CAL POLY

CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

General Administration

Fiscal Year 2014-15

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BUSINESS OVERVIEW

Cal Poly Corporation (CPC) General Administration provides a variety of business and administrative services for Corporation departments including Agricultural Enterprises, Conference and Event Planning, Cal Poly Arts, and Swanton Pacific Ranch, and other on campus organizations such as the Alumni Association, Associated Students, Inc., the Performing Arts Center, and the California Polytechnic State University Foundation. The CPC General Administration is committed to enhancing the quality of education at Cal Poly by:

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

This budget includes the following Corporation business operations:

- Administration and Legal Affairs
- Human Resources
- Information Technology
- Finance and Accounting
  - Payroll
  - Accounts Receivable / Travel
  - Accounts Payable
  - General Accounting
  - Campus Programs Income and Gift Management
  - Cashiering
  - Investments and Treasury
  - Financial Reporting

2013-14 ACCOMPLISHMENTS

1. Developed a Wellness Program for Corporation staff under the direction of Human Resources.

2. Established and funded a VEBA trust to secure assets set aside for retiree medical benefits (OPEB).

3. Began implementation of a major upgrade to the financial software system, IFAS, which will involve most functional and IT staff.

4. Developed web-based budget reporting system to streamline the budget reporting process.

5. Revised and linked travel forms and information with the university's forms to ensure consistency across campus.

6. Completed fringe benefit rate proposal, which will streamline the way the Corporation charges departments for employee benefits and is expected to go into effect July 1, 2014.

2014-15 GOALS & OBJECTIVES

1. Complete implementation of a major upgrade to the financial software system, IFAS, to One Solution, which will involve most functional and IT staff.

2. Develop a comprehensive Payment Card Industry (PCI) compliance program.

3. Re-evaluate and update position descriptions and goals and objectives for all employees. Engage a Compensation Consultant to review all classifications and salaries of Corporation employees and develop a plan to adjust where necessary and maintain in the future.

4. Implement new budgeting system to streamline and enhance the budget preparation process.

5. Automate various processes throughout General Administration and implement workflow in Accounts Payable processes.

6. Develop and deploy a Campus Programs webform to collect the necessary data from the requestor and develop and deploy a workflow model to route requests for necessary approval.

2014-15 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2012-13 Actual	Fiscal Year 2013-14 Budget	Fiscal Year 2013-14 Estimate*	Fiscal Year 2014-15 Budget Proposal	2014-15 Budget v. Estimate Variance	% Variance
Assessment Income	$2,415	$2,438	$2,438	$2,438	-	0%
Fee for Service Income	577	556	518	590	71	14%
Other Revenues	684	574	622	572	(50)	-8%
Income Before Operations	**3,676**	**3,568**	**3,578**	**3,599**	**21**	**1%**
Salaries & Wages	1,977	2,059	1,987	2,252	(265)	-13%
Benefits	876	976	803	1,149	(346)	-43%
Total Payroll Expense	**2,853**	**3,035**	**2,790**	**3,401**	**(611)**	**-22%**
Depreciation & Amortization	190	172	161	155	6	4%
Software / Hardware Maintenance	116	129	127	144	(17)	-13%
General Maintenance	29	27	26	27	(1)	-4%
Supplies & Equipment	75	58	63	70	(7)	-11%
Rent / Lease Expense	207	211	206	215	(8)	-4%
Audit & Tax	122	123	116	120	(4)	-3%
Other Operating Expenses	252	260	268	344	(76)	-28%
Total Operating Expenses	**991**	**980**	**968**	**1,074**	**(106)**	**-11%**
Total Expenses	**3,844**	**4,015**	**3,758**	**4,475**	**(718)**	**-19%**
Net from Operations	**(168)**	**(447)**	**(180)**	**(876)**	**(696)**	**-387%**
Other Revenue (Expense)	(8)	-	(27)	-	27	100%
Total Other Revenue (Expense)	**(8)**	**-**	**(27)**	**-**	**27**	**100%**
Transfers In (Out)	**(103)**	**447**	**422**	**876**	**455**	**108%**
Change in Net Position	**$(280)**	**-**	**$214**	**-**	**$(214)**	**-100%**

* Estimate based on 9 months actual and 3 months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

REVENUES

Total revenues are expected to remain relatively flat to the current year estimate. The increase in Fee for Service Income is driven by estimated income from CSTI (California Specialized Training Institute). The Corporation provides training/instructional services and administrative support services to CSTI and revenue is based on total related activity, which was down in FY 2013-14 due to government sequestration. CSTI expects services to be back to regular activity for FY 2014-15.

Other revenues are expected to decrease approximately $50,000 as the Foundation prepares to transition from the Corporation's IFAS financial software to PeopleSoft. The Corporation anticipates it will still provide Human Resourses and Payroll support to the Foundation for employees working on projects funded by gifts for the 2014-15 fiscal year.

PAYROLL

Overall, payroll expense is expected to increase approximately 22% from the current year. This includes additional positions in Human Resources, a new Associate Executive Director for Finance and Business Operations, increased student salaries due to the minimum wage increase and a 3% increase for benefitted employees. Benefits expense increased at a higher rate than salaries and wages due to the new fringe benefit rate that is expected to be implemented as of July 1, 2014. This will not result in an increase in benefit expense for the Corporation as a whole; however, the new rates are based on a percentage of salary so it will result in a slight redistribution of benefits expense across the Corporation operating units.

OPERATING EXPENSES

Budgeted operating expenses are expected to increase approximately 11% from the 2013-14 fiscal year estimate. Travel and registration fees are expected to increase approximately $20,000 as more staff plan to attend professional conferences and continuing education courses. Software maintenance expense is also expected to increase due to the fact that the Corporation will be supporting both Business Objects Enterprise (BOE) and Cognos reporting tools, as we transfer existing reports from BOE to Cognos. In addition, the Commercial Services assessment charged by Corporation Web Services and marketing increased as we are now allocating all departmental costs for these departments, rather than just salaries expense, as has been done in the past.

NET FROM OPERATIONS

Overall Net from Operations is budgeted to be approximately $700,000 below the current year estimate; however, we anticipate sufficient interest and dividend income from the Investment Fund to balance the budget. General Administration operations typically result in a net operating loss, and the budget is funded in part by interest and dividend income from the Investment Fund. The 2014-15 budgeted transfer from the Investment Fund is shown as a **Transfers In** of $876,000.

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STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2012 Reserve Balance	$1,374,303	$412,188	$1,786,491
FY 2012-13 Net to Reserves	(169,803)	(109,720)	(279,523)
June 30, 2013 Reserve Balance	1,204,500	302,468	1,506,968
FY 2013-14 Net to Reserves (estimate)	138,109	75,880	213,989
June 30, 2014 Reserve Balance (estimate)	1,342,609	378,348	1,720,957
FY 2014-15 Net to Reserves (budget)	65,248	(65,248)	0
June 30, 2015 Reserve Balance (budget)	**$1,407,857**	**$313,100**	**$1,720,957**

General Administration reserves represent an accumulation of prior earnings and are separated into two major categories: Operating Reserves (Cash Reserves) and Investment in Operating Assets.

Operating Reserve
These reserves are held for contingencies and continuing operations. The targeted reserve balance for this reserve is equal to 30% of the subsequent year's payroll and operating expense budget. It is anticipated that FY 2014-15 earnings will be sufficient to fully fund the reserve.

Investment in Operating Assets
These reserves represent our investment in information technology software needed to operate financial reporting and information systems. The balance at the end of each fiscal year is equal to the net book value of software applications. This reserve is expected to decrease in FY 2014-15 due to depreciation of these assets.

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Hardware - Upgrade storage equipment required for housing data critical to CPC operations	$136,659	6	$22,776
Cognos Business Intelligence reporting system	79,770	5	15,954
Central Log Management System	42,145	5	8,429
Accunetix web vulnerability scanner	26,875	5	5,375
Major Capital Equipment Outlay Subtotal	**$285,449**		**$52,534**
Minor Capital Equipment Outlay (Up To $25,000)			
Budgeting Software	$15,000	3	$5,000
VMware Software License upgrade	7,910	3	2,637
SQL Server Software License upgrade	4,726	3	1,575
Upstairs copier	15,312	6	2,552
Downstairs copier	9,798	5	1,960
Minor Capital Outlay Subtotal	**$52,746**		**$13,724**
Total Request for Capital Outlay	**$338,195**		**$66,258**

CAPITAL OUTLAY REQUEST DETAIL

In FY 2014-15, all 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 thoughout the Business Services operations.

The Corporation plans to upgrade its financial reporting tool from the curernt BOE (Business Objects Enterprise) to the **Cognos Business Intelligence reporting system**. Moving to Cognos will bring integrated security with the new OneSolution system, and will improve reporting, collaboration, dashboard, analysis, and business activity monitoring capabilities.

The **Central Log Management** was included in the 2013-14 budget for $16,000, however, the price is now anticipated to be closer to $40,000. The CSU Information Security policy requires that an appropriate monitoring system be installed to monitor the activities and control unauthorized access.

The purchase of a **web vulnerability scanner** will help detect and remedy vulnerabilities that may exist with the Corporation's web applications.

The Corporation plans to implement a new **budgeting software** from Blackfish Technologies to streamline the budget preparation and reporting process.

The Corporation plans to purchase **two copier machines** to replace aging machines that are constantly requiring service and slowing processes. These machines will reduce the per-sheet copy cost and provide additional functions and features, inlcuding more efficient electronic document processing.

Upgrading the **SQL Server and VMware software licenses** will provide features that will improve efficiencies, reduce the need for system downtime, and provide additional security for databases with sensitive data, such as OneSolution.

CAL POLY
CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Plant Operations

Fiscal Year 2014-15

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BUSINESS OVERVIEW

The Plant Operations include the Corporation Administration Building, Corporation Warehouse, Bella Montaña faculty and staff housing and four houses located along Grand Avenue at Slack Street. The following budget accounts for costs associated with the acquisition, construction, expansion, maintenance and operation of the facilities.

The occupants of the Corporation administration building and warehouse are charged an occupancy fee that covers facility operating costs, such as utilities, maintenance, custodial services and insurance and a portion is retained to build reserve funds for capital replacement and future plant expansion.

Bella Montaña is a residential housing community designed exclusively for Cal Poly faculty and staff. As of April 2014, the Corporation currently owns six condominiums within Bella Montaña. One condominium is available for corporate transitional housing, three units are currently rented to Cal Poly faculty and staff and two units are held on behalf of the Orfalea College of Business. These faculty/staff housing units were transferred to the Corporation upon dissolution of the Cal Poly Housing Corporation in February 2012.

The Corporation purchased four houses on Grand Avenue just off campus in December 2013. Funding for these units comes from a contingency fund reserve set aside for gap funding for various university initiatives.

The goal of the Plant Operations budget is to realize net to reserves sufficient to continue with the maintenance, repair and renovation of the facilities. The reserve balances shown in the Statement of Reserves Overview are forecasted to be on target for the upcoming year.

Other facilities in the Plant Fund include the Technology Park and greenhouse space subleased to the Applied Biotechnology Institute (ABI). These facilities are budgeted separately and are not part of this budget presentation.

2013-14 ACCOMPLISHMENTS

- Sold six condo units at Bella Montaña and reduced the number of Corporation rental units to three

2014-15 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2012-13 Actual	Fiscal Year 2013-14 Budget	Fiscal Year 2013-14 Estimate*	Fiscal Year 2014-15 Budget Proposal	2014-15 Budget v. Estimate Variance	% Variance
Sales	$276	$550	$1,824	-	$(1,824)	-100%
Cost of Goods Sold	215	427	1,367	-	1,367	100%
Gross Margin	**61**	**123**	**457**	**-**	**(457)**	**-100%**
Occupancy Income	493	464	434	423	(11)	-3%
Other Revenues	28	17	50	27	(23)	-45%
Income Before Operations	**583**	**604**	**941**	**450**	**(491)**	**-52%**
Depreciation & Amortization	233	201	187	171	16	9%
General Maintenance	52	49	63	47	16	25%
Utilities	64	66	68	65	2	3%
Supplies & Equipment	17	17	19	10	9	49%
Rent / Lease Expense	8	5	5	4	1	25%
CPC Administrative Assessment	27	27	27	27	-	0%
Other Operating Expenses	86	76	175	76	99	57%
Total Operating Expenses	**487**	**441**	**543**	**400**	**144**	**26%**
Total Expenses	**487**	**441**	**543**	**400**	**144**	**26%**
Net from Operations	**96**	**163**	**397**	**50**	**(347)**	**-87%**
Other Expense	(10)	-	(36)	-	(36)	-100%
Total Other Revenue (Expense)	**(10)**	**-**	**(36)**	**-**	**36**	**100%**
Transfers In (Out)	**41**	**-**	**-**	**-**	**-**	**0%**
Change in Net Position	**$128**	**$163**	**$362**	**$50**	**$(312)**	**-86%**

* Estimate based on 9 months actual and 3 months estimate
** Columns may not foot due to rounding

2014-15 GOALS & OBJECTIVES

- Complete hardware upgrades to Corporation Administration building doors, including automatic handicap accessible panic-bars and key card access equipment
- Work with the university regarding spaces to be occupied by Distribution Services within the Corporation Warehouse (Building 82)
- Complete exterior paint and repairs of the Corporation Administration Building (Bldg. 15)

OPERATING BUDGET DISCUSSION

Revenues

Corporation facility occupancy income is budgeted to decrease slightly from the current year estimate. Several of the Bella Montaña units that were rented for a portion of the 2013-14 fiscal year have since been sold. Rental rates charged to the various departments occupying the Corporation facilities remained flat from prior year. Other Revenues includes an estimate of cost recovery to be received in anticipation of University Distribution Services moving into the Corporation Warehouse.

We do not anticipate any Bella Montaña sales or related Cost of Units Sold during the next fiscal year. In addition, we have not included in the budget any revenue related to the Grand Avenue houses in the next fiscal year.

Expenses

Overall expenses are projected to decrease in 2014-15 compared to the current year estimate. The decrease is driven by a decrease in selling expenses, maintenance and depreciation expense related to the Bella Montaña condo units. Six Bella Montaña condo units were sold during the 2013-14 fiscal year, and are thus no longer being depreciated or maintained by the Corporation. In addition, the 2014-15 estimate includes hardware upgrades for the Corporation Administration Building, which are not included in the 2014-15 budget.

The 2014-15 budget includes approximately $24,000 of expenses related to the Grand Avenue properties, including utilities, property taxes and general maintenance.

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STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Building Expansion & Construction	Investment in Operating Assets (non-cash)	Total
June 30, 2012 Reserve Balance	$59,043	$1,308,290	$1,644,196	$4,417,341	$7,428,870
FY 2012-13 Net to Reserves	(17,121)	380,159	(30,827)	(204,516)	127,695
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 (estimate)	137,730	(1,128,449)	2,808,413	(1,455,869)	361,825
June 30, 2014 Reserve Balance (estimate)	179,652	560,000	4,421,782	2,756,956	7,918,390
FY 2014-15 Net to Reserves (budget)	(33,058)	45,640	150,920	(113,280)	50,222
June 30, 2015 Reserve Balance (budget)	**$146,594**	**$605,640**	**$4,572,702**	**$2,643,676**	**$7,968,612**

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.

Operating Reserve represents the portion of net position held for contingencies and continuing operations of the Bella Montaña housing units, Corporation Warehouse and 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 **Building Expansion & Construction** reserve funds are set aside to fund new facilities, such as a potential replacement to the Corporation Administration Building and new warehouse space for the University Store and Campus Dining.

Investment in Operating Assets represents investment in plant and equipment assets of the facilities. The balance at the end of each fiscal year is equal to the un-depreciated value of these assets, net of any debt or amounts payable.

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Admin Bldg - Exterior paint and repairs	$30,000	5	$6,000
Major Capital Equipment Outlay Subtotal	**$30,000**		**$6,000**
Minor Capital Equipment Outlay (Up To $25,000)			
Bella Montaña - Install hardwood floors in corporate unit	$10,000	5	$2,000
Hardware for Admin Bldg doors	14,400	5	2,880
Card reader for Back door - Admin Bldg	7,695	5	1,539
Minor Capital Outlay Subtotal	**$32,095**		**$6,419**
Total Request for Capital Outlay	**$62,095**		**$12,419**

CAPITAL OUTLAY REQUEST DETAIL

The Corporation Administration Building is in need of exterior paint and minor repairs. The capital outlay request of $30,000 includes the removal of some lead-based paint from the exterior of the building, new paint and various minor repairs.

The Bella Montaña corporate unit requires new carpeting every few years due to normal wear and tear to keep it looking clean. The Corporation has decided to install hardwood floors to the common areas of this unit (hallways, living area and kitchen) to reduce the need for future carpet installation and to improve the overall ambiance of the unit.

The above Capital Outlay request includes new hardware for several of the doors in the Administration Building. This includes key card access equipment and automatic handicap accessible panic-bar doors.

CAL POLY

CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

University Store

Fiscal Year 2014-15

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BUSINESS OVERVIEW

The University Store's role is to provide services in support of the educational mission of the university and its students. The University Store offers a wide variety of academic supplies and general merchandise to support a diverse campus community with emphasis on product and service options for its customers. The University Store operations are comprised of three retail businesses: the University Store, Cal Poly Downtown and Cal Poly Print & Copy.

2013-14 ACCOMPLISHMENTS

New Website Module: The University Store launched a new website through MBS InSite, an e-commerce application. This module upgraded the website's organization and structure of products, customer interaction, and included access to the Verba "Textbook Comparison" tool, allowing students to compare and select courseware from the University Store or other retailers.

Apple Service Center: The Tech Center completed its first full year with its official Apple Service Center, achieving capacity use from students and the campus community by mid-year.

Supplies Vending Machine: A customized school supplies vending machine was installed in the Kennedy Library's 24-hour study room, which offers test materials, flash drives and other student supply needs.

March Madness: The Cal Poly Men's Basketball team won the 2014 Big West Conference and was met with a rapid response of championship spirit apparel for sale by the following business day.

New Graduation Partnership: The first campus-wide Commencement Fair was organized and marketed by the University Store in April. The event was held in the University Union and the University Store partnered with campus groups such as the Commencement Office, Alumni Association, Athletics, Graduate Programs and other commencement related vendors.

In-Store Textbook Pick Up: The Express Textbook Pick Up program offers students the opportunity to purchase courseware from the online store and request in-store pick up on the first days of classes. This program was re-introduced in the fall and served over 2,500 students this academic year.

MBS Software Upgrade: The University Store began the migration of its current Merchandise and Courseware Inventory Control software to an upgraded version. The upgrade includes significantly new functionality and reporting capabilities. The anticipated completion date is mid-July.

Cal Poly Downtown Window Display: The renovation of the Cal Poly Downtown's front window allows for more flexibility and attractive displays to promote products. A rebranding of the store logo supports the promotion of the Cal Poly brand, which included the replacement of the store awning in the fall.

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2014-15 GOALS & OBJECTIVES

1. Develop and implement a store managed rental program: The University Store will enhance its rental textbook program by transitioning to a non-serialized, dynamic, multi-partner textbook rental program. This will involve developing a rental accounting system, student reminder, default procedures, and will utilize the Verba rental management software. This new program will lower student costs by increasing the amount of rental textbooks available, reduce the student per textbook rental fees, and expand the availability of used textbooks.

2. Develop and implement a rent-to-own tablet and laptop pilot program: The Tech Center will expand its tablet rental program by offering additional options to buyout the tablet over the course of the academic school year.

3. Establish University Store Advisory Committee: A campus-wide advisory group consisting of students, faculty, staff and store personnel will be created. Its purpose will be to review University Store's policies, practices, goals and recommend operational improvements.

4. Implement a student employee training program: The University Store will restructure the student employee training program with multiple position levels, training materials, and unified pay scale.

5. Develop campus outreach program: The director and merchandise manager will develop an outreach program to cultivate relationships with students, faculty and staff to increase overall knowledge of textbook affordability and highlight products from the College of Agriculture, Food and Environmental Sciences.

6. Implement purchase order shipment planning/tracking procedures: The University Store will establish methods to better organize major merchandise shipments to enhance warehouse and stockroom efficiencies.

7. Loyalty Program: The University Store and Cal Poly Downtown will launch the MBS Loyalty program. The loyalty program rewards customers who purchase from the retail and online stores. Customers earn points to be redeemed for merchandise or gift cards.

OPERATING BUDGET DISCUSSION

The University Store and Cal Poly Downtown are both estimated to end the 2013-14 fiscal year with slightly higher sales revenue when compared to the 2013-14 budget. Factors leading to achieving the budget goals are due to an increase in first-time freshman, reintroduction of the Express Textbook Pick Up program, increase selection of academic supplies and Cal Poly branded apparel and gifts, and new print services at Cal Poly Print & Copy. The Cal Poly Downtown store experienced an increase in customer traffic as a result of new Cal Poly apparel options and new marketing and social media campaigns.

Overall, sales for the FY 2014-15 are expected to increase over the 2013-14 estimate. Courseware sales are expected to increase slightly due to an enhanced rental program with more competitive pricing and options. An additional increase may result from incorporating rental courseware options within the Express Textbook Pick Up program, which was not an option this fiscal year.

An increase in supplies is anticipated from marketing efforts that spotlight academic supplies.

Tech Center sales are anticipated to decline due to less institutional sales. However, this will be offset by revenue from the rent-to-own tablet and laptop program.

A continued growth in Cal Poly apparel and gift sales is anticipated to occur as a result of new styles of in-store and online merchandise as well as strategic marketing programs to engage the campus, family and alumni communities.

Cal Poly Downtown sales for 2014-15 are budgeted to exceed 2013-14 as a result of increased traffic to the downtown area, continued marketing and social media campaigns, and partnerships with the College of Agriculture, Food and Environmental Sciences.

Other Revenue is projected to increase over the 2013-14 estimate due to the adoption of Verba, the online competitive shopping module, an increase in service jobs through the Tech Service Center, and increase in textbook rental sales.

Cost of Goods Sold, as a percentage of sales revenue, is estimated to end FY 2013-14 above budget due to an adjustment to sales not reflected after the budget was finalized. The FY 2014-15 budget anticipates a slight decrease.

Payroll Expenses for FY 2013-14 is estimated to be lower than budget due primarily to position vacancies within the administration, courseware and Cal Poly Downtown areas. The FY 2014-15 Total Payroll Expense is projected to increase due to a 3% increase for all regular benefited employees combined with the mandated minimum wage increase effective July 1, 2014.

Operating Expenses for FY 2014-15 are projected to increase over the 2013-14 estimate partially due to an increase in small equipment purchases, which do not meet the $5,000 threshold for capitalization, including the replacement and upgrade of workstations, point-of-sale terminals and safety equipment. Also driving this anticipated increase are costs related to the MBS hardware and software upgrade, loyalty program and increases in marketing and sponsorship expenses. In addition, the 2014-15 budget includes costs related to travel and training for staff development and MBS system upgrade.

2014-15 OPERATING BUDGET PROPOSAL

UNIVERSITY STORE & CAL POLY DOWNTOWN CONSOLIDATED

(in thousands) **	Fiscal Year 2012-13 Actual	% of Sales	Fiscal Year 2013-14 Budget	% of Sales	Fiscal Year 2013-14 Estimate*	% of Sales	Fiscal Year 2014-15 Budget Proposal	% of Sales	2014-15 Budget v. Estimate Variance	% Variance
Sales	$13,606	100%	$13,594	100%	$13,726	100%	$13,839	100%	$113	1%
Cost of Goods Sold	9,240	68%	8,886	65%	9,322	68%	9,304	67%	18	0%
Gross Margin	**4,366**	**32%**	**4,708**	**35%**	**4,404**	**32%**	**4,536**	**33%**	**131**	**3%**
Other Revenues	422	3%	394	3%	354	3%	371	3%	17	5%
Income Before Operations	**4,789**	**35%**	**5,102**	**38%**	**4,758**	**35%**	**4,907**	**35%**	**148**	**3%**
Salaries & Wages	1,919	14%	1,762	13%	1,693	12%	1,790	13%	(97)	-6%
Benefits	577	4%	592	4%	485	4%	570	4%	(86)	-18%
Total Payroll Expense	**2,496**	**18%**	**2,354**	**17%**	**2,178**	**16%**	**2,361**	**17%**	**(183)**	**-8%**
Depreciation & Amortization	110	1%	174	1%	135	1%	126	1%	9	7%
Rent / Lease Expense	282	2%	308	2%	204	1%	212	2%	(8)	-4%
CPC Administrative Assessment	646	5%	640	5%	644	5%	644	5%	0	0%
Other Operating Expenses	876	6%	938	7%	985	7%	1,024	7%	(39)	-4%
Total Operating Expenses	**1,914**	**14%**	**2,061**	**15%**	**1,968**	**14%**	**2,005**	**14%**	**(37)**	**-2%**
Total Expenses	**4,410**	**32%**	**4,415**	**32%**	**4,146**	**30%**	**4,365**	**32%**	**(220)**	**-5%**
Net from Operations	**378**	**3%**	**688**	**5%**	**613**	**4%**	**541**	**4%**	**(71)**	**-12%**
Other Revenue (Expense)	(18)	0%	(4)	0%	(28)	0%	-	0%	28	100%
University Services	(300)	-2%	(286)	-2%	(286)	-2%	(286)	-2%	-	0%
Total Other Revenue (Expense)	**(318)**	**-2%**	**(290)**	**-2%**	**(314)**	**-2%**	**(286)**	**-2%**	**28**	**9%**
Transfers In (Out)	**-**	**0%**	**-**	**0%**	**471**	**3%**	**-**	**0%**	**(471)**	**-100%**
Transfer to Plant Fund Reserves	**(404)**	**-3%**	**(437)**	**-3%**	**(584)**	**-4%**	**(287)**	**-2%**	**(297)**	**-51%**
Change in Net Position	**$(345)**	**-3%**	**$(40)**	**0%**	**$182**	**1%**	**$(31)**	**0%**	**$(213)**	**-117%**

* Estimate based on 9 months actual and 3 months estimate
** Columns may not foot due to rounding

UNIVERSITY STORE

(in thousands) **	Fiscal Year 2012-13 Actual	% of Sales	Fiscal Year 2013-14 Budget	% of Sales	Fiscal Year 2013-14 Estimate*	% of Sales	Fiscal Year 2014-15 Budget Proposal	% of Sales	2014-15 Budget v. Estimate Variance	% Variance
Sales	$12,273	100%	$12,171	100%	$12,314	100%	$12,410	100%	$96	1%
Cost of Goods Sold	8,602	70%	8,222	68%	8,638	70%	8,572	69%	66	1%
Gross Margin	**3,670**	**30%**	**3,949**	**32%**	**3,676**	**30%**	**3,838**	**31%**	**162**	**4%**
Other Revenues	422	3%	394	3%	354	3%	371	3%	17	5%
Income Before Operations	**4,092**	**33%**	**4,344**	**36%**	**4,030**	**33%**	**4,209**	**34%**	**180**	**4%**
Salaries & Wages	1,821	15%	1,664	14%	1,604	13%	1,684	14%	(80)	-5%
Benefits	555	5%	568	5%	475	4%	539	4%	(64)	-14%
Total Payroll Expense	**2,376**	**19%**	**2,232**	**18%**	**2,079**	**17%**	**2,223**	**18%**	**(145)**	**-7%**
Depreciation & Amortization	104	1%	170	1%	131	1%	121	1%	10	7%
Rent / Lease Expense	138	1%	160	1%	60	0%	65	1%	(5)	-9%
CPC Administrative Assessment	602	5%	570	5%	574	5%	573	5%	0	0%
Other Operating Expenses	818	7%	867	7%	916	7%	944	8%	(28)	-3%
Total Operating Expenses	**1,662**	**14%**	**1,767**	**15%**	**1,680**	**14%**	**1,704**	**14%**	**(23)**	**-1%**
Total Expenses	**4,038**	**33%**	**3,999**	**33%**	**3,759**	**31%**	**3,927**	**32%**	**(168)**	**-4%**
Net from Operations	**54**	**0%**	**345**	**3%**	**271**	**2%**	**283**	**2%**	**11**	**4%**
Other Revenue (Expense)	(22)	0%	(4)	0%	(28)	0%	-	0%	28	100%
University Services	(270)	-2%	(254)	-2%	(254)	-2%	(254)	-2%	-	0%
Total Other Revenue (Expense)	**(292)**	**-2%**	**(259)**	**-2%**	**(283)**	**-2%**	**(254)**	**-2%**	**28**	**10%**
Transfers In (Out)	**-**	**0%**	**-**	**0%**	**471**	**4%**	**-**	**0%**	**(471)**	**-100%**
Transfer to Plant Fund Reserves	**(404)**	**-3%**	**(437)**	**-4%**	**(584)**	**-5%**	**(287)**	**-2%**	**(297)**	**-51%**
Change in Net Position	**$(644)**	**-5%**	**$(351)**	**-3%**	**$(128)**	**-1%**	**$(259)**	**-2%**	**$(131)**	**-102%**

* Estimate based on 9 months actual and 3 months estimate
** Columns may not foot due to rounding

CAL POLY DOWNTOWN

(in thousands) **	Fiscal Year 2012-13 Actual	% of Sales	Fiscal Year 2013-14 Budget	% of Sales	Fiscal Year 2013-14 Estimate*	% of Sales	Fiscal Year 2014-15 Budget Proposal	% of Sales	2014-15 Budget v. Estimate Variance	% Variance
Sales	$1,333	100%	$1,423	100%	$1,412	100%	$1,429	100%	$17	1%
Cost of Goods Sold	637	48%	664	47%	684	48%	732	51%	(48)	-7%
Gross Margin	**696**	**52%**	**759**	**53%**	**728**	**52%**	**697**	**49%**	**(31)**	**-4%**
Other Revenues	0	0%	-	0%	-	0%	-	0%	-	0%
Income Before Operations	**696**	**52%**	**759**	**53%**	**728**	**52%**	**697**	**49%**	**(31)**	**-4%**
Salaries & Wages	98	7%	99	7%	90	6%	106	7%	(16)	-18%
Benefits	23	2%	24	2%	10	1%	31	2%	(21)	-217%
Total Payroll Expense	**120**	**9%**	**123**	**9%**	**99**	**7%**	**137**	**10%**	**(38)**	**-38%**
Depreciation & Amortization	7	0%	4	0%	4	0%	4	0%	(0)	-10%
Rent / Lease Expense	144	11%	148	10%	144	10%	146	10%	(2)	-2%
CPC Administrative Assessment	44	3%	70	5%	70	5%	70	5%	-	0%
Other Operating Expenses	57	4%	71	5%	69	5%	80	6%	(11)	-16%
Total Operating Expenses	**252**	**19%**	**293**	**21%**	**287**	**20%**	**301**	**21%**	**(14)**	**-5%**
Total Expenses	**372**	**28%**	**416**	**29%**	**387**	**27%**	**438**	**31%**	**(52)**	**-13%**
Net from Operations	**324**	**24%**	**343**	**24%**	**342**	**24%**	**259**	**18%**	**(83)**	**-24%**
Other Revenue (Expense)	3	0%	-	0%	-	0%	-	0%	-	0%
University Services	(29)	-2%	(31)	-2%	(31)	-2%	(31)	-2%	-	0%
Total Other Revenue (Expense)	**(26)**	**-2%**	**(31)**	**-2%**	**(31)**	**-2%**	**(31)**	**-2%**	**-**	**0%**
Change in Net Position	**$298**	**22%**	**$311**	**22%**	**$310**	**22%**	**$228**	**16%**	**$(83)**	**-27%**

* Estimate based on 9 months actual and 3 months estimate
** Columns may not foot due to rounding

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Total
June 30, 2012 Reserve Balance	$352,588	$3,060,184	$3,541,895	$6,954,667
FY 2012-13 Net to Reserves	15,245	403,721	(360,652)	58,314
June 30, 2013 Reserve Balance	367,833	3,463,905	3,181,243	7,012,981
FY 2013-14 Net to Reserves (estimate)	609,024	584,316	(425,341)	767,999
June 30, 2014 Reserve Balance (estimate)	976,857	4,048,221	2,755,902	7,780,980
FY 2014-15 Net to Reserves (budget)	29,305	287,194	(60,368)	256,131
June 30, 2015 Reserve Balance (budget)	**$1,006,162**	**$4,335,415**	**$2,695,534**	**$8,037,111**

The University Store maintains three separate reserves for designated purposes.

Operating Reserve is held for operating contingencies. The fund balance for FY 2013-14 is targeted to equal 25% of the average of the past two years actual and next year's budgeted payroll and operating expenses. This approximates three months operating expenses, whereas the previous method of calculating this reserve was based on only one month of operating expenses. The change resulted in an increase in the 2013-14 estimated net to operating reserve compared to prior years.

Facilities Reserves include the Capital Replacement and Renewal Reserve and the Building Expansion and Construction reserve. These funds will be used for future capital projects and renovation. These funds are transferred to the Plant Fund on an annual basis.

Investment in Operating Assets represents the non-cash net value of the University Store's investments in operating assets. The reserve balance rises as assets are acquired with cash and declines as assets are sold or depreciated.

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Minor Capital Equipment Outlay (Up To $25,000)			
All-In-One Copier (University Store)	$9,000	5	$1,800
Security Surveillance DVR Recorder (Cal Poly Downtown)	7,000	5	1,400
Large Format Laminator Machine (Print & Copy)	6,000	5	1,200
Minor Capital Outlay Subtotal	**$22,000**		**$4,400**
Total Request for Capital Outlay	**$22,000**		**$4,400**

CAPITAL OUTLAY REQUEST DETAIL

All-In-One Copier (University Store): The all-in-one copier for the University Store will replace the current machine that is non-operational. The purchase of this machine is more cost-effective than lease options.

Large Format Laminator Machine (Print and Copy): A large format laminator will meet the growing demand at Cal Poly Print and Copy for protecting and water proofing large format prints and mounts. This includes posters, banners, presentations, signs and many other large format applications. There has been a growing demand over the last few years for lamination at Cal Poly Print and Copy. The addition of a laminator will meet this demand and capture revenue that will otherwise go off campus.

Security Surveillance DVR Recorder (Cal Poly Downtown): The security surveillance DVR for Cal Poly Downtown will upgrade the outdated machine and is compatible with the University Store's surveillance equipment and software.

CAL POLY

CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Campus Dining

Fiscal Year 2014-15

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BUSINESS OVERVIEW

Campus Dining's role is to provide services in support of the university's mission. Campus Dining's food venues offer a wide variety of options to support an eclectic campus community with varied food preferences and dining habits.

Campus Dining operates on two distinct sources of revenue: (1) dining plan revenue, principally from on-campus freshman housing residents, and (2) cash revenue generated through the remaining university population that includes students, 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.

19 Metro station, Sandwich Factory, Vista Grande Café, Einstein Bros. Bagels and Tacos To-Go Mexican Grill act as the primary venues for the dining plan students to use dining credits. The dining plan program incorporates two types of payment methods: (1) dining credits, which are redeemed at five operations and (2) Plu$ dollars (or flexible dollars), which are used for purchases at any dining operation.

2013-14 ACCOMPLISHMENTS

Tacos To-Go Mexican Grill: The contract with Peet's Coffee and Tea at Poly Canyon Village ended in June 2013 and the space was successfully converted to a popular in-house brand, Tacos To-Go Mexican Grill. With first year students living in Poly Canyon Village during the 2013-14 academic year, the Tacos To-Go location serves as a key venue for the students based near its location. Over the course of the academic year the venue also saw an increase in its cash transactions as compared to the Peet's operation, which reinforces our belief that Poly Canyon Village was missing a more substantial hot food option.

Webb/DM& A Consulting Project: Webb Design was retained to complete a Campus Dining Strategic Plan for Dining Services to include a program and space plan for Building 19. The project objective was to define the facility needs for the department regarding Building 19, Building 112 and other restaurant locations on campus that are pertinent in the development for an expanded resident population. The consulting firm to date has met with multiple constituent groups, performed site surveys and met with facilities planning and student leaders. The data collection aspect of the process has been completed and the final presentation of finding and development recommendations were delivered in March.

Julian's Expansion: In partnership with the library, the Julian's Patisserie servery area was expanded and framed-in with a wall. This change expanded both the office and storage spaces for the operation while also providing sound dampening between Julian's and the adjacent seating area.

Registered Dietitian: Campus Dining was able to fulfill its goal of enhancing the overall dining program by developing a program to educate and support students regarding nutrition and wellness. Megan Coats joined the Campus Dining team as the new registered dietitian. Over the past year, Megan has been providing students and staff with information that empowers them to make healthy food and lifestyle choices while also supporting those students with dietary restrictions.

Gluten Free Certification: Over the summer, Campus Dining consulted with the National Foundation for Celiac Awareness (NFCA) to provide training on all aspects of gluten free food service. Fifty staff members underwent the GREAT Kitchens Training Program, which consists of five training modules on the various areas of gluten free food service. Over this same period, one of the food stations at 19 Metro station was converted to a gluten/allergen free food station. A glass sneeze guard was installed in front of the station and a trained employee serves food to customers to prevent cross contamination. Cal Poly was one of the first California schools to receive the NFCA GREAT Kitchens Certification, which evaluates and certifies the operation's overall gluten free program including storage, preparation and service of gluten free meals.

Capital Replacement Analysis: A capital replacement analysis was completed for all Campus Dining locations excluding operations in Building 19 and Building 112, which are scheduled for major renovation and replacement projects. The analysis is based on estimates of the remaining life expectancy of major equipment, building systems and interior finishes as well as establishes recommended reserve balances and annual contributions amounts needed to meet the necessary reserve goals for future upkeep.

2014-15 GOALS & OBJECTIVES

1. Continue to focus on programs and practices that ensure fiscal integrity
   - Manage budget components to ensure the appropriate relationship to sales
   - Work towards a reporting process that provides detailed financial statements, including unallocated indirect costs (administrative and support costs), by unit
   - Perform ongoing review of staff's current and future development needs, with a focus on safety training
   - Execute strategic marketing programs to continue to drive cash sales and customer loyalty

2. Provide quality products and services that anticipate and respond to the needs of the campus community.
   - Solicit input from Advisory Committees on Campus Dining issues
   - Collaborate with Student Affairs on programming opportunities in support of the campus and future residency growth
   - Utilize various student programs (WOW, Open House, SOAR, and Poly Reps) to acquaint new and prospective students with dining programs, restaurants, markets and Campus Express Club
   - Continue to grow dining's sustainability programs and work with the university and others in the industry
   - Continue to assess and adapt to the schedules and habits of the students and to expand our late night business model. Currently, Campus Dining has extended hours at six operations; four of which are open until midnight, one until 2:00AM, and one is open twenty-four hours

3. Continue to focus on technology usage in order to improve services and the customer experience on campus and stay in tune with student trends and lifestyles

2014-15 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2012-13 Actual	% of Sales	Fiscal Year 2013-14 Budget	% of Sales	Fiscal Year 2013-14 Estimate*	% of Sales	Fiscal Year 2014-15 Budget Proposal	% of Sales	2014-15 Budget v. Estimate Variance	% Variance
Sales	$24,322	100%	$27,025	100%	$28,475	100%	$26,890	100%	$(1,586)	-6%
Cost of Goods Sold	7,691	32%	8,931	33%	9,343	33%	9,013	34%	330	4%
Gross Margin	**16,632**	**68%**	**18,094**	**67%**	**19,132**	**67%**	**17,877**	**66%**	**(1,255)**	**-7%**
Other Revenues	265	1%	319	1%	551	2%	566	2%	15	3%
Income Before Operations	**16,896**	**69%**	**18,413**	**68%**	**19,683**	**69%**	**18,443**	**69%**	**(1,241)**	**-6%**
Salaries & Wages	5,873	24%	6,906	26%	6,715	24%	7,614	28%	(899)	-13%
Benefits	2,717	11%	3,172	12%	2,189	8%	2,578	10%	(390)	-18%
Total Payroll Expense	**8,590**	**35%**	**10,078**	**37%**	**8,904**	**31%**	**10,192**	**38%**	**(1,288)**	**-14%**
Depreciation & Amortization	692	3%	856	3%	725	3%	670	2%	55	8%
Software / Hardware Maintenance	111	0%	128	0%	146	1%	137	1%	9	6%
General Maintenance	244	1%	340	1%	325	1%	325	1%	(0)	0%
Utilities	723	3%	721	3%	739	3%	765	3%	(26)	-3%
Supplies & Equipment	534	2%	832	3%	768	3%	823	3%	(56)	-7%
Rent / Lease Expense	181	1%	150	1%	201	1%	365	1%	(164)	-81%
CPC Administrative Assessment	807	3%	793	3%	805	3%	805	3%	-	0%
Commissions & Royalties	492	2%	496	2%	721	3%	550	2%	171	24%
Other Operating Expenses	1,024	4%	1,190	4%	1,161	4%	1,326	5%	(165)	-14%
Total Operating Expenses	**4,809**	**20%**	**5,505**	**20%**	**5,590**	**20%**	**5,766**	**21%**	**(176)**	**-3%**
Total Expenses	**13,400**	**55%**	**15,583**	**58%**	**14,494**	**51%**	**15,959**	**59%**	**(1,465)**	**-10%**
Net from Operations	**3,497**	**14%**	**2,830**	**10%**	**5,189**	**18%**	**2,484**	**9%**	**(2,705)**	**-52%**
Other Revenue	255	1%	255	1%	255	1%	255	1%	-	0%
Other Expense	(2)	0%	-	0%	(8)	0%	-	0%	(8)	-100%
University Services	(461)	-2%	(518)	-2%	(518)	-2%	(534)	-2%	16	3%
Total Other Revenue (Expense)	**(209)**	**-1%**	**(263)**	**-1%**	**(270)**	**-1%**	**(279)**	**-1%**	**(9)**	**-3%**
Transfers In (Out)	**(255)**	**-1%**	**(255)**	**-1%**	**1,888**	**7%**	**(255)**	**-1%**	**(2,143)**	**-114%**
Transfer to Plant Fund Reserves	**(2,998)**	**-12%**	**(2,279)**	**-8%**	**(4,218)**	**-15%**	**(1,480)**	**-6%**	**(2,738)**	**-65%**
Change in Net Position	**$35**	**0%**	**$33**	**0%**	**$2,588**	**9%**	**$470**	**2%**	**$(2,117)**	**-82%**

* 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 sales for year ending June 30, 2014 as compared to the FY 2013-14 budget. The increase in income is primarily due to the increase in freshman enrollment over the assumptions used in the budget, as well as an increase in cash sales through catering for the year.

Cost of Goods Sold (COGS), as a percentage of sales revenue is estimated to end the year within budget.

Payroll Expense for FY 2013-14 is estimated to be lower than budget as a percentage of sales revenue due to the increase in dining plan revenue with no notable increase in associated expenses coupled with unanticipated vacancies. Payroll Expense for FY 2014-15 is budgeted anticipating the full salary and benefits for each of the full-time staff positions. Labor expenses for FY 2014-15 are budgeted higher than the FY 2013-14 due to the mandated minimum wage increase effective July 1, 2014 coupled with a 3% merit increase budgeted for all regular benefited employees. Two new positions for Toss'd are added to staff this new concept along with additional student labor for both the marketing and web services departments.

Operating Expenses for FY 2013-14 are estimated to be slightly lower than budget as a percentage of sales due to savings in depreciation and supply categories offset by an increase in promotions expenses due to the unbudgeted voucher given to all incoming freshmen. Operating Expenses are expected to increase in FY 2014-15 due to depreciation of capital improvements and slight increases in utilities, bank card expense and an anticipated increase in the CSU Indirect Cost Allocation.

The variance from budget in Net from Operations for FY 2013-14 is due primarily to the increase in revenue from freshman dining plans, which came with minor direct costs with the exception of COGS. The dining team was able to bring the Net Income in above budget both as a dollar figure and percentage of sales. The reduction in Net from Operations in the FY 2014-15 budget is due primarily to the increase in labor expense and the noted increase in operating expense.

The 2013-14 Estimate Transfers In (Out) includes a one-time transfer in from the Designated Fund related to a reduction in the actuarial estimate of the Campus Dining portion of the OPEB liability. These funds will be directed to the Campus Dining Plant Fund reserves for future facility expansion and renovation.

Change in Net Position represents the increase or decrease in net position related to Campus Dining operations, after the transfer to the Plant Fund for facilities reserves. The increase in the 2013-14 estimate is due to a change in the method of calculating operating reserves, discussed in the Statement of Reserves Overview.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Outlay Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Total
June 30, 2012 Reserve Balance	$1,209,975	$913,000	$11,865,176	$2,381,562	$16,369,713
FY 2012-13 Net to Reserves	88,608	(38,089)	2,998,411	(15,381)	3,033,549
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 (estimate)	2,350,686	246,796	4,218,066	(9,574)	6,805,974
June 30, 2014 Reserve Balance (estimate)	3,649,269	1,121,707	19,081,653	2,356,607	26,209,236
FY 2014-15 Net to Reserves (budget)	109,478	(21,707)	1,410,835	451,744	1,950,350
June 30, 2015 Reserve Balance (budget)	**$3,758,747**	**$1,100,000**	**$20,492,488**	**$2,808,351**	**$28,159,586**

Campus Dining currently maintains four reserves for designated purposes.

Operating Reserves are held for operating contingencies. The fund balance for FY 2013-14 is targeted to equal three months of Campus Dining's payroll and operating expense budget for the subsequent year. This represents a change from the previous method of calculating this reserve, which was based on only one month of operating expenses. This change resulted in an increase in the 2013-14 estimated Net to operating reserve compared to prior years.

Capital Outlay Reserve is held to fund the subsequent year's capital outlay request.

Facilities Reserves include the Capital Replacement and Renewal Reserve and the Building Expansion and Construction reserve. These funds will be used towards the renovation of the central Campus Dining facility (Building 19), Vista Grande (Building 112) and other capital projects, as needed. These funds are transferred from Campus Dining to the Plant Fund on an annual basis.

Investment in Operating Assets represents the net value of Campus Dining's investments in operating assets. The reserve balance rises as assets are acquired with cash and declines as assets are sold or depreciated.

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Toss'd Build-out	$300,000	10	$30,000
Tacos To-Go Grill, Hood	125,000	15	8,333
VG Café, Mongolian Window Upgrade	109,000	6	18,167
Vehicles (3)	130,000	6	21,667
Renewal & Replacement, Capital	70,000	6	11,667
Steamers (3)	60,000	6	10,000
Bake Shop, Ceiling Repairs	45,000	6	7,500
Ciao!, Counter Redesign	43,000	6	7,167
Starbuck's (UU), HVAC System	40,000	6	6,667
Micros Workstations (5)	25,000	5	5,000
Major Capital Equipment Outlay Subtotal	**$947,000**		**$126,167**
Minor Capital Equipment Outlay (Up To $25,000)			
VG Café/Sandwich Stop, Upgrade	$17,500	5	$3,500
Water Efficient Plumbing Fixtures	20,000	6	3,333
Avenue, New Automatic Doors	19,000	5	3,800
Campus Market, Sushi Station	20,000	5	4,000
Chick-fil-A, Chargrill	15,000	5	3,000
Butcher, Patty Machine	13,500	5	2,700
Admin, Conference Room	10,000	5	2,000
Ciao!, Pizza Press	9,500	5	1,900
Building 19, Security Doors	8,000	5	1,600
VG Café, Steamer Oven	8,000	5	1,600
VG Café, Ice Machine	7,000	5	1,400
Jamba Juice, Turbo Chef	6,107	5	1,221
19 Metro station, Refrigerated Sandwich Table	5,600	4	1,400
Planar Displays	5,500	4	1,375
Gluten Free, Dishwasher	5,000	4	1,250
VG Café, Slicer	5,000	4	1,250
Minor Capital Outlay Subtotal	**$174,707**		**$35,330**
Total Request for Capital Outlay	**$1,121,707**		**$161,496**

CAPITAL OUTLAY REQUEST DETAIL

Toss'd Build-out: Based on the popularity of salad-based restaurants like Pluto's and Chop't and feedback from students, Campus Dining created a marketing plan to build out a signature brand called Toss'd and offer built-to-order salads. The new concept will be added as a venue within a venue to better utilize the Ciao! real estate. Seating capacity will not be reduced for this installation.

Tacos To-Go Grill, Hood: This budget request is to complete the Tacos To-Go Mexican Grill conversion. The majority of the project was completed during the summer of 2013-14 however contractors could not install the hood in time for a fall opening. This request is for the funds to complete the installation of the hood.

VG Café, Mongolian Wok Station: The VG Café Mongolian wok station includes the installation of the hood that was postponed from the FY 2013-14 budget when the project estimate came in over budget. Included in this request is the addition of cold wells that convert the station from a hot buffet line to a Mongolian wok action station for chefs to prepare meals for customers fresh to order.

Vehicles: The Campus Dining fleet consists of over 15 vehicles used for the delivery of perishable products around campus to venues and catered events. These vehicles are well past their prime and replacement vehicles have not been purchased for over 10 years. The plan is to budget for the replacement of the fleet over a five year period. This request is for the procurement of two mini vans and one box truck.

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

Steamers: The current steamers in the main kitchen have been having major mechanical issues for a couple of years and the maintenance cost associated with these steamers has hit the tipping point where replacement is more cost effective than the annual maintenance. With technology changes, the new machines will also provide major water and energy savings.

Bake Shop (Bldg. 19), Ceiling Repairs: Due to water damage to the bake shop ceiling area and the old age of the building, the project will most likely include lead and asbestos abatement and possibly require the replacement of the affected sections.

Ciao!, Counter Re-Design: The plan for this minor project is to open the counter space in Ciao! and take away the tall pizza and chute cases. The area will be replaced with hot-wells to serve entrée-style dishes and a hot plate to display pizzas. Flash cook ovens will be included at the back counter to quickly heat pizza slices and entrées like lasagna to offer customers a made-to-order experience.

Starbucks (UU), HVAC System: Based on the high volume of customers visiting the University Union Starbucks operation, the ice machine needs to be replaced with a higher volume machine. The current machine overheats in the small backroom office so increasing the machine size will require an HVAC upgrade to keep the room at a comfortable temperature.

Micros Workstations: The goal is to replace five Micros workstations per year as current workstations become outdated and/or cost prohibitive to repair.

CAL POLY
CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Sponsored Programs Administration

Fiscal Year 2014-15

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BUSINESS OVERVIEW

Sponsored Programs Administration provides essential functions and services to the Cal Poly community to achieve its research objectives by providing efficient and effective administrative support for extramurally funded contracts and grants, Centers and Institutes and Fee for Service activities, and by maximizing the return of recovered indirect costs in support of university research programs.

In accordance with the Chancellor's Executive Order (E.O. 890), Sponsored Programs Administration provides the administration and fiscal management services for externally funded contracts and grants for research and educational projects, which includes the fiscal management for Centers and Institutes, Fee for Service and other related programs. The average contract and grant expenditure activity over the past three fiscal years is $22 million, which is sponsored by federal, state, non-profit, for-profit and international entities.

Sponsored Programs operations encompass all components of post-award research administration from award negotiation through project close-out and record retention. The primary objectives of Sponsored Programs are as follows:

- To effectively participate in the proposal submission process when warranted
- To perform thorough review of proposals and engages in negotiations 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 the Corporation and university interests by monitoring project accounts to avoid audit disallowance, over-expenditures, uninsured risks, or other potentially negative consequences
- To 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 close-out and serve as audit liaison
- To accurately provide oversight and/or contribute to the observance of multi-tiered compliance standards, such as: 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

2013-14 ACCOMPLISHMENTS

1. Completed a joint Cal Poly Corporation and California Polytechnic State University review of indirect costs with the services of a consultant, which resulted in the submission of a combined facilities and administrative rate proposal. The last facilities and administrative rate proposal was submitted in 2010.

2. Cal Poly Corporation completed the first Composite Benefit Rate Proposal, which was submitted to the Division of Cost Allocation at the Department of Human and Health Services, which will allow the Cal Poly Corporation to directly charge sponsors for employment retirement benefits, a liability that is primarily supported through indirect cost revenue.

3. The Sponsored Programs office participated in the California State University's (CSU) Center and Institute audit and was the direct lead for the area relating to fiscal controls. This program-specific audit was the first of its kind conducted by the CSU and Cal Poly was one of the first of six campuses tested. The CSU issued recommendations, but had no significant findings.

4. Sponsored Programs was selected for the 2013 CSU Contract and Grant audit. The specific audit included a six week field review of various compliance subjects, including: Fiscal Controls, Cost Share, Sub-contract Compliance, Conflict of Interest and Effort Reporting. The CSU issued recommendations, but had no significant findings.

5. The Sponsored Programs operations underwent a significant organization structure review, which last occurred in 2007. The result incorporated an operations structure that emphasizes and supports succession planning and opportunity to gain efficiencies with a shared services approach. In addition, two staff retired, creating the first vacancies for over six years.

2014-15 GOALS & OBJECTIVES

1. The federal regulations governing research administration had significant changes which will have an impact on research administration at institutions of higher education. Sponsored Programs will actively participate in CSU system-wide and nation-wide discussions to keep abreast of necessary policy changes. The new regulations come into effect in several stages.

2. Implement streamlined processes utilizing the capabilities provided with the upgrade of the CPC financial database program.

3. Continue to partner with the University's Grants Development Office (pre-award) and the Office of Research and Economic Development to refine key procedures and processes to gain efficiencies and improve customer service.

4. Continue to move toward a paperless office.

5. Successfully implement a new Facilities and Administrative Rate Agreement and Composite Fringe Benefit Rate.

2014-15 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2012-13 Actual	Fiscal Year 2013-14 Budget	Fiscal Year 2013-14 Estimate*	Fiscal Year 2014-15 Budget Proposal	2014-15 Budget v. Estimate Variance	% Variance
Contract & Grant IDC Income	$2,803	$2,900	$2,812	$2,900	$88	3%
Contract & Grant Admin Fees	5	4	4	4	0	2%
Center & Institute Admin Fees	61	66	75	75	0	0%
Other Revenues	230	174	196	193	(3)	-2%
Income Before Operations	**3,099**	**3,144**	**3,088**	**3,172**	**84**	**3%**
Salaries & Wages	509	518	502	535	(33)	-7%
Benefits	363	287	239	284	(46)	-19%
Total Payroll Expense	**873**	**806**	**741**	**820**	**(79)**	**-11%**
Audit & Tax	11	11	11	11	(0)	-2%
CPC Administrative Assessment	591	609	609	609	0	0%
Other Operating Expenses	161	225	220	190	30	13%
Total Operating Expenses	**763**	**845**	**839**	**810**	**29**	**4%**
Total Expenses	**1,635**	**1,650**	**1,580**	**1,630**	**(50)**	**-3%**
Net from Operations	**1,462**	**1,494**	**1,508**	**1,543**	**35**	**2%**
Other Revenue (Expense)	(38)	0	(9)	0	9	100%
Total Other Revenue (Expense)	**(38)**	**0**	**(9)**	**0**	**9**	**100%**
Transfers In (Out)	**(1,356)**	**(1,269)**	**(1,293)**	**(1,331)**	**(38)**	**-3%**
Change in Net Position	**$68**	**$224**	**$206**	**$211**	**$5**	**3%**

* Estimate based on 9 months actual and 3 months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Total Income is below budget projections by approximately $56,000 from prior year, which is primarily due to declining sponsored programs activity in the federal sector as several large federal projects concluded. Center and Institute and Other Activity, which include Fee for Service, continues to grow and reflect strong gains over prior year.

The Total Payroll Expense reflects a marginal increase due to projecting a standard merit increase for office staff and a marginal increase in salary due to staff re-organization and two internal promotions.

Other Operating Expenses includes a significant decrease in Fees for Service expense of approximately $70,000. Two consultant firms were engaged during the 2013-14 fiscal year, and we will not have such expenses next year. The first consultant facilitated the submission of the Facilities and Administration Rate Proposal, which results in a multi-year agreement, while the second consultant facilitated the Composite Fringe Benefit Rate Proposal, which is anticipated to be submitted with in-house support in 2015. Both postage and supplies and materials costs are anticipated to decline over last year's budget as the initiative for going paperless and cost controls continue. Travel and training increased to address critical needs for staff to keep abreast of various changing regulations and participate in professional development.

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

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Contract & Grant Audit Reserve	C&I OPEB Reserve	Total
June 30, 2012 Reserve Balance	$338,287	$500,000	$(801,322)	$36,965
FY 2012-13 Net to Reserves	41,021	(172,848)	200,330	68,503
June 30, 2013 Reserve Balance	379,308	327,152	(600,992)	105,468
FY 2013-14 Net to Reserves (estimated)	16,302	(11,007)	200,330	205,625
June 30, 2014 Reserve Balance (estimate)	395,610	316,145	(400,662)	311,093
FY 2014-15 Net to Reserves (budget)	11,868	(1,145)	200,330	211,053
June 30, 2015 Reserve Balance (budget)	**$407,478**	**$315,000**	**$(200,332)**	**$522,146**

The Sponsored Programs **Operating Reserve** is held for operating contingencies for the department. 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 a sponsor fundings expended on a project. The target reserve is equal to 1.5% of the average of the past three years acual contract and grant expenditures, not to exceed $500,000.

The **Centers & Institute OPEB reserve** was established to fund the postretirment 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 fiscal year 2011-12 and is expected to be fully funded in fiscal year 2015-16.

CAPITAL OUTLAY REQUEST

CAPITAL OUTLAY REQUEST DETAIL

No Capital Outlay requested.