



BOARD OF DIRECTORS ANNUAL MEETING
Friday, February 2, 2024, 8:30 a.m.
Corporation Administration Building #15
Conference Room #124

MINUTES

Fiscal Year 2023-24

Present: Aaron Fernandes, Damon Fleming, Keith Humphrey (Virtual - departed 10:28 am), Sean Hurley, Geri LaChance, Patrick Mullen, Cyrus Ramezani, Steven Rein, Cynthia Villa, Dean Wendt, Toby Walpole, Cara Wright

Absent: Cynthia Jackson-Elmoore

Guest: President, Jeff Armstrong, Ziyad Naccasha

Staff: Joe Alves, Ella Anslinger, Dan Banfield, Andrea Burns, Holly Clark, Ellen Curtis, Jess Dozier, Jim Dunning, Tiffany Kramlich, Aaron Lambert, Russell Monteath, Stan Nosek, Matt Ryan, Karen Tillman

I. CALL TO ORDER AND INTRODUCTIONS

Chair Cynthia Villa called the meeting to order at 8:33a.m. and welcomed everyone in attendance.

II. PUBLIC COMMENT

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

III. MINUTES

A. Board Meeting Minutes – October 26, 2023

(M/S) (Mullen/ Hurley) that the Board accepts the October 26, 2023 minutes as presented with two corrections.

None opposed. Geri LaChance and Dean Wendt abstained.

1. Amend Section VIII – B. (Faculty and Staff Housing – Mortgage Assistance Program) paragraph 4, line 3 to state agreement rather than disagreement. It was agreed that this was a typo. The new sentence will read *“Cal Poly Corporation has determined that although Geri has an indirect financial interest in the proposed guarantee agreement, an 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 Ply Corporation could not have obtained a more advantageous arrangement with reasonable effort.”*

2. Keith Humphrey attended virtually from 8:30 AM to 9:18 AM at the October 26, 2023, board meeting.

Villa asked for introductions in the room.

IV. **CONSENT AGENDA**

A. **Accept Quarterly Investment Reports**

B. **Accept Quarterly Financial Reports**

(M/S) (LaChance/Wright) that the Board approve the Consent Agenda items IV. A. and B.

None opposed

V. **CHAIR REPORT**

President Armstrong began by thanking Cal Poly Corporation and what it has accomplished to help the University move forward and grow.

President Armstrong explained that the University is in a position to grow, and our colleges are making a difference in the world with our graduates. He discussed the increase in student access to attend Cal Poly, and statistics in graduation rates. He is determined, to continue do better with commitment to students, faculty, staff, and our campus.

The CSU is starting a program in 2024-25 to allocate resources from Cal State Universities that are down in enrollment. These resources will shift to approximately one third of the Universities that show the ability to grow. Cal Poly's target this year is to have 18,175 residential full-time equivalent students. The university will exceed this number. This will require the faculty and staff to work with larger numbers of students. Currently, the CSU has tentative or ratified agreements with almost all the unions. The President agrees that an increase in pay is important for our faculty and staff. The progress of the faculty and staff housing project by CPC is a big step in retaining faculty and staff.

The President announced that summer school will be delayed from this summer to the following year.

Stan Nosek was the interim vice president before Cindy Villa, Senior Vice President of Administration and Finance, was hired nine years ago. Beginning April 1st, he will once again be the interim Vice President of Administration and Finance when Cindy retires. Cindy will still work on a few projects after her retirement including setting up an office of effectiveness and efficiency.

Blue Tree Technology Group is consulting with Cal Poly to assist with people, process, and operations across the university helping map out improvement. Karen Tillman is directing our economic development. She works closely with REACH, CIE, and retention efforts. The IT Department will be repositioned under AFD. Also of note, there was a change in the CSU policy related to endorsements of companies or products, which in the past were forbidden but now encouraged. Lastly, progress is being made on student housing and making it affordable.

President Armstrong recognized Cindy Villa and the difference she has made to the University and as a great colleague.

Cindy thanked everyone at the table for their time and service to the University and Cal Poly Corporation's dedication and injection of over \$100M to the campus.

VI COMMITTEE REPORTS

A. Investment Advisory Committee

Joe Alves reported there was an Investment Advisory Committee meeting on Wednesday, January 31st. Alves discussed current market trends to describe the growth versus value approach to investments. Historically focusing on value has given more returns. Diversification detracted from performance in the first six months of this year due to large tech stocks and equity returns. REITs had a positive impact on the portfolio. There was significant return in Q2 showing value to the portfolio overall. The fiscal year to date returns match or exceeded global traditional benchmarks, but slightly underperformed compared to a multi-asset style benchmark.

Cyrus gave an update on the student managed portfolio. The students have revised their prospectus. They are implementing a new investment strategy which will be presented to interested parties. He invited anyone to attend this discussion.

B. Budget & Finance Advisory Committee

Banfield reported that the Committee met on Wednesday, January 31, 2024. They discussed in detail the financials of operations for the first six months of the year including the general investment fund and commercial services' operations. There is an operating loss for this period, which is expected and budgeted this way due to fixed costs in the fall. The revenues begin generating in September and the positive results catch up in the third quarter. The committee looked at the multi-year history of operations which includes the Pandemic and post-Pandemic recovery.

Revenues have recovered completely since the Pandemic. Expenses have recovered since the Pandemic but increased at a rate higher than what they had done over the pre-Pandemic years. Banfield commented that this has been the best Campus Dining start to a school year since he has been with the Corporation mostly because of the agreement with Chartwells.

Looking at the balance sheet, the most impactful item was the acquisition of Cal Poly Mustang Business Park (MBP). The purchase was made in September, increasing assets and liabilities for the debt of the asset.

The committee also reviewed a proforma for Panda Express, which will open in the 1901 Marketplace. They discussed the overall financial analysis and the role and scope of what the committee is approving. There are several critical assumptions made in the proforma beyond the scope of any committee. However, based on what was presented the committee agreed the business item seemed acceptable and they did not see any objections.

Pat Mullen thanked Ed Rainbolt for his service on the committee as this was his last meeting.

A comment was made related to year-round operations. Financially, this could be positive or negative depending on the number of students. The Pandemic helped determine the break-even points, identifying what the minimum number of students is needed for Campus Dining operations to be successful. The Corporation is monitoring numbers to accommodate.

A question related to Swanton Pacific Ranch (SPR) was asked in regard to the timing of recovery for the ranch. An executive committee has been formed to provide direction to the rebuild. Next spring, SPR will be part of the academic programming, which will be highlighted at future Corporation board meetings. A master plan effort began a year ago to use the state funded \$20M.

VII. BUSINESS

A. Vista Meadows Financing Approval

(M/S) (Mullen/Ramezani) that the Board approve Resolution 24-03 providing for the financing of the construction of real property and also authorize the Chief Executive Officer or his designee(s) to negotiate and execute all documents necessary to facilitate the financing of the construction of the Vista Meadows Housing Project.

None opposed.

Banfield presented Vista Meadows as the newly decided name of the faculty and staff housing development at the corner of Slack and Grand, which will be comprised of 33 single family houses. In October, the board approved money to complete the pre-construction phase of the project. The cost is estimated to be \$21.5M with contingencies. The CPC finance team has been working for the past two years on securing financing for this project. Wells Fargo has provided the best offer. It is offering a \$20M three-year line of credit at a rate of daily SOFR plus 1.55%. This financing will require a resolution by the board to proceed. The Board of Trustees requires approval of any external financing, which was approved earlier this week.

Cash flow projections show the maximum money that would be borrowed in three years would be approximately \$18.5M. The agreement includes covenants for debt service ratios at 1.1%. Any future financings would require Wells Fargo's approval.

The board is being asked to approve Resolution 24-03, providing for the financing of the construction of real property and authorize the Chief Executive Officer or his designee(s) to negotiate and execute all documents necessary to facilitate the financing of the construction of the Vista Meadows Housing Project.

The board discussed interest accruing to the unused portion of the loan. This is normal with a line of credit versus a construction loan.

The board took a break at 9:56 am and returned at 10:06 am.

B. Capital Outlay Request

(M/S) (Fernandes/Hurley) that the Board approves the FY 2024-25 Capital Outlay Requests.

None opposed.

Dan Banfield presented to the board that the current software system used for payroll and HR has reached the end of its useful life. This system does not support the corporation's needs and the vendor does not provide the support needed. The system does not meet the university's IT security requirements. The capital outlay request is partially to enable the implementation of a new system in the upcoming year. This will help as the Corporation improves business processes and moves to a new space.

Andrea Burns presented the capital outlay request related to Commercial Services. Spanos Stadium concessions project broke ground and is scheduled to be finished in April. The total cost of the project is estimated at \$4.75 million, which is \$750,000 higher than anticipated. The university and vendor sponsorships are helping to pay for this gap. The remaining balance of \$308,000 is the total of the capital outlay for Spanos Stadium.

Panda Express is located in the 1901 Marketplace and was originally planned to be owned and operated by Panda. As negotiations continued it was more advantageous for the corporation to own the franchise with margins of between 15 – 20%, which is double what would be paid under the current agreement. The estimated amount due to Panda for this conversion is \$1.9 million. These funds will come from Chartwells, the Corporation’s dining partner. The payback estimate is approximately five years.

Lastly, Vista Grande kitchen remediation is a project related to a health and safety initiative that consists of lowering drains and re-grading the kitchen floor to allow for proper drainage. The cost of this is estimated at \$110,000.

C. Off Campus Lease

(M/S) (Walpole/Mullen) that the Board authorizes the Chief Executive Officer or his designee(s) to negotiate and execute all documents necessary to facilitate the commercial lease for the 1144 Chorro Street building and its related improvements with concurrence by the Chair and authorize an allocation of funds of up to \$1.5 million for furniture, fixtures and tenant improvements for the downtown Mustang Shop allocation of the space.

None opposed.

Jim presented the off-campus lease opportunity. A property owner downtown approached the University about leasing a vacant property at the corner of Chorro and Marsh Streets. Currently the University has two presences in the downtown area. The Center of Innovation and Entrepreneurship (CIE) and bookstore are downtown in separate buildings. This offer is an opportunity to combine the two and create efficiencies and activate the well-traveled corner. This could be a strong presence for Economic Development’s perspective. With a long-term lease we have more control over lease terms.

Approximately three months ago a design firm was engaged to help envision the possibility of this 21,000 square foot space. This space is ideal for retail placed on a corner downtown and would help with visibility for the CIE as well as a location to host events with the community. It currently is a fully open space and cost estimates of a build-out are \$5M to \$6M.

Dunning shared the renditions from the estimates on what the space could look like and how it would function. Ideas of bringing in other non-profits focusing on advancing economic development would be a high priority.

This recommendation is taking the next step to entering lease negotiations.

Karen Tillman sees the opportunity of engaging donors and giving a meaningful look at the CIE to the community.

VIII. Staff Presentations

A. CFO Report

Dan Banfield reported that comparing operating results from this year (first six months) to last year, there is tremendous improvement mostly from the relationship with Chartwells. There is a significant increase in revenues, some of the increase is driven by the increase in student head count. Also, voluntary meal plans continue to increase, about 500 – 600 more than last year. There is also enthusiasm for dining offerings at Vista Grande and the 1901 Marketplace.

The investment performance and treasury ladder earns almost 5.5% and is a great supplement to the return in our long-term portfolio.

The Mortgage Assistance Program was launched last month as a collaboration with SESLOC, which has already produced an initial inquiry for the program.

Sponsored Research had a great six months at \$16.8M which is an increase from where they were last year. CPC has engaged a consultant for a long-form proposal. Each year, the Department of Health and Human Services approves an F&A rate. In the past, Sponsored Programs has been on the short-form proposal. It is expected that a switch would be beneficial to the program.

B. CEO Report

Cody VanDorn recognized his teams and their hard work accomplishing all the progress discussed in today's meeting. CPC is a success due to the talent and diligence of all employees. This is our chance to help the board understand they are part of this success.

In 2023 a few of the gains include opening the 1901 Marketplace, which created not only a dining experience for students but a third space for students. CPC has been working on the Basic Needs initiative to help with food insecurity. Meals provided should reach 40,000 meals and our goal is to reach 50,000 meals.

The name change to Cal Poly Partners is ready to go live February 9, 2024. Rebranding and updating webpages are almost complete.

The agreement with Chartwells has created an entirely new way of doing business with Campus Dining. The guiding principle was to make the transition seamless and ended with the best fall impression on our customers that CPC has ever had. The result is affordability for students. This will reduce Campus Dining costs 3 – 4% each year.

The Vista Grande settlement was finalized and resulted in \$4.3M for errors and omissions.

Lastly in the gains category is the purchase of the Mustang Business Park. The renovation is underway, and the space should be occupied in 2024.

Cody identified the gaps in 2023 which need to be addressed to continue profitable business.

The current ERP system that is used by the Finance and Human Resource Departments is outdated and needs upgrading. This includes moving from paper operations to completely digital. A new system has been recognized and the teams are working to implement a new system.

Engagement with teams was identified as a gap. The Corporation works at a steady pace and the workload can be challenging. Finding a way to engage with employees will be very important this year.

The Executive Team has created a new Strategic Plan as the previous one concluded. This will be another three-year plan to guide priorities.

Also presented to the board was the top ten list of strategic goals that the Corporation has created for the next few years. VanDorn discussed a few of the goals.

This year the beginning of multifamily housing units will be constructed to help meet the demand of affordable housing for faculty and staff.

The E-Commerce application is still evolving and focusing on Campus Dining services including student access to groceries. Students prefer to order meals online and not at venues. There is a supply chain issue with first and second year students living on campus and not having vehicles.

Successfully moving CPC to Mustang Business Park is key in 2024-25 for the Corporation.

Starting construction of Vista Meadows and selecting locations for additional faculty and staff housing sites will begin this year. Hopefully 300 units can be built in 3-5 years.

Continuing the success of opening 1901 Marketplace. With the upcoming year-round school, the Corporation needs to consider the impact financially. As well as creating a space for faculty and staff to eat.

The Corporation is working to elevate the internal and external engagement which includes students, faculty, staff, and our own teams.

Completing and opening Spanos Stadium concessions is a critical significant investment. This is transformational in creating a multipurpose event facility.

This year the completion of Tech Park II and the Tennis Complex is anticipated. These locations have evolved with the help of FMD.

Over the past year with the help of the University there has been a master planning of design for Swanton Pacific Ranch. There is a challenge ecologically as it is situated next to ocean and in the flood plain district, which has sensitive environmental impacts that must be balanced to rebuild this \$60 - \$70 M project.

Launching the loan program this year will be transformational for the university, helping faculty and staff obtain affordable housing.

VanDorn announced this will be our last meeting as Cal Poly Corporation, and our next meeting, the company will be known as Cal Poly Partners. The board has helped with this transformation with input and thoughts on this change. This name helps articulate our mission as a non-profit. This name speaks to the 82 years of Learn by Doing facilitation. The Corporation supports over 300 programs on campus. This allows us to highlight the history and continue the Learn by Doing philosophy and to help the University move into the next decade or two.

The Corporation has enabled \$28M in research, creating a critical partnership to fill the needs of research. Thousands of students work alongside our faculty to learn through this partnership. The entrepreneurial spirit is evident by taking on difficult challenges, but ultimately rewarding.

Providing student employment opportunities is key for Learn by Doing, and the Corporation employs over 3,000.

The spectrum of services the Corporation provides can be measured from houses to horses. From faculty and staff housing to buying horses, the Corporation is here to serve the University. Vista

Meadows housing will break ground this year at the corner of Slack and Grand. There are three different plans to be constructed from 1,600 – 2,100 square feet. Moving forward, other types of housing options are planned. The pricing for all housing at this location and at Bella Montana should span from \$500,000 to \$800,000 to accommodate different staff. Contracts for purchasing Vista Meadows will begin six months prior to the first home completed. There is also a plan to create a program allowing Bella Montana residents the ability to transition to this new location. The first home delivery is expected in the summer of 2025.

Future phases of on and off campus housing are being planned to accommodate the demand of 700-1,100 units needed. The process has been approved by CSU. A timeline for more housing units has been established. Construction on alternate sites may be able to begin in the summer of 2025. This will take environmental and CEQA approval to begin.

Cody, Dan, Andrea, and Ellen gave a tribute to Cindy Villa for her leadership, dedication to our organization, and the University. They all wished her well in retirement.

IX. ANNOUNCEMENTS

A. Next meeting April 26, 2024.

X. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 11:33 p.m.

*Note: The Committee Reports preceded the Presidents report.

Respectfully submitted,

Holly Clark

Holly Clark,
Recording Secretary