

# CAL POLY

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## CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

### **Sponsored Programs Administration**

Fiscal Year 2015-16



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## BUSINESS OVERVIEW

Sponsored Programs Administration (SPA) in accordance with the Chancellor's Executive Order (E.O. 809) provides essential functions and services to the Cal Poly community to achieve its research objectives. It provides efficient and effective administrative support for extramurally funded contracts and grants, centers and institutes and fee-for-service activities. SPA maximizes the return of recovered indirect costs in support of university research programs.

Sponsored Programs Administration encompasses all components of research administration from award negotiation through project closeout and record retention. The primary objectives of the Sponsored Programs office are as follows:

- To support faculty scholarship and student “learn-by-doing” opportunities by providing financial and compliance services for contracts and grants, centers and institutes, fee-for-service and other SPA activities.
- To effectively participate in the proposal submission process when warranted.
- To perform a thorough review and in negotiations engage to affect favorable contract and grant terms and conditions prior to acceptance of an award.
- To provide contract management, administrative and financial advice, guidance, and service to project directors to assist them in fulfilling their research, instructional, or other contract or grant objectives.
- To protect Cal Poly Corporation (Corporation) and university interests by closely monitoring project accounts to avoid audit disallowance, over-expenditures, uninsured risks, or other potentially negative consequences.
- To satisfactorily provide sponsors with pertinent financial and technical status information to confirm our compliance with the agreement’s terms and conditions.
- To successfully work with project personnel, sponsors, and other Corporation and university departments to assure completion of the project within the scope of the sponsor's requirements.
- To efficiently conduct procurement activities, fiscal management, project closeout, and serve as audit liaison.
- To accurately provide oversight and contribute to the observance of multi-tiered compliance standards. This activity includes Animal Subjects, Human Subjects, Conflict of Interest, Environmental Health and Safety, Equipment, Effort Reporting, Cost Share, Export Control, and Intellectual Property.
- To facilitate the Facilities and Administration proposal submission, rate negotiation, agreement acceptance, and extension request with the proper Division of Cost Allocation delegate.

## 2014-15 ACCOMPLISHMENTS

- On December 26, 2014, the Office of Management and Budget (OMB) implemented significant changes to the regulations that apply to the management of federal funds. Sponsored Programs Administration underwent a diagnostic review, utilizing the services of an external consultant to aid in identifying and enhancing several compliance areas to incorporate additional internal control expectations set forth in the new regulations. This review includes significant changes to sub-award process management and direct costing guidelines.
- Eliminated paper archives for all Sponsored Programs peripheral operation documents and resources by creating an online data management process that enables digital archiving, access and record management.
- Participated in inter-campus process workgroup reviews with pre-award operations to identify and formulate reasonable options that will allow the two offices to increase operational functionality for campus clients. This review included improved processes for no cost-extensions, re-budgeting requests and award negotiation.
- Participated with subject matter experts in training to continue to educate the SPA staff, keeping them abreast of constantly changing regulations and best practices relevant to SPA activities.
- Completed several external sponsor audits, the A-133 single audit, desk audits, export license, and property reviews with no significant findings.

## 2015-16 GOALS & OBJECTIVES

- Address anticipated key regulatory changes from the OMB that will affect Sponsored Programs procurement operations and continue to improve internal controls in various compliance areas. Process and control enhancements will be in accordance with best practices within research administration, and will include responses to the recently changed uniform federal administrative and cost principle provisions, which apply to recipients of federal funds.
- Continue to implement streamlined electronic processes utilizing the capabilities provided through the financial management database program (ONESolution), including enhancements to user reporting tools.
- Work closely with the university pre-award office to revise key procedures and processes to gain efficiencies and provide improved customer service for research support services.
- Continue to move toward a paperless office with electronic file sharing between pre-award and post-award operations and the technology transfer office.
- Participate in the development of a workgroup to review the long-term effectiveness of the composite fringe benefit rate and assist with building internal processes to achieve an annual review, utilizing in-house expertise.

## 2015-16 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2013-14 Actual	Fiscal Year 2014-15 Budget	Fiscal Year 2014-15 Estimate*	Fiscal Year 2015-16 Budget Proposal	2015-16 Budget v. Estimate Variance	% Variance
Contract & Grant IDC Income	\$2,642	\$2,900	\$2,789	\$2,900	\$111	4%
Contract & Grant Admin Fees	6	4	7	5	(2)	-27%
Center & Institute Admin Fees	95	75	98	102	4	5%
Other Revenues	278	193	146	151	5	4%
<b>Income Before Operations</b>	<b>3,021</b>	<b>3,172</b>	<b>3,039</b>	<b>3,158</b>	<b>119</b>	<b>4%</b>
Salaries & Wages	498	535	510	579	(68)	-13%
Benefits	223	284	289	322	(33)	-11%
<b>Total Payroll Expense</b>	<b>721</b>	<b>820</b>	<b>800</b>	<b>901</b>	<b>(101)</b>	<b>-13%</b>
Audit & Tax	11	11	11	11	(0)	-2%
CPC Administrative Assessment	609	609	609	627	(18)	-3%
Other Operating Expenses	193	190	186	175	10	6%
<b>Total Operating Expenses</b>	<b>812</b>	<b>810</b>	<b>806</b>	<b>814</b>	<b>(8)</b>	<b>-1%</b>
<b>Total Expenses</b>	<b>1,534</b>	<b>1,630</b>	<b>1,605</b>	<b>1,715</b>	<b>(109)</b>	<b>-7%</b>
<b>Net from Operations</b>	<b>1,487</b>	<b>1,543</b>	<b>1,434</b>	<b>1,443</b>	<b>10</b>	<b>1%</b>
Other Revenue (Expense)	(46)	0	(16)	0	16	100%
<b>Total Other Revenue (Expense)</b>	<b>(46)</b>	<b>0</b>	<b>(16)</b>	<b>0</b>	<b>16</b>	<b>100%</b>
Transfers In (Out)	(1,234)	(1,331)	(1,210)	(1,237)	27	2%
<b>Change in Net Position</b>	<b>\$207</b>	<b>\$212</b>	<b>\$208</b>	<b>\$206</b>	<b>\$(1)</b>	<b>-1%</b>

\* Estimate based on 9 months actual and 3 months estimate

\*\* Columns may not foot due to rounding



## OPERATING BUDGET DISCUSSION

Total **Income Before Operations** for FY 2014-15 is below budget projections by approximately \$133,000 due to declining Sponsored Programs activity in the federal and for-profit sectors. The primary cause for the reduction in contract and grant activity is due to the conclusion of several large federal projects. Other Revenues, which primarily consist of fee-for-service operations, are projected to be under budget for FY 2014-15 primarily the result of a single center's sharp reduction in client activity from the prior year. Fiscal year (FY) 2016 contract and grant income is budgeted to reflect growth from prior year's actuals due to a projected increase in awards received and stronger growth in transaction activity. Modest growth is also anticipated for centers and other fees due to an increase of student programs supported and additional centers coming online.

**Total Payroll Expense** for the current year reflects a decrease when compared to budget due to salary and wage savings resulting from a recent retirement of a critical position that is temporarily vacant. The FY 2015-16 salary expense projection includes a 2% merit pool and an additional 1% to be utilized for adjustments resulting from the compensation study analysis. It also reflects salary and benefit adjustments related to internal staff reorganization and replacing a part-time staff appointment with a full-time position.

**Total Operating Expenses** are anticipated to be slightly below budget for FY 2014-15, which is primarily the result of cost savings in liability insurance. FY 2015-16 operating expenses are anticipated to hold relatively flat from the prior year, which is due to the balance of reduced insurance liability expenses and increases in training, recruitment, and projected inflation.

**Transfers Out** represents funds allocated by the Dean of Research for expenditure by various university departments involved in campus research programs.

The **Change in Net Position** will allocate residual funds to the Operating Reserve, Contract and Grant Audit Reserve, C& I OPEB Reserve and a Capital Outlay Reserve.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Contract & Grant Audit Reserve	C&I OPEB Reserve	Capital Outlay Reserve	Total
June 30, 2013 Reserve Balance	\$379,308	\$327,152	\$(600,992)	\$0	\$105,468
FY 2013-14 Net to Reserves	22,192	(15,506)	200,331	0	207,017
June 30, 2014 Reserve Balance	401,500	311,646	(400,661)	0	312,485
FY 2014-15 Net to Reserves (estimated)	2,908	(10,567)	200,331	15,000	207,672
2014-15 Reserve Balance (estimate)	404,408	301,079	(200,330)	15,000	520,157
FY 2015-16 Net to Reserves (budget)	12,132	9,032	200,330	(15,000)	206,494
<b>2015-16 Reserve Balance (budget)</b>	<b>\$416,540</b>	<b>\$310,111</b>	<b>\$0</b>	<b>\$0</b>	<b>\$726,651</b>

The **Operating Reserve** represents working capital held for contingencies and continuing operations. The reserve balance is targeted to equal 25% of the average of the past two years and subsequent year's budgeted payroll and operating expenditures, or roughly 3 months of expenditures.

The **Contract & Grant Audit Reserve** is a contingency reserve established in the unlikely event that the Corporation was not able to recover from sponsor funding expended on a project. The target reserve is equal to 1.5% of the average of the past three years actual contract and grant expenditures, not to exceed \$500,000.

The **Centers & Institute OPEB** reserve was established to fund the postretirement medical benefits obligation (OPEB) for Corporation employees and retirees working for various Centers and Institutes. The target is to fund 100% of Centers and Institutes retiree and vested employee post-retirement medical benefits. This reserve is to be funded over a five-year period, beginning in FY 2011-12 and is expected to be fully funded in FY 2015-16.

**Capital Outlay Reserves** are held to fund, at a minimum, the subsequent year's capital outlay request.

## CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
<b>Minor Capital Equipment Outlay (Up To \$25,000)</b>			
Remodel modular office space	\$15,000	5	\$3,000
<b>Total Minor Capital Outlay</b>	<b>\$15,000</b>		<b>\$3,000</b>
<b>Total Capital Outlay Request</b>	<b>\$15,000</b>		<b>\$3,000</b>

### CAPITAL OUTLAY REQUEST DETAIL

Enhancement of workstation and office layout will both update and enhance the functionality and appearance of worn-out workstations and cubicles. The estimate includes a modest redesign that enables staff to have improved visiting space as they regularly meet with project directors and project staff.

# CAL POLY

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## CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

### **General Administration**

Fiscal Year 2015-16



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## BUSINESS OVERVIEW

Cal Poly Corporation's General Administration (GA) provides a variety of fiscal and administrative services to assist the Corporation in fulfilling its mission to provide self-supporting quality services. This assistance complements the instructional program of the university and supports the institution in achieving its educational mission. General Administration staff are committed to enhancing the quality of education at the university by:

- Providing professional customer service that meets the needs of those we serve.
- Building economic strength through skillful use of GA financial, technological, and human resources.
- Complying with all applicable laws and regulations and ensuring open and transparent fiscal reporting.

In addition to departments of the Corporation, GA provides fiscal and administrative support services to other on-campus organizations, including the university, Cal Poly Foundation, the Alumni Association, Associated Students, Inc., and the Performing Arts Center.

The GA budget includes the following Corporation operations:

**Executive Office** - Activities of the Corporation Executive Office include business and policy development, administration, legal affairs, and public relations. Under leadership of the Executive Director, the Executive Office works directly with the vice president of administration and finance and the Corporation Board of Directors to lead the overall management of the Corporation. The Executive Office also collaborates with other on-campus organizations to assist the university in achieving its long-term goals and objectives.

**Human Resources** –Through collaboration with other Corporation departments, Human Resources recruits, develops, trains, and retains a workforce of more than 200 full-time employees and over 1,000 part-time student employees. Its goal is to foster a healthy, safe, and productive work environment and position the Corporation as an employer of choice.

**Business and Finance Office** –The Corporation Business Office manages fiscal services for internal departments and external organizations. The business and finance office provides business and financial analysis, accounting, and financial reporting services to its customers and maintains an integrated, online financial reporting system. Departments within the business office include Payroll, Accounts Receivable and Travel, Accounts Payable and General Accounting, Campus Programs Income and Gift Management, Cashiering, and Investments and Treasury.

**Marketing and Communications (MARCOM)** –The MARCOM department provides a variety of marketing and communication services to the Corporation's administrative and commercial operations as well as to other on and off-campus organizations. MARCOM is responsible for internal and external communications, including media point of contact and press releases. MARCOM's goal is to use creativity developing integrated marketing solutions that exceed its customer's business objectives. Its services include strategic planning, public relations, social media marketing, digital and offline advertising, direct mail marketing, website development, email marketing, media planning and buying, graphic design, video production and photography.



**Information Technology (IT)** - The IT Department provides a broad spectrum of information technology services for the Corporation's administrative and commercial operations. IT explores, evaluates, promotes, recommends, develops and supports the application of technological solutions to the tasks of information storage and recovery, processing, and delivery. IT also provides PC and other computing equipment support, Help Desk support, computer account administration, network administration, computing asset management, software/hardware installation on workstations and servers, a full range of web development and hosting services, database administration, and application development and support.

General Administration operations are funded primarily through cost-recovery allocations and assessments charged to internal Corporation departments based on resource usage. In addition, General Administration receives fees for fiscal and administrative services provided to external organizations. Finally, General Administration operations are also partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund.

## 2014-15 ACCOMPLISHMENTS

- Completed the implementation of a major upgrade to our financial software system, now called ONESolution. The project was a collaborative effort involving most functional and IT staff.
- Re-evaluated and updated position descriptions and organizational alignment for all core employees
- Engaged a compensation consultant to review all classifications and salaries of Corporation employees and developed a plan to incorporate the results into our operations
- Received no findings for a second consecutive year from the external financial statement audit
- Successfully completed the triennial CSU compliance audit with no significant findings
- Established and funded a business development program to explore business endeavors consistent with the educational mission of the university
- Hired a new Executive Director, Controller and Director of Marketing and Communications
- Implemented a succession plan for several upcoming retirements of long-term employees
- Updated the Corporation's Net Asset Funding Guidelines
- Implemented a new fringe benefit rate process, which streamlines the way the Corporation charges departments for employee benefits

## 2015-16 GOALS & OBJECTIVES

- Implement the incorporation of the allocated service units to General Administration (IT Support, Facilities, and Marketing & Communication)
- Integrate all significant financial reports in the new Cognos reporting tool
- Upgrade all credit card processors to be Europay, Mastercard, Visa (EMV) compliant
- Undertake a full review of all General Administration assessments, fees, and cost allocation methodologies in order to create greater transparency for users and ensure alignment with the related services provided
- Execute a Request for Proposal (RFP) for auditing services
- Make a set of the most commonly used financial system reports available via the Cal Poly Portal on a new Corporation-specific tab
- Institute sick leave for intermittent, student, and casual employees as a result of recently passed state legislation
- Collaborate with the university to implement a new web-based training software, Skillsoft
- Formalize a capital program that incorporates management of on-going capital projects and financial projections

## 2015-16 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2013-14 Actual	Fiscal Year 2014-15 Budget	Fiscal Year 2014-15 Estimate*	Fiscal Year 2015-16 Budget Proposal	2015-16 Budget v. Estimate Variance	% Variance
Assessment Income	\$2,417	\$2,438	\$2,438	\$2,496	\$58	2%
Fee for Service Income	507	590	584	626	42	7%
CPC Allocated Services	-	-	-	919	919	100%
Other Revenues	645	572	559	535	(24)	-4%
<b>Income Before Operations</b>	<b>3,569</b>	<b>3,599</b>	<b>3,580</b>	<b>4,575</b>	<b>995</b>	<b>28%</b>
Salaries & Wages	1,988	2,252	2,335	2,902	(568)	-24%
Benefits	798	1,149	1,176	1,459	(282)	-24%
<b>Total Payroll Expense</b>	<b>2,786</b>	<b>3,401</b>	<b>3,511</b>	<b>4,361</b>	<b>(850)</b>	<b>-24%</b>
Depreciation & Amortization	162	155	145	163	(18)	-12%
Software / Hardware Maintenance	128	144	148	170	(22)	-15%
General Maintenance	23	27	21	24	(3)	-17%
Supplies & Equipment	65	70	69	102	(32)	-46%
Rent / Lease Expense	208	215	202	201	1	0%
Audit & Tax	118	120	118	120	(1)	-1%
Other Operating Expenses	274	344	391	395	(4)	-1%
<b>Total Operating Expenses</b>	<b>980</b>	<b>1,074</b>	<b>1,096</b>	<b>1,174</b>	<b>(79)</b>	<b>-7%</b>
<b>Total Expenses</b>	<b>3,766</b>	<b>4,475</b>	<b>4,607</b>	<b>5,535</b>	<b>(929)</b>	<b>-20%</b>
<b>Net from Operations</b>	<b>(195)</b>	<b>(876)</b>	<b>(1,026)</b>	<b>(960)</b>	<b>66</b>	<b>6%</b>
Other Revenue (Expense)	(22)	-	(5)	-	5	100%
<b>Total Other Revenue (Expense)</b>	<b>(22)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>5</b>	<b>100%</b>
<b>Transfers In (Out)</b>	<b>348</b>	<b>876</b>	<b>1,559</b>	<b>960</b>	<b>(599)</b>	<b>-38%</b>
<b>Change in Net Position</b>	<b>\$130</b>	<b>-</b>	<b>\$527</b>	<b>-</b>	<b>\$(527)</b>	<b>-100%</b>

\* Estimate based on 9 months actual and 3 months estimate

\*\* Columns may not foot due to rounding

## **OPERATING BUDGET DISCUSSION**

### **REVENUES**

Total revenues for the current year are projected to decrease slightly compared to the current year budget. This decrease can be attributed to a reduction in fiscal fees from athletics and a reduction in contract services from Cal Poly Foundation. Athletics sponsorship activity is moving to the university to avoid having similar activities occurring at both entities. Cal Poly Foundation contract services decreased as a result of a mid-year finance system conversion from IFAS to the university's Common Financial System, reducing Other Revenues by \$50,000 between FY 2013-14 and FY 2014-15.

The increase in revenues for FY 2015-16 of \$995,000 is primarily due the incorporation of the allocated service units (IT Support, Facilities, and Marketing & Communication) into the General Administration budget. These units were previously accounted for under Commercial Services. Allocated service units are profit neutral and, therefore, a corresponding increase in expenses will be equal to their revenues. The revenue increase from the allocated service units is offset partially by a \$60,000 decrease in contract services revenue from the Cal Poly Foundation finance system conversion.

### **PAYROLL**

Payroll expenses are projected to finish this year approximately \$110,000 over budget. This variance is result of personnel transitioning for several key roles including the Executive Director and the Controller. Employee overlap, along with additional temporary labor, resulted in an overall increase in payroll expenses.

Payroll increases are expected to increase \$850,000 for FY 2015-16. Payroll related to the newly incorporated allocated service units is projected to be approximately \$889,000. This will be offset by net payroll savings of approximately \$39,000 amongst the remaining General Administration cost centers. Salary expense projections include a 2% merit pool, and an additional 1% to be utilized for adjustments resulting from the compensation study analysis. Included in the FY 2015-16 projections is also a minimum wage adjustment effective January 1, 2016.

### **OPERATING EXPENSES**

Total Operating expenses for the current year are expected to remain relatively consistent with the current year budget. Consulting services, special events, and sponsorships expenditures increased approximately \$80,000, and were offset partially by savings in guest speakers, rent expense, and travel-related expenses.

For FY 2015-16, total operating expenses are expected to increase approximately 7%, or \$79,000. Operating expenses related to the newly incorporated allocated service units is projected to be approximately \$106,000, offset by net savings of \$27,000 from FY 2014-15 GA projected operating expenses.

## NET FROM OPERATIONS

General Administration operations are partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund. Transfers In represent approximately \$1 million in net investment income from the General Investment Fund and \$527,000 from surplus General Administration reserves held in the plant fund. Reserve transfers from the plant fund are primarily meant to fund operating and capital outlay reserve requirements. Transfers In from the General Investment Fund for FY 2015-16 are budgeted to be \$960,000 and are intended to supplement General Administration operations.

## GENERAL INVESTMENT FUND DISCUSSION

The General Investment Fund is held within the General Fund and is comprised of three investment pools. The Corporate Investment Pool and the Student Investment Management Program (SIMP) are long-term pools invested in traditional instruments (stocks and bonds and, in the case of SIMP, exchange traded funds). The Internal Fund holds assets comprised of cash management accounts (money market funds, certificates of deposit and short to mid-term fixed income mutual funds).

Due to the unpredictable nature of the investment market, activities of the General Investment Fund are not consolidated with the General Administration budget. Market losses have totaled \$769,000 for the first ten months of the fiscal year reducing overall net operating income to \$315,000 over the same period. A strong US dollar worked against hedged investments overseas. In addition, domestic fund managers reported underperformance to the market.

Net investment income from the General Investment Fund help to support the General Administration budget, assist with Corporation special projects and build Corporation reserves. For the first 10 months of the fiscal year, the Corporation has transferred \$1 million in current year dividend and interest income from the General Investment Fund to General Administration. The combination of current year market value losses and transfers to General Administration have exceeded current year net investment income, resulting in an overall decrease in net position for the General Investment Fund of \$756,000.

The Corporation’s reserve policies allow the Corporation to be well positioned for years with poor investment returns. Corporation reserves held for such purposes include the following:

**Investment Reserve** –This reserve is intended to establish a contingency reserve to cover potential General Fund investment losses. The reserve balance is currently equal to 30% of the value of General Fund investment equity securities as prescribed by Corporation policy.

**General Administration Reserve** –This reserve represents prior years’ accumulation of net earnings in excess of General Fund reserve funding requirements. It is used at the discretion of the Executive Director and Lead Financial Administrator (currently the Corporation Controller).

Past and projected reserve balances are as follows:

*(\*Current year estimates are based on actual 10 month activity for the current year and estimated results for May and June of 2015. Note, that market value gains (losses) are not estimated.)*

	Investment Reserves	General Administration Reserves
June 30, 2014 Reserve Balance	\$6,428,939	\$6,813,804
FY 2014-15 Activity (estimate)*	5,412	(1,183,549)
June 30, 2015 Reserve Balance (estimate)*	6,434,351	5,630,255

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2013 Reserve Balance	\$1,204,500	\$302,468	\$0	\$1,506,968
FY 2013-14 Net to Reserves	138,109	(8,145)	0	129,964
June 30, 2014 Reserve Balance	1,342,609	294,323	0	1,636,932
FY 2014-15 Net to Reserves (estimate)	269,130	151,135	106,812	527,077
June 30, 2015 Reserve Balance (estimate)	1,611,739	445,458	106,812	2,164,009
FY 2015-16 Net to Reserves (budget)	48,352	(56,152)	7,800	0
<b>June 30, 2016 Reserve Balance (budget)</b>	<b>\$1,660,091</b>	<b>\$389,306</b>	<b>\$114,612</b>	<b>\$2,164,009</b>

General Administration reserves represent an accumulation of prior earnings and are separated into three major categories: Operating Reserves (working capital reserves), Investment in Operating Assets, and Capital Outlay Reserves.

**Operating Reserves** represents working capital held for contingencies and continuing operations. The targeted reserve balance for the reserve is equal to 30% of the subsequent year's payroll and operating expense budget (less depreciation expense). It is anticipated that FY 2015-16 earnings will be sufficient to fully fund the reserve.

**Investment in Operating Assets** for June 30, 2015 (estimate) and June 30, 2016 (budget) represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt. This represents a change in the calculation of this reserve, whereas the previous method included certain working capital balances that are included in operating reserves.

**Capital Outlay Reserves** are held to fund, at a minimum, the subsequent year's capital outlay request.



## CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Central Log Management System	\$42,145	5	\$8,429
VMware Site Recovery Manager	25,112	3	8,371
<b>Total Major Capital Outlay</b>	<b>\$67,257</b>		<b>\$16,800</b>
<b>Minor Capital Equipment Outlay (Up To \$25,000)</b>			
Upgrade SQL Server SW License from standard to enterprise	\$12,055	3	\$4,018
Electric Car	12,900	5	2,580
Fiber Switches	8,600	4	2,150
<b>Total Minor Capital Outlay</b>	<b>\$33,555</b>		<b>\$8,748</b>
<b>Total Capital Outlay</b>	<b>\$100,812</b>		<b>\$25,548</b>
<b>Previously Approved Capital Outlay Requests (1)</b>			
IT Storage and Table Space	\$6,000	5	\$1,200
<b>Total Capital Outlay Request</b>	<b>\$106,812</b>		<b>\$26,748</b>

### CAPITAL OUTLAY REQUEST DETAIL

In FY 15-16, most capital outlay requests are for information technology needs. The Corporation has made it a priority to update aging technology and implement new technologies to streamline business processes and improve customer service throughout the Business Services operation.

The **Central Log Management** System was part of the capital outlay request in FY 2014-15 but was not spent due to other priorities. The CSU Information Security Policy requires that an appropriate monitoring system be installed to monitor the activities and control unauthorized access.

The **VMware Site Recovery Manager** provides automated recovery and non-disruptive testing recovery plans for the Corporation's critical applications.

Upgrading the **SQL Server SW License** from "standard" to "enterprise" is required for encrypting the databases with sensitive data.

The **Electric Car** will provide quick access to across campus activities and meetings for business office staff.

New **Fiber Switches** are required to communicate between the Corporation data center and a disaster recovery location.

*(1) The Capital Outlay Requests within this section were approved by the Board of Directors at their January 2015 meeting. They are repeated here for informational purposes only. No further action is required.*

**IT Storage and Table Space** is needed to for the IT Support allocated service unit. Campus Dining and the University Store have in the past shared the use of one full-time IT employee. That employee was located in the Central Dining Facility (Building 19). The Corporation has increased that support to two full-time employees. Minor storage and office reorganization are needed to accommodate additional staff.

# CAL POLY

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## CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

### **Plant Operations**

Fiscal Year 2015-16



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## BUSINESS OVERVIEW

Plant Operations serve to support the Corporation's vision of providing facilities and services that support the educational mission of the university. Activities of Plant Operations include the acquisition, construction, expansion, maintenance and operation of Corporation-managed facilities. Occupants of these facilities provide rent for their usage. Rental charges are designed to fund on-going Plant Operations and realize net-to-reserves sufficient to cover future maintenance, repair, renovation and replacement of these assets.

Included in this budget are the following Corporation-managed facilities:

**Corporation Administration Building** – In 1989, the Corporation completed the construction of its administration building (Building 15). This building is considered the Corporation business office and hosts all of the major activities of General Administration, including the executive office, finance and accounting, human resources, facilities operations, information technology, corporate board room and staff training facility.

**Corporation Warehouse** – In 1989, the Corporation also completed the construction of its warehouse (Building 82). This building provides additional storage space for Campus Dining and University Store operations. In addition, General Administration and University Distribution Services occupy a portion of the building for their respective warehousing needs.

**Bella Montaña** – This residential housing community was originally designed and constructed under the management of Cal Poly Housing Corporation (CPHC) with funding provided by the Corporation. Its purpose was to provide affordable housing for Cal Poly faculty and staff. In February of 2012, the Corporation accepted all of the assets, liabilities, and activities of CPHC. Since 2012, eight units have been sold. Proceeds from these sales are used to repay the Corporation for original funding provided.

As of April 2015, the Corporation owns five condominiums within Bella Montaña. One condominium is available for corporate transitional housing, two units are rented to Cal Poly faculty and staff, and two units are held on behalf of the Orfalea College of Business (OCOB). These units are rented to visiting lecturers and faculty. Operating expenses for these units are funded by Cal Poly Foundation gift funds and endowment payouts.

**Grand Avenue** – In December of 2013, the Corporation purchased four houses on Grand Avenue at Slack Street. These transactions were considered a strategic opportunity to purchase property right at the entrance to the campus. Funding for these units came from a contingency fund reserve set aside for gap funding for various university initiatives. These properties are considered a long-term investment in real estate.

## 2014-15 ACCOMPLISHMENTS

- Sold one condo unit at Bella Montaña and reduced the number of Corporation-owned units to three (one for transitional housing and two as faculty and staff rentals)
- Completed hardware upgrades to Corporation Administration building doors, including automatic handicap accessible panic-bars
- Renegotiated the lease with SLO Classical Academy (SLOCA) related to the Grand Avenue properties



## 2015-16 GOALS & OBJECTIVES

- Complete exterior paint and repairs of the Corporation Administration building (Building 15)
- Install two electric cart-charging stations in the Corporation Administration Building parking lot (H-4)
- Install hardwood floors in the Corporation-owned Bella Montaña executive rental unit
- Formalize long-term objectives, including a utilization plan, for the remaining Corporation-owned Bella Montaña units

## 2015-16 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2013-14 Actual	Fiscal Year 2014-15 Budget	Fiscal Year 2014-15 Estimate*	Fiscal Year 2015-16 Budget Proposal	2015-16 Budget v. Estimate Variance	% Variance
Sales	\$1,824	-	\$318	-	\$(318)	-100%
Cost of Goods Sold	1,367	-	196	-	196	100%
<b>Gross Margin</b>	<b>457</b>	<b>-</b>	<b>122</b>	<b>-</b>	<b>(122)</b>	<b>-100%</b>
Occupancy Income	433	423	413	405	(8)	-2%
Other Revenues	36	27	37	26	(11)	-29%
<b>Income Before Operations</b>	<b>926</b>	<b>450</b>	<b>572</b>	<b>431</b>	<b>(141)</b>	<b>-25%</b>
Depreciation & Amortization	186	171	185	189	(3)	-2%
General Maintenance	57	47	44	49	(5)	-12%
Utilities	70	65	71	72	(1)	-2%
Supplies & Equipment	2	10	9	6	4	40%
Rent / Lease Expense	5	4	3	3	0	13%
CPC Administrative Assessment	27	27	27	28	(1)	-3%
Other Operating Expenses	218	76	76	63	13	17%
<b>Total Operating Expenses</b>	<b>565</b>	<b>400</b>	<b>417</b>	<b>410</b>	<b>6</b>	<b>2%</b>
<b>Total Expenses</b>	<b>565</b>	<b>400</b>	<b>417</b>	<b>410</b>	<b>6</b>	<b>2%</b>
<b>Net from Operations</b>	<b>360</b>	<b>50</b>	<b>156</b>	<b>21</b>	<b>(134)</b>	<b>-86%</b>
Other Revenue	13	-	44	-	(44)	-100%
Other Expense	(48)	-	(3)	-	(3)	-100%
<b>Total Other Revenue (Expense)</b>	<b>(35)</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>(41)</b>	<b>-100%</b>
Transfers In (Out)	-	-	(484)	-	484	100%
<b>Change in Net Position</b>	<b>\$325</b>	<b>\$50</b>	<b>\$(287)</b>	<b>\$21</b>	<b>\$308</b>	<b>107%</b>

\* Estimate based on 9 months actual and 3 months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

### Revenues

Sales and related Cost of Goods Sold represent the sale of Bella Montaña units. The Corporation sold one unit during FY 2014-15 as compared to six units during FY 2013-14. No unit sales are anticipated for FY 2015-16.

Occupancy Income represents rental charges for use of the Corporation-managed facilities included in this budget. FY 2014-15 is slightly under budget, primarily the result of an unanticipated vacancy in one of the Bella Montaña units for half of the year. FY 2015-16 anticipates full-year occupancy for two units and half-year occupancy for the third, which is currently leased month-to-month. Total Occupancy Income for FY 2015-16 is expected to decrease 2% from FY 2014-15 projections, primarily the result of small reductions in rental rates charged for the Corporation Administration Building and Warehouse. These reductions are the result of unrecovered cost related to the portion of the facilities occupied by the university.

In the current fiscal year, Other Revenues of \$44,000 represents the reversal of prior year interest expense incurred on the Grand Avenue properties. The corresponding interest income was written off in the General Investment Fund. The Grand Avenue properties are projected to be rented for the entire FY 2015-16.

Other Revenues in FY 2015-16 of \$26,000 represent funding received from the OCOB related to the operation and maintenance of two condo units owned by the Corporation on the OCOB's behalf.

### Expenses

Operating expenses are expected to decrease in FY 2015-16 due to a number of factors. Operating expenses (including depreciation, utilities, maintenance, etc.) for Bella Montaña are projected to decrease because of the sale of one unit in the fourth quarter of the current year. In addition, Bella Montaña condos are also expected to have a property tax exemption approved during FY 2015-16. Operating expenses for the Grand Avenue properties are also projected to decrease, primarily the result of utility costs becoming the tenants' responsibility as of January 2015. Further, there will not be an allocation of the facilities management assessment to the Grand Avenue Properties in FY 2015-16.

The Corporation Administration Building and the Warehouse expenses are projected to increase slightly in FY 2015-16 as compared to the current year estimate. The FY 2015-16 budget includes audio and video upgrades to the Corporation Administration Building board room, as well as additional depreciation expense for capital outlays. In addition, the Warehouse budget includes an allocation of the facilities management assessment.

### Transfers

The Corporation transferred \$2.1 million in excess reserves from Bella Montaña to Facilities Reserves in FY 2014-15. Historically, net reserves in Bella Montaña came from Cal Poly Housing Corporation (CPHC). In February of 2012, the Corporation accepted all of the assets, liabilities, and activities of CPHC. The reserves transferred represent a portion of proceeds from sales of Bella Montaña units and residual financing originally provided by the Corporation to CPHC.

In addition, transfers of \$1.9 million came in from the Designated Fund to reverse the loan related to the purchase of the Grand Avenue properties. These properties are considered a long-term investment in real estate rather than a loan to be repaid by the university.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Building Expansion & Construction	Investment in Operating Assets (non-cash)	Total
June 30, 2013 Reserve Balance	\$41,922	\$1,688,449	\$1,613,369	\$4,212,825	\$7,556,565
FY 2013-14 Net to Reserves	(72,952)	1,888,138	58,109	(1,548,232)	325,063
June 30, 2014 Reserve Balance	(31,030)	3,576,587	1,671,478	2,664,593	7,881,628
FY 2014-15 Net to Reserves (estimate)	217,821	(1,999,966)	(89,702)	1,584,906	(286,941)
June 30, 2015 Reserve Balance (estimate)	186,791	1,576,621	1,581,776	4,249,499	7,594,687
FY 2015-16 Net to Reserves (budget)	16,293	129,717	29,823	(154,655)	21,178
<b>June 30, 2016 Reserve Balance (budget)</b>	<b>\$203,084</b>	<b>\$1,706,338</b>	<b>\$1,611,599</b>	<b>\$4,094,844</b>	<b>\$7,615,865</b>

Plant Operations maintains three separate reserves for designated purposes. The Corporation performed a review of the reserve buckets held for Plant Operations and updated them to more closely align with the long-term goals of the Corporation.

The **Operating Reserve** represents working capital held for contingencies and continuing operations of the Bella Montaña housing units, the Grand Avenue Properties, the Corporation Warehouse, and the Corporation Administration Building. These reserves are calculated based on 100% of the subsequent year's budgeted operating expenses, excluding depreciation expense.

The **Capital Replacement & Renewal reserve** is used to fund capital projects such as roof repairs, window replacement, and infrastructure upgrades. The reserve funds are accumulated based on a survey of building components and their useful life. The reserve is fully funded.

The **Building Expansion & Construction reserve** funds are set aside to fund new facilities, such as an expansion or replacement of the Corporation Administration Building and new warehouse space for Campus Dining or University Bookstore.

**Investment in Operating Assets** represents investment in capital assets of the facilities. The balance at the end of each fiscal year is equal to the cost of these assets, less accumulated depreciation and any debt related to those assets.

## CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
<b>Previously Approved Capital Outlay Requests (1)</b>			
Administration Building Parking Lot H-4 - Add Two Cart Charging Stations	\$24,000	5	\$4,800
<b>Total Capital Outlay Request</b>	<b>\$24,000</b>		<b>\$4,800</b>

### CAPITAL OUTLAY REQUEST DETAIL

*(1) The Capital Outlay Requests within this section were approved by the Board of Directors at their January 2015 meeting. They are repeated here for informational purposes only. No further action is required.*

The Corporation maintains an electric golf cart for the use of executive management, IT and other employees located in Administration Building 15. Parking space is currently limited to the front plaza of the building and recharging requires running an extension cord through a side entrance. A cart station will create space for the cart in the parking lot adjacent to the building and provide efficient recharging. Two stations will be added to accommodate future needs.

# CAL POLY

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## CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

### **University Store**

Fiscal Year 2015-16





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## BUSINESS OVERVIEW

The University Store is an independent, and self-supporting operation that has served the campus community since 1933, formerly as El Corral Bookstore and today as the University Store. It has two locations and employs 15 benefited staff and 180 part-time and student employees. It is focused on providing affordable products and services to support the educational mission of the university and its students. The University Store operations comprise four retail businesses:

**The University Store** - Located on campus, the University Store offers textbooks, technology, and academic supplies at affordable prices. It is a certified Apple retailer and has Apple-certified Mac technicians on the premises. The University Store also offers Cal Poly branded apparel and gifts to support Mustang spirit across the Cal Poly community.

**Calpolystore.com** - To serve the Cal Poly community online, calpolystore.com offers Cal Poly branded apparel and gifts, Cal Poly food products, textbooks, supplies, and technology. It ships throughout the U.S. and overseas.

**Cal Poly Downtown** - Located in the center of San Luis Obispo, Cal Poly Downtown has served the San Luis Obispo community since 1993. It offers Cal Poly branded apparel, gifts, Cal Poly wines, and Cal Poly food products.

**Cal Poly Print and Copy** - Located in Cal Poly's Robert E. Kennedy Library, Cal Poly Print & Copy offers a variety of print solutions. It specializes in small and large format printing to produce materials for presentations, events, and the classroom. Cal Poly Print & Copy features online ordering and flexible hours to meet campus printing needs.

To support its retail operations, the University Store maintains a warehouse for shipping, receiving, processing and distribution of all items sold. The warehouse is also responsible for returning unused or defective items back to wholesalers. In FY 2014-15, the warehouse processed \$10 million of merchandise.

## 2014-15 ACCOMPLISHMENTS

**Development and Implementation of Store Managed Rental Program:** The University Store transitioned away from a third party textbook rental program to a self-managed program. It is a dynamically priced (reducing margins for competitive purposes) rental program, which has begun to attract students away from alternate off-campus textbook sources. This new rental program has led to more rentable titles and student savings of over \$100,000.

**Tech Center Participation with Cal Poly Scholars and Summer Institute:** The Tech Center was the selected supplier of over 100 iPads for Cal Poly Scholars and Summer Institute programs.

**Expansion of In-Store Promotions:** The University Store conducted a wide variety of special promotions, which served to enliven the store atmosphere and to improve sales and value for customers. The events included three Sidewalk Sales, two 1901 Sales, and two Customer Appreciation Sales. It also conducted several Tech Center promotions (“Kiss the iPad” for example) in partnership with Apple.

**Reintroduction of Non-Cal Poly Branded Gifts:** In response to customer requests and to increase customer traffic, the General Merchandise and Supply departments reintroduced a non-Cal Poly branded product selection. Merchandise included a wide variety of gift items from musical instruments to novelties.

**Cal Poly Downtown Holiday Window Display:** The creative staff at the downtown store were recognized with the San Luis Obispo Downtown Association “Best in Show” award. This is the second year in a row they have received this award.

**Cal Poly Print & Copy Growth:** Cal Poly Print and Copy maintained customer growth as evidenced by meeting fiscal year sales targets. Current year sales growth matched with proper management of operating expenses resulted in exceeding net to reserve expectations for the year.

**Community Outreach:** The University Store added to its campus outreach program academic partnerships with the Colleges of Engineering, Architecture and Environmental Design, and Liberal Arts. Staff worked with student clubs and enterprises selling their products on consignment. Additionally, University Store staff participated with the Journalism Department in a marketing class project. These outreach efforts strengthened campus relationships.

**Textbook Express Enhancement:** In FY 2013-14, the Textbook Express program was reintroduced. For FY 2014-15, the University Store added courseware rentals, removed the ordering deadline throughout the quarter and revised the overall process in order to achieve more efficiency in staffing, order tracking, and pickup rates.

**Implementation of Fall Commencement Fair:** The University Store built on the FY 2014-15 inaugural Spring Commencement Fair by adding one for the Fall Commencement, in conjunction with the Commencement Committee. This successful event held at the Recreation Center built-on cross-campus partnerships with the Alumni Association, Athletics, the Graduate Schools, and other participating organizations.

**Implementation of Student Training Program:** The University Store restructured the student employee training program by establishing multiple position levels, training materials, and unified pay scale. As a result of cross-training, staff are able to work in multiple areas of the store, which has increased productivity as evidenced by less staff hours than what was budgeted.

## 2015-16 GOALS & OBJECTIVES

**Implement Hosted Inventory Control Point-of-Sale Program:** The University Store has begun upgrading its MBS inventory control software and moving toward a hosted, cloud-based system. The upgrade provides for a PCI compliant system that utilizes the most current software upgrades. The inventory control software migration is planned for fall FY 2015-16.

**Leverage Success of Store Managed Rental Program:** In FY 2014-15, the University Store successfully implemented a self-managed rental program. For FY 2015-16, the University Store will build on its success, promoting book rentals as an affordable courseware option and increase rental sales 20%.

**Re-establish a University Store Advisory Committee:** The University Store is working with university administration to form an advisory committee of faculty, students, and staff to enhance on-campus partnerships and to gain insight and non-binding strategic advice into University Store operations.

**Expand Cal Poly Print and Copy Services:** Cal Poly Print and Copy will work to build on its current year sales growth by expanding its array of services. This will be accomplished by adding a large format laminator, which will allow customers the ability to laminate large prints, such as maps and posters.

**Develop and Implement Nike Concept Store:** The University Store will join a small select group of universities to host a Nike concept store. It will consist of approximately 400 square feet of exclusive Nike gear along with specially created branded apparel and fixtures.

**Enhance Sales Floor Display Area and Manager Offices:** The University Store will add slat wall to the sales floor to increase display area. It will also add three offices to the sales floor to move staff closer to their departments, improving staff efficiency and productivity.

**Expand Campus Outreach Program:** The University Store will build upon community outreach efforts started in FY 2014-15 to cultivate relationships with faculty, staff, and student groups. Outreach efforts will include increased faculty education in regards to textbook affordability and highlighting various College of Agriculture products.

**Employ Alternative Textbook Sourcing Program:** The University Store has begun utilizing specialized software that scours online textbook marketplaces to purchase courseware at reduced costs. The savings will be passed on to students and help attain more competitive pricing.

**Install EMV Capable Pin Pads:** The University Store will implement new pin pads compliant with a federally mandated requirement to accept EMV (Europay, MasterCard, and Visa) chip-embedded credit cards before the October 2015 deadline. These new pin pads will provide additional PCI security for University Store customers.

**Develop Annual and Marketing and Promotional Plan:** The University Store working with the Marketing and Communication Department will develop a comprehensive blueprint of marketing efforts outlining goals, target groups, and events for FY 2015-16. This marketing plan will lead to a more targeted, consistent and effective program to enhance the University Store brands and sales efforts.

**Implement Tech Center Trade-In Program:** The University Store has established a partnership with Encore, a third party electronic device recycler. In FY 2015-16, Tech Center customers will have the ability to trade-in used, broken, or old devices in exchange for a University Store gift card. As part of the partnership agreement, the University Store will receive a commission from Encore on all electronic trade-ins. In addition to reinforcing the University Store's commitment to the environment and creating a new revenue stream, this partnership will increase Tech Center foot traffic and visibility.

## 2015-16 OPERATING BUDGET PROPOSAL

### UNIVERSITY STORE & CAL POLY DOWNTOWN CONSOLIDATED

(in thousands) **	Fiscal Year 2013-14 Actual	% of Sales	Fiscal Year 2014-15 Budget	% of Sales	Fiscal Year 2014-15 Estimate*	% of Sales	Fiscal Year 2015-16 Budget Proposal	% of Sales	2015-16 Budget v. Estimate Variance	% Variance
Sales	\$13,708	100%	\$13,839	100%	\$13,558	100%	\$13,727	100%	\$169	1%
Cost of Goods Sold	8,996	66%	9,304	67%	9,275	68%	9,132	67%	143	2%
<b>Gross Margin</b>	<b>4,712</b>	<b>34%</b>	<b>4,536</b>	<b>33%</b>	<b>4,283</b>	<b>32%</b>	<b>4,595</b>	<b>33%</b>	<b>312</b>	<b>7%</b>
Assessment Income	16	0%	-	0%	18	0%	-	0%	(18)	-100%
Fee for Service Income	5	0%	-	0%	10	0%	-	0%	(10)	-100%
Other Revenues	386	3%	371	3%	387	3%	339	2%	(48)	-12%
<b>Income Before Operations</b>	<b>5,119</b>	<b>37%</b>	<b>4,907</b>	<b>35%</b>	<b>4,698</b>	<b>35%</b>	<b>4,934</b>	<b>36%</b>	<b>236</b>	<b>5%</b>
Salaries & Wages	1,682	12%	1,790	13%	1,727	13%	1,787	13%	(60)	-3%
Benefits	446	3%	570	4%	578	4%	568	4%	10	2%
<b>Total Payroll Expense</b>	<b>2,128</b>	<b>16%</b>	<b>2,361</b>	<b>17%</b>	<b>2,305</b>	<b>17%</b>	<b>2,355</b>	<b>17%</b>	<b>(50)</b>	<b>-2%</b>
Depreciation & Amortization	134	1%	126	1%	130	1%	126	1%	4	3%
Rent / Lease Expense	204	1%	212	2%	205	2%	200	1%	5	2%
CPC Administrative Assessment	644	5%	644	5%	644	5%	660	5%	(16)	-2%
CPC Allocated Services	-	0%	-	0%	-	0%	277	2%	(277)	-100%
Other Operating Expenses	943	7%	1,023	7%	832	6%	1,001	7%	(169)	-20%
<b>Total Operating Expenses</b>	<b>1,925</b>	<b>14%</b>	<b>2,005</b>	<b>14%</b>	<b>1,811</b>	<b>13%</b>	<b>2,264</b>	<b>16%</b>	<b>(453)</b>	<b>-25%</b>
<b>Total Expenses</b>	<b>4,053</b>	<b>30%</b>	<b>4,365</b>	<b>32%</b>	<b>4,116</b>	<b>30%</b>	<b>4,619</b>	<b>34%</b>	<b>(503)</b>	<b>-12%</b>
<b>Net from Operations</b>	<b>1,066</b>	<b>8%</b>	<b>542</b>	<b>4%</b>	<b>583</b>	<b>4%</b>	<b>316</b>	<b>2%</b>	<b>(267)</b>	<b>-46%</b>
Other Revenue (Expense)	(27)	0%	-	0%	6	0%	-	0%	(6)	-100%
University Services	(286)	-2%	(286)	-2%	(286)	-2%	(252)	-2%	(34)	-12%
<b>Total Other Revenue (Expense)</b>	<b>(313)</b>	<b>-2%</b>	<b>(286)</b>	<b>-2%</b>	<b>(280)</b>	<b>-2%</b>	<b>(252)</b>	<b>-2%</b>	<b>28</b>	<b>10%</b>
Transfers In (Out)	471	3%	-	0%	-	0%	-	0%	-	0%
Transfer to Plant Fund Reserves	(1,149)	-8%	-	0%	-	0%	-	0%	-	0%
<b>Change in Net Position</b>	<b>\$76</b>	<b>1%</b>	<b>\$256</b>	<b>2%</b>	<b>\$303</b>	<b>2%</b>	<b>\$64</b>	<b>0%</b>	<b>\$(239)</b>	<b>-79%</b>

\* Estimate based on 9 months actual and 3 months estimate

\*\* Columns may not foot due to rounding

\*\*\* Amounts above include the activities of Cal Poly Print & Copy



## UNIVERSITY STORE

(in thousands) **	Fiscal Year 2013-14 Actual	% of Sales	Fiscal Year 2014-15 Budget	% of Sales	Fiscal Year 2014-15 Estimate*	% of Sales	Fiscal Year 2015-16 Budget Proposal	% of Sales	2015-16 Budget v. Estimate Variance	% Variance
Sales	\$12,269	100%	\$12,410	100%	\$12,199	100%	\$12,260	100%	\$60	0%
Cost of Goods Sold	8,301	68%	8,572	69%	8,593	70%	8,382	68%	212	2%
<b>Gross Margin</b>	<b>3,968</b>	<b>32%</b>	<b>3,838</b>	<b>31%</b>	<b>3,606</b>	<b>30%</b>	<b>3,878</b>	<b>32%</b>	<b>272</b>	<b>8%</b>
Assessment Income	16	0%	-	0%	18	0%	-	0%	(18)	-100%
Fee for Service Income	5	0%	-	0%	10	0%	-	0%	(10)	-100%
Other Revenues	386	3%	371	3%	387	3%	339	3%	(48)	-12%
<b>Income Before Operations</b>	<b>4,375</b>	<b>36%</b>	<b>4,209</b>	<b>34%</b>	<b>4,021</b>	<b>33%</b>	<b>4,217</b>	<b>34%</b>	<b>196</b>	<b>5%</b>
Salaries & Wages	1,592	13%	1,684	14%	1,629	13%	1,666	14%	(37)	-2%
Benefits	437	4%	539	4%	559	5%	533	4%	26	5%
<b>Total Payroll Expense</b>	<b>2,029</b>	<b>17%</b>	<b>2,223</b>	<b>18%</b>	<b>2,188</b>	<b>18%</b>	<b>2,199</b>	<b>18%</b>	<b>(11)</b>	<b>0%</b>
Depreciation & Amortization	130	1%	121	1%	127	1%	122	1%	5	4%
Rent / Lease Expense	61	0%	65	1%	59	0%	49	0%	9	16%
CPC Administrative Assessment	574	5%	573	5%	573	5%	587	5%	(14)	-2%
CPC Allocated Services	-	0%	-	0%	-	0%	277	2%	(277)	-100%
Other Operating Expenses	873	7%	943	8%	773	6%	915	7%	(141)	-18%
<b>Total Operating Expenses</b>	<b>1,638</b>	<b>13%</b>	<b>1,703</b>	<b>14%</b>	<b>1,532</b>	<b>13%</b>	<b>1,951</b>	<b>16%</b>	<b>(418)</b>	<b>-27%</b>
<b>Total Expenses</b>	<b>3,667</b>	<b>30%</b>	<b>3,927</b>	<b>32%</b>	<b>3,720</b>	<b>30%</b>	<b>4,149</b>	<b>34%</b>	<b>(429)</b>	<b>-12%</b>
<b>Net from Operations</b>	<b>708</b>	<b>6%</b>	<b>283</b>	<b>2%</b>	<b>301</b>	<b>2%</b>	<b>68</b>	<b>1%</b>	<b>(233)</b>	<b>-77%</b>
Other Revenue (Expense)	(29)	0%	-	0%	6	0%	-	0%	(6)	-100%
University Services	(254)	-2%	(254)	-2%	(254)	-2%	(226)	-2%	(28)	-11%
<b>Total Other Revenue (Expense)</b>	<b>(283)</b>	<b>-2%</b>	<b>(254)</b>	<b>-2%</b>	<b>(248)</b>	<b>-2%</b>	<b>(226)</b>	<b>-2%</b>	<b>22</b>	<b>9%</b>
Transfers In (Out)	471	4%	-	0%	-	0%	-	0%	-	0%
Transfer to Plant Fund Reserves	(1,149)	-9%	-	0%	-	0%	-	0%	-	0%
<b>Change in Net Position</b>	<b>\$(252)</b>	<b>-2%</b>	<b>\$29</b>	<b>0%</b>	<b>\$53</b>	<b>0%</b>	<b>\$(158)</b>	<b>-1%</b>	<b>\$(211)</b>	<b>-399%</b>

\* Estimate based on 9 months actual and 3 months estimate

\*\* Columns may not foot due to rounding

\*\*\* Amounts above include the activities of Cal Poly Print & Copy

## CAL POLY DOWNTOWN

(in thousands) **	Fiscal Year 2013-14 Actual	% of Sales	Fiscal Year 2014-15 Budget	% of Sales	Fiscal Year 2014-15 Estimate*	% of Sales	Fiscal Year 2015-16 Budget Proposal	% of Sales	2015-16 Budget v. Estimate Variance	% Variance
Sales	\$1,440	100%	\$1,429	100%	\$1,359	100%	\$1,467	100%	\$108	8%
Cost of Goods Sold	695	48%	732	51%	682	50%	750	51%	(68)	-10%
<b>Gross Margin</b>	<b>744</b>	<b>52%</b>	<b>697</b>	<b>49%</b>	<b>677</b>	<b>50%</b>	<b>717</b>	<b>49%</b>	<b>40</b>	<b>6%</b>
<b>Income Before Operations</b>	<b>744</b>	<b>52%</b>	<b>697</b>	<b>49%</b>	<b>677</b>	<b>50%</b>	<b>717</b>	<b>49%</b>	<b>40</b>	<b>6%</b>
Salaries & Wages	90	6%	106	7%	98	7%	121	8%	(23)	-23%
Benefits	9	1%	31	2%	19	1%	35	2%	(16)	-87%
<b>Total Payroll Expense</b>	<b>99</b>	<b>7%</b>	<b>137</b>	<b>10%</b>	<b>117</b>	<b>9%</b>	<b>156</b>	<b>11%</b>	<b>(39)</b>	<b>-34%</b>
Depreciation & Amortization	4	0%	4	0%	3	0%	4	0%	(0)	-15%
Rent / Lease Expense	143	10%	146	10%	146	11%	151	10%	(5)	-3%
CPC Administrative Assessment	70	5%	70	5%	70	5%	73	5%	(2)	-3%
Other Operating Expenses	70	5%	80	6%	59	4%	87	6%	(28)	-47%
<b>Total Operating Expenses</b>	<b>288</b>	<b>20%</b>	<b>301</b>	<b>21%</b>	<b>279</b>	<b>21%</b>	<b>314</b>	<b>21%</b>	<b>(35)</b>	<b>-13%</b>
<b>Total Expenses</b>	<b>386</b>	<b>27%</b>	<b>438</b>	<b>31%</b>	<b>395</b>	<b>29%</b>	<b>470</b>	<b>32%</b>	<b>(74)</b>	<b>-19%</b>
<b>Net from Operations</b>	<b>358</b>	<b>25%</b>	<b>259</b>	<b>18%</b>	<b>282</b>	<b>21%</b>	<b>248</b>	<b>17%</b>	<b>(34)</b>	<b>-12%</b>
Other Revenue (Expense)	2	0%	-	0%	(0)	0%	-	0%	(0)	0%
University Services	(31)	-2%	(31)	-2%	(31)	-2%	(26)	-2%	(6)	-18%
<b>Total Other Revenue (Expense)</b>	<b>(30)</b>	<b>-2%</b>	<b>(31)</b>	<b>-2%</b>	<b>(32)</b>	<b>-2%</b>	<b>(26)</b>	<b>-2%</b>	<b>6</b>	<b>19%</b>
<b>Change in Net Position</b>	<b>\$328</b>	<b>23%</b>	<b>\$228</b>	<b>16%</b>	<b>\$250</b>	<b>18%</b>	<b>\$222</b>	<b>15%</b>	<b>\$(28)</b>	<b>-11%</b>

\* Estimate based on 9 months actual and 3 months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

The University Store, which includes the activities of Cal Poly Print & Copy, estimates to end the fiscal year FY 2014-15 2% below sales budget goals. Cal Poly Print & Copy sales are projected to hit budgeted targets. Courseware sales declined due to a variety of factors including lower demand, increased used textbook use, and dynamic pricing. Additionally, Cal Poly branded apparel sales came in under budget as a result of unanticipated supply issues, including the Los Angeles port strike and significant industry-wide delays from vendors.

Overall, sales for FY 2015-16 are expected to increase over FY 2014-15 year. Courseware is projected to rebound due to a continually improving rental program, increasing used textbook trends, alternate sourcing, and an expanded faculty outreach program.

Cal Poly food product sales are anticipated to increase due to a more equitable pricing structure. Cal Poly branded apparel sales at both the campus and downtown locations are also expected to increase with strengthened marketing support and a smoother distribution channel.

During FY 2014-15, the Tech Center was the supplier of over 100 ipads for Cal Poly Scholars. For FY 2015-16, Tech Center sales are projected to decrease as another partnership with Cal Poly Scholars has not been determined at this time. Minor hardware (accessories) is anticipated to increase from the additional display space, as well as promotional bundle offerings.

Cal Poly Downtown sales for FY 2014-15 are estimated to fall below budget for the same unanticipated supply issues that affected University Store apparel and gifts. For FY 2015-16, sales are expected to increase as a result of having an uninterrupted supply chain.

Payroll expenses for this year are estimated to be lower than budgeted due to position vacancies in regular, student, and certain intermittent employees. A slight reduction in student worker hours is estimated to offset the increase in minimum wage.

Operating Expenses for FY 2015-16 are projected to increase over the FY 2014-15 estimate. This rise includes an increase in small equipment purchases that are below the \$5,000 threshold for capitalization, including the replacement of point-of-sale terminal devices and laptops. The hosted system upgrade will also require additional training costs. There is also an increase in both hardware and software maintenance costs, due to the purchase of new cash registers and EMV pin pad devices.

In addition, operating expenses for FY 2015-16 reflect the change in the accounting for allocated services costs, formerly Commercial Services. Commercial Services is moving to General Administration as allocated services units (IT Support, Facilities, and Marketing & Communication) in FY 2015-16. Services from these departments will be charged to a new operating expense category in FY 2015-16. The effect of this change will reduce expenses in various line items for FY 2015-16, such as Other Revenue and Other Operating Expenses.

The University Store, excluding Cal Poly Downtown projects a negative net change in position of \$158,000 for FY 2015-16. This is the result of certain general and administrative costs (including CPC Allocated Services) that benefit both the University Store and Cal Poly Downtown being borne solely by the University Store. Allocating these expenses would reduce the negative net change in position of the University Store.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2013 Reserve Balance	\$367,833	\$3,463,905	\$3,181,243	\$0	\$7,012,981
FY 2013-14 Net to Reserves	(4,072)	1,149,161	79,975	0	1,225,064
June 30, 2014 Reserve Balance	363,761	4,613,066	3,261,218	0	8,238,045
FY 2014-15 Net to Reserves (estimate)	759,573	2,344,150	(2,863,945)	63,110	302,888
June 30, 2015 Reserve Balance (estimate)	1,123,334	6,957,216	397,273	63,110	8,540,933
FY 2015-16 Net to Reserves (budget)	33,700	95,483	(62,457)	(3,110)	63,616
<b>June 30, 2016 Reserve Balance (budget)</b>	<b>\$1,157,034</b>	<b>\$7,052,699</b>	<b>\$334,816</b>	<b>\$60,000</b>	<b>\$8,604,549</b>

The University Store maintains four separate reserves for designated purposes:

**Operating Reserves** represents working capital held for contingencies and continuing operations. The reserve balance for June 30, 2015 (estimate) and June 30, 2016 (budget) is equal to 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense). This represents a change in the calculation of this reserve, whereas the previous method of calculating this reserve was based on only one month of the subsequent year's budgeted payroll and operating expenses.

**Facilities Reserves** represent the University Store's accumulated earnings after all other reserve requirements have been met. These funds will be used for future renovations. These funds are transferred to the Plant Fund on an annual basis.

**Investment in Operating Assets** for June 30, 2015 (estimate) and June 30, 2016 (budget) represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt. This represents a change in the calculation of this reserve, whereas the previous method included certain working capital balances which are included in operating reserves.

**Capital Outlay Reserves** are held to fund, at a minimum, the subsequent year's capital outlay request.

## CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
<b>Minor Capital Equipment Outlay (Up To \$25,000)</b>			
Fire Door Replacement	\$10,000	5	\$2,000
714 XLT Folder Package	7,500	5	1,500
<b>Total Minor Capital Outlay</b>	<b>\$17,500</b>		<b>\$3,500</b>
<b>Total Capital Outlay</b>	<b>\$17,500</b>		<b>\$3,500</b>
<b>Previously Approved Capital Outlay Requests (1)</b>			
University Store Remodel	\$25,510	5	\$5,102
University Store Office Space	15,100	6	2,517
Cal Poly Downtown Display Window/Office Remodel	5,000	5	1,000
<b>Total Capital Outlay Request</b>	<b>\$63,110</b>		<b>\$12,119</b>

### CAPITAL OUTLAY REQUEST DETAIL

**Fire Door Replacement (Cal Poly University Store):** In accordance with the Office of the State Fire Marshal Fire & Life Safety Division, the University Store's swinging fire doors are in need of replacement to meet the Health & Safety Code.

**Document Folder Baum 714XLT (Cal Poly Print & Copy):** The Baum 714XLT document feeder will replace Cal Poly Print & Copy's current model that is over eight years old and is due for a full maintenance service and replacement parts that will cost \$5,000-\$8,000. The Baum 714XLT enhanced features allow folding coated stock paper, perforating, and scoring, which our current model does not allow. This equipment upgrade will meet the growing demand of our customers and capture revenue that will otherwise go off campus.

*(1) The Capital Outlay Requests within this section were approved by the Board of Directors at their January 2015 meeting. They are repeated here for informational purposes only. No further action is required.*

**University Store Remodel:** The University Store would benefit from the replacement or upgrade of dated fixtures and renewal of the store layout. With this request, the University Store will upgrade low voltage lighting throughout, add slat walls to various existing walls and columns, and relocate the Alumni photo wall closer to the store entrance.

**University Store Office Space:** Insufficient office space on the sales floor of the University Store has resulted in inefficiencies. This capital request will alleviate this problem and create spaces for a General Merchandise Manager Office, a Supply Manager Office and Tech Center Manager Office.

**Cal Poly Downtown Remodel:** As with the University Store on campus, Cal Poly Downtown would benefit from a renewal of fixtures and sales floor space. The remodel includes upgrading of low voltage lighting and rebuilding of the display platform at the front of the store. Carpeting would also be replaced in the Manager's office.

# CAL POLY

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## CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

### **Campus Dining**

Fiscal Year 2015-16





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## BUSINESS OVERVIEW

Campus Dining is an independent, and self-supporting operation providing quality fresh food and friendly service to the university community for 74 years. It is Cal Poly Corporation's (Corporation) largest commercial service, employing over 1400 staff and students every academic year. It comprises 28 different food concept options to meet the diverse food preferences and dining habits of the campus community, handles over 20,000 customer transactions daily and serves over 3.2 million customers annually.

### Mission

Campus Dining's mission is aligned with the Corporation's to "complement the instructional programs of the university and assist the institution in achieving its educational mission." Its role in supporting this mission is carried out in several significant ways. First, it strives to provide fresh, delicious food options and wellness and sustainability education to help students make smart eating choices. Second, it supports student financial needs through athletic scholarships and by providing over \$2 million in income to students working their way through college. Third, it plays a key role in generating important funding for University Services initiatives and various other aspects of direct funding support for the university. In addition, Campus Dining actively partners with campus departments and organizations, such as ASI and New Student and Transition Programs, to support their activities and goals.

### Revenues

Campus Dining operates on two distinct sources of revenue. It operates on dining plan revenue from on-campus freshman housing residents. It also operates on cash revenue generated by the general university population including students (non-freshman), faculty, and staff. The dining plan revenue-stream very clearly increases and decreases with the freshman enrollment numbers and has historically represented approximately 65% of Campus Dining's revenue.

For fiscal year 2015-16, Campus Dining is changing the freshman dining plan from a more traditional meal credit/cafeteria-style program combined with dollar value (Plu\$), to a declining balance or all Plu\$ program. Under this new program, students can eat at any of the campus food operations using their Plu\$, without the limitation of using meal credits at certain venues only. This declining dollar meal program was developed in response to changing student preferences and dining habits.

### Facilities

Campus Dining oversees over 88,000 square feet of retail space on the Cal Poly campus, with an additional 25,000 square feet used in culinary and administrative support space. Core facilities include Vista Grande and Building 19. Vista Grande opened in 1973 and features VG Café, a dining destination for freshman, and Sage, a full service sit down restaurant. Building 19 opened in 1961 and houses some of the busiest restaurants on campus including 19 Metro, The Avenue, Sandwich Factory and Lucy's Juice. Building 19 also includes a warehouse for Campus Dining along with a bake shop, butcher shop, and salad production unit, all which provide product for dining locations across campus. In addition to Vista Grande and Building 19, Campus Dining venues are spread across the campus, including locations at Poly Canyon Village, the University Union, the Kennedy Library, the Dexter Building, and the Campus Market.

## 2014-15 ACCOMPLISHMENTS

**Red Radish:** After design and construction of the Red Radish venue in the University Union, the operation opened to a very positive response from the university community in November 2014. Red Radish continues to receive positive community reviews and is popular on social media, based on student, staff, and parent comments on Facebook, Twitter, and email. For 2014-15, annual sales are projected to end near \$1.6 million, primarily driven by meal plan customers, with sales of over 250,000 salads. The popularity of the Red Radish has revitalized the University Union space that includes Ciao and created a more vibrant dining experience at that location.

**Phased Facility Capital Program:** WEBB Design completed a review and analysis of Vista Grande and recommendations for dining facility programming as part of the Campus Dining facilities capital program. The resulting report and vision book provided necessary tools for the multi-phase facility design and construction process. A request for proposal for programming and design services was awarded to DLR to develop architectural designs for a replacement building for Vista Grande and the Culinary Support Center, which are phase I and II of the multi-phase capital plan.

**Loyal E Horton Dining Awards:** University Catering won first place for their online catering menu in the 2014 Loyal E. Horton Dining Award competition hosted by the National Association of College and University Food Services (NACUFS). University Catering was honored at the NACUFS national conference in Baltimore.

**University Partnerships:** In an effort to showcase and support campus partners, Campus Dining substantially increased the use of Cal Poly products. Dining staff use these products in recipes, serve them to customers, and sell them in campus retail stores. Campus Dining's Registered Dietician and Lucy's Juice partnered with the Food Science and Nutrition (FSN) department students and faculty to formulate, engineer and analyze a new line of protein smoothies designed for athletes. The smoothies are currently being used by the baseball and basketball teams to help with performance and are being sold at Lucy's. This "Learn by Doing" approach provided opportunities for students to get "real life" experience in their field of study.

## 2015-16 GOALS & OBJECTIVES

- Focus on programs and practices that ensure fiscal integrity for Campus Dining and Cal Poly Corporation.
  - Manage budget components to ensure the appropriate relationship to sales
  - Develop a financial reporting process that provides detailed financial statements, including allocation of indirect administrative and other support costs, on a unit by unit basis
  - Develop a sustainable program for staff training and professional development, with a focus on job and safety training, as well as job development and career growth
  - Execute strategic marketing programs to continue to drive cash sales and customer loyalty
- Provide quality products and services that anticipate and respond to the needs of the campus community.
  - Receive input and feedback from Campus Dining Advisory Committees and campus-wide surveys and use data to adapt operations, being responsive to campus needs
  - Collaborate with Student Affairs on programming opportunities in support of the campus population. With the existence of a large residential campus, determine service needs for holiday and break periods.
  - Utilize New Student and Transition programs (WOW, Open House, SOAR) to acquaint new and prospective students with dining resources such as the wellness office along with dining plan, restaurants and markets, and Campus Express Club
  - Continue to assess and adapt to the schedules and habits of the students and to expand Campus Dining's early and late night business model based on trends and needs
- Continue to expand Campus Dining's focus on technology usage in order to improve services and the customer experience on campus and stay in tune with student trends and lifestyles.
- Build increased awareness around Campus Dining's sustainability efforts and practices and its partnerships with the university to reach CSU sustainability goals. Also, in partnership with the Real Food Challenge team, complete the analysis of its product sourcing to establish a baseline percentage of sustainably sourced products.
- Develop a formal Strategic Vision and Plan for Campus Dining that aligns with University and Corporation values and priorities. Incorporate previous data and analysis collected on long-term facility needs, and leverage current activities and accomplishments in areas of institutional interest. Key elements will include identifying the organization's values and goals and outlining the steps necessary to achieve the goals. The process of development includes gathering input from a broad base of constituents, including students, staff, and management. The information will then be evaluated and used as the basis for determining goals and an action plan for communicating Campus Dining's strategic vision and goals, and the steps needed to make progress towards those goals.

## 2015-16 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2013-14 Actual	% of Sales	Fiscal Year 2014-15 Budget	% of Sales	Fiscal Year 2014-15 Estimate*	% of Sales	Fiscal Year 2015-16 Budget Proposal	% of Sales	2015-16 Budget v. Estimate Variance	% Variance
Sales	\$29,443	100%	\$26,890	100%	\$28,726	100%	\$29,780	100%	\$1,054	4%
Cost of Goods Sold	9,234	31%	9,013	34%	9,773	34%	10,556	35%	(783)	-8%
<b>Gross Margin</b>	<b>20,209</b>	<b>69%</b>	<b>17,877</b>	<b>66%</b>	<b>18,953</b>	<b>66%</b>	<b>19,224</b>	<b>65%</b>	<b>271</b>	<b>1%</b>
Other Revenues	601	2%	566	2%	662	2%	517	2%	(144)	-22%
<b>Income Before Operations</b>	<b>20,810</b>	<b>71%</b>	<b>18,443</b>	<b>69%</b>	<b>19,615</b>	<b>68%</b>	<b>19,742</b>	<b>66%</b>	<b>127</b>	<b>1%</b>
Salaries & Wages	6,761	23%	7,614	28%	7,466	26%	7,880	26%	(414)	-6%
Benefits	2,095	7%	2,578	10%	2,394	8%	2,536	9%	(142)	-6%
<b>Total Payroll Expense</b>	<b>8,856</b>	<b>30%</b>	<b>10,192</b>	<b>38%</b>	<b>9,860</b>	<b>34%</b>	<b>10,416</b>	<b>35%</b>	<b>(556)</b>	<b>-6%</b>
Depreciation & Amortization	742	3%	670	2%	610	2%	688	2%	(78)	-13%
Software / Hardware Maintenance	89	0%	137	1%	97	0%	128	0%	(30)	-31%
General Maintenance	404	1%	325	1%	441	2%	407	1%	34	8%
Utilities	757	3%	765	3%	755	3%	784	3%	(29)	-4%
Supplies & Equipment	625	2%	823	3%	681	2%	753	3%	(72)	-11%
Rent / Lease Expense	179	1%	365	1%	368	1%	373	1%	(5)	-1%
CPC Administrative Assessment	805	3%	805	3%	805	3%	820	3%	(15)	-2%
CPC Allocated Services	-	0%	-	0%	-	0%	516	2%	(516)	-100%
Commissions & Royalties	605	2%	550	2%	446	2%	430	1%	16	4%
Other Operating Expenses	1,081	4%	1,326	5%	1,295	5%	1,179	4%	116	9%
<b>Total Operating Expenses</b>	<b>5,287</b>	<b>18%</b>	<b>5,766</b>	<b>21%</b>	<b>5,499</b>	<b>19%</b>	<b>6,078</b>	<b>20%</b>	<b>(579)</b>	<b>-11%</b>
<b>Total Expenses</b>	<b>14,143</b>	<b>48%</b>	<b>15,959</b>	<b>59%</b>	<b>15,359</b>	<b>53%</b>	<b>16,495</b>	<b>55%</b>	<b>(1,135)</b>	<b>-7%</b>
<b>Net from Operations</b>	<b>6,668</b>	<b>23%</b>	<b>2,484</b>	<b>9%</b>	<b>4,255</b>	<b>15%</b>	<b>3,247</b>	<b>11%</b>	<b>(1,008)</b>	<b>-24%</b>
Other Revenue	260	1%	255	1%	255	1%	255	1%	-	0%
Other Expense	14	0%	-	0%	(31)	0%	-	0%	(31)	-100%
University Services	(518)	-2%	(534)	-2%	(562)	-2%	(537)	-2%	(25)	-4%
<b>Total Other Revenue (Expense)</b>	<b>(244)</b>	<b>-1%</b>	<b>(279)</b>	<b>-1%</b>	<b>(338)</b>	<b>-1%</b>	<b>(282)</b>	<b>-1%</b>	<b>56</b>	<b>16%</b>
<b>Transfers In (Out)</b>	<b>1,901</b>	<b>6%</b>	<b>(255)</b>	<b>-1%</b>	<b>(504)</b>	<b>-2%</b>	<b>(455)</b>	<b>-2%</b>	<b>49</b>	<b>10%</b>
<b>Transfer to Plant Fund Reserves</b>	<b>(7,860)</b>	<b>-27%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>
<b>Change in Net Position</b>	<b>\$465</b>	<b>2%</b>	<b>\$1,950</b>	<b>7%</b>	<b>\$3,413</b>	<b>12%</b>	<b>\$2,509</b>	<b>8%</b>	<b>\$(904)</b>	<b>-26%</b>

\* Estimate based on 9 months actual and 3 months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

Campus Dining anticipates an increase in overall **Sales** for FY 2015 as compared to its budget. The increase in income is primarily due to the increase in freshman enrollment over budget, as well as an increase in cash sales through Catering for the year. Catering was budgeted to decline in FY 2014-15 due to opening on-campus catering to off-campus vendors, however, that has not occurred. The FY 2015-16 budget is based on an estimated enrollment of 4,594 freshmen with a 3% increase in dining plan prices. Sales overall are budgeted to increase 4% over the FY 2014-15 projection.

Current year **Cost of Goods Sold (COGS)** is projected to exceed the FY 2014-15 budget by \$760,300. As a percentage of sales, COGS is slightly over budget at 34% due to a tighter wholesale broker market and availability of buys. In FY 2015-16, COGS, as a percentage of sales, is projected to increase 1.4%, primarily due to the change in the meal plan program. With a total declining balance plan, there are no longer "missed meals." Under the traditional meal plan, "missed meals" are the meal credits students lose if they do not use their full weekly meal allowance. Missed meals have no associated food cost. Under a total declining system, there are no meals to miss or lose.

**Payroll Expense** for FY 2014-15 is estimated to be lower than budget as a percentage of sales. This is a result of the increase in income, but no notable increase in associated labor expenses, coupled with unanticipated vacancies. Labor expenses for FY 2015-16 are budgeted higher than FY 2014-15 due to the mandated minimum wage increase effective January 1, 2016. In addition, salary projections include a 2% merit pool, and an additional 1% to be utilized for adjustments resulting from the compensation study analysis. In FY 2015-16, a new assistant supervisor position was added to both Starbuck's and Red Radish to meet franchise requirements for Starbuck's and to support the demand and extended hours at Red Radish. An account clerk position was also added to support the accounts payable/inventory area due to the need for a more consistent and stable staffing structure.

**Operating Expenses** for FY 2014-15 are estimated to be lower than budget as a result of savings in supply categories created by the postponement or delay in purchases. These savings will be partially offset by an increase in maintenance contract labor because of unanticipated repairs in Building 19. Operating expenses are anticipated to increase in FY 2015-16 due to an increase in depreciation expense combined with the change in the accounting for allocated services costs, formerly Commercial Services. Commercial Services is moving to General Administration as allocated services units (IT Support, Facilities, and Marketing & Communication) in FY 2015-16. Services from these departments will be charged to a new operating expense category in FY 2015-16. The effect of this change will reduce expenses in various line items for FY 2015-16, such as Other Revenue and Other Operating Expenses.

**Net from Operations** for FY 2014-15 reflects a positive variance from the FY 2014-15 budget in the amount of \$1.7 million, primarily from the noted increase in sales with no corresponding increase in Payroll or Operating expenses. The reduction in Net from Operations in the FY 2015-16 budget is primarily a result of the noted increase in Payroll Expense and Total Operating expenses.

In FY 2014-15, a funding request of \$75,000 for the President's House and \$250,000 in Capital Campaign funding was approved by the Board. However, it was completed too late to be included in the FY 2014-15 budget. The FY 2015-16 budget includes \$75,000 for the President's House and \$125,000 for Capital Campaign funding under the **Transfers In (Out)** line item.

**Change in Net Position** represents the increase or decrease in net position related to Campus Dining operations.



## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Outlay Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Total
June 30, 2013 Reserve Balance	\$1,298,583	\$874,911	\$14,863,587	\$2,366,181	\$19,403,262
FY 2013-14 Net to Reserves	31,250	246,796	7,859,533	186,559	8,324,138
June 30, 2014 Reserve Balance	1,329,833	1,121,707	22,723,120	2,552,740	27,727,400
FY 2014-15 Net to Reserves (estimate)	2,621,777	(295,938)	(541,438)	1,628,495	3,412,896
June 30, 2015 Reserve Balance (estimate)	3,951,610	825,769	22,181,683	4,181,235	31,140,297
FY 2015-16 Net to Reserves (budget)	118,548	(25,769)	1,716,404	700,202	2,509,385
<b>June 30, 2016 Reserve Balance (budget)</b>	<b>\$4,070,158</b>	<b>\$800,000</b>	<b>\$23,898,086</b>	<b>\$4,881,437</b>	<b>\$33,649,681</b>

Campus Dining currently maintains four reserves for designated purposes:

**Operating Reserves** represent working capital held for operating contingencies and continuing operations. The reserve balance for June 30, 2015 (estimate) and June 30, 2016 (budget) is equal to three months of the subsequent year's budgeted payroll and operating expenses (less depreciation expense). This represents a change from the previous method of calculating this reserve, which was based on only one month of operating expenses.

**Capital Outlay Reserves** are held, at a minimum, to fund the subsequent year's capital outlay request.

**Facilities Reserves** represent Campus Dining's accumulated earnings after all other reserves are funded. These funds will be used towards the renovation of the Vista Grande (Building 112) and the construction of Culinary Support Center.

**Investment in Operating Assets** for June 30, 2015 (estimate) and June 30, 2016 (budget) represents Campus Dining's investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt. This represents a change in the calculation of this reserve, whereas the previous method included certain working capital balances that are included in operating reserves.

## CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Renewal & Replacement - Capital	\$50,000	5	\$10,000
<b>Total Major Capital Outlay</b>	<b>\$50,000</b>		<b>\$10,000</b>
<b>Minor Capital Equipment Outlay (Up To \$25,000)</b>			
Ford Mini	\$23,000	5	\$4,600
Buffet Station Upgrade (19 Metro)	20,000	3	6,667
Automatic Slicers- 2 (Salad Room)	16,000	5	3,200
Double Fryer (Central Kitchen)	15,000	6	2,500
Oven (Einstein's)	14,000	5	2,800
Cryovac Machine (2) (Salad/Butcher)	10,000	5	2,000
Pasta Cooker (Central Kitchen)	10,000	5	2,000
Alto Sham (Central Kitcher)	9,000	5	1,800
Canon Copier (CD Admin)	9,800	5	1,960
Eatec SQL Service License	7,000	3	2,333
Flat Top Grill (Central Kitchen)	6,000	5	1,200
20 Quart Mixer (Bake Shop)	5,500	5	1,100
Convection Oven (Central Kitchen)	5,000	5	1,000
Robot Coupe (Salad Room)	5,000	5	1,000
<b>Total Minor Capital Outlay</b>	<b>\$155,300</b>		<b>\$34,160</b>
<b>Total Capital Outlay</b>	<b>\$205,300</b>		<b>\$44,160</b>
<b>Previously Approved Capital Outlay Requests (1)</b>			
The Avenue	\$368,000	10	\$36,800
Campus Market Grill	162,150	8	20,269
Julian's Remodel	90,319	10	9,032
<b>Total Capital Outlay Request</b>	<b>\$825,769</b>		<b>\$110,261</b>

## **CAPITAL OUTLAY REQUEST DETAIL**

**Ford Mini:** The campus dining fleet consists of over 15 vehicles. The vehicles are well past their prime and replacement vehicles have not been purchased in over 10 years. The plan is for replenishment of the fleet to be spread over a 5 year period. This request is for the procurement of 1 new Ford Transit van.

**Renewal and Replacement – Capital:** This represents various capital replacement needs that are anticipated to arise during the course of the fiscal year, but which cannot be specifically identified at the time the budgets are prepared.

*(1) The Capital Outlay Requests within this section were approved by the Board of Directors at their January 2015 meeting. They are repeated here for informational purposes only. No further action is required.*

**Avenue Renovation (Facilities Capital Outlay):** The addition of a food platform to the northwest portion of the facility, in what is currently seating area with the addition of two point-of-sale stations to expedite customer queuing and efficiencies.

**Campus Market Grill (Facilities Capital Outlay):** Expansion of the hood system to allow for added cooking equipment and a more efficient line.

**Julian’s Remodel (Facilities Capital Outlay):** Remodel of the current kiosk to improve efficiencies and through-put, including more efficient equipment.

*\* The following FY 2014-15 capital expenditures are mentioned here for informational purposes only. No further action is required.*

**Bake Shop (Bldg. 19), Ceiling Repairs:** As a result of water damage and the old age of the building, the bake shop ceiling area required repair. As part of the FY 2014-15 Capital Outlay Request, the Board approved the expenditure of \$45,000 for these repairs. At the time of approval, exact costs were unknown. As the project commenced, it was determined additional work was necessary, which included lead asbestos abatement and other emergency work. Current estimates project a total cost for this project to be \$109,000.

**Waste line Replacement:** Once the emergency work on the Bake Shop Ceiling was completed, it was determined that the waste line piping above the Bake Shop and Salad Room needed to be replaced. Work is under way to replace the piping and is currently estimated to cost \$69,000.