



BOARD OF DIRECTORS MEETING #2
Thursday, October 26, 2023, 8:30 a.m.
MINUTES

Fiscal Year 2023-24

Present: Aaron Fernandes, Damon Fleming, Sean Hurley (departed 10:05), Keith Humphrey (Virtual - departed 9:18am, Patrick Mullen, Cyrus Ramezani, Steven Rein, Toby Walpole, Cara Wright

Absent: Cynthia Jackson-Elmoore, ~~Keith Humphrey~~, Geri LaChance, Cindy Villa, Dean Wendt

Guest: President Jeffrey Armstrong,

Staff: Joe Alves, Ella Anslinger, Dan Banfield, Andrea Burns, Holly Clark, Ellen Curtis, Jim Dunning, Tiffany Kramlich, Russell Monteath, Matt Ryan, Cody VanDorn, Darya Veach

I. CALL TO ORDER AND INTRODUCTIONS

Chair Damon Fleming called the meeting to order at 8:32 a.m. and welcomed everyone in attendance.

He recognized new member, Toby Walpole, and commented he, himself is also new to the board serving as a member and secretary/treasurer, and recognized our returning members: Pat Mullen, Aaron Fernandes, and Dean Wendt.

II. PUBLIC COMMENT

There was no public comment.

III. MINUTES

- A. Board Meeting Minutes – June 2, 2023, and Special Board Meeting Minutes - July 26, 2023. (M/S) (Mullen/Wright) that the Board accepts the June 2, 2023, minutes and the July 26, 2023, special meeting minutes as presented.**

None opposed.

IV. CONSENT AGENDA

- A. Approve Employee Medical Benefit Program Contribution Rate for 2023-24**
- B. Approve Publicly Available Pay Schedule for CalPERS**
- C. Accept Annual and Quarterly Financial and Investment Reports**
- D. Accept Annual Audited Financial Statements and Federal Awards Report**

(M/S) (Mullen/Ramezani) that the board approve the Consent Agenda items IV. A. – D

None opposed.

V. CHAIR REPORT

A. President Armstrong – University Update

President Armstrong welcomed everyone in attendance and thanked the CPC board members, academic senate, and ASI for taking time to devote to the University.

President Armstrong expressed; vision is the big picture of who we are. Cal Poly is trying to become a much better version of itself and in doing so this has to be translated into goals and priorities. Two top priorities are diversity, equity, and inclusion; as well as faculty and staff compensation. The cost of living in this area and the level of education delivered have increased and so should compensation. The student body will be more diverse, the incoming class will be 27% Hispanic Latinos this Fall. Over the past ten years \$16M has been devoted to financial aid and scholarships to help promote diversity. Low-income students can attend Cal Poly at a net cost equal or lower to a California University.

The goals of the State and our campus are to provide access to high-speed data, becoming carbon neutral, consuming less water, and producing less waste. Additionally, adding more head-of-household jobs, creating better opportunities with spouses and partners of our faculty and staff, making childcare more affordable, and becoming culturally competent.

Goal 1: Launch year-round education. In the summer up to 600 students will begin classes, allowing a third of the students to be away in the fall, winter, and spring quarters. This method will free up bed space, classrooms, and labs. It also gives Cal Poly the opportunity to have more focused and equitable participation in high impact practices. In an effort to free up space, CPC's purchase of Cal Poly Mustang Business Park (CPMBP), is an indispensable step to enable change.

Goal 2: Continue semester conversion. The CSU is providing approximately three quarters of the cost to make this change. Settle on a workable policy for students and resolve impacts to scheduling, budgets and converting computers.

Goal 3: Improve employee compensation which includes salary, benefits, access to cost-reducing programs like on-campus housing, leave time, support for research and creative activity, and workload.

Goal 4: Ensure compliance. Complete recommendations from the internal audit including Title IX.

Goal 5: Boost efficiency / efficacy. Look at people and processes to improve.

CPC is vitally important to the student's experience on campus. The work continues in 1901 and contracting with Chartwells has helped anticipate the increased levels of students. The Corporation has also been critical in the development of the faculty and staff housing and developing a mortgage assistance program to obtain housing.

The Corporation is working on opening the second phase of Technology Park to enhance the learn by doing experience.

Karen Tillman has been working on talent, innovation, and place to leverage the assets and strengths of the university to contribute to a resilient, innovation-centric, and inclusive economic development ecosystem. Additionally, she is making economic opportunity inclusive for all.

The economic impact study done in FY 2022/23 projected \$2.6 billion economic impact on the GDP in FY 2022-23. Cal Poly is responsible for 12% of the regional economic output.

The Board took a break at 9:18 a.m. and returned at 9:23 a.m.

VI. PROJECT OVERVIEW

A. Faculty and Staff Housing

Jim Dunning, Director of Real Estate Development and Services explained the Corporation's role to develop and make attainable housing products for sale and rent. The Slack and Grand Avenue location will not be the final development, they are currently looking at other future sites on campus for developing faculty and staff housing. These units are vital with the growth of enrollment requiring more faculty and staff. Most potential buyers are coming to San Luis Obispo from areas with lower housing costs, therefore; affordable housing is critical.

In 2022 CPC engaged JLL to perform a demand study, which revealed the need for 700 – 1,000 new units for faculty and staff. Later that year an RFP was developed for a master developer to study the site. In the summer of 2023, it was determined that the multifamily portion of the planned development could not be supported with the current budget because of geological findings. The design was altered to build 33 single family homes at the corner of Slack and Grand Avenue. Construction should begin in 2024. CPC is partnering with CCB to build three different floor plans ranging from 1,600 square feet to 2,100 square feet and containing 3 bedrooms and 2.5 baths. Pocket parks and walking trails are part of the plan amenities.

In January of 2024 the Board of Trustees will be presented with the financing portion of the project, and CPC will be seeking approval. Contracts with potential buyers will begin in December of 2024. Leveraging the priority system used at Bella Montana, the first homes should be ready by May of 2025.

CPC has updated its website to include an interested buyers list and the mortgage assistance program will be available for buyers at either Bella Montana or Slack and Grand locations.

CPC has a big challenge ahead looking to fulfil the demand of 700 – 1,000 units. A master plan is being developed to have a variety of housing options across the spectrum from transitional, near term, mid-term, and longer-term solutions in order to meet faculty and staff demands for the next 15-20 years.

VII. COMMITTEE REPORTS

A. Audit Committee

Matt Ryan reported that the audit committee met on September 18, 2023. The financial statement audit just ended and was performed by Glenn Burdette. The report resulted in an unqualified audited opinion, with no written comments or adjustments. The CPC Audit Committee recommended approval of the audit.

B. Investment Advisory Committee

Joe Alves welcomed everyone and gave a brief overview of the most recent Investment Advisory Committee meeting which took place on October 25, 2023. A cooling but robust job market and inflation were the key themes for the quarter. This quarter the stock and bond markets went through a correction, however our equity fund outperformed the relative benchmarks. Fixed income funds were a drag on performance driven by duration. The committee reviewed the health of CPC's charitable gift annuity pool and authorized a transfer of \$5,400 to fund payment reserves.

The annuity pool remains healthy. Short and mid-term investments continue to do well, taking advantage of higher interest rates. The money market rate is currently over 5%, the treasury note ladder is valued at \$12 million, and has an average rate of return of 5.24%. The mid-term funds, which are invested in fixed income mutual funds, currently have a yield of 5.45%.

C. Budget and Finance Advisory Committee

Dan Banfield reported that the Budget and Finance Advisory Committee met yesterday to review the annual statements for FY 2022-23 and through the first quarter of FY 2023-24. He welcomed anyone to join the committee meetings if they want to listen.

Revenues ended last year very close to what was expected, while expenses were more than what was budgeted due to food and labor costs in our Commercial Services division. This loss was offset by the gains in the investment portfolio. The committee spent time looking at the corporation's financial position from June 30, 2023, to September 30, 2023, which had a significant change with the purchase of Mustang Business Park. The building was purchased using CSU system wide revenue bonds. It is subject to a lease from CPC to the University in its entirety. Lease payments made will cover the debt service payments as well as operating expenses.

The first quarter operation results, consists of a few weeks of activity, but are appearing positive with the transition of Campus Dining to Chartwells.

VIII. BUSINESS

A. Faculty and Staff Housing – Pre-Construction

(M/S) (Mullen/Ramezani) That the Board approve a project budget increase of \$900,000 with a 10% variance allowance to complete pre-construction work for the faculty and staff housing project.

None opposed.

Cody VanDorn guided the members to the board packet related to this business item and reviewed the previously requested \$2.5 million invested in the concept and design development of faculty and staff housing at Slack and Grand Avenue. The \$900,000.00 being requested will complete the design and pre-construction phase of faculty and staff housing for this location and prepare it for the actual construction.

The board discussed the ability of faculty and staff to afford these homes. These units would likely require a two-income household. The anticipation is for some faculty living at the Bella Montana location to desire these new homes which would open a lower priced unit at Bella Montana for incoming faculty and staff, providing a range of options.

B. Faculty and Staff Housing – Mortgage Assistance Program

(M/S) (Ramezani/Fernandes) That the board authorize the chief executive officer or his designee(s) to negotiate and execute all documents necessary to facilitate the mortgage

assistance program for workforce housing, and to increase the workforce housing program reserve to \$2,300,000.

None opposed.

Dan Banfield informed the board that when the demand study for faculty and staff housing was conducted, they learned that most respondents would need mortgage assistance to be able to afford a down payment or monthly payment on a home. If a homeowner does not put 20% down on a home, mortgage insurance (PMI) is required to be paid which increases the monthly payments. This can run from .5% to 1.5% of the overall cost of the home, equating to \$500 – \$1,500 per month additional payment, in our current market. In San Luis Obispo, a down payment of approximately \$200,000 would be required to avoid the PMI based on the median price of a home. The mortgage assistance program developed with SESLOC (School Employees of San Luis Obispo County) offers a 100% financing with no down payment and no PMI to faculty and staff purchasing in Bella Montana or at Slack and Grand Avenue. There will be no loan processing fee for this program and standard SESLOC market interest rates would be available for first mortgages. The second mortgage up to 20% would have an unconditional guaranty provided by CPC at the same interest rate.

The risk to CPC is default and redeeming the second mortgage. In the history of Bella Montana, over 150 transactions have transpired, and no default has occurred. If a default happened, CPC would exercise its repurchase option in the ground sublease. CPC has appropriated funds for this type of event and will increase the amount to \$2.3 million.

Management recommends that the board authorize the CEO or his designees to negotiate and execute all documents necessary to facilitate the mortgage assistance program for workforce housing and increase the workforce housing programs reserve. This program would be implemented in January 2024.

Geri LaChance, an appointed member of this board, is also the CEO of SESLOC Federal Credit Union. Cal Poly Corporation has determined that although Geri has an indirect financial interest in the proposed guarantee agreement, a agreement between Cal Poly and SESLOC is just, reasonable and in the interest of Cal Poly Corporation and additionally after an investigation, it was determined that Cal Poly Corporation could not have obtained a more advantageous arrangement with reasonable effort. Geri LaChance chose to excuse herself from any discussion and vote concerning the proposed guarantee and agreement between SESLOC and Cal Poly Corporation and will take no part in negotiations with an agreement with Cal Poly Corporation board or staff.

The Board took a break at 10:30 a.m. and returned at 10:37 a.m.

C. Cal Poly Corporation Board Executive Committee

(M/S) (Ramezani/Rein) That the board approve policy 135, creating an executive committee to provide direction for the board on important issues and help prioritize board meeting agendas. Added during the meeting: Additionally discuss electing another board representative to this committee at a later meeting.

None Opposed.

Cody VanDorn presented to the board the need for an Executive Committee for CPC Board of Directors to assist the board in carrying out its functions, utilize the expertise of members and others in certain areas and increase the board efficiency by alleviating some of the workload of the full board. This committee will bring up new items for upcoming agendas and set the meeting location.

The idea of electing another board representative to this committee was discussed. It was agreed to be researched and looked at in a future meeting.

D. 1901 Marketplace First Floor Renovation

(M/S) (Mullen/Rein) That the board approves a project budget of \$2,500,000 with a 10% variance allowance to include the renovation of the first floor of 1901 Marketplace.

None opposed.

Cody VanDorn presented the proposal of a \$2.5 million budget for 1901, which is the old Avenue food place in Building 19. This request is to finance the first floor, which was renovated due to rain damage during construction. An insurance claim was filed while work was being completed, but there is a gap between what insurance will pay and what it costs to renovate the first floor.

E. Campus Dining Capital Budget Revision

(M/S) (Fernandes/Walpole) That the board approves the revised FY 2023-24 capital outlay budget for campus dining.

None opposed.

Andrea Burns discussed the need for additional funding above what was budgeted for FY 2023-24 for Campus Dining to complete the Taco Bell project. The budget shortfall is due to an underestimate of the cost of CPSU facility trade work needed to buildout the project. There is a \$250,000 funding gap, however management has identified and reallocated \$85,000 in savings from the Digital Signage project to assist. This leaves \$165,000 still needed to complete the project.

IX. STAFF PRESENTATIONS

A. Human Resource Director's Report

Tiffany Kramlich, Director of Human Resources reported on the current focus of the organization's culture. The HR Department has been soliciting feedback from senior staff about what the culture should be to support people at work. Using culture descriptors which inspire and define interactions with leaders, employees and stakeholders, feedback was received about how we do work, communicate, and interact. The next step is to obtain this feedback from employees. HR has developed a new team, Culture Champions, who will share their thoughts. This new team is a group who are role models for the organization's desired culture and serve as advocates.

CPC just finished its second employee engagement study with the help of Gallup. In this engagement employee participation was expanded to student employees. Overall participation was 18%. This engagement revealed the need to engage with the younger demographic of employees, as their participation was the lowest.

The results showed that employees feel they do not have the tools and resources to perform their work. Employees are also seeking more communication throughout all levels of the company and feel that the organization is committed to building the strengths of each employee.

High scoring items were that employees feel they are treated with respect, their teams reflect on how to make things better and they receive support needed from their manager.

The next steps:

- Communicate details back to employees what was learned in this survey and determine what actions are meaningful.
- Automate documents using a new software recently released to become paper free.
- HR is also working with MarCom on branding communications.

- Developing talent with performance evaluations.
- The flexible work policy has been updated. The Corporation works in-person three days a week utilizing Tuesdays and Wednesdays as collaboration days where everyone is in the office.
- The HR Dashboard for employee data gives visibility related to hiring, leaving, etc.
- Implement a DEI action plan.
- Future state moving from transactional manual processes to more strategic.
- Focus on self-service and automating processes.

X. CLOSED SESSION

Closed Session in accordance with California Education Code, Section 89920, et seq. It is the intention of the Board to meet in closed session concerning the following items: (1) Pending litigation CSU, et al. v. DLR Group

X. ANNOUNCEMENTS

*Next Board of Directors meeting: **Friday, February 2, 2024, at 8:30 a.m.***

XI. ADJOURNMENT

Respectfully submitted,

Holly Clark

Holly Clark, Recording Secretary