



BOARD OF DIRECTORS ANNUAL MEETING #4
Thursday, June 3, 2021 12:30 p.m.

MINUTES
Fiscal Year 2021-22

- Present:** Phil Barlow, Cara Crye (joined at 1:59 p.m.), Cole Dorris (left at 2:01 p.m. returned at 3:07 p.m.), Sean Hurley, Keith Humphrey (left at 1:48 p.m.), Steven Rein, Andy Thulin, Cynthia Villa, Dean Wendt
- Absent:** Geri LaChance, Patrick Mullen, Alan Faz
- Guest:** President Jeffrey Armstrong and Sharon Armstrong (both arrived at 3:45 p.m.), Marissa Hiji
- Staff:** Dan Banfield, Andrea Burns, Jess Dozier, Will Marchese, Ann Roy, Cody VanDorn, Matt Ryan, Jodi Block, David Bains, Jennifer Wharton, Angie Kraetsch, Natalia Draude, Joe Alves, Brian Gautrey, Lara Infuso, Umut Brown

I. CALL TO ORDER

Chair Cynthia Villa called the meeting to order at 12:37 p.m. She noted that three board members were absent, Alan Faz, Geri LaChance, and Pat Mullen. She also announced the presenters and asked everyone present to introduce themselves.

Villa announced that President Armstrong will be in attendance to present a university update.

II. PUBLIC COMMENT

There was no public comment.

III. MINUTES

A. Board Meeting Minutes – April 30, 2021

(M/S/P) (HUMPHREY/WENDT/UNANIMOUS) That the Board accepts the April 30, 2021 minutes as presented.

IV. CONSENT AGENDA

A. Recommendation from the Budget & Finance Advisory Committee to approve Cal Poly Corporation FY 2021-22 Operating Budgets and Capital Outlay Proposals for Programs with Revenues Under \$1M

(M/S/P) (BARLOW/HUMPHREY/UNANIMOUS) That the Board approve the recommendation from the Budget & Finance Advisory Committee to approve programs with revenues under \$1 M.

Dan Banfield explained and reminded the board of the previously discussed proposition to allow the Budget & Finance Advisory Committee approval for programs with revenues under \$1M for FY 2021-22 relating to operating budgets and capital outlay proposals. Banfield reported that the Budget & Finance Advisory Committee met a week and a half ago where each budget under that threshold was discussed. Banfield said that no material changes have occurred to the budgets reviewed since the Committee meeting. Discussion was offered with all members. No one had a comment.

V. BUSINESS

A. Appointment of Board Members and Election of Officers

(M/S/P) (REIN/HURLEY/UNANIMOUS) That the board approve the appointment of Board Members and Election of Officers

Cindy Villa reported that President Armstrong appointed Steven Rein for a second two-year term. Cyrus Ramezani will be returning from past years for a three-year term. Cynthia Jackson-Elmoore will serve the remainder of the term for Rene Pera. Our community members Cara Crye, Patrick Mullen, and Geri LaChance will continue to serve on the board. Dean Wendt will serve one more time, which is a one-year term. Student, Cole Dorris will serve another one-year term, and Marissa Higi has been selected to serve as a student director for a one-year term. The President has appointed Cynthia Jackson-Elmoore as Vice Chair along with Cynthia Vizcaino Villa as Chair, and Andy Thulin as Secretary Treasurer for the 2021-22 fiscal year.

B. Cal Poly Ventures

(M/S/P) (HUMPHREY/THULIN/UNANIMOUS) That the board approve the recommendation of authorizing the CEO or his designee(s) to negotiate and execute all documents necessary to facilitate the investment activities of the Cal Poly Ventures Fund.

Cody Vandorn reported in the last meeting on April 30, 2021, Cal Poly Ventures would be an upcoming item for this annual meeting. He gave an overview stating the Cal Poly Ventures Fund was established in collaboration with the Center for Innovation and Entrepreneurship (CIE). A donation of \$500,000 was the beginning contribution. The investments will be in CIE or Cal Poly affiliated companies, and some of the funds will go back to grow this endowment. Once an investment is presented to the CEO, decisions are expected to be rendered within two days. Although this fast turnaround is required for the recommendation, there will still be due diligence; and, any prospective companies will be extensively researched.

It was discussed that the Corporation's CEO or his designee(s) would work with the committee on the investment selections. There is an agreement for CPC to be involved in the due diligence portion. VanDorn also indicated that they can provide a conflict of interest policy in the packet for each of the members of the Cal Poly Ventures Investment Committee. The initial goal of the fund is to reach \$5M and a percentage will go back to CIE. It was recommended that there should be a quarterly investment report for the fund.

C. Approval of Cal Poly Corporation FY 2021-22 Operating Budgets and Capital Outlay Proposals for Programs with Revenues over \$1M

(M/S/P) (THULIN/REIN/UNANIMOUS) That the board approve the Cal Poly Corporation FY 2021-22 Operating Budgets and Capital Outlay Proposals

Dan Banfield gave an introduction to set the stage for the next business items, approval of the budgets. He reported that budget assumptions included 4,600 freshmen for Fall 2021. Budgets also anticipate that there will be events on campus. Additionally, interest expense is included for borrowings related to the Building 19 renovation. Payroll assumptions include the termination of all existing furloughs, including for full-time, student, and part-time labor. Banfield also noted that the minimum wage will rise on Jan 1, 2022, and there will be slightly higher fringe benefit rates.

Sales has one of the biggest variances due to the pandemic. An increase is expected as students are welcomed back, but not to full capacity such as prior to the pandemic. There will be increases in expenses, including cost of sales, commensurate with the increase in sales. Overall, the consolidated Corporation budget reflects a positive net income for next year.

1. Commercial Agriculture Operations

Andy Thulin thanked the corporation and commended the opportunities given to students. He gave an overview of CAFES, and gave statistics including Cal Poly having the fifth largest college of agriculture in the United States, and ranking fourth in Hispanic serving colleges. The Learn by Doing philosophy has not only benefitted the students but made a positive impact on finances. Each program is run by managers with industry experience and they are paid through endowments or operations. Students are responsible for running the operations and have been successful, as it can be seen in revenues on product sales. Seventy-five percent of teaching takes place in laboratories, which gives students first hand experiences. They are learning to market a business while making the product. In the near future, CPC will be taking over the Bartleson Ranch and Conservatory which will create additional opportunities in production of lemons and avocados.

There have been several accomplishments this year including hiring a manager at the creamery that has already shown record sales on cheeses. With the approval to sell we are able to grant the Board's requests to buy local. This was the first year of harvest at Trestle Vineyard and we have created a partnership with California Avocado.

Thulin reported that the goals for the upcoming year are increased sales of the creamery gift boxes, partnering with Western University veterinary programs, and planting and harvesting a new orchard. Sales are expected to be approximately \$5M for FY 2021-22. These increases are expected as restrictions loosen from the pandemic. Overall in commercial agriculture anticipates \$460,000 net to reserves for FY 2021-22.

2. Cal Poly Arts

Steve Lorian gave an overview stating the mission of Cal Poly Arts (CPA) and its ability to serve California's Central Coast as the premier presenter of high quality productions. He also gave a history of the program stating that in a typical year there are 30 to 50 events.

Lorian reported that this year will look different for a number of reasons including moving (CPA) staff salaries and benefits previously funded by the State of California to Cal Poly Corporation (CPC). There are five full-time staff positions whose expense will be on the CPC operating budget. CPC will contract with the University, via a service agreement, to provide arts programming services. Operations will continue to be self-supporting driven by ticket sales, which accounts for about half of the annual revenue.

Opportunities exist by contracting with touring artists, education needs of students at Cal Poly, and needs in K-12 schools. CPA also struck a partnership with two other performing arts centers on the West Coast to present a live virtual performance series. There have been fifty events postponed this past year. A significant amount of time was spent refunding tickets and rescheduling events. On the upside, support from donors has stepped up to keep the program afloat. Members and sponsors have allowed CPA to raise more than \$120,000 in contributions this year. Part of the pivot was going virtual and making partnerships to coproduce events that allowed CPA to present higher priced events. CPA also contracted with National Geographic to present a virtual series, which was well received.

During this downturn, Cal Poly Arts Advisory Board and staff took time to update the mission and vision, as well as to develop a new plan for diversity, equity, and inclusion. This year several people will be leaving including the Director, Program and Development Specialist, and the Administrative Coordinator. The new Director will take post in July with a new team in place next year.

The goals for the upcoming FY 2021-22 include carefully operating the CPA budget, reaching out to a new diverse population, as well as creating greater appeal to the student population.

The 2021-22 operating budget proposal includes \$2,329,000 in total revenues, of which 56% is ticket sales. A key factor as we head into FY 2021-22 includes expectations of attendance as we emerge from the COVID-19 pandemic. The budget is closer to 60% expected capacity rather than previously at 70%. Efforts to increase the departmental endowment to \$5M would generate annual earnings of \$200,000 to support operations. Currently the strategy is to push back the upcoming season as far as possible in hopes of larger audiences. Currently booked Broadway shows and increasing the number of events that promote diversity, will add to the attendance. CPA is working to generate more consistent sponsorships, which will push more funds into 2022. With the development of a planned giving program, sponsors can contribute at all levels. In a five-year comparison of revenues, the two most comparable years at \$1.8M and \$1.7M in years 2017-18 and 2018-19 will be outdone in FY 2021-22 as postponed productions are pushed into this upcoming year.

Budgeted expenses for FY 2021-22 are \$2,325,000. In review of the reserves, the operating reserve balance should end up better than \$500,000 at the end of 2021-22. The industry standard indicates an operating reserve of 20% of expenses is considered adequate, which is approximately where CPA is at.

There are no capital outlay requests for the 2021-22 FY.

3. Campus Dining

Jess Dozier gave an overview of Campus Dining operations.

Campus Dining provides exceptional food and experiences for students in support of the university's mission. Dozier discussed the many lessons learned in the midst of a pandemic. Campus Dining had to transition to COVID-19 protocols while working efficiently. The use of technology which included mobile platforms like Grub Hub helped retain customers. During this transition only two employees were diagnosed with COVID-19, which was proof that the procedures were effective. No other CSU was able to open dining like Cal Poly. The net promoter score increased 65% this year.

This year's focus is to get students experienced with Vista Grande as we emerge out of the pandemic. Cynthia Stocker, Operations Manager of catering and concessions, won the university's Outstanding Service Award for Customer Service Excellence. She did an outstanding job serving students during this difficult time. Outdoor spaces were created this year and have a great vibe. Campus Dining has also extended the contract with Chartwells Higher Education Dining Services.

Goals for this upcoming year are to extend delivery options and create ghost kitchens to better reach students and maximize the customer base. The decision to change the meal plans has made a huge impression on customers. In order to keep meal plans, students will need to purchase a volunteer meal plan for \$250. There are also plans to expand the mobile presence while Building 19 is undergoing renovations.

Dozier reviewed the 2021-22 operating budget. Cost of goods sold is expected to decrease with the lessons learned this past year. Payroll for 2021-22 is estimated at \$10.5M, with total operating expenses at \$18.9M, compared to the estimate of \$15M for FY 2020-21. Interest expense will increase related to revenue bonds for the Building 19 renovation. FY 2021-22 projects a positive net to reserves of \$1.3 million. Operating Reserves before the pandemic was \$4.8M and is projected to be \$4.5M at the end of FY 2021-22.

Capital outlay requests for FY 2021-22 include a Scout Coffee build out request of \$900K. Also a mobile kitchen unit build out will help several facilities, and will transition to Athletics at a later date to aid in events. Poly Canyon Village (PCV) is refreshing to promote a growth in sales. Shop Poly development is scheduled which will create long-term online campus shopping. A ghost kitchen build out is planned that will have a delivery service and enable menu changes based on student preferences. Dozier also

discussed the implementation of an Eco-To-Go exchange program to recycle dinner plates in an effort to conserve.

4. University Store

Andrea Burns thanked Jess and his team for the amazing job of opening and running Vista Grande.

Burns gave a business overview of the bookstore where she explained the transition to a contracted model with Follett. Follett operates both the on-campus bookstore and the downtown location. Their annual revenues are \$8.5M and \$1.3M respectively prior to the pandemic. CPC commission for most items is 17% on gross sales. Digital sales have risen from 4% before the pandemic to 29% in FY 2020-21, with the implementation of digital classrooms. Online merchandise sales have also increased from 15% before the pandemic to 50% in FY 2020-21. Follett provides critical resources to Cal Poly at a low cost through a suite of tools relating to compliance, required by law. They provide a student textbook scholarship which contributes \$10,000 annually. They have the ability to ship to any address or ship to the store. They provide cross-functional partnerships with different departments including Athletics.

Burns reported the accomplishments in the midst of the pandemic to include curtailing the sales decline by using social media, increased promotions via email, and creating subcommittees to aid in outreach.

The FY 2021-22 goals for the bookstore include growing sales to above 2019 -20 sales levels. This will be helped by the upcoming store remodel and using the subcommittees to rebrand the store. Additionally the store would like to integrate with financial aid, procure all coursework, and link with Canvas.

Burns reported the budget proposal for FY 2021-22 estimated commission income at \$1.1M, and net income would breakeven. This proposal includes the assumption that Follett sales will still be less than before the pandemic.

5. Sponsored Programs

Jodi Block gave a business overview of Sponsored Programs stating that they manage and oversee the compliance of funds for Sponsored Programs supporting Cal Poly's educational mission by facilitating sponsored research and scholarly activities that enrich the Learn by Doing experience. The majority of projects are Federally funded with the second highest source of funds received being the State.

Accomplishments this year included reporting costs in the NSF Higher Education Research and Development Survey (HERD). This year saw an increase in these costs as a result of better data collection. Block reported coordination with University Academic Personnel and the Sponsored Programs office began to share information to comply with the CSU Additional Employment Policy. The Office of Research and Economic Development (ORED) which included the Sponsored Programs office, became a division and changed its name to Research, Economic Development and Graduate Education (R-EDGE).

Block stated that the goals for FY 2021-22 will be to continue reviewing guidelines to ensure they are consistent with federal regulations and new electronic processes. Selection of a new Electronic Resource Processing (ERP) system will be done. Additionally, the department will work with R-EDGE and University Administration & Finance to explore the possibility of submitting a long form rate proposal for the federally approved indirect cost rate. A consultant will be hired to help with the process. The current agreement became effective in July of 2020 and will expire in three years, which has an option to extend.

Contracts and grant fees, which are IDC income, recorded in the corporate ledger include fees collected from various Sponsored Program accounts. Payroll had an increase because of a benefit cost change and the hiring of an analyst. Operating expenses remain similar to last year. IDC recovered is down at \$3.8M mostly due to COVID-19. Essential research was still done but expenditures were reduced because of travel restrictions. Next year will be much the same. Reserves are healthy and were not used during the pandemic.

There are no capital outlay requests for FY 2021-22.

6. General Administration

Dan Banfield gave a brief overview of the departments within General Administration.

Banfield reported the accomplishments of FY 2020-21 began with the development of a new strategic plan. This plan is an important process of reestablishing the corporation's vision, strategic direction, and goals. This past year the corporation has supported the university in responding to the COVID-19 crisis. In addition, the Corporation completed the Golf Clubhouse Project at Dairy Creek Golf Course which is significant for Athletics, and lead the Cal Poly Extended Education's marketing and communications team. Goals for next year will include rolling out the strategic plan, the culture roadmap, the business services plan, and the real estate development plan, among many other things. The corporation will work to replenish its reserves and work on a long-term expense restructure.

Banfield described the budget and explained the graphs presented. Revenues are from general administration and are mostly cost recovery. They are down 13% this year from pre-pandemic numbers but are expected to recover. Impacting this are increased administration assessments and increased agency fees. Changes in payroll are related to ending furloughs, the change in minimum wage, and the increase in the fringe benefit rate. Operating expenses have declined as IT maintenance fees have changed and travel has been reduced or cancelled. Regarding the net operating loss, revenues do not cover all the expenses by design and it is supplemented through the general investment fund. Activities of the general investment fund are not consolidated with the general administration budget.

The general administration reserves include operating reserves, which are set at a target equal to three months' worth of expenditures. Capital outlay reserves are to cover unforeseen items.

There are no capital outlays requested for FY 2021-22.

The board took a break at 2:54 p.m. and reconvened at 3:02 p.m.

VI. CHAIR REPORT

A. Proposed FY 2021-22 Corporation Board of Directors Meeting Schedule

Cynthia announced these dates.

- October 29, 2021
- February 4, 2022
- April 29, 2022
- June 3, 2022

VII. STAFF PRESENTATIONS

A. CFO Report

CFO Report was reported at the beginning of the meeting during the Consent Agenda to further explain the presentations for the Business portion of the meeting.

B. CEO Report

Cody VanDorn reported on looking forward as opposed to his last presentation that focused on looking back. He recognized the difficulties everyone has faced this past year and gave a brief on what looking forward means.

The first topic was explaining mission moments along with board engagements. In an effort to maximize allowing the board to engage, he suggested program reviews with future meetings in different venues. This will allow the board to engage as students. One example is Tech Park, which is undergoing a \$12M expansion. The goal is to meet in the field and have key people explaining to us how it works.

The second goal is to ask the board to participate in activities by engaging in speaking opportunities to help explain the goals of the corporation. The first pillar of our Strategic Plan that we just completed includes communicating what the corporation does to add value, the community we serve, and the businesses we assist. With the reemergence of activity after COVID-19, we have an opportunity to work on our research and development.

The handout given today and in past emails explains the corporation's plans. We are asking for feedback on our plan. There is a fifteen key metric in our form to track our growth and to evaluate if we are doing the right thing for students, faculty, and staff. Our purpose is not just about revenue growth but providing what people are looking at our university. Our strategy plus purpose will impact the people who were hardest hit this year with furloughs. We need to do a big investment into our teams, perform at a high level, and report to the board what is happening.

VanDorn thanked all the teams, the people in the room, and Cynthia Stocker for delivering excellent service. He gave special thanks to the members of the board who have helped him out this year.

C. Capital Projects

Will Marchese reported on the accomplishments this past year which included getting fire marshal approval at the Book Store today. Scout Coffee is getting closer to becoming a reality.

There were several lessons learned with building Vista Grande including the project delivery method, design team, general contractor, scheduling, and permitting. With regards to the construction at Building 19 we will address several issues by:

- Constructability review via GC and Design Assist Partners
- Contract documents warranted by the GC
- Early collaboration with the contractor and architect
- Early detection of design errors and omissions
- BIM modeling for early clash detection
- Early recognition of GC capabilities and performance

The Building 19 project will be a complex renovation but with what we have learned we will detect problems early, and mitigate expenses.

VIII. AUDIT COMMITTEE REPORT

Matt Ryan reported the recent Audit Committee meeting was on May 10, 2021, which was the entrance conference for the annual financial statement audit. Representatives from Glenn Burdette were in attendance to review the audit plan and procedures for the FY 2020-21 audit. Among other procedures, Glenn Burdette selects a few locations to review and count inventory. The exit conference with the auditors is scheduled for September 15, 2021.

IX. CLOSED SESSION

There was none.

Board took a break at 3:44 p.m. and during this time Ann Roy gave out gifts to the Board Members. The board reconvened at 3:50 p.m.

X. ANNOUNCEMENTS

Cody presented a gift to the President, Jeff Armstrong and his wife Sharon. He recognized Ann Roy who is retiring and thanked her for her many years of service. Cody thanked the board members that will not be returning for the next fiscal year including Alan Faz, and Phil Barlow. Armstrong read a portion of Phil Barlow's commendation, and thanked Ann for her service.

Next meeting will be October 29, 2021

XI. ADJOURNMENT 3:54 p.m.

Respectfully submitted,

Holly Clark, Recording Secretary