CONSOLIDATED OPERATING BUDGET
For the period ending June 30, 2023
(in thousands)

	ACTUAL FISCAL YEAR 2020-21 RESULTS			PROJECTED FISCAL YEAR 2021-22 RESULTS			BUDGETED FISCAL YEAR 2022-23 RESULTS			*PROJ 22 vs BUD 23 VARIANCE*	
	Core Operations	University Programs	**Corporation Total**	Core Operations	University Programs	**Corporation Total**	Core Operations	University Programs	**Corporation Total**	*$*	*%*
										Favorable / (Unfavorable)	
Revenues											
Sales	17,212	5,574	**22,786**	32,104	5,925	**38,029**	37,671	6,749	**44,420**	*6,391*	*17%*
Assessments	3,403	-	**3,403**	3,819	-	**3,819**	3,887	-	**3,887**	*68*	*2%*
Fees for Service	628	226	**854**	758	198	**956**	747	198	**945**	*(11)*	*-1%*
Rental Income	417	533	**950**	399	501	**900**	415	602	**1,017**	*117*	*13%*
Gifts	-	272	**272**	-	308	**308**	-	402	**402**	*94*	*31%*
Other Revenues	2,658	1,555	**4,213**	4,221	2,358	**6,579**	3,868	2,276	**6,144**	*(435)*	*-7%*
Total Revenues	24,318	8,160	**32,478**	41,301	9,290	**50,591**	46,588	10,227	**56,815**	*6,224*	*12%*
Expenses											
Cost of Sales	6,076	1,442	**7,518**	11,523	1,418	**12,941**	12,989	1,423	**14,412**	*(1,471)*	*-11%*
Payroll Expenses	12,714	2,764	**15,478**	15,568	3,157	**18,725**	17,838	3,546	**21,384**	*(2,659)*	*-14%*
Operating Expenses	10,544	5,759	**16,303**	12,904	6,466	**19,370**	13,547	6,507	**20,054**	*(684)*	*-4%*
Total Expenses	29,334	9,965	**39,299**	39,995	11,041	**51,036**	44,374	11,476	**55,850**	*(4,814)*	*-9%*
Net Operating Income (Loss)	(5,016)	(1,805)	**(6,821)**	1,306	(1,751)	**(445)**	2,214	(1,249)	**965**	*1,410*	*317%*
Other Income (Expense)											
Transfers (To) / From **	(198)	147	**(51)**	(596)	1,437	**841**	(620)	1,664	**1,044**	*203*	*24%*
University Services	(496)	-	**(496)**	(500)	-	**(500)**	(1,125)	-	**(1,125)**	*(625)*	*-125%*
Investment Income *	1,478	-	**1,478**	1,530	-	**1,530**	1,460	-	**1,460**	*(70)*	*-5%*
Interest Expense	(998)	(87)	**(1,085)**	(1,342)	(83)	**(1,425)**	(1,365)	(78)	**(1,443)**	*(18)*	*-1%*
Other Income (Expense)	19	(61)	**(42)**	511	292	**803**	545	230	**775**	*(28)*	*-3%*
Total Other Income (Expense)	(195)	(1)	**(196)**	(397)	1,646	**1,249**	(1,105)	1,816	**711**	*(538)*	*-43%*
Net to (from) Reserves	(5,211)	(1,806)	**(7,017)**	909	(105)	**804**	1,109	567	**1,676**	*872*	*-108%*

* *Due to the unpredictable nature of investments, market value gains (losses) are not included in this presentation.*
** *Transfers (To) / From the Plant Fund are excluded for purposes of this presentation.*

CORE-BUSINESS CONSOLIDATING OPERATING BUDGET PROPOSAL

For the period ending June 30, 2023

(in thousands)

	General Administration	Investment Fund*	University Store Contract	Cal Poly Print & Copy	Campus Dining	Plant Operations	Conference and Event Planning	BUDGET 2022-23 TOTAL
Revenues								
Sales	-	-	60	287	36,361	-	963	**37,671**
Assessments	3,887	-	-	-	-	-	-	**3,887**
Fees for Service	747	-	-	-	-	-	-	**747**
Rental Income	-					415		**415**
Other Revenues	1,061	-	1,377	-	849	12	569	**3,868**
Total Revenues	5,695	-	1,437	287	37,210	427	1,532	**46,588**
Expenses								
Cost of Sales	-	-	40	67	12,882	-	-	**12,989**
Payroll Expenses	4,992	-	-	134	11,987	-	725	**17,838**
Operating Expenses	1,434	551	977	73	9,456	411	645	**13,547**
Total Expenses	6,426	551	1,017	274	34,325	411	1,370	**44,374**
Net Operating Income (Loss)	(731)	(551)	420	13	2,885	16	162	**2,214**
Other Income (Expense)								
Transfers (To) / From	808	(808)	-	-	(620)	-	-	**(620)**
University Services	-	(27)	(322)	(3)	(742)	-	(31)	**(1,125)**
Investment Income	-	1,460	-	-	-	-	-	**1,460**
Interest Expense	-	-	-	-	(1,365)	-	-	**(1,365)**
Other Income (Expense)	-	-	-	-	545	-	-	**545**
Total Other Income (Expense)	808	625	(322)	(3)	(2,182)	-	(31)	**(1,105)**
Net to (from) Reserves	77	74	98	10	703	16	131	**1,109**

* *Due to the unpredictable nature of investments, the Investment Fund budget is not approved by the Board but is provided for informational purposes and analysis only.*

** *Columns may not tie to individual department budget due to rounding.*

UNIVERSITY PROGRAMS CONSOLIDATING OPERATING BUDGET PROPOSAL

For the period ending June 30, 2023

(in thousands)

	University Graphic Systems	Cal Poly Arts	Sponsored Programs Admin	Swanton Pacific Ranch	Commercial Ag Operations	Technology Park	BUDGET 2022-23 TOTAL
Revenues							
Sales	92	1,173	-	96	5,388	-	**6,749**
Fees for Service	-		198	-	-	-	**198**
Rental Income			-	77	-	525	**602**
Contract & Grant IDC Income			-				**-**
Gifts	-	402	-	-	-	-	**402**
Other Revenues	-	613	315	607	729	12	**2,276**
Total Revenues	92	2,188	513	780	6,117	537	**10,227**
Expenses							
Cost of Sales	35	-	-	-	1,388	-	**1,423**
Payroll Expenses	56	533	1,102	605	1,164	86	**3,546**
Operating Expenses	44	1,471	1,005	287	3,249	451	**6,507**
Total Expenses	135	2,004	2,107	892	5,801	537	**11,476**
Net Operating Income (Loss)	(43)	184	(1,594)	(112)	316	-	**(1,249)**
Other Income (Expense)							
Transfers (To) / From	-	-	1,620	-	44	-	**1,664**
Interest Expense	-	-	-	-	-	(78)	**(78)**
Other Income (Expense)	55	-	-	175	-	-	**230**
Total Other Income (Expense)	55	-	1,620	175	44	(78)	**1,816**
Net to (from) Reserves	12	184	26	63	360	(78)	**567**

* *Additional reserves exist within University Programs beyond those included in this schedule. Operating budgets are not prepared for those accounts.*

** *Columns may not tie to individual department budget due to rounding.*

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CAL POLY Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

University Graphic Systems

Fiscal Year 2022-23

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BUSINESS OVERVIEW

University Graphic Systems (UGS) is committed to learning and service. Through shared knowledge and the support of the Graphic Communication Department at Cal Poly, UGS delivers print and design services that enable its clients to move forward in their business and personal initiatives.

As a student-run enterprise, UGS values continuous learning, constructive self-criticism, continual self-improvement, integrity, relationships, mutual respect, teamwork, openness, clear communication, and personal and organizational excellence. UGS appreciates creative design, vibrant color, and understands the importance of personal customer service. It places a high value on relationships with UGS clients and has a passion for print and design. It prides itself in accomplishing any challenge and surpassing clients' expectations. It pursues the opportunity to learn and grow its skills through partnerships with corporate sponsors, the Graphic Communication Department, Cal Poly Corporation, and the Cal Poly campus.

2021-22 ACCOMPLISHMENTS

- UGS installed a new piece of equipment, the Xerox Versant 280, in September. Due to supply chain issues, final parts were received in January 2022. The new equipment comes with an Inline booklet maker, Xerox basic punch, an Envelope feeder, a Fiery Rip, Fiery Impose, Color Profiler Suite with Spectrophotometer, Free Form, and yearly User Training. A trouble shooting guide is being made to assist in handling issues as they come. This machine should improve workflow once it's fully functional and integrated into our workflow.
- UGS worked on continuing the growth of the Digital Storefront (DSF), making several more items available, like monthly promotions. UGS is solidifying Quickprint pricing and connecting the DSF to the Fiery. Hypothetically, jobs uploaded to the DSF will be directly uploaded to the Rip. It should be fully functional by the end of the term. The DSF is nearly ready to be released to the public. This will allow orders to be placed online, upload artwork for the job and provide a customer quote, giving managers more time to work on production in the back. The future of UGS lies in this website.
- The marketing managers have been able to grow UGS into a multi-platform service. Besides print, UGS now manages social media, designs graphics and logos, and maintains/develops websites. There has been an influx of users for these services who then follow through with job production.
- Now that operations are back in person, UGS is able to host in person events, like screen printing, in partnership with orientation and other campus entities. UGS plans on co-hosting a craft fair with the ASI Craft Center next quarter.
- UGS purchased a new Clover Flex device as the old Clover Mini was about to be outdated. The new Clover Flex has mobile features and can be used at events and boothing. Being able to accept card payments during these events has increased event attendance and as a byproduct, event sales.
- UGS updated the Standard Operating Procedures (SOPs) for the bindery equipment. New ways were identified to foil and bind using a hard cover for small run projects to make it more accessible for sales purposes.
- UGS updated the Trello cards to improve workflow and automation, as well as the estimating sheets for Commercial, Quickprint, and Specialty to improve consistency and profit. After evaluation, common consensus determined that UGS's prices should be increased before next year's team takes over.
- UGS was added as a registered vendor to Cal Poly's database for printing. An increase in print revenue is expected as a result.
- UGS partnered with an on-campus start-up, PolyPie, to create a machine learning application for customer service. It will help with the customer experience and assist with sales, making the managers more available for production effort.
- UGS worked closely with the UGS Advisory Board to increase opportunities for industry insight and donations. Partnerships from the Board have allowed UGS to outsource some of the large volume jobs. A partnership portfolio has been made to reference in the future.

2022-23 GOALS & OBJECTIVES

Continue to Expand Community Outreach:

Continuing off the previous team's efforts, UGS has budgeted for $1,500 in event income, as we will continue to hold more in person events on campus for student outreach and involvement. Events like screen-printing workshops and a continuation of UGS's partnership with ASI for the upcoming craft fair will bring in more revenue for UGS. Another method of outreach we wish to further expand is our Instagram and social media presence.

Continue Expanding Digital Printing Services:

If possible, UGS would like to continue to make the digital storefront more accessible by adding a pay option to the website. UGS will continue to work with and improve the services of the digital storefront in the upcoming year to streamline quick print services for clientele. With our new advisor our goal is to streamline workflow processes which may incur costs if new software is needed.

More focus on Expanding Specialty Services:

UGS plans to increase specialty sales by expanding its outreach to other on-campus organizations. Account Managers will promote these services and acquire new clients and customers once established.

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

UGS has always been a continuous supporter and resource to the Graphic Communication Department. In the past year, UGS has offered it services and materials to students and professors alike in the department, ranging from mounting boards to specified paper for a book design class. UGS is a case study to find improvements and reduce waste and creates an internship-like experience in the form of a class. We plan to continue to increase our services to the various clubs and research groups under the Graphic Communication Department.

Continue to cultivate UGS' relationship with Cal Poly Corporation:

UGS will continue to have regular meetings with the Corporation in order to ensure proper and accurate finances are maintained. In addition, UGS will continue efforts to maintain an accurate job log and ensure we properly account for payments on all jobs.

Continue working closely with UGS Advisory Board:

UGS maintains several connections with industry representatives who sit on the UGS Advisory Board. UGS aims to continue the use of this board to provide insight to new technologies, practices in the industry, and advise on new process implementation. This board also provides opportunities for UGS to receive monetary and equipment donations and sponsorships for managers to attend industry conferences and trade shows.

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	Fiscal Year 2021-22 Budget	Fiscal Year 2021-22 Estimate*	Fiscal Year 2022-23 Budget Proposal	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$58	$110	$58	$92	$34	58%
Cost of Goods Sold	22	42	23	35	(12)	(55%)
Gross Margin	35	67	35	56	21	61%
Salaries & Wages	47	55	55	53	2	4%
Benefits	2	3	3	3	(0)	(2%)
Total Payroll Expense	48	58	58	56	2	4%
General Maintenance	3	4	-	4	(4)	(100%)
Supplies & Equipment	20	6	5	4	1	25%
Rent / Lease Expense	13	16	16	16	-	0%
CPC Administrative Services	18	16	16	16	-	0%
Other Operating Expenses	3	9	6	5	1	15%
Total Operating Expenses	58	51	43	44	(2)	(4%)
Total Expenses	106	109	101	100	1	1%
Net from Operations	(70)	(42)	(65)	(43)	22	34%
Other Income (Expense)	39	42	51	55	4	8%
Total Other Income (Expense)	39	42	51	55	4	8%
Net to Reserves	$(32)	$0	$(14)	$12	$26	185%

* Estimate based on eight months actual and four months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Sales and Cost of Goods Sold:

Sales for FY 2021-22 are expected to end below budget primarily the result of lower than anticipated digital print sales. Sales are budgeted to increase in FY 2022-23 over the FY 2021-22 projection as UGS increases its efforts to bring digital print sales back to pre-pandemic levels.

Payroll Expenses:

Student managers are the students hired to manage the business. They receive class credit for hours worked. UGS will employ nine student managers for 44 weeks out of the year, at $15.00 an hour for the entire fiscal year. The general manager will be receiving 50¢ per hour more than the other managers the entire fiscal year.

Operating Expenses:

Operating expenses for FY 2022-23 are budgeted to increase over FY 2021-22 projection as we begin maintaining the new equipment acquired in FY 2021-22. Any new printing technology or software that may be explored and used in 2022-23 will be provided by UGS sponsors such as the Graphic Communication Advisory Board.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2020 Reserve Balance	$193,279	$193,279
FY 2020-21 Change in Reserves	(31,639)	(31,639)
June 30, 2021 Reserve Balance	161,640	161,640
FY 2021-22 Change in Reserves (estimate)	(13,924)	(13,924)
June 30, 2022 Reserve Balance (estimate)	147,716	147,716
FY 2022-23 Change in Reserves (budget)	11,884	11,884
June 30, 2023 Reserve Balance (budget)	$159,600	$159,600

Reserves represent an accumulation of prior earnings. The schedule above reflects the current balance of the reserve account and the expected changes over the current and next fiscal years. The Operating Reserve represents the portion of the net position held for contingencies and continuing operations of UGS. The total operating reserve is equal to total unrestricted net assets and may not be a negative amount.

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2022-23.

CAL POLY Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Technology Park

Fiscal Year 2022-23

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BUSINESS OVERVIEW

The Technology Park (Tech Park) is a home on campus for local technology-based businesses, particularly firms engaged in applied research and development. The main goals of the Tech Park are to:

- Increase collaboration between Cal Poly and industry and enhance the ability of tenants to draw from the expertise of university faculty and students
- Provide professional development and "Learn by Doing" opportunities for faculty and students through employment, research, and project-based activities
- Catalyze high-tech economic development for San Luis Obispo

The Tech Park was completed in June of 2010 and was financed with a mix of debt (approximately 33%) and equity (approximately 67%). The debt component ($2.8 million) is a 26-year California State University (CSU) System Wide Revenue Bond (Series 2009A). A portion of those bonds were refinanced in FY 2015-16 (Series 2016A). The building is approximately 25,000 square feet with approximately 20,000 square feet of leasable space and is located on Mount Bishop Road via Highland Drive and Highway 1, north of the campus instructional core.

There is also annex space to Tech Park, which includes two greenhouses on campus. The east and west greenhouses are located in crop science buildings 17-G and 17-H, on the corner of Highland Drive and Mount Bishop Road. They are subleased to the Applied Biotechnology Institute (ABI) and combined are approximately 1,500 square feet.

The Cal Poly Corporation (Corporation) and the office of Research, Economic Development and Graduate Education collaborate to provide administration of Tech Park operations. Currently, Jim Dunning, associate vice president of corporate engagement and innovation, monitors the day-to-day operations of the park. Dunning is the liaison between tenants and Cal Poly researchers and provides overall project management. The Corporation provides administrative support for the operations.

2021-22 ACCOMPLISHMENTS

As of April 2022, nine tenants are operating at the Tech Park, representing 100% occupancy. Tenants currently employ at least 30 full- or part-time students and have active collaborations with at least 10 faculty members from biology, crop science, food science and nutrition, chemistry and biochemistry, graphic communications, mathematics, civil and environmental engineering, computer science, and software engineering.

Over thirty companies have resided in the Tech Park since 2010, employing or providing opportunities to more than 320 students. Companies have donated labor and equipment to various departments across campus with an estimated value of approximately $2 million. Some highlights for FY 2021-22 include:

- Four new tenants were on-boarded during this fiscal year:
    - Exclusive Networks - A global cybersecurity specialist for digital infrastructure helping to drive the transition to a totally trusted digital future.
    - HaptX - A leading haptics company that brings realistic touch to virtual reality for the first time with HaptX Gloves.
    - SRI International - An independent, nonprofit research institute with a rich history of supporting government and industry.
    - Microcon - A custom software design and development business developing applications for client/server, web, and mobile platforms.

- Expansion Project: Corporation and University staff collectively worked to retain a design consultant (IBI) for the new facility. IBI, working with CPC and CPSU, developed a set of design-build documents to procure a team to complete the design and construction of the new facility (approximately 16,500 sq. ft.) in April 2022. A design-build has been selected and the campus is in the process of on-boarding the contractor to construct the facility. It is estimated that construction will start on the new facility in Spring 2023, or sooner.

- Parking Lot Improvements: This fiscal year the parking lot was resealed and repainted asphalt for the parking lot at the Tech Park building (building 83).

- Storm Water Upgrades: Costs associated with upgrades to the storm drain network servicing the Tech Park, and expansion areas, were conducted this fiscal year with the College of Agriculture overseeing these upgrades as part of the new wine and viticulture development project.

- Electronic Door Locks: Three common area door locks have been retrofitted to include electronic locking mechanisms to enable remote and timed activation of locking cores.

2022-23 GOALS & OBJECTIVES

- The Tech Park liaison will continue to make connections between the tenants and the academic community to support collaboration and information exchange. Some potential outcomes may include:
    - Company-sponsored research and student senior project support
    - Guest lectures conducted by company subject matter experts in Cal Poly classes
    - Student internships and employment opportunities
    - Cal Poly intellectual property licensing opportunities
    - Company participation in department-level industrial advisory boards
    - Companies utilizing established fee-for-service agreements for specialized laboratories and equipment

- Tech Park staff will continue to support university Facilities Planning and Capital Project teams as it relates to the design and buildout of the Tech Park expansion.

- Tech Park staff will continue to work with University leadership to secure space and programming to support a partnership with United States Geological Survey (USGS).

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	Fiscal Year 2021-22 Budget	Fiscal Year 2021-22 Estimate*	Fiscal Year 2022-23 Budget Proposal	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Rental Income	$489	$541	$451	$525	$73	16%
Gifts	65	-	-	-	-	0%
Other Revenues	9	11	11	12	1	5%
Income Before Operations	563	551	462	536	74	16%
Salaries & Wages	50	49	53	53	-	0%
Benefits	30	30	32	33	(1)	(2%)
Total Payroll Expense	80	79	85	86	(1)	(1%)
Depreciation & Amortization	326	246	243	232	11	5%
General Maintenance	47	52	50	53	(4)	(7%)
Utilities	34	38	44	47	(3)	(8%)
Supplies & Equipment	4	3	14	13	1	7%
Fees for Services	32	67	65	68	(3)	(4%)
Other Operating Expenses	60	37	31	38	(7)	(23%)
Total Operating Expenses	503	443	447	451	(5)	(1%)
Total Expenses	583	523	531	537	(6)	(1%)
Net from Operations	(20)	28	(69)	(1)	68	99%
Other Income (Expense)	(5)	-	(1)	-	1	100%
Interest Expense	(87)	(83)	(83)	(78)	5	6%
Total Other Income (Expense)	(93)	(83)	(84)	(78)	6	7%
Transfers In (Out)	25	-	-	-	-	0%
Net to Reserves	$(87)	$(55)	$(153)	$(79)	$74	48%
Noncash transactions (add back):						
Depreciation & Amortization	326	246	243	232	11	5%
Adjusted Net to Reserves	$239	$191	$89	$152	$63	71%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

This budget includes rental income and related operating expenses as well as depreciation on the Tech Park facility and related tenant improvements. Net income, excluding depreciation, is expected to be \$89,000 for FY 2021-22 and \$152,000 for FY 2022-23. Income from operations is used to service the debt on the facilities and fund reserves.

Total projected rental income for FY 2021-22 is below budget estimates due to vacancy in one of the suites in the building because of the COVID-19 pandemic, and overall reduced demand for commercial real estate. As the pandemic wanes, demand for commercial real estate has returned and the 2022-23 budget anticipates full occupancy for most of the year.

At the beginning of FY 2019-20, approximately 30% of total payroll expenses for the Tech Park manager were reflected in the Tech Park budget. During FY 2019-20, property management functions previously provided by an outside service provider were transitioned to Corporation administration. This change alleviated some of the time required of the Tech Park manager and a reduction to approximately 20% of payroll expenses occurred in FY 2021-22 and is expected to continue throughout FY 2022-23.

Operating expenses for FY 2021-22 are slightly over budget, primarily due to an increase in supplies and materials for A/C repair and installation of picnic tables. FY 2022-23 budgeted operating expenses are expected to remain consistent with projected operating expenses from FY 2021-22.

Principal and interest payments on long-term debt are approximately \$184,000 annually.

Net to reserves is negative due to depreciation expense on the Tech Park facility and related equipment and tenant improvements. Overall, Tech Park Operations are in a positive cash position and income from operations is sufficient to service the annual debt payments.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Debt Service Reserve	Capital Replacement & Renewal Reserve	Total
June 30, 2020 Reserve Balance	$240,218	$1,836,939	$283,434	$327,742	$2,688,333
FY 2020-21 Change in Reserves	36,497	(112,060)	3,302	(14,519)	(86,780)
June 30, 2021 Reserve Balance	276,715	1,724,879	286,736	313,223	2,601,553
FY 2021-22 Change in Reserves (estimate)	28,710	(103,691)	2,972	(81,348)	(153,357)
June 30, 2022 Reserve Balance (estimate)	305,425	1,621,188	289,708	231,875	2,448,196
FY 2022-23 Change in Reserves (budget)	9,163	(79,011)	2,644	(12,095)	(79,299)
June 30, 2023 Reserve Balance (budget)	$314,588	$1,542,177	$292,352	$219,780	$2,368,897

Tech Park Operations maintains four separate reserves for the following designated purposes:

Operating Reserves represents working capital held for contingencies and continuing operations for Tech Park. These reserves are calculated based on 100% of the subsequent year's budgeted operating expenses, excluding interest and depreciation expenses.

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

Investment in Operating Assets represents an investment in plant and equipment assets of the Tech Park facilities. The balance at the end of each fiscal year is equal to the cost of the operating assets, less accumulated depreciation and any debt related to those assets.

The Capital Replacement & Renewal Reserve is used to fund capital replacement and renewal of building subsystems such as roofs, electrical systems, HVAC systems, and plumbing systems. Reserve funds are accumulated based on building subsystems and components and their useful lives. Funds also may be requested from time to time for tenant improvements.

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Building 50J Addition	$50,000	30	$1,667
Total Major Capital Outlay	$50,000		$1,667
Total Capital Outlay	$50,000		$1,667
Previously Announced Capital Outlay Requests (1)			
Tech Park Expansion	$12,173,000	30	$405,767
Total Capital Outlay Request	$12,223,000		$407,433

CAPITAL OUTLAY DETAIL

Addition of Building 50J to the Tech Park building: An addition of approximately 5,000 square feet in building 50J is expected to be incorporated into Tech Park operations and is expected to generate approximately $100,000 of annual lease revenue. Total cost of the project is estimated to be $50,000, which represents building improvements to the existing space.

(1) The Capital Outlay Request below was announced to the Board of Directors at their May 31, 2019 meeting. It is repeated here for informational purposes only. No further action is required.

Tech Park Expansion: In 2018 Cal Poly applied for the Economic Development Administration's EDA-2018-Disaster funding opportunity to support the expansion of the Technology Park. In May 2019, Cal Poly received conditional approval for a cost-shared project to build an additional 30,000 square foot building adjacent to the existing Phase I Technology Park. Below is a summary of the overall approved funding model for the expansion project.

$ 6,745,200	EDA Grant of Financial Assistance
$ 4,000,000	Cal Poly Extended Education
$ 1,427,800	Cal Poly Corporation Internal Loan
$ 12,173,000	Total Estimated Project Cost

CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Swanton Pacific Ranch

Fiscal Year 2022-23

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BUSINESS OVERVIEW

The 3,280-acre Swanton Pacific Ranch (SPR or the ranch) develops exceptional leaders through interdisciplinary, whole systems thinking and Learn by Doing practice to bring about sustainable, long-term solutions to the management and stewardship of working landscapes. Primary operations include forestry, livestock, and crops enterprises associated with experiential educational activities. The director of the ranch, under the supervision of the Dean of the College of Agriculture, Food and Environmental Sciences (CAFES), is responsible for planning and overseeing operations such that they benefit, and are benefited by, educational opportunities. The director also facilitates other opportunities associated with the unique environmental and cultural setting of the ranch.

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

Education and Research Programs

Through educational programs, the ranch provides students with a variety of learning opportunities. These opportunities include internships, field trips, and short courses. There are also opportunities offered to outside groups. A primary educational focus of the ranch is resident and non-resident internships. To that end, three students were employed over the summer to assist with ranch maintenance and recovery efforts. This experiential learning will provide the necessary confidence to transition beyond the classroom into their chosen professions.

Historically, weekend field trips bring more Cal Poly students to the ranch than any other activity. Approximately 500 students from Cal Poly visited the ranch on weekend field trips in previous years with an additional 200-plus students and professionals visiting from other universities and organizations. Unfortunately, primarily due to the fire, field trip numbers for the year were roughly half of historic levels. These historic use levels have not been attained in the previous two years. However, the ranch did host over 22 different research projects involving 84 students, 21 different faculty members, several industry practitioners, and totaling nearly $10 million in grant fundingweekend field trips bring more Cal Poly students to the ranch than any other activity. Approximately 500 students from Cal Poly visited the ranch on weekend field trips in previous years with an additional 200-plus students and professionals visiting from other universities and organizations. Unfortunately, primarily due to the fire, field trip numbers for the year were roughly half of historic levels. These historic use levels have not been attained in the previous two years. However, the ranch did host over 22 different research projects involving 84 students, 21 different faculty members, several industry practitioners, and totaling nearly $10 million in grant funding.

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

Forestry Management Operations

Forestry operations are ongoing at the ranch and continue to provide revenue and a variety of educational opportunities to Cal Poly students. Historically, the revenue from timber harvests has been used to supplement the ranch operating budget and to upgrade road infrastructure. The sale of the Valencia property in March of 2019, which contributed significant timber revenue to the operating budget, has resulted in a significant long-term reduction in revenue, which over a 25-year period had averaged $187,000 per year.

Livestock Management Operations

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

Stocker Cattle Program - The stocker cattle program has been a critical component of the goal of providing educational research opportunities while maintaining productive and sustainable rangeland. The program has included the management of approximately 300 stocker cattle, depending on current conditions and the contract with the lessee. The lease is based on a price per pound of weight gain. These efforts have helped in meeting operational goals for promoting perennial grass establishment and fire protection. The enterprise class typically involves 12 to 18 CAFES students. The experience created for students is enhanced through the balance of educational and work activities during winter and spring quarters. There was not a stocker enterprise in 2022 due to extensive fence and water system damage resulting from the fire.

Cow/Calf Program - Historically, the resident herd produced approximately 20 calves each spring. Some calves, heifers, and cull cows were sold each year while some calves were retained or used as replacement for those animals harvested for the Natural Beef Enterprise. The entire herd was sold in late summer and fall 2020 due to the destruction of fence and water infrastructure caused by the fire and has not yet been reestablished.

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

Crops Management Operations

Organic Farming Lease - The The primary crop operation on the ranch is the lease of 65 acres of prime agricultural land to Jacobs Farm/Del Cabo, Inc., one of the country's largest growers of organic culinary herbs. Depending on conditions and annual rotation of crops, the company also grows strawberries, dryland-farmed tomatoes, and acorn squash. This agreement offers unique production-scale organic operations, and the lease provides added, reliable income to support the ranch. The land lease operation and rent are negotiated every five years based on operational considerations and a market analysis.

Apple Orchard - The organic apple orchard, operated by the ranch, includes more than 12 varieties of dwarf apple trees. The ranch has increased the size of the orchard by 300 trees. Immature trees are a year or two from producing. The orchard is run primarily as a U-pick operation. The mature producing trees bring in an average annual revenue of $30,000. Though the orchard was open to the public in 2021,revenues were roughly 35% of the historic average. We look forward to increasing orchard revenues in 2022 through increased student participation, public awareness, and sales.

Capital Projects

Prior to the fire, three strategic capital projects were underway: the continuing development of the Swanton Pacific Ranch Education Center and Field Camp (SPECFC), the Water System Infrastructure Project, and the Employee Housing Project (EHP). Existing buildings that were to be part of the SPECFC were destroyed. In addition, there was $1.5 million invested in utility upgrades to water and power systems which will be evaluated over the next year for damage.

Swanton Pacific Ranch is currently working with stakeholders to establish a reconstruction plan. While the impacts of the fire were heartbreaking, it has offered flexibility, resources, and opportunity to envision a future that wouldn't have been considered previously. This is an exciting time to be a part of Learn by Doing at SPR!

2021-22 ACCOMPLISHMENTS

Large strides forward have been made in managing the aftermath of the 2020 CZU Lightning Complex Fire. Current insurance claim estimates for reconstruction total $35 million, and uninsured recovery costs eligible for partial FEMA reimbursement are estimated at $10 million. Arriving at these estimates has been a marathon of relatively quiet background work completed by a dedicated team of staff, faculty, consultants, students, industry partners, insurance adjusters and public assistance specialists.

Other accomplishment for the year include the following:

- Nearly $10.5 million in grant funding was awarded for projects located at or administered by Swanton Pacific Ranch
- Activate the Swanton Pacific Ranch Advisory Council through regular interaction to advise on key strategic direction with management and programming decisions.
- Establishing a revised internship program for selected students to spend the Spring and Summer Quarters onsite in-residence attaining strategic learning objectives while contributing to ranch maintenance and activities.
- The ranch operated efficiently using funds made available through endowment interest payout, income earned from operations, facility use fees, and grants. Strategic budgeting decisions have been made to ensure we operate within our available budget.
- The education and research manager continues to engage students and faculty to facilitate various educational and research initiatives. While the fire has posed significant challenges, it has also provided cross disciplinary opportunities for student learning and research. Extra efforts have been made to identify and take advantage of those unique situations.

2022-23 GOALS & OBJECTIVES

Overall Ranch Goals

- Continue to support and provide educational and research opportunities pertaining to natural resources and land management through various programs and in collaboration with campus partners.
- Develop budget strategies for sustaining operations and educational programs, by analyzing funding alternatives which include advancement strategies.
- Complete strategic visioning process and initiate master plan development.
- Review and revise advancement plan in anticipation of launching a capital campaign.
- Increase overall Cal Poly student awareness of the ranch's educational opportunities and operations.
- Maintain existing utilization of the ranch by CAFES and other Cal Poly colleges; expand if feasible given funding and staffing.
- Increase exposure of the ranch through professional meetings and conferences.
- Continue maintaining and upgrading existing ranch facilities.
- Engage newly established Swanton Pacific Ranch Advisory Council in strategic planning efforts and program development.
- Conduct Advisory Council meeting and define goals and roles.

Forestry

- Complete planning and initiate a hazard tree removal program.
- Update and manage the Continuous Forest Inventory as part of student learning at SPR.
- Repair road damage along forest roads.
- Review Forest Stewardship Council (FSC) accreditation and explore opportunities for a more mutually beneficial relationship with FSC.
- Pursue educational, research, and demonstration opportunities with Cal Poly faculty and other collaborators.
- Establish and foster cooperative role with new NRES silviculture professor.
- Maintain, revise and/or develop programs to align with the new master plan once finalized.

Livestock

- Install and maintain rangeland infrastructure that supports livestock operations such as fencing, water system, and ranch roads.
- Monitor rangeland indicators of condition and health.
- Monitor water use and improve conservation measures.
- Pursue avenues to attract rangeland research or demonstration through Rangeland Monitoring Group.
- Maintain, revise and/or develop programs to align with the new master plan once finalized.

Crops

- Work with Jacobs Farm/Del Cabo Farm to identify water quality solutions, water use accountability, soil health projects, and student opportunities.
- Operate organic apple orchard and sell apples through U-pick venue.
- Pursue Campus Dining collaborations.
- Pursue educational, research and demonstration opportunities.
- Maintain, revise and/or develop programs to align with the new master plan once finalized.

Facility Projects

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

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	Fiscal Year 2021-22 Budget	Fiscal Year 2021-22 Estimate*	Fiscal Year 2022-23 Budget Proposal	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$106	$123	$11	$96	$85	743%
Cost of Goods Sold	29	11	-	-	-	0%
Gross Margin	76	112	11	96	85	743%
Rental Income	44	77	50	77	27	53%
Other Revenues	613	608	610	607	(3)	0%
Income Before Operations	734	798	672	780	109	16%
Salaries & Wages	446	444	363	382	(18)	(5%)
Benefits	248	250	201	223	(22)	(11%)
Total Payroll Expense	694	694	564	605	(41)	(7%)
Depreciation & Amortization	114	115	31	30	1	2%
General Maintenance	27	67	52	59	(7)	(14%)
Utilities	24	33	26	30	(4)	(17%)
Supplies & Equipment	79	46	34	35	(2)	(5%)
Taxes / Insurance	(2)	14	14	18	(4)	(25%)
CPC Administrative Services	36	39	39	39	-	0%
Livestock / Feed Expense	8	0	1	-	1	100%
University Cost Allocation	18	33	33	9	24	73%
Other Operating Expenses	80	77	77	66	11	14%
Total Operating Expenses	384	425	307	287	19	6%
Total Expenses	1,079	1,120	871	892	(21)	(2%)
Net from Operations	(345)	(322)	(199)	(112)	87	44%
Other Income (Expense)	(101)	175	215	175	(40)	(19%)
Total Other Income (Expense)	(101)	175	215	175	(40)	(19%)
Transfers In (Out)	64	-	-	-	-	0%
Net to Reserves	$(383)	$(147)	$16	$63	$47	294%
Noncash transactions (add-back):						
Depreciation & Amortization	114	115	31	30	1	2%
Other Expense	356	-	-	-	-	0%
Adjusted Net to Reserves	$88	$(32)	$47	$93	$47	99%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

The budget for FY 2022-23 includes a number of baseline assumptions described in further detail below. Any changes to these assumptions could result in unforeseen changes or alterations to this budget. The budget for FY 2022-23 assumes insurance proceeds will be received to cover a portion of lost revenues in the current and previous years due to fire impacts. The budget does not include restoration expenses covered by insurance and FEMA.

Income Before Operations for FY 2021-22 is projected to end approximately $176,000 less than average of pre-fire years. Sales were less due to significant business interruptions caused by the fire. Lost orchard revenues were estimated to be approximately $20,000. Another $28,000 in stocker cattle lease income was lost. Natural beef sales for FY 2021-22 were approximately $2,000, as opposed to averages of more than $20,000 before the fire.

Ranch operations for FY 2022-23 will continue with the following assumptions: the Jacobs Farm/Del Cabo lease will continue, natural beef sales will be reduced, and livestock operations and forestry operations will continue to be on hold. Total Jacobs Farm/Del Cabo lease income is expected to be approximately $42,000. It is anticipated that insurance proceeds will cover lost revenues related business interruption caused by the fire, including $28,000 for the stocker cattle lease, $23,500 for grass-fed beef sales, and $30,000 related to livestock sales.

In FY 2022-23, the primary source of income to fund ranch operations will come from the Al Smith Endowment. The contribution directed to ranch operations last year was $600,000.

FY 2022-23 Payroll Expense is budgeted to be approximately $41,000 more than the FY 2021-22 budget; the increase is, in part, due to raises for staff, who have not seen a raise in the past two years.

FY 2021-22 Operating Expenses are projected to be approximately $307,000 or 28% below budget. For FY 2022-23, operating expenses are budgeted to be approximately $287,000. The decrease in operating expenses is primarily the result of a reduction in the University indirect cost allocation charged to Swanton.

FY 2021-22 Other Income (Expense) includes a $215,000 cash transfer to support Ranch operations from the Swanton endowment payout and supporting funds from CAFES. A similar transfer of $175,000 is included in the fiscal year 2022-23 budget.

For FY 2021-22, the projected Net to Reserves of approximately $16,000 includes non-cash depreciation expenses of $31,000. Excluding depreciation, the FY 2021-22 net to reserves is projected to be $47,000. Operating reserves are projected to remain positive through FY 2022-23.

The goal is to remain in an efficient mode of operation while preserving necessary operational support and to begin taking advantage of new opportunities. The ranch also plans to continue outreach efforts to establish new university-wide educational opportunities. New relationships are being established with faculty throughout the university, which will lead to newly established internships, special projects, and interdisciplinary solutions. Any of these new commitments will be self-supported. It is important to note that the internship program remains viable and close to self-supporting while significantly addressing work tasks related to operations and toward fulfilling grant obligations. Increasingly, the ranch has been approaching private donors, industry, and foundations for funding support for internships and apprentices. Grant and donor sources are also critical to supporting internships and supporting other student work experiences. Establishing new connections is a critical means of achieving these goals.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2020 Reserve Balance	$69,176	$2,926,824	$2,996,000
FY 2020-21 Change in Reserves	(102,714)	(279,904)	(382,618)
June 30, 2021 Reserve Balance	(33,538)	2,646,920	2,613,382
FY 2021-22 Change in Reserves (estimate)	46,727	(30,667)	16,060
June 30, 2022 Reserve Balance (estimate)	13,189	2,616,253	2,629,442
FY 2022-23 Change in Reserves (budget)	93,445	(30,160)	63,285
June 30, 2023 Reserve Balance (budget)	$106,634	$2,586,093	$2,692,727

The schedule above reflects the current balances of the reserve accounts and the expected changes over the current and next fiscal years. Reserves represent an accumulation of prior earnings and are separated into the following categories:

The Operating Reserve represents the portion of net position held for contingencies and continuing operations of Swanton. The total Operating Reserve shall equal total unrestricted net assets less capital outlay reserves and may not be a negative amount.

Investment in Operating Assets represents investment in the plant and equipment assets of Swanton. The balance at the end of each fiscal year is equal to the cost of the operating assets, less accumulated depreciation and any debt related to those assets.

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

CAPITAL OUTLAY REQUEST

Capital outlays for facility and infrastructure improvements are contingent on an influx of outside funds. There are no capital outlay requests being submitted for FY 2022-23 at this time. Requests may be made if alternative funding is attained.

CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Plant Operations

Fiscal Year 2022-23

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BUSINESS OVERVIEW

Plant Operations serve to support the Corporation's vision of providing facilities and services that support the educational mission of the university. Activities of Plant Operations include the acquisition, construction, expansion, maintenance and operation of Corporation-managed facilities. Occupants of these facilities provide rent for their usage. Rental charges are designed to fund ongoing Plant Operations and realize net-to-reserves sufficient to cover future maintenance, repair, renovation and replacement of these assets.

Included in this budget are the following Corporation-managed facilities:

Corporation Administration Building – In 1989, the Corporation completed the construction of its administration building (building 15). This building is considered the Corporation business office and hosts all of the major activities of General Administration, including the executive office, business and finance, human resources, legal and facilities, information technology, the Corporation board room and the staff training facility.

Corporation Warehouse – Also in 1989, the Corporation completed the construction of a warehouse (building 82). Historically, this building has provided additional storage space for Campus Dining and University Store operations. Effective July 1, 2017, the Corporation executed a contract with Follett Higher Education Group to operate its campus bookstore. Follett declined using the warehouse, which resulted in a decision to release control of that portion of the warehouse, previously by the University Store, back to the University. In addition, University Distribution Services occupies a portion of the building for their respective warehousing needs.

Bella Montaña – This residential housing community was originally designed and constructed under the management of Cal Poly Housing Corporation (CPHC) with funding provided by the Corporation. Its purpose is to provide affordable housing for Cal Poly faculty and staff. In February of 2012, the Corporation accepted all of the assets, liabilities, and activities of CPHC. Ground subleases are executed between the Corporation and individual homeowners. Ground subleases are maintained by Corporation administration, including the collection of ground rents.

Since 2012, eleven units previously owned by CPHC have been sold by the Corporation. Proceeds from these sales were used to repay the Corporation for original funding provided. As of October 2021, the Corporation owns three condominiums within Bella Montaña. One condominium is available for corporate transitional housing, one unit is rented to Cal Poly faculty and staff, and one unit is held on behalf of the Orfalea College of Business (OCOB) for visiting lecturers and faculty. Operating expenses for this unit are funded by Cal Poly Foundation gift funds and endowment payouts.

Grand Avenue – In December of 2013, the Corporation purchased four houses on Grand Avenue at Slack Street. These transactions were considered a strategic opportunity to purchase property right at the entrance to the campus. The properties were placed in service during FY 2014-15 and are subject to a lease, which had an initial term though June 2018, but has been extended through June 2025.

2021-22 ACCOMPLISHMENTS

- Corporation-owned Bella Montaña units were rented for the majority of the fiscal year.
- Completed the sale of Corporation-owned Bella Montaña unit 555-B.
- The Grand Avenue properties were rented for the entire fiscal-year subject to a lease with the SLO Classical Academy. The lease was extended for another three years effective July 1, 2022.
- Completed the remodel of the new breakroom in building 15.
- Completed the modifications to the Machine Shop in building 70E.

2022-23 GOALS & OBJECTIVES

- Continue enhancing the property management function for Corporation-owned real property.
- Complete the Warehouse modifications as part of the building 19 transition.
- Create a flexible work model to optimize space utilization of the Corporation Administration Building post-pandemic.
- Complete the design development phase for the faculty and staff housing project on the corner of Slack Street and Grand Avenue.

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	Fiscal Year 2021-22 Budget	Fiscal Year 2021-22 Estimate*	Fiscal Year 2022-23 Budget Proposal	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Occupancy Income	$417	$414	$399	$415	$17	4%
Other Revenues	15	12	76	12	(63)	(84%)
Income Before Operations	432	426	474	427	(47)	(10%)
Depreciation & Amortization	152	134	134	117	17	13%
General Maintenance	39	50	37	54	(16)	(43%)
Utilities	53	57	58	61	(4)	(6%)
Supplies & Equipment	0	-	0	-	0	0%
CPC Administrative Services	79	80	80	80	-	0%
CPC Allocated Services	46	46	40	46	(6)	(15%)
Taxes / Insurance	27	30	27	28	(1)	(4%)
Other Operating Expenses	26	25	49	24	25	50%
Total Operating Expenses	423	422	426	411	15	4%
Total Expenses	423	422	426	411	15	4%
Net from Operations	8	4	48	16	(32)	(66%)
Other Income (Expense)	(0)	-	0	-	(0)	0%
Total Other Income (Expense)	(0)	-	0	-	(0)	0%
Net to Reserves	$8	$4	$48	$16	$(32)	(66%)
Noncash transactions (add back):						
Depreciation & Amortization	152	134	134	117	17	13%
Adjusted Net to Reserves	$161	$138	$182	$133	$(49)	(27%)

* Estimate based on eight months actual and four months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Revenues

Occupancy income includes cost recovery charges to occupants of the Corporation Administration Building and the Corporation Warehouse to cover maintenance and operating expenses for those facilities, as well as build reserves for renovations and future capital outlays. FY 2021-22 projected total revenue has a favorable variance from budget of approximately $48,000, or 11% primarily resulting from the gain on sale of a unit from Bella Montana. Occupancy income includes rent revenue for Corporation-managed real property included in this budget. Total projected occupancy revenue for FY 2021-22 is projected to be approximately $16,000 under budget, primarily due to lost rental revenue from a six-month vacancy of a unit from Bella Montana. FY 2022-23 budgeted total revenue is expected to remain consistent with FY 2021-22 budget, as the Corporation does not plan to increase the cost recovery charges for the Corporation Administration Building and Corporation Warehouse and anticipates full occupancy for rented units.

Other revenues include funding received from the OCOB related to the operation and maintenance of the condo unit owned by the Corporation on the OCOB's behalf.

Expenses

Total operating expenses for FY 2021-22 are in line with budget. Total operating expenses are expected to remain consistent through FY 2022-23.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Facilities Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2020 Reserve Balance	$313,723	$2,235,534	$2,328,906	$3,615,989	$8,494,152
FY 2020-21 Change in Reserves	(25,717)	173,892	(47,031)	(92,901)	8,243
June 30, 2021 Reserve Balance	288,006	2,409,426	2,281,875	3,523,088	8,502,395
FY 2021-22 Change in Reserves (estimate)	6,074	612,147	(58,088)	(511,848)	48,285
June 30, 2022 Reserve Balance (estimate)	294,080	3,021,573	2,223,787	3,011,240	8,550,680
FY 2022-23 Change in Reserves (budget)	8,822	203,213	(78,880)	(116,956)	16,199
June 30, 2023 Reserve Balance (budget)	$302,902	$3,224,786	$2,144,907	$2,894,284	$8,566,879

Plant Operations maintains four separate reserves as follows:

The Operating Reserve represents working capital held for contingencies and continuing operations of the Bella Montaña housing units, the Grand Avenue Properties, the Corporation Warehouse, and the Corporation Administration Building. These reserves are calculated based on 100% of the subsequent year's budgeted operating expenses, excluding depreciation expense.

The Capital Replacement & Renewal Reserve is used to fund capital projects such as roof repairs, window replacement, and infrastructure upgrades. The reserve funds are accumulated based on a survey of building components and their useful life. The reserve is fully funded.

The Facilities Reserve are funds set aside for building expansion, renovation, or replacement of Corporation facilities. Facilities Reserves also include funds set aside for the purchase of Bella Montaña units, as needed, in an effort to maintain the development as a community exclusive for Cal Poly faculty and staff.

Investment in Operating Assets represents an investment in capital assets of the facilities. The balance at the end of each fiscal year is equal to the cost of these assets, less accumulated depreciation and any debt related to those assets.

CAPITAL OUTLAY REQUEST DETAIL

There are no new capital outlays requested for FY 2022-23.

CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Other Commercial Activities

Fiscal Year 2022-23

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BUSINESS OVERVIEW

Through its delegation from the university, the Cal Poly Corporation has the exclusive right and responsibility to provide a number of campus commercial and enterprise services. Those services include food services, conference and event planning services, bookstores, print services, and other retail outlets. This delegation includes the right to self-operate or contract for the services, and to appropriately manage the operation or contract in its responsibility as a self-support service to the campus community.

Budgets for food services operations and conference and event planning services are prepared separately. This budget incorporates the following other commercial activities of the Corporation:

University Store Contract (including Cal Poly Downtown) - The University Store has two physical locations, one on-campus and one in downtown San Luis Obispo, and a robust e-commerce platform. The store has been serving the campus community since 1933, offering textbooks, technology, and academic supplies, along with Cal Poly branded apparel and gifts that encourage and support the Mustang spirit both locally and across the country. The University Store is a certified Apple retailer with Apple-certified Mac technicians on the premises.

Effective July 1, 2017, the Corporation entered into a contract with Follett Higher Education Group (Follett) to operate its campus bookstore, downtown location, and e-commerce store. The agreement with Follett is a seven-year term, with three additional one-year extensions. As part of this arrangement, the Corporation receives an annual commission based on certain sales. The commission is used to pay for continuing expenses (i.e. rents, taxes, depreciation, and utilities) as well as contract management support. Residual income is used to support on-going Corporation operations and contributions to university services.

Cal Poly Print & Copy - Located in Cal Poly's Robert E. Kennedy Library, Cal Poly Print & Copy offers a variety of print solutions. Three distinct revenue streams make up the majority of its business: (1) walk-up windows primarily for students, (2) online ordering primarily for faculty and staff, and (3) the production of course packs to Follett for resale to students. The largest source of revenue comes from the work produced for faculty and staff followed closely by the production of course packs.

Cal Poly Print & Copy specializes in small and large format printing to produce materials for presentations, events, and the classroom. It features online ordering and flexible hours to meet campus printing needs.

Other Retail Outlets - From time to time, the Corporation will enter into nominal contracts with other retail providers to sell products or services for a limited time. These vendors require little setup or infrastructure. These contracts generate income to the Corporation through revenue-sharing or rent charges in exchange for allowing these vendors to do business on campus.

2021-22 ACCOMPLISHMENTS

University & Downtown Store:

- Revenue Growth: Both locations have emerged from the pandemic-repressed months with healthy sales growth. Merchandise sales in both locations are trending 13% above pre-pandemic levels, aided by the remodel in the University Store, and increased foot traffic downtown. During the pandemic, online sales surged, and customers continue to order online. Follett has a robust online marketing program, with a high return and retention rate in their customer subscription base. While courseware and supplies have not recovered fully, the aggregate performance of the operations is resulting in commissions and net to reserve results better than budget. Growth in technology products is 71% above pre-pandemic levels due to the Cal Poly Scholar program receiving funding for laptops from the HEERF/CARES Act. Cal Poly Corporation doesn't receive a commission on technology sales, but Follett does receive a small margin on these sales, helping to mitigate the losses the company incurred during the pandemic.

- Remodel: Follett considers Cal Poly a flagship store and committed over $1.5MM in funds to remodel the University Store. The remodel began June 2021 and will be complete July 2022. The interior remodel increased merchandising space and created a brighter, more inviting space to shop.

Cal Poly Print & Copy: Cal Poly Print & Copy has successfully produced 100% of all course packs for Follett on time since inception of the Follett contract.

- COVID-19 Response: Cal Poly Print & Copy was closed to walk-in business for over a year as a result of the COVID-19 pandemic. During FY 2021-22 Cal Poly Print & Copy successfully re-opened its door to walk-in business following campus safety protocols.

- Management: The store manager left Cal Poly and, following a successful recruitment, a replacement was hired. The new store supervisor comes with a breadth of experience in the print industry and knowledge of Cal Poly.

2022-23 GOALS & OBJECTIVES

University and Downtown Store:

- Re-branding: Cal Poly Corporation is partnering with Follett to re-brand the stores. After an extensive name ideation, Mustang Shop was selected as the new name for both the on-campus and downtown stores. The new name will be supported with a press release and social media throughout the entire 2022-2023 academic year.

- Remodel: With the completion of the remodel this summer, plans are in place for a grand opening event during Homecoming week. This event, along with the name change and the completion of the remodel will be publicized and supported jointly between Cal Poly Corporation and Follett.

- Revenue Growth: The 2022-23 budget assumes a 5% increase in sales and commission growth, and restores the net to reserve to pre-pandemic levels. The Corporation expects to meet or exceed this target due to the increased store traffic from the remodel, and an expected retail price increase for merchandise.

- Courseware Partnership: The Corporation is actively engaging Follett to develop a strategic plan for courseware for the University. Opportunities exist to develop a holistic approach to courseware, utilizing both open educational resources and publisher's content.

Cal Poly Print & Copy: Cal Poly Print & Copy will work to increase sales by promoting in-person traffic and focused marketing of its products and services. Outreach on campus will continue to be primarily towards the administrative staff, to further grow the business.

Library renovation collaboration: The Corporation will continue to collaborate with the university on the library renovation project, gathering information and providing input on appropriate spaces and design options for dining and retail spaces, including Cal Poly Print & Copy.

2022-23 OPERATING BUDGET PROPOSAL

UNIVERSITY STORE CONTRACT

(In thousands) **	Fiscal Year 2020 21 Actual	% of Sales	Fiscal Year 2021-22 Budget	% of Sales	Fiscal Year 2021-22 Estimate*	% of Sales	Fiscal Year 2022-23 Budget Proposal	% of Sales	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$50	100%	$47	100%	$70	100%	$60	100%	$(10)	(15%)
Cost of Goods Sold	36	72%	32	68%	48	68%	40	66%	8	17%
Gross Margin	14	28%	15	32%	22	32%	20	34%	(2)	(10%)
Other Revenues	1,012	2034%	1,084	2307%	1,313	1869%	1,377	2304%	64	5%
Income before Operations	1,026	2061%	1,099	2339%	1,335	1901%	1,397	2337%	62	5%
Depreciation & Amortization	64	128%	56	118%	56	79%	54	91%	1	2%
General Maintenance	2	5%	9	18%	14	21%	8	14%	6	43%
Rent / Lease Expense	149	300%	155	329%	166	237%	172	288%	(6)	(3%)
CPC Administrative Services	637	1280%	620	1319%	620	883%	615	1029%	5	1%
CPC Allocated Services	49	99%	47	100%	48	69%	53	88%	(4)	(9%)
Utilities	39	79%	40	85%	46	66%	47	79%	(1)	(3%)
Other Operating Expenses	34	68%	28	60%	17	24%	27	45%	(10)	(59%)
Total Operating Expenses	974	1958%	954	2031%	969	1379%	977	1635%	(9)	(1%)
Total Expenses	974	1958%	954	2031%	969	1379%	977	1635%	(9)	(1%)
Net from Operations	52	104%	145	308%	367	522%	420	703%	53	15%
Other Income (Expense)	(1)	(1%)	-	0%	41	59%	-	0%	(41)	(100%)
University Services	(147)	(295%)	(145)	(309%)	(145)	(206%)	(322)	(540%)	(178)	(122%)
Total Other Income (Expense)	(148)	(297%)	(145)	(309%)	(104)	(147%)	(322)	(540%)	(219)	(211%)
Transfer From (To) Plant Fund Reserves	(3)	(5%)	-	0%	-	0%	-	0%	-	0%
Net to Reserves	$(99)	(198%)	$(0)	(1%)	$263	375%	$98	163%	$(166)	(63%)
Noncash transactions (add back):										
Depreciation & Amortization	64	128%	56	118%	56	79%	54	91%	1	2%
Adjusted Net to Reserves	$(35)	(70%)	$55	118%	$319	454%	$152	254%	$(167)	(52%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

CAL POLY PRINT & COPY

(in thousands) **	Fiscal Year 2020-21 Actual	% of Sales	Fiscal Year 2021-22 Budget	% of Sales	Fiscal Year 2021-22 Estimate*	% of Sales	Fiscal Year 2022-23 Budget Proposal	% of Sales	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$52	100%	$321	100%	$204	100%	$287	100%	$83	41%
Cost of Goods Sold	15	28%	72	22%	50	24%	67	23%	(17)	(34%)
Gross Margin	37	72%	249	78%	154	76%	220	77%	66	43%
Income before Operations	37	72%	249	78%	154	76%	220	77%	66	43%
Salaries & Wages	57	110%	123	38%	103	50%	101	35%	2	2%
Benefits	33	64%	44	14%	31	15%	34	12%	(2)	(8%)
Total Payroll Expense	90	174%	167	52%	134	66%	134	47%	(1)	0%
Depreciation & Amortization	6	11%	4	1%	4	2%	3	1%	1	19%
General Maintenance	22	42%	33	10%	28	14%	31	11%	(3)	(11%)
CPC Administrative Services	24	47%	25	8%	25	12%	26	9%	(1)	(5%)
CPC Allocated Services	-	0%	1	0%	1	1%	1	0%	-	0%
Other Operating Expenses	9	17%	16	5%	12	6%	11	4%	1	8%
Total Operating Expenses	61	117%	79	24%	70	34%	73	25%	(3)	(4%)
Total Expenses	151	291%	246	76%	204	100%	207	72%	(3)	(2%)
Net from Operations	(114)	(219%)	3	1%	(49)	(24%)	13	4%	62	126%
Other Income (Expense)	(0)	(1%)	-	0%	-	0%	-	0%	-	0%
University Services	-	0%	(3)	(1%)	(4)	(2%)	(2)	(1%)	2	38%
Total Other Income (Expense)	(0)	(1%)	(3)	(1%)	(4)	(2%)	(2)	(1%)	2	38%
Transfer From (To) Plant Fund Reserves	107	206%	-	0%	-	0%	-	0%	-	0%
Net to Reserves	$(7)	(14%)	$0	0%	$(53)	(26%)	$10	4%	$64	119%
Noncash transactions (add back):										
Depreciation & Amortization	6	11%	4	1%	4	2%	3	1%	1	19%
Adjusted Net to Reserves	$(2)	(3%)	$4	1%	$(49)	(24%)	$14	5%	$63	128%

* Estimate based on eight months actual and four months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Sales and Cost of Sales for FY 2021-22 includes results from Cal Poly Print & Copy operations as well as wine sales at Cal Poly Downtown. At Cal Poly Print & Copy, the unfavorable variance in sales from budget of approximately $117,000 is primarily the result of lower than anticipated sales in digital print. The digital print sales budget for FY 2022-23 is expected to increase as Cal Poly Print & Copy implements a targeted marketing campaign to students, faculty and staff.

Sales at Cal Poly Print & Copy for FY 2022-23 assume the store will be open for the entire academic year. This may not materialize depending on progress related to the Library Renovation Project. Sales estimates are conservative and reflect an increase from the FY 2021-22 projection but are less than the average pre-pandemic historical performance. Cost of Sales for FY 2022-23 reflect consistent margins from previous years.

Other Revenues for the University Store Contract primarily represent commissions earned from Follett, which is generally calculated at 7% of digital commissionable sales and 17% of non-digital commissionable sales. The budget for FY 2022-23 assumes that Follett commissionable sales will be slightly higher than FY 2021-22 projection. Corporation management is working closely with Follett to identify ways to increase commissionable sales over the coming year.

Total Payroll Expense relates solely to Cal Poly Print & Copy and is projected to end FY 2021-22 $33,000, or 20% under budget. The favorable variance from budget results from a vacancy in the store manager position. This position has since been replaced, which is reflected in payroll expense for FY 2022-23.

Total Operating Expenses for the University Store Contract include continuing direct expenses for the University Store and Cal Poly Downtown (i.e. rents, taxes, depreciation and utilities) as well as contract management and indirect cost support. FY 2022-23 Operating Expenses are expected to increase slightly from FY 2021-22 projections primarily the result of increased lease expense as pandemic rent reductions expire. FY 2021-22 Operating Expenses for Cal Poly Print & Copy are projected to end slightly under budget and reflect an effort to return to normal operations while maintaining careful growth of expenditures. FY 2022-23 Operating Expenses are expected to increase slightly resulting primarily from anticipated increased equipment maintenance.

Other Income (Expense) for FY 2021-22 and FY 2022-23 primarily reflects continued reductions in funding for University Services, following significant losses related to the economic impact of COVID-19.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2020 Reserve Balance	$1,013,599	$6,591,264	$281,209	$100,000	$7,986,072
FY 2020-21 Change in Reserves	(33,189)	(27,765)	(70,917)	0	(131,871)
June 30, 2021 Reserve Balance	980,410	6,563,499	210,292	100,000	7,854,201
FY 2021-22 Change in Reserves (estimate)	14,510	354,998	(59,646)	(100,000)	209,862
June 30, 2022 Reserve Balance (estimate)	994,920	6,918,497	150,646	0	8,064,063
FY 2022-23 Change in Reserves (budget)	29,213	136,314	(57,569)	0	107,958
June 30, 2023 Reserve Balance (budget)	$1,024,133	$7,054,811	$93,077	$0	$8,172,021

Reserves for other commercial activities are designated as follows:

Operating Reserves represents working capital held for contingencies and continuing operations. The reserve balance for the University Store contract is equal to 100% of the subsequent year's budgeted operating expenses (less depreciation expense), which reflects the difference in business model compared to other commercial operations. Operating reserves at Cal Poly Print & Copy for June 30, 2022 (estimate) and June 30, 2023 (budget) are equal to 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

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

Investment in Operating Assets for June 30, 2022 (estimate) and June 30, 2023 (budget) represents the investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

CAPITAL OUTLAY REQUEST DETAIL

There are no capital outlays requested for FY 2022-23.

CAL POLY Corporation

Board of Directors
Proposed Meeting Schedule

2022-2023

October 28, 2022

February 3, 2023

April 28, 2023

Annual Meeting
June 2, 2023

CAL POLY Corporation

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

RECOMMENDATION

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

BACKGROUND

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

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

President Armstrong appointed the following administrative director to serve a three-year term with the term beginning July 2022 and ending June 2025.

- Sean Hurley Director

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

President Armstrong appointed the following director to serve as his designee with a term beginning July 2022 and ending June 2023.

- Dean Wendt President Designee / Director

Community Members

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

President Armstrong appointed the following community director to serve a two-year term with the term beginning July 2022 and ending June 2024.

- Geri LaChance Community Director

Student Members

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

President Armstrong appointed the following student directors to serve a one-year term with the term beginning July 2022 and ending June 2023.

- Marissa Hiji Student Director
- Aaron Fernandes Student Director

Officers

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

President Armstrong nominated the following directors to serve in the respective officer positions with a term beginning July 2022 and ending June 2023. Officers are elected by a majority vote of the board.

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

CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Commercial Agriculture Operations

Fiscal Year 2022-23

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BUSINESS OVERVIEW

The Cal Poly Corporation agriculture operations are an integral part of Cal Poly's Learn by Doing educational philosophy. The commercial funds and student enterprise classes and projects provide students from all majors the opportunity to learn about agricultural production, marketing, and sales. The programs are a critical complement to the College of Agriculture, Food and Environmental Sciences' (CAFES) academic curriculum. A high percentage of courses offered by Animal Science, Dairy Science, Horticulture and Crop Science, and Wine and Viticulture use the infrastructure that the Corporation programs provide. In fact, classes a regularly held at a field facility rather than in a classroom.

Students are employed in a variety of Corporation-supported agriculture jobs, from veterinary clinic interns and Poly Plant Shop employees to operators at the J and G Lau Family Meat Processing Center (MPC). Students learn marketable skills by participating in contract research, developing new jams and barbecue sauces with industry partners, and participating in cutting-edge animal fertility techniques.

Students benefit indirectly from Corporation-supported agricultural operations as they participate in lab classes using plant materials, livestock, meats, processed foods, orchards, and other commercial and enterprise-project supported resources. In this way, agricultural operations provide the "raw material" and the setting for hands-on instruction in CAFES. This action is a critical function of Corporation agricultural operations, which cannot be overstated.

Operations cover the full spectrum of the agriculture industry on more than 6,000acres. The areas of production activities are:

Animal Science and Dairy Science Programs

Dr. Jaymie Noland

Demand for our program continues to be strong, with nearly 800 undergraduate students currently enrolled. Interest in the program likewise remains high, as there was no observable decrease in applications despite the downward trend observed nationwide and across the CSU system. In addition to the strong demand for this program and its living laboratory operations, the value of the program's enterprise classes remains remarkable. Yet the cost of maintaining the operational production systems to facilitate the Animal Science Department's hands-on learning mission also continues to be high. The majority of students entering the animal science and dairy science majors are from urban areas and arrive with very limited animal handling experience. Providing hands-on experience with multiple species in production venues is critical, and these units allow student involvement in commercial operations thereby fostering a Learn by Doing approach. The Cal Poly Animal Science Department also continues to increase its offerings of research enterprises, involving more than 300 students in undergraduate research each year.

The Cal Poly commercial production programs, which include the dairy, beef, western bonanza, bull test, vet clinic, goat, sheep, swine, poultry, animal nutrition, and meat processing units, are working hard to find donor funding for repair and maintenance, and to update facilities and reduce labor costs. The recently implemented "Earn By Doing" student manager program has gained momentum, with student managers now funded by donors at the Meat Processing Center, Animal Nutrition Center, Equine Center, Sheep unit, and both the Dairy and Creamery. Most donors have made a 3–5-year commitment, giving $7,000/year in support of a student manager at these units. This help takes some of the pressure off the budgets while allowing students more opportunity to develop leadership skills in a commercial operation. These commercial operations provide critical support to the department's academic programs; Learn By Doing would not be a reality without these facilities.

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

Facilities:

- Animal Nutrition Center
- Beef Center
- Dairy Manufacturing
- Dairy Production
- Dairy Products Technology Center
- Oppenheimer Family Equine Center
- J and G Lau Family Meat Processing Center
- Poultry Center
- Sheep and Goat Unit
- Swine Center
- Veterinary Clinic

Environmental Horticulture/Crop, Fruit and Vegetable Science

Dr. Scott Steinmaus

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

We are in the process of implementing a food safety program under the direction of an expert in food safety certification, who assisted us with staff training on food safety. The goal of this program will be to develop an internal food safety audit protocol that insures we are in compliance with all food safety laws and regulations when it comes time for an external audit by regulators.

The department has historically accommodated up to 72 students per quarter in field crop, fruit, horticulture, and vegetable projects. However, those numbers have been less this year because of the recent Pandemic and the associated restrictions. The number of students in our horticulture and crop projects are likely to continue to grow due to the recent interest in food and ornamental (especially urban) plant production. In total, it is estimated that the program will provide Learn by Doing experiences to more than 200 students in the 2022-23 academic year.

The ongoing goal of these programs is to give students the best possible educational experience in sustainable farming and growing, including organic production. The enterprise class program is a key component of that educational experience. Pandemic restrictions have put a damper on in-person class offerings for Enterprise projects but we have been able to offer those experiences by directly hiring students to work on the farm and greenhouses. Cal Poly's Learn by Doing philosophy is a fundamental part of what distinguishes its graduates and our Crops and Horticulture Unit epitomize that philosophy.

Facilities:

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

- Horticulture Unit:
  - Poly Plant Shop
  - Leaning Pine Arboretum

Food Science and Nutrition (FSN)

Molly Lear

The Food Science and Nutrition Department's production unit is an integral part of Cal Poly's Learn by Doing philosophy, helping to prepare students within its majors as well as student employees for jobs in the food industry. Students are exposed to and learn all aspects of sanitation, equipment set-up, production, shutdown, product development, quality control, quality assurance, recordkeeping, sales and marketing, food law and more.

The production unitincludes1benefittedstaff member and 20student employees to produce Cal Poly jams, barbecue sauces and chocolates. The unit is in production one day per week throughout the quarter(1/wk./jars,1/wk./chocolates);because the facilities are multi-use, teaching takes priority in production spaces.

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

We added new mustard lines into production during this last fiscal year.

The department currently produces 18 different flavors of chocolate bars: Milk, Dark, Peanut Butter Crunch, Pumpkin Spice, Coffee Crunch, Spicy Cayenne, Peppermint Crunch, Raspberry Crisp, Zesty Orange, S'mores, Green Tea Matcha Milk Bar, Birthday cake, Hot Habanero, Strawberry Milk, Strawberry Dark ("You're Berry Special"), Dark w/ Sea Salt, and Toffee Crunch in Milk and Dark.

All products are sold both on and off campus at locations spanning from Santa Maria to Paso Robles and Cambria. Cal Poly products can be found in major retail stores, winery tasting rooms, and as hospitality giveaways for campus visitors.

The FSN production facility, called the Pilot Plant, is located in Building24, Room 106 (4,000sq/ft.). Fifteen classes and the applicable labs use the pilot plant throughout the year. Cal Poly Chocolates is housed in Building 24, Room 107 (1,900sq/ft.) and is used for classes, production ,sales, and finished product storage.

Wine and Viticulture

Dr. Benoît Lecat

Cal Poly's on-campus vineyard is comprised of 12.5 usable acres. It is currently undergoing redevelopment in an effort to expand teaching offerings and improve quality, and the future vineyard will include several teaching blocks, a rootstock research block, a rotational block and production blocks for the Cal Poly wine brand.

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

Phase 1 occurred in 2015 and consisted of:

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

Phase 2 occurred in 2016 with the scope of circumstances changing to include:

- Removal of remaining diseased production Pinot noir block for full replant of production vineyard
- Expansion of the design to include new production blocks.

Bartleson Ranch and Conservatory

The Bartleson Ranch and Conservatory is a 448-acre working ranch situated in the city of Arroyo Grande. The Ranch was received in 2015 on behalf of the College of Agriculture, Food and Environmental Sciences and a life interest was retained by the donors. The Ranch primarily produces lemons and avocados. Subsequent to receiving the Ranch, the donors continued to manage operations through June 2022. In fiscal year 2022-23, Ranch operation will be managed by the College.

2021-22 ACCOMPLISHMENTS

Animal Science and Dairy Science Programs

- The Cal Poly Creamery's sales continue to set new records, with gross sales up over 5% from last year's sales to date. (Feb 22). Ice cream production continues to offer the greatest margin of return compared to that of cheese. Another positive trend shows gross margin up 38% from last year's numbers to date (Feb 22). Friday drive-thru sales have continued to offer an additional source of revenue and opportunity to sell product to the local community.
- The Milk Margin Protection Insurance Policy purchased by the dairy continues to help mitigate milk price risk by hedging milk prices. We will continue to utilize this program to safeguard profit margins and better control the downside risk of milk price fluctuations. The dairy hosted another online heifer sale and continues the "rent a uterus" program, both which bring added income to this operation. Feed prices continue to be a challenge, especially in the current drought, as our hay fields do not have enough growth to chop at this point, and without significant rain our yields will be 50% of last year's crop, as we will have to bale as dry hay. We continue to market more of our fresh milk to small local creamery's which helps offset our milk trucking costs.
- In November 2021, practicums with the Western University Vet School resumed as outlined by the Affiliation Agreement for Veterinary Practicums with Western University of Health Sciences. This agreement brings income to the beef, swine, and sheep operations while exposing our Cal Poly undergraduate students to the Western University veterinary program, its students, and clinicians. Conversations have begun regarding expanding the practicums to include a rotation at the dairy as well.
- In February, the 2022 Western Bonanza Junior Livestock Show resumed its activities and again set new records for number of entrees/participants. The rental cost of the venue was increased and will most likely this trend will continue. We also had to rent large generators as per Fire Marshall orders. We are hopeful the venue will provide these in the future. Shavings for this show have historically been donated but due to a national shortage Western Bonanza was required to purchase this item. We project this trend/shortage will continue in the subsequent year.
- Industry support for the Earn By Doing student manager program has been strong, with funding of up to three student employee positions each at the creamery, dairy, sheep/goat unit, equine center, ANC, MPC, and beef production units. This helps mitigate the negative effect of increasing minimum wages and allows more students the ability to work to offset their educational costs.
- Due to pandemic concerns, Bull Test shortened its feed test portion this past fall, bringing bulls onto test July instead of May. Therefore, we received less income for feed sales and yardage. In addition, the bull prices were lower than last year causing a decrease in consignment income, and the cost of conducting a virtual sale was unexpectedly high. These factors creating a slight loss for the 2022 Bull Test and Sale. This remains the only bull sale on the central coast, and industry support remains strong. The 2022 Bull Test will be back to a normal feed test interval, with bulls arriving May of 2022.
- Production emphasis at the swine unit has returned to raising hogs for market, in addition to the show pig program that was previously implemented. The 60 commercial gilts donated last year by New Fashion Pork have begun farrowing with large litter sizes. Relationships with Yosemite Meats have also been rekindled and provide a source of revenue for sale of these livestock. Several research projects have also been conducted at the swine unit, generating revenue

through the department's Animal Use Fee's. The high cost of feed grains (corn and soybean) have made it challenging to break even and several strategies are being implemented, including selling offspring at a younger age and reducing sow numbers. A successful Show Pig Symposium was held in March 2022, with over 100 community participants attending. Show pig sales are going well this year and should help mitigate increased feed costs.

- Sale results of the FY 2020-21 Cal Poly Performance Horse Sale were unprecedented, and the program was honored both the President and Provost attended. Thirty horses were sold for an average of $14,000/horse, totaling $420,000 in sale of livestock. Following the pandemic outbreak and cancellation of the FY 2019-20 sale, proceeds from the 2021 sale brought this production unit out of a deficit. The offering of a simultaneous online bidding option was unique from prior years, with horses sold destined for Arizona, Texas, Idaho, Oregon, and across California. Specific to the equine breeding program, Quarter Horse stallion farms continue to donate breeding's of their premier stallions, many of which are the industry's leading sires. Private donations of livestock and feed continue to allow the Equine Center's budget to be strong.
- The poultry unit continues to struggle to break even while adapting to implementation of the California Prop 2 regulations. Our enriched colony cages will not be legal for use without major capital outlay to remodel, effecting our lay hen numbers and profitability. In addition, feed prices are high and will continue to be a challenge. The unit raised turkeys again this fall and may increase the variety and modality (i.e., free range) of bird species to expand student opportunities in this discipline.
- Drive-thru sales at the Meat Processing Center have remained phenomenally strong. The Meat Processing Center has also incorporated items from other departments such as flowers and vegetable boxes, highlighting the need for a campus farm store.

Environmental Horticulture/Crop, Fruit and Vegetable Science

Fruit Crops

Improved efficiencies with technology and implemented separate farming equipment for conventional and organic fields as new equipment becomes available.

- Develop/Design new Nut Tree/Stone Pome fruit Orchard
- Field prep. Deep rip done. Need to discuss and develop berms
- New underground irrigation leading to each block
- Install drain outlets at strategic spots - In progress
- Install filter station - In progress
- Install above ground irrigation to each block - In progress
- Install deer fencing around perimeter and gates for access - Out for bid
- Plant new Nut Tree/Stone Pome fruit Orchard - Will be completed Spring 2022
- Acquire trees for each block
- Plant each block
- Install new filter station for Radio Tower Hill (RTH) - In progress
- Install new dedicated underground irrigation line to RTH from Well 25 - In progress

Vegetable Crops

- Improved overall weed control (especially borders)
- Installed GPS unit on new CAT tractor
- Institute new fertilizer injection system (Ag Solutions Master) - In progress
- Research and eventually buy GPS/laser level drag scraper - In progress

Organic Farm

- Began most vegetables on underground drip
- Improved fertigation practices (i.e. New fertilizers, injections system)
- Improved boarder weed control (fence line, end of row, road), continuing management practices
- Purchased and began using floating row covers for pest control

Environmental Horticulture

- Realigned ridge vents in greenhouses 2 and 4 to improve environmental control
- Collaborated with the Biological Sciences Department to improve court right shade growing structure; this project also provided significant volunteer assistance
- Collaborated with Morro Bay in Bloom, increasing public outreach and visibility by growing plants for city plantings
- Partnered with Campus Market and Village Market to increase sales by 8 percent

Food Science and Nutrition

- Updating CP Chocolates facility so that chocolates can be self-sufficient in 24-107. Worked with facilities to get two of the four necessary work orders done and waiting on the other two to be scheduled.
- Created a new smooth mustard product with a group of undergraduate students. Product was popular, and plan to make the product annually.
- Created a new chocolate flavor as an undergraduate internship project
- Purchased two new automated tempering units for CP Chocolates to help mitigate the lack of temperature and humidity control in 24-107
- Worked with campus surplus to list and auction off the highest sold piece of equipment to date at Cal Poly. Used the proceeds from this sale to purchase a new, smaller and more functional piece of equipment to support teaching, research, and outreach
- Worked with donors to continue their support for our chemical, spices for our BBQ sauce, and some of our IQF products to be donated
- Continue to manage the colleges UPC program for all units
- Worked with Campus Marketing to create mustard labels and begin the process to update all of our FSN product labels
- Created, organized and manage FSN production Nutritional Facts database for use on our products labels
- Worked with facilities to get a screen door installed on the large pilot plant roll-up door
- Employed between 15-25 undergraduate students for Cal Poly "Learn By Doing" during pandemic

- Worked with reduced personnel and maintained products
- Continued to increase productivity while still training student employees for food industry

Wine and Viticulture

The major long-term investments in the vineyards were done from 2014 to 2018. It was funded by the fundraising effort made by the WVIT department under the leadership of Dr. Jean Dodson Peterson. Paul Fountain, former professor of viticulture in the WVIT department, was very instrumental in establishing this fund through a donation.

The first harvest occurred in September 2020, generating $26,000 of income (grapes were sold to the Wine Sales Program). Over two tons of pinot noir were used for research on clones supervised by Dr. Dodson and Dr. Casassa. During 2021 harvest, over $42,000 of income was earned (grapes sold to corporation to produce our wine) and over $6,000 were sold to research projects totalizing approximately $49,000.

Production Vineyard and Teaching Vineyard

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

Production Vineyard

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

Trestle Vineyard Teaching Vineyard

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

2022-23 GOALS & OBJECTIVES

Animal Science and Dairy Science Programs

- Less than one-tenth of an inch of rain has fallen in San Luis Obispo thus far in 2022, with limited rainfall predicted in the forecast. Feed prices have risen and remain at unprecedented dollar amounts. These costs are exacerbated by the rising cost of fuel for hauling. Fiscal sustainability of all the production units is highly dependent on the weather and market fluctuations. The cost of feeding and raising livestock in the central coast of California remains drastically different from industry-leading operations located elsewhere across the country. We are implementing herd reduction and alternative feed strategies to help reduce the risk caused by these factors.
- The refrigeration/aging units at the creamery require ongoing deferred maintenance and will need to be rebuilt soon to maintain cheese and ice cream storage. There continue to be challenges in repair and maintenance of this aging facility, and grants have been written to try and help with this ongoing issue. We are purchasing a specialized welding unit (we have qualified technicians to do this work) to repair stainless steel welds which will help keep the plant safe and functional. The department continues to utilize the college's equipment technicians routinely for repairs and maintenance at this production plant.
- Utilizing campus lands more efficiently and increased marketing of fresh milk to local creameries has helped offset the high costs associated with feed, maintenance, and operating a dairy facility on the central coast. Discussions continue regarding offsetting the dairy's cash deficit using discretionary funding; however, this subtracts from funding available for the purchase of much needed new equipment. We are hopeful recent State Budget funding, obtained through the efforts of the Dean of CAFES and others, will allow us to replace older non-CARB compliant equipment and increase opportunities to be more efficient in the future.
- Feed expenses at the swine unit have been unexpectedly high. Efforts to reformulate the diets may show some cost savings. The swine unit is in the process of reducing sow numbers and will be selling pigs at a younger age to mitigate feed costs. This production unit will also look for donations of its pharmaceuticals by industry, like that of the beef operations.

Environmental Horticulture/Crop, Fruit and Vegetable Science

Fruit Crops

Improve efficiencies with technology and implement separate farming equipment for conventional and organic fields as new equipment becomes available.

- Complete fencing project for new orchard
- Install new fertilization system for radio tower hill
- Install new irrigation lines/system in new orchard
- Add base rock to roads in new orchard
- Upgrade orchard equipment

Vegetable Crops

- Install a permanent base station for GPS/RTK
- Switch all crops to drip for water savings

- Purchase new equipment with grant funding (Equipment type TBD)
- Improve ground squirrel control
- Upgrade Vegetable equipment

Organic Farm

- Build custom compost spreader for compost bed applications
- Purchase new equipment with grant funding (Equipment type TBD)
- Improve overall weed control
- Hire Farm Technician
- Improve ground squirrel control
- Add/Upgrade organic equipment

Environmental Horticulture

- Install deer fencing to protect Arboretum and Horticulture Unit enabling increased production of landscape plant material.
- Purchase an automatic seeder for the purpose of growing plant transplants. Which will Increase efficiency while providing students with hands-on experience of current industry practices.
- Develop and sustain a superior relationship with Altman Plants, leader in ornamental industry. They are eager to hire our students for internships and employees.
- Paint exterior of dorm, which facilities has declined.
- Develop a production plant list with Chris Wassenberg, for Arboretum focused sales

Food Science Production

Continue to update CP Chocolates facility so that chocolates can be self-sufficient in 24-107. Two projects we are waiting on scheduling for are: increasing door size/ walling off smoker and we are waiting on an estimate for HVAC control within 24-107.

- FSN needs to identify a retail space that we can set consistent sales hours for on/off campus purchases (department continues to struggle to identify space for sales and production within bldg. 24). We are the only unit that does not have direct retail capacity.
- FSN Production continues to work to automate and update facilities but struggles with lack of retail space, maintain a back recharge of manager salary on the FSN production budget
- Work to identify more storage space for finished products to ease with the flow of sales and reduction of manual labor having to move cases individually.
- Continue to increase productivity while still training student employees for food industry.
- Improve our social media presence consistency

Wine and Viticulture

The current budget for 2022-23 is mainly composed of labor cost, administrative costs, and insurance, to be able to maintain our tool of production, but also a teaching site to train the students. We are in the maintenance phase. Pacific Vineyards, run by George Donati, did high quality work in order to build this vineyard and to save substantial amount of money for the department. The major cost is the labor cost. We expect a larger crop in the production blocks in 2022-23, which should increase revenues for the vineyard, and allow for Cal Poly grown grapes to be used in the production of Cal Poly wine. This will be the first harvest (2022) to be processed in the new JUSTIN and J. Lohr Center for Wine and Viticulture.

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	% of Sales	Fiscal Year 2021-22 Budget	% of Sales	Fiscal Year 2021-22 Estimate*	% of Sales	Fiscal Year 2022-23 Budget Proposal	% of Sales	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$5,399	100%	$4,980	100%	$5,176	100%	$5,388	100%	$212	4%
Cost of Goods Sold	1,391	26%	1,138	23%	1,395	27%	1,388	26%	7	-
Gross Margin	4,008	74%	3,842	77%	3,782	73%	4,000	74%	219	6%
Other Revenues	673	12%	703	14%	835	16%	729	14%	(105)	(13%)
Income Before Operations	4,682	87%	4,545	91%	4,616	89%	4,730	88%	113	2%
Salaries & Wages	894	17%	1,057	21%	933	18%	1,000	19%	(67)	(7%)
Benefits	129	2%	189	4%	150	3%	164	3%	(14)	(10%)
Total Payroll Expense	1,023	19%	1,247	25%	1,083	21%	1,164	22%	(82)	(8%)
Depreciation & Amortization	110	2%	102	2%	107	2%	103	2%	5	4%
General Maintenance	147	3%	168	3%	140	3%	164	3%	(24)	(17%)
Livestock / Feed Expense	1,440	27%	1,337	27%	1,654	32%	1,613	30%	41	3%
Supplies & Materials	702	13%	358	7%	409	8%	352	7%	57	14%
Fees & Services	566	10%	261	5%	302	6%	240	4%	62	21%
CPC Administrative Services	160	3%	181	4%	173	3%	161	3%	12	7%
Other Operating Expenses	434	8%	484	10%	525	10%	616	11%	(91)	(17%)
Total Operating Expenses	3,559	66%	2,891	58%	3,311	64%	3,249	60%	62	2%
Total Expenses	4,581	85%	4,137	83%	4,394	85%	4,414	82%	(20)	-
Net from Operations	100	2%	407	8%	223	4%	316	6%	94	42%
Other Income (Expense)	3	0%	-	0%	27	1%	-	0%	(27)	(100%)
Total Other Income (Expense)	3	0%	-	0%	27	1%	-	0%	(27)	(100%)
Transfers In (Out)	58	1%	53	1%	67	1%	44	1%	(22)	(34%)
Net to Reserves	$161	3%	$460	9%	$316	6%	$361	7%	$45	14%
Noncash transactions (add back):										
Depreciation & Amortization	110	2%	102	2%	107	2%	103	2%	5	4%
Adjusted Net to Reserves	$271	5%	$562	11%	$424	8%	$463	9%	$40	9%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

A 2% overall decrease in Income Before Operations over budget was seen in the 2021-22 fiscal year largely due to less than anticipated off-campus wholesale sales.

We are now insuring our milk prices against market fluctuations whenever possible, resulting in more stable income. The budget for FY 2022-23 continues to reflect some of the high ongoing feed prices, but new product offerings from the creamery, including new ice cream flavors and cheese varieties, which will help to increase sales across retail locations. The new mustard products have been added to the Food Science and Nutrition product line, creating one more consumer option.

Cost of Goods Sold is projected to be 27% of total sales for FY 2021-22 and is budgeted to remain consistent or decrease slightly through FY 2022-23.

Total Payroll Expense is projected to be approximately 13% under the budgeted amount for FY 2021-22 due largely to savings in full-time salaries as one position that was budgeted to be hired as a Corporation employee, remained as a University employee.

Operating Expenses were 15% over budget for fiscal year 2021-22. This was mostly due to a significant increase in the cost of feed. The Operating Expense budget is expected to decrease slightly in FY 2022-23, as we reduce herd sizes and look for efficiencies in feed purchasing. There will be a small corresponding increase in auction expense.

For FY 2021-22, the expected Net to Reserves of $316,000 includes non-cash depreciation expense of $137,000. For FY 2022-23, the budgeted Net to Reserves of $361,000 includes non-cash depreciation expense of $132,000.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2020 Reserve Balance	$717,695	$0	$715,541	$1,433,236
FY 2020-21 Change in Reserves	363,401	0	(202,206)	161,195
June 30, 2021 Reserve Balance	1,081,096	0	513,335	1,594,431
FY 2021-22 Change in Reserves (estimate)	348,258	0	(31,899)	316,359
June 30, 2022 Reserve Balance (estimate)	1,429,354	0	481,436	1,910,790
FY 2022-23 Change in Reserves (budget)	463,311	0	(102,518)	360,793
June 30, 2023 Reserve Balance (budget)	$1,892,665	$0	$378,919	$2,271,584

The schedule above reflects the current balances of the reserve accounts and the expected changes over the current and next fiscal years. Reserves represent an accumulation of prior earnings and are separated into the following categories:

The Operating Reserve represents the portion of net position held for contingencies and continuing operations of CAFES. The total Operating Reserve shall equal total unrestricted net assets and may not be a negative amount.

Investment in Operating Assets for June 30, 2022 (estimate) and June 30, 2023 (budget) represents investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

CAPITAL OUTLAY REQUEST

There are no capital outlay requests for FY 2022-23 at this time. Capital outlays for facility and infrastructure improvements are contingent on outside funds. Requests for approval of capital expenditures will occur when funding is available, as appropriate.

Cal Poly Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Cal Poly Arts

Fiscal Year 2022-23

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BUSINESS OVERVIEW

Cal Poly Arts serves the Central Coast and Cal Poly communities as a presenter of public performing arts events for a diverse constituency. As a presenter, Cal Poly Arts provides a broad program of high quality, professional touring productions, concerts, and speakers, while also offering student engagement opportunities at Cal Poly and in K-12 schools within the region through various artist-residency activities.

Cal Poly Arts was established by the College of Liberal Arts (CLA)in 1985 as a small classical music presenter. By 1988, largely through the involvement and support of the local community, the presenting series was expanded to include the performing arts disciplines (theater, dance, jazz) as well as exhibitions and readings.

By 1990, Cal Poly Arts had integrated world music and dance, folk/traditional music, and family programming into the series. In 1993, the Stone Soup Music Festival - a series of free performances presented in out lying communities - was launched.

With Cal Poly Arts as a key participant in the drive to build a new venue, the Performing Arts Center opened in 1996. With the new venue in place, the organization again expanded the scope and size of its programming to include Broadway shows, major speakers, comedians, and pop and country music artists.

In 2000, Cal Poly Arts launched Poly Arts for Youth, an arts education program serving 6,000 local students through Performing Arts Center school matinees and in-school arts activities. In 2011, Cal Poly Arts ceded its presentation of the matinee performances to the Performing Arts Center's PAC Outreach department, shifting Cal Poly Arts' education focus to expanded residency activities at both local school campuses and in the community.

The year 2002 marked the beginning of Cal Poly Arts' endowment campaign to support both Poly Arts for Youth programs and its season programming. The current endowment fund balance is near $700,000 and, as operating cash reserves continue to grow, excess funds will be transferred into the endowment.

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

The COVID-19 pandemic presented new and significant challenges for Cal Poly Arts. Despite not being able to present live programming in FY 2021, Cal Poly Arts kept engaged with local audiences through virtual programs. While Cal Poly Arts was able to return to live performances in FY 2022, the challenges of COVID-19 continued. With emerging COVID variants came reticence for audiences to return to venues, resulting in ticket sales coming in less than projected on nearly every event presented. Masking policies were largely embraced by audiences, although there were a small number of patrons who requested refunds. Without a vaccine available for children during the first half of the season, family shows struggled for attendance. COVID-19 protocols imposed by artists and touring companies also resulted in higher event expenses. While cancelling shows during the height of COVID transmission may have had positive impact on our budget, we were unable to do so based on fully executed contracts no government mandates that would enable force majeure clauses. Only one tour (Riverdance) canceled its tour during the height of the Omicron variant. Due to all of these factors, Cal Poly Arts has had to rely heavily on its reserve to reconcile its budget.

Cal Poly Arts will continue to fulfill its mission of bringing a professional, diverse, and dynamic performing arts series to the Central Coast. In addition to 37 years of experience in presenting artists, Cal Poly Arts consults with experts in the presenting field to inform its programmatic decisions. Under normal circumstances, staff members attend regional and national booking conferences and collaborate with other presenters in its network to explore which artists would be locally viable and are currently touring. It also relies on feedback audience data to determine which artists will be desirable to the community. All of this input is used to determine which programs are appropriate for Cal Poly Arts' market, venue capacities, and presenting budget.

Ticket prices are driven by artist fees, production expenses, and attendance projections. While all ticket revenue goes to support Cal Poly Arts' operational expenses, ticket sales alone invariably leave a substantial budget shortfall. As is the industry standard, contributed income, comprised of support from individuals, businesses, foundations, and the public sector is necessary to supplement earned box office revenue. Establishing and reaching an achievable annual fundraising goal is a key component to realizing financial success.

The variables in determining the Cal Poly Arts budget are extremely volatile and complex, and the ability to control them is far from exact. Thus, Cal Poly Arts typically budgets for a modest annual surplus, but lives on a very thin margin in an industry that is highly unpredictable. Local market activity and other influencing factors, which are ever evolving, are key elements in establishing an annual budget. Evolving challenges as a result of COVID-19 also have a significant impact on Cal Poly Arts' ability to maintain a balanced budget.

Prior to the COVID-19 shutdown, Cal Poly Arts successfully presented several events at the historic Fremont Theatre and at Avila Beach Resort, helping the program reach new audiences and expand revenue opportunities. The organization will follow this path moving forward as opportunities arise. It is important to continue monitoring the local performing arts scene and to react as needed, with adjustments to programs, marketing, and operations

2021-22 ACCOMPLISHMENTS

- In fall of 2021, Cal Poly Arts launched an ambitious season of 32 performances and 10 MetLive in HD screenings, after nearly two years of being shut-down due to the COVID-19 pandemic. This took an enormous amount of preparation and coordination to re-open safely while adhering to state and county health guidelines. This also included lobbying to SLO County Public Health Department to allow performers to be unmasked while performing on stage.

- Cal Poly Arts onboarded an almost entirely new staff in the summer and fall of 2021 due to staff retirements and position vacancies. This included the full-time positions of Director, Programming & Development Specialist, Administrative Coordinator, and the part-time position of Advancement Coordinator.

- Cal Poly Arts Director assisted in successfully negotiating with unions to allow for same-day COVID-19 testing of all local crew for Broadway tours, preventing the cancellation of many Cal Poly Arts shows.

- Cal Poly Arts Director initiated a partnership with the SLO County Housing authority to make performances in FY2023 more accessible for low-income residents, as well as to provide programming on site in specific housing authority communities.

- Cal Poly Arts initiated a rebranding process for the organization to attract new audiences and to better differentiate itself from arts organizations in the community.

- The new Cal Poly Arts staff built relationships with prominent donors to the Cal Poly Arts program, ensuring their continued support in FY 2023, and began to cultivate relationships with potential new donors.

- Under its new leadership, Cal Poly Arts committed to the Association of Performing Arts Presenters 10/20/30 Pledge for racial equity, diversity and inclusion (REDI) for the performing arts.

- Cal Poly Arts has established better and more frequent communication with colleagues in the Music and Theatre and Dance departments to foster more partnership opportunities and to give access to artists while they are on campus. Cal Poly Arts has also initiated partnerships with departments that had not yet been engaged with Cal Poly Arts to discuss potential co-presentations and promotions in FY 2023.

- Cal Poly Arts Programming & Development Specialist hired and trained five new student assistants to assist with hospitality and production tasks. This has been an affordable staffing solution to help our small career staff execute the performing arts season. Cal Poly Arts also added a student marketing assistant for the first time in Cal Poly Arts history to grow its social media presence. These positions also provide valuable educational experiences for Cal Poly students in all aspects of arts administration.

- Cal Poly Arts developed a new strategic partnership with a major Spanish language radio station in Santa Maria. This included the first-ever sponsorship of two shows by Spanish language media, creating a new pathway to the arts for a historically underserved segment of our community.

- Cal Poly Arts created a deeper partnership with the Performing Arts Center's marketing team to work in concert to promote Cal Poly Arts events in our community. This entails a close orchestration of messaging, assets, and timing within the two organizations as well as, additional significant investment in marketing dollars from the PAC.

- Cal Poly Arts' four-year-old VIP Membership program continues to remain stable, cultivating low and mid-level donors who may otherwise not have donated.

- When it became apparent that K-12 live, in-school outreach activities would not be allowed during the entire school year, Cal Poly Arts was able to continue its virtual programming, featuring five performances from a broad variety of artists and genres presented in partnership with the PAC Outreach program. These online performances provided critical exposure to the arts during a time when students could not be in venues and aided teachers in enhancing their arts education offerings. More than 10,000 local students were able to enjoy one or more of these events as part of their curriculum this year.

2022-23 GOALS & OBJECTIVES

During FY 2023, Cal Poly Arts will create new successes by:

- Curate programming that has more multi-generational appeal. Currently, Cal Poly Arts audience demographics is overwhelmingly comprised of members in the 60-75 year-old range. There is a significant and untapped opportunity to bring younger audiences into the Cal Poly Arts fold and cultivate the next generation of arts patrons.

- Honor Cal Poly Arts' commitment to the Association of Performing Arts Presenters Racial Equity Diversity and Inclusion Pledge: A 10-year commitment to empower, represent and engage the work of artists and organizations within our work and/or organization who identify as and whose primary focus is from Black, Native/Indigenous, People of Color, women, individuals with disabilities, and LGBTQIA2S+ persons. Twenty percent of our programming will be allocated exclusively towards the mission, performance, presentation, commissioning, and administration of the work by artists and organizations who identify as and whose primary focus is from Black, Native/Indigenous, People of Color, women, individuals with disabilities, and LGBTQIA2S+ persons.

- Unveil a new logo and branding elements that will more effectively reflect the new vision for the program and usher in a more modern look for Cal Poly Arts, with the hopes of appealing to different audiences. Cal Poly Arts has not addressed its branding in well over a decade and it is overdue for updating to be able to compete in an increasingly crowded performing arts market.

- Cal Poly Arts will decrease the amount of marketing dollars spent through traditional ad placements, which have not yielded significant or trackable return on investment in the past year, and invest much more time and resources on social media marketing which will have clear analytics and reach younger audiences.

- Increase public relations activity around Cal Poly Arts 2022-2023 season and Cal Poly Arts as an organization in general. This will increase brand awareness, build relationships in the community with the new Cal Poly Arts team, and will allow Cal Poly Arts to tell its story in a time when Cal Poly Arts' "story" is changing under new artistic direction.

- Build on the success of our new Spanish language partnership, Cal Poly Arts will create new and better bonds with the Spanish language arts community, creating more bilingual marketing strategies and curating artists that appeal to the Latinx community more broadly in more relevant genres and arts disciplines.

- Reinvigorate lost corporate sponsorships due to pandemic challenges, and cultivating new corporate sponsors to increase contributed income levels for FY 2023. This will be done through developing enticing corporate sponsorship benefits and conducting research on businesses whose brands may align with Cal Poly Arts.

- Focus on artists who have an interest and capability of fulfilling robust residency activities. Instead of booking artists who are only present for their public show and then leave, we will engage artists who will participate in outreach activities for the campus and community over 2-3 days. Cal Poly Arts would like to move to more artist residencies in its long-term plan beyond FY 2023, and partner with community organizations to develop these residencies together.

- Introduce new and diverse artists to the community. Cal Poly Arts has historically had lots of repetition in its program over the years which has been a barrier to developing new audiences. New artists bring new opportunities to engage populations who have not historically been interested in Cal Poly Arts program.

- Streamline the programming to be more fiscally responsible so that we are not competing against our own events to sell tickets. With the rescheduling of so many shows into the FY 2022 season, came incredibly dense programming periods, making it difficult to give the marketing attention each event deserved to be successful. Reducing the number of events will also help to prevent burnout of Cal Poly Arts small staff. The current pace of events is unsustainable with the current staff structure. By reducing the number of events Cal Poly Arts has a better chance of securing full sponsorship of every show. This will be important as ticket sales remain volatile due to the impact of COVID-19.

- Target more programming that more significantly and authentically engages the Latinx and Black, Indigenous, and People of Color communities of San Luis Obispo County. These populations have largely been disengaged with Cal Poly Arts in the past. This will be done through building partnerships in those communities, developing programmatic initiatives that extend past the public performance, and creating accessibility to performances through affordable ticket programs. Cal Poly Arts will also be launching an initiative that provides free tickets and performing arts experiences to low-income county residents in partnership with HASLO and other community nonprofits.

- Increase the amount of grants Cal Poly Arts applies for to support the performing arts season. Grants from foundations and government entities have largely been untapped by Cal Poly Arts in the past. This is part of a larger effort to increase contributed revenue to offset the volatility and largely unpredictability of earned revenue projections in the COVID-19 era.

- Grow our VIP Membership program, allowing Cal Poly Arts to continue to expand its pool of small to mid-size donors. We will work toward a goal of finding new ways to enhance brand loyalty through strategic benefits afforded to members.

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	Fiscal Year 2021-22 Budget	Fiscal Year 2021-22 Estimate*	Fiscal Year 2022-23 Budget Proposal	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Gifts	$207	$417	$308	$402	$94	31%
Ticket Sales	11	1,302	680	1,173	493	73%
Other Revenues	31	610	587	613	25	4%
Income Before Operations	249	2,329	1,575	2,188	613	39%
Salaries & Wages	1	340	296	345	(49)	(17%)
Benefits	0	188	125	188	(63)	(50%)
Total Payroll Expense	1	528	421	533	(112)	(27%)
Supplies & Equipment	1	4	15	14	1	7%
PAC Services	11	478	468	388	79	17%
CPC Administrative Services	0	31	31	31	(0)	(1%)
Artist Fees	42	890	593	625	(32)	(5%)
Advertising & Marketing	0	209	122	168	(46)	(38%)
Other Operating Expenses	27	185	156	244	(88)	(56%)
Total Operating Expenses	81	1,798	1,385	1,471	(86)	(6%)
Total Expenses	83	2,325	1,806	2,003	(197)	(11%)
Net from Operations	166	4	(231)	185	415	180%
Other Income (Expense)	5	-	-	-	-	0%
Total Other Income (Expense)	5	-	-	-	-	0%
Transfers In (Out)	-	-	(1)	-	1	100%
Net to Reserves	$171	$4	$(232)	$185	$416	180%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Despite the lack of programming, Cal Poly Arts ended FY 2021 with an operating income of approximately $171,000. Fiscal Year 2022 brought the return of live in-person events after a nearly two year shut-down due to COVID-19. The budget and projections for a FY 2022 season that was initially thought to be "post-COVID" were very ambitious given the many uncertainties that surrounded producing live events after being shuddered for so long. Unfortunately, much of the rationale used to create the FY 2022 budget by the former Cal Poly Arts team played out opposite to how it was intended due to many pandemic related factors that continued to prove incredibly challenging for the organization. With the emergence of Delta and Omicron variants came exacerbating complications to presenting a financially sound season. Production costs were higher than projected on nearly every show presented due to higher labor costs related to COVID-19 protocols. There were also many shows that were rescheduled due to the pandemic shutdown and were budgeted using technical riders from 2020. However, when the shows advanced in the FY 2022 season they came with more complex and more expensive technical requirements. Hotel trade that Cal Poly Arts heavily relied on to make the budget work in the past decreased significantly due to the hotel industries own challenges during the pandemic; in turn hotel costs increased across the season. The need for additional hotel rooms that were not budgeted also increased; many touring companies who had once been fine with artists and crew sharing rooms now required single rooms to prevent transmission of the virus. The community was reticent to return to live events given the new variants (and for some, unwillingness to comply with masking and vaccination/testing mandates), and ticket sales consistently came in 30-40% lower than projected on most events (and those ticket projections were considered to be conservative at the time they were developed).

Broadway shows which were thought by the former Cal Poly Arts team to be the financial stabilizer for a potentially challenging season conversely proved to do significant financial damage due to all of the above-mentioned factors. There were eight nights of Broadway level shows booked in the FY 2022 season. Even with two nights of Riverdance cancelling, this was an unprecedented number of Broadway shows in Cal Poly Arts recent history. Most of the shows lost substantial amounts of money even with sponsorship support. Producing these shows during the pandemic also stretched staff capacity to a great and stressful degree.

Family shows struggled due to lack of a vaccine for youth (or unwillingness to have children tested before shows). There were also a number of shows that targeted younger audiences but were scheduled during non-congruent times of the year (for example Black Violin during Spring Break). In the haste to reschedule cancelled shows significant missteps were made on scheduling dates that would not yield the targeted audience.

With the transition to a nearly completely new team, and only a part-time dedicated position to advancement, fundraising efforts thus far have been limited. With the advancement position having been vacant during the pandemic, there was also a gap in the information that was transferred over to the new staff and there has been much research done to understand the donor base and what their giving history and potential is to Cal Poly Arts. Fiscal Year 2022 will end with Cal Poly Arts' landmark fundraising event, Spotlight, which has historically yielded the majority of contributed income for the organization.

Marketing tactics that had once worked pre-pandemic for moving tickets no longer provided a return on investment in FY 2022. Cuts to the marketing budget were made in certain circumstances in an effort to save money in a costly season, but in other circumstances Cal Poly Arts was contractually obligated to spend the full amount of marketing dollars as agreed upon with the artist/artist management.

Cal Poly Arts staffing model changed during FY 2021. Positions previously staffed through the CLA have shifted to the Corporation in an effort build a full self-supporting operating model. A corresponding service contract between the Corporation and CLA has been established to formalize the work Cal Poly Arts performs on behalf of CLA.

Cal Poly Arts ended FY 2021 with a healthy cash reserve of approximately $609,000. Due to the incredibly challenging circumstances outlined above, Cal Poly Arts has had to rely significantly on that reserve to reconcile the FY 2022 budget. Cal Poly Arts is grateful the cash reserve was there to cushion the fall while weathering these challenges, but expects to enter FY 2023 with far less to rely on in the case of continued budget stress in the future.

Our strategy in developing a budget for FY 2023 after a tumultuous FY 2022 has been to be more strategic in the number and kinds of events that Cal Poly Arts presents. Although Cal Poly Arts will continue to present a robust and full season, there will be fewer events in FY 2023. This will reduce operating expenses in the areas of artist fees and production expenses. This will also allow better marketing potential, as well as a better distribution of staff time and resources. Fewer shows will also provide a more focused approach to gaining full sponsorship of shows. This contributed income will be important in leveling the volatility of ticket sales. Cal Poly Arts will present approximately 30 shows in the FY 2023 season, and will not be continuing with the 10 Met Live in HD presentations which had incredibly low attendance in FY 2022. In addition to the 30 regular season shows, Cal Poly Arts will present the 3-day California International Guitar Festival September 16-18, which was a commitment made by the former director of Cal Poly Arts.

Cal Poly Arts will also be scaling back the number of Broadway shows presented, focusing on a 3-night presentation of one strong Broadway title for the season which we do expect to sell well. The Broadway/Theatre series will then be bolstered with less financially risky cabaret with celebrity name draws. Until audience levels return to pre-pandemic levels and production costs stabilize, it is not financially prudent to continue presenting Broadway at the level Cal Poly Arts has been accustomed to.

The major building blocks in the annual budget have been ticket sales, which historically comprise approximately 70% of annual revenues, and contributions that makes up most of the remainder. In FY 2022, we will shift to aiming for tickets to comprise 60% of annual revenue, with the remaining 40% to be from contributions. This determination was made based on a number of factors. Ticketing income has proven to be uncertain in FY 2022 and we imagine based on industry trends there will be continued uncertainty in FY 2023. Cal Poly Arts will also be introducing a number of new exciting, but "un-tested", artists to the community, who we have no historical ticketing data to rely upon to determine how successful they may be locally. However, the hope is that those artists will in turn develop new audiences. Cal Poly Arts will also be making tickets for students more consistently affordable, allocating more tickets at a lower rate in projections for most shows.

Cal Poly Arts will reduce operating expenses from FY 2021-22 budget to FY 2022-23 budget by booking more artists with low-moderate artist fees and lower production costs associated with their shows. Marketing expenses will also be reduced by at least 20% between FY 2021-22 budget and FY 2022-23 budget as we shift to more targeted digital advertising for many of the presentations. Payroll expenses between FY 2021-22 budget and FY 2022-23 budget will remain largely unchanged, with the exception that CLA has approved making the part-time advancement coordinator a full-time position. This will increase the amount of funding CLA allocates in our fee for services agreement.

Cal Poly Arts will increase contributed income by raising event sponsorship levels (which are low as compared to peer arts organizations), cultivating more corporate sponsorships, increasing loyalty to the membership program with more appealing member benefits, increasing grant applications, deepening and reinvigorating relationships with existing donors, and cultivating new donors. Cal Poly Arts will be advocating to the College of Liberal Arts to make the part-time advancement coordinator full-time to help with this important fundraising work and will also be requesting that CLA's advancement team work more closely with Cal Poly Arts to achieve these goals than they have in the past.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2020 Reserve Balance	$438,288	$438,288
FY 2020-21 Change in Reserves	170,983	170,983
June 30, 2021 Reserve Balance	609,271	609,271
FY 2021-22 Change in Reserves (estimate)	(231,834)	(231,834)
June 30, 2022 Reserve Balance (estimate)	377,437	377,437
FY 2022-23 Change in Reserves (budget)	184,532	184,532
June 30, 2023 Reserve Balance (budget)	$561,969	$561,969

Reserves represent an accumulation of prior earnings. The schedule above reflects the current balance of the reserve account and the expected changes over the current and next fiscal years. The Operating Reserve represents the portion of the net position held for contingencies and continuing operations of Cal Poly Arts. The total operating reserve is equal to total unrestricted net assets and may not be a negative amount.

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2022-23.

CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Campus Dining

Fiscal Year 2022-23

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BUSINESS OVERVIEW

Campus Dining is a self-supporting operation, providing quality food and service to the University community since the first dining hall was established in the 1940s. As the Corporation's largest commercial service, Campus Dining employs over 900 associates each academic year, and operates 32 different food venues at a given time. Campus Dining serves over 3.5 million customers annually with an average of 12,000 to 20,000 daily transactions.

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

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

Revenues

Campus Dining operates on three distinct sources of revenue: dining plan revenue from first year on-campus residents, community dining plan revenue from campus participants, and walk-up sales from the Cal Poly community. Dining plan revenue varies with the first-year enrollment numbers and represents approximately 72% of Campus Dining's historical sales. All first-year students living on campus are required to have a dining plan.

For the 2022-23 academic year, after evaluation and student feedback, all dining plan options will remain on a declining balance system. There are three dining plans available for first-year students, and six dining plans with low buy-ins offered to continuing students and the entire campus community. These plans have evolved following student feedback and have added flexibility and accessibility. Restrictions were removed that were viewed by students as a barrier to loyalty beyond the mandatory first-year plans. These changes are all part of Campus Dining's strategy to increase net promoters and further align with the university's long term growth model.

Facilities

Campus Dining operates more than 200,000 square feet of space throughout 32 venues across 4 neighborhoods on campus. This includes multiple mobile food operations as well as third party vendors that include Subway, Shake Smart, G Brothers, Jewel of India, SLO Dog, and Plant Ivy.

2021-22 HIGHLIGHTS & ACCOMPLISHMENTS

Campus Dining operations were impacted early in the year by a percentage of classes being held virtually; pre-COVID traffic patterns did not fully return until late January 2022. We were excited to meet prospective students and their families at open house and rodeo. The demand for catering is growing and we are accepting as many events as our staffing allows. Additional highlights of the year:

- Adapted to population needs across campus by partnering with 3rd party food truck and pop-up vendors to accommodate students while 1901 Marketplace is under construction. This has been extremely successful and has allowed us to have a more portable dining offer based on student need.

- Activated outdoor spaces in Mott Lawn and PAC plaza neighborhoods. The Mott Lawn project was a joint venture with ASI and the University and developed Cal Poly's first food truck village. The space is outfitted with beer garden-style casual seating, string lights, and awnings. Based on that success, we have capital projects this summer to revitalize Campus Market and formalize the PAC lawn space.

- Invested in and grew our people. While 25% of full-time positions remain open, staffing has stabilized. We are in the process of implementing a second round of increased wages for those that are below market. We have also added resources to assist in attracting talent. We believe the combination of these tactics will result in more positions filled prior to the fall quarter starting. Based on a strategic plan and the growth of dining, we executed several internal promotions, including two lead cooks promoted to executive chef and two-unit managers promoted to operations manager. Job titles and descriptions were simplified and standardized across all venues.

- Increased variety in menu with more frequent rotations and more vegan and vegetarian options. Earlier in the year, we received student feedback that vegan and vegetarian menu items were underrepresented on campus. We engaged students with individual and small group conversations and proactively modified the program to include more vegan and vegetarian options.

- Recovered and grew post-pandemic. As of mid-January, all 32 venues are open. We opened new venues UU Market, Health Shack, Chick-fil-A, Subway at PCV, and partnered with community vendors to open 5 new food trucks: Plant Ivy, Jewel of India, SLO Dogs, G Brothers Smokehouse and G Brothers Taqueria.

- Increased participation in the Campus Dining program. Community dining plans and the rollover has been well received. Since implemented, participation rates increased from approximately 470 meal plans pre-COVID to 3,140 community meal plans sold this year.

- Campus Dining earned a silver Loyal E. Horton Dining Award in the category of Retail Sales-Single Concept/Multiple Concepts/Marketplace for the Vista Grande Dining Pavilion.

2022-23 GOALS & OBJECTIVES

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

- Operationalize 1901 Marketplace: Plans for renovating 1901 Marketplace are moving forward. This strategic location in the University Union is needed to handle the projected growth across campus with students, faculty and staff. We are working with university facilities to determine final design needs, procuring all FF& E items, and finalizing a staffing plan to ensure we are ready to open fall of 2023.

- Add capacity and value to Vista Grande: With 1901 under construction, Vista Grande is heavily trafficked, particularly at dinner time. Additionally, students are asking for a self-serve value platform. To increase throughput and address student feedback, we are converting one platform from a sweet snack concept to a savory meal platform and adding a self-serve food bar area. The temporary food truck solution at PAC plaza has been very successful in augmenting Vista Grande meals and dinner time, and we are activating the PAC lawn to provide permanent space for the food trucks, along with lighting and seating. The PAC lawn project is a joint venture with the university and includes re-landscaping for both the lawn area and other areas south of the PAC.

- Add capacity to Campus Market: The largest of the outdoor activation projects is at Campus Market and will include a permanent outdoor BBQ and kitchen unit to accommodate peak volumes and add variety. Plans include a mural honoring farm workers and the bounty of central coast agriculture. The mural project is a joint partnership between CPC and the university curator and is guided with a cross functional committee consisting of students, faculty, and staff.

- Add cooking capacity: We are investing in two mobile kitchen units for outdoor space activation, athletic events, and providing a portable, agile solution to be used across campus.

- Continue to proactively engage students in small groups to solicit feedback and devise solutions.

- Invest in our people by paying market wages, visiting other universities, executing more team building events, and focusing on new development opportunities for all staff.

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	% of Sales	Fiscal Year 2021-22 Budget	% of Sales	Fiscal Year 2021-22 Estimate*	% of Sales	Fiscal Year 2022-23 Budget Proposal	% of Sales	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$17,110	100%	$31,916	100%	$31,823	100%	$36,361	100%	$4,538	14%
Cost of Goods Sold	6,025	35%	10,293	32%	11,425	36%	12,882	35%	(1,456)	(13%)
Gross Margin	11,084	65%	21,623	68%	20,397	64%	23,479	65%	3,082	15%
Other Revenues	577	3%	748	2%	1,387	4%	849	2%	(538)	(39%)
Income Before Operations	11,662	68%	22,371	70%	21,784	68%	24,328	67%	2,544	12%
Salaries & Wages	5,526	32%	7,411	23%	7,440	23%	8,291	23%	(851)	(11%)
Benefits	2,430	14%	3,088	10%	2,778	9%	3,695	10%	(917)	(33%)
Total Payroll Expense	7,956	47%	10,499	33%	10,218	32%	11,987	33%	(1,768)	(17%)
Depreciation & Amortization	1,993	12%	2,134	7%	2,738	9%	2,615	7%	123	4%
Software / Hardware Maintenance	138	1%	112	0%	201	1%	196	1%	4	2%
General Maintenance	279	2%	402	1%	374	1%	410	1%	(36)	(10%)
Utilities	472	3%	561	2%	472	1%	650	2%	(178)	(38%)
Supplies & Equipment	708	4%	628	2%	657	2%	730	2%	(73)	(11%)
Rent / Lease Expense	350	2%	400	1%	459	1%	383	1%	76	17%
Management Contract Labor	496	3%	543	2%	521	2%	545	1%	(24)	(5%)
CPC Administrative Services	1,030	6%	1,277	4%	1,277	4%	1,231	3%	47	4%
CPC Allocated Services	503	3%	522	2%	537	2%	557	2%	(20)	(4%)
Commissions & Royalties	264	2%	513	2%	539	2%	581	2%	(42)	(8%)
Other Operating Expenses	958	6%	1,346	4%	1,560	5%	1,558	4%	2	0%
Total Operating Expenses	7,191	42%	8,438	26%	9,335	29%	9,456	26%	(121)	(1%)
Total Expenses	15,147	89%	18,938	59%	19,553	61%	21,442	59%	(1,889)	(10%)
Net from Operations	(3,486)	(20%)	3,433	11%	2,231	7%	2,885	8%	654	29%
Other Income (Expense)	54	0%	545	2%	475	1%	545	1%	70	15%
University Services	(336)	(2%)	(331)	(1%)	(331)	(1%)	(742)	(2%)	(411)	(124%)
Interest Expense	(998)	(6%)	(1,770)	(6%)	(1,342)	(4%)	(1,365)	(4%)	(23)	(2%)
Total Other Income (Expense)	(1,280)	(7%)	(1,556)	(5%)	(1,198)	(4%)	(1,562)	(4%)	(364)	(30%)
Transfers In (Out)	10,773	63%	(620)	(2%)	(599)	(2%)	(620)	(2%)	(21)	(3%)
Net to Reserves	$6,007	35%	$1,258	4%	$434	1%	$703	2%	$269	62%
Noncash transactions (add back):										
Depreciation & Amortization	1,993	12%	2,134	7%	2,738	9%	2,615	7%	123	4%
Adjusted Net to Reserves	$7,999	47%	$3,391	11%	$3,171	10%	$3,318	9%	$147	5%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Sales for FY 2022-23 reflect the campus returning to full traffic patterns post-COVID. The budget incorporates a residential first-year student headcount of 4,900 freshmen and 3,340 students, faculty and staff participating in community dining plans. Sales for 2022-22 include a general index price increase.

Cost of Goods Sold (COGS) percentage of sales for FY 2021-22 is projected to be 35.9%, which is over the budget of 32.3%. Food cost inflation has been the primary reason for this unfavorable variance and is projected to continue to increase next year. We must balance COGS with quality, variety and value in our menus across all venues. FY 2022-23 is budgeted to be 35.4%.

Payroll Expense is expected to finish as 32% of sales for FY 2021-22 and budgeted as 33% of sales in FY 2022-23. Staffing throughout Campus Dining venues have been strategically designed to minimize overlap of labor while maintaining high levels of service. The budget includes pay grade alignments, new positions to improve operational efficiencies, an overall GSI, and slight fringe benefit rate increases.

Operating Expenses for FY 2021-22 are projected to end 5% over budget, with the largest unfavorable variance coming from depreciation expense related to the Vista Grande facility. Budgeted operating expenses for FY 2022-23 are expected to increase slightly from FY 2021-22 and includes increases in utilities and project equipment.

Other Income and Expense for FY 2021-22 and FY 2022-23 primarily represents income generated in relation to the Corporation's exclusivity agreement with Coca-Cola. Although shown as income to Campus Dining, these funds are transferred to the Campus Programs fund in support of athletics. A ten-year agreement with Coca-Cola was ratified in 2020, generating significant additional revenue to the University.

Other income/expense for FY 2021-22 includes approximately $1.4 million in interest expense related to proceeds acquired from CSU System wide revenue bonds issued for the construction of Vista Grande and renovation of Building 19. The increase in FY 2022-23 represents an increase for University Services charged by the University.

Net to Reserves for FY 2021-22 is expected to be $434,000 and FY 2022-23 is budgeted at $703,000 reflecting the net impact of sales as the campus returns to near full traffic patterns post-COVID. The increase is sales will be offset by increases in operating costs, including food costs, payroll, and operating expenses.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Outlay Reserve	Facilities Reserves	Debt Service Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2020 Reserve Balance	$3,579,541	$526,500	$19,089,650	$1,729,313	$17,742,741	$42,667,745
FY 2020-21 Change in Reserves	621,499	2,286,300	(10,655,493)	1,725	3,097,254	(4,648,715)
June 30, 2021 Reserve Balance	4,200,990	2,812,800	8,434,157	1,731,038	20,839,995	38,018,980
FY 2021-22 Change in Reserves (estimate)	512,365	1,347,200	(842,451)	276,747	(860,283)	433,578
June 30, 2022 Reserve Balance (estimate)	4,713,355	4,160,000	7,591,706	2,007,785	19,979,712	38,452,558
FY 2022-23 Change in Reserves (budget)	141,401	(3,633,500)	(5,909,355)	533,485	9,571,000	703,031
June 30, 2023 Reserve Balance (budget)	$4,854,755	$526,500	$1,682,352	$2,541,270	$29,550,712	$39,155,589

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, 2022 (estimate) and June 30, 2023 (budget) is equal to three months of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

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

Facilities Reserves represent Campus Dining's accumulated earnings after all other reserves are funded. Facilities reserves will be used towards the completion of the 1901 Marketplace renovation as well as future facility projects.

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

Investment in Operating Assets for June 30, 2022 (estimate) and June 30, 2023 (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
Furniture, Fixtures & Equipment - 1901 Marketplace	$2,000,000	10	$200,000
Library Coffee House (Design)	75,000	20	3,750
Renewal & Replacement - Capital	50,000	5	10,000
Truck - Custodial	38,000	7	5,429
Campus Market Plaza & Interior *	425,000	30	14,167
Vista Grande Platform Modification *	400,000	30	13,333
Mustang Station Remodel (Design)	200,000	20	10,000
Spanos Concessions (Design)	75,000	20	3,750
1901 AYTTE (All you care to eat) (Design)	75,000	20	3,750
Mobile Kitchen Unit Build Out ($500,000)	280,000	10	28,000
Shop Poly Development	200,000	10	20,000
PAC Lawn Project (Outdoor Spaces)	240,000	5	48,000
Total Major Capital Outlay	$4,058,000		$360,179
Minor Capital Equipment Outlay (Up To $25,000)			
Electric Golf Cart - Custodial (replacement)	$22,000	7	$3,143
Keg Trailer - Concessions	19,000	10	1,900
Henny Penny Fryer - Chick-fil-A	17,000	5	3,400
Flooring And Finish Out Space - UU Market	15,000	20	750
Shake Machine - Chick-fil-A	14,000	5	2,800
Water Heater - Red Radish (replacement)	8,000	7	1,143
Orbital Floor Scrubber - Vista Grande (replacement)	7,000	7	1,000
Total Minor Capital Outlay	$102,000		$14,136
Total Capital Outlay	$4,160,000		$374,314
Previously Approved Capital Outlay Requests (1)			
1901 Marketplace Renovation	$27,800,000	30	$926,667
Total Capital Outlay Request	$31,960,000		$1,300,981

CAPITAL OUTLAY REQUEST DETAIL

Furniture, Fixtures & Equipment - 1901 Marketplace: FF& E, kitchen equipment, final outfitting of building to operationalize it.

Library Coffee House (Design): 40-50 week process to design new space, aligning with University's timeline to have final design ready prior to the remodel of the Library starting in FY 2023-24.

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

Truck - Custodial: To replace present truck that is at the end of its useful life.

(1) *Capital Outlay Request below was approved by the Board of Directors in previous meetings. It is repeated here for informational purposes only. No further action required.*

1901 Marketplace Renovation: (Building 19 Neighborhood Remodel) Renovation of the building to provide a multi-purpose dining area emphasizing the academic and social components of food service. Following the Master Plan theme, it will deliver a sense of connectivity between the building and the University Union plaza. The approved project budget comes with a 10% variance and anticipates SRB financing of approximately $8,000,000.

Campus Market Plaza & Interior *: Design and add outdoor food truck village and permanent barbeque kiosk, outdoor seating. *$100,000 exchanged to this project from Vista Grande Platform Modification for interior remodeling of Campus Market.

Vista Grande Platform Modification *: To increase throughput at Vista Grande. Reconfigure platform, kitchen and serving area modifications, add buffet style serving stations, creating new queuing systems. *$100,000 exchanged from this project to Campus Market Plaza & Interior.

Mustang Station Remodel (Design): Open up space, expansion of wine and beer area outside with an ABC compliant patio, code upgrades, and potential remediation. Align with timeline to have final design ready for construction to begin in FY 2023-24, as soon as 1901 Marketplace opens.

Spanos Concessions (Design): To inform the budget and subsequent fundraising for a large pavilion with kiosks and serving locations.

1901 AYCTE (All you care to eat) (Design): To include an AYCTE option at 1901 Marketplace. Design will inform following year's construction budget.

Mobile Kitchen Unit Build Out: Build a mobile kitchen unit to provide additional food offerings around campus and at sporting and special events, will help mitigate campus capacity issues. Remaining capital outlay of $280,000 to build two units in FY 2022-23.

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

Pac Lawn Project: This project is a subset of the previously approved Outdoor Spaces Project. The project consists of re-landscaping the lawn area south of the Performing Arts Center (PAC) to create a multi-use space for eating and socializing. Two food trucks will be parked on a newly created path on the space to augment the Vista Grande food options during the dinner hours. Currently, food trucks are parked on the PAC plaza. The space will be outfitted with various forms of lighting to ensure the space is adequately lit during the winter hours in the evening. The quality of the landscaping and furnishings will be consistent with the aesthetic of the PAC. The University is participating in the project by contributing funding to enhance the landscape of the berm area between the lawn and Pacheco, as well as replacing the narrow lawn between the PAC plaza and Grande Avenue with an assortment of plants mirroring the attractive plantings in front of the PAC sign.

CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Other Commercial Activities

Fiscal Year 2022-23

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BUSINESS OVERVIEW

Through its delegation from the university, the Cal Poly Corporation has the exclusive right and responsibility to provide a number of campus commercial and enterprise services. Those services include food services, conference and event planning services, bookstores, print services, and other retail outlets. This delegation includes the right to self-operate or contract for the services, and to appropriately manage the operation or contract in its responsibility as a self-support service to the campus community.

Budgets for food services operations and conference and event planning services are prepared separately. This budget incorporates the following other commercial activities of the Corporation:

University Store Contract (including Cal Poly Downtown) - The University Store has two physical locations, one on-campus and one in downtown San Luis Obispo, and a robust e-commerce platform. The store has been serving the campus community since 1933, offering textbooks, technology, and academic supplies, along with Cal Poly branded apparel and gifts that encourage and support the Mustang spirit both locally and across the country. The University Store is a certified Apple retailer with Apple-certified Mac technicians on the premises.

Effective July 1, 2017, the Corporation entered into a contract with Follett Higher Education Group (Follett) to operate its campus bookstore, downtown location, and e-commerce store. The agreement with Follett is a seven-year term, with three additional one-year extensions. As part of this arrangement, the Corporation receives an annual commission based on certain sales. The commission is used to pay for continuing expenses (i.e. rents, taxes, depreciation, and utilities) as well as contract management support. Residual income is used to support on-going Corporation operations and contributions to university services.

Cal Poly Print & Copy - Located in Cal Poly's Robert E. Kennedy Library, Cal Poly Print & Copy offers a variety of print solutions. Three distinct revenue streams make up the majority of its business: (1) walk-up windows primarily for students, (2) online ordering primarily for faculty and staff, and (3) the production of course packs to Follett for resale to students. The largest source of revenue comes from the work produced for faculty and staff followed closely by the production of course packs.

Cal Poly Print & Copy specializes in small and large format printing to produce materials for presentations, events, and the classroom. It features online ordering and flexible hours to meet campus printing needs.

Other Retail Outlets - From time to time, the Corporation will enter into nominal contracts with other retail providers to sell products or services for a limited time. These vendors require little setup or infrastructure. These contracts generate income to the Corporation through revenue-sharing or rent charges in exchange for allowing these vendors to do business on campus.

2021-22 ACCOMPLISHMENTS

University & Downtown Store:

- Revenue Growth: Both locations have emerged from the pandemic-repressed months with healthy sales growth. Merchandise sales in both locations are trending 13% above pre-pandemic levels, aided by the remodel in the University Store, and increased foot traffic downtown. During the pandemic, online sales surged, and customers continue to order online. Follett has a robust online marketing program, with a high return and retention rate in their customer subscription base. While courseware and supplies have not recovered fully, the aggregate performance of the operations is resulting in commissions and net to reserve results better than budget. Growth in technology products is 71% above pre-pandemic levels due to the Cal Poly Scholar program receiving funding for laptops from the HEERF/CARES Act. Cal Poly Corporation doesn't receive a commission on technology sales, but Follett does receive a small margin on these sales, helping to mitigate the losses the company incurred during the pandemic.

- Remodel: Follett considers Cal Poly a flagship store and committed over $1.5MM in funds to remodel the University Store. The remodel began June 2021 and will be complete July 2022. The interior remodel increased merchandising space and created a brighter, more inviting space to shop.

Cal Poly Print & Copy: Cal Poly Print & Copy has successfully produced 100% of all course packs for Follett on time since inception of the Follett contract.

- COVID-19 Response: Cal Poly Print & Copy was closed to walk-in business for over a year as a result of the COVID-19 pandemic. During FY 2021-22 Cal Poly Print & Copy successfully re-opened its door to walk-in business following campus safety protocols.

- Management: The store manager left Cal Poly and, following a successful recruitment, a replacement was hired. The new store supervisor comes with a breadth of experience in the print industry and knowledge of Cal Poly.

2022-23 GOALS & OBJECTIVES

University and Downtown Store:

- Re-branding: Cal Poly Corporation is partnering with Follett to re-brand the stores. After an extensive name ideation, Mustang Shop was selected as the new name for both the on-campus and downtown stores. The new name will be supported with a press release and social media throughout the entire 2022-2023 academic year.

- Remodel: With the completion of the remodel this summer, plans are in place for a grand opening event during Homecoming week. This event, along with the name change and the completion of the remodel will be publicized and supported jointly between Cal Poly Corporation and Follett.

- Revenue Growth: The 2022-23 budget assumes a 5% increase in sales and commission growth, and restores the net to reserve to pre-pandemic levels. The Corporation expects to meet or exceed this target due to the increased store traffic from the remodel, and an expected retail price increase for merchandise.

- Courseware Partnership: The Corporation is actively engaging Follett to develop a strategic plan for courseware for the University. Opportunities exist to develop a holistic approach to courseware, utilizing both open educational resources and publisher's content.

Cal Poly Print & Copy: Cal Poly Print & Copy will work to increase sales by promoting in-person traffic and focused marketing of its products and services. Outreach on campus will continue to be primarily towards the administrative staff, to further grow the business.

Library renovation collaboration: The Corporation will continue to collaborate with the university on the library renovation project, gathering information and providing input on appropriate spaces and design options for dining and retail spaces, including Cal Poly Print & Copy.

2022-23 OPERATING BUDGET PROPOSAL

UNIVERSITY STORE CONTRACT

(in thousands) **	Fiscal Year 2020 21 Actual	% of Sales	Fiscal Year 2021-22 Budget	% of Sales	Fiscal Year 2021-22 Estimate*	% of Sales	Fiscal Year 2022-23 Budget Proposal	% of Sales	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$50	100%	$47	100%	$70	100%	$60	100%	$(10)	(15%)
Cost of Goods Sold	36	72%	32	68%	48	68%	40	66%	8	17%
Gross Margin	14	28%	15	32%	22	32%	20	34%	(2)	(10%)
Other Revenues	1,012	2034%	1,084	2307%	1,313	1869%	1,377	2304%	64	5%
Income before Operations	1,026	2061%	1,099	2339%	1,335	1901%	1,397	2337%	62	5%
Depreciation & Amortization	64	128%	56	118%	56	79%	54	91%	1	2%
General Maintenance	2	5%	9	18%	14	21%	8	14%	6	43%
Rent / Lease Expense	149	300%	155	329%	166	237%	172	288%	(6)	(3%)
CPC Administrative Services	637	1280%	620	1319%	620	883%	615	1029%	5	1%
CPC Allocated Services	49	99%	47	100%	48	69%	53	88%	(4)	(9%)
Utilities	39	79%	40	85%	46	66%	47	79%	(1)	(3%)
Other Operating Expenses	34	68%	28	60%	17	24%	27	45%	(10)	(59%)
Total Operating Expenses	974	1958%	954	2031%	969	1379%	977	1635%	(9)	(1%)
Total Expenses	974	1958%	954	2031%	969	1379%	977	1635%	(9)	(1%)
Net from Operations	52	104%	145	308%	367	522%	420	703%	53	15%
Other Income (Expense)	(1)	(1%)	-	0%	41	59%	-	0%	(41)	(100%)
University Services	(147)	(295%)	(145)	(309%)	(145)	(206%)	(322)	(540%)	(178)	(122%)
Total Other Income (Expense)	(148)	(297%)	(145)	(309%)	(104)	(147%)	(322)	(540%)	(219)	(211%)
Transfer From (To) Plant Fund Reserves	(3)	(5%)	-	0%	-	0%	-	0%	-	0%
Net to Reserves	$(99)	(198%)	$(0)	(1%)	$263	375%	$98	163%	$(166)	(63%)
Noncash transactions (add back):										
Depreciation & Amortization	64	128%	56	118%	56	79%	54	91%	1	2%
Adjusted Net to Reserves	$(35)	(70%)	$55	118%	$319	454%	$152	254%	$(167)	(52%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

CAL POLY PRINT & COPY

(in thousands) **	Fiscal Year 2020-21 Actual	% of Sales	Fiscal Year 2021-22 Budget	% of Sales	Fiscal Year 2021-22 Estimate*	% of Sales	Fiscal Year 2022-23 Budget Proposal	% of Sales	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$52	100%	$321	100%	$204	100%	$287	100%	$83	41%
Cost of Goods Sold	15	28%	72	22%	50	24%	67	23%	(17)	(34%)
Gross Margin	37	72%	249	78%	154	76%	220	77%	66	43%
Income before Operations	37	72%	249	78%	154	76%	220	77%	66	43%
Salaries & Wages	57	110%	123	38%	103	50%	101	35%	2	2%
Benefits	33	64%	44	14%	31	15%	34	12%	(2)	(8%)
Total Payroll Expense	90	174%	167	52%	134	66%	134	47%	(1)	0%
Depreciation & Amortization	6	11%	4	1%	4	2%	3	1%	1	19%
General Maintenance	22	42%	33	10%	28	14%	31	11%	(3)	(11%)
CPC Administrative Services	24	47%	25	8%	25	12%	26	9%	(1)	(5%)
CPC Allocated Services	-	0%	1	0%	1	1%	1	0%	-	0%
Other Operating Expenses	9	17%	16	5%	12	6%	11	4%	1	8%
Total Operating Expenses	61	117%	79	24%	70	34%	73	25%	(3)	(4%)
Total Expenses	151	291%	246	76%	204	100%	207	72%	(3)	(2%)
Net from Operations	(114)	(219%)	3	1%	(49)	(24%)	13	4%	62	126%
Other Income (Expense)	(0)	(1%)	-	0%	-	0%	-	0%	-	0%
University Services	-	0%	(3)	(1%)	(4)	(2%)	(2)	(1%)	2	38%
Total Other Income (Expense)	(0)	(1%)	(3)	(1%)	(4)	(2%)	(2)	(1%)	2	38%
Transfer From (To) Plant Fund Reserves	107	206%	-	0%	-	0%	-	0%	-	0%
Net to Reserves	$(7)	(14%)	$0	0%	$(53)	(26%)	$10	4%	$64	119%
Noncash transactions (add back):										
Depreciation & Amortization	6	11%	4	1%	4	2%	3	1%	1	19%
Adjusted Net to Reserves	$(2)	(3%)	$4	1%	$(49)	(24%)	$14	5%	$63	128%

* Estimate based on eight months actual and four months estimate
** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Sales and Cost of Sales for FY 2021-22 includes results from Cal Poly Print & Copy operations as well as wine sales at Cal Poly Downtown. At Cal Poly Print & Copy, the unfavorable variance in sales from budget of approximately $117,000 is primarily the result of lower than anticipated sales in digital print. The digital print sales budget for FY 2022-23 is expected to increase as Cal Poly Print & Copy implements a targeted marketing campaign to students, faculty and staff.

Sales at Cal Poly Print & Copy for FY 2022-23 assume the store will be open for the entire academic year. This may not materialize depending on progress related to the Library Renovation Project. Sales estimates are conservative and reflect an increase from the FY 2021-22 projection but are less than the average pre-pandemic historical performance. Cost of Sales for FY 2022-23 reflect consistent margins from previous years.

Other Revenues for the University Store Contract primarily represent commissions earned from Follett, which is generally calculated at 7% of digital commissionable sales and 17% of non-digital commissionable sales. The budget for FY 2022-23 assumes that Follett commissionable sales will be slightly higher than FY 2021-22 projection. Corporation management is working closely with Follett to identify ways to increase commissionable sales over the coming year.

Total Payroll Expense relates solely to Cal Poly Print & Copy and is projected to end FY 2021-22 $33,000, or 20% under budget. The favorable variance from budget results from a vacancy in the store manager position. This position has since been replaced, which is reflected in payroll expense for FY 2022-23.

Total Operating Expenses for the University Store Contract include continuing direct expenses for the University Store and Cal Poly Downtown (i.e. rents, taxes, depreciation and utilities) as well as contract management and indirect cost support. FY 2022-23 Operating Expenses are expected to increase slightly from FY 2021-22 projections primarily the result of increased lease expense as pandemic rent reductions expire. FY 2021-22 Operating Expenses for Cal Poly Print & Copy are projected to end slightly under budget and reflect an effort to return to normal operations while maintaining careful growth of expenditures. FY 2022-23 Operating Expenses are expected to increase slightly resulting primarily from anticipated increased equipment maintenance.

Other Income (Expense) for FY 2021-22 and FY 2022-23 primarily reflects continued reductions in funding for University Services, following significant losses related to the economic impact of COVID-19.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2020 Reserve Balance	$1,013,599	$6,591,264	$281,209	$100,000	$7,986,072
FY 2020-21 Change in Reserves	(33,189)	(27,765)	(70,917)	0	(131,871)
June 30, 2021 Reserve Balance	980,410	6,563,499	210,292	100,000	7,854,201
FY 2021-22 Change in Reserves (estimate)	14,510	354,998	(59,646)	(100,000)	209,862
June 30, 2022 Reserve Balance (estimate)	994,920	6,918,497	150,646	0	8,064,063
FY 2022-23 Change in Reserves (budget)	29,213	136,314	(57,569)	0	107,958
June 30, 2023 Reserve Balance (budget)	$1,024,133	$7,054,811	$93,077	$0	$8,172,021

Reserves for other commercial activities are designated as follows:

Operating Reserves represents working capital held for contingencies and continuing operations. The reserve balance for the University Store contract is equal to 100% of the subsequent year's budgeted operating expenses (less depreciation expense), which reflects the difference in business model compared to other commercial operations. Operating reserves at Cal Poly Print & Copy for June 30, 2022 (estimate) and June 30, 2023 (budget) are equal to 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

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

Investment in Operating Assets for June 30, 2022 (estimate) and June 30, 2023 (budget) represents the investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

CAPITAL OUTLAY REQUEST DETAIL

There are no capital outlays requested for FY 2022-23.

CAL POLY Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Sponsored Programs Administration

Fiscal Year 2022-23

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BUSINESS OVERVIEW

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

Sponsored Programs provides efficient and effective post-award administration support for research projects, workshops, conferences, centers and institutes, fee-for-service, and other projects that enrich the scholarly endeavors of Cal Poly from award negotiation and acceptance through project closeout and record retention.

The primary objectives of Sponsored Programs are as follows:

- To support faculty scholarship and student "Learn by Doing" opportunities by providing financial and compliance services for sponsored programs and related activities
- To effectively participate in the proposal submission process, with the university's Grants Development office, when appropriate
- To perform a thorough review and, in negotiations, engage the appropriate campus units to affect favorable contract and grant terms and conditions prior to acceptance of an award
- To provide research administration consulting services to project directors to assist or support them with fulfilling the administrative and compliance research, instructional, or other contract or grant objectives
- To protect Cal Poly Corporation and university interests by closely monitoring project accounts to avoid audit disallowance, over-expenditures, uninsured risks, or other potentially negative consequences
- To satisfactorily provide stakeholders with pertinent financial and technical status information as appropriate
- To facilitate the Facilities and Administration proposal submission, rate negotiation, agreement acceptance, and extension request with the proper federal Division of Cost Allocation delegate.

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

2021-22 ACCOMPLISHMENTS

- The department collaborated with the Director of Research Compliance on reviewing, testing and selecting an Electronic Research Administration (ERA) system. This will streamline the award process from the proposal stage to the close out stage to better support the university in pre and post award management.

- The department worked closely with the Corporation IT on the decision to upgrade or select a new Enterprise Resource Planning (ERP) system.

- We implemented the teleworking agreements with all the staff to ensure the department needs are being met while continuing to provide support for sponsored projects and accounts.

- Completed a successful National Science Foundation Office (NSF) of Inspector General audit.

- Completed a successful California Institute for Regenerative Medicine (CIRM) audit.

- We were successful in hiring a new program assistant to back fill a vacant position.

- Updated the policy on the administration of Sponsored Programs to reflect current practices and address changing regulatory requirements.

- Started recruitment for a new Director, Operations Manager and Contacts and Grants Analyst.

2022-23 GOALS & OBJECTIVES

- The department will work in collaboration with the Director of Research Compliance on testing and implementing a new Electronic Research Administration (ERA) system.

- The department will continue to review and revise the current Sponsored Programs policies, procedures and guidelines to ensure they are consistent with federal regulations and new electronic processes.

- The department will work with ITS on the One Solution upgrade.

- To complete the hiring and training of a new Director and Operations Manager and Contacts and Grants Analyst.

- Will work with the CSO Chancellors Office to finalize the CPC policy on international agreements in relation to sponsored research.

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	Fiscal Year 2021-22 Budget	Fiscal Year 2021-22 Estimate*	Fiscal Year 2022-23 Budget Proposal	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Contract & Grant Admin Fees	4	3	6	6	-	0%
Center & Institute Admin Fees	222	204	192	192	-	0%
Other Revenues	229	267	315	315	-	0%
Income Before Operations	454	474	514	514	-	0%
Salaries & Wages	571	590	586	685	(100)	(17%)
Benefits	347	363	360	417	(57)	(16%)
Total Payroll Expense	918	953	946	1,102	(157)	(17%)
Audit & Tax	12	12	12	12	-	0%
CPC Administrative Services	733	775	775	785	(10)	(1%)
Insurance	106	157	86	112	(26)	(30%)
Consultants	-	50	-	-	-	0%
University Cost Allocation	281	172	59	49	10	17%
Other Operating Expenses	42	44	41	47	(7)	(17%)
Total Operating Expenses	1,174	1,210	973	1,005	(32)	(3%)
Total Expenses	2,093	2,163	1,919	2,107	(189)	(10%)
Net from Operations	(1,638)	(1,689)	(1,405)	(1,594)	(189)	(13%)
Other Income (Expense)	(2)	(3)	(0)	-	0	0%
Total Other Income (Expense)	**(2)**	(3)	(0)	-	0	0%
Transfers In (Out)	**1,661**	**1,370**	**1,370**	**1,620**	**249**	**18%**
Net to Reserves	**$21**	**$26**	**$(34)**	**$26**	**$61**	**176%**

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

***See Operating Budget Discussion for further information

OPERATING BUDGET DISCUSSION

Income Before Operations are expected to end FY 2021-22 above budget primarily due to favorable variances in Contract-Grant Admin Fees, Fee-For-Service Admin Fees, and Student Research Project Fees collected. Revenues for FY 2022-23 are budgeted to remain flat with current year projections, primarily due to uncertainty regarding changes in availability of funds.

Total Payroll Expense for the FY 2021-22 is projected to end consistent with the budget. Payroll expense for FY 2022-23 reflects an increase due to hiring a new contracts and grants analyst and fringe benefit rates slightly higher than FY 2021-22.

Total Operating Expenses for FY 2021-22areanticipatedto end 20%, or $237,000 below budget. This favorable variance is primarily the result of savings in the CPSU Cost Allocation by passing the cost to Centers & Institutes that use the chargeback system for expense rather than spending directly from CPC. In addition, there were savings in insurance, travel-related expenditures, and a budgeted consultant was never engaged. Total Operating Expenses for FY 2022-23 are budgeted to increase primarily the result of an increase in insurance costs.

Transfers In for FY 2021-22 and FY 2022-23 represents IDC funds allocated to support the Sponsored Programs department.

Net to Reserves are residual funds allocated to the Operating Reserve, Contract and Grant Audit Reserve, and Capital Outlay Reserve, as needed.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Contract & Grant Audit Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2020 Reserve Balance	$514,528	$365,905	$5,803	$886,236
FY 2020-21 Change in Reserves	28,719	(3,248)	(4,974)	20,497
June 30, 2021 Reserve Balance	543,247	362,657	829	906,733
FY 2021-22 Change in Reserves (estimated)	(33,335)	(237)	(829)	(34,401)
June 30, 2022 Reserve Balance (estimate)	509,912	362,420	0	872,332
FY 2022-23 Change in Reserves (budget)	15,297	10,873	0	26,170
June 30, 2023 Reserve Balance (budget)	$525,209	$373,293	$0	$898,502

The Operating Reserve represents working capital held for contingencies and continuing operations. The reserve balance is targeted to equal 25% of the average of the past two years and subsequent year's budgeted payroll and operating expenditures or roughly three months of expenditures.

The Contract & Grant Audit Reserve is a contingency reserve established in the unlikely event that the Corporation is not able to recover from sponsor funding expended on a project. The target reserve is equal to 1.5% of the average annual contract and grant expenditures over the past three years, not to exceed $500,000.

Investment in Operating Assets for June 30, 2022 (estimate) and June 30, 2023 (budget) represents the investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2022-23.

CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Conference and Event Planning

Fiscal Year 2022-23

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BUSINESS OVERVIEW

Conference and Event Planning (CEP) is a self-supporting operation providing a full array of event services from initial concept to completion of an event. CEP strives to facilitate the highest standards of excellence and professionalism in performance of its services.

University-sponsored events are related to the overall educational mission of the university and are directly linked to the purposes of Cal Poly colleges and departments. Licensed events are sponsored by off-campus organizations and promote the education and learning of the participants. CEP coordinates services for both types of events at various levels, size, and duration. Some events have fewer than 50 participants and last for less than a day, whereas other events have thousands of participants and span several weeks.

CEP also provides organizational assistance to event corporate sponsors and exhibitors to ensure their compliance with university regulations and conformance to the university's mission and purpose. With authorization to issue licenses for off-campus groups to use Cal Poly facilities and services, CEP is positioned to highlight the university and community partnership, bringing additional business to the San Luis Obispo community.

Services provided to off-campus organizations and university departments include:

- Budget development
- Complete registration and reporting services*
- Coordination of on-campus housing accommodations
- Campus facility coordination and reservations
- Food and beverage service coordination
- Rental coordination
- On-site event staffing
- Liability insurance and other event-related insurance
- Payroll services*
- Bus and shuttle service coordination
- Signage
- Logistical support for event staff*

* Available only for university-sponsored events

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

2021-22 ACCOMPLISHMENTS

- With the advent of the vaccine rollout, CEP welcomed the return of in-person events and the overall positive outlook for future events is exciting. CEP developed new guidelines on vaccine and/or testing requirements for in-person events. Working in conjunction with multiple departments, including legal and risk management, we solidified vaccine and or testing requirements, based on Cal Poly initiatives.

- CEP reached out to all of our current repetitive clients and successfully booked many returning clients for 2022. We persuaded 95% of our repetitive clients to return. CEP also opened new lines of communication with many prospective clients, who expressed interest in either an event in 2022 or 2023.

- CEP initiated a new partnership with University Housing and assisted them with student move in week. We were in charge of volunteer coordination and shuttle service arrangements. Our assistance was well received and University Housing wishes to continue this partnership for student move in for the fall of 2022.

- In the fall of 2021, the CEP director provided oversight for the campus testing sites and contributed to the success of these testing centers, which provided services for all Cal Poly University students and staff.

- Under the guidance of the CEP director, this department researched possibilities and coordinated with multiple service providers and campus partners for a Cal Poly large concert initiative.

- CEP Senior Accounting Analyst assisted the Performing Arts Center with their higher-level accounting needs, which overall, supported the CEP budget.

- CEP successfully hired a third Event Coordinator to support our many returning clients, conferences, and events.

- CEP streamlined payroll set up and paperwork processing into a more efficient online process, reducing paper usage and our overall carbon footprint.

- CEP took part in the Cal Poly University "Let's Have a Party –Hosting Events at Cal Poly" presentation on how to plan and execute an event on the Cal Poly campus.

2022-23 GOALS & OBJECTIVES

- The Live Event concert initiative is ongoing with an expected goal of April 2023 for a large concert to take place at the Spanos Stadium.
- CEP will increase its gross revenue back up to its pre pandemic 2019 level.
- CEP will revise its summer of 2022-23 operational flow, with significant changes toward an improvement of services.
- With the introduction of these new operational flows, CEP will update procedural guidelines and reintroduce the department to university partners and external clients.
- CEP will transition its current conference software to a cloud-based program that will provide a streamlined and efficient process for conference and event coordination.
- CEP will expand partnerships with current clients and explore new clientele, including but not limited to Cal Fire, Cyber Security and corporate programs that offer benefits for their employee.
- CEP will focus on employee morale with activities and training to strengthen teamwork and internal departmental connections.

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	Fiscal Year 2021-22 Budget	Fiscal Year 2021-22 Estimate*	Fiscal Year 2022-23 Budget Proposal	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	-	$57	$7	$963	$955	13112%
Other Revenues	56	301	318	569	251	79%
Income Before Operations	56	358	325	1,531	1,206	371%
Salaries & Wages	208	262	368	465	(97)	(26%)
Benefits	128	162	207	260	(53)	(26%)
Total Payroll Expense	336	424	575	725	(150)	(26%)
Depreciation & Amortization	8	2	2	-	2	100%
Software / Hardware Maintenance	13	12	12	21	(10)	(80%)
Supplies & Equipment	1	4	2	12	(10)	(691%)
University Housing Expense	-	37	-	440	(440)	(100%)
CPC Administrative Services	33	53	53	104	(52)	(98%)
Bank Card Expense	17	14	23	30	(7)	(28%)
Other Operating Expenses	21	21	20	38	(18)	(94%)
Total Operating Expenses	93	143	111	645	(534)	(481%)
Total Expenses	429	566	686	1,370	(684)	(100%)
Net from Operations	(373)	(209)	(361)	161	522	145%
Other Income (Expense)	(0)	-	(0)	-	0	0%
University Services	(2)	(2)	(10)	(31)	(21)	(210%)
Total Other Income (Expense)	(3)	(2)	(10)	(31)	(21)	(209%)
Transfers In (Out)	366	-	3	-	(3)	(100%)
Net to Reserves	$(9)	$(211)	$(368)	$130	$498	135%
Noncash transactions (add back):						
Depreciation & Amortization	8	2	2	-	2	100%
Adjusted Net to Reserves	$(2)	$(209)	$(365)	$130	$496	136%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Revenues and expenses presented in this budget represent a summary of CEP operations; figures do not represent revenues and expenses of individual conferences and workshop events.

Revenues:

FY 2021-22 revenue reflects a limited capacity to do events. Due to the COVID-19 surge in the summer of 2021, some CEP clients decided to hold off doing their usual events. The COVID-19 surge repeated itself a couple of times, which resulted in some additional cancellations and postponements. However, of the events that were held, despite limited capacity, they were very successful. In addition, CEP entered into an arrangement with the Performing Arts Center to provide finance and accounting resources on a part-time basis, which mitigated the loss in CEP revenue.

Revenues budgeted for FY 2022-23 reflect an increase of $1.2 million or 372%. This will result in a fully operational recovery. In addition, CEP is budgeted to contribute 8.5% to the reserves. This year's success includes the return of housed events, new career fairs, virtual events, housing move in assistance and other special events.

Payroll Expense:

CEP provides a broad array of event services to the campus community. As a service group, the cost of personnel is the largest expense. CEP held off on the hiring of a third event coordinator until it was necessary. The CEP team roles were interchangeable, providing comprehensive all-around support to each other and CEP clients.

Payroll expenses for FY 2022-23 include a significant increase in hours allotted for student and part time employees, the addition of a third event coordinator, a budgeted GSI, and a slightly higher fringe benefit rate. Payroll expenses for FY 2021-22 are anticipated to end over budget primarily due to an increase in regular full-time salaries as part of the arrangement with the Performing Arts Center to provide finance and accounting resources on a part-time basis .

Operating Expenses:

FY 2021-22 operating expenses are projected to end $32,000, or 22% under the revised budget. Total operating expenses in FY 2022-23 are budgeted to increase 481% over FY 2021-22 projections, an increase of $534,000. This budget increase reflects the addition of expenses associated with housed events and an increase in the Corporation administrative assessment.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Facilities Reserve	Total
June 30, 2020 Reserve Balance	$142,598	$9,868	$776,826	$929,292
FY 2020-21 Change in Reserves	(1,538)	(7,696)	-	(9,234)
June 30, 2021 Reserve Balance	141,060	2,172	776,826	920,058
FY 2021-22 Change in Reserves (estimate)	542	(2,172)	(365,959)	(367,589)
June 30, 2022 Reserve Balance (estimate)	141,602	-	410,867	552,469
FY 2021-23 Change in Reserves (budget)	136,739	-	(6,588)	130,151
June 30, 2023 Reserve Balance (budget)	$278,341	-	$404,279	$682,620

CEP maintains four separate reserves for the following purposes:

Operating Reserves represents working capital held for contingencies and continuing operations. The operating reserve balance for June 30, 2022 (estimate) is approximately $201,000 under the minimum reserve level of 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense). The operating reserves for June 30, 2023 (budget)are budgeted to begin rebuilding the reserves to the minimum level.

Investment in Operating Assets for June 30, 2022 (estimate) and June 30, 2023 (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 2022-23.

CAL POLY Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

General Administration

Fiscal Year 2022-23

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BUSINESS OVERVIEW

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

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

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

The GA budget includes the following Corporation operations:

Executive Office - The Corporation's Executive Office is responsible for setting strategic direction and priorities for the organization, ensuring alignment with university priorities and direction, board and organizational administration and compliance, business and policy development, legal affairs, contract administration and management, capital development and public relations. Under the leadership of the chief executive officer, the Executive Office works directly with campus senior leadership and the Corporation Board of Directors to lead the overall management of the Corporation. The Executive Office also collaborates with other on-campus organizations to assist the university in achieving its long- term goals and objectives.

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

Business and Finance Office - The Corporation Business and Finance Office is responsible for managing the financial resources of the Corporation consistent with its strategic direction and priorities. It oversees financial planning and forecasting, investment and cash management, manages financial risk, and provides financial reporting to executive and senior management. The Business and Finance Office manages fiscal services for internal departments and external organizations, providing centralized business and financial analysis, accounting, record keeping, and financial reporting for Corporation units, and maintains an integrated, online financial reporting system. Departments within the Business and Finance Office include Payroll, Accounts Receivable, Travel, Accounts Payable, General Accounting, Campus Programs, Investment and Treasury Management, Income and Gift Management, Cashiering, and Financial Services.

Marketing and Communications (MARCOM) - The MARCOM department provides marketing and communication services to the Corporation's administrative and commercial operations as well as to other campus units and organizations. MARCOM is responsible for internal and external communications, including media point of contact and press releases. MARCOM's goal is to use creatively developed integrated marketing solutions that enable and support the Corporation and other customer units to achieve and then exceed their business objectives. Services provided by MARCOM include strategic planning support, public relations, social media marketing, digital and offline advertising, direct mail marketing, website development, email marketing, media planning and buying, graphic design, video production, and photography.

General Administration operations are funded through cost-recovery allocations and assessments charged to Corporation departments and operations, fees for fiscal and administrative services provided to external organizations and the net investment income (interest plus dividends, less fees) from the General Investment Fund.

2021-22 ACCOMPLISHMENTS

- Won 10 Marcom Awards for Corporation and Administration and Finance marketing function
- Increased Corporation brand engagement by 10%
- Renewed the Marketing contract with Extended Education
- Developed scorecard for the Corporation
- Implemented strategic plan developed in FY 2020-21, including strategic directions, goals and objectives for the next two to three years
- Issued a request for proposal for development of the Faculty & Staff Housing project
- Integrated a marketing and communication plan, along with a brand campaign, to build awareness of why we do what we do and our impact to the campus
- Completed a culture roadmap to establish a workplace environment that can achieve and sustain the future vision of the Corporation
- Created policies and practices that address telework and flexible work options post COVID
- Updated employee development, training, and performance evaluation process. Completed a compensation study of Corporation positions to ensure alignment with market rates, and develop a program with different levels of recognition for individual contributions and team achievements
- Executed on 10-year commercial services vision and plan, including establishment of campus events function
- Began replenishment of reserves lost in the pandemic
- Developed a Corporation business model for on and off campus real estate acquisition, development, and management

2022-23 GOALS & OBJECTIVES

- Prepare and complete a system upgrade of ONESolution with an implementation date of July 1, 2023
- Develop a funding model for Human Resources
- Rename the Corporation
- Support the development of the Shop Cal Poly App
- Optimize current marketing and communication programs to increase engagement to meet key performance indicators
- Develop and implement three year business services plan, optimizing critical internal business processes, creating a business services catalog and updating the Corporation fee structure
- Secure financing for the Faculty & Staff Housing project
- Research and implement changes to benefits and compensation structures to make the Corporation organization more efficient and align with employee needs
- Identify the optimal entity structure for Corporation commercial services
- Finalize and rollout web based employee evaluation system
- Update hybrid telework plan and vision about the future of work in-person
- Create a succession planning model to allow employees to find more growth and opportunities within the Corporation

2022-23 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2020-21 Actual	Fiscal Year 2021-22 Budget	Fiscal Year 2021-22 Estimate*	Fiscal Year 2022-23 Budget Proposal	2022-23 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Assessment Income	$2,769	$3,078	$3,078	$3,088	$11	0%
Fee for Service Income	628	700	758	747	(11)	(1%)
CPC Allocated Services	634	764	741	799	58	8%
Other Revenues	998	1,012	1,127	1,061	(65)	(6%)
Income Before Operations	5,029	5,554	5,703	5,695	(8)	0%
Salaries & Wages	2,717	3,081	2,914	3,109	(196)	(7%)
Benefits	1,616	1,800	1,727	1,883	(156)	(9%)
Total Payroll Expense	4,332	4,881	4,641	4,992	(351)	(8%)
Depreciation & Amortization	36	8	8	5	3	35%
Software / Hardware Maintenance	185	224	172	178	(6)	(3%)
General Maintenance	23	22	18	23	(4)	(25%)
Supplies & Equipment	27	48	35	31	4	12%
Rent / Lease Expense	211	212	212	215	(3)	(2%)
Audit & Tax	114	115	116	117	(1)	(1%)
Other Operating Expenses	639	765	849	865	(17)	(2%)
Total Operating Expenses	1,234	1,394	1,410	1,434	(24)	(2%)
Total Expenses	5,567	6,274	6,051	6,426	(376)	(6%)
Net from Operations	(538)	(721)	(347)	(731)	(383)	(110%)
Other Income (Expense)	(34)	-	(5)	-	5	100%
Total Other Income (Expense)	(34)	-	(5)	-	5	100%
Transfers In (Out)	699	792	415	808	393	95%
Net to Reserves	$127	$71	$63	$78	$14	22%
Noncash transactions (add back):						
Depreciation & Amortization	36	8	8	5	3	35%
Other Expense	1	-	-	-	-	0%
Adjusted Net to Reserves	$164	$79	$71	$83	$11	16%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

REVENUES

Income Before Operations for FY 2021-22 is projected to end slightly over budget. This favorable variance is primarily the result of an increase in Investment Management Income. Investment returns in the first half of FY 2021-22 provided for higher than anticipated management fees.

Income Before Operations for FY 2022-23 are expected to remain consistent with FY 2021-22 projections.

PAYROLL

Payroll expense for FY 2021-22 is projected to end under budget, driven by vacancies in full-time positions. Payroll expense for FY 2022-23 is expected to increase over 8% from FY 2021-22 projections, primarily due to the addition of two new positions, one for Human Resources and one for General Accounting, a general salary increase, and compensation adjustments to certain staff that resulted from a compensation study.

OPERATING EXPENSES

Total operating expenses for FY 2021-22 are expected to end the year over budget by approximately $16,000, or 1%. The difference includes unfavorable variances in consultants, contract labor, gifts and awards, and special events. Operating Expenses for FY 2022-23 reflect an increase of approximately $24,000, or 2% over FY 2021-22. The increase is primarily the result of increases in software maintenance, legal fees, and contract labor.

NET FROM OPERATIONS

General Administration operations are partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund. FY 2021-22 Transfers-in includes approximately $389,000 in net investment income from the General Investment Fund and is expected to increase to approximately $808,000 for FY 2022-23. The change is reflective of expected changes in revenues and expenses as described above.

GENERAL INVESTMENT FUND DISCUSSION

The General Investment Fund is held within the General Fund and is comprised of three investment pools. The Corporate Investment Pool and the Student Investment Management Program (SIMP) are long-term pools invested in traditional instruments (stocks and bonds and, in the case of SIMP, exchange traded funds). The Internal Fund holds assets comprised of cash management accounts (money market funds, certificates of deposit and short- to mid-term fixed income mutual funds).

Due to the unpredictable nature of the investment market, activities of the General Investment Fund are not consolidated with the General Administration budget. Market losses have totaled $6.1 million for the first 10 months of the fiscal year, resulting in an overall net operating loss of $5.2 million over the same period. Current year results are driven by continued supply chain issues, inflation concerns, and rising interest rates.

Net investment income from the General Investment Fund helps to support the General Administration budget, assist with Corporation special projects, and build Corporation reserves. The Corporation anticipates that approximately $389,000 in current year dividend and interest income will be used to support General Administration operations in FY 2021-22.

Net investment income in excess of transfers to General Administration operations are kept in the following reserves:

Investment Reserve –This reserve is intended to establish a contingency reserve to cover potential General Investment Fund losses. The reserve balance is currently equal to 30% of the value of General Fund investment equity securities as prescribed by Corporation policy. During the current year, the value of equity securities has decreased following the market response to supply chain and inflation concerns, resulting in a decrease in the investment reserve requirements.

General Administration Reserve –This reserve represents prior years' accumulation of net earnings in excess of General Fund reserve requirements. It is primarily used to ensure the Investment Reserve and General Administrations reserves remain fully funded. The reserve can also be used to support other Corporation and university strategic initiatives when funding is available.

Past and projected reserve balances are as follows:

	Investment Reserves	General Administration Reserves
June 30, 2021 Reserve Balance	$12,557,155	$16,032,193
FY 2021-22 Change in Reserves (estimate)*	(1,030,332)	(4,238,319)
June 30, 2022 Reserve Balance (estimate)*	11,526,824	11,793,874

*(*Current year estimates are based on actual 10-month activity for the current year and estimated results for May and June of 2021. Note that market value gains (losses) are not estimated.)*

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2020 Reserve Balance	$1,717,187	$25,000	$47,281	$1,789,468
FY 2020-21 Change in Reserves	162,702	0	(35,467)	127,235
June 30, 2021 Reserve Balance	1,879,889	25,000	11,814	1,916,703
FY 2021-22 Change in Reserves (estimate)	46,434	(8,056)	25,000	63,378
June 30, 2022 Reserve Balance (estimate)	1,926,323	3,758	50,000	1,980,081
FY 2022-23 Change in Reserves (budget)	57,790	44,798	(25,000)	77,588
June 30, 2023 Reserve Balance (budget)	$1,984,113	$48,556	$25,000	$2,057,669

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

Operating Reserves represents working capital held for contingencies and continuing operations. The targeted reserve balance is equal to 30% of the subsequent year's payroll and operating expense budget (less depreciation expense). It is anticipated that FY 2022-23 earnings will be sufficient to fully fund the reserve.

Investment in Operating Assets for June 30,2022 (estimate) and June 30,2023 (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
ONESolution Upgrade	$50,000	5	$10,000
Total Major Capital Outlay	$50,000		$10,000
Total Capital Outlay Request	$50,000		$10,000

CAPITAL OUTLAY REQUEST DETAIL

ONESolution Upgrade: The Corporation's Enterprise Resource Planning System is reaching its end of life and requires an upgrade to continue with vendor support. The Corporation proposes a one-time cost to upgrade of $50,000.

CAL POLY
Corporation

TO:	Cal Poly Corporation Board of Directors	**DATE:**	May 27, 2022
VIA:	Cody Van Dorn Chief Executive Officer	**REF:**	Board Meeting #4 June 3, 2022
FROM:	Dan Banfield Chief Financial Officer	**FILE:**	BOD Binder
SUBJECT:	**Building 19 Renovation Budget Revision**		

RECOMMENDATION

THAT THE BOARD APPROVE A PROJECT BUDGET INCREASE OF $2,500,000 WITH A 10% VARIANCE ALLOWANCE FOR THE RENOVATION OF BUILDING 19.

BACKGROUND

In early 2013, the Corporation engaged the services of a consultant, WEBB Design, to develop an overall strategic direction for the near and long-term future of campus food service operations and facilities. The consultant's work recognized the need to renovate and redesign major Campus Dining facilities including building 19 and building 112 (Vista Grande) to support campus growth and modernize operations.

In January 2018, the Board approved expenditures not to exceed $1,800,000 to advance programing for the University Union (UU) Neighborhood Master-Plan and for design development for the renovation of building 19, in furtherance of the overall strategic direction. The Master Plan effort was completed during the summer of 2018, laying the groundwork for conceptual design development of building 19 within the context of the University Union Neighborhood vision.

Corporation staff returned to the Board of Directors with cost estimates for construction on January 25, 2019. Cost estimates provided by Pfeiffer Partners indicated a total project cost (including design costs) of approximately $26,800,000, including hard construction costs of $25,000,000. Cost estimates were obtained using established methods. At that time, the board approved the project budget with a 10% variance allowance. In April 2020, the Corporation entered into a phase-I pre-construction services agreement with Specialty Construction Inc., utilizing the CM@Risk delivery model.

On January 29, 2021, the board authorized the CEO to negotiate and execute all documents necessary to facilitate the financing of the Building 19 renovation, and approved a resolution for financing acquiring proceeds from CSU's Systemwide Revenue Bonds (SRB) for an amount not to exceed $16,400,000. The balance of the project budget is financed through Corporation reserves and contributions from campus partners.

Attachment VII-B

ANALYSIS

University Facilities Planning and Capital Projects is responsible for managing the design, bid, award and construction process, working closely with Corporation management to ensure the goals and interests of the Corporation are met. During construction both the pandemic and increasing inflation have escalated labor and materials costs significantly. Additionally, as a renovation multiple unforeseen issues such as, lead abatement, mechanical equipment, and deteriorated underground utilities were encountered. Current estimates indicate that a total project budget of $31,300,000 is required to complete the project. This necessitates a $2,500,000 increase to the existing project budget.

Table 1

Description	Cost Impact
Unforeseen Site Conditions	$1,050,000
Regulatory Requirements	$140,000
Materials and Labor Escalation	$1,300,000
Total	$2,490,000

Corporation management has thoroughly analyzed cash flow projections and program capacity and determined that construction and completion of the project as currently designed and at the increased cost can be met by a utilizing general administration reserves that have been earmarked by management for other future capital projects. These reserves have not been committed by the Corporation Board of Directors, but were forecasted to support other future Corporation initiatives. Given that the Building 19 renovation is presently underway, and seeing it to completion is critical, a reallocation of project funding priorities seems reasonable.

SUMMARY

Management recommends that the board approve an additional $2,500,000 with a variance allowance not to exceed 10% for the Building 19 renovation.