



BOARD OF DIRECTORS MEETING
Friday, April 26, 2024, 8:30 a.m.
Vista Grande Dining Complex
Third Floor Conference Room

MINUTES

Fiscal Year 2023-24

- Present:** Aaron Fernandes, Damon Fleming, Keith Humphrey (Virtual), Sean Hurley, Cynthia Jackson-Elmoore, Patrick Mullen, Stan Nosek, Cyrus Ramezani, Steven Rein, Dean Wendt (departed @ 11:22), Toby Walpole
- Absent:** Geri LaChance, Cara Wright
- Guest:** Scott Zimmerman
- Staff:** Joe Alves, Ella Anslinger, Dan Banfield, Holly Clark, Ellen Curtis, Jess Dozier, Jim Dunning, Bill Hendricks, Tiffany Kramlich, Aaron Lambert, Russell Monteath, Matt Ryan, Karen Tillman

I. CALL TO ORDER AND INTRODUCTIONS

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

II. PUBLIC COMMENT

Nosek asked if there was anyone present who had a public comment. There was one person present for comment.

Scott Zimmerman of Western State Carpenters informed the board that his organization has several contractors who work in San Luis Obispo. He would like to see a shift from local contractors working on campus to others with specialized training. His organization has individuals who are certified.

III. MINUTES

A. Board Meeting Minutes – February 2, 2024

(M/S) (Mullen / Fleming) that the Board accepts the February 2, 2024, minutes as presented.
None opposed.

IV. CONSENT AGENDA

A. Accept Quarterly Financial Report

B. Accept Quarterly Investment Report

C. Approve Publicly Available Pay Schedule for CalPERS

(M/S) (Jackson-Elmoore / Ramezani) that the Board approve the Consent Agenda items IV. A. - C.

None opposed

V. CHAIR REPORT

Norsek thanked the CP Partners team for the work they have done and commended them on all their accomplishments.

VI COMMITTEE REPORTS

A. Investment Advisory Committee

Joe Alves reported there was an Investment Advisory Committee meeting on Wednesday, April 24, 2024. The committee discussed the FY 23-24 performance results as well as the short-term funds. The extended performance through the first quarter of 2024 was related to the impact of the Magnificent 7 stocks which are stocks that hold a disproportionate influence on the market-cap weighted Nasdaq composite and S&P 500 indexes. These seven returned 100.1% in 2023 and the first quarter of 2024. The S&P 500 returned 39.6%.

Historically, value-style investing has outperformed growth, but the last 10 years have been challenging for value investors. Kaspick still believes there is a value premium to be had with relative P/E ratios approximately 2 standard deviations lower than average. There has typically been a resurgence in value-style returns when this has happened. Kaspick is considering an allocation reduction in International REITs. REITs act as an important hedge against inflation and domestic REITS have provided some downside dampening. International REITs have detracted from performance but continue to be monitored. Kaspick has also been evaluating large cap managers such as Morgan Stanley Institutional International Equity as part of their normal evaluation process due to length of time that the portfolio has included this manager.

The committee also reflected on the overall asset allocation of the portfolio, mentioning the Cal Poly Foundation's move to an aggressive growth allocation. The increased equity exposure may offer a better long-term return on funds given our investment horizon. Additional analysis of a potential move will take place over the next few meetings to determine if CP Partners should look towards this option.

Cyrus reported that members of the committee requested that Kaspick provide more detail on tactical adjustments and how they contributed to returns. This will help make informed decisions.

Sean Hurley asked exposure to the Chinese real estate market as part of the International REIT allocation. Joe said he would have to research the exposure level and would reach out with further information. Cody VanDorn asked Joe to expand on Commercial Real Estate as it relates to US Domestic REITs. Joe reported that there is a bias towards e-commerce property types such as telecommunications and data centers as opposed to housing and other typical commercial real estate.

B. Budget & Finance Advisory Committee

Banfield reported that the Committee met on Wednesday, April 24, 2024. They discussed year-to-date results and multiyear trend analysis. As of March 31, 2024, revenues are tracking close to budget. Expenses continue to increase higher than expected, which resulted in an overall operating loss. The opening of 1901 Marketplace revealed higher than anticipated operating costs. Promisingly, the general investment fund short-term fixed income rates continue to be strong, providing an offset to the operating losses.

The balance sheet through March 31, 2024, shows the impact from the purchase of the Mustang Business Park (MBP) with an increase in assets and liabilities. The committee also looked at the

multi-trend analysis that shows the recovery of finances since the pandemic. It depicts pre-pandemic, mid-pandemic, and post pandemic. CP Partners has fully recovered since the pandemic.

In the next Cal Poly Partners Budget and Finance Advisory Committee meeting, budgets will be discussed. A significant impact to these upcoming budgets will be a result of the legislation for the state of California, increasing pay for all food service workers employed in national brand establishments. This took effect April 1, 2024, raising the minimum wage to \$20.00 per hour. There is also federal legislation anticipated to raise all minimum wages to \$18.00 per hour in January of 2025.

Concerns were raised about food workers and two different pay scales on campus. Jess Dozier commented that Chartwells is examining food venues. The national brands are more popular and provide higher revenues. Decisions will be made to give customers a choice by providing more affordable options and balancing the costs of meal plans for students.

VII. BUSINESS

A. 1901 Kitchen Capital Outlay Request

(M/S) (Walpole/Fernandes) that the Board approve 1901 Kitchen Capital Outlay Request

None opposed.

Russell Monteath, Director of Commercial Services presented the Commercial Services capital project request. Monteath began with his background working for Cal Poly Partners for 13 years, 12 years with campus dining. He recognized the hard work performed by the catering and campus dining staff.

The request proposed is to fund the 1901 new kitchen location that will provide a unique and dynamic eating facility. The venue will have a dedicated kitchen with the ability to offer a diverse menu at an affordable price while enabling students on the mid-tier meal plan to afford three well-rounded meals a day. With the help of CP Partners Marketing and Communications, focus groups of students, faculty and staff were able to provide feedback for this all-you-care-to-eat option. Monteath provided a map of the layout inside of 1901 to the board.

Construction is scheduled to begin after 2024 Spring Commencement and should be completed by September of 2024. The cost of the project is estimated to be \$1 million for architecture, design work, and construction.

Cynthia Jackson-Elmoore thanked CP Partners for being responsive to the request for a faculty and staff lunch location, which is in the Cal Poly Partners Pavilion and is available 11:00 am – 2:00 pm daily. This space will also be utilized for events.

B. Vista Meadows Construction

(M/S) (Fernandes/Fleming) that the Board approves Vista Meadows Construction

None opposed.

Jim Dunning, Associate Executive Director of Real Estate Development, presented to the board of directors the request for the board to authorize the Cal Poly Partners' CEO to negotiate documents to facilitate the construction of the Vista Meadows housing project with a budget not to exceed \$23 million with a 10% project budget contingency. He reviewed, nine months ago Cal Poly Partners kicked off the pre-construction planning phase to bring faculty and staff housing to campus to aid in recruitment and retention of employees.

All studies are complete and construction documents are at 90% working with the design partner, Coastal Community Builders (CCB). This project on Slack and Grand Avenue with an estimate of 33 single-family homes has spurred improvements along Slack Street. These same houses built by CCB are in production and selling as fast as they can build. There are three floor plans ranging from 1,600 – 2,100 square feet in size. In the current marketplace these same units are selling at up to \$1 million. The goal is to deliver at cost, which is targeted at 15 – 20% below market.

Dunning provided a schedule of the project. Financing approval was received from the Board of Trustees in February. Currently final construction documents are being worked through along with permitting from the City of San Luis Obispo. Construction is scheduled to begin in June 2024. Purchase escrows can be started six months prior to delivery of the homes, which is anticipated in August of 2025. Similarly to Bella Montana, there will be deed restrictions to keep the houses at an affordable price.

VIII. Program Review

A. Swanton Ranch Project

Bill Hendricks, Interim Dean of the College of Agriculture, Food, and Environmental Sciences reported what Swanton Pacific Ranch the 3,200-acre property looked like before the fire in 2020 and how it was used. There were three or four concentrated areas of activity on the ranch where old buildings were used for classes and housing.

The opportunity in the second phase of the planned reconstruction of an educational ranch was determined by collecting data points established by stakeholders on campus, students, Swanton community members, and faculty and staff.

The spatial program has determined the necessary housing capacity to include academic needs for directors, faculty, researchers, and students as well as operation professionals, apprentices, guests, and interns. This is considering semester-stay and short-stay students.

The academic program will consist of a welcome center, dining/event hall, learning spaces, project spaces, support spaces, and learning nodes.

The operations program will include administration offices, operations central, operations nodes, and event space. Hendricks shared a map of the planned construction areas.

The next steps include completing a draft of the reconstruction plan, completing pre-clearance application for fire recovery projects and completing the CSU CEQA and entitlement processes by the end of June 2024. On May 13, 2024, the Swanton Team will present to the President's Cabinet. On May 14 there will be a presentation to campus to gain additional input from the campus community.

There will be future requests coming to the board for approval. This is a sensitive site that is being rebuilt and there are limitations due to flood plains, landslide areas, wetlands and there is much more than just an academic element to this reconstruction.

The board took a break 9:52 am – 10:05 am

B. Cal Poly Student Managed Portfolio Project Presentation

Ian Don, Harrison Neuharth, Ava Motroni, Mitch Becker, and Samuel Wisner, teaching assistant presented the Student Managed Portfolio Project. There were 26 students selected this year for the student managed portfolio.

The students are building a portfolio and selecting equities to obtain a long-term growth of capital and current income. The goal is to outperform the returns on the S&P 500 Index by 1+% per year and earn a minimum 4% income. They created their own stock criteria to achieve this goal. Year-to-date they have returned 4.85%, which is more than the Van Guard Index and the Dow Jones Industrial Average.

The students got hands-on experience, increased their knowledge of financial markets and the global economy. Next week the students will attend the Berkshire Hathaway annual shareholders meeting led by Warren Buffet.

IX. Staff Presentations

A. CFO Report

Dan reported this past winter Cal Poly Partners' Human Resources department did a compensation study to develop a new compensation grade structure. Dan introduced Jill Connelly, Human Resource Manager, who walked the board through the process of restructuring compensation for Cal Poly Partners. In the development of the CP Partners' strategic plan, the goal to competitively compensate and reward employees was defined. This required redefining market benchmarks and aligning the compensation structure with relevant benchmarks. An HR strategist consultant, Richard Lane, was hired to compile benchmark salary data. The second part was to propose a restructuring. This will preserve internal equity and expand all grades 75% - 125% of the midpoint of the 50% market data. The cost to bring all positions to the minimum in grade is \$17,533.00.

Dan continued with an update on Vista Meadows financing, which was finalized. Wells Fargo was chosen as a partner for the \$20 million line of credit. Related to the approved mortgage assistance program, there have been several inquiries from interested buyers, and the program is live.

Dan informed the board that Cal Poly Partners' has begun the project of updating its business systems to Worday Enterprises for financial and HR solutions. He also updated the board that the Cal Poly Partners' employees will be moving to Mustang Business Park. He highlighted sponsored research as they are on track to close the year with expenditures of over \$30 million.

B. CEO Report

Cody VanDorn thanked the board members for their input and time dedicated to Cal Poly Partners. VanDorn recognized the gains this past quarter of 2024 including Campus Dining's recent addition of Panda Express. Cal Poly Partners is almost to its goal of providing 50,000 meals for the food insecurity plan. Yesterday Subway teamed up with CP Partners for an event and together donated \$25,000 to food insecurity. Last year there were 7,500 meals provided. Also of note is the inclusive access growth, which is all course materials going digital, this has seen 100% growth. Inclusive access allows students to receive course materials on day one of class.

The MarCom team directed by Ellen Curtis has done an excellent job launching the new Cal Poly Partners brand. It is great to have a name that represents our position on campus. The lease for a new downtown space has been signed and presents an extraordinary opportunity for a large footprint on the corner of Marsh and Chorro for our economic development, CIE program, as well as the Cal Poly downtown Mustang Shop. Finally, this FY 2023-24 the Mustang Business Park has

been reconfigured to accommodate tenants. This will free up classroom space for upcoming changes on campus. It is important that the occupants continue to feel connected to the main campus.

Several items are still needed at the organization including the implementation of a new business systems software for financial and HR departments. The implementation of Workday will be a large focus for the upcoming year with the need to update business processes during this transition. Increasing engagement with our team members is next year's focus as well. Finally, managing financial constraints as expenditures grow faster than revenues.

VanDorn gave an update on some of the top 14 goals.

- *Elevate internal and external engagement* – employees are asked to complete a survey each year, which is currently being collected. This data is essential to understand how to engage effectively. Cal Poly Partners has established Culture Champions, a focus group to help determine best practices for retention, and recruitment. These efforts clarify what we are doing and where we need to be as an organization.
- *Successfully open 1901* – Now that the building is open efforts are focusing on the all-you-care-to-eat option to round out the offerings in this facility.
- *Complete Spanos and successfully open* – the transition from the 10 x 15-foot space that once served the Spanos Stadium at the north end zone is expected to be completed before commencement this June. The Cal Poly Partners Plaza will be well equipped for the planned multi-purpose venue. To be able to support this investment there will need to be more events in this space. Erin Scherer, Director of Conference and Events Planning, is working on additional programming in the stadium.
- *Complete construction on Tech Park II and Tennis Pavilion* – The Comerford Tennis Pavilion is a donor funded project that will be the home for men's and women's tennis programs. This should be completed in late May or early June. This will include a nutrition building for athletes. The project budget is \$9.15 million.
Tech Park II – is an expansion of the first phase which is expanding economic development. This is a 16,000 square foot building. It is specific to workforce development and research & business development. Completion is expected in November of 2024 and the budget is \$12.2 million.

X. ANNOUNCEMENTS

A. Next meeting is June 7, 2024. 12:00

XI. ADJOURNMENT

No further matters appearing, the meeting was adjourned at 11:31 p.m.

Respectfully submitted,

Holly Clark

Holly Clark,
Recording Secretary