

## CONSOLIDATED OPERATING BUDGET

For the period ending June 30, 2021

(in thousands)

	ACTUAL FISCAL YEAR 2018-19 RESULTS			PROJECTED FISCAL YEAR 2019-20 RESULTS			BUDGETED FISCAL YEAR 2020-21 RESULTS			PROJ 20 vs BUD 21 VARIANCE	
	Core Operations	University Programs	Corporation Total	Core Operations	University Programs	Corporation Total	Core Operations	University Programs	Corporation Total	\$	%
<b>Revenues</b>											
Sales	32,683	5,396	<b>38,079</b>	25,316	4,444	<b>29,760</b>	27,463	5,073	<b>32,536</b>	2,776	9%
Assessments	3,768	-	<b>3,768</b>	3,638	-	<b>3,638</b>	3,454	-	<b>3,454</b>	(184)	-5%
Fees for Service	643	243	<b>886</b>	729	232	<b>961</b>	745	232	<b>977</b>	16	2%
Rental Income	436	575	<b>1,011</b>	431	543	<b>974</b>	433	590	<b>1,023</b>	49	5%
Investment Income *	2,367	-	<b>2,367</b>	2,561	-	<b>2,561</b>	1,865	-	<b>1,865</b>	(696)	-27%
Contract & Grant IDC Income	-	4,002	<b>4,002</b>	-	3,723	<b>3,723</b>	-	4,077	<b>4,077</b>	354	10%
Gifts	-	368	<b>368</b>	-	192	<b>192</b>	-	566	<b>566</b>	374	195%
Other Revenues	5,240	2,082	<b>7,322</b>	2,909	1,800	<b>4,709</b>	2,732	1,577	<b>4,309</b>	(400)	-8%
Total Revenues	45,137	12,666	<b>57,803</b>	35,584	10,934	<b>46,518</b>	36,692	12,115	<b>48,807</b>	2,289	5%
<b>Expenses</b>											
Cost of Sales	11,167	982	<b>12,149</b>	8,477	758	<b>9,235</b>	9,759	833	<b>10,592</b>	(1,357)	-15%
Payroll Expenses	16,284	2,633	<b>18,917</b>	15,658	2,697	<b>18,355</b>	13,708	2,823	<b>16,531</b>	1,824	10%
Operating Expenses	11,034	6,848	<b>17,882</b>	10,942	6,036	<b>16,978</b>	10,894	6,280	<b>17,174</b>	(196)	-1%
Total Expenses	38,485	10,463	<b>48,948</b>	35,077	9,491	<b>44,568</b>	34,361	9,936	<b>44,297</b>	271	1%
<b>Net Operating Income (Loss)</b>	6,652	2,203	<b>8,855</b>	507	1,443	<b>1,950</b>	2,331	2,179	<b>4,510</b>	2,560	131%
<b>Other Income (Expense)</b>											
Transfers (To) / From **	(393)	(1,406)	<b>(1,799)</b>	1	(1,294)	<b>(1,293)</b>	(620)	(2,263)	<b>(2,883)</b>	(1,590)	-123%
University Services	(1,016)	-	<b>(1,016)</b>	(500)	-	<b>(500)</b>	(508)	-	<b>(508)</b>	(8)	-2%
Interest Expense	(1,263)	(96)	<b>(1,359)</b>	(1,015)	(91)	<b>(1,106)</b>	(1,020)	(87)	<b>(1,107)</b>	(1)	0%
Other Income (Expense)	213	290	<b>503</b>	928	355	<b>1,283</b>	545	286	<b>831</b>	(452)	-35%
Total Other Income (Expense)	(2,459)	(1,212)	<b>(3,671)</b>	(586)	(1,030)	<b>(1,616)</b>	(1,603)	(2,064)	<b>(3,667)</b>	(2,051)	-127%
<b>Net to (from) Reserves</b>	4,193	991	<b>5,184</b>	(79)	413	<b>334</b>	728	115	<b>843</b>	509	152%

\* Due to the unpredictable nature of investments, market value gains (losses) are not included in this presentation.

\*\* Transfers (To) / From the Plant Fund are excluded for purposes of this presentation.

## CORE-BUSINESS CONSOLIDATING OPERATING BUDGET PROPOSAL

For the period ending June 30, 2021

(in thousands)

	General Administration	Investment Fund*	University Store Contract	Cal Poly Print & Copy	Campus Dining	Plant Operations	Conference and Event Planning	BUDGET 2020-21 TOTAL
<b>Revenues</b>								
Sales	-	-	47	356	27,060	-	-	27,463
Assessments	3,454	-	-	-	-	-	-	3,454
Fees for Service	745	-	-	-	-	-	-	745
Rental Income	-	-	-	-	-	433	-	433
Investment Income	-	1,865	-	-	-	-	-	1,865
Contract & Grant IDC Income	-	-	-	-	-	-	-	-
Other Revenues	886	-	1,264	-	455	12	115	2,732
Total Revenues	5,085	1,865	1,311	356	27,515	445	115	36,692
<b>Expenses</b>								
Cost of Sales	-	-	30	82	9,647	-	-	9,759
Payroll Expenses	4,242	-	-	160	8,830	-	476	13,708
Operating Expenses	1,516	440	996	83	7,282	475	102	10,894
Total Expenses	5,758	440	1,026	325	25,759	475	578	34,361
<b>Net Operating Income (Loss)</b>	(673)	1,425	285	31	1,756	(30)	(463)	2,331
<b>Other Income (Expense)</b>								
Transfers (To) / From	816	(816)	-	-	(620)	-	-	(620)
University Services	-	(20)	(147)	(4)	(334)	-	(3)	(508)
Interest Expense	-	-	-	-	(1,020)	-	-	(1,020)
Other Income (Expense)	-	-	-	-	545	-	-	545
Total Other Income (Expense)	816	(836)	(147)	(4)	(1,429)	-	(3)	(1,603)
<b>Net to (from) Reserves</b>	143	589	138	27	327	(30)	(466)	728

\* Due to the unpredictable nature of investments, the Investment Fund budget is not approved by the Board but is provided for informational purposes and analysis only.

\*\* Columns may not tie to individual department budget due to rounding.

## UNIVERSITY PROGRAMS CONSOLIDATING OPERATING BUDGET PROPOSAL

For the period ending June 30, 2021

(in thousands)

	University Graphic Systems	Cal Poly Arts	Sponsored Programs Admin	Swanton Pacific Ranch	Commercial Ag Operations	Technology Park	BUDGET 2020-21 TOTAL
<b>Revenues</b>							
Sales	99	847	-	121	4,006	-	5,073
Fees for Service	-	-	232	-	-	-	232
Rental Income			-	108	-	482	590
Contract & Grant IDC Income			4,077				4,077
Gifts	-	566	-	-	-	-	566
Other Revenues	-	43	173	615	738	8	1,577
Total Revenues	99	1,456	4,482	844	4,744	490	12,115
<b>Expenses</b>							
Cost of Sales	36	-	-	7	790	-	833
Payroll Expenses	54	-	916	709	1,063	81	2,823
Operating Expenses	50	1,456	1,188	480	2,624	482	6,280
Total Expenses	140	1,456	2,104	1,196	4,477	563	9,936
<b>Net Operating Income (Loss)</b>	(41)	-	2,378	(352)	267	(73)	2,179
<b>Other Income (Expense)</b>							
Transfers (To) / From	-	-	(2,354)	-	91	-	(2,263)
Interest Expense	-	-	-	-	-	(87)	(87)
Other Income (Expense)	48	-	(3)	225	16	-	286
Total Other Income (Expense)	48	-	(2,357)	225	107	(87)	(2,064)
<b>Net to (from) Reserves</b>	7	-	21	(127)	374	(160)	115

\* Additional reserves exist within University Programs beyond those included in this schedule. Operating budgets are not prepared for those accounts.

\*\* Columns may not tie to individual department budget due to rounding.



**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## **University Graphic Systems**

Fiscal Year 2020-21



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## **BUSINESS OVERVIEW**

University Graphic Systems (UGS) is committed to learning and service. Through shared knowledge and the support of the Graphic Communication Department at Cal Poly, UGS delivers print and design services that enable its clients to move forward in their business and personal initiatives.

As a student-run enterprise, UGS values continuous learning, constructive self-criticism, continual self-improvement, integrity, relationships, mutual respect, teamwork, openness, clear communication, and personal and organizational excellence. UGS appreciates creative design, vibrant color, and understands the importance of personal customer service. It places a high value on relationships with UGS clients and has a passion for print and design. It prides itself in accomplishing any challenge and surpassing clients' expectations. It pursues the opportunity to learn and grow its skills through partnerships with corporate sponsors, the Graphic Communication Department, Cal Poly Corporation, and the Cal Poly campus.



## 2019-20 ACCOMPLISHMENTS

- UGS created two marketing manager positions. By adding one more manager, work was performed on the UGS rebrand process. Results included a new logo, a move to colors that align with Cal Poly branding, as well as updated fonts for titles.
- In November, student managers attended Adobe MAX in Los Angeles. Not only was the team able to bond with each other, but they were able to network with other students who were chosen to attend Adobe MAX. Adobe's Creative Cloud platform is something UGS uses each day; it was helpful to great to improve student manager skills and talk to creators that could inspire new ideas.
- UGS participated in the Week of Welcome events and Mustang Parents Weekend. This was the first time UGS was part of these campus-wide events, which served to promote UGS capabilities. During the Week of Welcome, five different sessions were held for "WOWies" to screen print their own t-shirts with a special design made for WOW! It was a great hands-on, learn-by-doing opportunity. During Parents Weekend, UGS had a booth in the UU and several parents, students, and supporters came by to purchase t-shirts, stickers, and talk to UGS managers.
- UGS increased its use of Pace software that reduced process time for jobs and track waste. UGS uses Pace to track intern hours and time spent on job production.
- UGS gained more off-campus leads. UGS worked with grade schools to print yearbooks and give tours through the Graphic Communication (GrC) department. UGS also printed apparel for Hotel SLO, the new luxury hotel downtown. The hope is to cultivate healthy relationships with off-site vendors in order to broaden the customer pool.
- UGS worked on the Digital Storefront. In the future, customers will be able to get quotes for their jobs online, and preview what their products will look like.
- UGS emphasized the development of its relationship with the Cal Poly Corporation. Through this relationship, UGS better tracks unit finances. A series of front-end procedures continued to be utilized, ensuring accuracy of the monthly job log, and proper accounting for payments.
- UGS worked closely with the UGS Advisory Board to increase opportunities for industry insight and donations.

## 2020-21 GOALS & OBJECTIVES

### **Change to UGS structure and business model:**

UGS has altered the company structure for the following year to better reflect industry-best practices and continue to take steps in a multi-year plan to change the model in accordance with the GrC department's desired focus. This focus encompasses integrating digital packaging and marketing communications into UGS operations. Structure and business model changes include eliminating the bindery manager position. Responsibilities of the previous manager position were allocated to the three project managers. In addition, the sales position has been developed into two account manager positions, a hybrid between the sales manager position and the project manager position. The account managers act as a specialized sales force dedicated to bringing in and maintaining new clients.

### **Continue expanding digital printing services:**

UGS will begin to incorporate the MGI foil stamping and UV varnish capabilities when permissible. The Digital Storefront has been constructed and is planned to be completed by Winter 2021. Services will then include online ordering. Standard operating procedures will be updated and transferred to a digital format to improve accessibility and further understanding. With the help of the marketing managers, UGS will begin to produce collateral such as UGS branded scantrons to increase UGS awareness. The inclusion of PACE software will automatically track waste and minimize human error. PACE can be used to log jobs and archive information for better accuracy.

### **More focus on expanding specialty services:**

UGS plans to increase sales in specialty sales with the addition of a second manager. Two specialty managers will be able to increase job turnaround and new specialty products such as seasonal t-shirts, stickers, mugs and increased market campaigns with a specialty service focus. Account managers will promote these products and acquire new clients and customers.

### **Continue to be a vital resource to the Graphic Communication Department:**

UGS has always been a continuous supporter and resource to the GrC Department. In the past year, UGS has offered its services and materials to students and professors alike in the department, ranging from mounting boards to specified paper for the book design class. UGS is a case study to find improvements and reduce waste and creates an internship-like experience in the form of a class. By the end of the Spring 2021, UGS plans to increase services to the various clubs and research groups under the GrC Department.

### **Continue to cultivate UGS' relationship with Cal Poly Corporation:**

UGS will continue to have regular meetings with the Corporation in order to ensure proper and accurate finances are maintained. In addition, UGS will continue efforts to maintain an accurate job log and ensure proper recognition for payments on all jobs.

**Continue working closely with the UGS Advisory Board:**

UGS maintains several connections with industry representatives who sit on the UGS Advisory Board. UGS spoke with the advisory board over the new branding initiated by Cal Poly this past Winter. UGS aims to continue the use of this board to provide insight to new technologies and practices in the industry and advise on new process implementation. This board also provides opportunities for UGS to receive monetary and equipment donations and sponsorships for managers to attend industry conferences and trade shows.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	Fiscal Year 2019-20 Budget	Fiscal Year 2019-20 Estimate*	Fiscal Year 2020-21 Budget Proposal	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$108	\$104	\$59	\$99	\$40	67%
Cost of Goods Sold	40	42	25	36	(11)	(45%)
<b>Gross Margin</b>	<b>68</b>	<b>62</b>	<b>34</b>	<b>62</b>	<b>29</b>	<b>84%</b>
Salaries & Wages	44	52	29	52	(24)	(82%)
Benefits	2	2	1	2	(1)	(169%)
<b>Total Payroll Expense</b>	<b>46</b>	<b>54</b>	<b>30</b>	<b>54</b>	<b>(25)</b>	<b>(84%)</b>
General Maintenance	14	14	-	2	(2)	(100%)
Supplies & Equipment	2	1	2	15	(14)	(838%)
CPC Administrative Services	18	19	16	18	(2)	(14%)
Other Operating Expenses	18	14	7	15	(8)	(120%)
<b>Total Operating Expenses</b>	<b>52</b>	<b>48</b>	<b>24</b>	<b>49</b>	<b>(25)</b>	<b>(105%)</b>
<b>Total Expenses</b>	<b>98</b>	<b>101</b>	<b>54</b>	<b>104</b>	<b>(50)</b>	<b>(94%)</b>
<b>Net from Operations</b>	<b>(30)</b>	<b>(40)</b>	<b>(19)</b>	<b>(41)</b>	<b>(22)</b>	<b>(112%)</b>
Other Income (Expense)	48	48	60	48	(12)	(20%)
<b>Total Other Income (Expense)</b>	<b>48</b>	<b>48</b>	<b>60</b>	<b>48</b>	<b>(12)</b>	<b>(20%)</b>
<b>Net to Reserves</b>	<b>\$18</b>	<b>\$8</b>	<b>\$41</b>	<b>\$7</b>	<b>\$(34)</b>	<b>(83%)</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## **OPERATING BUDGET DISCUSSION**

### **Sales and Cost of Goods Sold**

Sales for FY 2019-20 are expected to end significantly below budget as a result of the campus response to the COVID-19 pandemic. Sales are budgeted to decrease slightly in FY 2020-21 as compared to FY 2019-20 budget, largely due an unreliable printer. However, wide format sales, specialty print sales and prepress services are expected to increase. Two account managers will spend more time on sales initiatives and cold calls to bring in more business.

### **Payroll Expenses**

Student managers are the students hired to manage the business. They receive class credit for hours worked. UGS will employ 10 student managers for 44 weeks out of the year, at \$13.50 an hour for the first half of the fiscal year and \$14.50 for the second half of the fiscal year. These rates increased by \$1.00 from FY 2019-20.

### **Operating Expenses**

Operating Expenses for FY 2020-21 are expected to increase slightly over the FY 2019-20 budget. Any new printing technology or software that may be explored and used in FY 2020-21 will be provided by UGS sponsors such as the Graphic Communication Advisory Board.

Included in the FY 2020-21 budget are new iMac minis and Dell Monitors to improve the system software that is needed to operate and compete in the current industry. These computers and monitors will allow UGS to offer better design and prepress capabilities.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2018 Reserve Balance	\$152,677	\$152,677
FY 2018-19 Change in Reserves	17,960	17,960
June 30, 2019 Reserve Balance	170,637	170,637
FY 2019-20 Change in Reserves (estimate)	40,531	40,531
June 30, 2020 Reserve Balance (estimate)	211,168	211,168
FY 2020-21 Change in Reserves (budget)	6,761	6,761
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$217,929</b>	<b>\$217,929</b>

Reserves represent an accumulation of prior earnings. The schedule above reflects the current balance of the reserve account and the expected changes over the current and next fiscal years. The **Operating Reserve** represents the portion of the net position held for contingencies and continuing operations of UGS. The total operating reserve is equal to total unrestricted net assets and may not be a negative amount.

## **CAPITAL OUTLAY REQUEST**

There are no capital outlays requested for FY 2020-21.



**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## **Technology Park**

Fiscal Year 2020-21





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## BUSINESS OVERVIEW

The Technology Park (Tech Park) is a home on campus for local technology-based businesses, particularly firms engaged in applied research and development. The main goals of the Tech Park are to:

- Increase collaboration between Cal Poly and industry and enhance the ability of tenants to draw from the expertise of university faculty and students
- Provide professional development and "Learn by Doing" opportunities for faculty and students through employment, research, and project-based activities
- Catalyze high-tech economic development for San Luis Obispo

The Tech Park was completed in June of 2010 and was financed with a mix of debt (approximately 33%) and equity (approximately 67%). The debt component (\$2.8 million) is a 26-year California State University (CSU) System Wide Revenue Bond (Series 2009A). A portion of those bonds were refinanced in FY 2015-16 (Series 2016A). The building is approximately 25,000 square feet with approximately 20,000 square feet of leasable space and is located on Mount Bishop Road via Highland Drive and Highway 1, north of the campus instructional core.

There is also annex space to Tech Park, which includes two greenhouses on campus. The east and west greenhouses are located in crop science buildings 17-G and 17-H, on the corner of Highland Drive and Mount Bishop Road. They are subleased to the Applied Biotechnology Institute (ABI) and combined are approximately 1,500 square feet.

The Cal Poly Corporation (Corporation) and the Office of Research and Economic Development collaborate to provide administration of Tech Park operations. Currently, Jim Dunning, associate vice president of corporate engagement and innovation, monitors the day-to-day operations of the park. Dunning is the liaison between tenants and Cal Poly researchers and provides overall project management. The Corporation provides administrative support for the operations.

## 2019-20 ACCOMPLISHMENTS

As of May 2020, eight tenants were operating at the Tech Park, representing 97% occupancy. Tenants currently employ at least 30 full- or part-time students and have active collaborations with at least 10 faculty members from biology, crop science, food science and nutrition, chemistry and biochemistry, graphic communications, mathematics, civil and environmental engineering, computer science, and software engineering.

Thirty companies have resided in the Tech Park since 2010, employing or providing opportunities to more than 300 students. Companies have donated labor and equipment to various departments across campus with an estimated value of approximately \$1 million. Some highlights for FY 2019-20 include:

- **Media Upgrades:** Audio visual upgrades were made to the common area conference room during this fiscal year, including the installation of an interactive touch-enabled digital monitor for increased collaboration between tenants and Cal Poly researchers.
- **Administration:** Tech Park transitioned property management functions previously provided by an outside service provider to Corporation administration.
- **Cal Poly Strawberry Research Center (SRC):** The SRC completed a new laboratory space investment. This investment helps diversify the space offerings of the Tech Park and will be helpful in future tenant acquisition efforts. The SRC also hosted their annual field day bringing over 100 participants from industry and academia to preview the research ongoing at SRC.
- **Cal Poly Center for Health Research (CHR):** The CHR signed a sublease for two suites in the Technology Park to implement public-facing programming ongoing within the center. The mission of CHR is to facilitate transdisciplinary research in the prevention and treatment of obesity and related chronic diseases. CHR research spans from the cellular to social-ecological, promotes health equity, and leads to improved quality of life across the lifespan.
- **Expansion Project:**
  - Grant documents were executed between the campus and the Economic Development Administration (EDA) securing a \$6.7 million federal grant for the expansion of the Cal Poly Technology Park. When completed, the project is expected to create 150 jobs and spur \$20 million in private investment.
  - Consultants were retained and completed a mitigated negative declaration (California Environmental Quality Act - CEQA) documentation for the next phase of the project.
  - Corporation and California Polytechnic State University staff are collectively working on request for proposals and an acquisition strategy for the design and construction of the new facility.

## 2020-21 GOALS & OBJECTIVES

- The Tech Park liaison will continue to make connections between the tenants and the academic community to support collaboration and information exchange. Some potential outcomes may include:
  - Company-sponsored research and student senior project support
  - Guest lectures conducted by company subject matter experts in Cal Poly classes
  - Student internships and employment opportunities
  - Cal Poly intellectual property licensing opportunities
  - Company participation in department-level industrial advisory boards
  - Companies utilizing established fee-for-service agreements for specialized laboratories and equipment
- Tech Park staff will continue to support university Facilities Planning and Capital Project teams as it relates to the design and buildout of the Tech Park expansion.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	Fiscal Year 2019-20 Budget	Fiscal Year 2019-20 Estimate*	Fiscal Year 2020-21 Budget Proposal	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Rental Income	\$495	\$503	\$469	\$482	\$12	3%
Other Revenues	15	19	11	8	(3)	(25%)
<b>Income Before Operations</b>	<b>510</b>	<b>522</b>	<b>480</b>	<b>490</b>	<b>10</b>	<b>2%</b>
Salaries & Wages	47	56	65	50	16	24%
Benefits	28	35	37	31	6	15%
<b>Total Payroll Expense</b>	<b>75</b>	<b>91</b>	<b>102</b>	<b>81</b>	<b>21</b>	<b>21%</b>
Depreciation & Amortization	320	323	322	322	0	0%
General Maintenance	62	48	54	48	6	11%
Utilities	33	34	35	34	1	3%
Supplies & Equipment	0	0	2	4	(2)	(127%)
Fees for Services	32	32	32	32	-	0%
Other Operating Expenses	43	48	32	42	(10)	(32%)
<b>Total Operating Expenses</b>	<b>490</b>	<b>485</b>	<b>476</b>	<b>481</b>	<b>(5)</b>	<b>(1%)</b>
<b>Total Expenses</b>	<b>566</b>	<b>576</b>	<b>579</b>	<b>562</b>	<b>16</b>	<b>3%</b>
<b>Net from Operations</b>	<b>(55)</b>	<b>(54)</b>	<b>(99)</b>	<b>(73)</b>	<b>26</b>	<b>26%</b>
Other Income (Expense)	(4)	-	(1)	-	1	100%
Interest Expense	(96)	(92)	(91)	(87)	4	4%
<b>Total Other Income (Expense)</b>	<b>(100)</b>	<b>(92)</b>	<b>(92)</b>	<b>(87)</b>	<b>5</b>	<b>5%</b>
<b>Net to Reserves</b>	<b>\$(155)</b>	<b>\$(146)</b>	<b>\$(191)</b>	<b>\$(160)</b>	<b>\$31</b>	<b>16%</b>
<b>Noncash transactions (add back):</b>						
Depreciation & Amortization	320	323	322	322	0	0%
<b>Adjusted Net to Reserves</b>	<b>\$166</b>	<b>\$177</b>	<b>\$131</b>	<b>\$162</b>	<b>\$31</b>	<b>23%</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

The budget includes rental income and related operating expenses as well as depreciation on the Tech Park facility and related tenant improvements. Net income, excluding depreciation, is expected to be \$131,000 for FY 2019-20 and \$162,000 for FY 2020-21. Income from operations is used to service the debt on the facilities and fund reserves.

Total **Income Before Operations** for FY 2019-20 is below budget primarily the result of the unexpected time it took to sublease three units that were vacated during this fiscal year. There are four tenant subleases that occupy approximately 5,000 square feet of space in the Tech Park building. At this time, it is hard to predict, in light of COVID-19, which of these tenants with a lease expiring in FY 2020-21 is expected to renew its lease or be replaced by a new tenant. In an effort to be conservative in the current economic environment, the FY 2020-21 budget has built in approximately a 10% vacancy rate.

In the initial years of operation, payroll expenses for the Tech Park manager and related administrative support were funded by grants received by the university. To create a more self-sustaining operation, Corporation management and the Office of Research formulated a plan that allows for a portion of these expenses to be funded through the Tech Park operating budget. Funding is based on time and services rendered to Tech Park operations, which leading into FY 2019-20 was approximately 30% of total payroll expenses for the Tech Park manager and related administrative support. During FY 2019-20, Tech Park transitioned property management functions currently provided by an outside service provider to Corporation administration. This change has alleviated some of the time required of the Tech Park manager and is reflected in a reduction of payroll expenses for FY 2020-21. Combining this change with an overall effort to reduce operating expenses in the current economic environment, payroll expenses will be reduced from 30% to 20% for the Tech Park manager and related administrative support for FY 2020-21.

**Total Operating Expenses** for FY 2019-20 are slightly under budget and are expected to remain relatively constant in FY 2020-21. The decrease in FY 2019-20 from budget is, in part, the result of decreases in travel and project equipment expenses.

Principle and interest payments on long-term debt are approximately \$180,000 annually.

Overall **Net to Reserves** is negative due to depreciation expense on the Tech Park facility and related equipment and tenant improvements. Overall, Tech Park Operations are in a positive cash position and income from operations is sufficient to service the annual debt payments.



## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Debt Service Reserve	Capital Replacement & Renewal Reserve	Total
June 30, 2018 Reserve Balance	\$237,371	\$2,250,300	\$287,601	\$254,505	\$3,029,777
FY 2018-19 Change in Reserves	15,796	(193,636)	(7,799)	30,783	(154,856)
June 30, 2019 Reserve Balance	253,167	2,056,664	279,803	285,288	2,874,922
FY 2019-20 Change in Reserves (estimate)	(12,949)	(219,945)	3,631	38,247	(191,016)
June 30, 2020 Reserve Balance (estimate)	240,218	1,836,719	283,434	323,535	2,683,906
FY 2020-21 Change in Reserves (budget)	7,207	(146,374)	3,302	(24,180)	(160,045)
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$247,424</b>	<b>\$1,690,345</b>	<b>\$286,736</b>	<b>\$299,355</b>	<b>\$2,523,860</b>

Tech Park Operations maintains four separate reserves for the following designated purposes:

**Operating Reserves** represents working capital held for contingencies and continuing operations for Tech Park. These reserves are calculated based on 100% of the subsequent year's budgeted operating expenses, excluding interest and depreciation expenses.

**Debt Service Reserves** represent 115% of the subsequent year's debt service, including both principle and interest.

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

The **Capital Replacement & Renewal Reserve** is used to fund capital replacement and renewal of building subsystems such as roofs, electrical systems, HVAC systems, and plumbing systems. Reserve funds are accumulated based on building subsystems and components and their useful lives. Funds also may be requested from time to time for tenant improvements.

## CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Storm Drain Upgrades	\$35,000	10	\$3,500
<b>Total Major Capital Outlay</b>	<b>\$35,000</b>		<b>\$3,500</b>
<b>Minor Capital Equipment Outlay (Up To \$25,000)</b>			
Water Dispensing System	\$10,000	10	\$1,000
Miscellaneous Tenant Improvements	23,000	5	4,600
<b>Total Minor Capital Outlay</b>	<b>\$33,000</b>		<b>\$5,600</b>
<b>Total Capital Outlay</b>	<b>\$68,000</b>		<b>\$9,100</b>
<b>Previously Approved Capital Outlay Requests (1)</b>			
Electronic Door Locks	\$15,000	5	\$3,000
<b>Total Capital Outlay Request</b>	<b>\$83,000</b>		<b>\$12,100</b>

### CAPITAL OUTLAY DETAIL

**Storm Drain Upgrades:** Costs associated with upgrades to the storm drain network servicing the Tech Park and expansion areas are anticipated next fiscal year in the amount of \$35,000. The College of Agriculture is overseeing these upgrades as part of the new Wine and Viticulture development project.

**Water Dispensing System:** To encourage tenants to reduce single-use beverage containers, hydration stations with a self-filling water service feature will be installed in the common areas of the building. The total anticipated cost for this system is \$10,000.

**Miscellaneous Tenant Improvements:** To account for new tenant acquisitions and the need for modifying suites, Tech Park anticipates providing tenant improvement allowances in the future.

*(1) The Capital Outlay Request below was approved by the Board of Directors at their FY 2018-19 budget meeting. It is repeated here for informational purposes only. No further action is required.*

**Electronic Door Locks:** All common area door locks will be retrofitted to include electronic locking mechanisms to enable remote and timed activation of locking cores.



**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

**Swanton Pacific Ranch**

Fiscal Year 2020-21



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## **BUSINESS OVERVIEW**

The 3,280-acre Swanton Pacific Ranch (the ranch or Swanton) and operations provide unique "Learn by Doing" experiences in a premier living and learning outdoor laboratory. Primary operations include forestry, livestock, and crops activities. The director of the ranch, under the supervision of the dean of the College of Agriculture, Food and Environmental Sciences (CAFES), is responsible for planning and overseeing operations and promoting associated educational opportunities. The director also facilitates other opportunities associated with the unique environmental and cultural setting of the ranch.

### **Education and Research Programs**

Through educational programs, the ranch provides students with a variety of learning opportunities. These opportunities include internships, field trips, and short courses. There are also extension opportunities offered to outside groups. A primary educational focus of the ranch is resident and non-resident internships. Fourteen 12-week internships were completed by students from CAFES in summer 2019; 12 summer internships are planned for summer 2020 with nine of these summer internships fully funded by private donations. Gifts, donations or grants received are not part of this budget, although they serve to reduce the financial obligations covered by the endowment and operating revenues.

Weekend field trips bring more Cal Poly students to the ranch than to any other activity. Approximately 500 students from Cal Poly visited the ranch on weekend field trips this past year. These students are primarily from the Natural Resources Management & Environmental Sciences (NRES) and Animal Science (ASCI) departments. There are also 48 students from a Biological Sciences botany class that visit each spring. Another 200-plus students from other schools, universities, and professional groups also visited the ranch this past year, including from the University of San Francisco and UC Santa Cruz. The ranch continues to look for ways to engage other nearby universities.

The ranch also hosts a number of professional group meetings and seminars. For example, Arborwell held a two-day meeting and several all-day events were held, such as the day-long Scotts Creek Watershed Research Symposium.

### **Forestry Management Operations**

Forestry operations are ongoing at the ranch and continue to provide revenue and a variety of educational opportunities to Cal Poly students. The revenue from timber harvests is used to supplement the ranch operating budget and to upgrade road infrastructure.

In fiscal year 2018-19, the Valencia Creek property was sold, which previously had been a significant source of timber revenues supporting ranch operations (approximately \$187,000 per year). Proceeds from the sale are available to support capital projects at Swanton and with the CAFES, including the Water System Improvement Project (WSIP). In addition, the new owner has agreed to continue to allow educational and research access to Cal Poly students and faculty.

The lower Little Creek harvest has been delayed for logistical reasons and may likely occur late spring or summer 2021. The harvest will remove a relatively small volume of timber in comparison to previous harvests. Included in the harvest plan is the reconstruction of 900 feet of road to serve as the main route of lower Old Schoolhouse Gulch Road. This plan was submitted and approved as a "major amendment" to the standing Swanton Non-Industrial Timber Management Plan. The graded road will provide two-

lane traffic access along this 900-foot segment of road that serves as a timber haul road and will become the main access road leading to the Al Smith House and Staub House, as well as other ranch facilities. The plan amendment was developed by the ranch operations manager, working with a private consultant and student forestry technicians.

### **Livestock Management Operations**

The Swanton livestock program centers around three revenue generating operations:

**Stocker Cattle Program** – The stocker cattle program is a critical component of the goal of providing educational research opportunities while maintaining a productive and sustainable rangeland. The program includes managing approximately 300 stocker cattle, depending on current conditions and the contract with Lacey Livestock. The lease is based on a price per pound of weight gain. These efforts help in meeting operational goals for promoting perennial grass establishment and fire protection. The enterprise involves 12 to 18 CAFES students. The experience created for students is enhanced through the balance of educational and work activities during winter and spring quarters.

**Cow/Calf Program** – The resident herd produce approximately 20 calves each spring. Some calves, heifers, and cull cows are sold each year. Some calves are retained or used as replacement for those animals harvested for the Natural Grass-fed Beef Program.

**Natural Grass-fed Beef Program** – The natural beef program offers a unique experience for students. The market is growing, and expectations are that the herd could be increased to improve profitability. Swanton Natural Beef is now being sold to Campus Dining and included on two menu items at Myron's Restaurant. The commitment with Campus Dining is expected to grow significantly in the coming years. Revenues are utilized directly in the ranch budget for operational and educational purposes.

### **Crops Management Operations**

**Organic farming lease operation** – The primary crop activity on the ranch is the lease of 65 acres of prime agricultural land to Jacobs Farm/Del Cabo, Inc., one of the country's largest growers of organic culinary herbs. Depending on conditions and annual rotation of crops, the company also grows strawberries, dryland-farmed tomatoes, and acorn squash. This agreement offers unique production-scale organic operations, and the lease provides added, reliable income to support the ranch. The land lease operation and rent are negotiated every five years based on operational considerations and a market analysis.

**Apple orchard** – The organic apple orchard, operated by the ranch, includes more than 12 varieties of dwarf apple trees. The orchard is run primarily as a U-pick operation. This past season was another record-setting season, generating approximately \$32,000 in sales in September and October. The ranch has increased the size of the orchard by 300 trees. Those immature trees are a year or two from producing. The orchard provides educational opportunities to student interns and volunteers.

The winter pruning weekend, overseen by the ranch's agricultural management specialist with support from a professor in the Horticulture and Crop Science Department, is held each year and draws participation from a number of fruit science students as well as students interested in sustainable agriculture and organic farming. The ranch has also participated in an apple cider project initiated by a



food science professor over four of the past five years. Similar student opportunities are planned for the coming year. Student interns also maintain the orchard grounds and infrastructure each summer and prepare for the fall U-pick season.

Pumpkin and squash – An assessment of the merits of growing pumpkin and squash is ongoing. This includes exploring further connections with Campus Dining to investigate contract growing opportunities for Jacobs Farm and the ranch to supply produce and herbs. This could possibly be expanded to local schools. Exploration of grant opportunities continues for water quality solutions using well water for irrigation and technologically advanced instrumentation to provide information about water usage.

### **Swanton Pacific Educational Center and Field Camp (SPECFC)**

With an approved development permit from the Santa Cruz County Planning Commission, efforts have focused on refining the plans and securing funding to be able to submit for building permits. The water system and infrastructure project has begun, and a 100,000-gallon water tank has been installed along with many of the necessary appurtenances. Design of remaining components, such as a packaged water treatment system, is currently in progress. Construction activities for completing the WSIP and for further design modifications will continue as current funding allows.

## 2019-20 ACCOMPLISHMENTS

- The ranch operated efficiently using funds made available through endowment interest payout, income earned from operations, facility use fees, and grants.
- The education and research coordinator continues to facilitate and track all visitors and usage. Volunteer weekends were held for apple pruning and additional ranch work. Also, the Swanton ambassadors (former interns) helped with staff field trips, volunteer weekends, tours, and special events.
- The Phase 3 Scotts Creek Habitat and Floodplain Enhancement Project improved habitat for salmonids and improved hydrologic function, reconnecting a portion of the lower Scotts Creek floodplain to the channel through a series of levee breaches. The work supported a graduate student, interns and faculty, and restored a more-naturally functioning stream system while preserving agriculture. The second year of effectiveness monitoring has resulted in a rich biological and physical habitat dataset collected through the help of apprentices, interns, and watershed technicians. The funding from the project has allowed the ranch to partially fund a watershed apprentice for three years to study this system and employ the help of additional students to complete the field work. The project was completed in December 2019.
- Forty-eight Cal Poly students spent 276 student-weeks at Swanton in summer 2019. Thirty-four students were enrolled in two short-duration, high credit courses in addition to the 14 students enrolled in the 12-week internship. The short courses were NR 475 Sustainable Forestry and Environmental Practices, and BIO 329 Field Methods in Wildlife Ecology. These three programs recover costs and generate revenue from housing rent and facility fees to offset ranch operating costs.
- The ranch usage by professional groups is maintaining a level near the demand and near capacity for what ranch staff can accommodate. These have included workshops, professional meetings, and community meetings. Facility usage fees help offset ranch costs and add revenue. Some of the groups that used the facility this fiscal year were Monterey Bay Salmonid Trout Project, Arborwell, Cal Trans Highway One Crossing Replacement Advisory Group, Central Coast Regional Water Quality Control Board, and Jacobs Farm/Del Cabo.

## 2020-21 GOALS & OBJECTIVES

### Overall Ranch Goals

- Develop budget strategies for sustaining operations and educational programs, by analyzing funding alternatives that include advancement strategies.
- Initiate and complete strategic visioning process.
- Review and revise advancement plan in anticipation of launching a capital campaign.
- Increase overall Cal Poly student awareness of the ranch's educational opportunities and operations.
- Maintain existing utilization of the ranch by CAFES and other Cal Poly colleges; expand if feasible given funding and staffing.
- Increase exposure of the ranch through professional meetings and conferences.
- Continue maintaining and upgrading existing ranch facilities.
- Finalize membership with the Swanton Pacific Ranch Advisory Council and Management Advisory Groups.
- Conduct Advisory Council meeting and define goals and roles.
- Facilitate meetings for the Livestock Management Advisory Group, Crop Management Advisory Group, and Forest Management Advisory Group.
- Update the ranch management plan.

### Forestry

- Complete Non-Industrial Timber Management Plan amendment and undertake Lower Little Creek harvest to extract timber and realign lower Old Schoolhouse Gulch Road.
- Update and manage the Continuous Forest Inventory using new Student Forest Technician program.
- Repair road damage along forest roads.
- Review Forest Stewardship Council (FSC) accreditation and explore opportunities for a more mutually beneficial relationship with FSC.
- Pursue educational, research, and demonstration opportunities with Cal Poly faculty and other collaborators.
- Establish and foster cooperative role with new NRES silviculture professor.

### Livestock

- Maintain rangeland infrastructure that supports stocker and cow/calf operations such as fencing, water system, and ranch roads.
- Maintain cow/calf operation to sustain rangeland health and generate revenue.
- Continue stocker cattle operation with Lacey Livestock and explore more effective funding mechanisms.
- Monitor rangeland indicators of condition and health.
- Monitor water use and improve conservation measures.
- Pursue avenues to attract rangeland research or demonstration through Rangeland Monitoring Group.
- Continue to evaluate production of natural grass-fed beef and identify best-fit markets, such as with Campus Dining, local restaurants, and local individuals.

## **Crops**

- Work with Jacobs Farm to identify water quality solutions, water use accountability, soil health projects, and student opportunities.
- Operate organic apple orchard and sell apples through U-pick venue.
- Pursue Campus Dining collaborations.
- Pursue educational, research and demonstration opportunities.

## **Swanton Pacific Educational Center and Field Camp**

- Complete design changes and permitting requirements for the SPECFC.
- Further construction related to the water system and infrastructure project this coming fiscal year. This includes water, power, and communications.
- Complete electrical design and contracting documents to maximize the use of renewable energy.
- Update and vet cost analysis for SPECFC and prepare for construction by acquiring building permits to be shovel-ready as funding is released.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	Fiscal Year 2019-20 Budget	Fiscal Year 2019-20 Estimate*	Fiscal Year 2020-21 Budget Proposal	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$155	\$166	\$162	\$121	\$(41)	(25%)
Cost of Goods Sold	13	10	20	7	13	64%
<b>Gross Margin</b>	<b>142</b>	<b>156</b>	<b>141</b>	<b>113</b>	<b>(28)</b>	<b>(20%)</b>
Rental Income	80	91	74	108	35	47%
Other Revenues	565	609	635	615	(20)	(3%)
<b>Income Before Operations</b>	<b>787</b>	<b>856</b>	<b>850</b>	<b>837</b>	<b>(13)</b>	<b>(2%)</b>
Salaries & Wages	429	408	473	443	30	6%
Benefits	254	279	241	266	(25)	(10%)
<b>Total Payroll Expense</b>	<b>683</b>	<b>687</b>	<b>714</b>	<b>709</b>	<b>6</b>	<b>1%</b>
Depreciation & Amortization	199	154	164	121	44	27%
General Maintenance	88	72	110	62	48	44%
Utilities	55	50	56	56	0	1%
Supplies & Equipment	51	64	53	47	6	12%
Audit & Tax	-	4	4	4	-	0%
CPC Administrative Services	37	37	37	36	1	4%
Livestock / Feed Expense	7	7	4	9	(5)	(142%)
Other Operating Expenses	190	173	180	146	34	19%
<b>Total Operating Expenses</b>	<b>627</b>	<b>561</b>	<b>609</b>	<b>480</b>	<b>129</b>	<b>21%</b>
<b>Total Expenses</b>	<b>1,310</b>	<b>1,249</b>	<b>1,323</b>	<b>1,189</b>	<b>134</b>	<b>10%</b>
<b>Net from Operations</b>	<b>(523)</b>	<b>(392)</b>	<b>(473)</b>	<b>(352)</b>	<b>121</b>	<b>26%</b>
Other Income (Expense)	313	250	322	225	(97)	(30%)
<b>Total Other Income (Expense)</b>	<b>313</b>	<b>250</b>	<b>322</b>	<b>225</b>	<b>(97)</b>	<b>(30%)</b>
<b>Transfers In (Out)</b>	<b>912</b>	<b>-</b>	<b>696</b>	<b>-</b>	<b>(696)</b>	<b>(100%)</b>
<b>Net to Reserves</b>	<b>\$702</b>	<b>\$(142)</b>	<b>\$545</b>	<b>\$(127)</b>	<b>\$(672)</b>	<b>(123%)</b>
<b>Noncash transactions (add-back):</b>						
Depreciation & Amortization	199	154	164	121	(44)	(27%)
<b>Adjusted Net to Reserves</b>	<b>\$901</b>	<b>\$12</b>	<b>\$709</b>	<b>\$(6)</b>	<b>\$(716)</b>	<b>(101%)</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

**Income Before Operations** for FY 2019-20 is projected to approximate the budget. **Sales** were less than budgeted, but were mostly offset by increases in **Other Revenues**. FY 2019-20 proved to be another record year in orchard revenue. Apple sales came in at approximately \$32,000, almost 7% greater than forecasted. Income from livestock operations for FY 2019-20 is expected to total approximately \$79,000. The stocker cattle enterprise, natural beef sales, and livestock sales for FY 2019-20 are projected to be approximately \$28,000, \$24,000, and \$27,000 respectively.

The FY 2020-21 forecast for the livestock program is \$87,000 and the stocker cattle enterprise, grass-fed beef sales, and livestock sales are estimated to be \$28,000, \$26,500, and \$32,500, respectively. The beef/stocker programs, land rent, produce, and natural beef sales will generate additional income to support ranch operations. Total annual farming lease income is expected to be approximately \$56,000.

In FY 2020-21, the primary source of income to fund ranch operations will come from the Al Smith Endowment. The contribution directed to ranch operations will be \$600,000.

The FY 2020-21 operating budget for the ranch is proposing a 1% decrease in **Total Payroll Expense** from FY 2019-20 due to necessary budget reductions while new funding sources are being identified.

FY 2020-21 **Operating Expenses** are budgeted to decrease 21% from FY 2019-20, driven by decreases in depreciation expense and maintenance expenses of \$44,000 and \$48,000, respectively.

FY 2019-20 **Other Income (Expense)** includes a \$330,000 cash transfer to support Ranch operations from the Swanton endowment payout and supporting funds from CAFES. A similar transfer of \$225,000 is included in the fiscal year 2020-21 budget. **Transfers In** for FY 2019-20 includes \$696,000 of non-cash assets consisting of work in progress related to the SPECFC project.

For FY 2020-21, the **Net Loss to Reserves** of \$127,000 includes non-cash depreciation expenses of \$121,000. Excluding depreciation, the FY 2020-21 net to reserves is projected to be a deficit of only \$6,000. Operating reserves are projected to remain positive through FY 2020-21.

The goal is to remain in an efficient mode of operation while preserving necessary operational support and to begin taking advantage of new opportunities. The ranch also plans to continue outreach efforts to establish new university-wide educational opportunities. New relationships are being established with faculty throughout the university, which will lead to newly established internships and short courses. Any of these new commitments will be self-supported. It is important to note that the internship program remains viable and close to self-supporting while significantly addressing work tasks related to operations and toward fulfilling grant obligations. Increasingly, the ranch has been approaching private donors, industry, and foundations for funding support for internships and apprentices. Grant and donor sources are also critical to supporting internships, maintenance of long-term watershed and forestry monitoring, and supporting other student work experiences. Establishing new connections is a critical means of achieving these goals.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2018 Reserve Balance	\$12,140	\$1,631,578	\$1,643,718
FY 2018-19 Change in Reserves	(10,628)	712,545	701,917
June 30, 2019 Reserve Balance	1,512	2,344,123	2,345,635
FY 2019-20 Change in Reserves (estimate)	7,682	537,375	545,057
June 30, 2020 Reserve Balance (estimate)	9,194	2,881,499	2,890,693
FY 2020-21 Change in Reserves (budget)	(6,498)	(120,528)	(127,026)
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$2,696</b>	<b>\$2,760,970</b>	<b>\$2,763,666</b>

The schedule above reflects the current balances of the reserve accounts and the expected changes over the current and next fiscal years. Reserves represent an accumulation of prior earnings and are separated into the following categories:

The **Operating Reserve** represents the portion of net position held for contingencies and continuing operations of Swanton. The total Operating Reserve shall equal total unrestricted net assets less capital outlay reserves and may not be a negative amount.

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

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

## **CAPITAL OUTLAY REQUEST**

Capital outlays for facility and infrastructure improvements are contingent on an influx of outside funds. Requests for approval of capital expenditures will occur when appropriate. There are no capital outlay requests being submitted for fiscal year 2020-2021 at this time.





**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## **Plant Operations**

Fiscal Year 2020-21



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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 ongoing 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, business and finance, human resources, legal and facilities, information technology, the Corporation board room and the staff training facility.

**Corporation Warehouse** – Also in 1989, the Corporation completed the construction of a warehouse (building 82). Historically, this building has provided additional storage space for Campus Dining and University Store operations. Effective July 1, 2017, the Corporation executed a contract with Follett Higher Education Group to operate its campus bookstore. Follett declined using the warehouse, which resulted in a decision to release control of that portion of the warehouse, previously by the University Store, back to the University. In addition, University Distribution Services occupies 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 is 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. Ground subleases are executed between the Corporation and individual homeowners. Ground subleases are maintained by Corporation administration, including the collection of ground rents.

Since 2012, nine units previously owned by CPHC have been sold by the Corporation. Proceeds from these sales were used to repay the Corporation for original funding provided. As of September 2018, the Corporation owns five condominiums within Bella Montaña. One condominium is available for corporate transitional housing, three units are rented to Cal Poly faculty and staff, and one unit is held on behalf of the Orfalea College of Business (OCOB). The OCOB unit is provided to visiting lecturers and faculty. Operating expenses for this unit 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. The properties were placed in service during FY 2014-15 and are subject to a lease, which had an initial term through June 2018, but has been extended through June 2021.

## 2019-20 ACCOMPLISHMENTS

- The Corporation-owned Bella Montaña units were rented for the majority of the fiscal year.
- The Corporation installed new flooring in one of the Corporation-owned Bella Montaña units.
- The Grand Avenue properties were rented for the entire fiscal-year subject to a lease with the SLO Classical Academy.
- The Corporation collaborated with a consultant to create designs for a reconfiguration of the Corporation Administration Building space to optimize space utilization and accommodate department and staff relocations.
- The Corporation obtained an educational property tax exemption for the Bella Montaña unit purchased in FY 2018-19.
- The Corporation negotiated a new lease with SLO Classical Academy for the Grand Avenue properties despite the adverse effects of the COVID-19 pandemic.
- The Corporation vacated the Warehouse records room and moved all documents to an off-site storage location.

## 2020-21 GOALS & OBJECTIVES

- Complete the Warehouse modifications as part of the building 19 transition.
- Continue enhancing the property management function for Corporation-owned real property.
- Explore the possibility of selling one of the Corporation-owned Bella Montaña units.
- Complete the Corporation Administration Building reconfiguration to add more workstation capacity and create a more functional work environment that complements telecommuting.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	Fiscal Year 2019-20 Budget	Fiscal Year 2019-20 Estimate*	Fiscal Year 2020-21 Budget Proposal	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Occupancy Income	\$436	\$444	\$431	\$433	\$2	1%
Other Revenues	2	12	2	12	10	575%
<b>Income Before Operations</b>	<b>439</b>	<b>456</b>	<b>433</b>	<b>445</b>	<b>12</b>	<b>3%</b>
Depreciation & Amortization	151	158	152	161	(9)	(6%)
General Maintenance	62	58	53	71	(17)	(32%)
Utilities	56	59	59	61	(2)	(4%)
Supplies & Equipment	0	15	-	-	-	0%
Rent / Lease Expense	3	3	3	3	-	0%
CPC Administrative Services	81	81	81	79	2	2%
Other Operating Expenses	89	92	93	100	(7)	(7%)
<b>Total Operating Expenses</b>	<b>442</b>	<b>467</b>	<b>442</b>	<b>475</b>	<b>(33)</b>	<b>(8%)</b>
<b>Total Expenses</b>	<b>442</b>	<b>467</b>	<b>442</b>	<b>475</b>	<b>(33)</b>	<b>(8%)</b>
<b>Net from Operations</b>	<b>(3)</b>	<b>(11)</b>	<b>(9)</b>	<b>(30)</b>	<b>(21)</b>	<b>(229%)</b>
Other Income (Expense)	(1)	-	(6)	-	6	100%
<b>Total Other Income (Expense)</b>	<b>(1)</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>6</b>	<b>100%</b>
<b>Transfers In (Out)</b>	<b>(74)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Net to Reserves</b>	<b>\$(78)</b>	<b>\$(11)</b>	<b>\$(15)</b>	<b>\$(30)</b>	<b>\$(15)</b>	<b>(106%)</b>
<b>Noncash transactions (add back):</b>						
Depreciation & Amortization	151	158	152	161	9	6%
<b>Adjusted Net to Reserves</b>	<b>\$73</b>	<b>\$147</b>	<b>\$137</b>	<b>\$131</b>	<b>\$(6)</b>	<b>(4%)</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding



## OPERATING BUDGET DISCUSSION

### Revenues

Occupancy income includes cost recovery charges to occupants of the Corporation Administration Building and the Corporation Warehouse to cover maintenance and operating expenses for those facilities, as well as build reserves for renovations and future capital outlays. Occupancy income also includes rent revenue for Corporation-managed real property included in this budget. FY 2019-20 is slightly under budget, primarily the result of deferred rental payments for the Grand Avenue properties following a request for relief from the SLO Classical Academy due to the COVID-19 pandemic. Total occupancy income for FY 2020-21 is expected to remain consistent with FY 2019-20 projections, as the Corporation does not plan to increase the cost recovery charges for the Corporation Administration Building and Corporation Warehouse.

Other revenues include funding received from the OCOB related to the operation and maintenance of the condo unit owned by the Corporation on the OCOB's behalf. No funds were needed in FY 2019-20 since the rent was collected from occupants during the year. It does not anticipate collecting rent in FY 2020-21 and therefore will need to contribute funds to support the unit's operating expenses.

No sales of Bella Montaña units occurred in FY 2019-20. The Corporation will explore the possibility of selling one of the Corporation-owned units in FY2020-21 if other University needs are not identified.

### Expenses

Total operating expenses for FY 2019-20 are 5% below budget, primarily due to decreases in project equipment and depreciation expenses for the Corporation Administration Building. Total operating expenses are expected to increase by 8% in FY 2020-21, primarily due to an increase in maintenance expenses for the Corporation Administration Building and Bella Montaña. Maintenance projects for the Corporation Administration Building originally scheduled for FY 2019-20 are now expected to occur in FY 2020-21 due to delays caused by the COVID-19 pandemic. In addition, maintenance expenses are expected for one of the corporation-owned Bella Montaña units.

### Transfers In (Out)

No transfers are expected in FY 2019-20 or FY 2020-21. In FY 2018-19, there were transfers out in the amount of \$500,000 for development of the student housing initiative that was approved by the board in the April 2019 meeting.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Facilities Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2018 Reserve Balance	\$338,151	\$1,951,154	\$3,231,751	\$3,478,912	\$8,999,968
FY 2018-19 Change in Reserves	(29,496)	153,104	(907,563)	280,061	(503,894)
June 30, 2019 Reserve Balance	308,655	2,104,258	2,324,188	3,758,973	8,496,074
FY 2019-20 Change in Reserves (estimate)	5,068	127,856	(12,933)	(134,642)	(14,651)
June 30, 2020 Reserve Balance (estimate)	313,723	2,232,114	2,311,255	3,624,331	8,481,423
FY 2020-21 Change in Reserves (budget)	9,412	159,575	(362,854)	163,756	(30,111)
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$323,135</b>	<b>\$2,391,689</b>	<b>\$1,948,401</b>	<b>\$3,788,087</b>	<b>\$8,451,312</b>

Plant Operations maintains four separate reserves as follows:

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 **Facilities Reserve** are funds set aside for building expansion, renovation, or replacement of Corporation facilities. Facilities Reserves also include funds set aside for the purchase of Bella Montaña units, as needed, in an effort to maintain the development as a community exclusive for Cal Poly faculty and staff.

**Investment in Operating Assets** represents an 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>			
Corporation Administration Building Space Reconfiguration	\$150,000	30	\$5,000
Corporation Warehouse Modifications	100,000	30	3,333
<b>Total Capital Outlay Request</b>	<b>\$250,000</b>		<b>\$8,333</b>

### CAPITAL OUTLAY REQUEST DETAIL

*(1) The Capital Outlay Requests within this section were approved by the Board of Directors at their June 2019 and January 2020 meetings. They are repeated here for informational purposes only. No further action is required.*

**Corporation Administration Building Space Reconfiguration:** Reconfiguration of existing space within building 15.

**Corporation Warehouse Modifications:** Modification and consolidation of existing Corporation space within building 82.



OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## **Other Commercial Activities**

Fiscal Year 2020-21



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## BUSINESS OVERVIEW

Through its delegation from the university, the Cal Poly Corporation has the exclusive right and responsibility to provide a number of campus commercial and enterprise services. Those services include food services, conference and event planning services, bookstores, print services, and other retail outlets. This delegation includes the right to self-operate or contract for the services, and to appropriately manage the operation or contract in its responsibility as a self-support service to the campus community.

Budgets for food services operations and conference and event planning services are prepared separately. This budget incorporates the following other commercial activities of the Corporation:

**University Store Contract (including Cal Poly Downtown)** - The University Store has two physical locations, one on-campus and one in downtown San Luis Obispo, and a robust e-commerce platform. The store has been serving the campus community since 1933, offering textbooks, technology, and academic supplies, along with Cal Poly branded apparel and gifts that encourage and support the Mustang spirit both locally and across the country. The University Store is a certified Apple retailer with Apple-certified Mac technicians on the premises.

Effective July 1, 2017, the Corporation entered into a contract with Follett Higher Education Group (Follett) to operate its campus bookstore, downtown location, and e-commerce store. The agreement with Follett is a seven-year term, with three additional one-year extensions. As part of this arrangement, the Corporation receives an annual commission based on certain sales. The commission is used to pay for continuing expenses (i.e. rents, taxes, depreciation, and utilities) as well as contract management support. Residual income is used to support on-going Corporation operations and contributions to university services.

**Cal Poly Print & Copy** - Located in Cal Poly's Robert E. Kennedy Library, Cal Poly Print & Copy offers a variety of print solutions. Three distinct revenue streams make up the majority of its business: (1) walk-up windows primarily for students, (2) online ordering primarily for faculty and staff, and (3) the production of course packs to Follett for resale to students. The largest source of revenue comes from the work produced for faculty and staff followed closely by the production of course packs.

Cal Poly Print & Copy specializes in small and large format printing to produce materials for presentations, events, and the classroom. It features online ordering and flexible hours to meet campus printing needs.

**Other Retail Outlets** - From time to time, the Corporation will enter into nominal contracts with other retail providers to sell products or services for a limited time. These vendors require little setup or infrastructure. These contracts generate income to the Corporation through revenue-sharing or rent charges in exchange for allowing these vendors to do business on campus.



## 2019-20 ACCOMPLISHMENTS

**COVID-19 Response:** As a result of the COVID-19 pandemic, Cal Poly Downtown and Cal Poly Print & Copy were closed and the spring and summer 2020 academic quarters were provided virtually. In response to the substantial economic impact, the Corporation has reduced expenses through furloughs, contract renegotiation, and cancellation or postponement of discretionary expenditures.

**Facilities renovation:** The agreement with Follett includes \$575,000 for a limited physical renovation of the university store, including fixtures, equipment, and structural changes. The Follett team has been working closely with Corporation and university management so that plans for physical changes to the store are integrated into the University Union/Building 19 neighborhood project.

**Expand campus outreach and joint marketing programs:** The Corporation and Follett continue to expand community outreach efforts, build upon existing relationships with faculty, staff, and student groups and cultivate new ones. Outreach efforts include increased faculty education in regards to textbook adoption and affordability and re-establishment of a store advisory council. The university has agreed to direct marketing to students for courseware and supplies. This will grow online sales and buffer the impact of less in-person shopping.

**Poly Access program:** Follett has worked closely with the Corporation and university on the adoption of an immediate access program at Cal Poly. As one of the affordable learning solutions portfolio of suggested campus actions, this program allows students access to digital course materials on the first day of classes. The program launched in the winter quarter with 54 sections, and provided online options for virtual learning going into the spring quarter.

**Cal Poly Print & Copy:** Cal Poly Print & Copy has successfully produced 100% of all course packs for Follett on time for the past nine quarters. Student labor costs have decreased while maintaining above average service and completing jobs faster than in the past. Product quality and consistency have been improved by implementing new training and standard operating procedures.

## 2020-21 GOALS & OBJECTIVES

**Facilities renovation:** The Follett team will continue working closely with Corporation and university management so that plans for physical changes to the store are integrated into the University Union/Building 19 neighborhood project.

**Revenue preservation:** The Corporation and Follett will continue to work together to promote online revenue growth as a mechanism for offsetting the loss of traffic in the store, as well as deepening the connections with faculty to grow revenue from online learning services.

**Library renovation collaboration:** The Corporation will continue to collaborate with the university on the library renovation project, gathering information and providing input on appropriate spaces and design options for dining and retail spaces, including Cal Poly Print & Copy.

**Cal Poly Print & Copy:** Cal Poly Print & Copy will continue to expand wide format services and hours of operation. Outreach on the campus will continue to be a focus, primarily towards the admin staff, to further grow the business.

**COVID-19 Response:** The Corporation will work closely with Follett to implement safe and appropriate business practices as shelter-in-place orders are lifted, businesses are allowed to reopen, and students begin to return to campus.

## 2020-21 OPERATING BUDGET PROPOSAL

### OTHER COMMERCIAL ACTIVITIES (CONSOLIDATED)

(in thousands) **	Fiscal Year 2018-19 Actual	% of Sales	Fiscal Year 2019-20 Budget	% of Sales	Fiscal Year 2019-20 Estimate*	% of Sales	Fiscal Year 2020-21 Budget Proposal	% of Sales	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$470	100%	\$482	100%	\$321	100%	\$403	100%	\$81	25%
Cost of Goods Sold	122	26%	135	28%	82	26%	112	28%	(30)	(37%)
<b>Gross Margin</b>	<b>348</b>	<b>74%</b>	<b>347</b>	<b>72%</b>	<b>239</b>	<b>74%</b>	<b>290</b>	<b>72%</b>	<b>51</b>	<b>21%</b>
Other Revenues	1,542	328%	1,389	288%	1,168	364%	1,264	314%	96	8%
<b>Income before Operations</b>	<b>1,890</b>	<b>402%</b>	<b>1,736</b>	<b>360%</b>	<b>1,407</b>	<b>438%</b>	<b>1,554</b>	<b>386%</b>	<b>147</b>	<b>10%</b>
Salaries & Wages	136	29%	142	29%	113	35%	123	31%	(10)	(9%)
Benefits	42	9%	40	8%	38	12%	37	9%	1	3%
<b>Total Payroll Expense</b>	<b>177</b>	<b>38%</b>	<b>182</b>	<b>38%</b>	<b>151</b>	<b>47%</b>	<b>160</b>	<b>40%</b>	<b>(9)</b>	<b>(6%)</b>
Depreciation & Amortization	74	16%	73	15%	73	23%	69	17%	3	4%
Rent / Lease Expense	168	36%	170	35%	151	47%	150	37%	1	1%
CPC Administrative Services	722	154%	679	141%	674	210%	659	164%	15	2%
CPC Allocated Services	55	12%	60	12%	62	19%	44	11%	18	29%
Supplies & Equipment	3	1%	5	1%	5	2%	4	1%	2	31%
Other Operating Expenses	164	35%	157	33%	127	40%	151	37%	(23)	(18%)
<b>Total Operating Expenses</b>	<b>1,188</b>	<b>253%</b>	<b>1,143</b>	<b>237%</b>	<b>1,093</b>	<b>340%</b>	<b>1,077</b>	<b>268%</b>	<b>15</b>	<b>1%</b>
<b>Total Expenses</b>	<b>1,365</b>	<b>290%</b>	<b>1,325</b>	<b>275%</b>	<b>1,244</b>	<b>387%</b>	<b>1,238</b>	<b>307%</b>	<b>6</b>	<b>0%</b>
<b>Net from Operations</b>	<b>525</b>	<b>112%</b>	<b>410</b>	<b>85%</b>	<b>164</b>	<b>51%</b>	<b>316</b>	<b>79%</b>	<b>153</b>	<b>93%</b>
Other Income (Expense)	(95)	(20%)	-	0%	24	8%	-	0%	(24)	(100%)
University Services	(294)	(62%)	(302)	(63%)	(149)	(46%)	(151)	(38%)	(2)	(2%)
<b>Total Other Income (Expense)</b>	<b>(389)</b>	<b>(83%)</b>	<b>(302)</b>	<b>(63%)</b>	<b>(124)</b>	<b>(39%)</b>	<b>(151)</b>	<b>(38%)</b>	<b>(27)</b>	<b>(21%)</b>
Transfer to Plant Fund Reserves	(164)	(35%)	-	0%	-	0%	-	0%	-	0%
<b>Net to Reserves</b>	<b>\$(28)</b>	<b>(6%)</b>	<b>\$108</b>	<b>23%</b>	<b>\$39</b>	<b>12%</b>	<b>\$165</b>	<b>41%</b>	<b>\$126</b>	<b>323%</b>
<b>Noncash transactions (add back):</b>										
Depreciation & Amortization	74	16%	73	15%	73	23%	69	17%	3	4%
Other Expense	42	9%	-	0%	-	0%	-	0%	-	0%
<b>Adjusted Net to Reserves</b>	<b>\$88</b>	<b>19%</b>	<b>\$181</b>	<b>38%</b>	<b>\$112</b>	<b>35%</b>	<b>\$235</b>	<b>58%</b>	<b>\$123</b>	<b>110%</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## CAL POLY PRINT & COPY

(in thousands) **	Fiscal Year 2018-19 Actual	% of Sales	Fiscal Year 2019-20 Budget	% of Sales	Fiscal Year 2019-20 Estimate*	% of Sales	Fiscal Year 2020-21 Budget Proposal	% of Sales	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$421	100%	\$431	100%	\$293	100%	\$356	100%	\$64	22%
Cost of Goods Sold	90	21%	102	24%	64	22%	82	23%	(18)	(29%)
<b>Gross Margin</b>	<b>332</b>	<b>79%</b>	<b>329</b>	<b>76%</b>	<b>229</b>	<b>78%</b>	<b>274</b>	<b>77%</b>	<b>45</b>	<b>20%</b>
Other Revenues	0	0%	-	0%	-	0%	-	0%	-	0%
<b>Income before Operations</b>	<b>332</b>	<b>79%</b>	<b>329</b>	<b>76%</b>	<b>229</b>	<b>78%</b>	<b>274</b>	<b>77%</b>	<b>45</b>	<b>20%</b>
Salaries & Wages	136	32%	142	33%	113	39%	123	35%	(10)	(9%)
Benefits	42	10%	40	9%	38	13%	37	10%	1	3%
<b>Total Payroll Expense</b>	<b>177</b>	<b>42%</b>	<b>182</b>	<b>42%</b>	<b>151</b>	<b>52%</b>	<b>160</b>	<b>45%</b>	<b>(9)</b>	<b>(6%)</b>
Depreciation & Amortization	8	2%	8	2%	8	3%	8	2%	-	0%
CPC Administrative Services	19	5%	29	7%	24	8%	24	7%	(0)	(1%)
Supplies & Equipment	3	1%	5	1%	5	2%	3	1%	1	31%
Other Operating Expenses	51	12%	52	12%	45	15%	46	13%	(2)	(3%)
<b>Total Operating Expenses</b>	<b>81</b>	<b>19%</b>	<b>93</b>	<b>22%</b>	<b>82</b>	<b>28%</b>	<b>82</b>	<b>23%</b>	<b>(0)</b>	<b>0%</b>
<b>Total Expenses</b>	<b>258</b>	<b>61%</b>	<b>275</b>	<b>64%</b>	<b>233</b>	<b>80%</b>	<b>243</b>	<b>68%</b>	<b>(10)</b>	<b>(4%)</b>
<b>Net from Operations</b>	<b>74</b>	<b>18%</b>	<b>54</b>	<b>13%</b>	<b>(5)</b>	<b>(2%)</b>	<b>31</b>	<b>9%</b>	<b>36</b>	<b>794%</b>
Other Income (Expense)	(1)	0%	-	0%	13	4%	-	0%	(13)	(100%)
University Services	-	0%	(8)	(2%)	(4)	(1%)	(4)	(1%)	(0)	(2%)
<b>Total Other Income (Expense)</b>	<b>(1)</b>	<b>0%</b>	<b>(8)</b>	<b>(2%)</b>	<b>9</b>	<b>3%</b>	<b>(4)</b>	<b>(1%)</b>	<b>(13)</b>	<b>(144%)</b>
Transfer to Plant Fund Reserves	(89)	(21%)	-	0%	-	0%	-	0%	-	0%
<b>Net to Reserves</b>	<b>\$(15)</b>	<b>(4%)</b>	<b>\$46</b>	<b>11%</b>	<b>\$5</b>	<b>2%</b>	<b>\$27</b>	<b>8%</b>	<b>\$23</b>	<b>493%</b>
<b>Noncash transactions (add back):</b>										
Depreciation & Amortization	8	2%	8	2%	8	3%	8	2%	-	0%
<b>Adjusted Net to Reserves</b>	<b>\$(7)</b>	<b>(2%)</b>	<b>\$54</b>	<b>13%</b>	<b>\$13</b>	<b>4%</b>	<b>\$35</b>	<b>10%</b>	<b>\$23</b>	<b>178%</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

**Sales and Cost of Sales** for FY 2019-20 includes results from Cal Poly Print & Copy operations as well as wine sales at Cal Poly Downtown. The unfavorable variance in sales from budget is primarily the result of decreased sales at both locations resulting from the economic impact of the COVID-19 pandemic. In March, the University made a decision to provide the Spring 2020 academic quarter virtually and closed the 24-hour library space where Cal Poly Print & Copy operates. In addition, San Luis Obispo county shelter-in-place orders required the closure of Cal Poly Downtown on March 19th. Both of these actions are projected to have a material impact on revenues.

Sales at Cal Poly Print & Copy for FY 2020-21 assume the store will be allowed to open for the fall academic quarter to a reduced on-campus population. Sales estimates are conservative and reflect a 17% decrease from the FY 2019-20 budget. Cost of Sales for FY 2020-21 reflect consistent margins from previous years.

**Other Revenues** primarily represent commissions earned from Follett, which is generally calculated as 17% of commissionable sales. The contract provides for a guaranteed minimum commission of 95% of the previous year's commissionable sales. As result of the economic impact of COVID-19, Follett has advised the Corporation of their inability to pay the guaranteed minimum commission for FY 2019-20. After further discussions with Follett, it was agreed the guaranteed minimum commission would be paid through March 2020, and commissions for April to June 2020 would be based on actual sales. The projection for FY 2019-20 represents this agreement. The budget for FY 2020-21 assumes that Follett commissionable sales can recover to levels closer to what was achieved in FY 2018-19. Corporation management is working closely with Follett to identify ways to increase commissionable sales over the coming year.

**Total Payroll Expense** relates solely to Cal Poly Print & Copy and is projected to end the FY 2019-20 approximately 17% under budget. In response to the economic impact of COVID-19, the Corporation introduced a series of furloughs across all employee types. Payroll expense for FY 2020-21 reflects a continuation of the furloughs introduced in FY 2019-20. While the budget includes reductions in hours for student and part-time employees, it also reflects an increase in the minimum wage in January 2021, and overall fringe benefit rates that are slightly higher than FY 2019-20.

**Total Operating Expenses** include continuing direct expenses for the University Store and Cal Poly Downtown (i.e. rents, taxes, depreciation and utilities) as well as contract management and indirect cost support. FY 2019-20 Operating Expenses are projected to end the FY 2019-20 approximately 4% under budget. In response to the economic impact of COVID-19, the Corporation reduced, cancelled, or postponed, where possible, expenditures related to these operations. Operating Expenses for FY 2020-21 reflects a continued effort to reduce, cancel, or postpone expenditures. A successful renegotiation of the Cal Poly Downtown lease occurred, providing for a 10% rent reduction throughout FY 2020-21.

**Other Income (Expense)** for FY 2019-20 and FY 2020-21 primarily reflects reductions in funding for University Services, following the significant losses related to the economic impact of COVID-19.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2018 Reserve Balance	\$1,116,378	\$6,264,838	\$423,101	\$0	\$7,804,317
FY 2018-19 Change in Reserves	(52,961)	240,325	(69,259)	100,000	218,105
June 30, 2019 Reserve Balance	1,063,417	6,505,163	353,842	100,000	8,022,422
FY 2019-20 Change in Reserves (estimate)	(70,956)	184,467	(74,436)	0	39,075
June 30, 2020 Reserve Balance (estimate)	992,461	6,689,630	279,406	100,000	8,061,497
FY 2020-21 Change in Reserves (budget)	29,774	205,025	30,620	(100,000)	165,419
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$1,022,235</b>	<b>\$7,274,014</b>	<b>\$310,026</b>	<b>\$0</b>	<b>\$8,606,275</b>

Reserves for other commercial activities are designated as follows:

**Operating Reserves** represents working capital held for contingencies and continuing operations. The reserve balance for the University Store contract is equal to 100% of the subsequent year's budgeted operating expenses (less depreciation expense), which reflects the difference in business model compared to other commercial operations. Operating reserves at Cal Poly Print & Copy for June 30, 2020 (estimate) and June 30, 2021 (budget) are equal to 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

**Facilities Reserves** represent accumulated earnings after all other reserve requirements have been met. These funds will be used for future construction, renovation, or replacement of campus facilities. These funds are transferred to the Plant Fund on an annual basis.

**Investment in Operating Assets** for June 30, 2020 (estimate) and June 30, 2021 (budget) represents the investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

**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>Previously Approved Capital Outlay Requests (1)</b>			
University Store Storefront Changes	\$100,000	20	\$5,000
<b>Total Capital Outlay Request</b>	<b>\$100,000</b>		<b>\$5,000</b>

### CAPITAL OUTLAY REQUEST DETAIL

*(1) The Capital Outlay Request below was approved by the Board of Directors at their FY 2018-19 budget meeting. It is repeated here for informational purposes only. No further action is required.*

**University Store Storefront Changes:** The Corporation is collaborating with ASI and Follett to change the storefront of the University Store to complement the University Union/Building 19 neighborhood project.



**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## **Commercial Agriculture Operations**

Fiscal Year 2020-21





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## BUSINESS OVERVIEW

The Cal Poly Corporation agriculture operations are an integral part of Cal Poly's "Learn by Doing" educational philosophy. The commercial funds and student enterprise classes and projects provide students from all majors the opportunity to learn about agricultural production, marketing, and sales, and receive compensation for their work. The programs are a critical complement to the College of Agriculture, Food and Environmental Sciences' (CAFES) academic curriculum. A high percentage of courses offered by Animal Science, Dairy Science, Horticulture and Crop Science, and Wine and Viticulture use the infrastructure that the Corporation programs provide. In fact, classes are regularly held at a field facility rather than in a classroom.

Students are employed in a variety of Corporation-supported agriculture jobs, from veterinary clinic interns and Poly Plant Shop employees to operators at the J and G Lau Family Meat Processing Center (MPC). Students learn marketable skills by participating in contract research, developing new jams and barbecue sauces with industry partners, and participating in cutting-edge animal fertility techniques.

Students benefit indirectly from Corporation-supported agricultural operations as they participate in lab classes using plant materials, livestock, meats, processed foods, orchards, and other commercial and enterprise-project supported resources. In this way, agricultural operations provide the "raw material" and the setting for hands-on instruction in CAFES. This action is a critical function of Corporation agricultural operations, and its benefits cannot be overstated.

Operations cover the full spectrum of the agriculture industry on more than 6,000 acres. The areas of production activities are:

### **Animal Science and Dairy Science Programs**

*Dr. Jaymie Noland*

The cost of maintaining operational production systems to facilitate the Cal Poly Animal Science Department's hands-on learning mission continues to be high. Demand for these programs continues to be strong, with more than 1,500 applicants for fall quarter 2020 and nearly 830 undergraduate students currently enrolled in the program. In addition to the strong demand for these operations, the value of the program's enterprise classes remains high.

The majority of students entering the animal science and dairy science majors are from urban areas and arrive with very limited animal handling experience. Providing hands-on experience with multiple species in production venues is critical, and these units allow student involvement in commercial operations thereby fostering a "Learn by Doing" approach. The Animal Science Department also continues to increase its offerings of research enterprises, involving more than 300 students in undergraduate research each year.

The Cal Poly commercial production programs, which include the dairy, beef, western bonanza, bull test, vet clinic, goat, sheep, swine, poultry, Animal Nutrition Center, and MPC units, are working hard to find donor funding to update facilities and reduce operating costs. These commercial operations provide critical support to the department's academic programs; "Learn by Doing" would not be a reality without these facilities.

The Cal Poly Creamery, MPC, and Poultry Production Center sell all products produced to on- and off-campus venues. These products can be found in major retail stores and farmers' markets and make popular hospitality gifts for campus visitors, donors and alumni.

Facilities:

- Animal Nutrition Center
- Beef Unit
- Dairy Manufacturing
- Dairy Production
- Dairy Products Technology Center
- Oppenheimer Family Equine Center
- J and G Lau Family Meat Processing Center
- Poultry Center
- Sheep and Goat Unit
- Swine Center
- Veterinary Clinic

## **Environmental Horticulture and Crop, Fruit and Vegetable Science Programs**

*Dr. Scott Steinmaus*

A recent emphasis has been placed on increasing efficiencies associated with water use and precision farming, making aging equipment and irrigation infrastructure major concerns. Food safety continues to be a critical area of department operations and remains a top priority.

The department hopes to accommodate up to 72 students per quarter in field crop, fruit, horticulture, and vegetable projects. The number of students in fruit projects may continue to grow due to the increase of students majoring in wine and viticulture. In total, it is estimated that the program will provide "Learn by Doing" experiences to more than 200 students in the 2020-21 academic year.

The ongoing goal of these programs is to give students the best possible educational experience in organic farming, and the enterprise project program is a key component of that educational experience. Cal Poly's "Learn by Doing" philosophy is a fundamental part of what distinguishes its graduates.

## **Food Science and Nutrition Programs**

*Molly Lear*

The Food Science and Nutrition Department's production unit is an integral part of Cal Poly's "Learn by Doing" philosophy, helping to prepare students from its two majors as well as student employees for jobs in the food industry. Students are exposed to and learn all aspects of sanitation, equipment set-up, production, shutdown, product development, quality control, quality assurance, record keeping, sales, marketing and food law, among others.

This production unit employs one benefitted staff member and 26 student employees that produce jarred products, including jams and sauces, as well as chocolates. Production typically occurs one day per week throughout the quarter – once per week for jarred products and once per week for chocolates

– as the facilities are also used for teaching.

The program currently produces the following seven products: olallieberry spreadable fruit, raspberry jam, blackberry jam, olallieberry jam, strawberry jam, sweet hickory barbeque sauce, and fiery barbeque sauce.

The program currently produces 17 flavors of chocolate bars: milk, dark, peanut butter crunch, pumpkin spice, coffee crunch, spicy cayenne, peppermint crunch, raspberry crisp, zesty orange, s'mores, green tea matcha milk bar, birthday cake, hot habanero, strawberry milk, dark with sea salt, toffee crunch in milk and dark, and, coming soon, dark with lemon and lavender.

All products are sold both on- and off-campus at locations spanning from Grover Beach to Paso Robles and Cambria. Cal Poly products can be found in major retail stores, winery tasting rooms, and as hospitality giveaways for campus visitors.

The 4,000 square-foot production facility, called the “pilot plant,” is located in building 24, room 106. Fifteen classes and applicable labs use the pilot plant throughout the year. Cal Poly Chocolates is in building 24, room 107, is 1,900 square feet, and is used for classes, production, sales and finished product storage.

## **Wine and Viticulture Program**

*Dr. Benoît Lecat*

Cal Poly’s on-campus vineyard is comprised of 12.5 usable acres. It is currently undergoing redevelopment in an effort to expand teaching offerings and improve quality. The future vineyard will include several teaching blocks, student rootstock research, a rotational block, and production blocks for the Cal Poly Wine brand.

In late 2014, analysis showed that a number of vines tested positive for various issues, leading to a change in growing strategies for the vineyard. Phase 1 occurred in 2015 and consisted of:

- Removal of 6.5 acres and a replanting with healthy vines;
- Saving non-symptomatic Pinot Noir vines; and
- Adding a two-acre teaching vineyard strictly for research and class labs.

Phase 2 occurred in 2016 with the scope of circumstances changing to include:

- Removal of remaining diseased production Pinot Noir block for full replant of the production vineyard; and
- Planting 3.63 acres to establish a teaching vineyard.

## 2019-20 ACCOMPLISHMENTS

### Animal Science and Dairy Science Programs

- An “Affiliation Agreement for Veterinary Practicum” with Western University of Health Sciences has brought income to the beef, swine, and sheep operations while exposing undergraduate students to the Western University veterinary program, its students, and clinicians. Unfortunately, the practicum scheduled for April 2020 was canceled due to the COVID-19 pandemic. It remains unknown if the practicums scheduled for August 2020, November 2020, January 2021, and March 2021 will be similarly canceled.
- Western Bonanza continues to experience record-breaking entries. This trend is expected to continue as ongoing improvements at the Mid-State Fairgrounds have allowed for expansion of this enterprise.
- The Cal Poly Performance Horse sale in June 2019 experienced a record year, topping more than \$191,000 in the sale of quarter horses. While another strong sale in June 2020 was originally anticipated, this event was postponed until June 2021 due to the COVID-19 pandemic.
- The donation of new shade structures throughout equine pastures at the Oppenheimer Family Equine Center has been an excellent addition.
- The MPC continues to flourish, with high demand at local commercial supermarkets.
- Deferred maintenance and personnel adjustments within the creamery continue to be challenging. In 2018, the maintenance technician salary was moved from the State to the Corporation budget, with deferred maintenance also being done on the Corporation budget. Additionally, this budget continues to maintain the manager salary unlike other production units used for State teaching purposes.
- Cal Poly Smoked Grand Gouda won 1st place in the American Cheese Society smoked cheese category and Grand Gouda won 3rd place in the Dutch-style cheese category.
- The beef operation has begun to sell extra heifer calves and is close to its optimal stocking density.
- The dairy was successfully able to purchase a Milk Margin Protection Insurance Policy which generated some additional income for this production unit.
- The dairy also proactively obtained a grant with the California Air Resource Board (CARB) and received more than \$100,000 in funding towards the purchase of a new front-end loader.
- Meetings with Campus Dining have been encouraging as production unit managers collaborate with Corporation management to increase on-campus sales of Cal Poly-produced products. Unfortunately, with a decline in the number of consumers physically on campus due to the COVID-19 pandemic and the decision to hold the spring quarter virtually, a decline in on-campus sales is expected.

## Environmental Horticulture and Crop, Fruit and Vegetable Science Programs

The COVID-19 pandemic is not expected to effect 2019-20 fiscal year operational objectives or achievements.

### *Crops*

- Continue to modernize orchards with technology, sensors and automation:
  - Replaced two of the last three older wind machines with new motors and auto-start
  - Installed Altrac monitoring system to each new wind machine, allowing remote access and on/off control via cell phone
- Replaced old wind machines with new ones and/or converted to auto-start, allowing for efficient fuel consumption and maximizing fuel savings
- Replanted tree crops that have been removed for the Justin and J. Lohr Center for Wine and Viticulture:
  - Field prep is complete, including ripping, discing, and underground/above ground irrigation and mapping
  - Planting is scheduled for May 2020
- Resurfaced orchard roads for improved accessibility during the rainy season to help accommodate U-picks, harvesting and wind machine access
- Investigating converting student employees to time stamp feature to assist with monitoring student employee hours:
  - Still researching how to convert and link system to Corporation and State payroll
- Upgraded drip irrigation to mirror industry best-practices as well as increasing water use efficiency

### *Organic Farm*

- Purchased a mini harvester for carrots, beets, radishes and onions to increase harvesting efficiency and hands-on student experience
  - Redesigned an implemented for harvesting
- Continued to intensely manage weed control and reduce the weed bank
  - Weed control has improved immensely and is an ongoing process to reduce the seed bank
- Upgraded drip irrigation to mirror industry as well as increase water use efficiency
  - Drip systems have been upgraded; compost has been applied
- Continued to apply Cal Poly compost to the farm twice a year at a higher rate
  - This is being applied in Fall and Spring utilizing a new, more efficient compost spreader, saving time and labor
- Introduced new methods for pest control (i.e., ladybugs and other natural predators)
- Upgraded Netafim NetaFlex four-inch layflat drip system



### *Environmental Horticulture*

- Utilized social media accounts to cross-post and create marketing synergies
- Executed effective management of online point-of-sale to expand and complement current marketing efforts through Poly Plant Shop, Poly Plant and Floral Design, farmers' markets, and special events
  - Revamped Poly Plant Shop website
- Evaluated and adjusted labor and product costs associated with Poly Plant Shop
  - Established protocol for tracking and monitoring student hours
- Engaged donations and networking to improve the Poly Plant Shop facilities
  - Nurtured industry and alumni relations, resulting in a variety of donations used at the Horticulture Unit for classes and greenhouse production
- Continued to collaborate with Crops Unit marketing efforts, as well as investigated possible marketing and event opportunities featuring multiple unit products

### **Food Science and Nutrition Programs**

- Utilized vacuum kettle for jam production
- Worked with donors to continue program support; chemicals, spices, jars and some IQF products have been donated
- Continued to employ 25 to 30 undergraduate students for "Learn by Doing" opportunities
- Worked on enhancing marketing via social media and offering shirts for purchase
- Updated labels to meet 2021 FDA guidelines
- Worked with FSN 474 to develop a condiment product that fits into hot-fill-hold product line
- Worked with FSN 408 to evaluate jam for potential formulation changes to enhance quality
- Continued to increase productivity while still training student employees for careers in the food industry

### **Wine and Viticulture Program**

#### *Production Vineyard*

- Installed ground hose and emitters. The sprinkler/frost system will also be installed on these blocks.
- Performed ongoing cultivation and weed control
- Removed existing fence and installed a new deer fence

#### *Trestle Teaching Vineyard*

- Completed planting in summer of 2018. All missing vines, and a few extras, have been ordered from Duarte or Wonderful nurseries.
- Completed training/suckering, tying and canopy management
  - All vines are pruned to a two-bud spur
  - Vine training was done on all vines as they grew out onto the wire
- Performed weed, insect and vertebrate control
  - Herbicide and hand weeding will keep the berms clean

## 2020-21 GOALS & OBJECTIVES

### Animal Science and Dairy Science Programs

- Expect continued deficit for the Creamery in fiscal year 2020-21, which will be offset by discretionary funding or other unit income.
- The dairy operation will be focused on reducing shrink, maximizing its workforce efficiency, and obtaining more economical feed to continue to operate within its budget. Dairy milk prices have held steady; however, this trend is anticipated to drastically decline with the recent developments associated with the COVID-19 pandemic and the closing of export markets.
- The Bull Test operation will be replacing its hydraulic chute to maintain student and animal safety. Due to the COVID-19 pandemic and the decision to conduct spring quarter virtually, the Bull Test will be accepting bulls in July as opposed to April, thereby shortening its operation to a 60-day test. A sale will be taking place in October as usual, as this is the only bull sale on the Central Coast in which industry can participate.
- The swine unit has recently increased its herd size thanks to the donation of 60 commercial gilts. An increase in revenue is anticipated from this donation through the sale of livestock.
- The poultry unit remains challenged due to state regulations of cage size and the influx of eggs from outside the state. The poultry operation has recently changed its broiler agreement and is now contracted with Pitman Farms. Increased variety and modality (i.e., free range) of bird species will expand student opportunities in this discipline.

### Environmental Horticulture and Crop, Fruit and Vegetable Science Programs

The COVID-19 pandemic is expected to create a short-term decline in both sales and student assistant expense. However, these changes are expected to be temporary and, therefore, not have any substantive effect on the 2020-21 fiscal year.

#### *Crops (Orchard)*

- Plant 1 acre of olive trees
- Replant 3.5 acres of avocados on Radio Tower Hill in partnership with the California Avocado Commission (CAC) disease resistant root stock trial
- Prune parts of Radio Tower and develop a five-year pruning schedule for all avocado blocks
- Improve fence lines around the farm
- Time harvests for maximum returns
- Replant tree crops that were removed for the Justin and J. Lohr Center for Wine and Viticulture construction

### *Crops (Field 25)*

- Research potential new corn planter
- Work on increasing sales and harvesting efficiency
- Increase Cal Poly compost applications
- Place raptor perches for ground squirrel control
- Resurface road for rain accessibility and dust control

### *Organic Farm*

- Implement sustainable mulching system around water sources to improve weed control
- Design and plant perennial herb garden
- Enhance usage by and sales with Campus Dining and Campus Market
- Remove old hoop house
- Continue to improve weed control
- Purchase new spray equipment to improve pest control

### *Environmental Horticulture*

- Improve cooling system in greenhouse 9
- Realign ridge vents in greenhouses 2 and 4 to improve environmental control
- Collaborate with the Biological Sciences Department to improve court right shade growing structure; this project will also provide significant volunteer assistance
- Collaborate with Morro Bay in Bloom, increasing public outreach and visibility by growing plants for city plantings
- Partner with Campus Market and Village Market to increase sales by 10 percent
- Create Poly Plant Shop workshops either monthly or quarterly

### **Food Science and Nutrition Programs**

- Update Cal Poly chocolates production line to increase efficiencies and throughput
- Set consistent sales hours for on- and off-campus purchases. The program continues to struggle to identify sales space for production within building 24.
- Achieve sales of \$180,000. Slower sales are expected due to the COVID-19 pandemic and other sales opportunities are being explored.
- Continue to increase productivity while continuing to train student employees for careers in the food industry
- Incorporate products developed in FSN 408 and 474 into product line. Update labels to meet 2021 FDA guidelines.

### **Wine and Viticulture Program**

- The current budget for fiscal year 2020-21 is mainly comprised of labor and administrative costs and insurance to be able to maintain production and teaching abilities. In 2021, the maintenance phase for the majority of the production blocks will begin. Fruit can be expected in 2022.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	% of Sales	Fiscal Year 2019-20 Budget	% of Sales	Fiscal Year 2019-20 Estimate*	% of Sales	Fiscal Year 2020-21 Budget Proposal	% of Sales	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$3,855	100%	\$3,636	100%	\$3,410	100%	\$4,006	100%	\$595	17%
Cost of Goods Sold	929	24%	721	20%	713	21%	790	20%	(76)	(11%)
<b>Gross Margin</b>	<b>2,926</b>	<b>76%</b>	<b>2,915</b>	<b>80%</b>	<b>2,697</b>	<b>79%</b>	<b>3,216</b>	<b>80%</b>	<b>519</b>	<b>19%</b>
Other Revenues	1,193	31%	626	17%	936	27%	738	18%	(198)	(21%)
<b>Income Before Operations</b>	<b>4,120</b>	<b>107%</b>	<b>3,541</b>	<b>97%</b>	<b>3,633</b>	<b>107%</b>	<b>3,954</b>	<b>99%</b>	<b>321</b>	<b>9%</b>
Salaries & Wages	842	22%	813	22%	837	25%	923	23%	(86)	(10%)
Benefits	122	3%	131	4%	113	3%	140	3%	(26)	(23%)
<b>Total Payroll Expense</b>	<b>963</b>	<b>25%</b>	<b>944</b>	<b>26%</b>	<b>951</b>	<b>28%</b>	<b>1,063</b>	<b>27%</b>	<b>(112)</b>	<b>(12%)</b>
Depreciation & Amortization	88	2%	81	2%	94	3%	82	2%	12	13%
Livestock / Feed Expense	1,232	32%	1,139	31%	1,105	32%	1,265	32%	(160)	(15%)
Supplies & Materials	530	14%	326	9%	456	13%	287	7%	169	37%
Fees & Services	237	6%	243	7%	195	6%	241	6%	(46)	(24%)
CPC Administrative Services	178	5%	174	5%	174	5%	170	4%	4	2%
Other Operating Expenses	687	18%	550	15%	577	17%	580	14%	(3)	(1%)
<b>Total Operating Expenses</b>	<b>2,951</b>	<b>77%</b>	<b>2,513</b>	<b>69%</b>	<b>2,601</b>	<b>76%</b>	<b>2,624</b>	<b>66%</b>	<b>(24)</b>	<b>(1%)</b>
<b>Total Expenses</b>	<b>3,914</b>	<b>102%</b>	<b>3,457</b>	<b>95%</b>	<b>3,551</b>	<b>104%</b>	<b>3,687</b>	<b>92%</b>	<b>(136)</b>	<b>(4%)</b>
<b>Net from Operations</b>	<b>205</b>	<b>5%</b>	<b>84</b>	<b>2%</b>	<b>81</b>	<b>2%</b>	<b>267</b>	<b>7%</b>	<b>185</b>	<b>228%</b>
Other Income (Expense)	(62)	(2%)	-	0%	(24)	(1%)	16	0%	40	170%
<b>Total Other Income (Expense)</b>	<b>(62)</b>	<b>(2%)</b>	<b>-</b>	<b>0%</b>	<b>(24)</b>	<b>(1%)</b>	<b>16</b>	<b>0%</b>	<b>40</b>	<b>170%</b>
Transfers In (Out)	52	1%	-	0%	-	0%	91	2%	91	100%
<b>Net to Reserves</b>	<b>\$195</b>	<b>5%</b>	<b>\$84</b>	<b>2%</b>	<b>\$58</b>	<b>2%</b>	<b>\$374</b>	<b>9%</b>	<b>\$316</b>	<b>546%</b>
<b>Noncash transactions (add back):</b>										
Depreciation & Amortization	88	2%	81	2%	94	3%	82	2%	(12)	(13%)
<b>Adjusted Net to Reserves</b>	<b>\$283</b>	<b>7%</b>	<b>\$165</b>	<b>5%</b>	<b>\$152</b>	<b>4%</b>	<b>\$456</b>	<b>11%</b>	<b>\$304</b>	<b>200%</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

An overall decrease in Net **Sales** was seen in the 2019-20 fiscal year largely due to changes in operations made necessary by the novel coronavirus pandemic. An increase in Net Sales in fiscal year 2020-21 is expected due to restoration of normal operations—in particular the annual quarter horse sale. Feed prices continue to be high; recovery from drought conditions is ongoing. Consequently, it will take several years to restore grazing lands and return to normal carrying capacity of cattle.

Milk prices continue to impact revenues for the Dairy Science program. The budget for next year continues to reflect some of the high ongoing feed prices and low milk prices. However, other options are being reviewed to lower feed costs and increase efficiency at this unit.

The Creamery cost factors are being evaluated in manufacturing and the offering of specialty cheeses. The Creamery plans to dramatically increase production and sales of dairy products, including offering specialty cheese products. Continued production of nationally recognized new cheese product lines should help to increase revenues. Changes continue to be made in the administration of this production unit to enhance productivity and income.

**Cost of Goods Sold** is predicted to be 21% of total sales for FY 2019-20 with a slight decrease budgeted for FY 2020-21. This decrease mostly reflects the delay of this year's quarter horse sale, with most of the horses being offered for sale next year.

**Total Payroll Expense** for FY 2019-20 is projected to be consistent with the budget, and is expected to increase in FY 2020-21. The increase is due to the increase in student wages, as well as moving the unit manager for Food Science and Nutrition from the State budget to Corporation payroll. This move has been planned for more than four years and is well supported by the revenues generated from this department.

**Total Operating Expenses** for FY 2019-20 are projected to be 12% lower than fiscal year 2018-19. This is mostly due to a dramatic decrease in operations during the last quarter of fiscal year 2019-20. Even with this decrease, operating expenses are 3% over budget for fiscal year 2019-20. Operating Expenses are expected to increase in 2020-21 once the units return to normal operations.

For FY 2019-20, the expected **Net to Reserves** of \$58,000 includes non-cash depreciation expense of \$94,000. For FY 2020-21, the budgeted Net to Reserves of \$374,000 includes non-cash depreciation expense of \$82,000.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2018 Reserve Balance	\$704,861	\$293,464	\$96,793	\$1,095,118
FY 2018-19 Change in Reserves	172,187	109,159	(86,068)	195,278
June 30, 2019 Reserve Balance	877,048	402,623	10,725	1,290,396
FY 2019-20 Change in Reserves (estimate)	(243,551)	312,219	(10,725)	57,943
June 30, 2020 Reserve Balance (estimate)	633,497	714,843	0	1,348,340
FY 2020-21 Change in Reserves (budget)	455,866	(81,623)	0	374,243
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$1,089,363</b>	<b>\$633,220</b>	<b>\$0</b>	<b>\$1,722,583</b>

The schedule above reflects the current balances of the reserve accounts and the expected changes over the current and next fiscal years. Reserves represent an accumulation of prior earnings and are separated into the following categories:

The **Operating Reserve** represents the portion of net position held for contingencies and continuing operations of CAFES. The total Operating Reserve shall equal total unrestricted net assets and may not be a negative amount.

**Investment in Operating Assets** for June 30, 2020 (estimate) and June 30, 2021 (budget) represents investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

## **CAPITAL OUTLAY REQUEST**

There are no capital outlays requested for FY 2020-21.



# CAL POLY Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## Cal Poly Arts

Fiscal Year 2020-21





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## BUSINESS OVERVIEW

Cal Poly Arts serves the Central Coast and Cal Poly communities as a presenter of public performing arts events for a diverse constituency. As a presenter, Cal Poly Arts provides a broad program of high quality, professional touring productions, concerts, and spoken word engagements, while also assisting with the educational needs of students at Cal Poly and in K-12 schools within the region through various artist-residency activities.

Cal Poly Arts was established by the College of Liberal Arts in 1985 as a small classical music presenter. By 1988, largely through the involvement and support of the local community, the presenting series was expanded to include other performing arts disciplines (theater, dance, jazz) as well as exhibitions and readings.

By 1990, Cal Poly Arts had integrated world music and dance, folk/traditional music, and family programming into the series. In 1993, the Stone Soup Music Festival – a series of free performances presented in outlying communities – was launched.

With Cal Poly Arts as a key participant in the drive to build a new venue, the Performing Arts Center opened in 1996. With the new venue in place, the organization again expanded the scope and size of its programming to include Broadway shows, major speakers, comedians, and pop/country artists.

In 2000, Cal Poly Arts launched Poly Arts for Youth, an arts education program serving 6,000 local students through Performing Arts Center school matinees and in-school arts activities. In 2011, Cal Poly Arts ceded its presentation of the matinee performances to the Performing Arts Center's PAC Outreach department, shifting Cal Poly Arts' education focus to expanded residency activities at local school campuses and in the community to offer a more hands-on approach to arts education.

The year 2002 marked the beginning of Cal Poly Arts' endowment campaign to support both Poly Arts for Youth programs and its season programming. The current endowment fund balance is in excess of \$600,000 and, as operating cash reserves continue to grow, excess funds will be transferred into the endowment.

Today, Cal Poly Arts continues its goal of bringing a professional, diverse, and dynamic performing arts series to the Central Coast. In addition to 35 years of experience in presenting artists in this region, Cal Poly Arts consults with experts in the presenting field to inform its programmatic decisions. Staff members attend regional and national booking conferences and collaborate with other presenters in its network to explore which artists would be locally viable and are currently touring. It also relies on feedback from its audience members to make Cal Poly Arts aware of artists they would like to see perform locally. All of this input is used to determine which programs are appropriate for Cal Poly Arts' market, venue capacities, and presenting budget.

Cal Poly Arts permanent staff consisting of five full-time positions is state-funded as a department in the College of Liberal Arts. Nearly all other budgeted expenses must be self-supported by a combination of ticket revenue and contributed income.

Ticket prices are driven by artist fees, production expenses, and attendance projections. While all ticket revenue goes to support Cal Poly Arts' operational expenses, ticket sales alone invariably leave a substantial budget shortfall. As is the industry standard, contributed income, comprised of support from individuals, businesses, foundations and the public sector is necessary to supplement earned box office revenue. Establishing and reaching an achievable annual fundraising goal is a key component to realizing financial success.

The variables in determining the Cal Poly Arts budget are extremely volatile and complex, and the ability to control them is far from exact. Thus, Cal Poly Arts typically budgets for a modest annual surplus, but lives on a very thin margin in an industry that is highly unpredictable. Local market activity and other influencing elements, which are ever-evolving, are key factors in establishing an annual budget. New concert venues of various sizes have opened in recent years, and will continue to do so in the region, changing the landscape of local presenting.

In response to this expanded competition, Cal Poly Arts has begun limited utilization of off-campus venues to help remain competitive in the local marketplace. Since 2016, Cal Poly Arts has successfully presented several events at the historic Fremont Theatre, helping the program reach new audiences and expand revenue opportunities. Once the current uncertainties with public performances have been resolved, this programmatic approach will continue. It is important for Cal Poly Arts to stay focused on the local performing arts scene and to react as needed, with adjustments to programs, marketing, and operations.

## 2019-20 ACCOMPLISHMENTS

- Bolstered by the financial success of the three prior years during which substantial cash reserves were built from a combined operating budget surplus of \$430,000, Cal Poly Arts expanded its planned programming, with a presenting season that included 52 scheduled public performances, four more than in the previous year. This included ten showings of the Met Live in HD series in partnership with Opera San Luis Obispo.
- The COVID-19 pandemic forced the closure of all local performance venues in mid-March, causing Cal Poly Arts to cancel ten of its scheduled season performances and four Met Live in HD screenings. In addition, five other performances were rescheduled into the 2020-21 season, and one into the 2021-22 season. Ultimately, Cal Poly Arts presented 31 public performances in its 2019-20 season in Harold Miossi Hall at the Performance Arts Center, the Spanos Theatre, and the Fremont Theatre.
- While the cancellations caused an estimated loss of roughly \$600,000 in ticket sales revenue, Cal Poly Arts was able to invoke Force Majeure clauses in artist contracts, providing approximately \$354,000 in relief from artist fees. In the interest of supporting the artists who were hired for these dates, Cal Poly Arts paid nominal “cancellation fees” totaling \$11,500 to help cover out-of-pocket expenses for a number of these touring artists.
- Other financial consequences relating to the cancellations and rescheduled performances were that Cal Poly Arts realized savings of roughly \$217,000 in rent, fees and labor that would have been paid to the Performing Arts Center and the Spanos Theatre, as well as forgoing \$110,000 in marketing, hotels, catering and other expenses for these events. The combination of estimated ticket sales versus anticipated expenses for the canceled shows left a net loss of approximately \$64,000.
- Sponsorship income plays an important part in the maintenance of a balanced operating budget for Cal Poly Arts. Cash and in-kind sponsorships for the canceled or rescheduled performances totaled \$135,800, all of which had been pre-paid. Of that total, \$32,100 will be rolled over into the 2020-21 season for performances that were rescheduled. Refunds have been made to sponsors in the amount of \$2,400. The remaining \$101,300 in cash and in-kind gifts was generously donated to Cal Poly Arts from sponsors to help off-set some of our losses incurred this year due to the cancellations.
- Because of the postponement of the season announcement and annual sponsorship solicitation event, the prime spring fundraising season has been lost, causing a budget shortfall in contributions of \$185,500 for 2019-20. This single item is the primary cause of the operating deficit for this fiscal year. However, sponsorship funds for the 2020-21 season will be raised in the summer, with all of the funds going toward the 2020-21 fiscal year budget.
- It is significant to note that, while Cal Poly Arts was able to present just less than two-thirds of its regular season performances, the percentage of attendance vs capacity for those completed events again reached 70%, equal to each of the past two seasons, which were the high-water marks over the past decade.
- Highlighted by sold out performances of *Stomp*, Pink Martini, comedian George Lopez and *Beautiful—The Carole King Musical* in Harold Miossi Hall, along with concerts by Leo Kottke, George Winston and A.J. Croce in the Spanos Theatre, audience responses were extremely positive for

most 2019-20 events. Ticket sales for the two-performance run of *Beautiful* were so robust that both January dates were sold out by the end of October with gross ticket sales exceeding \$175,000. Additionally, early sales for the June performance of *Waitress* were so strong that a second performance was added and both shows were at a combined 70% of capacity before being forced to postpone until next season.

- Other memorable evenings featured pianist and band leader, Jon Batiste and Stay Human, author and humorist Davis Sedaris, an exciting production of *The Hip Hop Nutcracker*, two outstanding National Geographic Live presentations, and a death-defying performance by Cirque Eloize.
- This season marked the successful launch of Cal Poly Arts' LatinX Performance Series, focused on programming that addresses the interests of the Latino and Hispanic communities in the region. In this inaugural season, there were three performances in the series. The first, a Dia de los Muertos event in October, featuring Los Angeles-based band Las Cafeteras, was held at the Fremont Theatre in downtown SLO. Then, headliner comedian George Lopez performed to a sold-out house in Miossi Hall in November. Finally, Latin Grammy-winning, New York-based all-female Mariachi ensemble Flor de Toloache brought their stellar musicality to the PAC in February. As hoped, all three of these performances drew large percentages of LatinX audiences.
- Despite having the season cut short by the COVID-19 shutdown, thus canceling its final four events, Poly Arts for Youth still offered seven outstanding outreach programs for K-12 schools and for the community at large, serving more than 500 participants with workshops, and master classes in local schools and at other community and Cal Poly campus venues.
- The second year of the Cal Poly Arts VIP Membership Program showed early significant growth, with a goal of enlisting Cal Poly Arts' core supporters in a branded donor program. This program provides members with deeper subscription ticket discounts and a variety of other benefits designed to reinforce a sense of ownership in the organization, leading to increased subscription sales and a higher level of contributions. Fundraising from the VIP program was on track to meet its annual goals, but the primary membership campaign was scheduled for the spring of 2020 in conjunction with the announcement of the new 2020-21 season. Unfortunately, since that process has been delayed by several months, the VIP program will not reach its goals in this fiscal year. However, once sales begin again, expectations are that VIP memberships will pick up where they left off.

## 2020-21 GOALS & OBJECTIVES

Recognizing that 2020-21 will be a uniquely challenging year for Cal Poly Arts, as it will be for the entire performing arts industry, Cal Poly Art's goals will be to:

- Adapt the audience experience in campus venues to conform with safety mandates set by governmental agencies, including enhanced cleaning, potential capacity limitations and/or social distancing and other recommended and required practices.
- Delay the opening of the season from September 2020 to January 2021 in order to allow the community to gain a sense of confidence in returning to our theatres once public assembly venues are allowed to reopen. This move requires a reduction in the overall number of performances from an originally planned 42 to fewer than 30.
- Remain nimble in addressing programming for 2021 by re-negotiating artist agreements to include broader Force Majeure clauses, which will allow for event cancellation or contract re-structuring in the event of governmental or public health agency-imposed social distancing requirements, dramatically reducing venue capacity. Where possible, seek to reduce guaranteed artist fees in order to establish more of a shared risk/reward relationship, which will help mitigate Cal Poly Arts' financial exposure.
- Continue a diverse and eclectic programmatic roster by anchoring season offerings with a full complement of popular Broadway shows, supplemented by a wide range of performances featuring high-profile artists such as international LatinX stars Aida Cuevas and Jesse & Joy, comic icons The Smothers Brothers, acapella vocal sensations The Ten Tenors and Straight No Chaser, and two performances of the 25th Anniversary Tour of *Riverdance*.
- Maintain the commitment to serving the Central Coast's underserved Latino population with our LatinX Performance Series, presenting targeted artists to appeal to this important segment of the community.
- Re-envision the ticket purchasing process by eliminating subscription sales for one year. This will allow patrons more flexibility in selecting their number of shows they want to attend during the reduced season window, and when in the season they will feel comfortable returning to the theatre. In place of traditional subscriber discounts, emphasis will be placed on promoting Cal Poly Arts VIP Memberships, rewarding members with enhanced discounts to compensate for the one-year elimination of subscriber discounts.
- Re-imagine the Spotlight Season Rollout and Sponsorship Acquisition event as a virtual audience experience in August. It will feature live streams of performance clips from all of the 2020-21 scheduled artists, testimonials from patrons, artists and educators, some live performances, and "easy-to-donate" technology that will help generate the sponsorships and memberships necessary to provide the contributed income needed to underwrite next season's Cal Poly Arts programs.
- Produce high quality streaming content during the fall, focusing primarily on well-known speakers and comedians. Work in collaboration with regional colleague organizations to share these events, creating a larger pool of funds for artist fees, thus allowing for higher profile talent. These events would be used to help Cal Poly Arts maintain contact with the patron base. Rather than ticketing the events, they will be offered as incentives for patrons to become Cal Poly Arts VIP Members.



- Continue to provide quality arts education experiences for local students and community members through the Poly Arts for Youth program, offering lecture/demonstrations, workshops and master classes in local schools, at venues within the community, and on the Cal Poly campus.
- Continue to maintain and develop new partnerships with local organizations both on and off campus in order to maximize reach while reducing risk. For example, Cal Poly Arts will continue its partnership with Cal Poly Associated Students, Inc. by co-presenting high-profile speakers and/or comedians at the Performing Arts Center in 2021. In addition, as local arts organizations collaborate on strategy to re-establish their footing after the shutdown, Cal Poly Arts will take a leadership role in providing guidance and, where appropriate, resources.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	Fiscal Year 2019-20 Budget	Fiscal Year 2019-20 Estimate*	Fiscal Year 2020-21 Budget Proposal	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Gifts	\$368	\$344	\$156	\$544	\$388	248%
Ticket Sales	1,278	1,348	838	850	12	1%
Other Revenues	94	80	59	62	3	5%
<b>Income Before Operations</b>	<b>1,740</b>	<b>1,771</b>	<b>1,053</b>	<b>1,456</b>	<b>402</b>	<b>38%</b>
Supplies & Equipment	1	5	3	4	(1)	(31%)
PAC Services	360	420	228	310	(82)	(36%)
CPC Administrative Services	34	36	27	33	(6)	(22%)
Artist Fees	875	912	609	712	(103)	(17%)
Advertising & Marketing	173	203	139	230	(92)	(66%)
Other Operating Expenses	164	161	85	166	(80)	(94%)
<b>Total Operating Expenses</b>	<b>1,608</b>	<b>1,738</b>	<b>1,091</b>	<b>1,456</b>	<b>(365)</b>	<b>(33%)</b>
<b>Total Expenses</b>	<b>1,608</b>	<b>1,738</b>	<b>1,091</b>	<b>1,456</b>	<b>(365)</b>	<b>(33%)</b>
<b>Net from Operations</b>	<b>132</b>	<b>33</b>	<b>(38)</b>	<b>-</b>	<b>38</b>	<b>100%</b>
Other Income (Expense)	(3)	-	-	-	-	0%
<b>Total Other Income (Expense)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Net to Reserves</b>	<b>\$129</b>	<b>\$33</b>	<b>\$(38)</b>	<b>-</b>	<b>\$38</b>	<b>100%</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

Following three fiscal years (2016-17, 2017-18 and 2018-19) that ended with a combined \$430,000 in surplus operating income, Cal Poly Arts projects to end the 2019-20 fiscal year with a net loss from operations. This result has been primarily driven by the total disruption of operations and programs due to the COVID-19 pandemic beginning in mid-March, continuing through the final quarter of the current year and well into the next fiscal year.

Governmental guidelines for phasing in larger public gatherings in the future remain unclear and create significant budget challenges. Operational outcomes could range anywhere from presenting a full program of 30 events squeezed into a condensed calendar window between January and June to cancellation of the entire 2020-21 season. More likely, though still very uncertain, will be something in between.

Should public performances require significant restrictions on the number of patrons in venues with social distancing mandated inside the auditorium and in lobbies, the likelihood of financially viable events given those conditions are extremely slim, except in rare cases. Thus, revenues and expenses included in the FY 2020-21 budget could easily vary by as much as \$500,000. Unfortunately, the ability to predict the outcome will not be until much later in the 2020.

Given the concerns of patrons gleaned from audience surveys and current lack of clarity regarding the arts presenting environment moving forward, Cal Poly Arts expects reductions in audience attendance and ticket revenue. The attendance benchmark of 70% of capacity established over the past three years will likely be significantly lower in FY 2020-21.

The FY 2020-21 budget reflects a full season of events with an average reduction in ticket sales of 10%. However, given the current volatility in the touring event industry, the expectation is that several tours will drop out before getting to San Luis Obispo. The budget includes an expectation that three performances that are currently on the schedule will be lost. Should those performances not be lost, income and expenses would increase by approximately \$200,000. Conversely, if more tours are canceled or if additional performances are canceled due to force majeure circumstances, then income and expenses will be reduced commensurately.

The other primary source of revenue in the budget is contributions. With the reduced financial capacity of potential sponsors and donors due to the economic downturn, contributions will also be more challenging to generate. Typically, Cal Poly Arts holds its Spotlight Season Announcement and Sponsor Acquisition event in April, generating cash gifts and pledges supporting the upcoming season's events in the range of \$250,000. Roughly half of the gifts and pledges are received and applied to the current fiscal year, while the remainder are paid after July 1, and are used to support the subsequent fiscal year budget.

This year, the Spotlight event has been postponed until August, and will be delivered as an online, virtual event instead of happening live on the stage at the PAC. As a result, Cal Poly Arts will be entering the 2020-21 fiscal year without those funds. However, assuming that programming and fundraising schedules return to their normal cycle moving forward, the 2020-21 fiscal year would benefit from 100% of the sponsorships for this season and half of the sponsorship revenue for the 2021-22 season, helping to mitigate the anticipated reduction in earned and other contributed income sources.

In order to survive in this environment, Cal Poly Arts must play to its strengths, which include the presentation of Broadway touring shows, as the only organization presenting in a venue capable of hosting these large and extremely complicated productions. The superior technical capabilities of the Performing Arts Center make it the best choice for many technologically complex performances. As well, strategic decisions to occasionally rent competing facilities like The Fremont Theatre and/or Avila Beach Resort when

appropriate will continue to keep Cal Poly Arts in the mainstream and help appeal to a more diverse and region-wide audience demographic.

Another factor to monitor is the continued growth and expansion of competition in the marketplace. During the past year, The Fremont Theatre expanded its programming profile in the community, presenting far more events than in previous years. In addition, Vina Robles Amphitheatre had its most successful season to date in 2019. While neither of these venues typically compete with Cal Poly Arts for the same artists, they do, nonetheless, siphon off a large portion of the available pool of money spent on event tickets in this small market. Close attention needs to be paid to these venues once they re-open.

The continued pursuit to increase overall annual fundraising is linked to the growth of the VIP Membership program. The member benefits, especially in this anomaly season in which member discounts replace the typical subscriber discounts, will play a key role in helping to balance the Cal Poly Arts annual budget. In the wake of the current shut-down, Cal Poly Arts will need to make additional efforts to re-build the program's momentum.

Overcoming the extreme challenges that lie ahead will require careful and creative planning, extensive research, and collaborations with a variety of entities inside the University and with industry colleagues. Understanding the comfort level for our patron base, a large majority of whom are in the at-risk age and health demographic, will be critical information leading to programmatic decisions. Cal Poly Arts and the Performing Arts Center have gathered a consortium of SLO County arts organizations and venues to produce a community survey that will shed some light on audience concerns and preferences regarding their willingness to return to our venues. This includes participating in national surveys, which provide a broader perspective on the effects of the pandemic on the industry at large.

Despite these challenging operational conditions, Cal Poly Arts projects a balanced operating budget for FY 2020-21. The budget outcome has significant volatility, depending upon the factors discussed above. The loss for FY 2019-20 and any potential shortfall in FY 2020-21 will be covered by cash reserves built up over previous years. While an over-arching goal in recent years has been to build a significant cash reserve with an eye toward moving excess operating fund balances into a Cal Poly Arts' endowment fund, that aspiration will need to be put on hold for the time being until the current crisis is resolved and Cal Poly Arts can return to regular operations. In the meantime, the current cash reserves will serve as an excellent safeguard during potential downward cycles in the near future.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2018 Reserve Balance	\$330,508	\$330,508
FY 2018-19 Change in Reserves	128,688	128,688
June 30, 2019 Reserve Balance	459,196	459,196
FY 2019-20 Change in Reserves (estimate)	(37,542)	(37,542)
June 30, 2020 Reserve Balance (estimate)	421,653	421,653
FY 2020-21 Change in Reserves (budget)	0	0
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$421,653</b>	<b>\$421,653</b>

Reserves represent an accumulation of prior earnings. The schedule above reflects the current balance of the reserve account and the expected changes over the current and next fiscal years. The **Operating Reserve** represents the portion of the net position held for contingencies and continuing operations of Cal Poly Arts. The total operating reserve is equal to total unrestricted net assets and may not be a negative amount.

## **CAPITAL OUTLAY REQUEST**

There are no capital outlays requested for FY 2020-21.



**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## **Campus Dining**

Fiscal Year 2020-21





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## **BUSINESS OVERVIEW**

Campus Dining is a self-supporting operation, providing quality food and service to the university community since the first dining hall was established in the 1940s. As the Corporation's largest commercial service, Campus Dining employs over 900 staff and students each academic year, and operates 22 different food venues at a given time. Campus Dining serves over 3.2 million customers annually with an average of 16,000 daily customer transactions. During fiscal year 2016-17, the Corporation entered into a three-year contract with Chartwells Higher Education Dining Services to provide an on-site food service management team to lead existing campus food operations. In 2019, the contract was extended through June 2021.

Campus Dining supports the mission of Cal Poly Corporation in several significant ways: by striving to provide a wide variety of fresh and delicious food options along with wellness and sustainability education to help students make smart eating choices; by supporting student financial needs through payment of athletic scholarships and \$3 million-plus paid annually in wages to student employees; and by generating important funding for University Services and other initiatives. In addition, Campus Dining actively partners with campus departments and organizations, such as Student Affairs, ASI New Student and Transition Programs, and Student Health and Wellness, to support their activities and goals.

### **Revenues**

The dining program operates on two distinct sources of revenue: dining plan revenue from on-campus freshman housing residents, and revenue from cash sales to the Cal Poly community. The dining plan revenue-stream increases and decreases with the freshman enrollment numbers, and represents approximately 79% of Campus Dining's revenue in FY 2019-20. All freshmen living on campus are required to have a meal plan.

For the 2019-20 academic year, after evaluation and student feedback, all plans changed to all declining balance plans with the ability to use at all venues. For freshmen there were three declining balance plans, and continuing residents were also offered three declining balance plans. Over 470 continuing students obtained a dining plan for the 2019-20 academic year.

Due to the positive feedback regarding the all declining balance plans, the freshmen offerings for the 2020-21 academic year remain with three declining balance plan options. Continuing students will have two additional plans to provide more affordable options, resulting in five declining balance plan options. Enrollment for continuing student plans is optional and has doubled due to the addition of the more affordable plans. All plans offer discounts to students at selected Campus Dining locations.

### **Facilities**

Campus Dining operates over 88,000 square feet of space on the Cal Poly campus, with an additional 25,000 square feet used in culinary and administrative support space. The core facility, building 19, opened in 1961 and houses some of the busiest restaurants on campus including 805 Kitchen, 805 Cafe, The Avenue, Poly Deli, and Lucy's Juice. Building 19 also includes a warehouse for Campus Dining along with a bake shop and commissary production unit. These units provide products for dining locations across campus. Campus Dining has additional venues at other locations across campus, including Poly Canyon Village, the University Union, Kennedy Library, the Dexter Building, and Campus Market.

During the 2019-20 fiscal year, the Campus Dining team has been preparing for the completion of Vista Grande. During the 2016-17 fiscal year, the 43-year old Vista Grande complex was demolished. Construction of a new state-of-the-art facility is scheduled for completion in July. The new Vista Grande building will be approximately 35,000 gross square feet, including 7,000 square feet for offices, conference rooms, and common space.

Plans for renovating building 19 are moving forward due to the poor condition of the building, the strategic location in the university union area, and the need to handle significant growth in meal plans within a three year horizon. During the building 19 renovation, core functions will be moved to other locations on campus.

## 2019-20 HIGHLIGHTS & ACCOMPLISHMENTS

Campus Dining operations were significantly impacted by students leaving campus prior to the commencement of spring quarter in response to the COVID-19 pandemic. In spite of this impact, the program made excellent progress as reflected in student and campus stakeholder feedback. Winning a NACAFS bronze medal for the Loyal E. Horton Dining Awards for Nutrition was a significant accomplishment for the program. Additional highlights of the year are as follows:

- Created “Feed Cal Poly” as a platform to provide resources to the Food Pantry and Mustang Meal share.
- Implemented a new “Block Party” at beginning of WOW to introduce incoming freshman to Campus Dining.
- Created a SLOCAL section of local products at Campus and Village Market; added locally grown menu options to Central Coaster food trucks.
- Successfully implemented roll-out of Tapingo/Grub Hub mobile ordering app to campus customers. This tool is instrumental for contactless ordering and payment in the COVID-19 mitigation program.
- Successfully implemented a campus wide value menu, consisting of over 18 menu options below \$4.
- Negotiated an increased discount on food purchases through Chartwells and a signing bonus for a one-year extension.
- Transitioned all produce purchases to Cal Poly alum-owned Vitco Foods, culminating in a 15% savings on produce.
- Upgraded Point-of-Sale system, resulting in shorter wait times for credit card customers, and removing credit card transactions from the university’s PCI network.
- Designed new culturally inspired menus for all Vista Grande platforms/concepts.
- In the COVID-19 pandemic, developed and executed new social distancing, sanitation, and staffing plans; partnered with the university to deliver food to students in quarantine.
- Collaborated with the university Emergency Operations Committee and the County to provide meals for city and county health officials working in the alternate care unit.
- Hired a new director of Dining, and restructured senior management positions.
- Assistant directors and function leaders completed a food management lean six-sigma kaizen process mapping series. Several areas were identified for process improvement and learnings informed processes at Vista Grande.

## 2020-21 GOALS & OBJECTIVES

Campus Dining will continue to experience financial challenges until the campus residential population is fully restored. Building a sustainable operating model that addresses the economic challenges created by the COVID-19 pandemic is the top priority for FY 2020-21. Additional goals and objectives of the year are as follows:

- Successfully open the Vista Grande dining facility, delivering on the commitment of great food.
- Adapt/reconfigure to COVID-19 protocol and requirements. Complete path to reopening, focused on employee training, compliance with new county guidelines.
- Right-size operations based on the projected loss in revenues and the need to adapt the size of our operations to still meet student needs and experience while reducing cost of operations.
- Implement strategic plan retail contribution model, with pricing strategy and optimal operating hours to maximize contribution and minimize losses in service areas.
- Adopt leaner, streamlined mindset; recognize not business as usual. Validate labor models, reexamine business model, processes and historical assumptions.
- Stay focused on core initiatives in line with university mission such as zero waste, sustainability, nutrition.
- Minimize wait times through multi-faceted strategies.
- Adopt the following technology:
  - Lower cost ordering and frictionless payment mobile app
  - Text notification upon order completion
  - ValidFill infrared sanitization
  - Nutritional and allergen fact book via iPad
  - Currency to debit card conversion
- Support infrastructure improvements and relocations: renovation of building 19, warehouse operations from building 82, and catering services from Avila House.
- Execute back to work plan that is welcoming and appreciative.
- Foster supportive environment and prepare team to adapt to constantly changing situations.
- Develop talent management process to include career development action plans and deliberate role rotation.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	% of Sales	Fiscal Year 2019-20 Budget	% of Sales	Fiscal Year 2019-20 Estimate*	% of Sales	Fiscal Year 2020-21 Budget Proposal	% of Sales	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$31,300	100%	\$34,525	100%	\$24,161	100%	\$27,060	100%	\$2,899	12%
Cost of Goods Sold	11,045	35%	12,207	35%	8,395	35%	9,647	36%	(1,252)	(15%)
<b>Gross Margin</b>	<b>20,255</b>	<b>65%</b>	<b>22,318</b>	<b>65%</b>	<b>15,766</b>	<b>65%</b>	<b>17,413</b>	<b>64%</b>	<b>1,647</b>	<b>10%</b>
Other Revenues	2,519	8%	649	2%	484	2%	455	2%	(30)	(6%)
<b>Income Before Operations</b>	<b>22,774</b>	<b>73%</b>	<b>22,967</b>	<b>67%</b>	<b>16,250</b>	<b>67%</b>	<b>17,867</b>	<b>66%</b>	<b>1,617</b>	<b>10%</b>
Salaries & Wages	8,074	26%	9,031	26%	7,308	30%	6,053	22%	1,254	17%
Benefits	2,973	9%	3,456	10%	2,894	12%	2,777	10%	116	4%
<b>Total Payroll Expense</b>	<b>11,047</b>	<b>35%</b>	<b>12,487</b>	<b>36%</b>	<b>10,201</b>	<b>42%</b>	<b>8,830</b>	<b>33%</b>	<b>1,371</b>	<b>13%</b>
Depreciation & Amortization	733	2%	1,659	5%	707	3%	1,794	7%	(1,087)	(154%)
Software / Hardware Maintenance	109	0%	181	1%	101	0%	98	0%	2	2%
General Maintenance	347	1%	429	1%	492	2%	305	1%	187	38%
Utilities	552	2%	600	2%	710	3%	659	2%	51	7%
Supplies & Equipment	617	2%	898	3%	770	3%	612	2%	158	21%
Rent / Lease Expense	384	1%	407	1%	391	2%	362	1%	29	7%
Management Contract Labor	514	2%	547	2%	418	2%	498	2%	(80)	(19%)
CPC Administrative Services	1,162	4%	1,228	4%	1,044	4%	1,030	4%	14	1%
CPC Allocated Services	542	2%	612	2%	537	2%	510	2%	28	5%
Commissions & Royalties	558	2%	575	2%	380	2%	372	1%	8	2%
Other Operating Expenses	1,501	5%	1,424	4%	1,185	5%	1,041	4%	143	12%
<b>Total Operating Expenses</b>	<b>7,018</b>	<b>22%</b>	<b>8,560</b>	<b>25%</b>	<b>6,734</b>	<b>28%</b>	<b>7,281</b>	<b>27%</b>	<b>(547)</b>	<b>(8%)</b>
<b>Total Expenses</b>	<b>18,065</b>	<b>58%</b>	<b>21,047</b>	<b>61%</b>	<b>16,935</b>	<b>70%</b>	<b>16,112</b>	<b>60%</b>	<b>823</b>	<b>5%</b>
<b>Net from Operations</b>	<b>4,709</b>	<b>15%</b>	<b>1,920</b>	<b>6%</b>	<b>(685)</b>	<b>(3%)</b>	<b>1,756</b>	<b>6%</b>	<b>2,440</b>	<b>356%</b>
Other Income (Expense)	331	1%	240	1%	921	4%	545	2%	(376)	(41%)
University Services	(670)	(2%)	(672)	(2%)	(331)	(1%)	(334)	(1%)	(3)	(1%)
Interest Expense	(1,263)	(4%)	(1,160)	(3%)	(1,015)	(4%)	(1,020)	(4%)	(5)	0%
<b>Total Other Income (Expense)</b>	<b>(1,603)</b>	<b>(5%)</b>	<b>(1,592)</b>	<b>(5%)</b>	<b>(424)</b>	<b>(2%)</b>	<b>(809)</b>	<b>(3%)</b>	<b>(385)</b>	<b>(91%)</b>
<b>Transfers In (Out)</b>	<b>(319)</b>	<b>(1%)</b>	<b>306</b>	<b>1%</b>	<b>1</b>	<b>0%</b>	<b>(620)</b>	<b>(2%)</b>	<b>(621)</b>	<b>(62100%)</b>
<b>Transfer to Plant Fund Reserves</b>	<b>(988)</b>	<b>(3%)</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>
<b>Net to Reserves</b>	<b>\$1,799</b>	<b>6%</b>	<b>\$634</b>	<b>2%</b>	<b>\$(1,108)</b>	<b>(5%)</b>	<b>\$327</b>	<b>1%</b>	<b>\$1,435</b>	<b>129%</b>
<b>Noncash transactions (add back):</b>										
Depreciation & Amortization	733	2%	1,659	5%	707	3%	1,794	7%	1,087	154%
<b>Adjusted Net to Reserves</b>	<b>\$2,532</b>	<b>8%</b>	<b>\$2,293</b>	<b>7%</b>	<b>\$(401)</b>	<b>(2%)</b>	<b>\$2,120</b>	<b>8%</b>	<b>\$2,522</b>	<b>628%</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

Campus Dining started the 2019-20 fiscal year with an energized focus on enhancing many aspects of the program. In March 2020, the campus was significantly impacted by the COVID-19 pandemic. In response to the pandemic, the University made a decision to provide the Spring 2020 academic quarter virtually. Students were encouraged to shelter-at-home, where possible. As a result, the Spring quarter freshman dining plan allotment was refunded to a majority of students. In addition, all catering events were canceled for the remainder of the academic year, and it was decided that residual dining plan balances from Fall and Winter quarters would rollover to the 2020-21 academic year. These necessary actions resulted in material revenue losses, with Sales for FY 2019-20 projected to end approximately 30% below budget.

**Sales** for FY 2020-21 reflect a continued impact from the COVID-19 pandemic. The budget incorporates a residential freshman headcount of 4,000 freshmen and 3,000 continuing students for the entire academic year. This correlates to a housing scenario of a maximum occupancy of two students per room. Sales for FY 2020-21 also include a general index price increase.

Current year **Cost of Goods Sold (COGS)** is projected to be below the FY 2019-20 budget, which is consistent with the change in budgeted Sales over the same period. As a percentage of Sales, Cost of Goods Sold is projected to be approximately 34.7% in FY 2019-20, which is slightly lower than the budget of 35.4%. The decrease in food cost percentage is partially reflective of operational decisions made to obtain food purchase savings with vendors. Food cost percentage for FY 2020-21 is budgeted to increase slightly to 35.7% due to changes in the mix of food venues. Venues in building 19 are closing as part of the building decommission, and additional high quality food options will be offered at the new Vista Grande facility.

**Payroll Expense** for FY 2019-20 is estimated to be 18% under budget and are expected to decrease another 13% in FY 2020-21. In response to the economic impact of COVID-19, the Corporation implemented a series of furloughs across all employee types. Furloughs for students and intermittent employees were effective April 5, 2020. A majority of full time employees were placed on furloughs effective May 30, 2020.

Payroll expense for FY 2020-21 reflects a continuation of the furloughs introduced in FY 2019-20. Staffing for the new Vista Grande dining complex has been strategically designed to minimize overlap of labor while maintaining a high level of service. While the budget includes reductions in hours for student and part-time employees, it also reflects an increase in the minimum wage in January 2021, and overall fringe benefit rates that are slightly higher than FY 2019-20.

**Operating Expenses** for FY 2019-20 are anticipated to be approximately 21% lower than budget. In response to the economic impact of COVID-19, the Corporation reduced, cancelled, or postponed, where possible, expenditures related to these operations. Depreciation expense is projected to be lower than budget primarily due to the delay in Vista Grande's opening.

Operating Expenses for FY 2020-21 reflects a continued effort to reduce, cancel, or postpone expenditures. As a percentage of sales, operating expenses are budgeted to decrease 1% over FY 2019-20 projections due to comprehensive and strategic cost savings in preparation for significantly lower Sales. These savings are offset by a budgeted increase of approximately \$1.1 million in depreciation expense over FY 2019-20 projections related to the opening of the new Vista Grande dining complex



opening as well as the completion of the Starbucks UU renovation and Mustang Station patio.

**Other Income (Expense)** for FY 2019-20 represents income generated in relation to the Corporation's exclusivity agreement with Coke. Although shown as income to Campus Dining, these funds are transferred to the Campus Programs fund in support of athletics. A 10-year agreement with Coke was ratified this year, generating significant additional revenue to the university. The contract does provide adjustments to Coke's sponsorship payments in the event of a campus closure or volume decreases of more than 20%. With the lack of students on campus during spring quarter, volumes are below the threshold in the contract and the sponsorship payments are at risk for the 2020-21 fiscal year.

Other Income (Expense) for FY 2020-21 includes approximately \$1 million in interest expense related to proceeds acquired from CSU System wide revenue bonds issued for the construction of Vista Grande.

**Net from Operations** for FY 2019-20 reflects a negative variance from the budget of \$2.6 million because of significant economic impact of the COVID-19 pandemic on Campus Dining operations and dining plan revenue during the spring quarter. The increase of \$2.4 million in the FY 2020-21 budget over FY 2019-20 projections in Net from Operations is the net impact of reducing labor to correlate with projected Sales, and comprehensive reductions in operating expenses.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Outlay Reserve	Facilities Reserves	Debt Service Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2018 Reserve Balance	\$4,470,300	\$325,000	\$30,689,637	\$1,604,181	\$3,274,538	\$40,363,656
FY 2018-19 Change in Reserves	399,720	815,500	987,572	36,475	547,699	2,786,966
June 30, 2019 Reserve Balance	4,870,020	1,140,500	31,677,209	1,640,656	3,822,237	43,150,622
FY 2019-20 Change in Reserves (estimate)	(1,290,479)	(614,000)	(11,553,361)	88,656	12,260,922	(1,108,262)
June 30, 2020 Reserve Balance (estimate)	3,579,541	526,500	20,123,847	1,729,313	16,083,159	42,042,360
FY 2020-21 Change in Reserves (budget)	645,240	(26,500)	(19,526,728)	1,725	19,232,817	326,554
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$4,224,780</b>	<b>\$500,000</b>	<b>\$597,118</b>	<b>\$1,731,038</b>	<b>\$35,315,976</b>	<b>\$42,368,912</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, 2020 (estimate) and June 30, 2021 (budget) is equal to three months of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

**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. Facilities reserves will be used towards the completion of the new Vista Grande (building 112) as well as future facility projects involving building 19.

**Debt Service Reserves** represent 115% of the subsequent year's debt service, including both principle and interest.

**Investment in Operating Assets** for June 30, 2020 (estimate) and June 30, 2021 (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.

## CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Remodel Walk-In Cooler - Building 82	\$220,000	30	\$7,333
Avila House Retrofit - Catering	110,000	30	3,667
Renewal & Replacement - Capital	35,000	5	7,000
Food Trucks Support	30,000	10	3,000
Interior Art - Vista Grande	28,000	10	2,800
<b>Total Major Capital Outlay</b>	<b>\$423,000</b>		<b>\$23,800</b>
<b>Minor Capital Equipment Outlay (Up To \$25,000)</b>			
Golf Cart Charging Station - Warehouse	\$16,000	5	\$3,200
ValidFill - Vista Grande	15,000	5	3,000
POS Implementation - Vista Grande	15,000	5	3,000
Digital Menu Boards - Jamba Juice	15,000	5	3,000
Entry Way Monitors - Vista Grande	10,000	5	2,000
Electric Baseleg Stacker - Warehouse	10,000	5	2,000
Magliner Coolift - Warehouse	7,000	5	1,400
Electric Pallet Jack - Warehouse	5,500	5	1,100
Printers - Vista Grande	5,000	3	1,667
Large Safe for Cash Office - Vista Grande	5,000	10	500
<b>Total Minor Capital Outlay</b>	<b>\$103,500</b>		<b>\$20,867</b>
<b>Total Capital Outlay</b>	<b>\$526,500</b>		<b>\$44,667</b>
<b>Previously Approved Capital Outlay Requests (1)</b>			
Building 19 Design and Renovation	\$26,800,000	30	\$893,333
<b>Total Capital Outlay Request</b>	<b>\$27,326,500</b>		<b>\$938,000</b>

## **CAPITAL OUTLAY REQUEST DETAIL**

**Remodel Walk-In Cooler - Building 82:** The existing freezer will be converted to a combination freezer/refrigerator to facilitate storage capacity lost during the closure of building.

**Avila House Retrofit - Catering:** To be converted to facilitate catering offices, storage and kitchen.

**Renewal & 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.

**Food Truck Support:** Electrical outfitting at the Warehouse (building 82) to charge the food trucks and parking.

**Interior Art - Vista Grande:** For the decoration and opening of Vista Grande.

*(1) The Capital Outlay Request below was approved by the Board of Directors in a previous meeting. It is repeated here for informational purposes only. No further action is required.*

**Building 19 Renovation:** Renovation of the building to provide a multi-purpose dining area emphasizing the academic and social components of food service. Following the Master Plan theme, it will deliver a sense of connectivity between the building and the University Union plaza. The approved project budget comes with a 10% variance and anticipates SRB financing of approximately \$8,000,000.



**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## **Conference and Event Planning**

Fiscal Year 2020-21



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## BUSINESS OVERVIEW

Conference and Event Planning (CEP) is a self-supporting operation providing a full array of event services from initial concept to completion of an event. CEP strives to facilitate the highest standards of excellence and professionalism in performance of its services.

University-sponsored events are related to the overall educational mission of the university and are directly linked to the purposes of Cal Poly colleges and departments. Licensed events are sponsored by off-campus organizations and promote the education and learning of the participants. CEP coordinates services for both types of events at various levels, size, and duration. Some events have fewer than 50 participants and last for less than a day, whereas other events have thousands of participants and span several weeks.

CEP also provides organizational assistance to event corporate sponsors and exhibitors to ensure their compliance with university regulations and conformance to the university's mission and purpose. With authorization to issue licenses for off-campus groups to use Cal Poly facilities and services, CEP is positioned to highlight the university and community partnership, bringing additional business to the San Luis Obispo community.

Services provided to off-campus organizations and university departments include:

- Budget development
- Complete registration and reporting services\*
- Coordination of on-campus housing accommodations
- Campus facility coordination and reservations
- Food and beverage service coordination
- Rental coordination
- On-site event staffing
- Liability insurance and other event-related insurance
- Payroll services\*
- Bus and shuttle service coordination
- Signage
- Logistical support for event staff\*

\* Available only for university-sponsored events

## 2019-20 ACCOMPLISHMENTS

- CEP developed an outreach initiative, with invitations and materials to send to University faculty, deans and supportive staff. CEP also developed and implemented a first “client appreciation day” post summer event. This event strengthened relationships on a professional and personal basis.
- CEP completed its work with the external consultant for an assessment and market study of conference services and summer facility use. In conjunction with the consulting firm, CEP reached out to other universities and partners for information requests and data collection, as well as provided various documentation from Cal Poly.
- CEP conducted outreach to a wider non-profit audience in the community and secured new clients. If the COVID-19 had not affected our scheduled events, work with these new clients would have started in March of 2020. However, our partnership with these clients remains strong, and discussions on future events are taking place.
- The university requested CEP to coordinate and produce the first USA Pentathlon qualifying Olympic event at Cal Poly. CEP worked closely with the USA Pentathlon organization on every aspect of production and implementation. CEP coordinated with multiple campus partners and took the lead working with the San Luis Obispo community, collaborating with the SLO County Board of Tourism and area hotels regarding the promotion of the event.
- CEP better educated University student clubs and organizations on holding events on the Cal Poly campus. CEP worked closely with University Scheduling, developing a system to notify a group when their event falls under the instance of “outside for-profit, or non-profit organizations”.
- CEP collaborated with the Cal Poly Event Industry Management (EIM) department, recruiting and training students for our various events. The USA Pentathlon event was volunteer driven, and 90% of those volunteers were Cal Poly students including EIM majors. CEP provided these EIM students with opportunities to work on future CEP events.
- CEP updated and streamlined the contracting process. CEP completed work on a new external contract and is ready for use by the department. Recent experience surrounding the COVID-19 pandemic has brought new awareness on additional pandemic related language to include in CEP contracts.
- As part of the Zero Waste Initiative, CEP has moved to a majority paperless informational system. For events, CEP has been on the forefront in leading efforts to utilize recycling initiatives. CEP partnered with the director of the Cal Poly Zero Waste Initiative to discuss at a higher level the creation of a Cal Poly based zero waste event structure.
- CEP offices will be relocated to the third floor of the new Vista Grande dining complex. In coordination with Corporation leadership, CEP staff were involved in work station planning and design, and engaging with various campus partners to ensure a successful move and change of work environment.

## 2020-21 GOALS & OBJECTIVES

- Taking into account recent events surrounding the COVID-19 pandemic, CEP will create new policies and procedures on how to approach an event with health and welfare in mind. Experiences over the past few months have provided an important learning tool regarding social distancing and safe guidelines on social gatherings that will be integrated into event planning.
- Two of CEP's largest summer events, the Epic program and the Architecture Summer Career Workshop, transitioned to a virtual program for summer 2020. CEP gained valuable experience coordinating these online events, from learning the virtual technology, to processing payroll and liability waivers in the new environment. CEP will integrate virtual events as a new offering, either as the main form of the event, or as backup in case a situation arises that prohibits in person programs.
- Prepare a concept proposal, including evaluation of financial and other risks, for production of large events on campus. External promoters continue to contact Cal Poly departments with interest in holding public ticketed and non-ticketed events on campus. As demonstrated with the USAPM and other events, CEP has the experience and capacity to be lead producer and coordinator for Cal Poly in this regard, working with stakeholders and other experts for a successful outcome. With strategic goals of revenue generation and positive public relations for Cal Poly as a destination location, explored include sporting events, speakers, outside concerts and other entertainment. Produced events are also an opportunity to engage and provide "Learn by Doing" experiences for Cal Poly students, especially those in the EIM field.
- CEP is in touch with all regular clients and will proactively work to secure and contract all upcoming 2021 winter spring and summer events. Should these efforts be successful in boosting revenues, CEP will work with Corporation management on evaluation of staffing needs and ability to return furloughed staff.
- CEP experienced substantial revenue losses due to the COVID-19 crisis. CEP will work with risk management to review and expand pandemic and other crisis related insurance coverage, including offerings for clients, and contract protection language for losses due to sudden cancellations.
- Work with EIM to expand intern opportunities. CEP will explore an internship program similar to that offered by SLO County Parks and Recreation where students are provided critical experience important to their field of study in a wide variety of event types and sizes.
- Using information in the consultant's report, work with corporation and campus leaders to confirm strategic priorities and have coordinated structure for facility allocation for conferences and events. Focus efforts on execution of those priorities. Include re-brand of CEP as revenue distribution center, consistent with actual function.
- Also as noted in the consultant's report, review housing and other facility options, to offer buildings with amenities and locations desired by summer event clients, to ensure expansion and viability of conference programs.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	Fiscal Year 2019-20 Budget	Fiscal Year 2019-20 Estimate*	Fiscal Year 2020-21 Budget Proposal	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$913	\$872	\$834	-	\$(834)	(100%)
Other Revenues	357	361	369	115	(255)	(69%)
<b>Income Before Operations</b>	<b>1,270</b>	<b>1,232</b>	<b>1,203</b>	<b>115</b>	<b>(1,089)</b>	<b>(90%)</b>
Salaries & Wages	457	483	447	241	206	46%
Benefits	230	234	229	235	(6)	(3%)
<b>Total Payroll Expense</b>	<b>687</b>	<b>717</b>	<b>676</b>	<b>476</b>	<b>200</b>	<b>30%</b>
Depreciation & Amortization	9	8	8	8	0	3%
Software / Hardware Maintenance	17	18	16	18	(1)	(7%)
Supplies & Equipment	7	11	7	8	(2)	(25%)
University Housing Expense	264	205	331	-	331	100%
CPC Administrative Services	130	135	135	33	102	76%
Other Operating Expenses	112	132	110	36	75	68%
<b>Total Operating Expenses</b>	<b>540</b>	<b>508</b>	<b>607</b>	<b>102</b>	<b>505</b>	<b>83%</b>
<b>Total Expenses</b>	<b>1,227</b>	<b>1,225</b>	<b>1,283</b>	<b>578</b>	<b>705</b>	<b>55%</b>
<b>Net from Operations</b>	<b>43</b>	<b>8</b>	<b>(80)</b>	<b>(463)</b>	<b>(384)</b>	<b>(480%)</b>
Other Income (Expense)	(1)	-	(0)	-	0	0%
University Services	(28)	(21)	(10)	(2)	8	76%
<b>Total Other Income (Expense)</b>	<b>(29)</b>	<b>(21)</b>	<b>(11)</b>	<b>(2)</b>	<b>8</b>	<b>77%</b>
<b>Transfer to Plant Fund Reserves</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Net to Reserves</b>	<b>\$4</b>	<b>\$(13)</b>	<b>\$(91)</b>	<b>\$(466)</b>	<b>\$(375)</b>	<b>(414%)</b>
<b>Noncash transactions (add back):</b>						
Depreciation & Amortization	9	8	8	8	0	(3%)
<b>Adjusted Net to Reserves</b>	<b>\$13</b>	<b>\$(5)</b>	<b>\$(83)</b>	<b>\$(458)</b>	<b>\$(375)</b>	<b>(454%)</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

Revenues and expenses presented in this budget represent a summary of CEP operations; figures do not represent revenues and expenses of individual conferences and workshop events.

### Revenues

FY 2019-20 revenues are projected to end slightly under budget. A majority of CEP revenues are earned during the summer timeframe. As such, the University response to COVID-19 has had a minimal impact on FY 2019-20 revenues, as a majority of events occurred during the 2019 summer.

In response to the COVID-19 pandemic, the University made a decision to cancel or postpone all events with attendance or participation of 10 or more people until State government guidelines allow. This response is projected to have a material impact on FY 2020-21 revenues. Revenues are projected to decrease 90% year-over-year. Revenues included in the FY 2020-21 budget primarily relate to events that will occur virtually or have been rescheduled until later in the fiscal year.

### Payroll Expenses

CEP provides a broad array of event services to the campus community. As a service group, the cost of personnel is the largest expense. In response to the significant revenue losses anticipated for FY 2020-21 resulting from the campus response to COVID-19 pandemic, the Corporation has been forced to take significant measures to reduce payroll expenses. The Corporation has implemented a series of deep furloughs across all employee types. Payroll expense for FY 2020-21 reflects a continuation of the furloughs introduced in FY 2019-20. While the budget includes reductions in hours for student and part-time employees, it also reflects an increase in the minimum wage in January 2021, and overall fringe benefit rates that are slightly higher than FY 2019-20.

### Operating Expenses

FY 2019-20 operating expenses are projected to end the year 19% over budget. The unfavorable variance from budget and change from prior year primarily relates to increases in university housing expenses. University housing expenses come from University Housing and represent approximately 55% of all CEP operating expenses. The variance in university housing expenses relates to changes in housing rates that occurred after the 2019-20 budget was approved. The increase in operating expenses from the previous year also includes expenses paid to an external consultant that was engaged to perform an assessment and market study of conference services and summer facility use.

Total operating expenses in FY 2020-21 are budgeted to decrease 83% from FY 2019-20 projections. The decrease primarily relates to decreases in on-campus housing expenses and bank card fees, which follow the decrease in budgeted revenues for FY 2020-21. In addition, administrative charges and funding requirements for university services have been reduced to help mitigate the financial impact of significant revenues losses to CEP.

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Facilities Reserve	Total
June 30, 2018 Reserve Balance	\$291,015	\$27,048	\$660,611	\$978,674
FY 2018-19 Change in Reserves	13,188	(9,247)	9,988	13,929
June 30, 2019 Reserve Balance	304,203	17,801	670,599	992,603
FY 2019-20 Change in Reserves (estimate)	(161,605)	(7,933)	78,905	(90,633)
June 30, 2020 Reserve Balance (estimate)	142,598	9,868	749,504	901,970
FY 2020-21 Change in Reserves (budget)	170,731	(7,696)	(628,923)	(465,888)
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$313,329</b>	<b>\$2,172</b>	<b>\$120,581</b>	<b>\$436,082</b>

CEP maintains three separate reserves for the following purposes:

**Operating Reserves** represents working capital held for contingencies and continuing operations. The reserve balance for June 30, 2020 (estimate) and June 30, 2021 (budget) is above the minimum reserve level of 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

**Investment in Operating Assets** for June 30, 2020 (estimate) and June 30, 2021 (budget) represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

**Facilities Reserves** represent CEP's accumulated earnings after all other reserve requirements have been met. These funds can be used for future capital development or organizational development opportunities. However, it is expected these reserves will be used over the next fiscal year to mitigate the impact of projected operating losses resulting from the COVID-19 pandemic.

## **CAPITAL OUTLAY REQUEST**

There are no capital outlays requested for FY 2020-21.



**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

**Sponsored Programs Administration**

Fiscal Year 2020-21





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## BUSINESS OVERVIEW

Sponsored Programs, in accordance with the Integrated CSU Administrative Manual (ICSUAM) section 11000, provides essential functions and services to the Cal Poly community to further its educational mission and scholarly endeavors.

Sponsored Programs provides efficient and effective post-award administration support for research projects, workshops, conferences, centers and institutes, fee-for-service, and other projects that enrich the scholarly endeavors of Cal Poly from award negotiation and acceptance through project closeout and record retention.

The primary objectives of Sponsored Programs are as follows:

- To support faculty scholarship and student “Learn by Doing” opportunities by providing financial and compliance services for sponsored programs and related activities
- To effectively participate in the proposal submission process, with the university’s Grants Development office, when appropriate
- To perform a thorough review and, in negotiations, engage the appropriate campus units to affect favorable contract and grant terms and conditions prior to acceptance of an award
- To provide research administration consulting services to project directors to assist or support them with fulfilling the administrative and compliance research, instructional, or other contract or grant objectives
- To protect Cal Poly 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 stakeholders with pertinent financial and technical status information as appropriate
- To facilitate the Facilities and Administration proposal submission, rate negotiation, agreement acceptance, and extension request with the proper federal Division of Cost Allocation delegate.

## 2019-20 ACCOMPLISHMENTS

- Transitioned from retaining physical to electronic copies of critical files to reduce the department's reliance on physical documentation for reporting requirements and audit support. Worked closely with the CPC Business and Finance Office to update record retention policies.
- The department developed a process in which it can begin to capture all research-related costs within the various colleges on campus. Working closely with the deans and associate deans, previously underreported research costs in the NSF Higher Education Research and Development Survey (HERD) were reported. This report is the primary source of information on research and development expenditures at U.S. colleges and universities.
- The department collaborated with the CPC Business and Finance Office and university Administration and Finance, along with Huron Consulting, to prepare and submit a Facilities and Administrative rate proposal for renewal of its federally-approved indirect cost rate.
- The department completed a CSU audit as well as the annual Single Audit.
- With the hire of a new vice president for research and economic development, a reorganization of departments under this office occurred, which included the Grants Development and Sponsored Programs departments. The department also hired one contracts and grants analyst to backfill a vacant position. This position provides pre- and post-award support to faculty and staff at the project level.
- The department participated in the development of the Corporate Engagement and Innovation (CEI) office. The department worked closely with the associate vice president for CEI, and transitioned the project management of industry-related contracts to CEI. The department also provides ongoing training of the CEI staff.

## 2020-21 GOALS & OBJECTIVES

- Policies and procedures affected by the implementation of 2 CFR 200, Uniform Guidance, will continue to be reviewed and updated as needed to ensure consistencies with federal clarifications and industry best practices.
- The department will participate in a review and update of Corporation policies and processes to maximize efficiency and service, while ensuring proper stewardship of assets and resources.
- The department will continue to work on the process of collecting all research-related costs across the university. In collaboration with the Office of Research and Economic Development (ORED), the department will work with deans and associate deans across campus to collect the financial data necessary for accurate reporting in the HERD report.
- The department will work closely with the interim director of research compliance to develop a productive working relationship between the offices. In collaboration, the offices will develop a process for post-administrative compliance review and a tracking system to ensure all requirements are being met.
- The department will continue to work closely with the newly-developed CEI office and implement a new process for the post-award administrative requirements.
- The department will work with Grants Development and the ORED to streamline processes and improve communication between offices, resulting in greater efficiency and productivity.
- Working closely with the Corporation IT, streamlined electronic processes will continue to be developed in support of the strategic goal to ensure business processes maximize efficiency and service, making the best use of resources and assets.
- Evaluation of physical office space use is ongoing, and may include relocation to a campus space that will allow Sponsored Programs, Grants Development, and ORED central staff to co-locate in the same building.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	Fiscal Year 2019-20 Budget	Fiscal Year 2019-20 Estimate*	Fiscal Year 2020-21 Budget Proposal	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Contract & Grant IDC Income	4,002	4,072	3,723	4,076	354	10%
Contract & Grant Admin Fees	3	3	5	5	-	0%
Center & Institute Admin Fees	240	202	227	227	-	0%
Other Revenues	215	234	173	173	-	0%
<b>Income Before Operations</b>	<b>4,460</b>	<b>4,510</b>	<b>4,128</b>	<b>4,482</b>	<b>354</b>	<b>9%</b>
Salaries & Wages	539	797	567	572	(5)	(1%)
Benefits	327	466	333	344	(11)	(3%)
<b>Total Payroll Expense</b>	<b>866</b>	<b>1,263</b>	<b>900</b>	<b>916</b>	<b>(16)</b>	<b>(2%)</b>
Audit & Tax	12	12	12	12	-	0%
CPC Administrative Services	734	760	760	733	27	3%
University Cost Allocation	235	279	279	294	(15)	(5%)
Other Operating Expenses	138	232	150	149	0	0%
<b>Total Operating Expenses</b>	<b>1,119</b>	<b>1,283</b>	<b>1,201</b>	<b>1,188</b>	<b>13</b>	<b>1%</b>
<b>Total Expenses</b>	<b>1,985</b>	<b>2,546</b>	<b>2,101</b>	<b>2,105</b>	<b>(3)</b>	<b>0%</b>
<b>Net from Operations</b>	<b>2,474</b>	<b>1,964</b>	<b>2,027</b>	<b>2,377</b>	<b>350</b>	<b>17%</b>
Other Income (Expense)	(2)	(1)	(3)	(3)	0	0%
<b>Total Other Income (Expense)</b>	<b>(2)</b>	<b>(1)</b>	<b>(3)</b>	<b>(3)</b>	<b>0</b>	<b>0%</b>
<b>Transfers In (Out)</b>	<b>(2,370)</b>	<b>(1,860)</b>	<b>(1,990)</b>	<b>(2,354)</b>	<b>(363)</b>	<b>(18%)</b>
<b>Net to Reserves</b>	<b>\$102</b>	<b>\$103</b>	<b>\$34</b>	<b>\$21</b>	<b>\$(13)</b>	<b>(38%)</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

Total **Income Before Operations** for FY 2019-20 is projected to fall approximately 8% below budget expectations, primarily due to decreased sponsored project expenditure activity. Projections for FY 2020-21 contract and grant income are expected to remain flat in comparison to the FY 2019-20 budget, due to an anticipated decrease in federal grant funding offset by an increase in the effective rate collected for indirect cost recovery. Other revenues in FY 2020-21 are budgeted to remain flat with current year projections, also due to uncertainty regarding changes in availability of funds.

**Total Payroll Expense** for the current year reflects a 29% decrease from the budget due to continued position vacancies. The FY 2019-20 budget anticipated hiring two contracts and grant analysts, but that expectation was reduced to one position. Payroll expense for FY 2020-21 reflects a 2% general salary increase for full-time employees on January 1, 2021. It also reflects an increase in the minimum wage for student and part-time employees in January 2021, and fringe benefit rates slightly higher than FY 2019-20.

**Total Operating Expenses** for FY 2019-20 are anticipated to be 6% below budget, which is primarily the result of savings in travel-related expenditures, supplies, and consulting expenses. The decrease in travel-related expenditures is related to the university suspension of all non-essential travel as a result of the COVID-19 pandemic. FY 2020-21 Operating Expenses are expected to decrease slightly from the current year, primarily due to decreases in consulting expenses and Corporation administrative charges. Consulting expenses in FY 2019-20 related to the Facilities and Administrative rate proposal for renewal of its federally-approved indirect cost rate, and are not anticipated in FY 2020-21.

**Transfers Out** includes funds allocated by the dean of research for expenditure by various university departments involved in campus research programs. Transfers out in FY 2020-21 is expected to increase by approximately \$363,000 as a result of the increase in contract and grant income from FY 2019-20.

**Net to Reserves** are residual funds allocated to the Operating Reserve, Contract and Grant Audit Reserve, and Capital Outlay Reserve, as needed.



## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Contract & Grant Audit Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2018 Reserve Balance	\$518,276	\$210,270	\$15,750	\$744,296
FY 2018-19 Change in Reserves	26,383	80,570	(4,974)	101,979
June 30, 2019 Reserve Balance	544,659	290,840	10,776	846,275
FY 2019-20 Change in Reserves (estimated)	(29,965)	69,190	(4,974)	34,251
June 30, 2020 Reserve Balance (estimate)	514,694	360,030	5,803	880,527
FY 2020-21 Change in Reserves (budget)	15,441	10,801	(4,974)	21,268
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$530,135</b>	<b>\$370,831</b>	<b>\$829</b>	<b>\$901,795</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 three months of expenditures.

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

During FY 2017-18, a project closed in a deficit position of approximately \$167,000. Funds from the Contract & Grant Audit Reserve were transferred to cover the deficit and close the project. It was agreed this reserve would be replenished to full capacity over a two-year period.

**Investment in Operating Assets** for June 30, 2020 (estimate) and June 30, 2021 (budget) represents the investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

## **CAPITAL OUTLAY REQUEST**

There are no capital outlays requested for FY 2020-21.



**CAL POLY**  
**Corporation**

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

## **General Administration**

Fiscal Year 2020-21



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## BUSINESS OVERVIEW

Cal Poly Corporation's General Administration (GA) provides a variety of fiscal, human resource (HR) and other administrative services to assist the Corporation in fulfilling its mission to provide vital university resources and services while serving the campus community in effective and innovative ways. General Administration staff work to enhance the quality of education at the university by:

- Providing organizational leadership and representing the corporation on internal and external committees, boards and councils.
- Engaging in professional collaborations and services essential to meeting the needs of those we serve.
- Building economic strength through skillful use of GA financial, technological, and human resources, and ensuring awareness of corporation's role and potential through effective communication and marketing.
- Partnering with campus leadership and on and off-campus entities to develop projects and initiatives essential to Cal Poly's mission.
- 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 affiliated campus organizations including the university, Cal Poly Foundation, Alumni Association, Associated Students, Inc., and the Performing Arts Center.

The GA budget includes the following Corporation operations:

**Executive Office** - The Corporation's Executive Office is responsible for setting strategic direction and priorities for the organization. This includes ensuring alignment with university priorities, ensuring financial health and long-term viability of the organization, board and organizational administration and compliance, business and policy development, legal affairs, contract administration and management, and capital development and public relations. Under the leadership of the chief executive officer, the Executive Office works directly with campus senior leadership and the Corporation Board of Directors to lead the overall Corporation. The Executive Office also collaborates with across campus to assist the university in achieving its long-term goals and objectives.

**Human Resources** - Corporation HR recruits, develops, trains, and retains a workforce of more than 240 full-time employees and more than 2,000 part-time student employees. Working closely with other departments and units, HR provides full scope HR programs and services, including employee relations management for all Corporation employees. The department's chief 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 and Finance Office is responsible for managing the financial resources of the Corporation consistent with its strategic direction and priorities. It oversees financial planning and forecasting, investment and cash management, manages financial risk, and provides financial reporting to executive and senior management. The Business and Finance Office manages fiscal services for internal departments and external organizations, providing centralized business and financial analysis, accounting, record keeping, and financial reporting for Corporation units, and maintains an integrated, online financial reporting system. Departments within the Business and Finance Office include Payroll, Accounts Receivable, Travel, Accounts Payable, General Accounting,

Campus Programs, Investment and Treasury Management, Income and Gift Management, Cashiering, and Financial Services.

**Marketing and Communications (MARCOM)** - The MARCOM department provides marketing and communication services to the Corporation's administrative and commercial operations as well as to other campus units and organizations. MARCOM is responsible for internal and external communications, including media point of contact and press releases. MARCOM's goal is to use creatively developed integrated marketing solutions that enable and support the Corporation and other customer units to achieve and then exceed their business objectives. Services provided by MARCOM include strategic planning support, 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 full range 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. IT provides workstation and other computing equipment support, Help Desk support, computer account administration, network administration, computing asset management, software/hardware installation on workstations and servers, web development and hosting services, database administration, and application development and support.

General Administration operations are funded through cost-recovery allocations and assessments charged to Corporation departments and operations, fees for fiscal and administrative services provided to external organizations and the net investment income (interest plus dividends, less fees) from the General Investment Fund.



## 2019-20 ACCOMPLISHMENTS

- Developed and rolled-out critical elements of the corporation strategic plan, established regular goal progress meetings, more frequent and informative communications with corporation staff and key constituents, and completed a number of important strategic objectives.
- Created Corporation sustainability steering committee with charter and purpose, with sustainability overview by committee members to new employee orientation and training.
- Developed simplified and clear accounting practices for the commercial agriculture units for recording inventory and cost of goods sold.
- Transitioned all DocuSign templates and web forms to AdobeSign for Campus Dining, Human Resources, and Business and Finance.
- Implemented a new Employee Self-Service system, providing improved employee access to human resource and payroll information.
- Successfully passed an Office of Federal Contract Compliance Programs audit through the Department of Labor in regards to hiring practices.
- Provided project leadership and technical support for implementation of a new cloud-based integrated point-of-sale system.
- Transitioned ASI timekeeping to the CPC Pay and Kronos timekeeping system.
- Executed a new pouring rights agreement and oversaw full campus implementation.
- Successfully launched property management function for the Tech Park.
- Provided leadership and support for the P3 (private-public-partnership) student housing initiative and Tech Park expansion project.
- Developed over three hundred campaigns to market and promote Campus Dining programs and events, assisted Campus Dining in winning a Silver Loyal E. Horton Award, and won five international MARCOM awards.
- In response to the coronavirus (COVID-19) pandemic, rapidly transitioned organization to comply with essential worker and work from home provisions of the shelter at home directive.
- Implemented a hiring freeze, travel freeze, expenditure reductions and furlough program to address substantial impacts of the COVID-19 pandemic.

## 2020-21 GOALS & OBJECTIVES

- Goals and objectives will remain flexible as needed to accommodate changing priorities and operations in light of COVID-19 impacts.
- Complete building 15 reconfiguration to add workstation efficiency and capacity, and create a modern functional work environment. Review and revise plans in light of lessons learned with COVID-19, with consideration given to telecommuting options.
- All areas of GA will provide orientation support to new Chief Executive Officer, pending successful hire of that position.
- Conduct a needs assessment survey and identify opportunities to bridge skill and succession gaps in operations.
- Provide career path and professional development coaching/training to all managers and supervisors.
- Investigate options and implement a new work-order management platform to establish key metrics and data collection and analysis capabilities for facilities operations.
- Establish a more comprehensive and well-documented risk management program.
- Provide leadership and support for the P3 (private-public-partnership) student housing initiative, Tech Park expansion project, and opening of new Vista Grande Dining Complex.
- Continue working with campus partners towards design completion of the Building 19/University Union Neighborhood project.
- Develop and execute on a financial plan to restore operating reserves to board-approved levels.
- Enhance the Employee Self-Service system, providing improved access to employee tax forms, including the 1095-C and W-2s.
- Improve Corporation recruitment processes by offering more ways to complete hiring documents and forms electronically.
- Evaluate the feasibility of moving corporation information systems to their SaaS models in support of reducing on-premise IT infrastructure and support requirements.
- Review processes and systems for areas needing improvement and shared service opportunities, prioritize through assessment of risks, costs and benefits, and implement improvements/shared services.
- Continue digital transformation of marketing efforts to increase communication effectiveness, including website updates and the development of the Conference and Event Planning website.

## 2020-21 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2018-19 Actual	Fiscal Year 2019-20 Budget	Fiscal Year 2019-20 Estimate*	Fiscal Year 2020-21 Budget Proposal	2020-21 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Assessment Income	\$3,066	\$3,129	\$2,934	\$2,769	\$(166)	(6%)
Fee for Service Income	643	666	729	745	16	2%
CPC Allocated Services	701	791	704	686	(18)	(3%)
Other Revenues	819	806	886	886	(0)	0%
<b>Income Before Operations</b>	<b>5,230</b>	<b>5,392</b>	<b>5,253</b>	<b>5,085</b>	<b>(167)</b>	<b>(3%)</b>
Salaries & Wages	2,764	2,978	2,946	2,701	245	8%
Benefits	1,609	1,686	1,684	1,541	143	9%
<b>Total Payroll Expense</b>	<b>4,373</b>	<b>4,664</b>	<b>4,630</b>	<b>4,242</b>	<b>388</b>	<b>8%</b>
Depreciation & Amortization	81	71	71	35	37	52%
Software / Hardware Maintenance	199	294	304	284	21	7%
General Maintenance	17	24	22	22	(0)	(1%)
Supplies & Equipment	72	65	60	46	13	22%
Rent / Lease Expense	208	213	211	211	(1)	0%
Audit & Tax	113	117	117	118	(1)	(1%)
Other Operating Expenses	715	835	787	801	(13)	(2%)
<b>Total Operating Expenses</b>	<b>1,405</b>	<b>1,619</b>	<b>1,572</b>	<b>1,516</b>	<b>56</b>	<b>4%</b>
<b>Total Expenses</b>	<b>5,778</b>	<b>6,283</b>	<b>6,202</b>	<b>5,758</b>	<b>444</b>	<b>7%</b>
<b>Net from Operations</b>	<b>(548)</b>	<b>(891)</b>	<b>(949)</b>	<b>(673)</b>	<b>276</b>	<b>29%</b>
Other Income (Expense)	(20)	-	(10)	-	10	100%
<b>Total Other Income (Expense)</b>	<b>(20)</b>	<b>-</b>	<b>(10)</b>	<b>-</b>	<b>10</b>	<b>100%</b>
<b>Transfers In (Out)</b>	<b>538</b>	<b>876</b>	<b>750</b>	<b>816</b>	<b>66</b>	<b>9%</b>
<b>Net to Reserves</b>	<b>\$(30)</b>	<b>\$(15)</b>	<b>\$(210)</b>	<b>\$143</b>	<b>\$353</b>	<b>168%</b>
<b>Noncash transactions (add back):</b>						
Depreciation & Amortization	81	71	71	35	(37)	(52%)
<b>Adjusted Net to Reserves</b>	<b>\$51</b>	<b>\$56</b>	<b>\$(138)</b>	<b>\$177</b>	<b>\$316</b>	<b>228%</b>

\* Estimate based on nine months actual and three months estimate

\*\* Columns may not foot due to rounding

## OPERATING BUDGET DISCUSSION

### Revenues

Income Before Operations for FY 2019-20 is projected to end slightly under budget. This variance is primarily the result of a decrease in Assessment Income and Allocated Services. In response to the COVID-19 pandemic, the University made a decision to provide the spring and summer 2020 academic quarters virtually. Students were encouraged to shelter-at-home, where possible. As a result, corporation commercial operations were forced to close or reduce operations significantly. In an effort to help mitigate the financial impact to these operations, administrative assessments and allocations were reduced for FY 2019-20. A decrease in administrative assessments and allocations is included in the FY 2020-21 budget, which is made possible through planned reductions in payroll and operating expenses (see sections below for further detail).

Fee for Service Income is slightly over budget for the current year. This income represents fees charged for services provided to agencies and third parties, including Associated Students, Inc. The favorable variance is primarily the result of an increase in fees collected from the California Specialized Training Institute (CSTI). Fees to CSTI are based on a percentage of expenditures, which have increased this year. Fee for Service Income is expected to remain consistent in FY 2020-21.

### Payroll Expenses

In response to the economic impact of COVID-19, the Corporation implemented a series of furloughs across all employee types. Total Payroll Expense for FY 2020-21 reflects a continuation of the furloughs introduced in FY 2019-20. While the budget includes reductions in hours for student and part-time employees, it also reflects an increase in the minimum wage in January 2021, and overall fringe benefit rates that are slightly higher than FY 2019-20.

Payroll expenses are projected to finish the 2019-20 fiscal year consistent with the budget. Student and part-time employee furloughs in response to the COVID-19 pandemic were offset by promotional adjustments made earlier in the year.

### Operating Expenses

Total Operating Expenses for the current year are expected to end the year slightly under budget. In response to the economic impact of COVID-19, the Corporation reduced, cancelled, or postponed, where possible, discretionary expenditures, such as supply and travel expenses. Operating Expenses for FY 2020-21 reflects a continued effort to reduce, cancel, or postpone expenditures.

### Net from Operations

General Administration operations are partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund. FY 2019-20 Transfers-in represent approximately \$750,000 in net investment income from the General Investment Fund and is expected to increase slightly to approximately \$816,000 for FY 2020-21. The change is reflective of expected changes in revenues and expenses as described above.

## 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 \$4 million for the first 10 months of the fiscal year, resulting in overall net operating loss of \$2 million over the same period. Current year results are driven by the market response to the COVID-19 pandemic.

Net investment income from the General Investment Fund helps to support the General Administration budget, assist with Corporation special projects, and build Corporation reserves. The Corporation anticipates that approximately \$750,000 in current year dividend and interest income will be used to support General Administration operations in FY 2019-20.

Net investment income in excess of transfers to General Administration operations are kept in the following reserves:

**Investment Reserve** - This reserve is intended to establish a contingency reserve to cover potential General Investment Fund 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 requirements. It is primarily used to ensure the Investment Reserve and General Administrations reserves remain fully funded. The reserve can also be used to support other Corporation and university strategic initiatives when funding is available.

Past and projected reserve balances are as follows:

	Investment Reserves	General Administration Reserves
June 30, 2019 Reserve Balance	\$9,872,988	\$5,410,068
FY 2019-20 Change in Reserves (estimate)*	354,271	(2,574,538)
June 30, 2020 Reserve Balance (estimate)*	10,227,259	2,835,530

*(\*Current year estimates are based on actual 10-month activity for the current year and estimated results for May and June of 2020. Note that market value gains (losses) are not estimated.)*

## STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2018 Reserve Balance	\$1,809,900	\$177,769	\$43,132	\$2,030,801
FY 2018-19 Change in Reserves	53,788	(65,783)	(18,132)	(30,127)
June 30, 2019 Reserve Balance	1,863,688	111,986	25,000	2,000,674
FY 2019-20 Change in Reserves (estimate)	(146,502)	(63,365)	0	(209,867)
June 30, 2020 Reserve Balance (estimate)	1,717,186	48,621	25,000	1,790,807
FY 2020-21 Change in Reserves (budget)	177,179	(34,537)	0	142,642
<b>June 30, 2021 Reserve Balance (budget)</b>	<b>\$1,894,365</b>	<b>\$14,084</b>	<b>\$25,000</b>	<b>\$1,933,449</b>

General Administration reserves represent an accumulation of prior earnings 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 is equal to 30% of the subsequent year's payroll and operating expense budget (less depreciation expense). It is anticipated that FY 2020-21 earnings will be sufficient to fully fund the reserve.

**Investment in Operating Assets** for June 30, 2020 (estimate) and June 30, 2021 (budget) represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

**CAPITAL OUTLAY REQUEST**

There are no capital outlays requested for FY 2020-21.