmoore, Marissa Hiji, Cyrus Ramezani and Steve Rein who will be continuing his service on the board.

II. PUBLIC COMMENT

There was no public comment.

III. MINUTES

Board Meeting Minutes – June 3, 2021

(M/S/P) (REIN /THULIN) that the Board accepts the June 3, 2021 minutes as presented.

None opposed.

IV. CONSENT AGENDA

A. Approve Employee Medical Benefit Program Contribution Rate for 2021-22

B. Approve Publicly Available Pay Schedule for CalPERS

C. Accept Annual and Quarterly Financial and Investment Reports

D. Accept Audit Committee Report and Annual Audited Financial Statements

(M/S/P) (DORRIS/CRYE) that the board approve the Consent Agenda items IV. A. – D

None opposed.

V. CHAIR REPORT

A. President Armstrong – University Update

The President welcomed everyone in attendance and commended the faculty and staff for their work during the pandemic. President Armstrong informed the board that this year the university has more students than ever before, thanks in part to the additional space of yak?it?ut?u student housing. He gave an update on the COVID-19 vaccination rate at 96%. Students will continue to test if they are not fully vaccinated.

President Armstrong pointed out the significance of Cal Poly Corporation with contributions of over 80 million dollars to the university. The efforts impact many different areas of the university including the establishment of the faculty and staff housing at Slack and Grand, outside spaces, the 1901 Market Place currently under construction, agriculture, and food.

The university also has significant changes they are working to achieve. Cal Poly is being asked to convert the current quarter system to a semester system by the Chancellor of the Cal State University System. A few of the factors that are prompting this request are to align the timing of the beginning and ending of the year, as well as to assist in allowing transfer of courses. The transition will allow the university to keep the variety of courses currently offered. There are many external factors to consider and the Vice President and Provost will be leading the task force.

Armstrong discussed the need to represent California better with our education system. He proposes to increase the college base fee for families with an income above \$150,000. A portion of these fees would go to increase the financial aid to families earning less. The campus is working on a master plan to grow and funding is required to obtain growth. The campus advisory committee is working on the details and there will be more to come at the beginning of the year.

Questions were asked and a discussion took place about how much of the fees would go to financial aid and scholarships.

President Armstrong announced that Zachary Smith, executive director of development for the Jacobs School of Engineering at UC San Diego, is joining Cal Poly as the new Vice President of University Development and Alumni Engagement and CEO of the Cal Poly Foundation. He will begin in December 2021.

VI. COMMITTEE REPORTS

A. Audit Committee

Matt Ryan reported that the Audit Committee met on September 14, 2021 which was also the exit conference with Glenn Burdette to review the results of the audit. The auditors issued a non-qualified report indicating the financial statement of the Corporation appear reasonable. The Audit Committee approved the results and accepted the Audited Financial Statements and Federal Award Reports and Schedules.

B. Investment Advisory Committee

Joe Alves gave a brief overview of the recent Investment Advisory Committee meeting. A presentation was given to the Committee on the Cal Poly Ventures Fund. The twelve-month returns for all Corporation funds outperformed benchmarks, despite General Investment Fund losses of \$869,000 during the first quarter of the fiscal year. These losses reversed during October. The global supply chain and inflation are still concerns affecting the market. The Committee also reviewed the charitable gift annuity pool. TIAA Kaspick performs stress tests on all charitable gift contracts to ensure financial health of the pool and adequate reserves are kept. The overall picture is a healthy pool with no liability concerns.

Questions from the board were addressed related to anticipating trends in the market and CPC balancing strategies. The question was asked about investments in fossil fuel, which is approximately one percent across the entire portfolio.

C. Budget and Finance Advisory Committee

Dan Banfield reported that the Budget and Finance Committee met this week to review the annual financial report for FY 2020-21 and the Q1 2021-22 quarterly financial report. He reported total 2020-21 investment income of approximately \$14 million. The general investment fund, as well as the bookstore and Campus Dining financial results, were discussed.

Banfield agreed with Steve Rein's earlier recommendation of looking at trends to help navigate the uncertain fluctuations.

Villa asked that the room introduce themselves including members, staff and guests.

Board took a break, beginning at 9:27 and reconvened at 9:31.

VII. BUSINESS

A. Design Development for the Faculty and Staff Housing Project

(M/S/P) (HUMPHREY/REIN) That the board authorize the chief executive officer or his designee(s) to enter into negotiations and execute all documents to enter into a contract for design development of the faculty and staff housing project in an amount not to exceed two million five hundred thousand dollars (\$2.5M)

None opposed.

Cody VanDorn welcomed everyone in attendance. He noted that the Faculty and Staff Housing Project was an item in the board packet given last week. VanDorn acknowledged that all faculty and staff are aware of the housing issue, which was also brought to light by President Armstrong in his update this morning. He stated the desire to take the next steps in bringing this project to fruition by both the university and the corporation. Cyrus Ramezani along with 12 others including Louise Edwards are part of the Faculty and Staff Housing Project Committee. The project is intended to address the lack of space for faculty and staff. VanDorn mentioned the current faculty and staff housing, Bella Montana, offered by the corporation which includes 69 units on Highway 1 at Highland Drive. These units were originally sold and continue to be sold far under the market value for the San Luis Obispo area. All units have been sold and the units remain occupied.

The project presented today began seven years ago, but because of many obstacles, the P3 developer was released. As this project reemerges, the goals and objectives have changed. The objective today is to develop a rental solution by developing approximately 200 units to make housing attainable. The committee has come up with many ways to accomplish this goal and alleviate issues including helping in recruitment and retention. Many faculty and staff currently commute 30 – 40 minutes, and implore the idea of being on and around campus.

The design of the housing is undergoing thoughtful consideration including using the existing Bella Montana units as a gauge in market studies, preferred density, and ingress / egress considerations. The designated location for this development at Slack Street and Grand Avenue has a steep grade on a portion of the property, which will allow for at least 9 acres of development. It is the goal of the committee to develop a community that is not too dense and aesthetics acceptable to surrounding neighborhoods. The committee has obtained traffic studies and will consider options for the entrance to campus. VanDorn shared images of the space including possible locations of buildings, green spaces, walking paths, and parking.

Currently the committee is making plans to share information with the neighborhoods and community along with preparing to share ideas with a potential development partner. The current timeline presented is to have planning begin in the summer of 2021, and financing decisions to be discussed February of 2022. The design process will take 12 – 14 months and ideally begin grading in April. The planned opening is roughly early to the middle of 2025.

The Corporation is asking the board for \$2.5 million to start the design of the complex. VanDorn opened the discussion up to the members for comment.

Dean Wendt commented on the size and result that more units would enable more revenue. He also addressed his concern about the entrance to campus already having a large five story student housing on the adjacent corner which may be too much for that location. VanDorn explained that the number of units has not been decided upon and will require further market analysis to find the balance of scale. The priority of this complex is the price of rent to allow recruitment of faculty and staff.

Keith Hurley stated his excitement and support of the project, mentioning a commitment made for graduate students with families.

Andy Thulin would like to see financial models in the next meeting.

Cindy Villa mentioned that when this project was first started seven years ago, the neighbors were given designs and they were very happy with the ideas. There was a great dialogue with neighbors and this is where the conversation should begin this time.

Cynthia Jackson-Elmoore reiterated that this is not affordable housing, but attainable housing.

Steve Rein voiced several concerns including if this project is the right solution to the faculty and staff housing problem. He questioned if the units should be for rent or sale to accommodate the faculty. He also wants to review Bella Montana's evolution for trends and accomplishments.

Cara Crye also was curious about the desire to rent verses buy.

VanDorn reported that the committee is still looking at the balance of rentals verses units for sale.

Cynthia Jackson-Elmoore agreed that there needs to be some rentals but also look at long-term solutions for faculty and staff.

VanDorn explained to the board that the initial funding of 2.5 million request is the only funding of the project so far and will allow the beginning of a design and pre-construction activities, along with cost estimating.

Sean Hurley also inquired about how Bella Montana has sustained through the years. And questioned why that same approach is not being used now.

Board took a break at 10:08 a.m. and resumed at 10:17 a.m.

VIII. STAFF PRESENTATIONS

A. *Corporate Engagement and Innovation*

Jim Dunning gave an overview of Corporate Engagement and Innovation (CEI) along with a brief history of the formation of CEI beginning in March of 2020. This unit's purpose is to support the faculty, staff, and student collaborations related to non-profit sponsored research, technology transfer, and economic development. In FY 2020-21 the total proposals submitted were 141 and they were able to award 100. CEI has several goals including trying to broaden sponsored programs and funding, improve efficiencies, and looking for new opportunities with increased dollars per award.

The Division of Research, Economic Development, and Graduate Education has established a strategic research initiative nexus including the five strategies below:

- Central coast place-based research
- Community health
- Data science & analytics
- Environment of California and beyond
- Technology workforce

These help structure the focus of the program. Dunning shared a few of the sponsors which promotes the commitment to diversity, equity, and inclusion.

The Technology Transfer component of CEI takes part in vetting inventions for patents. Cal Poly Corporation owns the title to these patents and currently there are 42 active issued patents, 20 pending applications, and 7 license agreements. Working with Hardy Diagnostics, Nathaniel Martinez and a team of faculty members developed the saliva COVID-19 test used on campus.

Technology Park was developed and completed in 2010 by the University and the Corporation to support industry interaction. This was a \$5-million-dollar construction project, which the Corporation holds title to the land. Private sector lessees pay rent to service the debt for the construction. Currently Tech Park is 85% occupied. Entering the pandemic, a \$7-million-dollar grant was received to expand Tech Park, which an RFP is out for the development. A loan from the corporation in the amount of \$1.4 million was committed a few years ago. It will include an additional 30 thousand square feet. It is in the bidding proposal stage and will take approximately 18 months to construct which is planned for Spring of 2024.

B. *CEO Report*

Cody VanDorn began with making an obligation to the board to make members feel they are a part of the corporation's practices. VanDorn is creating a guide to outline where the corporation is headed in the future. He along with the executives of the corporation, have created a list of the

top 11 strategic goals to be achieved this fiscal year. A handout was given that outlined 11 items split into organizational goals and department goals. These top 11 goals were created to address the purpose, performance, and people that the corporation serves. The purpose defines why the corporation exists. There was a significant amount of time determining the purpose.

The five goals related to the organization are:

- New Commercial Services structure
- Developing a Shop Poly application to address student demands of moving to a more technical approach to food, shopping, and events.
- Renovation of 1901 Market Place due to open in the winter of 2022.
- Faculty and Staff Housing Project will be more than housing, but rather a program to help with staffing needs.
- Adjusting the name of the corporation to serve as a step toward rebranding.

The six goals related to departments are:

- Vista Grande Construction Recovery
- Create Culture Plan
- Renovate Neighborhoods (PCV, Campus Market, Spanos)
- Program and Design Neighborhoods (UU and Dexter)
- Program and Design Tech Park and Swanton Ranch
- Organizational Scorecard

The members of the board asked how they could be helpful in obtaining these goals. Ideas were discussed related to board members making appearances to support this mission.

VanDorn also handed out a Scorecard for the corporation to track financial, customer based, and people based objectives of the corporation, which will be updated at future meetings to track performance. Cody asked each Executive Director of CPC to give an explanation of the figures presented on the Scorecard.

Dan Banfield discussed goals of CPC finance. Banfield identified two major indicators of performance which are financial performance and overall portfolio investment. The goal for operating revenue compared to the approved budget is 96%. CPC is at 23% of the target estimates from last year related to investment performance.

Andrea Burns gave an update on Campus Dining. The goal is to have a 98% spend rate of meal plans sold by the end of the year. Last year the rate was 94% by the end of the year. Secondly she discussed loyalty and engagement. Twenty-seven hundred meal plans were sold overall, which is the highest in history. Of this amount 18% were continuing students. Our goal was to have 15% of plans be continuing students.

Ellen Curtis discussed the customer loyalty net promoter score, which is measured by an annual survey. The score is up 43 points from -23. The goal is to increase 5 points per year. The brand engagement is being measured through digital efforts including websites and social media. The benchmark is 10% year over year.

Jennifer Wharton reported on employee satisfaction. A survey is being planned in each department of CPC. Currently there are three outside companies being evaluated to conduct the survey. CPC is tracking vacant positions to help determine recruitment needs and has set a goal of less than ten percent.

C. CFO Report

Dan Banfield gave an update on the Corporation's financial status. He summarized items in the board packet including the annual and quarterly financials. These reports include operations through September 30th of the current fiscal year. Operational revenues have seen significant growth compared to last year at this time. Students are back on campus and revenues have doubled from last year. Comparing this quarter to two years ago, operating revenues are still down 25%.

The current challenges are inflation in operating costs and escalation of wages. Our core net operations are \$700,000 less than the budgeted amount. Additionally, the investment portfolio is off to a rocky start at an \$869,000 loss. In an effort to reduce structural expenses, the corporation is looking at creating a new auxiliary organization allowing competitive wages and decreasing benefit burdens. This effort will help align with industry standards and reduce long-term benefit costs.

The Building 19 project, 1901 Market Place, which is currently under construction, received \$15 million this past summer from the issuance of California State University Systemwide Revenue Bonds and is expected to open in academic year 2022-23. Vista Grande had a positive impact this past year. This fall has seen a record number of returning students purchase voluntary meal plans, indicating students enjoyed Vista Grande and signed up again. Management has made meaningful investments in the student experience by providing additional outdoor spaces to enhance the campus neighborhood.

Sponsored project expenditures have increased 16% over last year at this time totaling \$7.1 million FY 2021-22 for Q1. This year, the corporation has undergone several audits which have all resolved successfully. The IRS audited payroll taxes and examined FICA not withheld from student employees. It was determined that a particular designation should be obtained by the corporation, which they will help management obtain.

D. Capital Projects Update

Will Marchese reported on capital projects which began with a thank you to the board for their support. Scout Coffee is in the final stages of completion for the on-campus location. The fire marshal is scheduled to sign off on the building on November 15, 2021. Currently workers are being trained for the grand opening on November 15, 2021. Along the way there have been supply chain issues and owner requested upgrades including Banquette seating, custom finishes and exterior furniture packages. The local brand partnership is very important to campus. Owners, John and Sara Peterson, promote San Luis Obispo County community and are wanting an Artisanal coffee house experience for this location, including artisan pastries and craft coffee brewed fresh daily. Will shared pictures of the new location with the board and invited all to a private tour of the location following the meeting today.

IX. CLOSED SESSION

No items

X. ANNOUNCEMENTS

Next Board of Directors meeting: Friday, February 4, 2022 at 8:30 a.m.

Ellen Curtis added that Tuesday and Wednesday next week there will be a soft opening of Scout Coffee.

Will Marchese shared the LEED Gold Certification plaque awarded to Vista Grande, upon its completion.

XI. ADJOURNMENT
11:23

Respectfully submitted,

Holly Clark, Recording Secretary

Holly Clark