CAL POLY
CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Sponsored Programs Administration

Fiscal Year 2017-18

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BUSINESS OVERVIEW

Sponsored Programs, in accordance with the Chancellor's Executive Order 890, provides essential functions and services to the Cal Poly community to further its educational mission and scholarly endeavors.

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.

2016-17 ACCOMPLISHMENTS

- As a result of the findings of a joint workgroup with the Grants Development Office to increase operational functionality for campus clients, a reorganization occurred that assigned a single director for Grants Development and Sponsored Programs.
- A new position was created for a Sponsored Programs audit & compliance operations officer to oversee audits related to sponsored project activities and to ensure that policies and procedures align with relevant campus, system, state, federal, and sponsor compliance requirements.
- Successful recruitments were completed to fill four vacant positions.
- A room renovation was completed to accommodate two staff work stations in what was previously a single person office.
- Streamlined electronic processes were implemented utilizing the capabilities provided through the financial management database program (ONESolution), including enhancements to reporting tools that better support department customers.
- The department participated in the preparation, development, and submission of the annual composite fringe benefit rate and proposal to the Department of Health and Human Services.
- Several external sponsor audits were completed, as well as the A-133 single audit, NSF site visit, export license reviews, and property reviews. All activities were completed with no significant findings.

2017-18 GOALS & OBJECTIVES

- Necessary policies and procedures will be developed and implemented to comply with the second phase of 2 CFR 200.300, Uniform Guidance - Procurement, which becomes effective July 1, 2018.

- Policies and procedures affected by the implementation of 2 CFR 200, Uniform Guidance, will continue to be reviewed and updated as needed to ensure consistencies with federal clarifications and industry best practices.

- The department will participate in the hiring and training for up to three individuals placed in new college grants analyst positions, which will provide more directed pre- and post-award support to faculty and staff at the project level. These positions will be physically located in the colleges each supports, to encourage more direct interaction and involvement in project-level support, with their training and primary reporting line through the director of Grants Development and Sponsored Programs.

- The department will participate in a Corporation workgroup to develop a strategic plan for the composite fringe benefit rate to mitigate rising health and long-term care costs for benefited employees.

- The department will work closely with the dean of research and other campus stakeholders to seek a multi-year extension prior to submitting a new Facilities and Administrative rate proposal.

- New approaches to enhance customer support to our clients will be developed and applied, including increased in-person support and outreach.

- A shared process of a single site use and naming conventions will be developed, with GDO, for all official research agreements proposed by GDO (pre-award) and managed by SPA (post-award).

- Streamlined electronic processes will continue to be implemented, utilizing the capabilities provided through the financial management database program (ONESolution) including enhancements to reporting tools that better support customers.

- Process improvements identified in the Office of Research and Economic Development's organizational review of research administration will continue to be implemented.

2017-18 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2015-16 Actual	Fiscal Year 2016-17 Budget	Fiscal Year 2016-17 Estimate*	Fiscal Year 2017-18 Budget Proposal	2017-18 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Contract & Grant IDC Income	$3,499	$3,328	$3,519	$3,520	$0	0%
Contract & Grant Admin Fees	4	4	11	11	0	0%
Center & Institute Admin Fees	146	150	163	163	0	0%
Other Revenues	188	167	213	213	0	0%
Income Before Operations	**3,836**	**3,649**	**3,907**	**3,907**	**0**	**0%**
Salaries & Wages	534	587	612	645	(33)	(5%)
Benefits	295	364	378	385	(7)	(2%)
Total Payroll Expense	**829**	**951**	**990**	**1,029**	**(39)**	**(4%)**
Audit & Tax	11	11	15	11	4	23%
CPC Administrative Assessment	627	678	678	712	(34)	(5%)
Other Operating Expenses	162	174	235	347	(112)	(47%)
Total Operating Expenses	**800**	**863**	**928**	**1,070**	**(142)**	**(15%)**
Total Expenses	**1,629**	**1,814**	**1,918**	**2,099**	**(182)**	**(9%)**
Net from Operations	**2,207**	**1,835**	**1,989**	**1,808**	**(181)**	**(9%)**
Other Income (Expense)	(11)	0	9	0	(9)	(100%)
Total Other Income (Expense)	**(11)**	**0**	**9**	**0**	**(9)**	**(100%)**
Transfers In (Out)	**(1,966)**	**(1,812)**	**(1,861)**	**(1,788)**	**72**	**4%**
Change in Net Position	**$230**	**$22**	**$138**	**$20**	**$(118)**	**(86%)**

* Estimate based on nine months actual and three months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Total **Income Before Operations** for FY 2016-17 exceeds budget projections by approximately $258,000 primarily due to an increase in contract and grant income from Sponsored Programs expenditure activity. Other revenues, which primarily consist of fee-for-service operations, are projected to exceed the budget for FY 2016-17 by approximately $46,000, due to an increase in fee-for-service and center activities. Projections for FY 2017-18 contract and grant income are expected to remain flat or increase only slightly from prior-year, due to proposed changes in availability of federal grant funding. Other revenues in FY 2017-18 are budgeted to remain flat or increase only slightly from prior-year, also due to uncertainty regarding changes in availability of grant and contract funding.

Total **Payroll Expense** for the current year reflects an increase over budget due to the successful recruitments for several positions that had been vacant. Payroll expense for FY 2017-18 reflects a 5% merit pool for full-time employees, an increase in the minimum wage for student and part-time employees in January 2018, and a slightly lower overall fringe benefit rate.

Total **Operating Expenses** for the current year are anticipated to be 8% above budget, which is primarily the result of an increase of the AFD cost allocation, as well as an increase in equipment costs. FY 2017-18 Operating Expenses are expected to increase, primarily due to a 94% additional increases in the AFD cost allocation as well as a 5% increase in the Corporation administrative assessment. The total AFD cost allocation is provided by the university along with data used to determine each department's individual portion.

Transfers Out represents funds allocated by the dean of research for expenditure by various university departments involved in campus research programs. Transfers out is expected to decrease by approximately $72,000 as a result of flat or little growth in expected income, combined with the increases in the administrative expenses.

The **Change in Net Position** allocates residual funds to the Operating Reserve, Contract and Grant Audit Reserve, C& I OPEB Reserve and a Capital Outlay Reserve.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Contract & Grant Audit Reserve	C&I OPEB Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2015 Reserve Balance	$413,833	$250,652	$(200,330)	-	$15,000	$479,155
FY 2015-16 Net to Reserves	7,330	16,932	200,330	20,628	(15,000)	230,220
June 30, 2016 Reserve Balance	421,163	267,584	-	20,628	-	709,375
FY 2016-17 Net to Reserves (estimated)	48,581	89,413	-	(319)	-	137,675
June 30, 2017 Reserve Balance (estimate)	469,744	356,997	-	20,309	-	847,050
FY 2017-18 Net to Reserves (budget)	14,092	10,710	-	(4,974)	-	19,828
June 30, 2018 Reserve Balance (budget)	**$483,836**	**$367,707**	**-**	**$15,336**	**-**	**$866,879**

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 of the past three years actual contract and grant expenditures, not to exceed $500,000.

The **Centers & Institute OPEB Reserve** was established to fund the postretirement medical benefit obligation (OPEB) for Corporation employees and retirees working for various Centers and Institutes. The target is to fund 100% of Centers and Institutes retiree and vested employee post-retirement medical benefits. This reserve was funded over a five-year period, beginning in FY 2011-12 and ending in FY 2015-16.

Capital Outlay Reserves are held to fund, at a minimum, the subsequent year’s capital outlay request.

Investment in Operating Assets for June 30, 2017 (estimate) and June 30, 2018 (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 REQUEST

There are no capital outlays requested for FY 2017-18.

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

General Administration

Fiscal Year 2017-18

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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, 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, and public relations. Under the leadership of the executive director, the Executive Office works directly with the vice president of administration and finance 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 2,000 part-time student employees. HR also manages employee relations for all 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 risks of the corporation, for financial planning and record-keeping, as well as financial reporting to higher management. The Business and Finance Office manages fiscal services for internal departments and external organizations, providing centralized business and financial analysis, accounting, 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 and Travel, Accounts Payable and General Accounting, Campus Programs Income and Gift Management, Cashiering, and Investments and Treasury.

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 develop integrated marketing solutions that enable and support 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 also provides PC and other computing equipment support, Help Desk support, computer account administration, network administration, computing asset management, software/hardware installation on workstations and servers, web development and hosting services, database administration, and application development and support.

General Administration operations are funded primarily through cost-recovery allocations and assessments charged to internal Corporation departments based on resource usage. In addition, General Administration receives fees for fiscal and administrative services provided to external organizations. Finally, General Administration operations are also partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund.

2016-17 ACCOMPLISHMENTS

- Strategic planning efforts were initiated to align the Corporation's mission, strategic goals, and long-term vision with the mission of the university.

- A Request for Proposal (RFP) process was initiated and completed to secure proposals from outside service providers for a management fee contract for existing Campus Dining services, resulting in a contract with Chartwells.

- A Request for Proposals process was initiated and completed to obtain proposals for various options for operation and services for the University Store, resulting in a contract with Follett Higher Education Group.

- Under the direction of the Board's Investment Advisory Committee, formal review of the Corporation's investment advisor was coordinated.

- An actuarial study of the Corporation's retiree healthcare obligations was completed, incorporating the results of the study into the Corporation's composite fringe benefit rate.

- The Corporation's Employee Handbook was re-written and distributed for full-time benefited, student, and intermittent employees and training classes with managers and supervisors were conducted to cover important aspects of the handbook.

- The Culture Club was established, which held numerous events for the Corporation's benefited staff including a Halloween pumpkin carving contest, a CPC movie night, bowling and pizza, yoga, art and cooking classes.

- General Administration worked closely with University Store employees during the outsource transition, meeting with each employee individually to assist them with their employment and retirement status. Personal CalPERS represented meetings were coordinated for each employee on campus.

- The Illness Injury Prevention Program (IIPP) was updated and distributed to staff and training was provided. All Campus Dining equipment was inventoried and evaluated as part of the Hazardous Energy Control Program. A chemical inventory across core areas was completed and a new safety data sheets were created and distributed along with "train the trainer" instructions.

- Brokers and insurance carriers for ancillary insurances (dental, vision, life, AD& D) were changed.

- An upgrade of all credit card processors was completed to ensure compliance with EMV (Europay, MasterCard, Visa), P2PE (Point to Point Encryption), and Tokenization PCI requirements.

- General Administration collaborated with Cal Poly Administration and Finance to implement electronic approval and direct AR invoice routing to State Payment Services. This resulted in expedited payment and efficiencies, reduced hours spent on collection efforts, and it also reduced the carbon footprint by eliminating the need for additional hard copies.

- An electronic interface from the ASI timekeeping system to the CPC payroll system was implemented, significantly reducing hours spent on data entry efforts and improving accuracy.

- Mobile POS registers were implemented for three food trucks, improving customer experience.

- MARCOM helped Campus Dining to develop and launch eight new brands. In addition, a new Campus Dining website was launched, which includes an integrated system with Google business to update business hours and monitor reviews.

- Social media impact for the Corporation was increased, earning 4.2 million organic impressions and gaining 327% in engagement year over year.

2017-18 GOALS & OBJECTIVES

- Strategic planning efforts will continue, aligning the Corporation’s mission, strategic goals, and long-term vision with the mission of the university.

- General Administration will work with the Chancellor’s Office to secure financing through use of California State University (CSU) System wide revenue bonds for the construction of the new Vista Grande dining facility.

- A strategy will be developed to address the impact of changes in state minimum wage and salary requirements on the Corporation's compensation structure over the next five-year period.

- An assessment will be developed to distribute to managers/supervisors for HR services. Feedback will be analyzed and potential service and program enhancements will be identified.

- General Administration will collaborate with ASI management to evaluate transitioning ASI timekeeping to the CPC Pay and Kronos timekeeping system.

- DocuSign technology will be designed and implemented to streamline processes, expedite processing, and enhance customer service.

- General Administration will work with university partners to identify opportunities for business process improvements, service efficiencies, and shared expertise, including review of existing document imaging and workflow systems, and use of electronic forms and other processes.

- Business continuity planning efforts will include a business impact analysis for IT systems and operations, to ensure protection of critical systems and operations in the event of an emergency or natural disaster. Results of the analysis will be provided and recommendations developed for incorporation into the Corporation’s overall business continuity plan.

- All high impact financial and HR/Payroll reports in the new Cognos reporting tool and highly used reports in the Cal Poly portal will be integrated.

- The Corporation website will be re-designed and launched, using a multi-step process from discovery to development to roll-out.

- General Administration will work with university Facilities staff, ASI and UUAB students on joint project for enhancement of the University Union neighborhood.

2017-18 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2015-16 Actual	Fiscal Year 2016-17 Budget	Fiscal Year 2016-17 Estimate*	Fiscal Year 2017-18 Budget Proposal	2017-18 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Assessment Income	$2,496	$2,621	$2,544	$2,953	$409	16%
Fee for Service Income	592	691	660	700	40	6%
CPC Allocated Services	835	978	902	679	(223)	(25%)
Other Revenues	515	485	508	540	32	6%
Income Before Operations	**4,438**	**4,774**	**4,614**	**4,872**	**258**	**6%**
Salaries & Wages	2,767	2,885	2,835	2,928	(93)	(3%)
Benefits	1,442	1,599	1,603	1,649	(46)	(3%)
Total Payroll Expense	**4,209**	**4,484**	**4,438**	**4,577**	**(139)**	**(3%)**
Depreciation & Amortization	160	154	142	145	(3)	(2%)
Software / Hardware Maintenance	182	168	175	209	(34)	(19%)
General Maintenance	23	24	26	24	2	8%
Supplies & Equipment	76	103	88	70	18	20%
Rent / Lease Expense	194	201	200	210	(10)	(5%)
Audit & Tax	122	123	115	122	(7)	(6%)
Other Operating Expenses	404	416	381	465	(84)	(22%)
Total Operating Expenses	**1,181**	**1,208**	**1,160**	**1,260**	**(99)**	**(9%)**
Total Expenses	**5,391**	**5,692**	**5,598**	**5,837**	**(238)**	**(4%)**
Net from Operations	**(953)**	**(918)**	**(984)**	**(965)**	**19**	**2%**
Other Income (Expense)	(20)	-	(2)	-	2	100%
Total Other Income (Expense)	**(20)**	**-**	**(2)**	**-**	**2**	**100%**
Transfers In (Out)	**961**	**918**	**908**	**919**	**10**	**1%**
Change in Net Position	**(12)**	**-**	**(78)**	**(46)**	**32**	**41%**
Noncash transactions (add back):						
Depreciation & Amortization	160	154	142	145	(3)	(2%)
Adjusted Change in Net Position	**148**	**154**	**64**	**99**	**35**	**54%**

* Estimate based on nine months actual and three months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

REVENUES

Total revenues for the current year are projected to end slightly under budget. This variance can be primarily attributed to a reduction in fees collected for allocated services for facilities support. Allocated service units are profit neutral and, therefore, any changes in expenses will result in a corresponding change in revenues. Expenses for allocated service units are under budget for the current year, primarily the result of personnel vacancies. In addition, assessment income is under budget, which is the result of a slight reduction in assessment charges to the Designated Fund, which include the Corporation's self-insurance pools. Self-insurance pool evaluations occur during the summer after Corporation budgets are approved and it was determined that a slightly reduced charge better reflected the administrative services provided to those pools.

In addition, Fee for Service Income is slightly under budget for the current year. 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 as a result of less funding received for classes.

Total revenues for FY 2017-18 are expected to increase 6%, which primarily relates to an increase in assessments charged to Corporation departments. The increase is reflective of expected increases in payroll and operating expenses as described below.

PAYROLL

Payroll expenses are projected to finish this year approximately 1% below budget. Unanticipated retirements created personnel vacancies in certain positions, which caused the favorable variance.

Payroll expense for FY 2017-18 reflects a 5% merit pool for full-time employees, an increase in the minimum wage for student and part-time employees in January 2018, and a slightly lower overall fringe benefit rate. The overall increase of 3% is less than the merit pool as management looks for ways to adjust resources as a result of outsourcing University Store operations.

OPERATING EXPENSES

Total operating expenses for the current year are expected to end approximately 4% under budget, primarily the result of savings in expenditures for travel and special events. For FY 2017-18, total operating expenses are expected to increase 9%, which is primarily driven by an increase in the AFD cost allocation, with minor fluctuations within individual expense accounts.

NET FROM OPERATIONS

General Administration operations are partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund. FY 2016-17 Transfers In represent approximately $908,000 in net investment income from the General Investment Fund and is expected to decrease to $919,000 for FY 2017-18.

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 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 $1.4 million for the first 10 months of the fiscal year, resulting in overall net operating income of $380,000 over the same period. Current year results are driven by asset allocation and the post-election rally of domestic equity markets.

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 it will transfer approximately $1 million in current year dividend and interest income from the General Investment Fund to General Administration in FY 2016-17.

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.

General Administration Reserve –This reserve represents prior years' accumulation of net earnings in excess of General Investment Fund reserve requirements. It is used to ensure the Investment Reserve and General Administration reserves are fully funded.

Past and projected reserve balances are as follows:

	Investment Reserves	General Administration Reserves
June 30, 2016 Reserve Balance	$6,097,258	$4,138,606
FY 2016-17 Activity (estimate)*	482,038	2,052,111
June 30, 2017 Reserve Balance (estimate)*	6,579,296	6,190,717

*(*Current year estimates are based on actual 10-month activity for the current year and estimated results for May and June of 2017. 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, 2015 Reserve Balance	$1,611,600	$446,716	$106,812	$2,165,128
FY 2015-16 Net to Reserves	49,800	(16,484)	(45,080)	(11,764)
June 30, 2016 Reserve Balance	1,661,400	430,232	61,732	2,153,364
FY 2016-17 Net to Reserves (estimate)	46,038	(127,323)	3,268	(78,017)
June 30, 2017 Reserve Balance (estimate)	1,707,438	302,909	65,000	2,075,347
FY 2017-18 Net to Reserves (budget)	51,223	(97,504)	0	(46,281)
June 30, 2018 Reserve Balance (budget)	**$1,758,661**	**$205,405**	**$65,000**	**$2,029,066**

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 for the reserve is equal to 30% of the subsequent year's payroll and operating expense budget (less depreciation expense). It is anticipated that FY 2017-18 earnings will be sufficient to fully fund the reserve.

Investment in Operating Assets for June 30, 2017 (estimate) and June 30, 2018 (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

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Minor Capital Equipment Outlay (Up To $25,000)			
Cloud Site Backup Software	$17,426	5	$3,485
Electric Cart	15,789	5	3,158
Fiber Switches	14,517	5	2,903
Total Minor Capital Outlay	**$47,732**		**$9,546**
Total Capital Outlay Request	**$47,732**		**$9,546**

CAPITAL OUTLAY REQUEST DETAIL

Cloud Backup Software is needed to store and retrieve the Corporation's backup data for business continuity purposes. Currently, backup tapes are stored at an off-campus location; however, these tapes will be of little value if either the tape drive or the entire server room becomes inoperable.

A new electric cart is needed to replace the current 2005 cart, which is incurring increasing repair and maintenance costs due to age of the vehicle. The cart is used primarily by IT staff, including transporting boxes and equipment to outlying areas.

Fiber switches are network devices that connect computing equipment to facilitate data movement. Some of the fiber switches were purchased in 2009 and are now beyond their expected life. As a proactive measure, these fiber switches should be replaced to ensure the integrity of the Corporation's critical data.

CAL POLY CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Plant Operations

Fiscal Year 2017-18

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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, finance and accounting, human resources, facilities operations, information technology, the corporate board room and the staff training facility.

Corporation Warehouse – Also in 1989, the Corporation completed the construction of its warehouse (Building 82). This building provides additional storage space for Campus Dining and University Store operations. In addition, General Administration and University Distribution Services occupy 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 was 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. Since 2012, eight units have been sold. Proceeds from these sales are used to repay the Corporation for original funding provided.

As of April 2017, 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, and two units are held on behalf of the Orfalea College of Business (OCOB). These two OCOB units are rented to visiting lecturers and faculty. Operating expenses for these units 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 last year and are subject to a lease, which ends in June 2018, with a two-year extension at tenant's discretion.

2016-17 ACCOMPLISHMENTS

- The Bella Montaña corporate executive unit was rented for the entire fiscal-year.
- The Grand Avenue properties were rented for the entire fiscal-year.
- The exterior and interior of the Corporation administration building (Building 15) were re-painted.
- Repairs to the Corporation administration building (Building 15) trellis were completed.
- Two electric cart-charging stations were installed in the Corporation administration building (Building 15) parking lot (H-4).
- The carpet was replaced throughout the entire Corporation administration building (Building 15).
- The board room in the Corporation administration building (Building 15) will undergo audio/video upgrades before the current fiscal year-end, including wireless presentation and video conferencing controls and a new commercial-grade display.
- Woodwork throughout the Corporation administration building (Building 15) will be refinished and new chairs will be purchased for the conference room before the current fiscal year-end.

2017-18 GOALS & OBJECTIVES

- New flooring will be installed in the Bella Montaña corporate executive rental unit.
- Options for expanding office space capacity of Building 15 will be developed and evaluated.
- A more robust property management function will be developed for Corporation-owned real property.

2017-18 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2015-16 Actual	Fiscal Year 2016-17 Budget	Fiscal Year 2016-17 Estimate*	Fiscal Year 2017-18 Budget Proposal	2017-18 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Occupancy Income	408	410	422	446	24	6%
Other Revenues	23	14	23	23	-	0%
Income Before Operations	**431**	**424**	**445**	**469**	**24**	**5%**
Depreciation & Amortization	176	187	174	180	(6)	(3%)
General Maintenance	51	50	144	51	93	65%
Utilities	72	81	76	77	(2)	(2%)
Supplies & Equipment	0	5	72	0	71	100%
Rent / Lease Expense	3	3	3	3	-	0%
CPC Administrative Assessment	28	27	27	30	(3)	(10%)
Other Operating Expenses	60	64	58	66	(8)	(13%)
Total Operating Expenses	**390**	**418**	**554**	**407**	**147**	**26%**
Total Expenses	**390**	**418**	**554**	**407**	**147**	**26%**
Net from Operations	**41**	**7**	**(109)**	**62**	**170**	**157%**
Other Income (Expense)	3	-	(2)	-	2	100%
Total Other Income (Expense)	**3**	**-**	**(2)**	**-**	**2**	**100%**
Change in Net Position	**45**	**7**	**(110)**	**62**	**172**	**156%**
Noncash transactions (add back):						
Depreciation & Amortization	176	187	174	180	(6)	(3%)
Adjusted Change in Net Position	**220**	**194**	**64**	**241**	**178**	**279%**

* Estimate based on nine months actual and three months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Revenues

No sales of Bella Montaña units occurred in FY 2016-17 and none are expected in FY 2017-18.

Occupancy income represents rental charges for the use of Corporation-managed facilities included in this budget. FY 2016-17 is $12,000 over budget, primarily the result of full-year occupancy for every Bella Montaña rental unit. Total occupancy income for FY 2017-18 is expected to increase by $24,000 from FY 2016-17 projections, primarily the result of increases in rental rates charged for the Corporation administration building and warehouse. The increase in rental rates is the result of increases in operating costs for these buildings.

Other revenues include funding received from the OCOB related to the operation and maintenance of the two condo units owned by the Corporation on the OCOB's behalf. Other revenues in FY 2017-18 are expected to remain consistent with FY 2016-17.

Expenses

Total operating expenses for FY 2016-17 are 33% over budget, primarily the result of an increase in maintenance expenses for the Corporation administration building. Certain maintenance expenditures, primarily the repainting of the building trellis and the re-carpeting project, were budgeted as capital expenditures. However, after careful consideration of accounting principles, it was determined that recording these expenditures as maintenance expense was more appropriate. In addition, other project expenditures for the Corporation administration building were not included in the FY 2016-17 budget including interior paint, replacement of baseboards, new conference room chairs, and refinishing of woodwork throughout the building.

Total operating expenses are expected to decrease by 26% in FY 2017-18 due to decreases in maintenance expenses and project equipment for the Corporation administration building.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Building Expansion & Construction	Investment in Operating Assets (non-cash)	Total
June 30, 2015 Reserve Balance	$202,991	$1,594,980	$1,580,717	$4,221,393	$7,600,081
FY 2015-16 Net to Reserves	27,282	188,709	(1,559)	(169,869)	44,563
June 30, 2016 Reserve Balance	230,273	1,783,689	1,579,158	4,051,524	7,644,644
FY 2016-17 Net to Reserves (estimate)	(2,670)	35,208	(6,278)	(136,700)	(110,440)
June 30, 2017 Reserve Balance (estimate)	227,603	1,818,897	1,572,880	3,914,824	7,534,204
FY 2017-18 Net to Reserves (budget)	6,828	177,455	47,104	(169,711)	61,676
June 30, 2018 Reserve Balance (budget)	**$234,431**	**$1,996,352**	**$1,619,984**	**$3,745,113**	**$7,595,880**

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 **Building Expansion & Construction Reserve** funds are set aside to fund new facilities, such as an expansion or replacement of the Corporation Administration Building and new warehouse space for Campus Dining or the University Store.

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

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Minor Capital Equipment Outlay (Up To $25,000)			
Bella Montaña - Hardwood Floors	$10,000	5	$2,000
Total Minor Capital Outlay	**$10,000**		**$2,000**
Total Capital Outlay Request	**$10,000**		**$2,000**

CAPITAL OUTLAY REQUEST DETAIL

(1) The Capital Outlay Requests within this section were approved by the Board of Directors at their May 2016 meeting. They are repeated here for informational purposes only. No further action is required.

Bella Montaña Flooring: The Bella Montaña corporate executive unit requires new carpeting every few years due to normal wear and tear to keep it looking clean. The Corporation has decided to install new flooring to the common areas of this unit (hallways, living area, and kitchen) to reduce the need for future carpet installation and to improve the overall ambiance of the unit.

CAL POLY

CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Conference and Event Planning

Fiscal Year 2017-18

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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 and at various levels, size, and duration. Some events have fewer than 50 participants and last for less than a day, whereas other events, such as Student Life Orientation Days (SLO Days), 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

2016-17 ACCOMPLISHMENTS

- CEP received ACCED-I one-stop shop certification, which assures clients are provided with the most effective planning atmosphere for a successful collegiate conference or event. The certification ensures that a planner will receive: one contact to secure all university services, one contract covering all services received from the university, and one bill for all services provided by the university.

- CEP worked with CEMT, risk management, university scheduling, and other campus entities to streamline event inquiries, planning, and facility reservation procedures. As a result:

  - CEP established itself as one of the active partners involved with CEMT
  - CEP became one of the first adopters of 25Live and now utilizes 25Live to plan events more efficiently
  - CEP collaborated with university scheduling and risk management to create the *Event Planning Resource Guide*

- CEP increased partnerships with other CSUs and UCs to develop best practices and procedures with respect to event planning including:

  - Partnership with Stanford University on policies and procedures for youth management
  - Partnership with San Jose State University to address youth policies
  - Support of the California Maritime Academy conference services office to develop their new office
  - Attendance at the ACCED-I annual conference and participation in meetings specializing in networking and collaborating for collegiate events
  - Attendance at a CSU Summit to address event planning practices and policies with numerous other CSUs
  - Continued work with CSU consultant, Joe Risser, regarding the CSU “SERG” (Special Event Resource Guide) initiative

- CEP met with campus partners for an on-campus wedding assessment and created a report for the director of campus experience and logistics planning and the Administration and Finance Division.

- CEP started the ACA (American Camp Association) membership process to explore better camp management procedures.

- Fully transitioned administrative support from Housing to CPC, including IT and marketing.

- Accommodations for approximately 3,000 Cal Fire employees with their summer housing at Cal Poly were successfully organized.

- The duration of one of the most successful youth camps, Engineering Possibilities in College (EPIC), was increased from three to four weeks in 2017.

2017-18 GOALS & OBJECTIVES

- Work with University Housing to establish a mutually sustainable financial model that supports university goals and policies relative to promotion of the campus to external groups. Optimize use of the conference services function and campus facilities to provide a top notch user experience.
- Billing and invoicing procedures will be evaluated and improved to create a more efficient system and shorter timeline for billings.
- The ACA (American Camp Association) membership program will continue to be processed and its potential benefits to CEP will be assessed.
- Work with University Housing to expand housing availability during the summer to increase CEP-housed events and conferences.
- Work to increase campus facility availability, expanding its role in this process to support the overall goals of Cal Poly.
- CEP will continue to be a part of the CSU SERG (Special Event Resource Guide) initiative.
- Work will be done to increase the duration and capacity of sponsored and external youth camps.
- Work will be done with the Corporation's Marketing and Communications department to increase CEP marketing collateral, including updating current pictures of event spaces and adding pictures of past conferences and events to the CEP website.
- Efforts will be made to increase the amount of client feedback by promoting guest surveys and using this information to create a better guest experience.
- Ongoing improvements will be made to the online event registration site to establish a clearer, more efficient process and create an overall superior client experience. Focus groups may be utilized to obtain additional feedback about the online registration site.
- CEP will partner with Cal Poly Facilities Management and Development to further promote the Zero Waste Initiative.

2017-18 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2015-16 Actual	Fiscal Year 2016-17 Budget	Fiscal Year 2016-17 Estimate*	Fiscal Year 2017-18 Budget Proposal	2017-18 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$654	$782	$820	$692	$(128)	(16%)
Other Revenues	558	420	452	426	(26)	(6%)
Income Before Operations	**1,213**	**1,202**	**1,271**	**1,117**	**(154)**	**(12%)**
Salaries & Wages	394	465	451	476	(26)	(6%)
Benefits	163	219	215	227	(12)	(5%)
Total Payroll Expense	**557**	**684**	**666**	**703**	**(37)**	**(6%)**
Depreciation & Amortization	2	9	6	8	(2)	(34%)
Software / Hardware Maintenance	14	13	13	14	(2)	(13%)
Supplies & Equipment	13	17	16	14	2	15%
CPC Administrative Assessment	27	114	114	123	(9)	(8%)
Other Operating Expenses	244	239	256	224	32	13%
Total Operating Expenses	**299**	**392**	**406**	**383**	**22**	**5%**
Total Expenses	**856**	**1,076**	**1,071**	**1,087**	**(15)**	**(1%)**
Net from Operations	**357**	**126**	**200**	**31**	**(169)**	**(85%)**
Other Income (Expense)	(0)	0	0	0	0	0%
University Services	0	(19)	(19)	(26)	(7)	(37%)
Total Other Income (Expense)	**(0)**	**(19)**	**(19)**	**(26)**	**(7)**	**(37%)**
Change in Net Position	**356**	**107**	**181**	**5**	**(176)**	**(97%)**
Noncash transactions (add back):						
Depreciation & Amortization	2	9	6	8	(2)	(34%)
Adjusted Change in Net Position	**358**	**116**	**187**	**13**	**(174)**	**(93%)**

* 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 the operating budget represent a summary of fiscal activities of the CEP department; figures do not specify income and expenses of individual conferences and workshop events. The FY 2016-17 estimate and the FY 2017-18 budget are projected to add to existing reserve balances held for contingencies, future capital acquisitions, and unanticipated opportunities.

Revenues:

FY 2016-17 revenues are projected to exceed the budget and prior year, mainly as a result of accommodating Cal Fire last summer. During the month of August, extensive fires affected SLO and the surrounding counties. CEP provided Cal Fire the necessary accommodations for the incoming firefighters, which resulted in 3,028 additional bednights.

Overall, FY 2017-18 revenues are expected to decrease 12%, which is primarily the result of the loss of the SLO Days event. After extensive discussions with New Student and Transition Programs (NSTP), which operates under Student Affairs, NSTP has chosen a different direction to administer its program. The decrease in revenues from SLO Days is anticipated to be offset by an increase in revenues from other events.

Payroll Expense:

Payroll is CEP's highest expense. CEP is providing a broad array of event services to the campus community and the budget reflects the cost of personnel required to provide these services. The increase in FY 2016-17 over the prior year reflects temporary personnel vacancies that occurred during FY 2015-16, which have been filled. Payroll expense for FY 2017-18 reflects a 5% merit pool for full-time employees, an increase in the minimum wage for student and part-time employees in January 2018, and a slightly lower overall fringe benefit rate.

Operating Expenses:

FY 2016-17 operating expenses are projected to exceed the budget by 3%. While most expense categories are in line with budget amounts, unfavorable variances included bank card expenses and on-campus housing costs. The increase in these expense categories is directly related to the number of participants attending the events and related costs of processing credit card payments.

Total operating expenses in FY 2017-18 are budgeted to decrease $22,000 or 5% over FY 2016-17 projections. The decrease is reflective of the loss of the SLO Days event, which reduces projected housing expenses. FY 2017-18 operating expenses also includes a 8% increase in the Corporation Administrative Assessment. This increase follows a comprehensive assessment study performed during FY 2015-16 by the Corporation business office and is reflective of CEP becoming a core program of the Corporation.

Other Expense:

As a core program of the Corporation, CEP will contribute to the University Services distribution. In FY 2017-18, this amount will be $26,000.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Facilities Reserve	Total
June 30, 2015 Reserve Balance	$426,934	$7,226	-	-	$434,160
FY 2015-16 Net to Reserves	(159,464)	(1,971)	50,000	468,579	357,144
June 30, 2016 Reserve Balance	267,470	5,255	50,000	468,579	791,304
FY 2016-17 Net to Reserves (estimate)	2,044	31,931	(40,000)	187,009	180,984
June 30, 2017 Reserve Balance (estimate)	269,514	37,186	10,000	655,588	972,288
FY 2017-18 Net to Reserves (budget)	8,085	(8,487)	-	4,973	4,571
June 30, 2018 Reserve Balance (budget)	**$277,599**	**$28,699**	**$10,000**	**$660,561**	**$976,859**

CEP maintains four separate reserves for the following purposes:

Operating Reserves represents working capital held for contingencies and continuing operations. The reserve balance for June 30, 2017 (estimate) and June 30, 2018 (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, 2017 (estimate) and June 30, 2018 (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.

Facilities Reserves represent CEP’s accumulated earnings after all other reserve requirements have been met. These funds will be used for future capital development or organizational development opportunities.

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2017-18.

CAL POLY CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Campus Dining

Fiscal Year 2017-18

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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 more than 1,400 staff and students each academic year, and operates anywhere from 25 to 30 different food concepts at a given time. Campus Dining serves more than 3.2 million customers annually with an average of 20,000 customer transactions daily. During fiscal year (FY) 2016-17, the Corporation entered into a three-year contract with Chartwells Higher Education Dining Services to provide an on-site food service management team to lead existing campus food operations.

Campus Dining supports the mission of Cal Poly Corporation in several significant ways: by striving to provide a wide variety of fresh and delicious food options along with wellness and sustainability education to help students make smart eating choices; by supporting student financial needs through payment of athletic scholarships and the $2 million-plus paid annually in wages to student employees; and by generating important funding for university services and other initiatives. In addition, Campus Dining actively partners with campus departments and organizations, such as ASI and New Student and Transition Programs, to support their activities and goals.

Revenues

The dining program operates on two distinct sources of revenue: dining plan revenue from on-campus freshman housing residents, and revenue from dining retail sales to the Cal Poly community. The dining plan revenue-stream increases and decreases with the freshman enrollment numbers, and represents approximately 66% of Campus Dining's revenue in FY 2016-17.

The freshman dining plan is a declining balance, all Plu$ Dollar program. Under the program, students can use their Plu$ Dollars to eat at any of the campus food operations. This all declining balance meal program started in FY 2015-16 and was developed after significant research and discussion, in response to changing student preferences and dining habits. Two programs are offered: one for residence hall and one for apartment occupants.

Facilities

Campus Dining oversees more than 88,000 square feet of retail space on the Cal Poly campus, with an additional 25,000 square feet used in culinary and administrative support space. The core facility, Building 19, opened in 1961 and houses some of the busiest restaurants on campus including 19 Metro, The Avenue, Sandwich Factory and Lucy's Juice. Building 19 also includes a warehouse for Campus Dining along with a bake shop, butcher shop, and commissary production unit. These units provide products for dining locations across campus. Campus Dining has additional venues at other locations across campus, including Poly Canyon Village, the University Union, Kennedy Library, the Dexter Building, and Campus Market.

During the 2016-17 fiscal year, the 43-year old Vista Grande dining complex was demolished. Construction of a new state-of-the-art facility is under way, and is scheduled for completion during the 2018-19 fiscal year. The new Vista Grande building will be approximately 35,000 gross square feet, including 7,000 square feet for offices, conference rooms, and common space.

2016-17 HIGHLIGHTS & ACCOMPLISHMENTS

- VG Demolition and Venue Refreshes - With the demolition of VG, Campus Dining's highest grossing ($5M) location, the unit prepared for the influx of customers to its other remaining venues, rebranding and updating several dining facilities.

- Mustang Station (name change from Ciao!) - In addition to the name change, local beer and wine were added to the menu, as well as pub-style appetizers. New features include family-style seating, Mustang spirit décor, big-screen televisions, and an updated menu and serving counter. Mustang Station's sales have increased more than 30% compared to FY 2015-16.

- Myron's - Named after Cal Poly founder, Myron Angel, this is the university's new bistro-style fine-dining venue. Myron's features a seasonal, creative menu with many fresh, local ingredients. Twice-monthly, Myron's hosts faculty and staff mixers to offer a taste of the current menu and provide a chance for mingling and a glass of wine.

- The Avenue - Three "made to order" stations were added and the venue was remodeled to allow for greater through-put. Bishop's Burgers, Zen Bowl, and Picos have been instrumental in increasing The Avenue's sales by more than 80% over FY 2015-16.

- Sandwich Factory - A new menu featuring artisan breads and premium lunch meats was unveiled at the start of the academic year. In addition, cosmetic updates including new paint, flooring, décor, and equipment have helped the venue see a 20%-plus increase in sales over FY 2015-16.

- Campus Market - A new section focused on locally-sourced products includes many items produced on the Cal Poly campus and features partnerships with the Poly Plant Shop, the Cal Poly Organic Farm, and producers of chocolates, honey, and jam. Local business products including Baba Small Batch Hummus, Mama's Granola, and Ray's Own are also featured. The store was entirely remerchandised to focus on the growing business need to provide groceries for dining plan students.

- 19 Metro Express - In response to student requests for a venue to purchase acai bowls, the kiosk venue in the Building 19 atrium was established at the beginning of 2017. Sales average more than 350 custom-made acai bowls per day.

- Food Trucks - The Central Coaster and Starbucks trucks joined Curbside Grill, providing three mobile food locations to serve the campus community on the go.

- Partnership with Chartwells Higher Education Dining Services - The Corporation entered into a three-year contract with Chartwells Higher Education Dining Services to provide an on-site food service management team to lead existing campus food operations. The partnership has enabled access to valuable resources including data analytics, training tools, operational strategies, and experts consultants.

    - Deployment of Subject Matter Experts: Representative from Chartwells' management team, including culinary, catering, merchandising, marketing, and HR, etc. have conducted on-site

tours and assessments of Campus Dining operations. Subsequently, they submitted reports with observations and proposed action plans.
  - In February, 2017, the partners completed a dining satisfaction survey with close to 3,800 participants.
  - In April, 2017, 13 distinct focus groups were conducted in order to gather more detailed insight into the survey results.
  - In May, 2017, during their quarterly review with CPC, Chartwells presented their activity in campus as well as their recommendations for programmatic solutions and new concepts within the Dining portfolio for 2017-18 and beyond.
  - CPC engaged Chartwells Design Solutions to review, analyze, and provide feedback on the Student Housing South retail, Vista Grande, and University Union, projects.

- Nutrition, Wellness and Sustainability - In addition to implementing Meatless Mondays in 19 Metro, Wellness Wednesday events also continued, which increased in attendance - drawing up to 300 students per event. Collaborations with the nutrition department and the Nutrition Club contributed to strengthening nutrition education. In conjunction with Cal Poly Facilities Management and Development, Campus Dining prepared and submitted an AASHE/STARS report, a transparent self-reporting framework for colleges and universities to gauge relative progress towards sustainability. This initial submission to the program earned Cal Poly a silver rating in sustainability.

2017-18 GOALS & OBJECTIVES

- Sales - Increase year-over year cash and market retail sales by 3.5% overall and Catering sales by 5%
- Cost of Goods Sold - Decrease year-over-year food costs by 1%
- Labor Costs - Decrease year-over year labor costs by 1%
- Remodel and expand Starbucks University Union location as part of the 10-year brand process
- Remodel Chick-Fil-A to allow for increased through-put and sales
- Expand Starbucks offer through additional self-serve espresso kiosks
- Expand ACE sushi offer to increase sales by 30%
- Update and streamline the supply chain system (purchasing, inventory, warehouse, invoicing, transfer process), for increased efficiency and 100% reporting accuracy through new software
- Complete Master Planning Process including comprehensive research to assess and align food service demand and supply on campus
- Rebrand Sandwich Factory to increase through-put by 20%
- Remodel 19 Metro to accommodate new programs & menus and increase participation by 20-30%
- Introduce 2 new concepts in The Avenue for increased variety and customer satisfaction
- Construction and program planning for the new VG building

2017-18 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2015-16 Actual	% of Sales	Fiscal Year 2016-17 Budget	% of Sales	Fiscal Year 2016-17 Estimate*	% of Sales	Fiscal Year 2017-18 Budget Proposal	% of Sales	2017-18 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$30,609	100%	$30,700	100%	$30,829	100%	$33,142	100%	$2,314	8%
Cost of Goods Sold	10,764	35%	10,971	36%	10,778	35%	11,373	34%	(595)	(6%)
Gross Margin	**19,845**	**65%**	**19,729**	**64%**	**20,050**	**65%**	**21,769**	**66%**	**1,719**	**9%**
Other Revenues	652	2%	567	2%	593	2%	611	2%	18	3%
Income Before Operations	**20,497**	**67%**	**20,296**	**66%**	**20,643**	**67%**	**22,380**	**68%**	**1,737**	**8%**
Salaries & Wages	7,715	25%	7,873	26%	7,995	26%	8,204	25%	(208)	(3%)
Benefits	2,486	8%	2,814	9%	2,765	9%	2,828	9%	(63)	(2%)
Total Payroll Expense	**10,201**	**33%**	**10,687**	**35%**	**10,760**	**35%**	**11,031**	**33%**	**(271)**	**(3%)**
Depreciation & Amortization	643	2%	771	3%	697	2%	920	3%	(223)	(32%)
Software / Hardware Maintenance	119	0%	141	0%	134	0%	147	0%	(13)	(10%)
General Maintenance	353	1%	314	1%	453	1%	483	1%	(30)	(7%)
Utilities	690	2%	620	2%	600	2%	615	2%	(15)	(3%)
Supplies & Equipment	612	2%	745	2%	672	2%	686	2%	(14)	(2%)
Rent / Lease Expense	370	1%	394	1%	380	1%	388	1%	(8)	(2%)
Management Contract Labor	-	0%	250	1%	227	1%	520	2%	(293)	(129%)
CPC Administrative Assessment	820	3%	886	3%	887	3%	1,089	3%	(202)	(23%)
CPC Allocated Services	464	2%	542	2%	572	2%	488	1%	84	15%
Commissions & Royalties	509	2%	631	2%	499	2%	553	2%	(54)	(11%)
Other Operating Expenses	1,026	3%	1,240	4%	1,158	4%	1,403	4%	(245)	(21%)
Total Operating Expenses	**5,608**	**18%**	**6,535**	**21%**	**6,278**	**20%**	**7,292**	**22%**	**(1,014)**	**(16%)**
Total Expenses	**15,809**	**52%**	**17,222**	**56%**	**17,038**	**55%**	**18,323**	**55%**	**(1,285)**	**(8%)**
Net from Operations	**4,688**	**15%**	**3,074**	**10%**	**3,605**	**12%**	**4,057**	**12%**	**452**	**13%**
Other Income (Expense)	212	1%	(266)	(1%)	(271)	(1%)	240	1%	511	189%
University Services	(537)	(2%)	(623)	(2%)	(623)	(2%)	(670)	(2%)	(47)	(8%)
Interest Expense	-	0%	-	0%	-	0%	(1,286)	(4%)	(1,286)	(100%)
Total Other Income (Expense)	**(325)**	**(1%)**	**(889)**	**(3%)**	**(894)**	**(3%)**	**(1,716)**	**(5%)**	**(822)**	**(92%)**
Transfers In (Out)	**(455)**	**(1%)**	**(315)**	**(1%)**	**(315)**	**(1%)**	**(315)**	**(1%)**	**-**	**0%**
Transfer to Plant Fund Reserves	**(2,598)**	**(8%)**	**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**0%**
Change in Net Position	**$1,311**	**4%**	**$1,871**	**6%**	**$2,396**	**8%**	**$2,026**	**6%**	**$(370)**	**(15%)**
Noncash transactions (add back):										
Depreciation & Amortization	643	2%	771	3%	697	2%	920	3%	(223)	(32%)
Other Expense	26	0%	156	1%	160	1%	-	0%	160	100%
Adjusted Change in Net Position	**$1,981**	**6%**	**$2,798**	**9%**	**$3,253**	**11%**	**$2,946**	**9%**	**$(307)**	**(9%)**

* Estimate based on nine months actual and three months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Campus Dining anticipates overall sales for FY 2016-17 to be approximately $130,000 over budget. Revenue from dining plans is projected to be below budget due to actual freshman enrollment being lower than the target used for the budget. The loss in dining plan revenue is expected to be offset by higher revenue from Week of Welcome for group leaders and other non-freshman participants, and an increase in retail sales at The Avenue and Campus Market. Sales for FY 2017-18 are budgeted to increase 8% over the FY 2016-17 projections, which is the result of price increases, an increase in freshman enrollment, and targeted sales growth.

Current year **Cost of Goods Sold (COGS)** is projected to be below the FY 2016-17 budget by approximately 1%. As a percentage of sales, COGS is slightly under budget and prior year primarily due to bulk purchasing and management of waste and spoilage. The target for fiscal year 2017-18 is to reduce COGS by 1% as a percentage of sales.

Payroll Expense for FY 2016-17 is estimated to be slightly higher than budget, but fairly consistent as a percentage of sales. The variance is primarily due to an increase in student labor associated with locations that have experienced an increase in sales. In addition, overall operating hours were lengthened by approximately 5% starting in fall 2016. Student/intermittent labor is expected to exceed budget by $220,000, but is offset by savings of approximately $150,000 in regular employee earnings and related benefits.

Payroll expense for FY 2017-18 reflects a 5% merit pool for full-time employees, an increase in the minimum wage for student and part-time employees in January 2018, and a slightly lower overall fringe benefit rate. Management will focus on optimizing productivity to offset some of the wage increases.

Operating Expenses for FY 2016-17 are anticipated to be approximately 4% lower than budgeted as a result of savings in multiple expense categories, including supply and equipment-related expenses that have been postponed or delayed, as well as depreciation and royalties.

FY 2017-18 operating expenses as a percentage of sales are budgeted to increase 2%, primarily due to expenses for management services related to the contract with Chartwells Higher Education, as well as an increases in administrative assessments and depreciation expense.

Other Income/Expense for FY 2016-17 includes $460,000 related to the demolition of the former Vista Grande building. This is offset by $240,000 in other income related to the exclusivity agreement with Coke. Although shown as income to Campus Dining, these funds are transferred to the Campus Programs fund in support of athletics. Fixed asset retirement expenses related Vista Grande are also included.

Other income/expense for FY 2017-18 includes approximately $1.3 million in interest expense for financing of the Vista Grande building.

Net Income from Operations for FY 2016-17 reflects a positive variance from the FY 2016-17 budget in the amount of $531,000, primarily due to the increase in sales and the savings on COGS and operating expenses noted above. The increase in net from operations in the FY 2017-18 budget is the net impact of the changes in sales and expenses previously noted.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Outlay Reserve	Facilities Reserves	Debt Service Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2015 Reserve Balance	$2,634,333	$825,769	$23,670,295	-	$4,498,529	$31,628,926
FY 2015-16 Net to Reserves	1,478,417	(319,434)	2,597,756	-	151,959	3,908,698
June 30, 2016 Reserve Balance	4,112,750	506,335	26,268,051	-	4,650,488	35,537,624
FY 2016-17 Net to Reserves (estimate)	238,033	1,569,665	(810,700)	1,443,729	(45,817)	2,394,910
June 30, 2017 Reserve Balance (estimate)	4,350,783	2,076,000	25,457,351	1,443,729	4,604,671	37,932,534
FY 2017-18 Net to Reserves (budget)	130,523	(1,076,000)	1,412,442	403,309	1,156,000	2,026,274
June 30, 2018 Reserve Balance (budget)	**$4,481,306**	**$1,000,000**	**$26,869,793**	**$1,847,038**	**$5,760,671**	**$39,958,808**

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, 2017 (estimate) and June 30, 2018 (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 construction of the new Vista Grande (Building 112) as well as future facility projects involving Building 19.

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

Investment in Operating Assets for June 30, 2017 (estimate) and June 30, 2018 (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
Starbucks Espresso Kiosks	$105,000	7	$15,000
Butcher Shop Repairs	100,000	20	5,000
19 Metro - Replace 3 Fryers	78,000	5	15,600
Chick Fil-A Refresh Project	50,000	5	10,000
Starbucks Campus Market Refresh	50,000	5	10,000
Renewal & Replacement - Capital	50,000	5	10,000
Building 19 - The Avenue Entrance Door Replacement	44,000	10	4,400
Building 19 - Replace Air Exchange Units	42,000	5	8,400
Building 19 Roof Maintenance	40,000	5	8,000
Salad Room Sewer Replacement	40,000	10	4,000
19 Metro - Equipment Replacement	30,000	5	6,000
19 Metro - Combi Roll-In Oven	29,000	5	5,800
19 Metro Express - Sambazon Project	28,000	5	5,600
Salad Room Floor Replacement	27,000	5	5,400
The Avenue - Replace Fryer	26,000	5	5,200
Total Major Capital Outlay	**$739,000**		**$118,400**
Minor Capital Equipment Outlay (Up To $25,000)			
Sandwich Factory - Equipment Upgrade	$20,000	5	$4,000
Campus Market - Replace Rooftop Condenser	20,000	10	2,000
The Avenue - Upgrade Equipment	15,000	5	3,000
Mobile Food-Ordering System	15,000	5	3,000
Salad Room Dishwasher	15,000	5	3,000
Campus Market - Roof Maintenance	15,000	5	3,000
Building 19 Ceiling Repairs	15,000	5	3,000
Campus Market - Equipment	15,000	5	3,000
19 Metro - Tilt Skillet	15,000	5	3,000
Bake Shop Proofer Machine	12,000	5	2,400
Bake Shop Hood	10,000	5	2,000
19 Metro - 3-Door Freezer Replacement	8,000	5	1,600
The Avenue - Gas Griddle	6,400	5	1,280
19 Metro - Gas Griddle	6,400	5	1,280
19 Metro - Vacuum Seal Machine	6,200	5	1,240
Chefs' Office Flooring Replacement	6,000	5	1,200
Bake Shop - 3-Compartment Sink	6,000	5	1,200
Julian's Cafe Bistro Floor Replacement	6,000	5	1,200
Mustang Station - Pizza Prep Table	5,000	5	1,000
Campus Market - Replace Kitchen Backsplash	5,000	5	1,000
Total Minor Capital Outlay	**$222,000**		**$42,400**

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Total Capital Outlay	**$961,000**		**$160,800**
Previously Approved Capital Outlay Requests (1)			
Building 19 Electrical Upgrade	$420,000	30	$14,000
Campus Dining Concept Renovation	600,000	30	20,000
Total Capital Outlay Request	**$1,981,000**		**$194,800**

CAPITAL OUTLAY REQUEST DETAIL

Starbucks Espresso Kiosks: Three self-serve kiosks placed on campus in locations not yet determined

Butcher Shop Repairs: Repairs necessary as a result of flooding from a broken pipe.

19 Metro and The Avenue Fryer Replacements: The existing fryer units are no longer functioning properly and the filtering systems are not operating. They also pose a safety hazard due to the risk of operators getting burned while using them.

Renewal and Replacement - Capital: This represents various capital replacement needs that are anticipated to arise during the course of the fiscal year, but cannot be specifically identified at the time the budgets are prepared.

Chick Fil-A Refresh Project: A contractually-obligated refresh is required during the 2017-18 year.

Starbucks Campus Market Refresh: The Starbucks location inside Campus Market is due to refresh décor and equipment per contractual obligations.

Building 19 - The Avenue Entrance Door Replacement: The original two sets of automatic double doors are no longer working properly and replacement parts are no longer available to maintain adequate functionality.

Building 19 Air Exchange Units: The existing swamp coolers no longer function. These units cool the main kitchen facility.

Building 19 Roof Maintenance: Many leaks were discovered during the rains, requiring repairs beyond temporary measures to prevent water damage.

Salad Room Sewer Replacement: The existing sewer line does not meet current building and safety codes and must be replaced to meet standards.

19 Metro Equipment Replacement: Many current pieces of equipment including freezers, refrigerators and ovens are no longer functioning. Specific items were not determined at the time of budget preparation.

19 Metro Combi Roll-in Oven: The current main oven is almost 70 years old and parts are no longer available to repair it. This oven will provide back-up use in the event of failure of the main oven.

19 Metro Express Sambazon Project: Acai vendor, Sambazon, is providing a new kiosk for use at 19 Metro Express. Project costs include electrical and sewer upgrades and a freezer to accommodate increased volume of sales.

(1) The Capital Outlay Requests below were approved by the Board of Directors at their October 2016 and January 2017 meetings. They are repeated here for informational purposes only. No further action is required.

Building 19 Electrical Upgrade: Replacement of the automatic transfer switch, including a new switchgear room, cutover, and demolition of the existing transfer switch.

Campus Dining Concept Renovation: Renovations as a part of the annual concept refresh plan for Campus Dining.

CAL POLY

CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

University Store

Fiscal Year 2017-18

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BUSINESS OVERVIEW

The University Store has served the campus community since 1933, formerly as El Corral Bookstore and today as the University Store. It has two locations and employs approximately 180 part-time and student employees. It is focused on providing affordable products and services to support the educational mission of the university and its students.

Since its inception, the University Store has been a self-supporting operation. During FY 2016-17, the Corporation solicited proposals from various vendors to manage all or a portion of the University Store. After a thorough review and analysis of the proposals received, a decision was made to outsource University Store operations. Beginning July 1, 2017, the following three University Store operations will be managed by Follett Higher Education Group (Follett):

The University Store - Located on campus, the University Store offers textbooks, technology, and academic supplies at affordable prices. It is a certified Apple retailer and has Apple-certified Mac technicians on the premises. The University Store also offers Cal Poly branded apparel and gifts to support Mustang spirit across the Cal Poly community.

Calpolystore.com - To serve the Cal Poly community online, calpolystore.com offers Cal Poly branded apparel and gifts, Cal Poly food products, textbooks, supplies, and technology. It ships items to customers throughout the U.S. and overseas.

Cal Poly Downtown - Located in the center of downtown San Luis Obispo, Cal Poly Downtown has served the San Luis Obispo community since 1993. It offers Cal Poly branded apparel, gifts, Cal Poly wines and Cal Poly food products.

The agreement with Follett is a seven-year term, with three additional one-year extensions. As part of the arrangement with Follett, the Corporation will receive an annual commission based on certain sales. The commission will be used to pay for continuing expenses (i.e. rents, taxes, depreciation, and utilities) as well as contract management and other administrative support. Residual income will be used to help fund Corporation and university initiatives.

Historically, the University Store has utilized a portion of the Corporation warehouse for shipping, receiving, processing, and distribution of all items sold. The warehouse has also been responsible for returning unused or defective items back to wholesalers. The Corporation will retain control over this warehouse space. In addition, the Corporation will continue to manage the following operation:

Cal Poly Print & Copy - Located in Cal Poly's Robert E. Kennedy Library, Cal Poly Print & Copy offers a variety of print solutions. It specializes in small and large format printing to produce materials for presentations, events, and the classroom. Cal Poly Print & Copy features online ordering and flexible hours to meet campus printing needs.

2016-17 ACCOMPLISHMENTS

Installed EMV-capable pin pads: The University Store implemented new pin pads compliant with a federally mandated requirement to accept EMV (Europay, MasterCard, and Visa) chip-embedded credit cards. These new pin pads will provide additional PCI security for University Store customers.

Developed annual marketing and promotional plan: The University Store, working with the Cal Poly Corporation Marketing and Communications Department, developed a comprehensive blueprint of marketing efforts, outlining goals, target groups, and events for FY 2016-17. This marketing plan led to a more targeted, consistent, and effective program to enhance the University Store brands.

Opened a new Cal Poly Downtown store: In FY 2016-17, Cal Poly Downtown moved to a new location on lower Higuera Street. The fully-remodeled location offers an additional 1,200 square feet of retail space, increasing the store's ability to showcase Cal Poly branded food, wine, apparel, and gifts to the San Luis Obispo community and Cal Poly alumni and friends.

Request for proposal: In FY 2016-17, the Corporation solicited proposals from various vendors to manage all or a portion of the University Store. After a thorough review and analysis of the proposals received, a decision was made to outsource University Store operations. Beginning July 1, 2017, University Store operations, including Cal Poly Downtown, will be managed by Follett Higher Education Group.

2017-18 GOALS & OBJECTIVES

Transition University Store operations to Follett: The Corporation will work closely with Follett and the university to create a smooth transition of University Store operations.

Contract Management: The Corporation will manage its contract with Follett to ensure goals and objectives of the partnership are achieved.

Facilities improvement: As part of the agreement with Follett, the Corporation will work closely with Follett to identify a plan for facility improvements.

Cal Poly Print & Copy: The Corporation will change the point-of-sale system from MBS to MICROS for Cal Poly Print & Copy operations. The Corporation will ensure appropriate accounting and reporting processes are established to support operations.

Re-establish a University Store Advisory Committee: The Corporation and Follett will work with university administration to form an advisory committee of faculty, students, and staff to enhance on-campus partnerships and to gain insight and non-binding strategic advice on University Store operations.

Expand campus outreach program: The Corporation and Follett will build upon community outreach efforts previously established to cultivate relationships with faculty, staff, and student groups. Outreach efforts will include increased faculty education in regards to textbook adoption and affordability.

Package pickup and delivery: The Corporation will work with Amazon to identify space and develop mutually beneficial terms for a package pickup and delivery service on campus.

2017-18 OPERATING BUDGET PROPOSAL

UNIVERSITY STORE & CAL POLY DOWNTOWN CONSOLIDATED

(in thousands) **	Fiscal Year 2015-16 Actual	% of Sales	Fiscal Year 2016-17 Budget	% of Sales	Fiscal Year 2016-17 Estimate*	% of Sales	Fiscal Year 2017-18 Budget Proposal	% of Sales	2017-18 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$12,992	100%	$12,848	100%	$12,037	100%	-	0%	$(12,037)	(100%)
Cost of Goods Sold	8,720	67%	8,419	66%	8,072	67%	-	0%	8,072	100%
Gross Margin	**4,272**	**33%**	**4,429**	**34%**	**3,965**	**33%**	**-**	**0%**	**(3,965)**	**(100%)**
Other Revenues	323	2%	329	3%	332	3%	1,931	0%	1,599	482%
Income Before Operations	**4,595**	**35%**	**4,758**	**37%**	**4,297**	**36%**	**1,931**	**0%**	**(2,366)**	**(55%)**
Salaries & Wages	1,493	11%	1,580	12%	1,482	12%	-	0%	1,482	100%
Benefits	475	4%	509	4%	453	4%	-	0%	453	100%
Total Payroll Expense	**1,968**	**15%**	**2,089**	**16%**	**1,935**	**16%**	**-**	**0%**	**1,935**	**100%**
Depreciation & Amortization	111	1%	115	1%	107	1%	76	0%	32	30%
Rent / Lease Expense	194	1%	254	2%	265	2%	217	0%	48	18%
CPC Administrative Assessment	660	5%	607	5%	607	5%	750	0%	(143)	(23%)
CPC Allocated Services	255	2%	240	2%	234	2%	8	0%	227	97%
Other Operating Expenses	742	6%	883	7%	690	6%	82	0%	609	88%
Total Operating Expenses	**1,961**	**15%**	**2,100**	**16%**	**1,905**	**16%**	**1,132**	**0%**	**773**	**41%**
Total Expenses	**3,929**	**30%**	**4,189**	**33%**	**3,840**	**32%**	**1,132**	**0%**	**2,708**	**71%**
Net from Operations	**666**	**5%**	**569**	**4%**	**457**	**4%**	**799**	**0%**	**342**	**75%**
Other Income (Expense)	45	0%	-	0%	(150)	(1%)	(14)	0%	136	91%
University Services	(252)	(2%)	(300)	(2%)	(300)	(2%)	(294)	0%	6	2%
Total Other Income (Expense)	**(207)**	**(2%)**	**(300)**	**(2%)**	**(450)**	**(4%)**	**(308)**	**0%**	**142**	**32%**
Transfers In (Out)	**1,253**	**10%**	**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**0%**
Change in Net Position	**$1,713**	**13%**	**$269**	**2%**	**$7**	**0%**	**$491**	**0%**	**$484**	**7290%**
Noncash transactions (add back):										
Depreciation & Amortization	111	1%	115	1%	107	1%	76	0%	32	30%
Other Expense	-	0%	-	0%	150	1%	14	0%	136	91%
Adjusted Change in Net Position	**$1,823**	**14%**	**$384**	**3%**	**$264**	**2%**	**$580**	**0%**	**$316**	**120%**

* Estimate based on nine months actual and three months estimate
** Columns may not foot due to rounding
*** Amounts above exclude the activities of Cal Poly Print & Copy

CAL POLY PRINT & COPY

(in thousands) **	Fiscal Year 2015-16 Actual	% of Sales	Fiscal Year 2016-17 Budget	% of Sales	Fiscal Year 2016-17 Estimate*	% of Sales	Fiscal Year 2017-18 Budget Proposal	% of Sales	2017-18 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$380	100%	$355	100%	$346	100%	$346	100%	$0	0%
Cost of Goods Sold	38	10%	47	13%	50	14%	46	13%	4	8%
Gross Margin	**342**	**90%**	**308**	**87%**	**296**	**86%**	**300**	**87%**	**4**	**1%**
Other Revenues	7	2%	8	2%	17	5%	13	4%	(5)	(27%)
Income Before Operations	**349**	**92%**	**315**	**89%**	**313**	**91%**	**312**	**90%**	**(1)**	**0%**
Salaries & Wages	124	33%	124	35%	119	34%	127	37%	(8)	(6%)
Benefits	44	12%	44	12%	45	13%	47	14%	(2)	(4%)
Total Payroll Expense	**169**	**44%**	**168**	**47%**	**164**	**47%**	**173**	**50%**	**(10)**	**(6%)**
Depreciation & Amortization	7	2%	6	2%	6	2%	5	1%	1	15%
Rent / Lease Expense	3	1%	4	1%	3	1%	1	0%	2	75%
CPC Administrative Assessment	-	0%	-	0%	-	0%	18	5%	(18)	(100%)
Other Operating Expenses	84	22%	95	27%	96	28%	100	29%	(4)	(4%)
Total Operating Expenses	**94**	**25%**	**105**	**30%**	**105**	**30%**	**125**	**36%**	**(20)**	**(19%)**
Total Expenses	**263**	**69%**	**273**	**77%**	**269**	**78%**	**298**	**86%**	**(29)**	**(11%)**
Net from Operations	**87**	**23%**	**42**	**12%**	**44**	**13%**	**14**	**4%**	**(30)**	**(68%)**
Other Income (Expense)	(10)	(3%)	-	0%	(3)	(1%)	-	0%	3	100%
Total Other Income (Expense)	**(10)**	**(3%)**	**-**	**0%**	**(3)**	**(1%)**	**-**	**0%**	**3**	**100%**
Change in Net Position	**$77**	**20%**	**$42**	**12%**	**$42**	**12%**	**$14**	**4%**	**$(27)**	**(66%)**
Noncash transactions (add back):										
Depreciation & Amortization	7	2%	6	2%	6	2%	5	1%	1	15%
Adjusted Change in Net Position	**$84**	**22%**	**$48**	**14%**	**$48**	**14%**	**$19**	**6%**	**$(28)**	**(59%)**

* Estimate based on nine months actual and three months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

The University Store and Cal Poly Downtown project to end FY 2016-17 approximately 6% below sales budget goals. Courseware sales have declined due to a variety of factors including lower demand associated with a smaller freshman class than anticipated. In addition, tech hardware sales, which can be difficult to predict because they are largely based on purchases from university departments, are under budget as department purchases have been down this year. Sales for Cal Poly Print & Copy are projected to end FY 2016-17 approximately 3% below sales budget goals, largely the result of a decrease in digital color income.

FY 2017-18 other revenues from University Store and Cal Poly Downtown represent commission payments expected from Follett. Sales and gross margin at Cal Poly Print & Copy for FY 2017-18 are expected to remain relatively consistent with FY 2016-17.

Payroll expenses for University Store and Cal Poly Downtown operations are estimated to end FY 2016-17 approximately 7% below budget, due to position vacancies in administration and loss prevention, as well as vacancies in student employee and certain intermittent employee positions. Payroll expenses for Cal Poly Print & Copy are projected to end FY 2016-17 approximately 3% below budget, largely the result of a decrease in intermittent wages. Payroll expense for FY 2017-18 for Cal Poly Print & Copy reflects a 5% merit pool for full-time employees, an increase in the minimum wage for student and part-time employees in January 2018, and a slightly lower overall fringe benefit rate.

Operating expenses for University Store and Cal Poly Downtown operations in FY 2016-17 are expected to be approximately 9% below budget. Certain operating expenditures have been postponed or delayed as a result of the transition to Follett for FY 2017-18. Operating expenses for Cal Poly Print & Copy in FY 2016-17 are consistent with the budget.

For FY 2017-18, operating expenses for University Store and Cal Poly Downtown represent continuing direct expenses (i.e. rents, taxes, depreciation and utilities) as well as contract management support. Operating expenses for FY 2017-18 also includes support for ongoing Corporation administration operations. Operating expenses for Cal Poly Print & Copy in FY 2017-18 are expected to increase 19%, which primarily relates to administrative charges for new operating support provided by Corporation General Administration.

Other expense for FY 2016-17 for University Store and Cal Poly Downtown includes a $150,000 provision for the loss on the sale of certain inventory to Follett upon transition. Other expense for FY 2017-18 also funding for University Services.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2015 Reserve Balance	$1,123,250	$7,108,589	$401,721	$63,110	$8,696,670
FY 2015-16 Net to Reserves	1,740,081	(1,253,042)	(46,914)	96,398	536,523
June 30, 2016 Reserve Balance	2,863,331	5,855,547	354,807	159,508	9,233,193
FY 2016-17 Net to Reserves (estimate)	(1,513,750)	1,461,276	160,196	(59,508)	48,214
June 30, 2017 Reserve Balance (estimate)	1,349,581	7,316,823	515,003	25,000	9,206,407
FY 2017-18 Net to Reserves (budget)	40,487	559,176	(94,694)	0	504,969
June 30, 2018 Reserve Balance (budget)	**$1,390,068**	**$7,875,999**	**$420,309**	**$25,000**	**$9,711,376**

The University Store maintains four separate reserves for designated purposes:

Operating Reserves represents working capital held for contingencies and continuing operations. Prior to June 30, 2017, the reserve balance was equal to the greater of (1) 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense) or (2) the average month-end working capital balance over the previously completed fiscal year. The reserve balance for June 30, 2017 (estimate) and June 30, 2018 (budget) is equal to 100% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense), which reflects the change in business model effective July 1, 2017.

Facilities Reserves represent the University Store’s accumulated earnings after all other reserve requirements have been met. These funds will be used for future construction, renovation, or replacement of University Store facilities. These funds are transferred to the Plant Fund on an annual basis.

Investment in Operating Assets for June 30, 2017 (estimate) and June 30, 2018 (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 2017-18.