



CAL POLY

**BOARD OF DIRECTORS MEETING #2
Friday, February 3, 2023, 8:30 a.m.
MINUTES**

Fiscal Year 2022-23

Present: Cara Crye-Wright, Aaron Fernandes, Keith Humphrey, Sean Hurley, Cynthia Jackson-Elmoore, Geri LaChance, Patrick Mullen, Steven Rein, Cynthia Villa, Dean Wendt

Absent: Marissa Hiji, Cyrus Ramezani, Andy Thulin

Guest: Bruce Dorfman, Joanna Julian, Ernie Vasquez

Staff: Joe Alves, Dan Banfield, Umut Brown, Andrea Burns, Holly Clark, Ellen Curtis, Jess Dozier, Jim Dunning, Tiffany Kramlich, Matt Ryan

I. CALL TO ORDER AND INTRODUCTIONS

Chair Cynthia Villa called the meeting to order at 8:34 a.m. and welcomed everyone in attendance. She asked everyone to introduce themselves.

Villa noted Andy Thulin will be virtual for this meeting, Marissa Hiji will be absent, and Cyrus Ramezani was also absent.

II. PUBLIC COMMENT

Villa asked if there was anyone present who had a public comment. There were no public comments submitted nor people present to make a comment.

III. MINUTES

Board Meeting Minutes – October 28, 2022

(M/S/P) (MULLEN/LACHANCE) that the Board accepts the October 28, 2022, minutes as presented.

None opposed. Keith Humphrey abstained.

IV. CONSENT AGENDA

A. Accept Quarterly Investment Reports

B. Accept Quarterly Financial Reports

(M/S/P) (HUMPHREY/CRYE-WRIGHT) that the Board approve the Consent Agenda items IV. A. and B.

Gerri LaChance abstained. None opposed.

V. CHAIR REPORT

Villa presented to the Board about the Cal State University search for a chancellor. The national search for a new CSU Chancellor will be guided by two committees recently formed. The position is anticipated to be filled by the summer of 2023.

Cal Poly is actively searching for a Vice President University Diversity Equity and Inclusion as well as a Vice President of Research.

Dean Christine Theodoropoulos of the College of Architecture and Environmental Design has announced her retirement. The office of the Provost will be working on the transition. Ryan Gruss has been serving as interim Director of the Performing Arts Center since the retirement of Chris Miller.

Villa reported on campus development including the expansion of student housing by 3,000 beds over the next 8 to 10 years. The William and Linda Frost Center for Research and Innovation, a \$133 million project is finishing. The Kennedy Library's renovation is underway with construction expected to begin in July this year. The John Madden Family has donated \$10 million to a new facility for the University's football program. Construction is expected to begin in the spring of 2023 and be completed in 2024.

Recent storms caused overflowing of reservoirs on campus and flooded roads mostly to agriculture lands. The sports fields that were flooded will be determined if they are salvageable. A bridge washed out at the University's Bartleson Ranch.

The quarter to semester project is complex and moving forward with a target transition anticipated in the fall of 2026.

VI. COMMITTEE REPORTS

A. Investment Advisory Committee

Joe Alves reported that the Investment Advisory Committee met on February 1, 2023. Two long-serving members of the committee, Eldon Shiffman and Larry Gorman will be leaving. The committee is seeking replacements. Matt Wilson, a current member, is willing to serve as Chair of the committee moving forward.

Inflation concerns contributed to market volatility into FY 2022-23. All funds posted positive returns for the quarter and outperformed their respective benchmarks. The value style tilt of the portfolio contributed to outperformance by 80 basis points. The fiscal year to date returns are still positive, though trailing benchmarks. A portion of short-term assets have been invested in a treasury bill ladder strategy. The total ladder is \$12 million and matures in monthly installments with an average yield of approximately 4%.

B. Budget and Finance Advisory Committee

Dan Banfield reported that the Budget and Finance Advisory Committee met on February 2, 2023. The quarterly meeting reviewed operations performance of the recent quarter, fiscal year results, and a trend analysis. Two items noticed during the committee review were (1) the contribution of \$7 million to the Frost Center which had previously been reserved for this purpose, and (2) the shortfall in the operating budget year-to-date. The Campus Dining operating cycle is part of the reason for the shortfall in the budget. This relates to the timing of students spending their dollars on their dining plans.

The Committee also spent time reviewing the financial impact related to a business item to be discussed later in this meeting today. The multi-year trend analysis created to analyze the financial COVID recovery was reviewed. This breakdown shows the pre-COVID trends, current financial trends, and post COVID recovery.

The Board discussed the trend in continuing meal plans. This information is also captured on the Corporation's divisional scorecard.

VII. BUSINESS

A. Commercial Building Lease

(M/S/P) (HUMPHREY/MULLEN) that the Board of Directors authorize the Chief Executive Officer or his designee(s) with concurrence by the Board Chair to negotiate and execute a commercial lease or purchase for the 4800 Morabito Place building.

None opposed.

Cody VanDorn presented to the Board the commercial building lease item. A memorandum on the item was given to the Board. As the campus has grown over the years the issue of space has been the subject of concern. Classroom space, faculty office space, and staff space are all impacted with this problem. The university sees the value in looking off campus for space as a cost-effective solution. Recently a 50,000 square foot building was identified. It is located near the San Luis Obispo airport and was built in 2012. It offers 200 or more spaces for parking and was designed for single tenant use. Visuals of the building were shown to the Board. This option would increase academic space by freeing up currently occupied faculty and staff offices on campus. The idea is to move staff off-site that don't necessarily need to be on campus. There is also a demand for space on campus for the anticipated temporary closure of the Kennedy Library while undergoing renovation. The option with this building is a lease or purchase.

The Corporation is asking the Board to authorize the CEO and Chair of the CPC Board to negotiate and execute a commercial lease or purchase for the 4800 Morabito Place building. The university has asked the Corporation to facilitate this action. There is no risk to CPC and the funding of this lease or purchase will come from the university. A follow up will be brought to the Board in April 2023.

B. Campus Dining Capital Outlay Request

(M/S/P) (LACHANCE/HURLEY) that the Board of Directors approves the FY 2023 – 24 Capital Outlay Requests.

None opposed.

Andrea Burns gave an overview of Commercial Services, and CPC partnering with the university in building for the future. Spanos Stadium is undergoing renovation by the university, additionally CPC is focusing on the concessions at the stadium. CPC is also involved in the upcoming renovation at the Kennedy Library. The Corporation is working on adding more value-centric dining concepts. A Taco Bell is planned to open on campus at PCV in the Fall of 2023. Burns recapped a few of the Commercial Services completed projects since last year, including Scout Coffee, Mott Lawn community space, and PAC Lawn community space. In the future, the Corporation is planning on completing 1901 Marketplace and the Mustang Station remodel design.

The PAC Lawn community space helps offset up to 700 dinners nightly from Vista Grande from food trucks. The enhancements at Vista Grande with the Mustang Express all-you-care-to-eat

idea serves another 700 meals a night. The Via Carta community space was created outside of Campus Market and features the campus' first commission outdoor mural. Food trucks provide increased capacity for serving students in this academic neighborhood.

Lastly, the Mustang Shop rebranding/remodel has seen merchandise sales up 20% over pre-COVID numbers and overall has had a positive impact on the campus.

Jess Dozier explained the details of the plans for each of the spaces and venues that will receive updates this fiscal year.

Spanos Stadium concessions has reached the limit of what the "Shack" can do to serve the numbers of attendees. The new vision is one with the expectations of a division one school. This location also lacks outdoor space for events. This is an opportunity for growth for both sports and events. The budget was created based on real historical concessions experience. Currently the project is in the design stages, including a terraced view area and VIP space. There will be three serving kitchens and a Mustang Shop pop-up space.

Starbucks at the Kennedy Library is being planned at the northeast ground level corner of the building, a location with ideal visibility from the bus stop and students entering the library. The other Starbucks, currently located at Campus Market, is limited to the capacity it can serve. The budget is \$3 million and will be under construction beginning this summer 2023.

Taco Bell will be opening at PCV with a full menu. This area is mostly upperclassmen living in the dorms. The idea is to introduce value and popular brands. Student surveys have been incorporated into this decision.

C. Commercial Services Structure

(M/S/P) (HURLEY/LACHANCE) that the Board of Directors authorize the Chief Executive Officer or his Designee(s) to negotiate and execute all documents necessary to contract for management of some or all of Campus Dining Operations.

Andrea began the presentation by providing a background of Chartwells and their role in managing dining programs at ten different California State Universities. A few years ago, the Corporation helped lead a CSU Master Sponsorship Agreement, which was awarded to Chartwells. Chartwells has been working with Cal Poly San Luis Obispo since 2017.

Cal Poly Corporation is working to restructure its Commercial Services division to be a competitive employer and to be financially viable in the long term. Working with Chartwells to help manage campus dining rather than fully self-operating this portion of the business will attract more talent, maintain affordable food costs, and be competitive in the foodservice industry.

Leadership has been focused on finding ways to restructure long-term retirement benefits. The average tenure for campus dining employees is under the 5-year mark where employees can begin vesting in retirement benefits. Chartwells proposed an operating model with general industry standards allowing more take home pay and a retirement package that better aligns with employees' goals.

Chartwells proposed a management fee model. Day-to-day operations will be handled by Chartwells. Campus dining employees currently employed by CPC will be offered a position with

Chartwells. CPC will retain ultimate decision-making power for program related decisions. The financial impact to CPC with this agreement is anticipated to reduce operating costs by between 10-20% than if CPC continued to self-operate. Annual gross wages for employees are expected to increase and retirement benefits will include a market-based 401(k).

The agreement with Chartwells includes incentives in the form of grants related to helping with food insecurity. Additionally, there is an offer to assist in future dining-related projects.

Dan Banfield explained the financial aspect of this transition. The first consideration was given to employees and students while creating a financially sustainable program. The ability to offer competitive wages is essential to attracting and retaining employees, which Chartwells is offering. The overall management fee for Chartwells under this arrangement would be 1.5% of this fee if Chartwells is not able to achieve the metrics agreed upon in the contract, half of their fee would be at risk. The other half of the fee will be put into an annual employee fund for performance-related compensation. This agreement will allow for a reduction in operating costs overall. Chartwells will be held to KPIs per the agreement and reviewed on an annual basis.

Several questions were answered for members of the Board including how employees would be informed of the transition. If the Board agrees to move forward, townhall meetings have already been scheduled with employees to discuss this program directly. Meetings with CalPers representatives are also scheduled. Chartwells has been a trusted partner on 10 other CSU campuses and on campus at CPSU for 5 years. The Corporation has been working with campus leadership, including ASI, while considering this offer. Responses have been extremely positive from ASI specifically, that food insecurity is going to have a dramatic increase in funds. Concerns related to the ability to terminate the Chartwells agreement for non-performance and equitable benefits were raised. It was explained that built into the contract are KPIs to keep performance on target.

Retention payments to employees will be paid to those who choose to transition to Chartwells based on years of service.

A motion was proposed for amending the language of the recommendation to *“that the Board of Directors authorize the Chief Executive Officer or his Designee(s) to negotiate and execute all documents necessary to contract for management of some or all of Campus Dining Operations. The terms shall include equitable benefits for Chartwells / Cal Poly workforce.”*

Hurley and LaChance agree with the revised motion.

One abstention (Humphrey) with the new revised recommendation.

The Board took a break at 10:48 a.m. and resumed at 11:00 a.m.

VIII. STAFF PRESENTATIONS

A. Corporation Naming

Ellen Curtis presented an update on renaming the Corporation. The three criteria to determine a name are strategic alignment, functional requirements, and minimum requirements. The initial list of names shared with the Board contained the top three choices, Cal Poly Partners, Mustang Enterprises and Mustang Collaborative. An invitation to participate in the Corporation renaming

went out to 3,584 stakeholders with a response rate of 7%. Of this group 76% contributed to the process. There were six focus groups of students, faculty, and staff conducted during this time.

In examining the top choice there were several takeaways. Cal Poly Partners is easy to remember, the name is approachable, but the acronym CPP is the same as Cal Poly Pomona.

The research provided an understanding that there is currently a brand disconnect, and there is a negative name association with the current name amongst CPC external stakeholders and students.

The next steps in the process of determining if a new name is the best option, are to narrow the name choice to Cal Poly Corporation and Cal Poly Partners, complete a brand audit, build a timeline and budget, along with a communication plan. At the next board meeting in April a final recommendation will be made to the Board.

B. CFO Report

Dan Banfield reported the YTD 22-23 FY Core Operating Results and the trend analysis showing pre-COVID, current status, and post COVID trends. The Corporation's net position has decreased \$7.7 million mostly related to the Frost building contribution. Total revenues are up 16% over last FY 2021-22. The Freshman headcount is 5,115. Voluntary continuing student meal plans total 3,236. Expenses are up 15% over FY 2021-22 related to inflation in operating costs. Within the General Fund, the CD Ladder is \$12 million. Other updates include sponsored project expenditures are \$16.7 million and on July 1, 2022, the Corporation assumed operations of Bartleson Ranch.

Overall, the Corporation has fully recovered from the economic impacts of the Pandemic. Banfield covered some of the non-core programs. They are all tracking very close to budget, but Sponsored Programs is having tremendous improvement with expenditures at \$16.7 million.

C. CEO Report

Cody VanDorn presented a few of the key strategic projects of the Corporation. The Vista Grande construction recovery will require a closed session in the near future. Cal Poly Corporation won a case to be allowed to be a third-party beneficiary in the lawsuit based on a business loss related to Vista Grande. Additionally, the Corporation's Culture Plan is in full swing by our HR Department. This plays a big part in expanding the Commercial Services relationship with Chartwells and focusing on teams post Pandemic.

Tech Park is expected to begin construction in the Spring of 2023 of the 16,000 square foot expansion. A leadership team recently visited Swanton Pacific Ranch (SPR), which continues its rebuilding efforts. There is an ongoing effort to obtain FEMA, insurance claims, and funding received by legislation from the State for SPR. The cost to rebuild the ranch is currently estimated to be 70 – 90 million.

Each Board member received a Corporation Scorecard that contains key metrics outlining specific initiatives being measured by CPC. The Corporation has also developed Divisional Scorecards which show progress on a divisional basis.

The e-commerce application project is now finished with the discovery phase and is moving into the next process with its partners and others that will be creating the application.

1901 Marketplace is still moving forward after the setback of the rain event that flooded the first floor. There is a \$10 million insurance claim for this damage. The Corporation will coordinate a walk of this location for the Board to see the actual progress and ideas for the location.

Spanos is receiving an update to better allow for live events. Live events will resume in the Spring of 2024.

VanDorn covered the Clean Tech Innovation Park concept being considered for Diablo Canyon nuclear powerplant. The University and Corporation have been working on the economic development and research component for future considerations. The Senate Bill 846 proposal allowed Diablo Canyon to continue operating. This Bill provides \$160 million to support a Land Conservation and Economic Development Plan. Cal Poly's partners are the Land Conservancy on the conservation portion and YTT. The proposal will be jointly provided in March of 2023 and includes permanently protecting the land surrounding the power plant, returning yak?it'ut'ut tihini Northern Chumash Tribe's ancestral homelands, developing a Central Coast Clean Tech Innovation Park and Ecosystem, and advancing Central Coast and California conservation, renewables and economic equity goals. In the proposal there are three pieces to obtain the clean tech ecosystem for renewables and marine science innovation. The co-use of Parcel P at Diablo Canyon would have a renewable energy innovation hub. Secondly, the Cal Poly Pier provides opportunities for Parcel P and DCPD breakwaters. Lastly, Cal Poly Technology Park can expand research, desk, collaboration and incubator space on campus to complement limited space at the pier and Parcel P. This proposal allows for due diligence to accomplish these goals.

D. Faculty and Staff Housing Update

Cody VanDorn introduced Bruce Dorfman and Joanna Julian of Thompson Dorfman, and Ernie Vasquez of SVA Architects. Thompson Dorfman Partners, LLC is a real estate development and investment firm. Bruce is a principal at Thompson Dorfman and Joanna is the Project Manager. They will be working with Coastal Community Builders (CCB) as the contractor on this project and RRM Design Group, civil engineering.

This team is working on Project 2 of Cal Poly's faculty and staff housing. Project One was Bella Montana, and this second project will be located at Slack and Grand Avenue on campus.

They presented a visual overview of the Project 2 site which included 50 single family residences in clusters of four. These homes will vary in size from 1,300 – 2,000 square feet. They will have two car direct access garages, and ADUs are being considered. Currently the design is taking into consideration the access to Slack Road and opting not to build driveways along Slack. The multi-family construction will contain approximately 150 apartments for rent containing 1 to 3 bedrooms and will be 700 – 1,300 square feet. These units will have an uphill and a downhill version for consideration of the grade of the property. There will be a pedestrian connection between the multifamily homes and the single-family homes. A recreation room, walking and biking paths, and community outdoor spaces are being planned.

The team brought visuals of many different styles of elevations for consideration. The plan is to make a pleasant aesthetic but provide variety in the clusters of single-family homes.

Next the GMP is scheduled to be done in August and site work begins in September. The first single-family residences should be ready in July 2024 with multifamily following in the Spring, 2025.

Project three (H9) across Highway 1 near Bella Montana could look more like single-family homes for sale.

IX. ANNOUNCEMENTS

Next Board of Directors meeting: Friday, April 28, 2023, at 8:30 a.m.

X. ADJOURNMENT

Meeting was adjourned at 12:04 pm.

Respectfully submitted,

Holly Clark

Holly Clark, Recording Secretary