



CAL POLY

BOARD OF DIRECTORS MEETING #2
Friday, February 4, 2022 8:30 a.m.
MINUTES

Fiscal Year 2021-22

Present: Cara Crye, Cole Dorris, Marissa Hiji, Cynthia Jackson-Elmoore, Keith Humphrey, Sean Hurley, Geri LaChance, Patrick Mullen, Cyrus Ramezani, Steven Rein, Andy Thulin, Cynthia Villa, Dean Wendt

Absent:

Guest: Molly Clark, Luke Patterson

Staff: Joe Alves, Dan Banfield, Jodi Block, Umut Brown, Andrea Burns, Holly Clark, Jess Dozier, Jim Dunning, Jennifer Wharton

I. CALL TO ORDER AND INTRODUCTIONS

Chair Cynthia Villa called the meeting to order at 8:33a.m. and welcomed everyone in attendance. She asked everyone to introduce themselves. Villa welcomed our guest, Molly Clark.

II. PUBLIC COMMENT

Villa asked if there was anyone present who had a public comment. Luke Patterson, a second year student who resides in Aliso Building at Poly Canyon Village (PCV), was in attendance and wished to address the Board. Mr. Patterson said he is appearing today to represent the numerous individuals in PCV who oppose having Chick-Fil-A restaurant located in PCV. He stated that it is upsetting to the community to have this organization available when the executive of the organization supports funding and giving revenue to businesses that are harmful to the LGBTQ community. He requested that other food options are considered to occupy this space who do not support values against the LGBTQ community.

Villa noted that three public comments were received via email this week. The emails were presented to each board member.

Villa asked if there were any comments from attendees online. There were none.

III. MINUTES

Board Meeting Minutes – October 29, 2021

(M/S/P) (WENDT /MULLEN) that the Board accepts the October 29, 2021 minutes as presented.

None opposed.

IV. CONSENT AGENDA

A. Accept Annual and Quarterly Investment Reports

B. Accept Annual and Quarterly Financial Reports

C. Cal OES Authorized Agent for Swanton Ranch FEMA Claims (M/S/P) (LA CHANCE/THULIN) that the board approve the Consent Agenda items IV. A. – C
None opposed.

V. CHAIR REPORT

A. Campus Budget

Villa presented to the board the overall State budget for FY 2022-23 prepared by the Chancellor's Office, which was approved in November 2021. Total incremental expenditures is estimated at \$715.5 million for the fiscal year. Major elements include a continuation of \$75 million in funding of graduation initiative for students, \$20 million for basic needs, \$75 million for bridging the equity divide through technology, and most significant is employee compensation at \$223.3 million. There are a few other categories that make up this budget. This amount will be funded by a general fund increase request of \$673 million and tuition from enrollment growth of \$42.5 million. Also proposed is a one-time funding request of \$1 billion for deferred maintenance.

The Governor of California submitted his budget in January. One item in the budget is a five year compact with the CSU, which provides a 5% year-over-year funding increase. In return Governor Newsom has asked the CSU to focus on a number of areas including expanding student access, equity, and affordability, along with creating pathways to high-demand career opportunities. The Governor's budget also includes \$211 million for ongoing CSU General Fund operating costs, and \$81 million to support enrollment growth. Additionally, \$12 million for Foster Youth Student Support.

The funding the Governor included will be about \$20 million short of what is needed. The final budget is due by July 1, 2022. Over the next few months there will be hearings, meetings, and advocacy at the State level to hopefully get this amount closer to what is needed. Also in the proposal was \$100 million for deferred maintenance and energy efficiency projects. However the CSU will pursue the \$1 billion requested. Cal State Bakersfield's Energy Innovation Center was granted a proposal of \$83 million. There was also \$50 million for equipment and infrastructure improvements at CSU University farms.

The impact that the proposed CSU budget has on Cal Poly's budget will include the need for the proposed college based fee increase, which was discussed by the President at the last meeting in October. There will also be increases to negotiated compensations, compensation costs for new employees and campus equity, CPOF assessment, insurance premiums, and utility rates. A decision has to be made by Cal Poly to determine if they will participate in the CSUCCESS Program, which provides laptops for incoming students. Additional items creating an impact in the budget are debt service increases, inflation, and the transition from quarters to semesters.

The next steps towards achieving a functional budget include advocating in Sacramento by the Chancellor's Office for increasing funds for the CSU. Enrollment targets need to be solidified in January. In the spring, discussions with the divisions and vice presidents will take place for funding needs. The State of California issues an updated budget plan, which gives a better idea of the amount of funding that can be expected. The State budget will be approved by June 30, 2022, and the CSU will finalize their budget in August 2022.

VI. COMMITTEE REPORTS

A. Investment Advisory Committee

Geri LaChance gave a few comments on the recent Investment Advisory Committee meeting, which met on February 2, 2022. Quarterly results were strong showing a 4.4% increase in the Corporate pool, and 14.5% over the past year. The committee had a good discussion about the targeted weight for REITS and expectations of potential adjustments made by the Federal Government to the interest rate.

Joe Alves discussed the portfolio performance highlights. There was a pull-back in the first quarter and a reversal in the second for the fiscal year. There was underperformance to benchmark in Q2, but outperformance for the trailing twelve months. Of concern is inflation and the potential of what the Fed may do with interest rate adjustments. The committee discussed attractive tactical adjustments to hedge against inflation. REITS acts as the primary hedging tool and show returns of 41.3% in the last year. Lastly, Alves discussed the Student Managed Portfolio Project. This is a student run project originally started with a \$200 thousand investment by the Corporation. It has proven to be a profitable project with the balance steadily increasing. The current balance is approximately \$830 thousand. The decision was made to raise the account balance ceiling to \$1 million as the portfolio increases.

Cyrus Ramezani, the advisor who works with the students on the portfolio, discussed the history. The fund was initially started by the Corporation in 1992. Each time the account grew past the balance limit, a withdrawal was made from the account, which has happened several times. The size of the class has increased with the popularity of the project. In an effort to give each student money to invest, it was requested that the corporation raise the maximum account balance allowed in the fund to \$1 million.

B. Budget and Finance Advisory Committee

Dan Banfield reported that the Budget and Finance Advisory Committee met on February 2, 2022. Banfield invited the Members of the Board to attend any of the committee meetings. At the past meeting the Committee reviewed the Q2 financials and a 5-year trend analysis. The operating losses experienced in FY 2021-22 were offset by the market gain in the investment portfolio. Analyzing the trends showed revenues have doubled from last year at this time, but revenue is down 10% – 20% from pre-pandemic amounts.

Pat Mullen, Chair of the Finance Advisory Committee added that the committee is meeting the goal of closely analyzing the financials and trends the Corporation is experiencing. There was a good discussion about increases in wages and inflation.

Banfield added that Campus Dining has begun a good recovery from the pandemic. A positive indicator is voluntary meal plan sales are at historic highs. CPPC has seen a slower rebound and continues to experience net losses, driven primarily from campus changes in courseware delivery. At the Bookstore, apparel sales have been strong this year.

VII. BUSINESS

A. Campus Dining Capital Outlay Request

Banfield explained that in the past capital outlay requests were brought to the board in January for the following fiscal year. This is done because waiting for the June meeting puts projects behind in scheduling and making progress. This also allows for an update in June of the funds spent.

Andrea Burns gave an overview of Commercial Services, which includes Campus Dining, Cal Poly Arts, Cal Poly Mustang Shop, Conference and Event Planning, and Cal Poly Print and Copy. Burns gave an update on a few of the completed projects this fiscal year. First, Mott lawn was re-envisioned and a new space was created for a dining location, fed by outside vendors. Scout Coffee was another big

project located near the entrance to campus, and is getting great reviews. Subway is almost complete in Poly Canyon Village. Currently it is waiting on fire marshal approval. Also, the opening of the Market at UU was well perceived. It offers sushi, sandwiches, and salads. The market is directly across from the Multicultural Center where CPC is partnering with Beya Makekau, Director of Student Diversity & Belonging, to provide ethnic items.

Projects for FY 2022-23 will focus on solving for capacity pain points and enhancing the student experience. Spanos Stadium's inadequate concessions with no food offerings for west campus students presents a great opportunity. Other plans include alleviating over capacity during lunchtime at Campus Market, and making adjustments for the inadequate dinner throughput at Vista Grande. Planned enhancements to Mustang Station, Vista Grande and 1901 Marketplace are in the beginning stages. An added All You Care to Eat (AYCTE) is also planned.

Jess Dozier explained the details of the plans for each of the spaces and venues that will receive updates this fiscal year. Campus Market Plaza is currently overwhelmed at lunchtime and will add food options with two food trucks. An expansion of the outdoor space in this area is being planned to accommodate more students and is expected to be completed by the Summer of 2022. This option cuts the infrastructure costs that would be incurred with expanding buildings. The campus is back to near full population, which makes dinner extremely busy at Vista Grande. Approximately 7,500 – 8,000 students are fed per day at Vista Grande. Modifications are planned for underperforming locations to provide more mainstream food options by the Summer of 2022.

Recently a survey was performed to enhance the dining experience. Of the 20,000 students on campus, 8,000 are on meal plans. The survey received responses from 6,000 students. The feedback has helped structure more dining options and variety for all. The design of (AYCTE) concept in the Myron's and Marcom space is planned to begin in the Spring and Summer of 2022 for 1901 Marketplace. While in the design phase, options for faculty and staff dining, as well as, multiuse spaces are being considered.

Spanos Stadium has in the past been a labor intensive venue for Campus Dining with no dining infrastructure. Opportunities are being missed without a dining location on this end of campus. The plan is to begin designing a concessions pavilion in the Spring and Summer of 2022.

Mustang Station remodel will be a sport-themed restaurant and pub. The idea is to create a place for students to gather. It is a heavily traveled location by students, parents and all of campus; located just across from the Bookstore, (Mustang Shop). The opening of this will be dependent on the opening of 1901 Marketplace, and construction is expected to begin in the Summer of 2023.

(M/S/P) (HUMPHREY/DORRIS) That the board authorize Campus Dining Capital Outlay Request.
None opposed.

Board took a break at 9:49 a.m. and resumed at 10:00 a.m.

HaptX Presentation

Jim Dunning introduced the founder, Bob Crockett, of HaptX who is a tenant of Technology Park. Crockett is a Professor in Biomedical Engineering at Cal Poly. He gave a presentation of his experience in this location as well as explained the beneficial symbiotic relationship between HaptX and Cal Poly students.

Crockett gave a history of HaptX and his tenancy at Tech Park of over 10 years. One incubation of HaptX is the development of the DK2 Gloves that are the only gloves with true-contact haptics. The gloves allow individuals to touch and feel objects seen virtually. Their patented technology displaces your skin the same way a real object would. Crockett attributes the success of this invention to the work he has done with Cal Poly students. His company could not have made progress in such a manner without the use of Tech Park.

VIII. STAFF PRESENTATIONS

A. Swanton Ranch

Andy Thulin gave an overview of Swanton Pacific Ranch (SPR) and the devastation of the CZU Complex Fire that destroyed much of the ranch one and a half years ago. This ranch was originally donated by Al Smith with an endowment. The idea was it would be kept as a learning opportunity for Cal Poly and other university students as a working resource. It is located 22 miles north of the City of Santa Cruz.

The past 18 months since the fire have been spent re-envisioning what the ranch could become. This included working with Cal Fire, and the local community through town halls, stakeholder surveys, and focus groups. There was a response of 32,000 stakeholder responses in the survey. SPR serves as an interdisciplinary hub for research education, workforce development, and Cal Fire who has a facility on the property.

The recovery overview included debris removal, which took almost a year from planning, contracting, testing, and signoff. Damage assessments are expected to take one year, as well as drawings, retrospective programming, code upgrade, and construction estimates. Designing and permitting is also expected to take over a year. Two-thirds of the team on the Ranch were lost after the fire.

In the Fall of 2020 the estimated loss was approximately \$12 million. Now estimates are closer to \$34 million and rising. Many things are not covered by insurance including trees, building contents, vehicles, heavy equipment, and railroads. An outside consultant is working to pursue FEMA funding in the amount of approximately \$10 million. FEMA considers Cal Poly Corporation as a private non-profit, providing essential services and would cover the cost of uninsured recovery efforts. During this time, the supply chain has seen significant demand and prices have risen.

There have been a limited number of field trips resuming visits to SPR since lodging is an issue. Groups have been working on watershed management, environmental design, and introduction to forest eco systems. Currently we are working on 22 projects, involving 84 students, and 21 different faculty members around Cal Poly. The funding is at \$10 million. Two direct grants have been received from Cal Fire totaling \$8.9 million. One of the grants was for workforce development and the other for forest health treatment. Thulin shared

a student project from Professor Miran Day's Architecture 403 class where teams were asked to recreate a new vision of SPR to best use the space for education.

Other active programs taking place at Swanton by faculty include the College of Agriculture, Environmental Sciences, Engineering, Computer Science, Animal Science, and Information Technology.

- Forest Inventory - Kaarakka
- Healthy Soils Initiative - Wilson
- Post Fire Hydrology - Surfleet
- Rangeland Restoration - Pressler
- Artificial Intelligence and Information Technology - Scaramozzino
- Data Management and Remote Sensing - Kurfess, Horney, Freed, and White
- Architectural Design and Planning - Day and Reich
- Outside Collaborators - UC Berkeley, UC Riverside, USGS

There are several initiatives underway and scheduled for 2022 in the Winter, Spring and Summer Quarters including special projects and internships.

B. Program Review – Cal Poly Arts

Molly Clark gave an overview of Cal Poly Arts (CPA) as the premier presenter of performing arts on the Central Coast of California. Clark explained the distinction between Cal Poly Arts who is the presenter, promoter, and books performances, and the Performing Arts Center, which is the venue. Also the Foundation for the Performing Art Center supports the Center and not necessarily Cal Poly Arts. Clark works with a staff of 4 full-time employees, one part-time and student employees who help on the day of the shows. Revenues rely heavily on ticket sales accounting for about 50% of the income. Private donations and grants account for 25%, and the College of Liberal Arts supports the remaining 25%.

This season has 43 events scheduled which includes 10 MetLive HD Screenings. There are a variety of genres represented in these performances. The season highlights include:

- Snarky Puppy
- Twanguero
- Waitress
- Fran Lebowitz
- Iliza Shlesinger
- Ailey II
- Straight No Chaser

This season has faced many challenges during the Pandemic. There were increased expenses and strain on staff due to extensive COVID event protocols. Ticketing has decreased and there have been fewer donations. Actual revenue is 30% less than projections for the fiscal year.

Next year CPA is looking to introduce new and diverse artists to the campus and community. Shows that will appeal to multi-generational audiences is the goal. Another push will be to secure artist residencies creating co-creation experiences, master classes, talks, and panels. All of this will be in an effort to make an impact on students. CPA is working on an endowment in order to be less reliant on ticket sales. A long-term goal is to contribute to commissions of artists that are important to the University so that relationships can be built.

A recent Townhall was held with faculty and staff to develop partnerships with academic departments and find ways to better integrate into these departments to provide value. Finally, CPA is working to provide access for all who wish to attend performances.

C. **CEO Report**

Cody VanDorn presented his Chief Executive Officer Report. He outlined the Corporation's work into three divisions.

1. Commercial Services

There have been 30 venues open under our Commercial Services division, requiring a tremendous effort, but it is extremely important for students. Conference and Event Planning and the CPA have brought events back to campus during the Pandemic. The bookstores, both on campus and downtown have been rebranded with a new name, Mustang Shops. This effort included students, faculty, and staff. The trademark and licensing have been secured, along with a \$1.5 million renovation of the store on campus.

2. Business Services.

An employee survey is being planned for the first time in CPC history. This survey will help analyze important factors of recruitment and retention of employees. The Cal Poly Ventures Fund works with CPC's Investment Advisory Committee and is a partnership of the CIE and the Corporation. Student Investment Portfolio provides actual learn by doing experience allowing students to eventually talk about their personal experiences after participating in the project.

3. Real Estate Development and Services

Will Marchese used to run this division but has taken a position at California State University San Marcos. The Corporation is actively recruiting someone to fill the Capital Projects Management Roll. Lastly, Bartleson Ranch which encompasses approximately 400 acres in south Arroyo Grande, will be transitioning operations to the Corporation in the near future.

VanDorn also wanted to highlight a few of the top eleven Strategic Goals of the corporation.

- Vista Grande construction recovery will be the topic of the closed session scheduled immediately after today's meeting. The new complex cost \$43 million to construct. The project suffered design errors in structural steel and mechanical work by the architect, DLR, which have resulted in ongoing settlement negotiations to recover the funds in the amount of \$9 million.
- The program and design for the addition and expansion of the Tech Park and the recovery of Swanton were covered by Jim Dunning and Andy Thulin recently.
- The Organizational Scorecard was created by the Executive Staff of the corporation to answer the questions of what is important to the corporation and how are you going to measure progress. It speaks from a high level to the breath and scope of the corporation's function. CPC is on target financially. Also meal plans are above targets. He encouraged the board to review all of the goals on the handout.
- The Faculty & Staff Housing project just circulated a survey which was sent to all faculty and staff. There was a 35% response rate. Seventy-five percent of responders said they need some type of housing assistance. This project is to address one of the top issues in retention and recruitment of new faculty and staff. Short-term, mid-term, and long-term opportunities are being identified to address this issue. As mentioned in the last board meeting, the Slack and Grand site is the primary focus, but there are two additional locations on campus that are also being considered. Through the demand study it was realized there is a need for 500 – 700 housing units.

VanDorn wanted to address the concerns raised by the community about Chick-Fil-A on campus by beginning with the history of the restaurant on campus. It has been operated on the campus for 27 years. It was located in The Avenue which was closed for renovation. The store was reopened in Poly Canyon Village as a pop up site beginning in the winter quarter of this year. The current contract with Chick-Fil-A is effective through 2023. The concerns are real and the determination of the importance of the restaurant is being measured in revenue, which shows it is the most popular venue on campus historically. The previous venue in the current location at PCV was serving about 150 students per day. Chick-Fil-A is currently serving 500 -600 per day. The corporation and the university understands that this is something that hurts and is difficult for a portion of our community on campus. These concerns are something that the board needs to think about with the existing contract and future plans to locate the venue in the renovated 1901 Marketplace.

An open discussion from the board related to this issue included comments that a decision needs to be made not by the corporation alone, but with the university. Determining how corporate partners are evaluated cannot be applied in isolation, there must be a policy that aligns with the values and principles to make a reasonable decision. It should not be made out of emotion that isolates one or two vendors.

D. CFO Report

Dan Banfield gave an update on the Corporation's financial status. Furloughs were discontinued and GSIs were offered to employees that were impacted by furloughs and had not seen any type of increase in compensation since before the Pandemic at the rate of 3%. This resulted in approximately \$50,000 impact to the budget this FY 2021-22. It was funded with employee reserves. Although revenues have returned this year, inflation and wage escalation has resulted in below budget projections. This has been offset by General Investment Fund market gains during this same time period.

Banfield reported that sponsored project expenditures are up approximately 10%. All other university program budgets are coming in very close to what was budgeted. The 1901 Marketplace funding was received. The funding was structured for 50% system wide revenue bonds and those bonds and proceeds were received.

Board took a break at 11:27a.m. and resumed at 11:34 a.m.

IX. CLOSED SESSION 11:28

Anticipated Litigation Concerning Vista Grande Dining Complex

X. ANNOUNCEMENTS

Next Board of Directors meeting: Friday, April 29 2022 at 8:30 a.m.

XI. ADJOURNMENT

Respectfully submitted,

Holly Clark

Holly Clark, Recording Secretary