

CONSOLIDATED OPERATING BUDGET

For the period ending June 30, 2022

(in thousands)

	ACTUAL FISCAL YEAR 2019-20 RESULTS			PROJECTED FISCAL YEAR 2020-21 RESULTS			BUDGETED FISCAL YEAR 2021-22 RESULTS			PROJ 21 vs BUD 22 VARIANCE	
	Core Operations	University Programs	Corporation Total	Core Operations	University Programs	Corporation Total	Core Operations	University Programs	Corporation Total	\$	%
Revenues											
Sales	25,336	5,052	30,388	17,324	5,156	22,480	32,341	6,515	38,856	16,376	73%
Assessments	3,698	-	3,698	3,438	-	3,438	3,842	-	3,842	404	12%
Fees for Service	672	247	919	574	207	781	700	758	1,458	677	87%
Rental Income	437	550	987	417	542	959	414	618	1,032	73	8%
Investment Income *	2,723	-	2,723	2,219	-	2,219	1,497	-	1,497	(722)	-33%
Contract & Grant IDC Income	-	3,769	3,769	-	-	-	-	-	-	-	0%
Gifts	-	171	171	-	255	255	-	417	417	162	64%
Other Revenues	3,116	1,922	5,038	2,164	1,390	3,554	3,157	1,648	4,805	1,251	35%
Total Revenues	35,982	11,711	47,693	26,136	7,550	33,686	41,951	9,956	51,907	18,221	54%
Expenses											
Cost of Sales	8,155	900	9,055	6,013	1,228	7,241	10,397	1,191	11,588	(4,347)	-60%
Payroll Expenses	15,709	2,763	18,472	12,565	2,760	15,325	15,970	3,558	19,528	(4,203)	-27%
Operating Expenses	10,613	6,502	17,115	10,433	5,245	15,678	11,995	6,819	18,814	(3,136)	-20%
Total Expenses	34,477	10,165	44,642	29,011	9,233	38,244	38,362	11,568	49,930	(11,686)	-31%
Net Operating Income (Loss)	1,505	1,546	3,051	(2,875)	(1,683)	(4,558)	3,589	(1,612)	1,977	6,535	143%
Other Income (Expense)											
Transfers (To) / From **	(451)	(1,082)	(1,533)	(200)	1,715	1,515	(620)	1,770	1,150	(365)	-24%
University Services	(500)	-	(500)	(512)	-	(512)	(492)	-	(492)	20	4%
Interest Expense	(1,018)	(91)	(1,109)	(998)	(87)	(1,085)	(1,770)	(83)	(1,853)	(768)	-71%
Other Income (Expense)	966	276	1,242	88	248	336	545	214	759	423	126%
Total Other Income (Expense)	(1,003)	(897)	(1,900)	(1,622)	1,876	254	(2,337)	1,901	(436)	(690)	-272%
Net to (from) Reserves	502	649	1,151	(4,497)	193	(4,304)	1,252	289	1,541	5,845	136%

* 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, 2022

(in thousands)

	General Administration	Investment Fund*	University Store Contract	Cal Poly Print & Copy	Campus Dining	Plant Operations	Conference and Event Planning	BUDGET 2021-22 TOTAL
Revenues								
Sales	-	-	47	321	31,916	-	57	32,341
Assessments	3,842	-	-	-	-	-	-	3,842
Fees for Service	700	-	-	-	-	-	-	700
Rental Income	-	-	-	-	-	414	-	414
Investment Income	-	1,497	-	-	-	-	-	1,497
Other Revenues	1,012	-	1,084	-	748	12	301	3,157
Total Revenues	5,554	1,497	1,131	321	32,664	426	358	41,951
Expenses								
Cost of Sales	-	-	32	72	10,293	-	-	10,397
Payroll Expenses	4,881	-	-	167	10,499	-	423	15,970
Operating Expenses	1,394	565	954	79	8,438	422	143	11,995
Total Expenses	6,275	565	986	318	29,230	422	566	38,362
Net Operating Income (Loss)	(721)	932	145	3	3,434	4	(208)	3,589
Other Income (Expense)								
Transfers (To) / From	792	(792)	-	-	(620)	-	-	(620)
University Services	-	(10)	(145)	(3)	(331)	-	(3)	(492)
Interest Expense	-	-	-	-	(1,770)	-	-	(1,770)
Other Income (Expense)	-	-	-	-	545	-	-	545
Total Other Income (Expense)	792	(802)	(145)	(3)	(2,176)	-	(3)	(2,337)
Net to (from) Reserves	71	130	-	-	1,258	4	(211)	1,252

* 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, 2022

(in thousands)

	University Graphic Systems	Cal Poly Arts	Sponsored Programs Admin	Swanton Pacific Ranch	Commercial Ag Operations	Technology Park	BUDGET 2021-22 TOTAL
Revenues							
Sales	110	1,302	-	123	4,980	-	6,515
Fees for Service	-	551	207	-	-	-	758
Rental Income			-	77	-	541	618
Contract & Grant IDC Income			-				-
Gifts	-	417	-	-	-	-	417
Other Revenues	-	60	267	608	703	10	1,648
Total Revenues	<u>110</u>	<u>2,330</u>	<u>474</u>	<u>808</u>	<u>5,683</u>	<u>551</u>	<u>9,956</u>
Expenses							
Cost of Sales	42	-	-	11	1,138	-	1,191
Payroll Expenses	58	528	952	694	1,247	79	3,558
Operating Expenses	<u>52</u>	<u>1,798</u>	<u>1,210</u>	<u>425</u>	<u>2,891</u>	<u>443</u>	<u>6,819</u>
Total Expenses	<u>152</u>	<u>2,326</u>	<u>2,162</u>	<u>1,130</u>	<u>5,276</u>	<u>522</u>	<u>11,568</u>
Net Operating Income (Loss)	(42)	4	(1,688)	(322)	407	29	(1,612)
Other Income (Expense)							
Transfers (To) / From	-	-	1,717	-	53	-	1,770
Interest Expense	-	-	-	-	-	(83)	(83)
Other Income (Expense)	<u>42</u>	<u>-</u>	<u>(3)</u>	<u>175</u>	<u>-</u>	<u>-</u>	<u>214</u>
Total Other Income (Expense)	<u>42</u>	<u>-</u>	<u>1,714</u>	<u>175</u>	<u>53</u>	<u>(83)</u>	<u>1,901</u>
Net to (from) Reserves	<u>-</u>	<u>4</u>	<u>26</u>	<u>(147)</u>	<u>460</u>	<u>(54)</u>	<u>289</u>

* 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 2021-22

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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.

2020-21 ACCOMPLISHMENTS

- We adjusted the sales manager position into the account manager position. The position is designed to be a hybrid between project management and sales. This is intended to provide a constant point-of-contact for new or prospective customers. The account manager will be a full project manager, able to carry the project from start to finish while also implementing exceptional sales strategies to appeal to on-campus departments and organizations.
- In the summer, the marketing managers were able to finalize the UGS rebrand. We worked closely with University Marketing to adhere to ADA guidelines while ensuring UGS's brand aligns completely with the new Cal Poly brand guidelines.
- From August to October, UGS worked closely with University Facilities and University Marketing to design and plan the production of COVID-19 signage. UGS was able to produce thousands of campus COVID-19 signs, which helped offset decreases in digital print sales. UGS printed COVID-19 signs were used all over campus. This also led to the integration of the EFI Wide Format (up to 60" width, infinite length), which printed the signs at rapid rates with incredible color.
- Due to the need of COVID-19 signage, UGS was able to utilize the ESKO Kongsberg Diecut Table. This machine allows for intricate, non-square, cutting of paper or corrugate material. The COVID signage was uniquely shaped (circles, rounded corners), and without the table, could not have been created. Every project manager has been trained on the machine and is now an integrated service available to customers. Furthermore, the Diecut table opens UGS up to packaging development or design jobs, perfect for ITP Packaging students looking to have their prototypes come to life.
- As this year was full of unknowns, UGS took advantage of the lower volume of jobs and integrated the MGI Foil and Varnish machine, which provide high quality results. Foil color is nearly unlimited. In November, UGS produced thousands of College of the Liberal Arts Holiday Cards with gold foil. During the month of February, UGS utilized red foil to promote limited edition Valentines Day cards.
- We worked on continuing the growth of the Digital Storefront (DSF). Orders for COVID signage were placed through the site to test for issues. Now, the DSF is nearly ready to be released to the public. This will allow orders to be placed online, upload artwork for the job and provide a customer quote. The future of UGS lies in this website; COVID-19 has shown the need for digital access.
- In January, we finally received and installed (8) brand new iMac computers. This has allowed UGS to access necessary applications much faster. UGS can now offer standard publication service such as file preparation and text management.
- The marketing managers have been able to grow UGS into a multi-platform service. Besides print, UGS now manages the social media pages for nine Supercut stores through the central coast. We are also promoting the service of Web Development and Management for campus departments and local customers. This new addition is to be carried on into next year by refining the service to match current market and data trends.

2021-22 GOALS & OBJECTIVES

Create a more cohesive brand identity:

Using the money set aside in the budget for uniforms, we will be buying new polos to match the new logo created in 2019-20 following the university brand standards. Marketing managers will be facilitating more cross connection between our physical and online appearances. We will be expanding into a new platform, including Tik Tok, with increased connectivity between existing media channels.

Continue Expanding Digital Printing Services:

The Digital Storefront has been constructed and is planned to be implemented in FY 2021-22. Services will include online ordering and pay/pickup in store. If possible, UGS would like to continue to make the digital storefront more accessible by adding a pay option to the website. Standard Operating Procedures (SOP) will be updated and transferred to a digital format to improve accessibility and further understanding.

More focus on Expanding Specialty Services:

UGS plans to increase specialty sales by expanding its outreach to other on-campus organizations. UGS intends on becoming a registered vendor for Greek Life apparel on campus and build on any existing relationships. Account Managers will promote these services and acquire new clients and customers once established.

Continue to be a vital resource to the Graphic Communications Department:

UGS has always been a continuous supporter and resource to the Graphic Communication 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 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 2022, we plan to increase our 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 we properly account for payments on all jobs.

Continue working closely with UGS Advisory Board:

UGS maintains several connections with industry representatives who sit on the UGS Advisory Board. UGS aims to continue the use of this board to provide insight to new technologies, 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.

2021-22 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2019-20 Actual	Fiscal Year 2020-21 Budget	Fiscal Year 2020-21 Estimate*	Fiscal Year 2021-22 Budget Proposal	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$65	\$99	\$74	\$110	\$36	48%
Cost of Goods Sold	36	36	31	42	(11)	(35%)
Gross Margin	29	62	43	67	25	58%
Salaries & Wages	31	52	52	55	(3)	(6%)
Benefits	1	2	2	3	(1)	(27%)
Total Payroll Expense	32	54	54	58	(4)	(7%)
General Maintenance	0	2	3	4	(1)	(38%)
Supplies & Equipment	2	15	19	6	13	68%
Rent / Lease Expense	-	-	16	16	-	0%
CPC Administrative Services	16	18	18	16	2	10%
Other Operating Expenses	12	15	3	9	(7)	(239%)
Total Operating Expenses	30	49	58	51	7	12%
Total Expenses	61	104	113	109	3	3%
Net from Operations	(32)	(41)	(70)	(42)	28	40%
Other Income (Expense)	55	48	42	42	(0)	0%
Total Other Income (Expense)	55	48	42	42	(0)	0%
Net to Reserves	\$23	\$7	\$(28)	\$0	\$28	100%

* 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 2020-21 are expected to end below budget as a result of the campus response to the COVID-19 pandemic. Sales are budgeted to increase in FY 2021-22 over the FY 2020-21 projection as COVID-19 restrictions are lifted. In addition, the account and marketing managers will be launching more marketing initiatives that are expected to increase sales.

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 \$14.50 an hour for the first half of the fiscal year and \$15.00 for the second half of the fiscal year. The increase during the second half of the fiscal year is to accommodate the minimum wage requirements. The general manager will be receiving 50¢ per hour more than the other managers the entire fiscal year.

Operating Expenses:

Operating expenses for FY 2021-22 are budgeted to decrease over FY 2020-21 projection as there were new computers purchased in FY 2020-21. Any new printing technology or software that may be explored and used in 2021-22 will be provided by UGS sponsors such as the Graphic Communication Advisory Board.

The 2021-22 budget proposal includes expenses to update some of the existing facilities including chairs, an office phone, and a paper shredder. It also reflects the new three year contract with File Maker Pro to accommodate the new Macs bought in 2020-21. Finally, given the recent rebrand, the FY 2021-22 budget also includes a provision for uniforms and new nametags to improve brand consistency.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2019 Reserve Balance	\$170,637	\$170,637
FY 2019-20 Change in Reserves	22,642	22,642
June 30, 2020 Reserve Balance	193,279	193,279
FY 2020-21 Change in Reserves (estimate)	(27,876)	(27,876)
June 30, 2021 Reserve Balance (estimate)	165,403	165,403
FY 2021-22 Change in Reserves (budget)	80	80
June 30, 2022 Reserve Balance (budget)	\$165,483	\$165,483

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 2021-22.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Technology Park

Fiscal Year 2021-22

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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, Economic Development and Graduate Education 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.

2020-21 ACCOMPLISHMENTS

As of April 2021, seven tenants were operating at the Tech Park, representing 85% 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 2020-21 include:

- **Tenant Turnover:** Three tenants vacated and two new tenants were added to the Tech Park during this fiscal year. Applied Technology Associates vacated the Tech Park (suite 2A) in February 2021 after a ten-year term. In addition, Healthcare-IQ Services and Microcon elected not to renew their respective subleases. During this fiscal year, the Cal Poly Strawberry Center extended its sublease by two years. Two new tenants were on-boarded during this fiscal year:
 - Wildnote - a software startup that was once a client of the Cal Poly Center for Innovation and Entrepreneurship signed a one year lease and has expressed their interest to renew for another year.
 - Landscan - an agricultural technology company signed a two-year sublease.
- **Expansion Project:** Corporation and University staff collectively worked to retain a design consultant (IBI) for the new facility. IBI will be working with Cal Poly to develop a set of design-build documents to procure a team to complete the design and construction of the new facility (approximately 30,000 sq. ft.). It is estimated that construction will start on the new facility in Summer 2022, or sooner.

2021-22 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.

2021-22 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2019-20 Actual	Fiscal Year 2020-21 Budget	Fiscal Year 2020-21 Estimate*	Fiscal Year 2021-22 Budget Proposal	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Rental Income	\$472	\$482	\$491	\$541	\$50	10%
Gifts	-	-	65	-	(65)	(100%)
Other Revenues	11	8	10	11	0	5%
Income Before Operations	483	490	566	551	(15)	(3%)
Salaries & Wages	66	50	49	49	-	0%
Benefits	37	31	30	30	(1)	(2%)
Total Payroll Expense	102	81	79	79	(1)	(1%)
Depreciation & Amortization	322	322	326	246	80	25%
General Maintenance	56	48	52	52	0	0%
Utilities	33	34	35	38	(3)	(8%)
Supplies & Equipment	2	4	4	3	1	21%
Fees for Services	32	32	32	67	(35)	(111%)
Other Operating Expenses	30	42	61	37	24	39%
Total Operating Expenses	475	481	510	443	66	13%
Total Expenses	577	562	588	523	66	11%
Net from Operations	(94)	(73)	(22)	28	51	229%
Other Income (Expense)	(1)	-	(4)	-	4	100%
Interest Expense	(91)	(87)	(87)	(83)	4	5%
Total Other Income (Expense)	(92)	(87)	(91)	(83)	8	9%
Transfers In (Out)	-	-	25	-	(25)	(100%)
Net to Reserves	\$(187)	\$(160)	\$(88)	\$(55)	\$33	38%
Noncash transactions (add back):						
Depreciation & Amortization	322	322	326	246	(80)	(25%)
Adjusted Net to Reserves	\$135	\$162	\$238	\$191	\$(47)	(20%)

* Estimate based on nine months actual and three months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

This 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 \$238,000 for FY 2020-21 and \$191,000 for FY 2021-22. Income from operations is used to service the debt on the facilities and fund reserves.

Total projected rental income for FY 2020-21 is slightly ahead of budget estimates. In light of the COVID-19 pandemic, there was uncertainty as to which tenants with a lease expiring in FY 2020-21 would renew. In an effort to be conservative in the current economic environment, the FY 2020-21 budget built in approximately 10% of vacancy time. The 2021-22 budget removes that assumption, as full occupancy is expected for a majority of the year. In addition, total revenues for FY 2020-21 includes approximately \$65,000 of gifts in-kind received for tenant improvements.

At the beginning of FY 2019-20, approximately 30% of total payroll expenses for the Tech Park manager were reflected in the Tech Park budget. During FY 2019-20, property management functions previously provided by an outside service provider were transitioned to Corporation administration. This change alleviated some of the time required of the Tech Park manager and a reduction to approximately 20% of payroll expenses occurred in FY 2020-21 and continues in FY 2021-22.

Operating expenses for FY 2020-21 are 6% over budget, primarily due to a \$33,000 disbursement to the University for the storm drain project, which was previously budgeted as a capital expenditure. Operating Expenses for FY 2021-22 are expected to decrease by approximately \$66,000, primarily due to a \$80,000 decrease in depreciation expense as several fixed assets become fully depreciated during the fiscal year. The decrease in depreciation expense will be offset by approximately \$35,000 in expenses for a consultant that will be engaged to work on federal funding opportunities to expand the Tech Park, in addition to other federal research opportunities for the campus.

Principle and interest payments on long-term debt are approximately \$183,000 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, 2019 Reserve Balance	\$253,167	\$2,056,664	\$279,803	\$285,288	\$2,874,922
FY 2019-20 Change in Reserves	(12,949)	(219,725)	3,632	42,454	(186,588)
June 30, 2020 Reserve Balance	240,218	1,836,939	283,434	327,742	2,688,333
FY 2020-21 Change in Reserves (estimate)	36,497	(112,059)	3,302	(15,430)	(87,690)
June 30, 2021 Reserve Balance (estimate)	276,715	1,724,880	286,736	312,312	2,600,643
FY 2021-22 Change in Reserves (budget)	8,301	(91,059)	2,973	25,270	(54,515)
June 30, 2022 Reserve Balance (budget)	\$285,017	\$1,633,821	\$289,709	\$337,582	\$2,546,129

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
Minor Capital Equipment Outlay (Up To \$25,000)			
Parking Lot Improvements	\$11,250	10	\$1,125
Greenhouse Lighting	5,000	10	500
Total Minor Capital Outlay	\$16,250		\$1,625
Total Capital Outlay	\$16,250		\$1,625
Previously Approved Capital Outlay Requests (1)			
Electronic Door Locks	\$26,000	5	\$5,200
Miscellaneous Tenant Improvements	15,000	5	3,000
Total Capital Outlay Request	\$57,250		\$9,825

CAPITAL OUTLAY DETAIL

Parking Lot Improvements: Seal and repaint asphalt for the parking lot at the Tech Park building (building 83).

Greenhouse Lighting: Installation of new lighting at the east and west greenhouses (buildings 17-G and 17-H). The total project is estimated to cost \$20,000, with Tech Park contributing \$5,000 and the greenhouse sublessee, ABI, contributing the remaining \$15,000.

(1) The Capital Outlay Requests below were approved by the Board of Directors at previous budget meetings. They are 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.

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.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Swanton Pacific Ranch

Fiscal Year 2021-22

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BUSINESS OVERVIEW

The 3,280-acre Swanton Pacific Ranch (SPR or the ranch) property and operations provide unique Learn by Doing experiences in a premier living and learning outdoor laboratory. Primary operations include forestry, livestock, and crops enterprises along with various educational 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.

Significant Events

Swanton Pacific Ranch experienced significant changes in the past year which provide context to notable changes in this year's budget report.

On August 20, 2020 the CZU Lightning Complex Fire burned a significant portion of the ranch. No personnel or livestock were injured in the event. However, a vast majority of infrastructure was damaged or destroyed thus impacting normal operating conditions.

In December of 2020, ranch director, Brian Dietterick, retired after 27 years of service to Cal Poly. Dietterick served as the SPR Director since 2004 overseeing multiple facility improvements, the development of numerous educational programs, and facilitating an extensive number of research projects. We are grateful for his many contributions to the ranch and dedication to student learning in furthering Al Smith's vision for Learn by Doing at the ranch.

SPR is now under the directorship of Cal Poly Alumnus, Mark Swisher. Swisher joined the team in November of 2019 as the Associate Director of Business Operations. His experience as a project manager in large public works projects along with 15-plus years' experience in land management made his transition to this new role a natural fit. Since the fire, his priority initiatives have been clean-up and recovery efforts; yet he continues to work with the team to keep opportunities for student learning at the forefront despite challenging conditions.

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 opportunities offered to outside groups. A primary educational focus of the ranch is resident and non-resident internships. While Covid restrictions prevented formal internships in summer 2020, seven summer technician positions were provided to students from CAFES in summer 2020. The technicians were all fully funded by private donations, gifts, or grants are not part of this budget, although they serve to reduce the financial obligation currently met by the endowment payout, and revenue generated by land management operations and facility fee recovery associated with education and research programs.

Historically, weekend field trips bring more Cal Poly students to the ranch than any other activity. Approximately 500 students from Cal Poly visited the ranch on weekend field trips in previous years with an additional 200-plus students and professionals visiting from other universities and organizations. Unfortunately, due to COVID-19 restrictions coupled with fire damage, the majority of field trips and tours were not feasible in FY 2020-21. We look forward to welcoming groups back in the future!

Providing educational experiences has been and will continue to be the driving force behind the operations and programs offered at Swanton Pacific Ranch.

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 has been used to supplement the ranch operating budget and to upgrade road infrastructure. The sale of the Valencia property in March of 2019 has helped to attain funding goals for campus capital improvement projects, including the Water System Improvement Project. Of additional educational significance, the buyer did agree to continue educational and research access for Cal Poly students and faculty. The reduction in the timber land base will result in a significant long-term reduction in revenue, which over a 25-year period had averaged \$187,000 per year.

The lower Little Creek harvest was planned for late spring or summer 2021. The harvest was to remove a relatively small volume of timber in comparison to harvests over the previous 25 years. However, due to severe fire damage throughout the forested portions of SPR, harvest plans will refocus to remove all hazard trees, and general postfire forest rehabilitation. Technical expertise for this work will come from a local consulting forester, and implementation funds will be offset, in-part, by FEMA public assistance.

Livestock Management Operations

The SPR livestock program has historically centered around three revenue-generating operations:

Stocker Cattle Program – The stocker cattle program has been a critical component of the goal of providing educational research opportunities while maintaining a productive and sustainable rangeland. The program has included the management of approximately 300 stocker cattle, depending on current conditions and the contract with the lessee. The lease is based on a price per pound of weight gain. These efforts have helped in meeting operational goals for promoting perennial grass establishment and fire protection. The enterprise class typically 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. There was not a stocker enterprise in 2021 due to extensive fence and water system damage resulting from the fire.

Cow/Calf Program – Historically, the resident herd produced approximately 20 calves each spring. Some calves, heifers, and cull cows were sold each year while some calves were retained or used as replacement for those animals harvested for the Natural Beef Enterprise. The entire herd was sold in late summer and fall 2020 due to the destruction of fence and water infrastructure caused by the fire.

Natural Grass-fed Beef Program – This program has offered unique experiences for students that have included participating in the harvest and packaging of beef in addition to marketing and selling the product. There is currently inventory from the 2020 harvest; however, since the resident herd has been sold, there are no animals to harvest and restock the inventory. SPR has developed and maintained a loyal customer base over the years. We look forward to finding ways to reengage this clientele in the future.

Crops Management Operations

Organic Farming Lease – The primary crop operation 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 ranch has increased the size of the orchard by 300 trees. Immature trees are a year or two from producing. The orchard is run primarily as a U-pick operation. The mature producing trees bring in an average annual revenue of \$30,000. The fire occurred two weeks before the opening of the 2020 U-pick season. Thankfully, the orchard experienced very minimal damage. However, due to the destruction along Swanton Road and mandatory evacuation orders, the U-pick season was cancelled. A few small volume sales were made, but ultimately were insignificant compared to a normal season.

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 typically 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 supported a campus apple cider program organized by a CAFES food science professor by providing an annual donation of apples. 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.

Capital Projects

Prior to the fire, three strategic capital projects were underway: the continuing development of the Swanton Pacific Ranch Education Center and Field Camp (SPECFC), the Water System Infrastructure Project, and the Employee Housing Project (EHP). Existing buildings that were to be part of the SPECFC were destroyed. In addition, there was \$1.5 million invested in utility upgrades to water and power systems which will be evaluated over the next year for damage. The EHP was in planning stages at the time of the fire so no new facilities or infrastructure was susceptible to damage.

Swanton Pacific Ranch is currently in the process of a strategic visioning initiative that will ultimately provide guidance and vision in the development of a new master plan. While the impacts of the fire were heartbreaking, it has offered flexibility and opportunity to envision a future that wouldn’t have been considered previously. This is an exciting time to be a part of Learn by Doing at SPR!

2020-21 ACCOMPLISHMENTS

Large strides forward have been made in managing the aftermath of the 2020 CZU Lightning Complex Fire. We have developed a core team with members of CAFES and CPC that have worked hard to support the ranch on various fronts, including communications, legal, insurance, and contracts. A significant amount of work has been done since the fire hit in August 2020. A few highlights include: establishing close working relations with insurance representatives; applying for FEMA funding for losses not covered by insurance; compiling a comprehensive list of losses; purchasing and installing new temporary employee housing; completion of debris clean-up project involving three remediation companies and the clean-up of over 35 structures. Other accomplishment for the year include the following:

- The ranch operated efficiently using funds made available through endowment interest payout, income earned from operations, facility use fees, and grants. Strategic budgeting decisions have been made to ensure we're operating within our available budget.
- The education and research coordinator continues to engage students and faculty to facilitate various educational and research initiatives. While the fire has posed significant challenges, it has also provided opportunities for student learning and research. Extra efforts have been made to identify and take advantage of those unique situations.
- Student programs took on different forms this year as we've adhered to the various COVID-19 requirements. We embraced the challenge and were able to successfully offer summer technician positions to 7 students and the annual NR 474-475 forestry class was taught virtually, which was no small feat. Students have also participated in research projects with minimal on-site requirements.
- Facility usage for outside groups or professional workshops was virtually non-existent due to COVID-19 restrictions followed by the emergency fire situation. We're looking forward to welcoming various groups for the purpose of education and professional development in the future.

2021-22 GOALS & OBJECTIVES

Overall Ranch Goals

- Continue to support and provide educational and research opportunities pertaining to natural resources and land management through various programs and in collaboration with campus partners.
- Develop budget strategies for sustaining operations and educational programs, by analyzing funding alternatives which include advancement strategies.
- Complete strategic visioning process and initiate master plan development.
- 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.
- Engage newly established Swanton Pacific Ranch Advisory Council in strategic planning efforts and program development.
- Conduct Advisory Council meeting and define goals and roles.

Forestry

- Complete planning and initiate a hazard tree removal program.
- Update and manage the Continuous Forest Inventory as part of student learning at SPR.
- 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.
- Maintain, revise and/or develop programs to align with the new master plan once finalized.

Livestock

- Install and maintain rangeland infrastructure that supports livestock operations such as fencing, water system, and ranch roads.
- 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.
- Maintain, revise and/or develop programs to align with the new master plan once finalized.

Crops

- Work with Jacobs Farm/Del Cabo 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.
- Maintain, revise and/or develop programs to align with the new master plan once finalized.

Facility Projects

A number of projects will be revisited and identified through the strategic visioning and master planning exercises included but not limited to the Swanton Pacific Ranch Education Center and Field Camp and the Employee Housing Project. Further construction related to the water system and infrastructure project is anticipated for this coming fiscal year. This includes water, power, and communications.

2021-22 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2019-20 Actual	Fiscal Year 2020-21 Budget	Fiscal Year 2020-21 Estimate*	Fiscal Year 2021-22 Budget Proposal	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$169	\$99	\$99	\$123	\$24	24%
Cost of Goods Sold	20	29	29	11	19	64%
Gross Margin	149	70	70	112	42	60%
Rental Income	78	52	52	77	26	50%
Other Revenues	636	610	612	608	(3)	(1%)
Income Before Operations	863	732	733	798	65	9%
Salaries & Wages	497	455	442	444	(2)	0%
Benefits	257	268	242	250	(9)	(4%)
Total Payroll Expense	754	723	684	694	(10)	(2%)
Depreciation & Amortization	172	121	121	115	6	5%
General Maintenance	117	42	53	67	(14)	(26%)
Utilities	54	42	25	33	(8)	(31%)
Supplies & Equipment	40	76	39	46	(7)	(18%)
Taxes / Insurance	11	10	12	14	(2)	(17%)
CPC Administrative Services	38	36	36	39	(3)	(9%)
Livestock / Feed Expense	3	12	12	0	12	97%
University Cost Allocation	23	18	18	33	(15)	(81%)
Other Operating Expenses	136	87	71	77	(5)	(7%)
Total Operating Expenses	594	444	389	425	(37)	(9%)
Total Expenses	1,349	1,167	1,073	1,120	(47)	(4%)
Net from Operations	(486)	(436)	(339)	(322)	17	5%
Other Income (Expense)	193	202	251	175	(76)	(30%)
Total Other Income (Expense)	193	202	251	175	(76)	(30%)
Transfers In (Out)	944	17	-	-	-	0%
Net to Reserves	\$650	\$(217)	\$(88)	\$(147)	\$(59)	(67%)
Noncash transactions (add-back):						
Depreciation & Amortization	172	121	121	115	(6)	(5%)
Adjusted Net to Reserves	\$822	\$(96)	\$33	\$(32)	\$(65)	(196%)

* Estimate based on nine months actual and three months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

The budget for FY 2021-22 includes a number of baseline assumptions described in further detail below. Any changes to these assumptions could result in unforeseen changes or alterations to this budget. The budget for FY 2021-22 assumes insurance proceeds will cover a portion of lost revenues related business interruption caused by the fire. The budget does not include restoration expenses covered by insurance and FEMA.

Income Before Operations for FY 2020-21 is projected to be end approximately \$130,000 less than prior year. **Sales** were less due to significant business interruptions caused by the fire. Lost orchard revenues were estimated to be approximately \$31,000. Another \$28,000 in stocker cattle lease income was lost. Natural beef sales for FY 2020-21 were approximately \$13,000. As mentioned previously, the entire Ranch-owned herd was sold after the fire, which generated approximately \$69,000 in livestock sales. As a result, **Cost of Sales** was significantly higher than budgeted due to the increased number of cattle sold.

Ranch operations for FY 2021-22 will continue with the following assumptions: the Jacobs Farm/Del Cabo lease will continue, natural beef sales will be reduced, and livestock operations and forestry operations will continue to be on hold. Total Jacobs Farm/Del Cabo lease income is expected to be approximately \$42,000. It is anticipated that insurance proceeds will cover lost revenues related business interruption caused by the fire, including \$28,000 for the stocker cattle lease, \$27,000 for grass-fed beef sales, and \$30,000 related to livestock sales.

In FY 2021-22, the primary source of income to fund ranch operations will come from the Al Smith Endowment. The contribution directed to ranch operations last year was \$600,000.

FY 2021-22 **Payroll Expense** is budgeted to be approximately \$60,000 less than the FY 2019-20; the savings are due to changes in staffing that occurred in FY 2020-21. The FY 2021-22 budget maintains current staffing levels with the addition of a temporary project manager position supported primarily by outside funding.

FY 2020-21 **Operating Expenses** are projected to be approximately \$389,000, or 12% below the revised budget. For FY 2021-22, operating expenses are budgeted to be approximately \$425,000, which is 4% less than the FY 2020-21 budget. The decrease in operating expenses is a result of reduced operations resulting from the fire.

FY 2020-21 **Other Income (Expense)** includes a \$225,000 cash transfer to support Ranch operations from the Swanton endowment payout and supporting funds from CAFES. A similar transfer of \$175,000 is included in the fiscal year 2021-22 budget.

For FY 2021-22, the **Net Loss to Reserves** of \$147,000 includes non-cash depreciation expenses of \$115,000. Excluding depreciation, the FY 2020-21 net to reserves is projected to be a deficit of only \$33,000. Operating reserves are projected to remain positive through FY 2021-22.

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, 2019 Reserve Balance	\$1,512	\$2,344,123	\$2,345,635
FY 2019-20 Change in Reserves	67,664	582,701	650,365
June 30, 2020 Reserve Balance	69,176	2,926,824	2,996,000
FY 2020-21 Change in Reserves (estimate)	16,095	(104,155)	(88,060)
June 30, 2021 Reserve Balance (estimate)	85,271	2,822,669	2,907,940
FY 2021-22 Change in Reserves (budget)	(31,740)	(115,339)	(147,079)
June 30, 2022 Reserve Balance (budget)	\$53,530	\$2,707,330	\$2,760,860

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. There are no capital outlay requests being submitted for FY 2021-22 at this time. Requests may be made if alternative funding is attained.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Plant Operations

Fiscal Year 2021-22

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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, two units are rented to Cal Poly faculty and staff, one unit is currently held for sale, 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 2022.

2020-21 ACCOMPLISHMENTS

- With the exception of the unit held for sale, Corporation-owned Bella Montaña units were rented for the majority of the fiscal year.
- The Grand Avenue properties were rented for the entire fiscal-year subject to a lease with the SLO Classical Academy.
- The Corporation reconfigured portions of the Corporation Administration Building space to accommodate department and staff relocations.
- Complete the Warehouse modifications as part of the building 19 transition.

2021-22 GOALS & OBJECTIVES

- Continue enhancing the property management function for Corporation-owned real property.
- Complete the sale of the Corporation-owned Bella Montaña unit currently held for sale.
- Create a flexible work model to optimize space utilization of the Corporation Administration Building post-pandemic.

2021-22 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2019-20 Actual	Fiscal Year 2020-21 Budget	Fiscal Year 2020-21 Estimate*	Fiscal Year 2021-22 Budget Proposal	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Occupancy Income	\$437	\$433	\$417	\$414	\$(2)	(1%)
Other Revenues	2	12	7	12	4	62%
Income Before Operations	439	445	424	426	2	0%
Depreciation & Amortization	152	161	153	134	18	12%
General Maintenance	50	71	41	50	(10)	(24%)
Utilities	56	61	54	57	(3)	(6%)
CPC Administrative Services	81	79	79	80	(1)	(1%)
CPC Allocated Services	45	44	43	46	(3)	(7%)
Taxes / Insurance	29	32	28	30	(2)	(6%)
Other Operating Expenses	25	27	26	25	1	4%
Total Operating Expenses	438	475	423	422	1	0%
Total Expenses	438	475	423	422	1	0%
Net from Operations	1	(30)	1	4	3	269%
Other Income (Expense)	(3)	-	(0)	-	0	0%
Total Other Income (Expense)	(3)	-	(0)	-	0	0%
Net to Reserves	\$(2)	\$(30)	\$1	\$4	\$3	384%
Noncash transactions (add back):						
Depreciation & Amortization	152	161	153	134	(18)	(12%)
Adjusted Net to Reserves	\$150	\$131	\$153	\$138	\$(15)	(10%)

* 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 2020-21 is under budget, primarily the result of a vacancy in the Bella Montaña unit that was eventually placed on the market for sale. Total occupancy income for FY 2021-22 is expected to remain consistent with FY 2020-21 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.

Expenses

Total operating expenses for FY 2020-21 are 11% below budget, primarily due to decreases in general maintenance and depreciation expenses. Total operating expenses are expected to remain consistent through FY 2021-22.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Facilities Reserve	Investment in Operating Assets (non-cash)	Total
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	5,068	131,276	4,718	(142,984)	(1,922)
June 30, 2020 Reserve Balance	313,723	2,235,534	2,328,906	3,615,989	8,494,152
FY 2020-21 Change in Reserves (estimate)	(25,717)	171,225	(46,191)	(98,537)	780
June 30, 2021 Reserve Balance (estimate)	288,006	2,406,759	2,282,715	3,517,452	8,494,932
FY 2021-22 Change in Reserves (budget)	8,640	194,849	(153,276)	(46,446)	3,767
June 30, 2022 Reserve Balance (budget)	\$296,647	\$2,601,608	\$2,129,439	\$3,471,006	\$8,498,700

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 DETAIL

There are no capital outlays requested for FY 2021-22.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Conference and Event Planning

Fiscal Year 2021-22

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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

The economic impact of the COVID-19 pandemic has materially impacted CEP operations. In-person events for FY 2020-21 were generally canceled or postponed consistent with State government guidelines. Revenues generated during the pandemic have been comparatively nominal and are related to virtual events. All staff was placed on various furloughs. Significant financial losses have occurred and will be absorbed by operating reserves. While a return to some in-person events are expected for FY 2021-22, a full operational recovery is not anticipated until FY 2022-23.

2020-21 ACCOMPLISHMENTS

- Taking into account recent events surrounding the COVID-19 pandemic, CEP created new policies and procedures on how to approach an event with health and safety in mind. Following county tier guidelines, some events can take place with social distancing and safe guidelines for the summer of 2021.
- Two of CEP's largest summer events, the Epic program and the Architecture Summer Career Workshop continued their virtual program for the summer of 2020 and 2021. CEP now has substantial experience from coordinating these online events, which have proven valuable for additional online events. CEP now easily navigates the virtual technology, payroll and liability waiver processing. CEP integrated virtual events into our client relationships as one of our new offerings, either as the main form of the event, or as a backup in case a situation arises that prohibits in person programs.
- CEP pursued the production of two large events on campus. The continued pandemic restrictions prevented the events to take place on campus. However, CEP is still working on similar opportunities for 2022 and beyond.
- CEP remained in constant contact with all our returning clients, working proactively and are in process of securing 2021 and 2022 contracts. Revised CEP contracts now accommodate the new environment of pandemic impacts and reduce liability for the Corporation.
- CEP is coordinating insurance offers and assessing insurance requirements on behalf of clients. Future in-person events will have the proper insurance for both the client and the Corporation. Insurance providers are still adjusting their insurance requirements due to the pandemic. CEP keeps informed on these adjustments, their impacts and how best to navigate event insurance for our clients.
- CEP pursued the expansion of its relationship with the Cal Poly Experience Industry Management (EIM) department. The continued pandemic restrictions prevented this expansion to take place. However, CEP staff in its role of assisting Emergency Operations Committee (EOC), contacted various students in the Cal Poly Experience Industry Management department with information on how they can become part of the campus COVID testing team, assisting with the screening process. These EIM students now work as Screening Assistants for the testing program.
- CEP has coordinated with campus housing on how to proceed safely with housed summer events. CEP has implemented new directives such as single use bedding and other initiatives to reduce risk to campus housing custodial staff. CEP continues to explore previously unavailable buildings for our summer clients as a choice of location and amenities.

2021-22 GOALS & OBJECTIVES

- With the advent of vaccine rollout, CEP is very excited about the future of in-person events. CEP will develop new guidelines on vaccine and/or testing requirements for in-person events, working with multiple departments, including legal and risk management, to solidify possible vaccine and or testing requirements, if needed.
- CEP will reach out to all of our current repetitive clients to book 2022 and beyond events. The feedback from our repetitive clients looks promising for CEP, as there is definitely a desire and an eagerness for the return to in-person events.
- CEP will look into additional opportunities, services and/or additional facilities in order to expand income prospects and cover pandemic losses as much as possible.

2021-22 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2019-20 Actual	Fiscal Year 2020-21 Budget	Fiscal Year 2020-21 Estimate*	Fiscal Year 2021-22 Budget Proposal	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$834	-	-	\$57	\$57	100%
Other Revenues	369	76	55	301	246	445%
Income Before Operations	1,203	76	55	358	303	548%
Salaries & Wages	441	257	201	262	(61)	(30%)
Benefits	230	144	125	162	(36)	(29%)
Total Payroll Expense	671	401	327	424	(97)	(30%)
Depreciation & Amortization	8	8	8	2	6	72%
Software / Hardware Maintenance	16	17	13	12	1	6%
Supplies & Equipment	4	7	1	4	(3)	(373%)
University Housing Expense	331	-	-	37	(37)	(100%)
CPC Administrative Services	135	33	33	53	(20)	(61%)
Bank Card Expense	24	7	15	14	2	11%
Other Operating Expenses	67	20	21	21	0	0%
Total Operating Expenses	584	90	91	143	(52)	(57%)
Total Expenses	1,256	491	418	566	(149)	(36%)
Net from Operations	(53)	(414)	(363)	(209)	154	42%
Other Income (Expense)	(0)	-	(0)	-	0	0%
University Services	(10)	(2)	(2)	(2)	-	0%
Total Other Income (Expense)	(11)	(2)	(3)	(2)	0	2%
Transfer to Plant Fund Reserves	(106)	-	-	-	-	0%
Net to Reserves	\$(170)	\$(417)	\$(365)	\$(211)	\$154	42%
Noncash transactions (add back):						
Depreciation & Amortization	8	8	8	2	(6)	(72%)
Adjusted Net to Reserves	\$(162)	\$(409)	\$(357)	\$(209)	\$148	42%

* 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 2020-21 revenues were impacted by the response to the COVID-19 pandemic, as 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. As projected, this had a significant material impact on FY 2020-21 revenues, which decreased over \$1.1 million when compared to the previous year. Revenues included in FY 2020-21 primarily relate to events that occurred virtually, with some events still waiting on rescheduling to later in the fiscal year.

While a return to some in-person events are expected for FY 2021-22, a full operational recovery is not anticipated until FY 2022-23. The FY 2021-22 budget includes a mixture of in-person events and virtual events.

Payroll Expense:

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 in FY 2020-21, the Corporation was forced to take significant measures to reduce payroll expenses. The Corporation implemented a series of furloughs across all employee types.

In January of 2021, furloughed CEP staff began working for the university EOC, helping with the call center and testing sites. The combination of university reimbursed EOC hours and CEP hours enabled our staff to continue working with a full time schedule during FY 2020-21.

Payroll expenses for FY 2021-21 includes significant reductions in hours for student and part-time employees, reflecting the current environment, which still remains uncertain. The FY 2021-22 budget also reflects overall fringe benefit rates that are slightly higher than FY 2020-21.

Operating Expenses:

FY 2020-21 operating expenses are projected to end consistent with the revised budget. Total operating expenses in FY 2021-22 are budgeted to increase 57% over FY 2020-21 projections. This budget increase reflects the addition of housed events and an increase in Corporation administrative assessment.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Facilities Reserve	Total
June 30, 2019 Reserve Balance	\$304,203	\$17,801	\$670,599	\$992,603
FY 2019-20 Change in Reserves	(161,605)	(7,933)	106,227	(63,311)
June 30, 2020 Reserve Balance	142,598	9,868	776,826	929,292
FY 2020-21 Change in Reserves (estimate)	(1,539)	(9,868)	(353,718)	(365,125)
June 30, 2021 Reserve Balance (estimate)	141,060	-	423,108	564,168
FY 2021-22 Change in Reserves (budget)	137,282	-	(348,449)	(211,167)
June 30, 2022 Reserve Balance (budget)	\$278,341	-	\$74,659	\$353,000

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, 2021 (estimate) and June 30, 2022 (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, 2021 (estimate) and June 30, 2022 (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.

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2021-22.



OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Other Commercial Activities

Fiscal Year 2021-22

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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.

2020-21 ACCOMPLISHMENTS

COVID-19 Response: As a result of the COVID-19 pandemic, Cal Poly Print & Copy was closed to walk-in business. In response to the substantial economic impact, the Corporation has reduced expenses through furloughs, and cancellation or postponement of discretionary expenditures.

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, the store advisory council, and related subcommittees.

Poly Access program: Follett has worked closely with the Corporation and university on the adoption of an immediate access program at Cal Poly. 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 2019-20 and has grown through 2020-21.

2021-22 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 reclamation: The Corporation and Follett will work together to promote in-person traffic through the stores as pandemic restrictions are released and 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 work to increase sales by promoting in-person traffic as pandemic restrictions are released and focused marketing of its products and services. Outreach on campus will continue to be primarily towards the administrative staff, to further grow the business.

2021-22 OPERATING BUDGET PROPOSAL

UNIVERSITY STORE CONTRACT

(in thousands) **	Fiscal Year 2019-20 Actual	% of Sales	Fiscal Year 2020-21 Budget	% of Sales	Fiscal Year 2020-21 Estimate*	% of Sales	Fiscal Year 2021-22 Budget Proposal	% of Sales	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$30	100%	\$46	100%	\$45	100%	\$47	100%	\$2	5%
Cost of Goods Sold	19	64%	30	65%	32	72%	32	68%	0	1%
Gross Margin	11	36%	16	35%	13	28%	15	32%	3	21%
Other Revenues	1,192	3934%	821	1778%	877	1963%	1,084	2307%	207	24%
Income before Operations	1,203	3970%	837	1813%	890	1991%	1,099	2339%	210	24%
Depreciation & Amortization	64	213%	61	133%	64	143%	56	118%	8	13%
General Maintenance	6	21%	26	56%	2	5%	9	18%	(7)	(323%)
Rent / Lease Expense	158	520%	149	323%	149	334%	155	329%	(6)	(4%)
CPC Administrative Services	650	2145%	635	1376%	635	1421%	620	1319%	15	2%
CPC Allocated Services	59	195%	44	96%	50	112%	47	100%	3	6%
Utilities	39	129%	40	86%	40	89%	40	85%	(0)	0%
Other Operating Expenses	38	125%	39	85%	23	52%	28	60%	(5)	(21%)
Total Operating Expenses	1,015	3349%	995	2156%	963	2155%	954	2031%	9	1%
Total Expenses	1,015	3349%	995	2156%	963	2155%	954	2031%	9	1%
Net from Operations	188	621%	(158)	(343%)	(74)	(165%)	145	308%	218	297%
Other Income (Expense)	11	37%	-	0%	(1)	(1%)	-	0%	1	100%
University Services	(145)	(477%)	(147)	(319%)	(147)	(329%)	(145)	(309%)	2	1%
Total Other Income (Expense)	(134)	(441%)	(147)	(319%)	(148)	(330%)	(145)	(309%)	3	2%
Transfer to Plant Fund Reserves	(171)	(564%)	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$(117)	(384%)	\$(305)	(662%)	\$(221)	(495%)	\$(0)	(1%)	\$221	100%
Noncash transactions (add back):										
Depreciation & Amortization	64	213%	61	133%	64	143%	56	118%	(8)	(13%)
Adjusted Net to Reserves	\$(52)	(172%)	\$(244)	(529%)	\$(157)	(352%)	\$55	117%	\$213	135%

* 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 2019-20 Actual	% of Sales	Fiscal Year 2020-21 Budget	% of Sales	Fiscal Year 2020-21 Estimate*	% of Sales	Fiscal Year 2021-22 Budget Proposal	% of Sales	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$281	100%	\$65	100%	\$47	100%	\$321	100%	\$275	589%
Cost of Goods Sold	64	23%	16	25%	10	21%	72	22%	(63)	(648%)
Gross Margin	218	77%	49	75%	37	79%	249	78%	212	573%
Income before Operations	218	77%	49	75%	37	79%	249	78%	212	573%
Salaries & Wages	115	41%	55	85%	55	119%	123	38%	(68)	(123%)
Benefits	38	14%	33	51%	32	69%	44	14%	(11)	(35%)
Total Payroll Expense	153	54%	89	136%	88	188%	167	52%	(79)	(91%)
Depreciation & Amortization	8	3%	8	13%	6	12%	4	1%	1	25%
General Maintenance	35	12%	24	37%	22	47%	33	10%	(11)	(49%)
CPC Administrative Services	24	9%	24	38%	24	52%	25	8%	(0)	(1%)
Other Operating Expenses	15	5%	8	13%	8	17%	16	5%	(8)	(103%)
Total Operating Expenses	82	29%	65	100%	60	128%	79	24%	(19)	(32%)
Total Expenses	235	84%	154	236%	147	316%	246	76%	(98)	(67%)
Net from Operations	(18)	(6%)	(105)	(161%)	(110)	(237%)	3	1%	114	103%
Other Income (Expense)	13	5%	-	0%	(0)	(1%)	-	0%	0	0%
University Services	(4)	(1%)	(4)	(6%)	(4)	(9%)	(3)	(1%)	1	25%
Total Other Income (Expense)	9	3%	(4)	(6%)	(4)	(9%)	(3)	(1%)	1	32%
Transfer to Plant Fund Reserves	(8)	(3%)	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$(16)	(6%)	\$(109)	(167%)	\$(115)	(246%)	\$0	0%	\$115	100%
Noncash transactions (add back):										
Depreciation & Amortization	8	3%	8	13%	6	12%	4	1%	(1)	(25%)
Adjusted Net to Reserves	\$(8)	(3%)	\$(100)	(155%)	\$(109)	(234%)	\$4	1%	\$114	104%

* 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 2020-21 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 Cal Poly Print & Copy resulting from the economic impact of the COVID-19 pandemic. As a result of the COVID-19 pandemic, Cal Poly Print & Copy was closed to walk-in business. In addition, there were fewer course material orders than anticipated, resulting from most classes being offered virtually.

Sales at Cal Poly Print & Copy for FY 2021-22 assume the store will open for the fall academic quarter. Sales estimates are conservative and reflect an increase from the FY 2021-22 projection, but are less than the average historical performance in years with a fully populated campus. Cost of Sales for FY 2021-22 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 removed the guaranteed minimum commission provision and commissions are based on actual sales. The budget for FY 2021-22 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 FY 2020-21 consistent with the 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 2021-22 reflects a termination of these furloughs. While the budget includes a return of hours for student and part-time employees, it also reflects an increase in the minimum wage in January 2022, and overall fringe benefit rates that are slightly higher than FY 2020-21.

Total Operating Expenses include continuing direct expenses for Cal Poly Print & Copy, the University Store and Cal Poly Downtown (i.e. rents, taxes, depreciation and utilities) as well as contract management and indirect cost support. FY 2020-21 Operating Expenses are projected to end approximately 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 2021-22 reflects an effort to return to normal operations while maintaining careful tracking of expenditures.

Other Income (expense) for FY 2020-21 and FY 2021-22 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, 2019 Reserve Balance	\$1,063,417	\$6,505,163	\$353,842	\$100,000	\$8,022,422
FY 2019-20 Change in Reserves	(49,818)	86,101	(72,633)	0	(36,350)
June 30, 2020 Reserve Balance	1,013,599	6,591,264	281,209	100,000	7,986,072
FY 2020-21 Change in Reserves (estimate)	(54,327)	(107,203)	(74,436)	(100,000)	(335,966)
June 30, 2021 Reserve Balance (estimate)	959,272	6,484,061	206,773	0	7,650,106
FY 2021-22 Change in Reserves (budget)	28,778	(69,047)	40,354	0	85
June 30, 2022 Reserve Balance (budget)	\$988,050	\$6,415,014	\$247,127	\$0	\$7,650,191

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, 2021 (estimate) and June 30, 2022 (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, 2021 (estimate) and June 30, 2022 (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
Previously Approved Capital Outlay Requests (1)			
University Store Storefront Changes	\$100,000	20	\$5,000
Total Capital Outlay Request	\$100,000		\$5,000

CAPITAL OUTLAY REQUEST DETAIL

(1) The Capital Outlay Requests below were approved by the Board of Directors at their FY 2018-19 budget meeting. They are 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.

TO:	Corporation Board of Directors	DATE:	May 27, 2022
VIA:	Cynthia Vizciano Villa Chair	REF:	Board Meeting #4 June 3, 2021
FROM:	Cody VanDorn Chief Executive Officer	FILE:	BOD Binder
SUBJECT:	Appointment of Board Members and Election of Officers		

RECOMMENDATION

THAT THE BOARD APPROVES THE PRESIDENT'S NOMINATIONS OF OFFICERS FOR THE CORPORATION BOARD OF DIRECTORS.

BACKGROUND

Pursuant to the Corporation Bylaws, appointment of directors shall be disclosed at the annual meeting of the Board or within a reasonable period of time thereafter. Appointed Directors will commence their term on July 1 following appointment, and the appointment term will expire on June 30, unless otherwise noted in an appointment notification. Also pursuant to Corporation Bylaws, officers shall be nominated by the president and elected by a majority of the Board

Faculty and Administrative Staff Directors

Faculty and administrative staff of the university shall be selected and designated by the president to serve a term of three years, however, faculty and administrative staff directors may not serve more than two consecutive full terms. Two (2) of these positions will be designated as positions whereby nominations to these positions will be recommended to the President by the Academic Senate.

President Armstrong appointed the following administrative directors to serve a three-year term with the term beginning July 2021 and ending June 2024.

- Cynthia Jackson-Elmoore Director
- Cyrus Ramezani Director

President Designee

The president may designate a representative of his office to serve as his designee. Any person designated by the president will serve a one (1) year term, however, the president may re-designate the same person at the term's expiration and there are no term limits. The designee's appointment commences on July 1 of each year. The president's designee is subject to the same rights, limits, and responsibilities as the faculty and administrative staff directors.

President Armstrong appointed the following director to serve as his designee with a term beginning July 2021 and ending June 2022.

- Dean Wendt President Designee / Director

Faculty and Administrative Staff Directors

Faculty and administrative staff of the university shall be selected and designated by the president to serve a term of three years, however, faculty and administrative staff directors may not serve more than two consecutive full terms. Two (2) of these positions will be designated as positions whereby nominations to these positions will be recommended to the President by the Academic Senate.

President Armstrong appointed the following administrative director from nominations of the Academic Senate to serve a three-year term with the term beginning July 2021 and ending June 2024.

- Steven Rein Director

Community Members

Community members residing in the area served by the university shall be selected and designated by the president to serve a term of two (2) years; community members may serve a maximum of three (3) consecutive full terms.

President Armstrong appointed the following community director to serve a two-year term with the term beginning July 2021 and ending June 2023.

- Patrick Mullen Community Director
- Cara Crye Community Director

Student Members

Students of the university student body shall be selected and designated by the president to serve a one (1) year term; student members may serve a maximum of four (4) consecutive full terms.

President Armstrong appointed the following student directors to serve a one-year term with the term beginning July 2021 and ending June 2022.

- Marissa Hiji Student Director
- Cole Dorris Student Director

Officers

The officers of the Corporation shall be a Chair of the Board, Vice-Chair, and Secretary-Treasurer and shall be nominated by the president and elected by a majority vote of the board. The Chair, Vice-Chair, and Secretary-Treasurer shall hold office for a term of one (1) year or until their respective successors are appointed and qualified. The officers' terms commence on July 1 of each year.

President Armstrong nominated the following directors to serve in the respective officer positions with a term beginning July 2021 and ending June 2022. Officers are elected by a majority vote of the board.

- Cynthia Villa Chair
- Cynthia Jackson-Elmoore Vice-Chair
- Andrew Thulin Secretary/Treasurer



TO:	Corporation Board of Directors	DATE:	May 27, 2021
FROM:	Dan Banfield Chief Financial Officer	REF:	Board Meeting #4 June 3, 2021
CC:	Cody Van Dorn Chief Executive Officer	FILE:	BOD Binder

SUBJECT: Cal Poly Ventures

RECOMMENDATION

THAT THE BOARD AUTHORIZE THE CHIEF EXECUTIVE OFFICER OR HIS DESIGNEE(S) TO NEGOTIATE AND EXECUTE ALL DOCUMENTS NECESSARY TO FACILITATE THE INVESTMENT ACTIVITIES OF THE CAL POLY VENTURES FUND.

BACKGROUND

In 2020, approximately \$500,000 consisting of monetary gifts and future pledges was received by the campus to create The Cal Poly Ventures Fund (Fund). The Fund was established in collaboration with the Center for Innovation and Entrepreneurship (CIE) with the purpose of investing in privately-held, Cal Poly-affiliated companies with high growth potential. Investment opportunities are vetted by the Cal Poly Ventures Investment Committee (CPVIC). Any returns on investment are used to grow the Cal Poly Ventures Fund and support the Center for Innovation & Entrepreneurship.

After careful consideration, the University has requested the Cal Poly Corporation (Corporation) act as the legal vehicle for holding the assets of the Fund and investing those assets in accordance with the recommendations of the CPVIC. This is consistent with the Corporation's current role as fiscal administrator over of the Center for Innovation & Entrepreneurship.

ANALYSIS

Cal Poly Ventures was created to achieve the following three goals:

1. Accelerate the growth and likelihood of success of select Cal Poly-affiliated companies;
2. Through successful investments in Cal Poly-affiliated companies, increase the value of the Cal Poly Ventures Fund to enable more and larger investments;
3. Generate returns that support the CIE.

To assist in accomplishing these goals, the CPVIC has been established. The CPVIC includes no fewer than three experienced investors and/or founders, all with a belief in the mission of Cal Poly and a commitment to pursue the goals of Cal Poly Ventures. CPVIC members are appointed by the CIE's Executive Director. Members are appointed for a two-year term and may be appointed to serve multiple terms. Members of the CPVIC will review and sign a formal conflict of interest policy each year. If a member of the CPVIC has personally invested in a company that is under review by the CPVIC, he/she will recuse himself/herself from the recommendation of whether or not the Fund should pursue that particular investment.

As mentioned previously, approximately \$500,000, consisting of monetary gifts and future pledges, was received by the campus to create the Fund. Making a contribution to the Fund shall not entitle such contributor to participate in the evaluation or recommendation of any investment with respect to the Fund. All contributions to the Fund will be acknowledged by the contributor(s) as gifts, subject to campus policy and administration, with no expectation of return.

Assets of the Fund will be maintained in a separate highly liquid account, such as a money market account. Notwithstanding, the assets of the Fund may be commingled with other the Corporation assets, when necessary. Any interest earned on Fund assets remains the property of the Corporation and will not be credited to the Fund account balance. The CIE may receive a nominal distribution of the Fund's available cash balance annually for directly related expenses, including but not limited to, meetings of the CPVIC, legal fees associated with due diligence, and similar required expenses. At all times, the activities of the Fund will be maintained in separate accounting records within the Corporation's general ledger.

The CPVIC will meet regularly to evaluate Cal Poly-affiliated companies and make investment recommendations. The Fund is not required to make a minimum or a maximum number of investments each year. Each opportunity is evaluated on its own merit and decisions are made accordingly. There may be years when no investment recommendations are made and others when multiple investment recommendations are made. If, after completing due diligence on a Cal Poly-affiliated company, the CPVIC determines that a potential investment satisfies the criteria established by the CPVIC, the CPVIC will submit a recommendation to the Corporation CEO, or his designee, to approve the recommendation and use the Fund's assets to invest in that particular company. Once a recommendation has been submitted to the Corporation CEO, or his designee, a final decision should be rendered within two business days of receiving the recommendation.

Board Policy 121, *General Investment Policy*, explains "The Board retains ultimate responsibility to make investment program policy decisions" for the Corporation. The Board may delegate certain board responsibilities to the Corporation CEO, or his designee. Given the quarterly frequency of the Board meeting schedule, retaining approving authority for Fund investment decisions, which are expected to be rendered within two business days of receiving the recommendation, is not considered practicable. As such, management recommends the Board delegate such responsibility to the Corporation CEO, or his designee. In doing so, the Board recognizes that investing in primarily early-stage, privately held companies has inherent risk and not all investments will be successful.

SUMMARY

Management recommends that the board authorize the CEO, or his designee, to negotiate and execute all documents necessary to facilitate the investment activities of the Cal Poly Ventures Fund.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Commercial Agriculture Operations

Fiscal Year 2021-22

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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. 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

Demand for our program continues to be strong, with nearly 830 undergraduate students currently enrolled. Interest in the program likewise remains high, as there was no observable decrease in applications despite the downward trend observed nationwide and across the CSU system. In addition to the strong demand for this program and its living laboratory operations, the value of the program's enterprise classes remains remarkable. Yet the cost of maintaining the operational production systems to facilitate the Animal Science Department's hands-on learning mission also continues to be 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 Cal Poly 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, and meat processing units, are working hard to find donor funding for repair and maintenance, and to update facilities and reduce labor costs. The recently implemented "Earn By Doing" student manager program has gained momentum, with student managers now funded by donors at the Meat Processing Center, Animal Nutrition Center, Equine Center, Sheep unit, and both the Dairy and Creamery. Most donors have made a 3–5-year commitment, giving \$7,000/year in support of a student manager at these units. This help takes some of the pressure off the budgets while allowing students more opportunity to develop leadership skills in a commercial

operation. 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, Meat Processing Center, and the Poultry Production Center sell all products produced through on and off campus venues. These products can be found in major retail stores and farmers markets and make popular hospitality gifts for visitors to campus. In addition, these operations have provided assessable food during the COVID-19 Pandemic (Pandemic), with drive through sales helping our local community cope during this difficult time and supplying food to families in need through our county's educational system.

Facilities:

- Animal Nutrition Center
- Beef Center
- 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/Crop, Fruit and Vegetable Science

Dr. Scott Steinmaus

The Horticulture and Crop Science units provide a living laboratory and exemplary commercial production operations for Cal Poly students who are primarily Agricultural and Environmental Plant Science majors but also include significant numbers of students from other majors in CAFES and other colleges. Our philosophy and approach emphasizes production efficiency that simultaneously maximizes production while minimizing environmental, economic, and social impacts. These efficiencies include scheduled water and fertilizer use that ensures the resources necessary for growth get to the crop when and where they are needed most by the crop. Significant effort has been and will continue to be made to improve our precision technologies to support this philosophy. Food safety continues to be a critical area of department operations and remains a top priority.

The department has historically accommodated nearly 100 students per quarter in field crop, fruit, horticulture, and vegetable projects. However, those numbers have been less this year because of the recent Pandemic and the associated restrictions. The number of students in our horticulture and crop projects are likely to continue to grow due to the recent interest in food and ornamental (especially urban) plant production. 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 sustainable farming and growing, including organic production. The enterprise class program is a key component of that educational experience. Pandemic restrictions have put a damper on in-person class

offerings for Enterprise projects but we have been able to offer those experiences by directly hiring students to work on the farm and greenhouses. Cal Poly's Learn by Doing philosophy is a fundamental part of what distinguishes its graduates and our Crops and Horticulture Unit epitomize that philosophy. We are currently seeking donor support for the new Plant Sciences Complex that will house nearly an acre of greenhouses, a fruit and vegetable processing center, and a building complex that will house teaching and research lab facilities. We are also seeking donor support for obtaining a permanent director for the Leaning Pine Arboretum.

Facilities:

- Crops Unit:
 - Field production: vegetable crops, forage crops, pumpkins
 - Orchard production: citrus, avocado, stone fruit
 - Honey

- Horticulture Unit:
 - Poly Plant Shop
 - Leaning Pine Arboretum
 - Enterprise projects: tomato, poinsettia, cut flower, hydroponic

Food Science and Nutrition (FSN)

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 within its 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 and marketing, food law and more.

This production unit includes 1 benefited staff member and 20 student employees to produce Cal Poly jams, barbecue sauces and chocolates. The unit is in production one day per week throughout the quarter (1/wk./jars, 1/wk./chocolates); because the facilities are multi-use, teaching takes priority in production spaces.

The department currently produces the following sauces and jams: Olallieberry Spreadable Fruit, Raspberry Jam, Blackberry Jam, Olallieberry Jam, Strawberry Jam, Sweet Hickory BBQ Sauce, and Fiery BBQ Sauce.

We are working this summer on developing a smooth style mustard product that we will add to our product line by late Fall 2021.

The department currently produces 18 different 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, Strawberry Dark ("You're Berry Special"), Dark w/ Sea Salt, and Toffee Crunch in Milk and Dark.

All products are sold both on and off campus at locations spanning from Santa Maria 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 FSN production facility, called the Pilot Plant, is located in Building 24, Room 106 (4,000sq/ft.). Fifteen classes and the applicable labs use the pilot plant throughout the year. Cal Poly Chocolates is housed in Building 24, Room 107 (1,900sq/ft.) and is used for classes, production, sales, and finished product storage.

Wine and Viticulture

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, and the future vineyard will include several teaching blocks, a rootstock research block, a rotational block and production blocks for the Cal Poly wine brand.

In late 2014, analyses showed that a number of vines tested positive for various diseases. This led to the envisioning and development of the new vineyard.

Phase 1 occurred in 2015 and consisted of:

- Removal of 6.5 acres and fallowing of the land
- There was an attempt to save non-symptomatic Pinot Noir vines
- New teaching vineyards were designed and strategic industry partnerships formed

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
- Expansion of the design to include new production blocks

Bartleson Ranch and Conservatory

The Bartleson Ranch and Conservatory is a 448-acre working ranch situated in the city of Arroyo Grande. The Ranch was received in 2015 on behalf of the College of Agriculture, Food and Environmental Sciences and a life interest was retained by the donors. The Ranch primarily produces lemons and avocados. Subsequent to receiving the Ranch, the donors continued to manage operations through June 2021. In fiscal year 2021-22, Ranch operation will be managed by the College.

2020-21 ACCOMPLISHMENTS

Animal and Dairy Science Programs

- The creamery's holiday gift box sales broke past record sales, surpassing \$200,000 for the holiday season. Ice cream production has increased and offers the greatest margin of return compared to that of cheese. Friday drive-thru sales have also provided a new source of revenue and opportunity to sell product to the local community. Fresh cheese and fluid milk provided to local schools have received positive publicity.
- The Milk Margin Protection Insurance Policy purchased by the dairy has helped to mitigate milk price risk by hedging milk prices. We plan to continue to utilize this program to safeguard profit margins and better control the downside risk of milk price fluctuations. The dairy has also hosted an online sale of livestock and implemented the new "rent a uterus" program, both which bring added income to this operation.
- In the weeks leading up to this year's event, the Paso Robles Fairgrounds revoked their agreement to host the 2021 Western Bonanza Junior Livestock show. It was not economically feasible to offer the show virtually, nor was the event able to be moved to the Cal Poly campus. We remain hopeful the show will resume in 2022 and continue to experience the "record-breaking entries" trend previously observed.
- A shortened Bull Test was offered in 2020, bringing in bulls in July compared to May as is typically done. Less income was received for feed sales and yardage, and the cost of conducting a virtual sale was unexpectedly high. This remains the only bull sale on the central coast, and industry support remains strong.
- Production emphasis at the swine unit has returned to raising hogs for market, in addition to the show pig program that was previously implemented. The 60 commercial gilts donated last year by New Fashion Pork have begun farrowing with large litter sizes. Relationships with Yosemite Meats have also been rekindled and provide a source of revenue for sale of these livestock. Several research projects have also been conducted at the swine unit, generating revenue through the department's Animal Use Fees.
- The successful breeding of 17 mares was the highest it has ever been for quite some time. Quarter Horse stallion farms continue to donate breedings of their premier stallions, many of which are the industry's leading sires. The 2021 Cal Poly Performance Horse Sale is expected to set another record, and the program will be selling the three-year-old's originally intended to be sold as two-year-old's in the 2020 sale prior to the Pandemic.
- The poultry unit continues to struggle to break even while adapting to changing state regulations. Its greatest expenses remain labor, feed, maintenance, network connections, and packaging supplies. The unit raised turkeys in the fall and intends to increase the variety and modality (i.e., free range) of bird species to expand student opportunities in this discipline.
- Drive-thru sales at the Meat Processing Center have remained phenomenally strong. The Meat Processing Center has also incorporated items from other departments such as flowers and vegetable boxes, highlighting the need for a campus farm store.

Environmental Horticulture/Crop, Fruit and Vegetable Science

Fruit and Vegetable Crops

- Planted 1 acre of olive trees
- Replanted 3.5 acres of avocados on Radio Tower Hill in partnership with the California Avocado Commission (CAC) disease resistant root stock trial. Completed tasks:
 - Remove old trees
 - Rip and disc field
 - Re-work berms for better water movement
 - Install underground/above ground irrigation
 - Install a series of drain inlets to capture runoff
 - Replant with disease resistant trees
- Pruned parts of Radio Tower and develop a five-year pruning schedule for all avocado blocks
- Improved fence lines around the farm: Replaced old fence along Organic/Deciduous border. Replaced old fence along east side of RTH.
- Replanted tree crops that were removed for the Justin and J. Lohr Center for Wine and Viticulture construction. Developing planting schedule for spring 2022.
- Researched potential new corn planter
- Worked on increasing sales and harvesting efficiency
- Increased Cal Poly Compost applications
- Placed raptor perches for ground squirrel control

Organic Farm

- Implemented sustainable mulching system around water sources to improve weed control
- Designed and planted perennial herb garden
- Enhanced usage by and sales with Campus Dining and Campus Market
- Removed old hoop house
- Continued to improve weed control

Plant Shop

- Realigned ridge vents in greenhouses 2 and 4 to improve environmental control
- Collaborated with the Biological Sciences Department to improve court right shade growing structure; this project will also provide significant volunteer assistance
- Collaborated with Morro Bay in Bloom
- Increased public outreach and visibility by growing plants for city plantings

Food Science and Nutrition

- Worked with donors to continue their support for our chemical, spices for our BBQ sauce, our jars and some of our IQF products to be donated.
- Employed between 15-25 undergraduate students for Cal Poly “Learn By Doing” during pandemic
- Worked with reduced personnel and maintained products

- Continued to increase productivity while still training student employees for food industry
- Improved our social media presence consistency

Wine and Viticulture

The major long-term investments were done from 2014 to 2018. It was funded by the fundraising effort made by the WVIT Dept under the leadership of Dr. Jean Dodson Peterson. Paul Fountain, former professor of viticulture in the WVIT was very instrumental in establishing this fund through a donation. The first harvest occurred in September 2020 generating \$26,028 of income (grapes were sold to the Wine Sales Program). 2.2 tons of pinot noir were used for research on clones supervised by Dr. Dodson and Dr. Casassa.

Production Vineyard and Teaching Vineyard

- Performed all cultural operations to establish production vineyard
- Continual weed, insect and vertebrate pest control

Production Vineyard

- Ongoing cultivation and weed control
- Removed the existing fence and installation of a new deer fence were made and supported by the Dean's Office

Trestle Vineyard Teaching Vineyard

- Majority of planting was completed in 2018. Some missing vines, and a few extras, have been ordered from Duarte or Wonderful nursery to fill in as we move forward. Some teaching blocks were planted in the summer of 2018.
- Training/suckering, tying and canopy management
- All vines were pruned to a 2 bud spur. Vine training was done on all vines as they grew out onto the wire.
- Weed control, insect, vertebrate control

2021-22 GOALS & OBJECTIVES

Animal Science and Dairy Science Programs

- Industry support for the Earn By Doing student manager program has been tremendously strong, with funding of one-to-three positions each at the creamery, dairy, sheep/goat, equine, ANC, and MPC production units.
- The Affiliation Agreement for Veterinary Practicum with Western University of Health Sciences was unfortunately canceled for the 2021-21 academic year. However, planning has begun to resume these practicums for the 2021-22 academic year. This agreement brings income to the beef, swine, and sheep operations while exposing our Cal Poly undergraduate students to the Western University veterinary program, its students, and clinicians.
- The creamery intends to increase its gift box sales by 25% and establish monthly cheese boxes to utilize its cheese inventory. Enterprises have been proposed for both the holiday gift boxes and the ice cream drive-thrus to promote student involvement and save labor costs. Yet the creamery budget continues to maintain a manager salary unlike other production units used for state teaching purposes. The refrigeration units in the production room will need to be rebuilt soon to improve cheese storage. The department has also asked for the college's equipment technician to routinely assist mitigating repairs and maintenance at this production plant. Discussions continue regarding offsetting the creamery's cash deficit using discretionary funding.
- The dairy has made several changes to become more fiscally sustainable, including the use of insurance for milk pricing; developing a heifer use program; and decreasing shrink with both the donation of a new 30-ton grain silo and bagging of the entire Chorro Ranch haylage crop to improve quality and feed value. Utilizing campus lands more efficiently and increased marketing of fresh milk to local creameries has helped offset the high costs associated with feed, maintenance, and operating a dairy facility on the central coast. Discussions likewise continue regarding offsetting the dairy's cash deficit using discretionary funding.
- Beef operations are generally fiscally sustainable but also highly dependent on the weather and market fluctuations.
- The purchase of a new delivery vehicle will allow for enhanced marketing and distribution of the department's many food products, and will also assist other departments.

Environmental Horticulture/Crop, Fruit and Vegetable Science

Fruit and Vegetable Crops

- Develop/Design new Nut Tree/Stone Pome fruit Orchard
- Field prep. Deep rip done. Need to disc and develop berms
- New underground irrigation leading to each block
- Install drain outlets at strategic spots
- Install filter station
- Install above ground irrigation to each block
- Install deer fencing around perimeter and gates for access
- Plant new Nut Tree/Stone Pome fruit Orchard
- Acquire trees and plant each block
- Install new filter station for Radio Tower Hill (RTH)

- Install new dedicated underground irrigation line to RTH from Well 25
- Purchase corn planter Monosem 2-row planter repurpose old planter for Organics
- Improve overall weed control (especially borders)
- Install GPS unit on new CAT tractor
- Repair or replace implement for 4 row lister tractor
- Institute new fertilizer injection system (Ag Solutions Master)
- Research and eventually buy GPS/laser level drag scraper

Organic Farm

- Run most vegetables on underground drip
- Improve fertigation practices (i.e. New fertilizers, injections system)
- Improve boarder weed control (fence line, end of row, road)
- Purchase and use floating row covers for pest control
- Purchase boom sprayer for weed/pest control (possible to repurpose and old one)

Plant Shop

- Install deer fencing to protect arboretum and horticulture unit enabling increased production of landscape plant material
- Purchase an automatic seeder for the purpose of growing plant transplants, which will increase efficiency while providing students with hands-on experience of current industry practices
- Develop a visual demonstration of horticultural activities that are executed by student employees, for the viewing of staff, to incorporate into horticulture labs
- Replace shade cloth in outdoor growing structure house and retail garden plant shop due to wind damage
- Improve cooling system in greenhouse 9

Food Science Production

- Update CP Chocolates facility so that chocolates can be self-sufficient in 24-107
- Set consistent sales hours for on/off campus purchases (department continues to struggle to identify space for sales and production within bldg. 24)
- Sales of \$180,000. We have been hit hard by the Pandemic, with slower sales and are working to identify other sales opportunities.
- Have new mustard product on shelf with approved label, formula, nutritional facts
- Continue to increase productivity while still training student employees for food industry

Wine and Viticulture

The current budget for 2021-22 is mainly composed of labor costs, administrative costs, and insurance, to be able to maintain our tool of production, but also a teaching site to train the students. We are in the maintenance phase. Pacific Vineyards, run by George Donati, did high quality work in order to build this vineyard and to save substantial amount of money for the department. The major cost is the labor cost. We expect a larger crop in the production blocks in 2021-22, which should increase revenues for the vineyard, and allow for Cal Poly grown grapes to be used in the production of Cal Poly wine. This will be the first harvest to be processed in the new Justin and J. Lohr Center for Wine and Viticulture.

2021-22 OPERATING BUDGET PROPOSAL - COMMERCIAL AGRICULTURE

(in thousands) **	Fiscal Year 2019-20 Actual	% of Sales	Fiscal Year 2020-21 Budget	% of Sales	Fiscal Year 2020-21 Estimate*	% of Sales	Fiscal Year 2021-22 Budget Proposal	% of Sales	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$3,983	100%	\$4,006	100%	\$4,970	100%	\$4,980	100%	\$10	-
Cost of Goods Sold	844	21%	790	20%	1,167	23%	1,138	23%	29	3%
Gross Margin	3,139	79%	3,216	80%	3,803	77%	3,842	77%	39	1%
Other Revenues	1,048	26%	738	18%	474	10%	703	14%	229	48%
Income Before Operations	4,188	105%	3,954	99%	4,276	86%	4,545	91%	268	6%
Salaries & Wages	900	23%	923	23%	894	18%	1,057	21%	(163)	(18%)
Benefits	102	3%	140	3%	128	3%	189	4%	(61)	(48%)
Total Payroll Expense	1,002	25%	1,063	27%	1,023	21%	1,247	25%	(224)	(22%)
Depreciation & Amortization	100	3%	82	2%	108	2%	102	2%	6	5%
General Maintenance	171	4%	155	4%	192	4%	168	3%	23	12%
Livestock / Feed Expense	1,220	31%	1,265	32%	1,325	27%	1,337	27%	(12)	(1%)
Supplies & Materials	520	13%	287	7%	384	8%	358	7%	26	7%
Fees & Services	463	12%	241	6%	408	8%	261	5%	147	36%
CPC Administrative Services	183	5%	170	4%	187	4%	181	4%	6	3%
Other Operating Expenses	457	11%	425	11%	389	8%	484	10%	(95)	(24%)
Total Operating Expenses	3,114	78%	2,624	66%	2,992	60%	2,891	58%	102	3%
Total Expenses	4,115	103%	3,687	92%	4,015	81%	4,137	83%	(122)	(3%)
Net from Operations	73	2%	267	7%	261	5%	407	8%	146	56%
Other Income (Expense)	35	1%	16	0%	(39)	(1%)	-	0%	39	100%
Total Other Income (Expense)	35	1%	16	0%	(39)	(1%)	-	0%	39	100%
Transfers In (Out)	35	1%	91	2%	71	1%	53	1%	(19)	(26%)
Net to Reserves	\$143	4%	\$374	9%	\$293	6%	\$460	9%	\$167	57%
Noncash transactions (add back):										
Depreciation & Amortization	100	3%	82	2%	108	2%	102	2%	(6)	(5%)
Adjusted Net to Reserves	\$243	6%	\$456	11%	\$401	8%	\$562	11%	\$161	40%

* Estimate based on nine months actual and three months estimate

** Columns may not foot due to rounding

2021-22 OPERATING BUDGET PROPOSAL - BARTLESON RANCH

(in thousands) **	Fiscal Year 2019-20 Actual	% of Sales	Fiscal Year 2020-21 Budget	% of Sales	Fiscal Year 2020-21 Estimate*	% of Sales	Fiscal Year 2021-22 Budget Proposal	% of Sales	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$0	0%	\$0	0%	\$0	0%	\$950	100%	\$950	100%
Gross Margin	\$0	0%	\$0	0%	\$0	0%	\$950	100%	\$950	100%
Other Revenue	\$11	0%	\$0	0%	\$11	0%	\$56	6%	\$45	409%
Income Before Operations	\$11	0%	\$0	0%	\$11	0%	\$1,006	106%	\$995	9045%
Salaries & Wages	\$0	0%	\$0	0%	\$0	0%	\$216	23%	\$(216)	(100%)
Benefits	\$0	0%	\$0	0%	\$0	0%	\$134	14%	\$(134)	(100%)
Total Payroll Expense	\$0	0%	\$0	0%	\$0	0%	\$350	37%	\$(350)	(100%)
Depreciation & Amortization	\$0	0%	\$0	0%	\$0	0%	\$38	4%	\$(38)	(100%)
General Maintenance	\$0	0%	\$0	0%	\$0	0%	\$30	3%	\$(30)	(100%)
Utilities	\$0	0%	\$0	0%	\$0	0%	\$52	5%	\$(52)	(100%)
Supplies & Materials	\$13	0%	\$0	0%	\$15	0%	\$50	5%	\$(35)	(233%)
Fees & Services	\$0	0%	\$0	0%	\$0	0%	\$120	13%	\$(120)	(100%)
Other Operating Expenses	\$0	0%	\$0	0%	\$0	0%	\$154	16%	\$(154)	(405163%)
Total Operating Expenses	\$13	0%	\$0	0%	\$15	0%	\$444	47%	\$(429)	(2843%)
Total Expenses	\$13	0%	\$0	0%	\$15	0%	\$794	84%	\$(779)	(5165%)
Net from Operations	\$(2)	0%	\$0	0%	\$(4)	0%	\$212	22%	\$216	5316%
Other Income (Expense)	\$(0)	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Total Other Income	\$(0)	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Net to Reserves	\$(2)	0%	\$0	0%	\$(4)	0%	\$212	22%	\$216	5316%
Noncash transactions										
Depreciation & Amortization	\$0	0%	\$0	0%	\$0	0%	\$38	4%	\$(38)	(100%)
Adjusted Net to Reserves	\$(2)	0%	\$0	0%	\$(4)	0%	\$250	26%	\$254	6249%

*Estimate based on prior year actuals.

OPERATING BUDGET DISCUSSION

Overall increases in net sales and revenue were seen in the 2020-21 fiscal year due largely to increased revenue from the Meat Processing Center, Dairy, and the Creamery. We expect net sales and revenues to increase in fiscal year 2021-22 due to loosening of pandemic stay at home orders.

We are now insuring our milk prices against market fluctuations whenever possible, resulting in more stable income. The budget for FY 2021-22 continues to reflect some of the high ongoing feed prices, but new product offerings from the creamery, including new ice cream flavors and cheese varieties, which will help to increase sales across retail locations. A new mustard will be added to the Food Science and Nutrition product line, creating one more consumer option.

Cost of Goods Sold is projected to be 23% of total sales for FY 2020-21 and is budgeted to remain consistent through FY 2021-22.

Total Payroll Expense is approximately 4% under the budgeted amount for FY 2020-21 due largely to the response to the Pandemic, and is expected to increase in FY 2021-22. The College has secured several donations for a new Earn By Doing program, that will serve to supplement our student employment, resulting in a decrease in student salary expense for FY 2021-22.

Operating Expenses were 14% over budget for fiscal year 2020-21. This was mostly due to the response to the Pandemic and the need to hire outside contractors for services normally performed by in-house staff and students. Operating Expenses are expected to decrease by 3% in FY 2021-22.

For FY 2020-21, the expected **Net to Reserves** of \$293,000 includes non-cash depreciation expense of \$108,000. For FY 2021-22, the budgeted **Net to Reserves** of \$460,000 includes non-cash depreciation expense of \$102,000.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2019 Reserve Balance	\$877,048	\$402,623	\$10,725	\$1,290,396
FY 2019-20 Change in Reserves	(159,353)	312,918	(10,725)	142,840
June 30, 2020 Reserve Balance	717,695	715,541	0	1,433,236
FY 2020-21 Change in Reserves (estimate)	237,295	55,262	0	292,557
June 30, 2021 Reserve Balance (estimate)	954,990	770,803	0	1,725,793
FY 2021-22 Change in Reserves (budget)	561,734	(101,739)	0	459,995
June 30, 2022 Reserve Balance (budget)	\$1,516,724	\$669,064	\$0	\$2,185,788

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, 2021 (estimate) and June 30, 2022 (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 outlay requests for FY 2021-22 at this time. Capital outlays for facility and infrastructure improvements are contingent on outside funds. Requests for approval of capital expenditures will occur when funding is available, as appropriate.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Cal Poly Arts

Fiscal Year 2021-22

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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 readings, 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 (CLA) 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 and country music 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 CPA's arts education focus to expanded residency activities at both local school campuses and in the community.

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 near \$700,000 and, as operating cash reserves continue to grow, excess funds will be transferred into the endowment.

In 2011, Cal Poly Arts took over the presentation of the La Guitarra California Festival, a decade-old, biennial classical guitar gathering with concerts by world-renowned classical guitarists, master classes for young performers taught by top artists in the field, and a large vendor fair with luthiers from across the West displaying and selling their work. Festival attendees travel across the United States and even come from numerous foreign countries to attend La Guitarra. The Festival is currently undergoing a name change to the California International Guitar Festival for its 2022 event.

The past year of shuttered venues due to the COVID-19 pandemic has presented new challenges for Cal Poly Arts. Despite not being able to present live programming, CPA has kept engaged with local audiences through a number of virtual programs in collaboration with other presenters on the West Coast. Recognizing the difficulties of sustaining Cal Poly Arts program this period, local donors have continued their generous support, allowing CPA to survive and, in fact, show a surplus during FY 2021.

When normal operations are allowed to begin again, Cal Poly Arts will continue to fulfill its mission of bringing a professional, diverse, and dynamic performing arts series to the Central Coast. In addition to 36 years of experience in presenting artists, 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.

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 factors, which are ever evolving, are key elements in establishing an annual budget. The pace at which audiences return to performance venues after COVID-19 will also have a significant impact on Cal Poly Arts' ability to maintain a balanced budget.

New concert venues of various sizes have opened over the past decade, 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 utilizing off-campus venues to help remain competitive in the local marketplace. Prior to the COVID-19 shutdown, Cal Poly Arts successfully presented several events at the historic Fremont Theatre and at Avila Beach Resort, helping the program reach new audiences and expand revenue opportunities. The organization will follow this path moving forward as opportunities arise. It is important to continue monitoring the local performing arts scene and to react as needed, with adjustments to programs, marketing, and operations.

2020-21 ACCOMPLISHMENTS

- Heading into FY 2021, the uncertainty looming around when venues might be able to reopen led to a long holding pattern, during which Cal Poly Arts had roughly 30 live performances plus another ten Met Live in HD simulcasts scheduled during the 2020-21 Season. Ultimately, all of those events had to be postponed or canceled.
- Much of the remainder of FY 2021 has been spent re-scheduling and re-contracting postponed performances into the 2021-22 Season. In an effort to keep in touch and remain relevant with our patrons, Cal Poly Arts struck a partnership with two other performing arts centers on the West Coast, the Luther Burbank Center for the Arts in Santa Rosa, California and Tacoma Arts Live in Tacoma, Washington to present a live virtual performance series titled “The Muse Hour,” featuring performances and conversations with well-known musicians, comedians and celebrities in a live streaming format. The collaboration with these presenting partners allowed us to split the artist fees three ways, making the presentation of some of these higher profile artists much more cost effective. In all, eight presentations of The Muse Hour will be seen by our audience during 2020-21.
- Capitalizing on the success of our annual National Geographic Live speaker series, we were able to secure an agreement with National Geographic to present a fascinating virtual series of four Nat Geo Live presentations that have been very well received.
- In the fall, when it was still uncertain if Cal Poly Arts might present live programming in the 2020-21 Season, we held a virtual version of the annual Spotlight Season Preview event, which typically raises \$150,000 to \$250,000 in cash sponsorships, along with an additional \$100,000 in in-kind sponsorships from hoteliers, caterers and media outlets. In light of the programming uncertainties facing us this year, patrons were asked to sponsor, not individual events, but the entire season in amounts comparable to traditional event sponsorships with the promise of converting their gift to a specific event if we were eventually able to offer some of our planned performances. In the end, we had to inform all of the sponsors that we would not be able to offer any live events. Despite that, Cal Poly Arts generated cash gifts exceeding \$120,000 from a combination of sponsorships for the full season, sponsorships to help underwrite our virtual programming, and VIP Memberships.
- Despite the shutdown and dearth of programming throughout this year, Cal Poly Arts’ three-year-old VIP Membership program continues to grow nearly doubling its number of members and dollars generated from this program through March as compared to FY 2020 numbers.
- While total revenue is down by more than 87% from our last full programmatic year in FY 2019, careful spending and generous donors will allow Cal Poly Arts to show positive operating income for FY 2021. We will add this amount to the operating cash reserve heading into FY 2022, which will likely be a volatile year as we ramp up toward normal operations with a full slate of events in the Performing Arts Center and Spanos Theatre.
- When it became apparent that K-12 live, in-school outreach activities would not be allowed during the entire school year, Cal Poly Arts was able to successfully pivot to virtual programming, featuring six performances from a broad variety of artists and genres presented in partnership with the PAC Outreach program. These online performances were the perfect tonic for teachers across the Central Coast who were anxious to receive supplemental enrichment programs to help keep the interest of their remote learning students. More than 13,000 local students were able to enjoy one or more of these events as part of their curriculum this year.

- Cal Arts staff and Advisory Board took advantage of the reduced live programming load by taking time to re-examine the Mission and Vision for the program moving forward, as well as to develop a new plan for diversity, equity and inclusion in its organizational make-up, programming, and marketing.
- Finally, 2021 will be notable for the departures of key staff members at Cal Poly Arts. Both the Director and the Program/Development Specialist are retiring near or at the end of the academic year, leaving a gulf in the institutional memory for the program, but creating new opportunities for a fresh perspective and new programmatic vision moving forward. To soften the early load for new staff, current Cal Poly Arts leadership will procure a full 2021-22 season of events prior to their departure. Candidate searches are currently in process or will begin soon for both of these key roles.

2021-22 GOALS & OBJECTIVES

During FY 2022, Cal Poly Arts will create new successes by:

- Maintaining a balanced operating budget and finishing with a modest operating surplus to add to cash reserves, which currently exceed \$400,000. Given the volatility of the marketplace following a year and a half of closed venues, cash balances in Cal Poly Arts' operating accounts will be maintained as reserves through the year. At year end, if fund balances are maintained or increased, consideration may be given to transferring a portion of the reserve funds to Cal Poly Arts' endowment.
- Keeping program volumes at or just below pre-pandemic levels. Performances that were postponed or canceled over the past 18 months will make up the bulk of the programming during the 2021-22 Season, including five major Broadway shows. That existing mix will be supplemented by the addition of a few higher profile new bookings to round out the season. In recognition of the transition audience members will need to make as they become comfortable returning to live performances after the pandemic, we have kept attendance expectations at a modest level, budgeting for an overall percentage of capacity at 64%, not the typical 70-71% that we have reached over the past several years.
- Implementing new diversity, equity, and inclusivity plans within programming and organizational values, and working to engage community members who are Black, Indigenous and People of Color with programs designed to appeal to a broader mix of residents on the Central Coast and members of the Cal Poly community. This should include an expansion of the existing LatinX Series that needs to better connect with the Hispanic and Latino communities in our market.
- Continuing to utilize the Spotlight Season Rollout and Sponsorship Acquisition Event as the headline vehicle through which we will raise an amount equal to or greater than the contributed income support from sponsors during past full seasons of programming. Because of the delay in the start of the 2021-22 Season, Spotlight this year will be held later than usual in June of 2021, meaning that some contributions that normally arrive during the prior year will be received during FY 2022, instead. Those funds arriving early in FY 2022 will be combined with contributions that will be raised at the Spotlight event next spring to support the 2022-23 Season. This timing will mean that contributions through sponsorships, Cal Poly Arts' best means for raising major gifts, will likely be higher in FY 2022 than in normal years.
- Leveraging the significant growth last year in the number of donors and amount of cash raised through our VIP Membership program, allowing Cal Poly Arts to continue to expand its pool of small to mid-size donors. We will work toward a goal of finding new ways to enhance brand loyalty through strategic benefits afforded to members. The VIP Membership program was launched in spring of 2018 as a branded "club" that offers members enhanced benefits like additional percentage discounts on subscription tickets, invitations to donor recognition events and receptions, drink coupons, etc. Dual goals are to increase subscribership by offering additional ticket discounts to members and increasing contributions by incenting ticket-buyers to become members and/or increase their donor level.
- Continuing to strategically explore use of off-campus venues, expanding Cal Poly Arts' brand and stature in the market. No performances are currently booked in outside venues but, as opportunities arise following the re-opening of theatres, Cal Poly Arts will attempt to schedule at least one event in the Fremont Theatre in 2021-22.

- Transitioning the Poly Arts for Youth outreach program back from a virtual series of events to live in-school outreach activities and residencies. Based on the success of 2020-21's virtual programs, however, it is possible that some online programming will continue to be included in the Poly Arts for Youth's offerings, allowing the program to serve a broader range of students throughout the region.
- Continuing to maintain and develop partnerships with other organizations both on and off campus in order to maximize reach while reducing risk. For example, Cal Poly Arts will pursue more partnering with Cal Poly ASI to co-present high-profile speakers and/or comedians at the Performing Arts Center in 2021-22. This approach offers the dual benefit of bringing more pop culture performers to campus at the same time it allows Cal Poly Arts to offer more programs that appeal to the student population, which is an area of emphasis in the year ahead. There may also be a collaboration with the SLO International Film Festival in showing a classic silent film, accompanied live on the Forbes Pipe Organ. Finally, the eleventh season of Met Live in HD simulcasts will return in partnership with Opera San Luis Obispo.

2021-22 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2019-20 Actual	Fiscal Year 2020-21 Budget	Fiscal Year 2020-21 Estimate*	Fiscal Year 2021-22 Budget Proposal	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Gifts	\$172	\$192	\$190	\$417	\$227	119%
Ticket Sales	834	16	14	1,302	1,288	9541%
Other Revenues	58	26	27	610	584	2187%
Income Before Operations	1,063	235	230	2,329	2,099	911%
Salaries & Wages	-	-	-	340	(340)	(100%)
Benefits	-	-	-	188	(188)	(100%)
Total Payroll Expense	-	-	-	528	(528)	(100%)
Supplies & Equipment	3	1	1	4	(3)	(339%)
PAC Services	225	20	11	478	(467)	(4129%)
CPC Administrative Services	23	23	2	31	(29)	(1534%)
Artist Fees	598	46	39	890	(851)	(2183%)
Advertising & Marketing	146	67	61	209	(148)	(243%)
Other Operating Expenses	86	44	41	185	(145)	(357%)
Total Operating Expenses	1,081	201	155	1,798	(1,643)	(1062%)
Total Expenses	1,081	201	155	2,325	(2,171)	(1403%)
Net from Operations	(17)	34	76	4	(72)	(95%)
Other Income (Expense)	(4)	-	-	-	-	0%
Total Other Income (Expense)	(4)	-	-	-	-	0%
Net to Reserves	\$(21)	\$34	\$76	\$4	\$(72)	(95%)

* Estimate based on nine months actual and three months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

The 2019-20 Season was cut short, and the 2020-21 season of live events was completely canceled. These reductions/eliminations of programming led to a huge decrease in Cal Poly Arts' operating budgets over the past two years. Total revenue went from \$1.7 million in FY 2018-19 to \$1.1 million in FY 2019-20 to a projection of just \$230,000 by the end of FY 2020-21. These numbers correlate with major reductions in spending with expenses totaling \$1.6 million in FY 2018-19, \$1.1 in FY 2019-20 and projected expenses of \$155,000 in FY 2020-21. With the exception of a modest operating loss of \$17,000 in FY 2019-20, Cal Poly Arts has managed to maintain positive operating income throughout the shutdown, projecting operating income of approximately \$76,000 to end FY 2020-21.

With no significant ticket sales income during the current year, Cal Poly Arts has had to rely strictly on contributed income to sustain the program. Fortunately, the community responded very positively to requests for support, and we are projecting to end FY 2020-21 with approximately \$200,000 in contributions from individuals, foundations, and government funding sources. This amount, combined with the elimination of nearly all production expenses will help CPA survive and thrive financially with a strong cash reserve entering FY 2021-22.

Our strategy in developing a budget for an uncertain season in FY 2021-22 has been to push the start of programming as far back as feasible, while still allowing room to present most of the postponed events from the past year and a half of shows canceled or delayed by venue closures. That will move the season opening to the end of October, a month later than normal in order to give extra time to assure that there will be limited seating capacity restrictions at the PAC or Spanos Theatre by the time our season commences. Approximately 30 performances will be re-scheduled into the new season, including five large scale Broadway touring musicals. To complete the schedule and fill the programmatic holes left from shows that could not be re-scheduled, a half-dozen events have been booked to round out a diverse season, comparable to years prior to the pandemic. Recent positive announcements regarding the re-opening of venues for indoor events beginning in June offer an optimistic look at returning to some sense of normalcy by this fall.

The major building blocks in the annual budget are ticket sales, which historically comprise approximately 70% of annual revenues, and contributions that makes up most of the remainder. In FY 2021-22, ticket sales are budgeted at slightly higher than in past full seasons. Two factors come into play in this determination. First, to allow for the potential that audiences may be more hesitant to return to indoor venues after the pandemic, especially during the early months of the season, performances are budgeted with lower expected ticket sales, bringing the budgeted percentage of capacity down to 64% (as compared to 70% and 71% in the prior two full seasons, respectively). However, there are three more high priced, large scale performances in the upcoming season than in each of the two prior full seasons. These events typically generate from \$70,000-\$80,000 in ticket sales per performance, so three additional performances such as these will likely generate in the range of \$100,000 in additional sales over and above three normally priced and attended events that are not of the Broadway variety. Thus, combining these variants, our annual budget projects an increase in sales in the range of \$50,000 over past full seasons.

As outlined in the 2021-22 Goals and Objectives, there is also a likelihood of an increase in sponsorship contributions due to the timing of our annual Spotlight Season Sponsorship events for both FY 2020-21 and FY 2021-22, with the 2020-21 event coming very late in the fiscal year, thereby causing many of the contributions associated with that event to be pushed into FY 2021-22. The combination of that fact, along with a normal scheduling of the event in Spring of 2022 will mean that an abnormal amount of contributed income from this source will fall into FY 2021-22.

While presenting more than the normal number of expensive Broadway musicals in a year filled with uncertainty may appear to be risky, it is actually a manifestation of Cal Poly Arts playing to its strengths. As the only organization in the region with the capacity to present these large and extremely complicated productions in a venue capable of hosting them with the superior technical attributes of the Performing Arts Center, Broadway shows have become the anchor for Cal Poly Arts' annual programming. Sales for these shows have averaged 95% of capacity over the past five years despite high ticket prices, with many of them selling out without the need to spend anything for marketing. In addition, the demand for these tickets helps drive subscriptions by allowing subscribers the opportunity to purchase these prized tickets prior to single ticket-buyers. So, despite the high cost of artist fees and technical production, these events typically earn the highest net income compared to any other artistic genre presented by Cal Poly Arts, especially when combined with the great enthusiasm of our donors who often compete to sponsor these productions.

Annual fundraising, overall, has continued to be stable, solidified by the success of our VIP Membership program, creating a more dependable source of contributed income by providing patrons with a consistent avenue to maintain their annual support. With the return of live, in-person performances, we anticipate that fundraising will return quickly to levels prior to the COVID-19 shutdown.

Cal Poly Arts' staffing model is undergoing review and some changes are anticipated. The small full-time staff of five is responsible for executing this large and complex program. Roles within the staff are well defined, but because there is little general support staff, an "all hands on deck" approach is utilized when major projects such as season brochures and large fundraising events occur. With the arrival of a new Director, Program/Development Specialist, and ASC II over the next few months, some shifting of responsibilities may be made to match staff members' skill sets to the tasks at hand. Some potential staff sharing with the Performing Arts Center staff is also being explored. In addition, positions previously staffed through the CLA will shift to the Corporation in an effort build a full self-supporting operating model.

The Poly Arts for Youth outreach program evolved in response to the lack of in-school teaching over the past year, offering a series of virtual events to engage students from their home-learning environments. While we will plan to transition back to primarily in-person outreach activities in 2021-22, it is currently unclear how many, if any, in-person residency events will be allowed in the coming school year. We will continue to monitor the situation and will be prepared to include more virtual programming to supplement our live, in-school events as the year ahead unfolds.

When it becomes clear that recovery from the shutdown along with the annual budget are stable and operations have become more predictable, Cal Poly Arts is ready to take the next step toward creating a level of financial security that will safeguard the organization through future years. The primary strategy in this area is to implement a plan to increase the departmental endowment. With a current fund balance near \$700,000, the Cal Poly Arts Endowment needs to grow by \$2M over the next few years in order for it to generate annual earnings of \$100,000, providing an additional financial safety net to help guard against unforeseen obstacles like the COVID-19 shutdown. If the budget remains stable through FY 2022, we may be able to move some funds from operating cash reserves that are currently in excess of \$400,000 into the endowment at year's end. Cal Poly Arts will work with the CLA Advancement Team to develop a fundraising plan to accomplish this goal.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2019 Reserve Balance	\$459,196	\$459,196
FY 2019-20 Change in Reserves	(20,908)	(20,908)
June 30, 2020 Reserve Balance	438,288	438,288
FY 2020-21 Change in Reserves (estimate)	75,561	75,561
June 30, 2021 Reserve Balance (estimate)	513,849	513,849
FY 2021-22 Change in Reserves (budget)	3,675	3,675
June 30, 2022 Reserve Balance (budget)	\$517,524	\$517,524

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 2021-22.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Campus Dining

Fiscal Year 2021-22

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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 20-30 different food venues at a given time. Campus Dining serves over 3.5 million customers annually with an average of 22,000 daily transactions. During FY 2020-21, the option to extend the contract with Chartwell's Higher Education Dining Services to provide an on-site food service management team was exercised and extended through June 2022.

Supporting the University community's health, wellbeing and educational mission, Campus Dining provides a vast variety of fresh and delicious food options along with wellness and sustainability learning opportunities to help students make smart eating choices. Campus Dining supports student financial needs through athletic scholarships and is the largest provider of student employment at the University. In addition, Campus Dining actively partners with campus departments and organizations, such as Student Affairs, Associated Students, Inc., New Student and Transition Programs, and Student Health and Wellness, to support their activities and goals.

Each day, the Campus Dining team comes to work with one thing in mind: support the University's mission by creating exceptional student experiences and providing a diverse range of healthful and delicious dining options.

Revenues

Campus Dining operates on three distinct sources of revenue: dining plan revenue from first-year on-campus residents, community dining plan revenue from campus participants, and cash sales from the Cal Poly community. Dining plan revenue varies with the freshman enrollment numbers, and represents approximately 66% of Campus Dining's historical sales. All freshmen living on campus are required to have a dining plan.

For the 2021-22 academic year, after evaluation and student feedback, all dining plan options will remain on a declining balance system. There are three dining plans available for first-year students, and five dining plans with low buy-ins offered to continuing students and the entire campus community. These plans have evolved following student feedback and have added flexibility and accessibility. Restrictions were removed that were viewed by students as a barrier to loyalty beyond the mandatory first-year plans. These changes are all part of Campus Dining's strategy to increase net promoters and further align with the university's long term growth model.

Facilities

Campus Dining operates more than 200,000 square feet of space throughout 21 venues across campus. This includes six venues and a market in the Vista Grande Dining Complex, a market and venue in Poly Canyon Village, three venues and a dining hall under renovation in the University Union, Campus Market, and venues in Kennedy Library and the Dexter Building. In addition, we have multiple mobile food operations as well as third party vendors that include Subway and Shake Smart.

The Vista Grande Dining Complex has a retail level, a main dining pavilion, conference rooms and common space. The new facility has been the hub of operations during the 2020-21 academic year, and has accomplished the vision of changing the perception of dining quality across campus by providing a top-notch culinary and student experience.

2020-21 HIGHLIGHTS & ACCOMPLISHMENTS

Campus Dining operations were significantly impacted by the limited number of students, faculty and staff on campus in response to the COVID-19 pandemic. In spite of this impact, the program adapted operations and made excellent progress as reflected in student and campus stakeholder feedback. Additional highlights of the year are as follows:

- Successfully opened Vista Grande. Designed and implemented a path to open for every location with COVID restrictions, approved by internal and county Emergency Operations Centers.
- Found ways to get meals to students in isolation utilizing the catering department. Catering Operations Manager, Cynthia Stocker, was awarded the University's Outstanding Service Award for Customer Service Excellence.
- Transitioned menus to online GrubHub ordering, added categories per student feedback including value menu, vegan and vegetarian. Expansion in mobile ordering will position us for future revenue growth as well.
- Adapted to population needs across campus. Implemented a ghost kitchen concept at Canyon Café, adapted the markets to serve more heat-and-eat items along with grocery pickup, and added weekly Pop Ups at Poly Canyon Village for more variety.
- Focused on customer service in managing dining plans, accommodated students' needs in dining plans and COVID deferrals. Increased net promoters of the dining program by 65%. Implemented rollover in dining dollars to add growth in dining plan revenues beyond first-year dining plan holders.
- Realigned job descriptions and team members for future growth. Right-sized labor to business needs, standardized monthly inventory count checks by administration staff.
- Decommissioned Building 19, closed the warehouse freezer to turn into walk-in freezers, relocated inventory, moved warehouse functions from the warehouse at Building 19 to the warehouse at Building 82.
- Received Kitchens With Confidence gluten and allergen free certification at Balance.
- Reopened Catering and Concessions operations. Moved Catering to Avila House, catered Presidential events, provided concessions at sporting events.
- Through partnership with Prado Day Center, provided meals once every other month to the homeless.
- Expanded automated ValidFill beverage system, issued reusable tumblers to first-year dining plan holders to limit single-use cups and encourage sustainability, added waste bins at Vista Grande.
- Provided outdoor tables and chairs on campus as part of the outdoor seating project, contributed capital funding and staff furniture.

2021-22 GOALS & OBJECTIVES

Campus Dining was able to reevaluate historical norms this past year due to the need to meet the challenges of the COVID-19 pandemic. Learning points and strategies will continue to be implemented.

Goals and objectives for the year are as follows:

- Carry forward lean operating practices.
- Continue GrubHub partnership, converting into the digital age, expanding and encouraging mobile ordering.
- Add delivery service to all campus locations, as well as a limited radius off campus, which will position Campus Dining for growth and increase non-traditional revenue.
- Create dining plans that are more user friendly, with new benefit tiers, and market them to continuing students, faculty and staff to get higher plan participation. Continue to rollover dining dollars to encourage year-over-year participation in dining plans.
- Plans for renovating Building 19 are moving forward. This strategic location in the University Union is needed to handle the projected growth in dining plans. The loss of capacity will be addressed with a larger mobile presence and ghost kitchens that will allow for a diverse and rapidly changing menu set.
- Remodel venues in Poly Canyon Village, including a refresh of Village Market and a complete transformation of Canyon Café into a ghost kitchen. This will accommodate delivery and revenue capture of sophomore and upper-class students in Poly Canyon Village and Cerro Vista apartments.
- Hire more full-time staff, reassess hiring the best, be competitive with the local market, and address market pressures to keep and hire staff.
- Add venues including Subway at Poly Canyon Village, Scout Coffee, delivery service, and increase third-party vendors from the community to alleviate capacity issues with Building 19 down and a near full campus.
- Provide accessibility and flexibility in the campus dining offerings. A customer base was built during the pandemic that is mobile ordering proficient, maximize this as a separate revenue stream and continue to use in-house capacity to full capacity. The result is targeted revenue growth as the post pandemic model becomes a reality.

2021-22 OPERATING BUDGET PROPOSAL

(In thousands) **	Fiscal Year 2019-20 Actual	% of Sales	Fiscal Year 2020-21 Budget	% of Sales	Fiscal Year 2020-21 Estimate*	% of Sales	Fiscal Year 2021-22 Budget Proposal	% of Sales	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$24,191	100%	\$18,158	100%	\$17,233	100%	\$31,916	100%	\$14,683	85%
Cost of Goods Sold	8,072	33%	5,845	32%	5,971	35%	10,293	32%	(4,322)	(72%)
Gross Margin	16,119	67%	12,313	68%	11,262	65%	21,623	68%	10,361	92%
Other Revenues	692	3%	218	1%	314	2%	748	2%	435	139%
Income Before Operations	16,810	69%	12,532	69%	11,575	67%	22,371	70%	10,796	93%
Salaries & Wages	7,320	30%	5,169	28%	5,388	31%	7,411	23%	(2,023)	(38%)
Benefits	2,882	12%	2,596	14%	2,380	14%	3,088	10%	(709)	(30%)
Total Payroll Expense	10,202	42%	7,765	43%	7,767	45%	10,499	33%	(2,732)	(35%)
Depreciation & Amortization	779	3%	1,794	10%	1,889	11%	2,134	7%	(245)	(13%)
Software / Hardware Maintenance	99	0%	98	1%	128	1%	112	0%	16	13%
General Maintenance	541	2%	285	2%	341	2%	402	1%	(61)	(18%)
Utilities	546	2%	650	4%	526	3%	561	2%	(34)	(7%)
Supplies & Equipment	470	2%	642	4%	786	5%	628	2%	158	20%
Rent / Lease Expense	383	2%	339	2%	369	2%	400	1%	(31)	(8%)
Management Contract Labor	379	2%	498	3%	496	3%	543	2%	(47)	(9%)
CPC Administrative Services	1,044	4%	1,030	6%	1,030	6%	1,277	4%	(247)	(24%)
CPC Allocated Services	577	2%	510	3%	526	3%	522	2%	4	1%
Commissions & Royalties	393	2%	271	1%	260	2%	513	2%	(253)	(98%)
Other Operating Expenses	1,184	5%	995	5%	881	5%	1,346	4%	(466)	(53%)
Total Operating Expenses	6,396	26%	7,111	39%	7,233	42%	8,438	26%	(1,206)	(17%)
Total Expenses	16,598	69%	14,876	82%	15,000	87%	18,938	59%	(3,938)	(26%)
Net from Operations	212	1%	(2,345)	(13%)	(3,425)	(20%)	3,433	11%	6,858	200%
Other Income (Expense)	920	4%	545	3%	44	0%	545	2%	501	1152%
University Services	(331)	(1%)	(334)	(2%)	(334)	(2%)	(331)	(1%)	3	1%
Interest Expense	(1,018)	(4%)	(1,020)	(6%)	(998)	(6%)	(1,770)	(6%)	(771)	(77%)
Total Other Income (Expense)	(429)	(2%)	(809)	(4%)	(1,289)	(7%)	(1,556)	(5%)	(267)	(21%)
Transfers In (Out)	12,321	51%	(620)	(3%)	(200)	(1%)	(620)	(2%)	(420)	(210%)
Net to Reserves	\$12,105	50%	\$(3,774)	(21%)	\$(4,914)	(29%)	\$1,258	4%	\$6,171	126%
Noncash transactions (add back):										
Depreciation & Amortization	779	3%	1,794	10%	1,889	11%	2,134	7%	245	13%
Adjusted Net to Reserves	\$12,883	53%	\$(1,980)	(11%)	\$(3,025)	(18%)	\$3,391	11%	\$6,416	212%

* Estimate based on nine months actual and three months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

In response to the COVID-19 pandemic, the University made a decision to provide the 2021-22 academic year in a mostly virtual setting, where students were encouraged to shelter-at-home, where possible. As a result, Campus Dining operations were significantly impacted, including concessions and catering. In addition, it was determined that freshman dining plan balances would be allowed to rollover to the 2021-22 academic year with purchase of a nominal continuing student dining plan. Given these circumstances, **Sales** for FY 2020-21 are projected to end approximately 5% below the revised budget.

Current University plans for academic year 2021-22 represent a return to in-person learning for a majority of courses. As such, **Sales** are anticipated to experience a partial recovery from the COVID-19 pandemic. The budget incorporates a residential first-year student headcount of 4,600 freshmen and 1,200 continuing students. Sales for FY 2021-22 include a general index price increase.

Current year **Cost of Goods Sold (COGS)** is projected to be slightly above the FY 2020-21 revised budget. As a percentage of Sales, cost of goods sold is projected to be approximately 34.6% in FY 2020-21, which is higher than the budget of 32.2%. The increase in food cost percentage is partially reflective of student spending behavior at venues with higher food costs. Food cost percentage for FY 2021-22 is budgeted to be 32.3%, with a focus on high quality food options, variety and menu rotations, as well as portion control and sales pricing.

Payroll Expense for FY 2020-21 is projected to end consistent with the revised budget. In response to the economic impact of COVID-19, the Corporation implemented a series of furloughs across all employee types. All Corporation furloughs are expected to end on June 30, 2021. Payroll expense for FY 2021-22 is expected to be 33% of sales. Staffing throughout Campus Dining venues have been strategically designed to minimize overlap of labor while maintaining high levels of service. The budget also includes an increase in the State's minimum wage starting January 2022, and overall fringe benefit rates that are slightly higher than FY 2020-21.

Operating Expenses for FY 2020-21 projected to end consistent with the revised budget. Operating Expenses for FY 2020-21 reflects a constant effort to reduce, cancel, or postpone expenditures in response to the economic impact of COVID-19. For FY 2021-22, operating expense are expected to return to more normal levels as the University welcomes more students back on campus. Operating expense are expected to be 26% of sales, consistent with FY 2019-20.

Other Income and Expense for FY 2020-21 includes income generated in relation to the Corporation's exclusivity agreement with Coca-Cola. Although shown as income to Campus Dining, these funds are transferred to the Campus Programs fund in support of athletics. The contract does provide adjustments to Coke's sponsorship payments in the event of a significant decrease in sales volume, which occurred during FY 2020-21, reducing the sponsorship payment from \$545,000 to \$125,000. The FY 2021-22 budget represents a return to normal contract levels.

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. The increase in FY 2021-22 represents capitalized interest on revenue bonds proceeds issued for the renovation of Building 19.

Net to Reserves for FY 2021-22 is expected to be \$1,290,000, reflecting the net impact of more sales as the campus returns to near full capacity, offset by increases in operating costs associated with new construction placed in service.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Outlay Reserve	Facilities Reserves	Debt Service Reserve	Investment in Operating Assets (non-cash)	Total
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	(1,290,479)	(614,000)	(12,587,559)	88,657	13,920,504	(482,877)
June 30, 2020 Reserve Balance	3,579,541	526,500	19,089,650	1,729,313	17,742,741	42,667,745
FY 2020-21 Change in Reserves (estimate)	621,449	2,286,300	(13,129,382)	1,724	5,306,152	(4,913,757)
June 30, 2021 Reserve Balance (estimate)	4,200,990	2,812,800	5,960,268	1,731,038	23,048,893	37,753,989
FY 2021-22 Change in Reserves (budget)	334,515	(2,312,800)	(5,443,714)	575	8,679,056	1,257,632
June 30, 2022 Reserve Balance (budget)	\$4,535,505	\$500,000	\$516,554	\$1,731,613	\$31,727,948	\$39,011,620

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, 2021 (estimate) and June 30, 2022 (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 Building 19 renovation as well as future facility projects.

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

Investment in Operating Assets for June 30, 2021 (estimate) and June 30, 2022 (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
Scout Coffee Build Out	\$900,000	30	\$30,000
Mobile Kitchen Unit Build Out	500,000	20	25,000
Market Build Out - Poly Canyon Village	243,000	30	8,100
Shop Poly Development	200,000	10	20,000
Ghost Kitchen Build Out	157,000	20	7,850
Outdoor Spaces	250,000	5	50,000
University Union Market Transition	75,000	10	7,500
Bike Rental Service Start Up	60,000	5	12,000
Point-Of-Sale Equipment	55,000	5	11,000
Cash Conversion Machine	50,000	10	5,000
Renewal & Replacement - Capital	50,000	5	10,000
Outdoor BBQ - Poly Canyon Village	40,000	30	1,333
Forklift - Warehouse	32,000	10	3,200
Health Shack Transition	28,000	10	2,800
Casters for Kitchen Equipment - Vista Grande	25,000	5	5,000
Metro Racks for Walk-Ins - Vista Grande	25,000	5	5,000
Total Major Capital Outlay	\$2,690,000		\$203,783
Minor Capital Equipment Outlay (Up To \$25,000)			
Food Preparation Area - Poly Canyon Village	\$20,000	10	\$2,000
Digital Signage - Vista Grande	20,000	5	4,000
Keg Trailer - Concessions	19,000	10	1,900
Club Car for Food Truck Support	15,000	5	3,000
Truck - Concessions	12,000	5	2,400
Electric Pallet Jack - Warehouse	8,000	10	800
Hot Water Heater - Red Radish	8,000	5	1,600
Indoor Zero Waste Bins	8,000	5	1,600
Auto Scrubber - Custodial	7,000	5	1,400
Black Air Curtain Merchandiser - Einstein's Bagels	5,800	5	1,160
Total Minor Capital Outlay	\$122,800		\$19,860
Total Capital Outlay	\$2,812,800		\$223,643
Previously Approved Capital Outlay Requests (1)			
Building 19 Renovation	\$27,800,000	30	\$926,667
Total Capital Outlay Request	\$30,612,800		\$1,150,310

CAPITAL OUTLAY REQUEST DETAIL

Scout Coffee Build Out: Convert the empty Grand Avenue building space into Scout Coffee.

Mobile Kitchen Unit Build Out: Build a mobile kitchen unit to provide additional food offerings around campus and at sporting and special events, will help mitigate campus capacity issues.

Market Build Out - Poly Canyon Village: Renovate and build out the market area for greater student experience.

Shop Poly Development: Beginning development of a modernization concept that will allow customers to go to a centralized site for online campus shopping.

Ghost Kitchen Build Out: Renovate the Canyon Café location at Poly Canyon Village and convert it to a new Ghost Kitchen concept that has flexible menu options, bringing greater variety to Poly Canyon Village.

Outdoor Spaces: Design and add improvements to outdoor seating areas around Campus Market.

University Union Market Transition: Transition the current Yogurt Creations location to a market with grab-and-go options.

Bike Rental Service Start Up: To build out a bike rental service at Poly Canyon Village.

Point-Of-Sale Equipment: Registers, receipt printers, GrubHub portals, credit card machines and other register hardware for new venues and expanding mobile ordering.

Cash Conversion Machine: Self-serve automated machine that supports continuation of cashless operations, allows campus community to convert cash to a cashless prepaid card.

Renewal and Replacement - Capital: For unexpected equipment replacements and major building repairs that may arise during the year.

Outdoor BBQ - Poly Canyon Village: Build out that adds BBQ offerings to Poly Canyon Village.

Forklift - Warehouse: Replaces the aging forklift at the Building 82 warehouse.

Health Shack Transition: Transition Tu Taco express to a Health Shack, provides additional healthy options on Campus per student feedback.

(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

Other Commercial Activities

Fiscal Year 2021-22

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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.

2020-21 ACCOMPLISHMENTS

COVID-19 Response: As a result of the COVID-19 pandemic, Cal Poly Print & Copy was closed to walk-in business. In response to the substantial economic impact, the Corporation has reduced expenses through furloughs, and cancellation or postponement of discretionary expenditures.

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, the store advisory council, and related subcommittees.

Poly Access program: Follett has worked closely with the Corporation and university on the adoption of an immediate access program at Cal Poly. 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 2019-20 and has grown through 2020-21.

2021-22 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 reclamation: The Corporation and Follett will work together to promote in-person traffic through the stores as pandemic restrictions are released and 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 work to increase sales by promoting in-person traffic as pandemic restrictions are released and focused marketing of its products and services. Outreach on campus will continue to be primarily towards the administrative staff, to further grow the business.

2021-22 OPERATING BUDGET PROPOSAL

UNIVERSITY STORE CONTRACT

(in thousands) **	Fiscal Year 2019-20 Actual	% of Sales	Fiscal Year 2020-21 Budget	% of Sales	Fiscal Year 2020-21 Estimate*	% of Sales	Fiscal Year 2021-22 Budget Proposal	% of Sales	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$30	100%	\$46	100%	\$45	100%	\$47	100%	\$2	5%
Cost of Goods Sold	19	64%	30	65%	32	72%	32	68%	0	1%
Gross Margin	11	36%	16	35%	13	28%	15	32%	3	21%
Other Revenues	1,192	3934%	821	1778%	877	1963%	1,084	2307%	207	24%
Income before Operations	1,203	3970%	837	1813%	890	1991%	1,099	2339%	210	24%
Depreciation & Amortization	64	213%	61	133%	64	143%	56	118%	8	13%
General Maintenance	6	21%	26	56%	2	5%	9	18%	(7)	(323%)
Rent / Lease Expense	158	520%	149	323%	149	334%	155	329%	(6)	(4%)
CPC Administrative Services	650	2145%	635	1376%	635	1421%	620	1319%	15	2%
CPC Allocated Services	59	195%	44	96%	50	112%	47	100%	3	6%
Utilities	39	129%	40	86%	40	89%	40	85%	(0)	0%
Other Operating Expenses	38	125%	39	85%	23	52%	28	60%	(5)	(21%)
Total Operating Expenses	1,015	3349%	995	2156%	963	2155%	954	2031%	9	1%
Total Expenses	1,015	3349%	995	2156%	963	2155%	954	2031%	9	1%
Net from Operations	188	621%	(158)	(343%)	(74)	(165%)	145	308%	218	297%
Other Income (Expense)	11	37%	-	0%	(1)	(1%)	-	0%	1	100%
University Services	(145)	(477%)	(147)	(319%)	(147)	(329%)	(145)	(309%)	2	1%
Total Other Income (Expense)	(134)	(441%)	(147)	(319%)	(148)	(330%)	(145)	(309%)	3	2%
Transfer to Plant Fund Reserves	(171)	(564%)	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$(117)	(384%)	\$(305)	(662%)	\$(221)	(495%)	\$(0)	(1%)	\$221	100%
Noncash transactions (add back):										
Depreciation & Amortization	64	213%	61	133%	64	143%	56	118%	(8)	(13%)
Adjusted Net to Reserves	\$(52)	(172%)	\$(244)	(529%)	\$(157)	(352%)	\$55	117%	\$213	135%

* 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 2019-20 Actual	% of Sales	Fiscal Year 2020-21 Budget	% of Sales	Fiscal Year 2020-21 Estimate*	% of Sales	Fiscal Year 2021-22 Budget Proposal	% of Sales	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$281	100%	\$65	100%	\$47	100%	\$321	100%	\$275	589%
Cost of Goods Sold	64	23%	16	25%	10	21%	72	22%	(63)	(648%)
Gross Margin	218	77%	49	75%	37	79%	249	78%	212	573%
Income before Operations	218	77%	49	75%	37	79%	249	78%	212	573%
Salaries & Wages	115	41%	55	85%	55	119%	123	38%	(68)	(123%)
Benefits	38	14%	33	51%	32	69%	44	14%	(11)	(35%)
Total Payroll Expense	153	54%	89	136%	88	188%	167	52%	(79)	(91%)
Depreciation & Amortization	8	3%	8	13%	6	12%	4	1%	1	25%
General Maintenance	35	12%	24	37%	22	47%	33	10%	(11)	(49%)
CPC Administrative Services	24	9%	24	38%	24	52%	25	8%	(0)	(1%)
Other Operating Expenses	15	5%	8	13%	8	17%	16	5%	(8)	(103%)
Total Operating Expenses	82	29%	65	100%	60	128%	79	24%	(19)	(32%)
Total Expenses	235	84%	154	236%	147	316%	246	76%	(98)	(67%)
Net from Operations	(18)	(6%)	(105)	(161%)	(110)	(237%)	3	1%	114	103%
Other Income (Expense)	13	5%	-	0%	(0)	(1%)	-	0%	0	0%
University Services	(4)	(1%)	(4)	(6%)	(4)	(9%)	(3)	(1%)	1	25%
Total Other Income (Expense)	9	3%	(4)	(6%)	(4)	(9%)	(3)	(1%)	1	32%
Transfer to Plant Fund Reserves	(8)	(3%)	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$(16)	(6%)	\$(109)	(167%)	\$(115)	(246%)	\$0	0%	\$115	100%
Noncash transactions (add back):										
Depreciation & Amortization	8	3%	8	13%	6	12%	4	1%	(1)	(25%)
Adjusted Net to Reserves	\$(8)	(3%)	\$(100)	(155%)	\$(109)	(234%)	\$4	1%	\$114	104%

* 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 2020-21 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 Cal Poly Print & Copy resulting from the economic impact of the COVID-19 pandemic. As a result of the COVID-19 pandemic, Cal Poly Print & Copy was closed to walk-in business. In addition, there were fewer course material orders than anticipated, resulting from most classes being offered virtually.

Sales at Cal Poly Print & Copy for FY 2021-22 assume the store will open for the fall academic quarter. Sales estimates are conservative and reflect an increase from the FY 2021-22 projection, but are less than the average historical performance in years with a fully populated campus. Cost of Sales for FY 2021-22 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 removed the guaranteed minimum commission provision and commissions are based on actual sales. The budget for FY 2021-22 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 FY 2020-21 consistent with the 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 2021-22 reflects a termination of these furloughs. While the budget includes a return of hours for student and part-time employees, it also reflects an increase in the minimum wage in January 2022, and overall fringe benefit rates that are slightly higher than FY 2020-21.

Total Operating Expenses include continuing direct expenses for Cal Poly Print & Copy, the University Store and Cal Poly Downtown (i.e. rents, taxes, depreciation and utilities) as well as contract management and indirect cost support. FY 2020-21 Operating Expenses are projected to end approximately 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 2021-22 reflects an effort to return to normal operations while maintaining careful tracking of expenditures.

Other Income (expense) for FY 2020-21 and FY 2021-22 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, 2019 Reserve Balance	\$1,063,417	\$6,505,163	\$353,842	\$100,000	\$8,022,422
FY 2019-20 Change in Reserves	(49,818)	86,101	(72,633)	0	(36,350)
June 30, 2020 Reserve Balance	1,013,599	6,591,264	281,209	100,000	7,986,072
FY 2020-21 Change in Reserves (estimate)	(54,327)	(107,203)	(74,436)	(100,000)	(335,966)
June 30, 2021 Reserve Balance (estimate)	959,272	6,484,061	206,773	0	7,650,106
FY 2021-22 Change in Reserves (budget)	28,778	(69,047)	40,354	0	85
June 30, 2022 Reserve Balance (budget)	\$988,050	\$6,415,014	\$247,127	\$0	\$7,650,191

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, 2021 (estimate) and June 30, 2022 (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, 2021 (estimate) and June 30, 2022 (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
Previously Approved Capital Outlay Requests (1)			
University Store Storefront Changes	\$100,000	20	\$5,000
Total Capital Outlay Request	\$100,000		\$5,000

CAPITAL OUTLAY REQUEST DETAIL

(1) The Capital Outlay Requests below were approved by the Board of Directors at their FY 2018-19 budget meeting. They are 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

Sponsored Programs Administration

Fiscal Year 2021-22

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BUSINESS OVERVIEW

Sponsored Programs provides essential functions and services to the Cal Poly community to further its educational mission and scholarly endeavors in accordance with the Integrated CSU Administrative Manual (ICSUAM) section 11000. The Cal Poly Corporation (Corporation) and the office of Research, Economic Development and Graduate Education (R-EDGE) collaborate to provide administration of Sponsored Programs.

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.

The Sponsored Programs office is primarily supported by indirect cost (IDC) recovery charges to grants and contracts, in addition to fiscal fees for administrative support provided to workshops, conferences, centers and institutes, fee-for-service, and other projects. IDC charges collected from grants and contracts support multiple areas of R-EDGE. This budget only covers the activities of the Sponsored Programs office.

2020-21 ACCOMPLISHMENTS

- The department updated its internal and external processes to accommodate the transition to teleworking and worked closely with the Corporation Business and Finance Office to transition to electronic processes.
- The department continued to work closely with the colleges to report research costs in the NSF Higher Education Research and Development Survey (HERD). This report is the primary source of information on research and development expenditures at U.S. colleges and universities. This year we included three additional colleges, who were not include in FY 2019, and saw an increase in reportable research costs.
- To comply with the CSU Additional Employment Policy HR 202-05, the Sponsored Programs office implemented a process in coordination with University Academic Personnel office that enables both offices to share information with each other on planned and actual additional employment hours. The Sponsored Programs office is responsible for monitoring the hours to ensure the employees do not exceed the allowable added compensation hours.
- The department updated its Conflict of Interest (COI) policies, implemented and documented a process to obtain and track COI forms and monitor required trainings.
- The department instituted its own Sponsored Programs Personnel Information Form (SP PIF) to include a new compliance section to address conflicts of interest and to verify required trainings are completed before the employee can be hired and begin working.
- To ensure training renewal compliance, the department implemented an internal compliance-tracking module linked to the financial system that identifies expiration dates for required training. This allows the system to send out reminders to employees requesting they renew their training.
- Updated the policy on the administration of Sponsored Programs to reflect current practices and address regulatory requirements.

2021-22 GOALS & OBJECTIVES

- The department will continue to review and revise the current Sponsored Programs policies, procedures and guidelines to ensure they are consistent with federal regulations and new electronic processes.
- The department will collaborate with the Interim Director of Research Compliance on reviewing, testing and selecting an Electronic Research Administration (ERA) system. This will streamline the award process from the proposal stage to the close out stage.
- The department will work closely with the Corporation IT to upgrade or select a new Enterprise Resource Planning (ERP) system.
- The department will work closely with R-EDGE and University Administration & Finance to explore the possibility of submitting a long form rate proposal for the federally approved indirect cost rate.

2021-22 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2019-20 Actual	Fiscal Year 2020-21 Budget	Fiscal Year 2020-21 Estimate*	Fiscal Year 2021-22 Budget Proposal	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Contract & Grant IDC Income***	3,772	4,076	-	-	-	0%
Contract & Grant Admin Fees	5	5	3	3	-	0%
Center & Institute Admin Fees	242	227	204	204	-	0%
Other Revenues	167	173	267	267	-	0%
Income Before Operations	4,186	4,482	474	474	-	0%
Salaries & Wages	556	572	573	590	(17)	(3%)
Benefits	319	344	346	363	(17)	(5%)
Total Payroll Expense	875	916	918	953	(34)	(4%)
Audit & Tax	12	12	12	12	-	0%
CPC Administrative Services	760	733	733	775	(42)	(6%)
Insurance	83	88	106	157	(51)	(48%)
Consultants	19	-	-	50	(50)	(100%)
University Cost Allocation	279	294	283	172	111	39%
Other Operating Expenses	56	61	42	44	(2)	(5%)
Total Operating Expenses	1,209	1,188	1,176	1,210	(34)	(3%)
Total Expenses	2,084	2,105	2,095	2,163	(68)	(3%)
Net from Operations	2,102	2,377	(1,621)	(1,689)	(68)	(4%)
Other Income (Expense)	(2)	(3)	(3)	(3)	-	0%
Total Other Income (Expense)	(2)	(3)	(3)	(3)	-	0%
Transfers In (Out)	(2,060)	(2,354)	1,619	1,717	98	6%
Net to Reserves	\$40	\$21	\$(5)	\$26	\$30	641%

* Estimate based on nine months actual and three months estimate

** Columns may not foot due to rounding

***See Operating Budget Discussion for further information

OPERATING BUDGET DISCUSSION

Prior to FY 2020-21, **Income Before Operations** included **Contract & Grant IDC Income**. This income represents indirect cost (IDC) recovery charges collected from grants and contracts supported by Sponsored Programs. These IDC charges help fund multiple R-EDGE departments, which was reflected on this budget as **Transfers Out** prior to FY 2020-21. During FY 2020-21, a decision was made to restructure the accounting for these charges to better reflect their intended use. Contract & Grant IDC Income is now recorded in the central R-EDGE general ledger account. IDC charges supporting Sponsored Programs are recorded as **Transfers In** on this budget.

Projections for contract and grant income under R-EDGE are expected to end FY 2020-21 approximately 14% under budget, primarily due to decreases in federal grant funding and sponsored project expenditure activity. Other revenue sources are expected to end FY 2020-21 above budget primarily due to favorable variances in fee-for-service charges collected. Revenues for FY 2021-22 are budgeted to remain flat with current year projections, primarily due to uncertainty regarding changes in availability of funds.

Total **Payroll Expense** for the FY 2020-21 is projected to end consistent with the budget. Payroll expense for FY 2021-22 reflects a 3% general salary increase for full-time employees. It also reflects an increase in the minimum wage for student and part-time employees in January 2022, and fringe benefit rates slightly higher than FY 2020-21.

Total **Operating Expenses** for FY 2020-21 are anticipated to end slightly below budget, which is primarily the result of savings in travel-related expenditures and administrative charges. 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 2021-22 Operating Expenses are expected to increase 3%, primarily due to an increase in consulting expenses. A consultant is engaged to assist in the preparation of the Facilities and Administrative rate proposal for renewal of its federally-approved indirect cost rate.

Transfers Out in FY 2019-20 includes IDC funds allocated to support other R-EDGE departments. **Transfers In** for FY 2020-21 and FY 2021-22 represents IDC funds allocated to support the Sponsored Programs department.

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, 2019 Reserve Balance	\$544,659	\$290,840	\$10,776	\$846,275
FY 2019-20 Change in Reserves	(30,131)	75,065	(4,973)	39,961
June 30, 2020 Reserve Balance	514,528	365,905	5,803	886,236
FY 2020-21 Change in Reserves (estimated)	13,452	(13,209)	(4,974)	(4,731)
June 30, 2021 Reserve Balance (estimate)	527,980	352,696	829	881,505
FY 2021-22 Change in Reserves (budget)	15,839	10,581	(829)	25,591
June 30, 2022 Reserve Balance (budget)	\$543,819	\$363,277	\$0	\$907,096

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.

Investment in Operating Assets for June 30, 2021 (estimate) and June 30, 2022 (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 2021-22.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

General Administration

Fiscal Year 2021-22

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BUSINESS OVERVIEW

Cal Poly Corporation's General Administration (GA) provides a variety of fiscal and administrative services to assist the Corporation in fulfilling its mission to provide vital commercial services, research support, administrative services, and funding resources, while serving the campus community in effective and innovative ways. General Administration staff is committed to enhancing the quality of education at the university by:

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

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

The GA budget includes the following Corporation operations:

Executive Office - The Corporation's Executive Office is responsible for setting strategic direction and priorities for the organization, ensuring alignment with university priorities and direction, board and organizational administration and compliance, business and policy development, legal affairs, contract administration and management, 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 management of the Corporation. The Executive Office also collaborates with other on-campus organizations to assist the university in achieving its long-term goals and objectives.

Human Resources - Through collaboration with other Corporation departments, Human Resources recruits, develops, trains, and retains a workforce of more than 240 full-time employees and more than 3,000 part-time student employees. HR also manages employee relations for all Corporation employees. Its goal is to foster a healthy, safe, and productive work environment and position the Corporation as an employer of choice.

Business and Finance Office - The Corporation Business 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, 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.

2020-21 ACCOMPLISHMENTS

- Developed a new strategic plan, reestablishing our vision to be the most impactful Cal Poly partner, along with strategic directions, goals and objectives for the next two to three years.
- Successfully responded to the change in campus environment created by the COVID-19 pandemic and its economic impact. Implemented measures to mitigate financial losses and to retain and protect workforce. Established business processes to support teleworking.
- Supported the university's response to the COVID-19 pandemic, assisting with testing sites and standing up and staffing the COVID call center.
- Created and implemented a COVID return to work plan and training in August of 2020 so that Campus Dining could safely return to work on campus.
- Completed transition projects required to relocate certain operations from Building 19 in support of the Building 19 renovation project.
- Completed the Golf Clubhouse Project at Dairy Creek in support of athletics.
- Collaborated with Cal Poly Extended Education over multiple efforts including (1) to lead its marketing and communications team and (2) to deliver a non-credit program to PG& E in support of their re-training and up-skilling efforts in connection with the closure of Diablo Canyon Power Plant.
- Completed an upgrade of the Corporation time-keeping system, migrated all Corporation IT servers migrated to the ITS virtual server environment, and modernized several CPC developed web applications.
- Developed and implemented over two hundred marketing campaigns for Campus Dining, and over one hundred projects each for both Cal Poly Corporation administration and the University.
- Won 12 international MarCom awards, including three platinum awards, four gold awards and five honorable mentions for work for Cal Poly Campus Dining, Cal Poly Corporation administration and the University.
- Worked with Strategic Business Services to implement a travel software program for all State employee travel. Adapted processes for State employee travel funded by the Corporation.

2021-22 GOALS & OBJECTIVES

- Implement strategic plan developed in FY 2020-21, including directions, goals and objectives for the next two to three years.
- Roll out integrated marketing and communication plan, along with a brand campaign, to build awareness of why we do what we do and our impact to the campus.
- Complete and roll out a culture roadmap to establish a workplace environment that can achieve and sustain the future vision of CPC.
- Create policies and practices that address telework and flexible work options post-COVID.
- Update employee development, training, and performance evaluation process. Complete a compensation study of CPC positions to ensure alignment with market rates, and develop a program with different levels of recognition for individual contributions and team achievements.
- Execute on 10-year commercial services vision and plan, including establishment of campus events function.
- Develop and implement 3-year business services plan, optimizing critical internal business processes, creating a business services catalog and updating CPC fee structure.
- Research and implement changes to benefits and compensation structures to make the Corporation organization more efficient and align with employee needs.
- Begin replenishment of reserves lost in pandemic.
- Develop a CPC business model for on and off campus real estate acquisition, development, and management.
- Complete various IT-related projects, including: full conversion of BOE reports to Cognos, an ERP system upgrade, and a migration plan of all CPC file servers to SharePoint, along with the decommission of the CPC server room.
- Review processes and systems for areas across campus needing improvement and shared service opportunities, prioritize through assessment of risks, cost and benefits, and implement improvements/shared services.

2021-22 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2019-20 Actual	Fiscal Year 2020-21 Budget	Fiscal Year 2020-21 Estimate*	Fiscal Year 2021-22 Budget Proposal	2021-22 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Assessment Income	\$2,937	\$2,769	\$2,768	\$3,078	\$310	11%
Fee for Service Income	672	745	574	700	126	22%
CPC Allocated Services	761	686	670	764	94	14%
Other Revenues	861	886	913	1,012	100	11%
Income Before Operations	5,232	5,085	4,924	5,554	630	13%
Salaries & Wages	3,002	2,701	2,754	3,081	(327)	(12%)
Benefits	1,681	1,541	1,629	1,800	(171)	(10%)
Total Payroll Expense	4,683	4,242	4,383	4,881	(497)	(11%)
Depreciation & Amortization	71	35	35	8	27	77%
Software / Hardware Maintenance	251	284	166	224	(58)	(35%)
General Maintenance	22	22	22	22	(0)	(2%)
Supplies & Equipment	54	46	27	48	(21)	(76%)
Rent / Lease Expense	211	211	212	212	-	0%
Audit & Tax	118	118	115	115	-	0%
Other Operating Expenses	864	801	739	765	(26)	(4%)
Total Operating Expenses	1,591	1,516	1,315	1,394	(79)	(6%)
Total Expenses	6,274	5,758	5,698	6,274	(576)	(10%)
Net from Operations	(1,042)	(673)	(775)	(721)	54	7%
Other Income (Expense)	23	-	45	-	(45)	(100%)
Total Other Income (Expense)	23	-	45	-	(45)	(100%)
Transfers In (Out)	808	816	858	792	(66)	(8%)
Net to Reserves	\$(211)	\$143	\$128	\$71	\$(57)	(45%)
Noncash transactions (add back):						
Depreciation & Amortization	71	35	35	8	(27)	(77%)
Adjusted Net to Reserves	\$(140)	\$177	\$163	\$79	\$(84)	(51%)

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

Income Before Operations for FY 2021-22 are expected to increase by \$630,000, or 13%, which primarily relates to an increase in assessments and allocated services charged to corporation departments. The increase is primarily the result of campus repopulation efforts as the end of the COVID-19 pandemic approaches.

Payroll Expense

In response to the economic impact of COVID-19, the Corporation introduced a series of furloughs across all employee types. Payroll expense for FY 2021-22 reflects a termination of the furloughs introduced in FY 2019-20. While the budget includes a return of working hours for student and part-time employees, it also reflects an increase in the minimum wage in January 2022, and overall fringe benefit rates that are slightly higher than FY 2020-21.

Payroll expenses are projected to finish the 2020-21 fiscal year slightly over budget, primarily the result of temporary furlough adjustments for certain staff positions during high work volume periods.

Operating Expenses

Total operating expenses for the current year are expected to end the year under budget by approximately \$201,000, or 13%. The difference includes favorable variances in software and hardware maintenance fees for IT. In addition, the Corporation has reduced, cancelled, or postponed, where possible, discretionary expenditures, such as supply and travel expenses in response to the economic impact of COVID-19. Operating Expenses for FY 2021-22 reflect 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 2020-21 Transfers-in represent approximately \$858,000 in net investment income from the General Investment Fund and is expected to decrease to approximately \$792,000 for FY 2021-22. 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 gains have totaled \$12.4 million for the first 10 months of the fiscal year, resulting in an overall net operating gain of \$13.2 million over the same period. Current year results are driven by domestic and international equities as well as the market response to the progress made in quelling 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 \$858,000 in current year dividend and interest income will be used to support General Administration operations in FY 2020-21.

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. During the current year, the value of equity securities has increased significantly following the market response to the progress made in quelling to the COVID-19 pandemic, resulting in an increase in the investment reserve requirements.

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, 2020 Reserve Balance	\$10,378,864	\$5,125,691
FY 2020-21 Change in Reserves (estimate)*	2,136,229	9,194,083
June 30, 2021 Reserve Balance (estimate)*	12,515,093	14,319,774

(*Current year estimates are based on actual 10-month activity for the current year and estimated results for May and June of 2021. 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, 2019 Reserve Balance	\$1,863,688	\$111,986	\$25,000	\$2,000,674
FY 2019-20 Change in Reserves	(146,501)	(64,705)	0	(211,206)
June 30, 2020 Reserve Balance	1,717,187	47,281	25,000	1,789,468
FY 2020-21 Change in Reserves (estimate)	162,702	(34,537)	0	128,165
June 30, 2021 Reserve Balance (estimate)	1,879,889	12,744	25,000	1,917,633
FY 2021-22 Change in Reserves (budget)	56,397	(8,032)	22,732	71,097
June 30, 2022 Reserve Balance (budget)	\$1,936,286	\$4,712	\$47,732	\$1,988,730

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

Operating Reserves represents working capital held for contingencies and continuing operations. The targeted reserve balance is equal to 30% of the subsequent year's payroll and operating expense budget (less depreciation expense). It is anticipated that FY 2021-22 earnings will be sufficient to fully fund the reserve.

Investment in Operating Assets for June 30, 2021 (estimate) and June 30, 2022 (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 2021-22.