

CONSOLIDATED OPERATING BUDGET

For the period ending June 30, 2024

(in thousands)

	ACTUAL FISCAL YEAR 2021-22 RESULTS			PROJECTED FISCAL YEAR 2022-23 RESULTS			BUDGETED FISCAL YEAR 2023-24 RESULTS			PROJ 23 vs BUD 24 VARIANCE	
	Core Operations	University Programs	Corporation Total	Core Operations	University Programs	Corporation Total	Core Operations	University Programs	Corporation Total	\$	%
										<i>Favorable / (Unfavorable)</i>	
Revenues											
Sales	32,113	6,485	38,598	36,057	6,133	42,190	40,881	6,532	47,413	5,223	12%
Assessments	3,781	-	3,781	3,800	-	3,800	4,019	-	4,019	219	6%
Fees for Service	795	217	1,012	907	240	1,147	824	240	1,064	(83)	-7%
Rental Income	397	517	914	431	573	1,004	426	576	1,002	(2)	0%
Gifts	-	308	308	-	327	327	-	548	548	221	68%
Other Revenues	4,657	2,537	7,194	5,605	2,373	7,978	7,229	2,150	9,379	1,401	18%
Total Revenues	41,743	10,064	51,807	46,800	9,646	56,446	53,379	10,046	63,425	6,979	12%
Expenses											
Cost of Sales	11,494	1,649	13,143	13,166	1,782	14,948	14,533	1,595	16,128	(1,180)	-8%
Payroll Expenses	15,573	3,292	18,865	17,488	3,668	21,156	21,142	4,048	25,190	(4,034)	-19%
Operating Expenses	12,912	6,740	19,652	14,709	6,637	21,346	16,654	7,290	23,944	(2,598)	-12%
Total Expenses	39,979	11,681	51,660	45,363	12,087	57,450	52,329	12,933	65,262	(7,812)	-14%
Net Operating Income (Loss)	1,764	(1,617)	147	1,437	(2,441)	(1,004)	1,050	(2,887)	(1,837)	(833)	-83%
Other Income (Expense)											
Transfers (To) / From **	(521)	1,474	953	(620)	1,903	1,283	110	2,434	2,544	1,261	-98%
University Services	(496)	-	(496)	(1,125)	-	(1,125)	(1,125)	-	(1,125)	-	0%
Investment Income *	1,621	-	1,621	2,602	-	2,602	3,045	-	3,045	443	17%
Interest Expense	(1,454)	(83)	(1,537)	(1,367)	(78)	(1,445)	(1,367)	(73)	(1,440)	5	0%
Other Income (Expense)	-	(895)	(895)	479	79	558	545	400	945	387	69%
Total Other Income (Expense)	(850)	496	(354)	(31)	1,904	1,873	1,208	2,761	3,969	2,096	-112%
Net to (from) Reserves	914	(1,121)	(207)	1,406	(537)	869	2,258	(126)	2,132	1,263	-145%

* 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, 2024

(in thousands)

	General Administration	Investment Fund*	Mustang Shop	Cal Poly Print & Copy	Campus Dining	Plant Operations	Conference and Event Planning	BUDGET 2023-24 TOTAL
Revenues								
Sales	-	-	62	234	40,585	-	-	40,881
Assessments	4,019	-	-	-	-	-	-	4,019
Fees for Service	824	-	-	-	-	-	-	824
Rental Income	-	-	-	-	-	426	-	426
Other Revenues	1,450	-	1,387	-	2,558	15	1,819	7,229
Total Revenues	6,293	-	1,449	234	43,143	441	1,819	53,379
Expenses								
Cost of Sales	-	-	43	54	14,436	-	-	14,533
Payroll Expenses	5,602	-	-	99	14,637	-	804	21,142
Operating Expenses	1,559	547	1,043	77	12,173	394	861	16,654
Total Expenses	7,161	547	1,086	230	41,246	394	1,665	52,329
Net Operating Income (Loss)	(868)	(547)	363	4	1,897	47	154	1,050
Other Income (Expense)								
Transfers (To) / From	954	(954)	-	-	110	-	-	110
University Services	-	(27)	(322)	(3)	(742)	-	(31)	(1,125)
Investment Income	-	3,045	-	-	-	-	-	3,045
Interest Expense	-	-	-	-	(1,367)	-	-	(1,367)
Other Income (Expense)	-	-	-	-	545	-	-	545
Total Other Income (Expense)	954	2,064	(322)	(3)	(1,454)	-	(31)	1,208
Net to (from) Reserves	86	1,517	41	1	443	47	123	2,258

* 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, 2024

(in thousands)

	University Graphic Systems	Cal Poly Arts	Sponsored Programs Admin	Swanton Pacific Ranch	Commercial Ag Operations	Technology Park	BUDGET 2023-24 TOTAL
Revenues							
Sales	86	1,010	-	42	5,394	-	6,532
Fees for Service	-		240	-	-	-	240
Rental Income			-	49	-	527	576
Contract & Grant IDC Income			-				-
Gifts	-	548	-	-	-	-	548
Other Revenues	-	613	179	600	738	20	2,150
Total Revenues	86	2,171	419	691	6,132	547	10,046
Expenses							
Cost of Sales	37	-	-	-	1,558	-	1,595
Payroll Expenses	56	573	1,513	667	1,152	87	4,048
Operating Expenses	48	1,498	1,308	365	3,585	486	7,290
Total Expenses	141	2,071	2,821	1,032	6,295	573	12,933
Net Operating Income (Loss)	(55)	100	(2,402)	(341)	(163)	(26)	(2,887)
Other Income (Expense)							
Transfers (To) / From	-	-	2,434	-	-	-	2,434
Interest Expense	-	-	-	-	-	(73)	(73)
Other Income (Expense)	55	-	(2)	182	165	-	400
Total Other Income (Expense)	55	-	2,432	182	165	(73)	2,761
Net to (from) Reserves	-	100	30	(159)	2	(99)	(126)

* 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.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

University Graphic Systems

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW	4
2022-23 ACCOMPLISHMENTS	5
2023-24 GOALS & OBJECTIVES	6
2023-24 OPERATING BUDGET PROPOSAL	8
OPERATING BUDGET DISCUSSION	9
STATEMENT OF RESERVES OVERVIEW	10
CAPITAL OUTLAY REQUEST	11

This page is intended to be blank.

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.

2022-23 ACCOMPLISHMENTS

- UGS installed a few new pieces of equipment over the course of this year. This includes: a 54" HP latex 315 Wide Format Printer, as well as the HP Cutter that runs complimentary to it, a new exposure unit for screen printing, which cuts exposure times for screens from 2 minutes to 30 seconds, a new dryer unit for the specialty lab, a new pocket laminator with a quicker warmup time, a Cricut Maker 3 for foil and other die cut applications, and finally a new Mug press for dye sublimation with seven interchangeable clamp applications for various drinkware.
- UGS worked on continuing the growth of the Digital Storefront (DSF). We have several more items available, like our monthly promotions. We are solidifying Quickprint pricing and connecting the DSF to the Fiery. Hypothetically, jobs uploaded to the DSF will be directly uploaded to our Rip. It should be fully functional by the end of our 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 and account 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.
- We have continued to hold in-person events in our Specialty Lab in Building 26A, as well as held various boothing events in the University Union. We have seen significant interest in the in-person printing events, whether we are holding them as a solo event or as a collaboration with another on campus club.
- We updated the Standard Operating Procedures (SOPs) for the bindery equipment. We found new ways to foil and bind using a hard cover for small run projects to make it more accessible for sales purposes. We are in the process of moving our files to a SharePoint site for ease of access and navigation for important files and training documents and videos. We have also built upon the extensive SOPs already in place as we have learned how to better use and maintain the various pieces of equipment, we work with at UGS.
- We updated the Trello cards to improve workflow and automation, as well as a complete overhaul of the estimating sheets and quote forms after adjusting our pricing and services throughout the year. We are suggesting to the new team to not increase pricing next year and instead look for more business in the Wide Format and specialty graphics areas that we have explored this year. Large building and floor signage as well as seasonal door signage has been a very successful new venture for UGS that we are advising the following team to continue.
- UGS is looking into other web alternatives to our current site as it would require a full-time employee to maintain and update the current html site. I have advised the following team to investigate alternatives such as Square Space if they can. I have provided them with mockups and drafts of a newer website design/look using Figma.
- UGS ran successful campaigns which brought increased sales for the month's where promotions were run.
- 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 efforts. At the moment the existing applications are not being improved upon as PolyPie researches the new AI industry and how AI will be able to be incorporated to provide a more cohesive and helpful chatbot.
- UGS worked closely with the UGS Advisory Board to increase opportunities for industry insight and donations. And developed partnerships that have allowed us to outsource some of the large quantity jobs we cannot fulfill. A partnership portfolio has been made to reference in the future.

2023-24 GOALS & OBJECTIVES

Continue to Expand Community Outreach:

Continuing off the previous team's efforts, UGS has budgeted for \$5,000 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 other on campus organizations such as Fraternity and Sorority Life. By presenting the capabilities of UGS and promoting our services along with hosting private events as well. Increase our boothing and promote services and events in populated areas of campus such as University Union and Dexter Lawn. 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 advisor our goal is to streamline workflow processes which may incur costs if new software is needed. With the closure of the library, UGS would like to use that as a way to encourage customers to use our services and continue to expand multi-media applications of wide format across campus departments and organizations.

More focus on Expanding Specialty Services:

UGS plans to increase specialty sales by expanding its outreach to other on-campus organizations. UGS - plans to also encourage on-campus organizations to plan private events such as screen-printing and dye sublimation workshops. 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 its 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. UGS will continue to provide and create wide format applications for the Graphic Communication Department such as building wall graphics, door signage, and floor signage.

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.

2023-24 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$56	\$92	\$59	\$86	\$27	46%
Cost of Goods Sold	22	35	28	37	(9)	(34%)
Gross Margin	33	56	27	48	21	76%
Salaries & Wages	47	53	53	55	(2)	(3%)
Benefits	2	3	3	1	2	57%
Total Payroll Expense	49	56	56	56	(0)	0%
General Maintenance	-	4	-	-	-	0%
Supplies & Equipment	5	4	5	3	1	28%
Rent / Lease Expense	14	16	16	16	-	0%
CPC Administrative Services	16	16	16	17	(1)	(6%)
Other Operating Expenses	7	5	13	11	2	17%
Total Operating Expenses	43	44	50	47	3	5%
Total Expenses	92	100	105	103	2	2%
Net from Operations	(58)	(43)	(75)	(55)	20	27%
Other Income (Expense)	51	55	55	55	-	0%
Total Other Income (Expense)	51	55	55	55	-	0%
Net to Reserves	\$(6)	\$12	\$(20)	\$0	\$20	102%

* 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 2022-23 are expected to end below budget primarily the result of lower than anticipated digital print sales. Sales are budgeted to increase in FY 2023-24 over the FY 2022-23 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 \$15.50 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 2023-24 are budgeted to slightly decrease over FY 2022-23 projection as we anticipate travel, telephone, and network connections costs to decrease. Any new printing technology or software that may be explored and used in 2023-24 will be provided by UGS sponsors such as the Graphic Communication Advisory Board.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2021 Reserve Balance	\$161,640	\$161,640
FY 2021-22 Change in Reserves	(6,222)	(6,222)
June 30, 2022 Reserve Balance	155,418	155,418
FY 2022-23 Change in Reserves (estimate)	(19,510)	(19,510)
June 30, 2023 Reserve Balance (estimate)	135,908	135,908
FY 2023-24 Change in Reserves (budget)	311	311
June 30, 2024 Reserve Balance (budget)	\$136,218	\$136,218

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 2023-24.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Technology Park

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW	4
2022-23 ACCOMPLISHMENTS	5
2023-24 GOALS & OBJECTIVES	6
2023-24 OPERATING BUDGET PROPOSAL	7
OPERATING BUDGET DISCUSSION	8
STATEMENT OF RESERVES OVERVIEW	9
CAPITAL OUTLAY REQUEST	10
CAPITAL OUTLAY DETAIL	10

This page is intended to be blank.

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.

Historically, 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 executive director of real estate development and services, 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 property management and administrative support for the operations.

2022-23 ACCOMPLISHMENTS

As of March 2023, 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 2022-23 include:

- **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 and completed the design and construction of the new facility, approximately 16,000 sq. feet. It is estimated that construction will start on the new facility in Spring 2023.
- **Applying for Grant Funding:** Collaborated with regional partners to apply for CERF funding to support build out of Tech Park Phase II.
- **Support Offshore Wind Activity:** Attended Offshore Wind Conference in San Francisco, created survey to gather interested faculty researchers, participate bi-weekly in community stakeholder meetings.
- **Hosted Congressional Staffers:** Tech Park was selected as the location for Assemblywoman Dawn Addis and her team's staff retreat.
- **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.

2023-24 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:
 - Phase II Construction began in April 2023 and will continue throughout FY 2023-24
 - Improvements to 50J auxiliary to build out space to accommodate robust research activity to support student learning by doing
 - The Economic Development Department will announce the winner of the grant in April, and we will use the \$3.8M funds to invest in Tech Park infrastructure for TIP & programming
 - Sponsor student clubs by providing meeting space in the conference room and funding to participate in competitions and conferences.
 - Cal Poly Wind Power is a student run, interdisciplinary team who is passionate about and interested in wind energy and good community. Sponsorship includes funding for this club to participate in the Collegiate Wind Competition, a national competition sponsored by the National Renewable Energy Laboratories and the United States Department of Energy.
 - Tractor Pull Club
 - Society for Advancement of Chicanos/Hispanics & Native Americans in Science, California Polytechnic State University
 - Precision Agriculture and Automation Club
 - 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.

2023-24 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Rental Income	\$467	\$525	\$524	\$527	\$3	1%
Other Revenues	17	12	20	20	0	1%
Income Before Operations	484	536	544	547	3	1%
Salaries & Wages	48	53	49	54	(5)	(11%)
Benefits	30	33	31	33	(2)	(5%)
Total Payroll Expense	78	86	80	87	(7)	(9%)
Depreciation & Amortization	241	232	226	226	0	0%
General Maintenance	50	53	56	94	(38)	(67%)
Utilities	48	47	61	65	(4)	(7%)
Supplies & Equipment	10	13	3	8	(5)	(153%)
Fees for Services	33	34	33	34	(1)	(4%)
Other Operating Expenses	63	73	41	60	(19)	(45%)
Total Operating Expenses	444	451	420	486	(66)	(16%)
Total Expenses	522	537	500	573	(73)	(15%)
Net from Operations	(39)	(1)	44	(26)	(70)	(159%)
Other Income (Expense)	(1)	-	(2)	-	2	100%
Interest Expense	(83)	(78)	(78)	(73)	5	6%
Total Other Income (Expense)	(84)	(78)	(81)	(73)	7	9%
Net to Reserves	\$(123)	\$(79)	\$(37)	\$(99)	\$(63)	(170%)
Noncash transactions (add back):						
Depreciation & Amortization	241	232	226	226	0	0%
Adjusted Net to Reserves	\$118	\$152	\$189	\$127	\$(63)	(33%)

* 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 to reserves, excluding depreciation, is expected to be \$189,000 for FY 2022-23 and \$127,000 for FY 2023-24. Income from operations is used to service the debt on the facilities and fund reserves.

Total projected rental income for FY 2022-23 is consistent with budget estimates. Demand for commercial real estate has returned and the 2023-24 budget anticipates full occupancy for the year.

Approximately 20% of the Tech Park managers payroll and up to 75% of the new program manager payroll are reflected in the Tech Park's projection for FY 2022-23. FY 2023-24 will include only 75% of total payroll expenses for the new program manager's payroll to dedicate time to Tech Park functions.

Operating expenses for FY 2022-23 are projected to be slightly under budgeted amounts. FY 2023-24 budgeted operating expenses are expected to increase due to expected maintenance on the air conditioning system, as well as general increased vendor prices.

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, 2021 Reserve Balance	\$276,715	\$1,724,879	\$286,736	\$313,223	\$2,601,553
FY 2021-22 Change in Reserves	28,710	(117,040)	2,973	(37,470)	(122,827)
June 30, 2022 Reserve Balance	305,425	1,607,838	289,709	275,753	2,478,725
FY 2022-23 Change in Reserves (estimate)	42,073	(123,586)	2,644	42,179	(36,690)
June 30, 2023 Reserve Balance (estimate)	347,499	1,484,252	292,353	317,932	2,442,036
FY 2023-24 Change in Reserves (budget)	10,425	(28,148)	2,315	(83,799)	(99,207)
June 30, 2024 Reserve Balance (budget)	\$357,924	\$1,456,105	\$294,668	\$234,132	\$2,342,829

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	\$75,000	0	\$75,000
Total Major Capital Outlay	\$75,000		\$75,000
Total Capital Outlay	\$75,000		\$75,000
Previously Approved Capital Outlay Requests (1)			
Tech Park Expansion	\$12,173,000	30	\$405,767
Total Capital Outlay Request	\$12,248,000		\$480,767

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. Projected cost of the project is estimated to be \$75,000, which represents building improvements to the existing space by adding a telecom link to the existing Tech Park Phase I.

(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
\$ <u>1,427,800</u>	Cal Poly Corporation Internal Loan
\$ 12,173,000	Total Estimated Project Cost



OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Swanton Pacific Ranch

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW 4

2022-23 ACCOMPLISHMENTS 7

2023-24 GOALS & OBJECTIVES 9

2023-24 OPERATING BUDGET PROPOSAL 10

OPERATING BUDGET DISCUSSION 11

STATEMENT OF RESERVES OVERVIEW 12

CAPITAL OUTLAY REQUEST 13

This page is intended to be blank.

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 overseeing all of these divisions.

On August 20, 2020, the CZU Lightning Complex Fire burned a significant portion of the ranch, destroying a vast majority of infrastructure. Since that time, the SPR team has focused on site cleanup and stabilization and restoring critical infrastructure and programming. Ranch use levels are trending slightly more than half of pre-fire levels, and we look forward to continuing to expand impact over the next year.

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 the historic levels. The historic use levels have not been attained in the previous two years. However, for the calendar year 2022, Swanton Pacific Ranch has hosted 282 students, during 11 field trips and 15 research projects, and a 6-month live-work internship, leveraging more than \$10,000,000 of support.

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 focusing on hazard tree removal and postfire forest restoration. Historically, the revenue from timber harvests has been used to supplement the ranch operating budget and to upgrade road infrastructure. Current operations are being funded through other means (FEMA Public Assistance and Cal Fire grants) as only a very small portion of the timber being removed is merchandisable. 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. A net return from timber operations at Swanton Pacific Ranch should not be expected for 30 to 50 years.

Livestock Management Operations

The SPR livestock program has historically centered around three revenue-generating operations described below.

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 FY 2022-23 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.

Currently we are partnering with a local livestock owner where SPR staff manages their animals at the Ranch for a fee and are expecting to continue this agreement through FY 2023-24 in close consultation and collaboration with representatives of the Animal Science Department.

Crops Management Operations

Organic Farming Lease - 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 FY 2022-23, revenues were roughly half of average. We look forward to increasing orchard revenues in FY 2023-24 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 for potential use in new facilities.

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!

2022-23 ACCOMPLISHMENTS

Goals for FY23 were to progress further with reconstruction planning, increase capacity for land management activities, and reduce wildland fuels. Accomplishments in support of these specific goals, and our mission in a broader sense, are listed below:

Recovery Specific Accomplishments through 2022-23

- Damage assessment, debris removal and site stabilization (August 2020 – June 2021)
- Hazard Tree Removal (May 2022 – ongoing)
- Secure and administer FEMA Public Assistance Grant Funding (September 2020 – ongoing)
- Restore critical ranch operational capacity (October 2020 – September 2022)
 - Water supply and wastewater management
 - Radio & Internet
 - Road & culvert repairs
 - Livestock perimeter fence replacement
- Restore critical ranch educational capacity
 - Construction / Installation of onsite housing for staff (December 2020 – March 2022)
 - Construction of temporary housing & comfort station for students (May 2022 – October 2022)
 - Secure temporary housing for visiting professors & Cal Poly staff (November 2022 – January 2022)
- Reconstruction Planning
 - County Consultation / Pre-Clearance for reconstruction (March 2021 – November 2022)
 - Documentation of Pre-Fire / Damaged structures & infrastructure (June 2021 – May 2022)
 - Analysis of environmental / jurisdictional constraints (June 2021 – May 2022)
 - Geologic & Geotechnical investigations (November 2022 – ongoing)

Experiential Education and Leadership Development

- Student Employees in Residence
- Field Trips
- Student Projects
- Professional Workforce Development
- Graduate Student Research
- Internships
- Technician Training and Career Development
- Collaborative Natural Resource Management

Applied Research

- Provide Guidance to Policies Toward Post-Fire Erosion, Stream Sedimentation, and Soils Recovery Efforts
- Fish Life Cycle Analysis
- Post-fire Slope Stability Soil-climate interactions
- Field data collection at Swanton Pacific Ranch to support restoration planning for Lower Scott Creek and the Scott Creek Estuary

- Monitoring the seawater-freshwater interface in coastal aquifers under accelerated sea-level rise, drought, and increased agricultural pumping
- Investigating the Impact of Wildfire Disturbance and Microclimate on Carbon and Water Fluxes in a Coastal Fog-Influenced Grassland Ecosystem
- Coastal Prairie Restoration and Management: Implications for soil carbon storage
- Fire, Soil, Water and Forests: Fire Affected Soil Properties at Swanton Pacific Ranch
- Compost Application Rates to Restore Rangelands and Sequester Carbon
- Effects of Microbial Inoculation on Post-fire Microbial Community Resilience and Ecosystem Recovery
- eDNA: Exploring Soil Microbial Communities Response to Fire
- Earth Observation System
- Soils Climate Analysis Network

Landscape Management

- Successfully removed high risk fuels on 141 acres of burned timberland
- Performed routine required vegetation management around remaining facilities
- Executed a pilot sheep and goat vegetation management partnership within CAFES
- Initiated a ranch conservation management planning process within CAFES
- Constructed over 6 miles of perimeter fencing throughout the ranch
- Evaluated and initiated irrigation well restoration and repairs
- Formed strategic grazing services partnership with local livestock owner
- Enhanced key vehicular access routes throughout the ranch
- Addressed deferred maintenance in existing livestock water systems
- Addressed deferred maintenance issues throughout vehicle and equipment fleet
- Designed gravity and solar powered livestock water system
- Initiated discussions with key stakeholders and secured funding for stream restoration work

Experience Management

- Maintained rustic camping accommodations for Cal Poly field trips
- Constructed temporary overnight accommodations for students staying at the ranch for field trips and short courses
- Ensured staff support for booking, accommodating visitors, and orienting visitors
- Hosted critical stakeholder meetings and workshops throughout the year
- Maintained periodic on campus presence for academic engagement
- Successfully tracked customer traffic and revenue through the u-pick apple orchard

2023-24 GOALS & OBJECTIVES

Goals for FY24 are to progress further with reconstruction planning, increase capacity for land management activities, and reduce wildland fuels. Objectives in support of these specific goals, and our mission in a broader sense, are listed below:

Experiential Education and Leadership Development

- Sustain the listed 2022-23 activities
- Leverage additional student internship opportunities with partner organizations (especially the Natural Resource Conservation District and the University of California Cooperative Extension)

Applied Research

- Sustain the listed 2022-23 activities
- Leverage additional Cal Poly SLO student/faculty research opportunities through partner organizations (especially the Santa Cruz County Resource Conservation District and the National Oceanic and Atmospheric Administration)

Landscape Management

- Sustain the listed 2022-23 activities
- Complete remaining phases of forest health project
- Install livestock water system improvements
- Identify resources to support planning and construction of rangeland road and corral improvements

Experience Management

- Sustain the listed 2022-23 activities
- Update outreach and marketing materials with clear and current messaging
- Produce plans for permitting and construction of Swanton Pacific Ranch Education Center and other support facilities

2023-24 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$11	\$96	\$38	\$42	\$4	11%
Gross Margin	11	96	38	42	4	11%
Rental Income	50	77	49	49	-	0%
Other Revenues	612	607	679	600	(79)	(12%)
Income Before Operations	673	780	767	692	(75)	(10%)
Salaries & Wages	336	382	385	437	(52)	(13%)
Benefits	204	223	217	230	(12)	(6%)
Total Payroll Expense	541	605	603	667	(64)	(11%)
Depreciation & Amortization	31	30	39	16	23	58%
General Maintenance	37	59	65	59	6	9%
Utilities	27	30	27	26	1	2%
Supplies & Equipment	24	35	28	30	(3)	(10%)
Taxes / Insurance	11	18	25	31	(6)	(26%)
CPC Administrative Services	39	39	39	96	(57)	(145%)
Livestock / Feed Expense	(1)	-	1	2	(1)	(120%)
University Cost Allocation	33	9	9	2	7	74%
Other Operating Expenses	75	66	116	101	15	13%
Total Operating Expenses	277	287	349	365	(16)	(5%)
Total Expenses	818	892	952	1,032	(80)	(8%)
Net from Operations	(145)	(112)	(185)	(340)	(155)	(84%)
Other Income (Expense)	(1,086)	175	198	182	(16)	(8%)
Total Other Income (Expense)	(1,086)	175	198	182	(16)	(8%)
Net to Reserves	\$(1,231)	\$63	\$12	\$(159)	\$(171)	(1404%)
Noncash transactions (add-back):						
Depreciation & Amortization	31	30	39	16	23	58%
Other Expense	1,324	-	-	-	-	0%
Adjusted Net to Reserves	\$124	\$93	\$52	\$(142)	\$(194)	(376%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

The budget for FY 2023-24 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 does not include restoration expenses covered by insurance and FEMA.

Income Before Operations for FY 2022-23 is projected to end approximately \$49,000 less than the average of pre-fire years. Sales were less due to significant business interruptions caused by the fire.

Ranch operations for FY 2023-24 will continue with the following assumptions: the Jacobs Farm/Del Cabo crop lease will generate \$42,000 and the Grazing Service Agreement with Pastorino Hay will generate \$24,000, the Apple Orchard will generate \$15,000, Cal Fire land lease will generate \$7,000, and no net proceeds from timber operations are expected.

In FY 2023-24, 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 projected to end in line with the FY 2022-23 budget. FY 2023-24 payroll expense is budgeted approximately \$64,000 or 11% higher than FY 2022-23 projections. This increase is primarily due to increases in regular salaries and student labor. FY 2023-24 had some mid-year in-grade promotions for full-time staff and very few student labor hours.

FY 2022-23 **Operating Expenses** are projected to be approximately \$62,000 or 22% over budget, primarily the result of contract labor. FY 2023-24 operating expenses are budgeted to be approximately \$373,000 compared to \$287,000 budgeted for FY 2022-23. The increase in operating expenses is primarily the result of increased administrative fees, which includes newly implemented ITS cost recovery charges. In addition, general administrative support provided the ranch has grown significantly over the past few years.

FY 2022-23 **Other Income (Expense)** includes a \$185,000 cash transfer to support Ranch operations from the Swanton endowment payout and supporting funds from CAFES. A similar transfer of \$185,000 is included in the fiscal year 2023-24 budget.

For FY 2022-23, the projected **Net to Reserves** of approximately \$12,000 includes non-cash depreciation expenses of \$39,000. Excluding depreciation, the FY 2022-23 net to reserves is projected to be \$52,000. Operating reserves are projected to remain positive through FY 2023-24.

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 continues its outreach efforts to establish new 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.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2021 Reserve Balance	\$(33,538)	\$2,646,920	\$2,613,382
FY 2021-22 Change in Reserves	294,467	(1,525,072)	(1,230,605)
June 30, 2022 Reserve Balance	260,929	1,121,848	1,382,777
FY 2022-23 Change in Reserves (estimate)	(13,098)	25,260	12,162
June 30, 2023 Reserve Balance (estimate)	247,831	1,147,108	1,394,939
FY 2023-24 Change in Reserves (budget)	(142,204)	(16,373)	(158,577)
June 30, 2024 Reserve Balance (budget)	\$105,627	\$1,130,735	\$1,236,362

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 2023-24 at this time. Requests may be made if alternative funding is attained.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Plant Operations

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW	4
2022-23 ACCOMPLISHMENTS	5
2023-24 GOALS & OBJECTIVES	6
2023-24 OPERATING BUDGET PROPOSAL	7
OPERATING BUDGET DISCUSSION	8
STATEMENT OF RESERVES OVERVIEW	9
CAPITAL OUTLAY REQUEST	10
CAPITAL OUTLAY REQUEST DETAIL	10

This page is intended to be blank.

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 certain 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, facilities, information technology, marketing and communications, 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 a majority of the warehouse, previously used by the Corporation, back to the University. 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.

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 through June 2018, but has been extended through June 2025.

Morabito Building – In February of 2023, the Corporation Board of Directors authorized the Corporation to purchase a commercial building located at 4800 Morabito Place in the City of SLO. The University has a need for additional office and academic space on-campus and would like to use an off-campus building to accommodate the current administrative functions of the University. The Corporation intends on purchasing this building in Fall 2023. The University will be responsible for all building operating costs.

2022-23 ACCOMPLISHMENTS

- Corporation-owned Bella Montaña units were rented for the majority of the fiscal year.
- Completed the purchase and resale of Bella Montaña unit 555-D.
- 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 Warehouse modifications as part of the building 19 transition.
- Began initial phase of the faculty and staff housing project on the corner of Slack Street and Grand Avenue (see General Administration budget for further details).
- Hired a director of real estate development to lead the faculty and staff housing project and oversee the real estate development division of the Corporation.
- Entered into negotiations to purchase 47,000 square feet of commercial space at 4800 Morabito Place to assist in alleviating campus space constraints.

2023-24 GOALS & OBJECTIVES

- Continue enhancing the property management function for Corporation-owned real property.
- Complete the pre-construction phase for the faculty and staff housing project on the corner of Slack Street and Grand Avenue.
- Begin the construction phase for the faculty and staff housing project.
- Complete the purchase of the commercial building at 4800 Morabito Place, complete all necessary improvements, and execute a lease with the University for use of the space.

2023-24 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Occupancy Income	\$397	\$415	\$431	\$426	\$(5)	(1%)
Other Revenues	77	12	16	14	(2)	(13%)
Income Before Operations	474	427	448	440	(7)	(2%)
Depreciation & Amortization	134	117	117	106	11	10%
General Maintenance	41	54	48	45	3	7%
Utilities	49	61	52	58	(7)	(13%)
Supplies & Equipment	0	-	7	2	5	66%
CPC Administrative Services	80	80	80	80	-	0%
CPC Allocated Services	38	49	35	38	(3)	(7%)
Taxes / Insurance	27	28	37	42	(5)	(13%)
Other Operating Expenses	46	22	25	23	2	9%
Total Operating Expenses	415	411	401	394	7	2%
Total Expenses	415	411	401	394	7	2%
Net from Operations	59	16	47	47	0	0%
Net to Reserves	\$59	\$16	\$47	\$47	\$0	0%
Noncash transactions (add back):						
Depreciation & Amortization	134	117	117	106	11	10%
Adjusted Net to Reserves	\$193	\$133	\$164	\$152	\$(11)	(7%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

2023-24 OPERATING BUDGET PROPOSAL - 4800 Morabito Place

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Other Revenue	0	0	0	1,880	1,880	100%
Income Before Operations	0	0	0	1,880	1,880	100%
Salaries & Wages	0	0	0	60	(60)	(100%)
Benefits	0	0	0	36	(36)	(100%)
Total Payroll Expense	0	0	0	96	(96)	(100%)
Depreciation & Amortization	0	0	0	562	(562)	(100%)
General Maintenance	0	0	0	79	(79)	(100%)
Utilities	0	0	0	176	(176)	(100%)
Supplies & Materials	0	0	0	17	(17)	(100%)
Fees & Services	0	0	0	84	(84)	(100%)
Other Operating Expenses	0	0	0	44	(44)	(100%)
Total Operating Expenses	0	0	0	963	(963)	(100%)
Total Expenses	0	0	0	1,059	(1,059)	(100%)
Net from Operations	0	0	0	821	821	100%
Interest Expense	0	0	0	(881)	(881)	(100%)
Total Other Income (Expense)	0	0	0	(881)	(881)	(100%)
Net to Reserves	\$0	\$0	\$0	\$(59)	\$(59)	(100%)
Noncash transactions						
Depreciation & Amortization	0	0	0	562	(562)	(100%)
Adjusted Net to Reserves	\$0	\$0	\$0	\$503	\$503	100%

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. Occupancy income also includes rent revenue for Corporation-managed real property included in this budget. FY 2022-23 projected total revenue has a favorable variance from budget of approximately \$21,000, or 5%, resulting from the unanticipated temporary rental of a unit from Bella Montana and an increase in the management fees the Corporation charges the OCOB for their Bella Montana unit. FY 2023-24 budgeted total revenue is expected to remain consistent with FY 2022-23 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 2022-23 are slightly below budget, primarily the result of a favorable variance in utility expenses. Total operating expenses are expected to decrease in FY 2023-24, primarily the result of changes in depreciation expense.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Facilities Reserve	Investment in Operating Assets (non-cash)	Total
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	6,073	610,503	(46,161)	(511,847)	58,568
June 30, 2022 Reserve Balance	294,080	3,019,929	2,235,714	3,011,240	8,560,963
FY 2022-23 Change in Reserves (estimate)	(6,141)	201,773	(32,127)	(116,924)	46,581
June 30, 2023 Reserve Balance (estimate)	287,939	3,221,702	2,203,587	2,894,316	8,607,544
FY 2023-24 Change in Reserves (budget)	8,638	213,820	(323,472)	147,626	46,612
June 30, 2024 Reserve Balance (budget)	\$296,577	\$3,435,522	\$1,880,115	\$3,041,942	\$8,654,156

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

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Previously Approved Capital Outlay Requests (1)			
Morabito Building	\$22,500,000	30	\$750,000
Total Capital Outlay Request	\$22,500,000		\$750,000

CAPITAL OUTLAY REQUEST DETAIL

(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.*

Morabito Building – The Morabito building is expected to have a purchase price of \$17 million. Tenant improvement costs are expected to total \$5 million and loan costs are expected to be \$500,000. The total project cost is expected to be \$22.5 million. The building is expected to be placed in service in fall of 2023 and have an estimated useful life of 30 years. Depreciation expense will be \$750,000 per year.



OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Other Commercial Activities

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW	4
2022-23 ACCOMPLISHMENTS	5
2023-24 GOALS & OBJECTIVES	6
2023-24 OPERATING BUDGET PROPOSAL	7
CAL POLY MUSTANG SHOP	7
CAL POLY PRINT & COPY	8
OPERATING BUDGET DISCUSSION	9
STATEMENT OF RESERVES OVERVIEW	10
CAPITAL OUTLAY REQUEST DETAIL	11

This page is intended to be blank.

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:

Cal Poly Mustang Shop - The Mustang Shop 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 Mustang Shop 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. Follett agreed to fund an extensive renovation of the store, leading to a restated contract in 2021. The restated contract extends the relationship to 2029, with three one-year renewals. As part of this arrangement, the Corporation receives an annual commission based on certain sales. The commission funds continuing expenses (i.e. downtown lease expense, 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.

In addition to managing the retail operations of the two stores, Follett facilitates Cal Poly University's compliance with the U.S. Department of Education's Higher Education Opportunity Act, requiring that all course materials be adopted by faculty prior to registration.

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.

2022-23 ACCOMPLISHMENTS

Cal Poly Mustang Shop:

- **Re-branding:** Cal Poly Corporation partnered 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 was supported with a press release and social media throughout the entire 2022-2023 academic year.
- **Remodel:** With the completion of the remodel last summer, a grand opening event during Homecoming week celebrated the new store. This event, along with the name change and the completion of the remodel was publicized and supported jointly between Cal Poly Corporation and Follett. The long-awaited monument sign was installed over the holiday break.
- **Course materials partnership:** CPC has actively engaged Follett's Chief Operating Officer, to develop a strategic plan for reducing the cost of course materials. The vision was presented to Cal Poly faculty, staff and CPC board members in September. Since then, significant progress has been made with on-time adoptions through working with faculty. Plans are in place to generate a dashboard at the department level each quarter showing on time adoptions, and the adoptions of open education resources and digital material.
- **Revenue growth:** Gross sales are up by 3% with strong growth during Poly Royal weekend. Growth in technology products is 15% above last year due to the increase in Cal Poly Scholars students that receive financial aid for laptops. 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. Digital sales are up 24% to prior year and more than triple pre-covid levels. The campus store has been impacted by logistical challenges with back stock located in Building 82, requiring multiple trips per day and prioritization of peak weeks between supplies and merchandise. The mix shift to more digital sales with a lower commission, and technology products with no commission resulted in full commissionable sales down 3%.

Cal Poly Print & Copy:

- **Student courseware support:** Cal Poly Print & Copy has successfully produced 100% of all course packs for Follett on time since inception of the Follett contract.
- **Library renovation collaboration:** The Corporation continues to collaborate with the university on the library renovation project, gathering information and providing input and identified appropriate spaces and design options for the Cal Poly Print & Copy retail space.

2023-24 GOALS & OBJECTIVES

Cal Poly Mustang Shop:

- **Revenue growth:** The 2023-24 budget assumes a 5% increase in sales and commission growth. The stores will achieve this growth from modest pricing along with space allocated to new concepts with popular third-party vendors such as Levi's and Lululemon. The Shop is planning on expanding the commencement fair with a move to Chumash auditorium and will offer more purchase options to graduating seniors. Out-of-stock items driven by the Shop's backstock move from underground building 19 to building 82 will be minimized with getting the space back with the opening of building 19 in January.
- **Course materials partnership:** Consistent with all other Follett managed stores in the CSU, the Shop continues to lose market share in course materials. The course materials subcommittee and Shop leadership will continue to strengthen relationships with assistant deans and department heads to increase on-time adoptions and increase digital and inclusive access adoptions. Using a consultative approach with data each quarter on timely adoptions and selection of digital, open education resources, and inclusive access course materials, the goal is to increase market share, while decreasing the cost for students.

Cal Poly Print & Copy:

- **Revenue growth:** Cal Poly Print & Copy will work to increase sales by adjusting pricing to align closer to general market prices. It has been multiple years since Cal Poly Print & Copy has increased prices, while paper and ink costs increased significantly over the same period. Outreach on campus will continue with an effort to implement an online ordering option for students.
- **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.

2023-24 OPERATING BUDGET PROPOSAL

CAL POLY MUSTANG SHOP

(in thousands) **	Fiscal Year 2021-22 Actual	% of Sales	Fiscal Year 2022-23 Budget	% of Sales	Fiscal Year 2022-23 Estimate*	% of Sales	Fiscal Year 2023-24 Budget Proposal	% of Sales	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$62	100%	\$60	100%	\$63	100%	\$62	100%	\$(1)	(1%)
Cost of Goods Sold	46	74%	40	66%	46	73%	43	69%	3	6%
Gross Margin	16	26%	20	34%	17	27%	20	31%	2	13%
Other Revenues	1,376	2228%	1,377	2304%	1,319	2096%	1,387	2224%	68	5%
Income before Operations	1,393	2254%	1,397	2337%	1,336	2124%	1,407	2256%	70	5%
Depreciation & Amortization	56	90%	54	91%	50	79%	26	42%	23	47%
General Maintenance	11	18%	8	14%	1	2%	6	9%	(5)	(394%)
Rent / Lease Expense	151	244%	172	288%	172	273%	172	276%	-	0%
CPC Administrative Services	622	1007%	615	1029%	620	985%	600	962%	20	3%
CPC Allocated Services	44	71%	53	88%	49	78%	159	255%	(110)	(222%)
Utilities	45	73%	47	79%	47	74%	48	76%	(1)	(2%)
Other Operating Expenses	80	130%	199	333%	202	322%	204	327%	(2)	(1%)
Total Operating Expenses	1,011	1636%	977	1635%	971	1543%	1,043	1673%	(73)	(7%)
Total Expenses	1,011	1636%	977	1635%	971	1543%	1,043	1673%	(73)	(7%)
Net from Operations	382	618%	420	703%	365	581%	363	582%	(2)	(1%)
Other Income (Expense)	41	67%	-	0%	2	3%	-	0%	(2)	(100%)
University Services	(145)	(235%)	(322)	(540%)	(322)	(513%)	(322)	(517%)	-	0%
Total Other Income (Expense)	(104)	(168%)	(322)	(540%)	(321)	(510%)	(322)	(517%)	(2)	(1%)
Transfer From (To) Plant Fund Reserves (439)	(711%)	-	0%	-	0%	-	0%	-	0%	0%
Net to Reserves	\$(161)	(260%)	\$98	163%	\$45	71%	\$41	65%	\$(4)	(9%)
Noncash transactions (add back):										
Depreciation & Amortization	56	90%	54	91%	50	79%	26	42%	23	47%
Adjusted Net to Reserves	\$(105)	(170%)	\$152	254%	\$94	150%	\$67	108%	\$(27)	(29%)

* 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 2021-22 Actual	% of Sales	Fiscal Year 2022-23 Budget	% of Sales	Fiscal Year 2022-23 Estimate*	% of Sales	Fiscal Year 2023-24 Budget Proposal	% of Sales	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$214	100%	\$287	100%	\$218	100%	\$234	100%	\$16	7%
Cost of Goods Sold	53	25%	67	23%	51	24%	54	23%	(2)	(5%)
Gross Margin	161	75%	220	77%	166	76%	180	77%	14	8%
Income before Operations	161	75%	220	77%	166	76%	180	77%	14	8%
Salaries & Wages	101	47%	101	35%	93	43%	73	31%	20	21%
Benefits	36	17%	34	12%	26	12%	26	11%	(0)	(2%)
Total Payroll Expense	137	64%	134	47%	118	54%	99	42%	19	16%
Depreciation & Amortization	4	2%	3	1%	3	2%	0	0%	3	87%
General Maintenance	29	14%	31	11%	28	13%	21	9%	8	26%
Rent / Lease Expense	1	0%	1	0%	1	0%	-	0%	1	100%
CPC Administrative Services	25	12%	26	9%	26	12%	29	12%	(3)	(11%)
CPC Allocated Services	1	1%	1	0%	1	1%	10	4%	(9)	(747%)
Other Operating Expenses	10	5%	10	3%	11	5%	17	7%	(6)	(53%)
Total Operating Expenses	71	33%	73	25%	71	33%	77	33%	(6)	(9%)
Total Expenses	207	97%	207	72%	190	87%	177	76%	13	7%
Net from Operations	(46)	(21%)	13	4%	(23)	(11%)	3	1%	27	114%
Other Income (Expense)	(0)	0%	-	0%	(6)	(3%)	-	0%	6	100%
University Services	-	0%	(2)	(1%)	(2)	(1%)	(2)	(1%)	-	0%
Total Other Income (Expense)	(0)	0%	(2)	(1%)	(8)	(4%)	(2)	(1%)	6	70%
Transfer From (To) Plant Fund Reserves	28	13%	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$(18)	(9%)	\$10	4%	\$(32)	(15%)	\$1	0%	\$33	103%
Noncash transactions (add back):										
Depreciation & Amortization	4	2%	3	1%	3	2%	0	0%	3	87%
Adjusted Net to Reserves	\$(14)	(7%)	\$14	5%	\$(28)	(13%)	\$1	1%	\$30	105%

* 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 2022-23 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 \$69,000 is primarily the result of lower than anticipated sales in digital print and course packs. The digital print sales budget for FY 2023-24 is expected to increase as Cal Poly Print & Copy increases its marketing efforts and implements price adjustments to align closer to the market.

Sales at Cal Poly Print & Copy for FY 2023-24 assume the store will be open for the entire academic year. The store plans to relocate during the year to accommodate the Library Renovation Project. Sales estimates reflect a modest increase from the FY 2022-23 projection but are less than the average pre-pandemic historical performance. **Cost of Sales** for FY 2023-24 reflect margins consistent with pre-pandemic 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 2023-24 assumes that a 5% increase in Follett sales, and corresponding commission growth. Sales will shift slightly towards more digital sales, reflecting trends pre- and post-COVID. 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 2022-23 \$16,000, or 12% under budget. The favorable variance from budget results from less than anticipated costs for regular salaries and student wages. Payroll expense FY 2023-24 includes a 5% general salary increase, a performance based compensation pool, and slightly lower fringe benefit rates.

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 2023-24 Operating Expenses are expected to increase \$72,000 or 7% from FY 2022-23 projections primarily the result of increases in administrative cost recovery charges from CPC and the university.

FY 2022-23 Operating Expenses for Cal Poly Print & Copy are projected to end consistent with the budget. FY 2023-24 Operating Expenses are expected to decrease \$6,000, resulting primarily the result of increases in administrative cost recovery charges from CPC and the university.

Other Income (Expense) for FY 2022-23 and FY 2023-24 primarily reflects funding for University Services.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2021 Reserve Balance	\$980,410	\$6,563,499	\$210,292	\$100,000	\$7,854,201
FY 2021-22 Change in Reserves	14,510	487,498	(88,689)	(100,000)	313,319
June 30, 2022 Reserve Balance	994,920	7,050,997	121,603	0	8,167,520
FY 2022-23 Change in Reserves (estimate)	87,255	5,633	(79,846)	0	13,042
June 30, 2023 Reserve Balance (estimate)	1,082,175	7,056,630	41,757	0	8,180,562
FY 2023-24 Change in Reserves (budget)	31,831	(158,872)	168,535	0	41,494
June 30, 2024 Reserve Balance (budget)	\$1,114,006	\$6,563,499	\$210,292	\$0	\$7,887,797

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, 2023 (estimate) and June 30, 2024 (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, 2023 (estimate) and June 30, 2024 (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 2023-24.



**Board of Directors
Proposed Meeting Schedule**

2023-2024

October 27, 2023

February 2, 2024

April 26, 2024

***Annual Meeting
June 7, 2024***



TO:	Corporation Board of Directors	DATE:	May 26, 2023
VIA:	Cynthia Vizciano Villa Chair	REF:	Board Meeting #4 June 2, 2023
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 2023 and ending June 2026.

- Damon Fleming 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 2023 and ending June 2024.

- 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 three (3) years; community members may serve a maximum of three (3) consecutive full terms.

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

- Pat Mullen 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 2023 and ending June 2024.

- Pending confirmation 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 2023 and ending June 2024. Officers are elected by a majority vote of the board.

- Cynthia Vizcaíno Villa Chair
- Cynthia Jackson-Elmoore Vice Chair
- Damon Fleming Secretary - Treasurer



OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Commercial Agriculture Operations

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW 4

2022-23 ACCOMPLISHMENTS 9

2023-24 GOALS & OBJECTIVES 14

2023-24 OPERATING BUDGET PROPOSAL 17

OPERATING BUDGET DISCUSSION 18

STATEMENT OF RESERVES OVERVIEW 19

CAPITAL OUTLAY REQUEST 20

This page is intended to be blank.

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 are 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 6,000 acres. The areas of production activities are:

Animal Science and Dairy Science Programs

Dr. George Gallagher, Dr. Kim Sprayberry

The Animal and Dairy Science programs collectively represent the greatest magnitude and diversity of production operations within CAFES. Providing hands-on experience with multiple species in production venues is critical, and these units allow student involvement in application of concepts learned in typical coursework as well as exposure to aspects of commercial agricultural operations. It should be noted that nationally, most incoming first-year students are from urban areas and have little animal agricultural experience. Thus, access to the production units to gain additional hands-on experience is critical. These concepts and opportunities available at Cal Poly are typically limited at most large land grant institutions.

Demand for programs in the animal science department is strong, with about 800 undergraduate students enrolled. Both the Animal Science major and Dairy Science major have been identified by the institution as subject areas for enrollment expansion. The increase in enrollment can be accomplished without significant changes in operations or animal numbers maintained.

While the primary objective of each facility is education, sales of products produced both have an educational value as well as the intent to decrease the cost of operation of each unit. The Cal Poly Creamery, Meat Processing Center, and Poultry Production center each sell products both on and off-campus. In addition to the direct income, the Cal Poly brand identity is also benefitted. Other operations such as the dairy, beef, sheen and goat, and swine units provide animals to enter the food production chain. The vet clinic provides direct support to education and toward the health of animals. The Western Bonanza youth livestock show creates revenue and provides Cal Poly recognition nationwide.

Recently, Veterinary students from Western University visit four times a year to gain practical hands-on experience with large animals at our beef, sheep, and swine units. Not only does this bring additional revenue to Cal Poly, but students are also exposed to the Western University veterinary program, veterinary medicine students and other instructors.

The cost of maintaining the operational production systems to facilitate the Animal Science Department's hands-on learning mission also continues to be high. Across all production units the greatest expenses are those associated with feed, labor, and deferred maintenance. Efforts are being made to reduce feed costs, such as contracting with local producers to provide forage-based diets for dairy cattle. The "Earn by Doing" student manager program remains active, with student managers funded by donors at the Meat Processing Center, Animal Nutrition Center, equine center, sheep unit, beef operations, and both the dairy and creamery. This funding continues to alleviate some of the pressure off the budgets while allowing students more opportunity to develop leadership skills in a commercial operation. Significant efforts are underway to enhance the production units' sustainability and educational values. Utilization of recently one-time allocation of state funds intended for infrastructure renovation should alleviate many of the deferred maintenance issues.

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 Plant Sciences units provide a living laboratory and exemplary commercial production operations for Cal Poly students who are primarily Plant Sciences majors but also include significant numbers of students from other majors in CAFES and other colleges as well. Our philosophy and approach emphasize farming 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 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 implemented a food safety program under the direction of an expert in food safety certification, using a new software system donated by company, HeavyConnect, Inc. based out of Salinas, California. The goal of this program is to develop an internal an internal food safety audit protocol that ensures we

are in compliance with all food safety laws and regulations when it comes time for an external audit by regulators. We have scheduled our first audit for June of 2023.

The department has historically accommodated up to 72 students per quarter in field crop, fruit, horticulture, and vegetable projects. Those numbers have been less because of last year's COVID pandemic and the associated restrictions. With COVID restrictions lifted our student numbers on campus are expected to come back to pre-pandemic levels. 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 project program is a key component of that educational experience. Student numbers in our Enterprise projects are now back to close to pre-pandemic levels. Cal Poly's Learn by Doing philosophy is a fundamental part of what distinguishes its graduates and our Crops and Horticulture Unit epitomizes that philosophy.

We are currently seeking donor support for the new Plant Sciences Complex that will house a fruit and vegetable processing center, and a building complex that will house teaching and research lab facilities. We have received donor support to renovate, repair and upgrade the greenhouse complexes at the Horticulture Unit. We have received donor funds in support of the Leaning Pine Arboretum facilities. We are in the process of hiring a new Full Time Lecturer for Landscape Horticulture and Leaning Pine Arboretum director. That position will be filled for the 2023-24 Academic Year.

Facilities:

- Crops Unit:
 - Field production: vegetable crops, forage crops, pumpkins
 - Orchard production: citrus, avocado, stone fruit
 - Honey
 - Cal Poly Organic Farm
- 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, record keeping, sales and marketing, food law and more.

The production unit includes 1 benefited staff member and 20 student 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.

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

With the opening of the Frost Building, the college hopes to update expand production capabilities in building 24. Some of the labs that are currently using the pilot plant will now take place in the new facility, allowing for more versatility in the pilot plant.

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 led 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

With the addition of the new JUSTIN and J. Lohr Center for Wine and Viticulture, the Wine and Viticulture department will be able to provide students with a comprehensive educational experience,

from growing grapes all the way to bottling wine.

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 has been managed by the College, via contract with Bee Sweet Citrus.

2022-23 ACCOMPLISHMENTS

Animal Science and Dairy Science Programs

- The use of all production units for academic courses continues to be a priority. In addition, expansion of hands-on learning opportunities offered through enterprise courses continues to expand.
- Sales of meat products at the Meat Processing Center have remained strong. The Meat Processing Center has also incorporated items for sale from other departments such as flowers, vegetable boxes, and other processed food products.
- The Oppenheimer Family Equine Center provided another year of excellent results from the annual sale of young performance horses, prepared by Cal Poly students. Twenty-three horses were sold for an average of almost \$17,000/horse, totaling \$390,500 in sale of livestock.
- The Oppenheimer Family Equine Center has continued to receive donated breedings from leading sires in the Quarter Horse industry.
- The Creamery's holiday cheese box sales continue to be a primary revenue avenue. In addition to local cheese sales, ice cream sales for the "Friday Drive-Through" have become established. Extensive renovation of plant facilities is in process.
- The sales of eggs to the community from the Poultry Operation have been maintained. In addition, the facility has begun testing niche market meat breeds of poultry with an industry partner.
- Practicums have continued as outlined by the Affiliation Agreement for Veterinary Practicums with Western University of Health Sciences. Rotations at the dairy have been added, in addition to those at the beef, swine, and sheep operations. Conversations are anticipated regarding expanding these practicums to other community colleges and veterinary schools.
- In February, the 2023 Western Bonanza Junior Livestock Show again set new records for number of entrees/participants over the four-day event held in Paso Robles. This event is organized and implemented by Cal Poly students. The national attention provided to Cal Poly is extensive.
- The Sheep and Goat unit continues to support a holistic sustainable management approach to vegetation control, while producing other animal products.
- The Cal Poly Dairy continues to provide learning opportunities by maintaining the two primary dairy breeds of cattle maintained in the United States. The unit has recently hired a new manager.
- The 2022 Beef Cattle Bull Test and Sale has resumed full post-COVID operations that will include upgraded instrumentation for gaining precision performance of animals being evaluated.
- The swine unit continues to provide educational opportunities representing both commercial and show pig types of business systems.
- The beef cattle unit continues to function as a sustainable operation to optimize beef production practices.

- Industry support for the Earn by Doing student manager program remains strong, with funding at seven of the operations. This helps mitigate the negative effect of increasing minimum wages and allows more students the ability to work to offset their educational costs.

Environmental Horticulture/Crop, Fruit and Vegetable Science

The accomplishments for this year and projections for next are tied to several nuances of our current operations. Our profits are tied intricately to our orchard operations especially the citrus, avocado, pome (apple, pear) and nut trees. They represent a significant portion of our overall profitability. They are also tied to our losses because we must remove and then establish new plantings to make up for old unproductive ones. A significant portion of our orchard operations are in a state of flux because we have replaced old trees with new plantings. However, these will not provide us economic returns immediately. These are a necessary investment in the long term sustainability of our production operations for teaching, research and commercial sales.

Fruit Crops

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

- PLSC orchard production is a dynamic process as trees are planted and do not produce profitable yield immediately and then reach maximal bearing age and then begin aging to the point where they need to be replaced. This creates new opportunities for research and teaching.
 - We have established a new avocado rootstock trial with the assistance of the California Avocado Commission on Radio Tower Hill. It is currently in its 3rd leaf stage and will be bearing fruit this coming year.
 - The current avocado orchard field 33 near the Crops Unit suffered from weather dynamics: in 2020 several trees were taken out by heat, 2021 was a fairly good year overall with fruit and price per pound, and then 2022 was a low bearing year and price was down.
 - Design/establish new nut tree/stone fruit/pome fruit orchard to replace the removed trees from the Crops Unit teaching orchard which were beginning to senesce and were outdated cultivars.
 - Field prep. Deep rip done. Need to disc and develop berms - COMPLETED
 - New underground irrigation leading to each block - COMPLETED
 - Install drain outlets at strategic spots - In Progress
 - Install filter station - COMPLETED
 - Install above ground irrigation to each block - COMPLETED
 - Install deer fencing around perimeter and gates for access - COMPLETED
 - Plant new Nut Tree/Stone Pome fruit Orchard - Planted Walnut/almond/half of stone block in summer/fall 2022. Have received trees to complete stone block and pomegranate block, which will be planted spring 2024.

- Updated/rerouted deer fencing on section of Radio Tower Hill for improved security
- Changed U-picks from weekdays to Saturdays and saw an increase in sales
- Partnering with Talley Farms for them to purchase mandarin fruit for its boxes. This helps assist for picking and can sell 7k pounds at a time.
- Cost of fertilizer and plant protection chemicals (insecticides, herbicides, fungicides, etc.) were extremely high this year compared with pre-pandemic process. This impacted all farming operations around the world.
- The PLSC department works with the SLO Food Bank and Glean SLO when there is product that needs to be picked and we cannot sell it and/or have the labor to pick it. So far in the 2022-2023 fiscal year, the department has donated \$4,400.
- We coordinate growth and sales with Cal Poly's Real Food Collaborative that provide produce baskets for students and community members are a reduced price (<https://realfoodcollaborative.com/>).

Vegetable Crops

- Purchase corn planter Monosem 2-row planter, repurpose old planter for Organics - Postponed (waiting for state funding and see if approved)
- Improved overall weed control (especially borders)
- Installed GPS unit on new CAT tractor
- Repair or replace implement for 4-row lister tractor - Postponed (waiting for state funding and see if approved)
- Instituted new fertilizer injection system (Ag Solutions Master)
- Research and eventually buy GPS/laser level drag scraper - Working with Ag Operations on this
- Switched all crops to drip for water savings
- Production – Due to colder weather in summer, the first harvest of corn was at the end of July (normally 4th of July) and tomato harvests were delayed to August. Both these delays affected sales during the summer months.

Organic Farm

- Most vegetables run on underground drip
- Improved fertigation practices
- Improved boarder weed control (fence line, end of row, road)
- Purchased and used floating row covers for pest control
- Purchase boom sprayer for weed/pest control (possible to repurpose an old one) - Postponed (waiting for state funding and see if approved)

- Hired new organic farm supervisor Kelly O’Neal

Environmental Horticulture

- Improved cooling system in Greenhouse 9
- 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
- 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
- Create Poly Plant Shop workshops either monthly or quarterly - will begin ramping up these activities now that pandemic restrictions are lifted (for example, we hosted the Orchid Society and are looking to host other events) - In Progress
- Nurture the close relationship we have with Altman Plants - In Progress (created a channel for two students hired in 2022 and two more in the process for 2023)

Food Science and Nutrition

- Updating CP Chocolates facility so that chocolates can be self-sufficient in 24-107. Worked with facilities to get 2/4 of the necessary work orders done and waiting on the other 2 to be scheduled.
- Working/worked with CP marketing to overhaul ALL of our product labels with new updated CP logo and label design (~25+ products), ingredient statements, nutritional facts etc. Should start seeing updated labels in early June 2023.
- Continue to increase productivity while still training student employees for food industry
- Worked with donors to continue their support for our chemical, spices for our BBQ sauce, and some of our IQF products to be donated.
- Continued to manage the colleges UPC program for all units
- Worked with reduced personnel and maintained products and support for teaching and labs within FSN Pilot Plants
- Continued to increase productivity, while still training student employees for food industry
- Improved social media presence with a designated student assistant maintaining account and creating fun posts
- Worked with Cal Poly Marketing and Dr. Moses Mike for updated videos to highlight the departments students and learn by doing activities in the Pilot Plant

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 Dept under the leadership of Dr. Jean Dodson Peterson. Paul Fountain, former professor of viticulture in the WVIT, was very instrumental in establishing this fund through a donation.

During Harvest 2022, the production vineyard has produced more than in 2021 (as expected). The Chardonnay block produced 5.7975 tons for a value of \$12,174; the pinot noir produced 16.203 tons for a value of \$40,507. The vineyard also produced a tiny bit of Zinfandel/primitive for \$327.6 (0.182 tons) and some sauvignon Bovetti (6.64 tons) for a value of \$13,944. In total, the vineyard generated \$66,953.85 in revenue for the fiscal year.

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 Teaching Vineyard

- Majority of planting was completed in 2018. 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

2023-24 GOALS & OBJECTIVES

Animal Science and Dairy Science Programs

- Develop a sustainable, integrated product production, processing, and local distribution system for Cal Poly food products.
 - Maximize the proportion of milk produced at the dairy that is processed at the creamery to produce viable products utilized at Cal Poly and available for local consumption.
 - Maximize the processing of beef, swine, lamb, and goats at the Cal Poly Meat Processing Center to capitalize on local demand.
 - Maximize utilization of poultry facilities available to enhance productivity for meat and egg production.
- Implement construction and renovation plans for livestock units, using the recent state funding provided for infrastructure. These updates are essential for educational and production purposes.
- Evaluate the appropriate size and numbers of animals maintained to be effective for both educational and production purposes. We are in the business of education, while enhancing efficiency of production can reduce the costs of operating these facilities.
- Identify and evaluate additional potential sources of revenue streams at production units. This includes support from local industry partners, additional products and/or services provided.

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.

- Install new fertilization system for RTH - In Progress (waiting for Ag Ops)
- Install new irrigation lines/system in new orchard
- Add base rock to roads in new orchard
- Upgrade orchard equipment
- Install micro sprinklers on new avocado block
- Install additional drain outlets on RTH to capture run off that original outlets missed
- New nut tree/stone pomegranate fruit orchard in field 31 - we have completed the first 2/3 of planting and will complete remaining in 2024
- Install new filter station for RTH - In Progress (waiting for Ag Ops)
- Install new dedicated underground irrigation line to RTH from Well 25 - In Progress (waiting for Ag Ops)

Vegetable Crops

- Purchase corn planter Monosem 2-row planter, repurpose old planter for Organics
- Install a permanent base station for GPS/RTK Working with BRAE and TopCon
- Purchase new equipment with grant funding (Equipment type TBD): Research and eventually buy GPS/laser level drag scraper

- Improve ground squirrel control - Ongoing
- Upgrade Vegetable equipment: Repair or replace implement for 4 row lister tractor
- Improve/Clean up field to meet Food Safety Requirements
- Replace deer fencing along creek in field 25 - In Progress (waiting for state funding and see if approved)

Organic Farm

- Build custom compost spreader for compost bed applications - Almost complete
- Purchase new equipment with grant funding (Equipment type TBD)
- Improve overall weed control - Ongoing
- Improve ground squirrel control - Ongoing
- Add/Upgrade organic equipment
- Improve/Clean up field to meet Food Safety Requirements
- Partner with Organic Farm Center - Ongoing
- Purchase small fertilizer injector/mirroring industry
- Purchase boom sprayer for weed/pest control (possible to repurpose an old one)

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.
- Sustain a close relationship with Altman Plants. The company is eager to hire our students for internships and employees.
- Paint exterior of dorm house, as it is the at the entrance of the Poly Plant Shop.
- Develop a production plant list with newly hired full time lecturer and Landscape Horticulture and Arboretum Director, for Arboretum focused sales. Will proceed following deer fence installation.

Food Science and Nutrition

- Similar goals and objectives from 2022-23 will continue in 2023-24, as we have not been able to move these projects/needs forward.
- Continue to update CP Chocolates facility so that chocolates pilot plant can be food safe and functional 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. We have submitted work orders for these needs.
- Work to have a possible new salad dressing product from collaborating/working with the students in Dr. Lammert's FSN 408 Product Development Course in June 2023.
- 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, and being the only unit with one salaried employee working at the facility along with other state duties.

- Work to identify more storage/sales space for finished products within bldg. 24 as some of the dept moves to the Frost building. This will hugely help to ease the flow of sales and reduction of manual labor/possible injuries in having to move cases individually and inefficiently.
- Continue to increase productivity while still training student employees for food industry.

Wine and Viticulture

The current budget for 2023-24 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 2023-24, 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 (2023) to be processed in the new JUSTIN and J. Lohr Center for Wine and Viticulture.

2023-24 OPERATING BUDGET PROPOSAL

(In thousands) **	Fiscal Year 2021-22 Actual	% of Sales	Fiscal Year 2022-23 Budget	% of Sales	Fiscal Year 2022-23 Estimate*	% of Sales	Fiscal Year 2023-24 Budget Proposal	% of Sales	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$5,468	100%	\$5,388	100%	\$5,470	100%	\$5,394	100%	\$(76)	(1%)
Cost of Goods Sold	1,627	30%	1,388	26%	1,754	32%	1,558	29%	196	11%
Gross Margin	3,841	70%	4,000	74%	3,716	68%	3,836	71%	120	3%
Other Revenues	1,103	20%	729	14%	835	15%	738	14%	(98)	(12%)
Income Before Operations	4,944	90%	4,730	88%	4,551	83%	4,574	85%	22	-
Salaries & Wages	1,037	19%	1,000	19%	1,093	20%	1,004	19%	90	8%
Benefits	163	3%	164	3%	175	3%	149	3%	27	15%
Total Payroll Expense	1,200	22%	1,164	22%	1,269	23%	1,152	21%	117	9%
Depreciation & Amortization	154	3%	132	2%	148	3%	144	3%	3	2%
General Maintenance	135	2%	164	3%	145	3%	151	3%	(6)	(4%)
Livestock / Feed Expense	1,755	32%	1,584	29%	2,122	39%	1,795	33%	327	15%
Supplies & Materials	476	9%	352	7%	336	6%	385	7%	(49)	(15%)
Fees & Services	387	7%	240	4%	324	6%	284	5%	40	12%
CPC Administrative Services	192	4%	161	3%	179	3%	230	4%	(52)	(29%)
Other Operating Expenses	550	10%	616	11%	469	9%	594	11%	(125)	(27%)
Total Operating Expenses	3,651	67%	3,249	60%	3,724	68%	3,584	66%	139	4%
Total Expenses	4,851	89%	4,414	82%	4,992	91%	4,736	88%	256	5%
Net from Operations	93	2%	316	6%	(441)	(8%)	(163)	(3%)	278	63%
Other Income (Expense)	140	3%	-	0%	(170)	(3%)	165	3%	335	197%
Total Other Income (Expense)	140	3%	-	0%	(170)	(3%)	165	3%	335	197%
Transfers In (Out)	67	1%	44	1%	35	1%	-	0%	(35)	(100%)
Net to Reserves	\$300	5%	\$361	7%	\$(576)	(11%)	\$2	0%	\$578	100%
Noncash transactions (add back):										
Depreciation & Amortization	154	3%	132	2%	148	3%	144	3%	3	2%
Adjusted Net to Reserves	\$454	8%	\$493	9%	\$(428)	(8%)	\$147	3%	\$575	134%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

2023-24 OPERATING BUDGET PROPOSAL - BARTLESON RANCH

	Fiscal Year 2021-22 Actual	% of Sales	Fiscal Year 2022-23 Budget	% of Sales	Fiscal Year 2022-23 Estimate*	% of Sales	Fiscal Year 2023-24 Budget Proposal	% of Sales	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Net Sales	-	0%	-	0%	500,000	100%	800,000	100%	300,000	60%
Other Revenues	11,000	0%	-	0%	324,305	65%	78,200	10%	(246,105)	-76%
Income Before Operations	11,000	0%	-	0%	824,305	165%	878,200	110%	53,895	7%
Salaries & Wages	-	0%	-	0%	52,000	10%	210,000	26%	(158,000)	-304%
Benefits	-	0%	-	0%	4,680	1%	99,630	12%	(94,950)	-2029%
Total Payroll Expense	-	0%	-	0%	56,680	11%	309,630	39%	(252,950)	-446%
Depreciation & Amortization	-	0%	-	0%	-	0%	38,000	5%	(38,000)	0%
General Maintenance	-	0%	-	0%	-	0%	60,000	8%	(60,000)	0%
Utilities	-	0%	-	0%	20,000	4%	51,600	6%	(31,600)	-158%
Supplies & Materials	35	0%	-	0%	62,247	12%	70,000	9%	(7,753)	-12%
Fees & Services	-	0%	-	0%	675,000	135%	120,000	15%	555,000	82%
Other Operating Expenses	-	0%	-	0%	2,800	1%	86,600	11%	(83,800)	-2993%
Total Operating Expenses	35	0%	-	0%	760,047	152%	426,200	53%	333,847	44%
Total Expenses	35	0%	-	0%	816,727	163%	735,830	92%	80,897	10%
Net from Operations	10,965	0%	-	0%	7,578	2%	142,370	18%	134,792	1779%
Change in Net Position	10,965	0%	-	0%	7,578	2%	142,370	18%	134,793	1779%

*Estimate based on current year actuals.

OPERATING BUDGET DISCUSSION

A 3.7% overall decrease in **Income Before Operations** over budget was seen in the 2022-23 fiscal year largely due to a significantly increase cost of sales.

We are now insuring our milk prices against market fluctuations whenever possible, resulting in more stable income. The budget for FY 2023-24 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. We also plan to decrease herd sizes over the next year, which will increase livestock sold, as well as decrease costs for feed and student assistant salary.

Cost of Goods Sold is projected to be approximately 32% of total sales for FY 2022-23, which is an increase of 5% over the previous year. We expect this percentage to decrease slightly through FY 2023-24.

Total Payroll Expense is projected to be approximately 12% over the budgeted amount for FY 2022-23 due largely to increases in minimum wage. We have also hired a new organics manager, whose salary will be partially offset with Cal Poly Foundation funding.

Operating Expenses were approximately 17% over budget for fiscal year 2022-23. This was mostly due to a significant increase in the cost of feed. The Operating Expense budget is expected to decrease slightly in FY 2023-24, as we reduce herd sizes and look for efficiencies in feed purchasing. There will be a small corresponding increase in auction expenses.

For FY 2022-23, the expected Net Loss to Reserves of approximately \$576,000 includes non-cash depreciation expense of \$148,000, and is largely due to continued losses in the Dairy. For FY 2022-23, the budgeted **Net to Reserves** of approximately \$2,000 includes non-cash depreciation expense of \$144,000. Operating reserves are expected to remain positive through June 30, 2024.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2021 Reserve Balance	\$1,081,096	\$513,335	\$1,594,431
FY 2021-22 Change in Reserves	311,418	(11,424)	299,994
June 30, 2022 Reserve Balance	1,392,514	501,911	1,894,425
FY 2022-23 Change in Reserves (estimate)	(617,663)	42,080	(575,583)
June 30, 2023 Reserve Balance (estimate)	774,851	543,991	1,318,842
FY 2023-24 Change in Reserves (budget)	123,988	(121,742)	2,246
June 30, 2024 Reserve Balance (budget)	\$929,261	\$391,828	\$1,321,089

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, 2023 (estimate) and June 30, 2024 (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 2023-24 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 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW	4
2022-23 ACCOMPLISHMENTS	6
2023-24 GOALS & OBJECTIVES	8
2023-24 OPERATING BUDGET PROPOSAL	9
OPERATING BUDGET DISCUSSION	10
STATEMENT OF RESERVES OVERVIEW	11
CAPITAL OUTLAY REQUEST	12

This page is intended to be blank.

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 other 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 outlying 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 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. Consistent with performing arts industry trends across the country, the shifts in audience behavior continued in FY 2023, with lower than projected ticket sales continuing and unprecedented volatility in budget projections. Cal Poly Arts is constantly evaluating the data we are receiving from our audience and adjusting to the current challenges to stabilize and thrive in these new times.

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 38 years of experience in presenting artists, Cal Poly Arts consults with experts in the presenting field to inform its programmatic decisions. 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 in the wake of the COVID-19 pandemic also have an impact on Cal Poly Arts' ability to maintain a balanced budget.

Beyond fundraising, Cal Poly Arts will strive to develop strategic partnerships when applicable to shoulder the risk of presenting artists. This will also be an important strategy as it relates to building new audiences. It is important to continue monitoring the local performing arts scene and to react as needed, with adjustments to programs, marketing, and operations.

2022-23 ACCOMPLISHMENTS

- Cal Poly Arts successfully curated a performance season of multi-generational programming. Cal Poly University student engagement and our diverse programming inspired a younger audience to experience these performances and cultivates the next generation of arts patrons.
- Cal Poly Arts continues to honor our commitment to the Association of Performing Arts Presenters Racial Equity Diversity and Inclusion Pledge. The Cal Poly Arts 2022-2023 performance season consisted of approximately 40% of our programming in line with that mission, with performers 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.
- Cal Poly Arts unveiled our new logo and branding elements. The new Cal Poly Arts logo has a fresh, modern look for the program and is utilized on new marketing campaigns, including Cal Poly Arts branded mugs, T-shirts, tumblers, tote bags and caps. Community response to the logo has been positive.
- Cal Poly Arts revised and improved the use of our marketing dollars, decreasing dollars spent on traditional ad placements, and investing resources in social media marketing. The availability of analytics as provided by social media partners has enabled Cal Poly Arts to accurately track its impact and success in reaching a wider age demographic.
- Cal Poly Arts successfully built new audience by engaging performers that appealed to our Latinx arts community, as well as supporting bilingual marketing strategies. Our 2022-23 performing season included a wide variety of Latinx artists which had broad multi-generational appeal and were attended enthusiastically by the Latinx community.
- Efforts to reestablish lost corporate sponsorships have been ongoing. Cal Poly Arts was able to connect again to pre-pandemic corporate sponsors, including various media, hospitality and medical service corporations. These businesses responded to Cal Poly Arts enticing sponsorship benefits and recognized their relationship with Cal Poly Arts aligned well with their brand and mission to support the community.
- Cal Poly Arts presented artists who not only satisfied a performing obligation, but also participated in community and university residency activities. The 2022-23 performing season featured artists who engaged in Cal Poly University student class discussions, master classes and community question and answer post-performance events. The Cal Poly students and San Luis Obispo community who participated in these activities not only connected with performers, but were exposed to Cal Poly Arts, its role and mission as a presenter of public performing arts events geared for a diverse constituency.
- Cal Poly Arts season offered very diverse cultural programming, that inspired first-time ticket buyers to come and experience the Performing Arts Center shows. Of these first-time buyers, 63% of them purchased tickets for our black/indigenous people of color artists and 24% of them purchased tickets for our Latinx artists. In addition, 12% of our first-time ticket buyers came from outside the Cal Poly University core zip code area, with an increase of attendance by community members coming from Paso Robles and Santa Maria.

- Cal Poly Arts launched its Passport to the Arts initiative, providing low or no cost ticket opportunities to low-income and/or underrepresented members of the San Luis Obispo County community. Over 1,350 free tickets (valued over \$54,000) were offered to 14 performances. This effort to provide affordable tickets connected Cal Poly Arts to a wider audience who historically have not participated in the program, and who otherwise may have never experienced arts programming of this kind. Cal Poly Arts thanks HASLO and other community nonprofits such as CASA for its partnership in making this initiative a success.
- Attention given towards our VIP Membership program has allowed Cal Poly Arts to maintain and slightly expand its pool of small to mid-size donors. Personal, one on one interaction between Cal Poly Arts staff and these small to mid-sized donors strengthens the connection to our organization with the hopes of cultivating long relationships and larger gifts to the organization by these individuals.

2023-24 GOALS & OBJECTIVES

- Using the full potential of various resources, Cal Poly Arts will review and analyze audience attendance and interest with the objective to secure performances that will fully engage the community and increase ticket sales to a higher capacity. Cal Poly Arts will present a balanced series of artists that have name recognition and also represent diverse genres, identities, and cultures.
- Cal Poly Arts will return to a full Broadway series offering to re-engage pre-pandemic audiences focused on this particular genre. With the success of a sold-out The Book of Mormon 3-day presentation in the 2022-2023 season, Cal Poly Arts aims to grow the subscriber base for Broadway shows and beyond in the 2023-2024 season. Distribution of the 2023-2024 season brochure will increase significantly from the 2022-2023 season, reaching 33,000 SLO County and Santa Maria households with the goal of increasing both subscriptions and single tickets sales throughout the season.
- Cal Poly Arts will increase efforts to engage and strengthen partnerships, both internal and external, with those who support our pledge to align with Cal Poly's Diversity and Inclusion mission. Cal Poly Arts will continue to contract with artists and performances that align with the OUDI's inclusive and welcoming campus community mission. Cal Poly Arts will seek partners who support this initiative, to share in the financial risk as well as the achievement of showcasing these unique and critical performances.
- Cal Poly Arts will more fully integrate with efforts by the University's advancement office to increase annual giving through multiple targeted donor appeals throughout the year. Cal Poly Arts will also integrate into Day of Giving and other campuswide fundraising activities and will closely strategize with the College of Liberal Arts Director of Advancement to fortify fundraising efforts throughout the year.
- Our partnership with the Cal Poly Arts Advisory Board will develop into a new and focused direction. Board members will support Cal Poly Arts with increased fundraising efforts, strengthened community partnerships and public relations ambassadorships. The Advisory Board will work closely with Cal Poly Arts and take an active role in fundraising events, prospecting new donors, securing contributions and sponsorships as well as promoting Cal Poly Arts brand awareness in the community.
- Cal Poly Arts secured its first ever season sponsorship for the 2023-2024 season from the Foundation of the Performing Arts Center. The season sponsorship allows the Foundation to extend sponsorship benefits to their various business partners, and significantly supports Cal Poly Arts' programming. Cal Poly Arts will work closely with FPAC in fulfilling the sponsorship benefits to ensure that there is a positive working relationship throughout the season, and that this new partnership is successful for all parties.

2023-24 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Gifts	\$308	\$402	\$327	\$548	\$221	67%
Ticket Sales	950	1,173	566	1,010	444	78%
Other Revenues	509	613	660	613	(47)	(7%)
Income Before Operations	1,767	2,188	1,553	2,171	617	40%
Salaries & Wages	293	345	321	358	(37)	(11%)
Benefits	164	188	198	215	(17)	(9%)
Total Payroll Expense	457	533	519	573	(53)	(10%)
Supplies & Equipment	20	14	6	6	(0)	(3%)
PAC Services	407	388	303	392	(89)	(30%)
CPC Administrative Services	55	31	39	19	20	52%
Artist Fees	668	625	479	755	(276)	(58%)
Advertising & Marketing	111	168	85	122	(37)	(43%)
Other Operating Expenses	118	244	142	203	(61)	(43%)
Total Operating Expenses	1,378	1,471	1,054	1,498	(444)	(42%)
Total Expenses	1,836	2,003	1,573	2,071	(497)	(32%)
Net from Operations	(69)	185	(20)	100	120	599%
Other Income (Expense)	2	-	-	-	-	0%
Total Other Income (Expense)	2	-	-	-	-	0%
Transfers In (Out)	22	-	-	-	-	0%
Net to Reserves	\$(45)	\$185	\$(20)	\$100	\$120	599%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Changing audience behavior proved to be a the most significant challenge for Cal Poly Arts in FY 2022-23. The community continues to be reticent to return to live events or are generally going to less events than in pre-pandemic times. Ticket sales consistently came in 30-50% lower than projected on most events (and those ticket projections were considered to be conservative at the time they were developed). This is consistent with trends of fine arts presenters across the United States in markets small and large. Adventurousness of audiences was also low, with less people venturing out for artists they do not know but may be curious about, many of which were making their San Luis Obispo debut. This had a negative impact on earned income as many artists in the FY 2022-23 season, resulting in a projected net loss of approximately \$20,000.

Unfortunately, Cal Poly Arts was not able to secure relief funding such as the SVOG grant that many peer organizations have used to successfully weather the volatility of arts presenting during a pandemic. That said, Cal Poly Arts operating reserves are sufficient to cover the net loss from this year.

On a positive note, audiences reacted strongly to the Broadway offering this season, with three nights of The Book of Mormon selling out quickly once tickets were on sale. This has been a healthy indicator to increase Broadway titles in the coming season to try to generate more stable ticketing income. However, Broadway production expenses have increased significantly since the pandemic so the margins for financial success are increasingly low on these shows.

The Cal Poly Arts team is still relatively new, with most having less than 2 years with the organization. The advancement coordinator position was vacant the majority of the season, so fundraising efforts were not as robust as anticipated. However, Cal Poly Arts was able to secure donations that were consistent with pre-pandemic levels. Increasing fundraising will be vital to stabilizing the organization and allowing for artistic risks in programming in the future.

Marketing tactics continue to evolve with the changing audience behavior. The team made adjustments to the marketing budget throughout the year to only invest in strategies that had a solid return on investment. There will be more emphasis placed on social media marketing as print costs continue to increase and print marketing has proven not to be as successful as it once was in the past.

Our strategy in developing a budget for FY 2024 after a tumultuous FY 2023 has been to focus on events that have name recognition and proven ticketing history consisting of approximately 30 events with the possibility of adding profitable events throughout the course of the season. Ticket sales are budgeted to increase in FY 2023-24 approximately \$160,000 from the FY 2022-23 budget. This means artist fees will also be increased from FY 2023, but the hope is that ticketing income will also increase. Production costs have also been significantly impacted by inflation so this will increase expenses as well. Contributed income will continue to be very important in leveling the volatility of ticket sales.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2021 Reserve Balance	\$609,271	\$609,271
FY 2021-22 Change in Reserves	(45,346)	(45,346)
June 30, 2022 Reserve Balance	563,925	563,925
FY 2022-23 Change in Reserves (estimate)	(20,031)	(20,031)
June 30, 2023 Reserve Balance (estimate)	543,894	543,894
FY 2023-24 Change in Reserves (budget)	100,027	100,027
June 30, 2024 Reserve Balance (budget)	\$643,921	\$643,921

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 2023-24.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Campus Dining

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW 4

2022-23 HIGHLIGHTS & ACCOMPLISHMENTS 6

2023-24 GOALS & OBJECTIVES 7

2023-24 OPERATING BUDGET PROPOSAL 8

OPERATING BUDGET DISCUSSION 9

STATEMENT OF RESERVES OVERVIEW 10

CAPITAL OUTLAY REQUEST 11

 CAPITAL OUTLAY REQUEST DETAIL 12

This page is intended to be blank.

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 1,100 associates each academic year, is the largest employer of students on campus, and will be operating 43 different food venues by winter quarter of 2024. Campus Dining serves over 3.8 million customers annually with a range of 14,000 to 24,000 daily transactions.

Supporting the University community's health, wellbeing and educational mission, Campus Dining provides a variety of fresh and delicious food options along with wellness and sustainability learning opportunities to help students make smart eating choices. Campus Dining is a supporter of combatting food insecurity with its partnership with the Food Pantry, management of Mustang Meal Share, and support of student financial needs through athletic scholarships. Campus Dining actively partners with campus departments and organizations to assist their individual missions.

Chartwells Partnership

In 2017-18, the Corporation entered into a service agreement with Chartwells Higher Education to provide management and consulting services for Campus Dining operations. As part of this agreement, Chartwells provides a full-time onsite Dining Director and Executive Chef. In 2021-22, the Corporation helped lead a CSU Master Sponsorship Agreement, creating a single system-wide partner to provide food services to participating campuses. This agreement was awarded to Chartwells who currently provides dining services to ten CSU campuses.

The foodservice industry is going through tremendous challenges. The economic environment stemming from the wake of the COVID-19 pandemic has seen record-setting levels of inflation in operating costs. This, combined with other market forces, has made hiring foodservice workers particularly challenging in recent years. In response, the Corporation engaged Chartwells to propose an operating model that would transition Campus Dining operations from a self-operating model to a management fee model. At the February 2023 BOD Meeting, the board authorized the CEO to enter into negotiations to pursue the management fee model. In May of 2023, an agreement was formalized with a transition start date of July 1, 2023.

Under a management fee model, Chartwells will become the employer for all foodservice employees. Food purchases will be procured through the Chartwells Foodbuy program, along with a majority of Campus Dining variable operating expenses. The Corporation will reimburse Chartwells for these program expenses, along with a management fee of 1.5% of program revenues. All program revenues and expenses will continue to be recorded on the Corporation's accounting records. The Corporation will retain ultimate decision-making power for all program-related decisions, such as concepts, meal plans, capital investments, etc.

Revenues

Campus Dining primarily generates 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 68% of Campus Dining's historical sales. All first-year students living on campus are required to have a dining plan.

For the 2023-24 academic year, after evaluating our facilities and 1901 Marketplace not opening until mid-year, 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. All plans have had an increase in dining dollars, either in restructuring or additional bonus dollars based on student feedback.

Facilities

Our present facilities are unchanged from the prior year, however, starting in January 2024, Campus Dining will operate more than 285,000 square feet of space throughout 43 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, Sequel Tea, What's Cookin' Kosher, and Plant Ivy.

2022-23 HIGHLIGHTS & ACCOMPLISHMENTS

Campus Dining continued to evolve its operation post-COVID. Unprecedented inflationary costs in food and labor have impacted program costs and created a concern amongst all stakeholders centered around the value proposition. We continued to collect data and invested heavily in small focus group feedback to structure the program both in short-term and long-term needs. Some highlights of the year include:

- Made a positive first impression with students. We created the Poly Prep team bringing student associates, opened proactively, connected with students starting with SLO days through move-in and WOW. All first-year students were given welcome boxes during move-in, continuing the tumbler program to align with our sustainability mission and introducing students to campus dining.
- Completed summer projects in the yak?it?ut?u neighborhood including the opening of Vista Grande Express, Mingle & Nosh and the PAC plaza to help alleviate capacity challenges with the increase in first-year students. The overall strategy to add platforms and give students more variety has been well received.
- Revamped Via Carte including collaboration with students and a local artist to create a more inviting space in the Campus Market neighborhood. Mustang Eats was added as a Monday through Thursday food venue to expand on the success of Campus Market's Wednesday BBQ on the busiest days of the week. The Via Carte project was recognized on a national level by NACUFS with a bronze medal for retail concepts.
- Expanded kosher foods to the campus community, created a unique solution in a Kosher food truck in collaboration with Rabbi Chaim Hilel. This is the only third-party Kosher food truck west of the Mississippi.
- Engaged students with multiple events throughout the year. Student experience events included FestiFUL, ThankFUL, DelightFUL and PowerFUL. Highlights included student appreciation, therapy dogs, band performances, celebrity appearances and free samples and swag from Campus Dining and outside vendors.
- Pursuant to the agreement with Chartwells Higher Education, approximately 96% of associates accepted offers to transition from CPC to Chartwells. Key roles in HR, Training and Marketing have been filled, setting the team up for a smooth transition effective July 1.

2023-24 GOALS & OBJECTIVES

Overall, Campus Dining's mission is to build the best program that aligns with the University's mission. Our expanded partnership with Chartwells and the ability to leverage their full system capability will enable us to be more productive and enhance the student experience as well as manage costs more proactively.

- Repeat our very successful opening strategy from the prior year as we now have a model that we know is sustainable to create a great first impression for students.
- Use Chartwells' expanded resources, to bring outside assistance during fall opening and as business demands so that we can better train and develop our staff early in the school year. Continue to invest in all our associates, focusing on customer service, knowledge of the program, and how Campus Dining represents the University's brand.
- Leverage our compensation package within the CPC Chartwells agreement to attract new professional staff to align with our future projected growth.
- Work with stakeholders and leverage other universities' best practices to design meal plans that reflect the input from students regarding the value proposition concerning all declining balance plans. Although this is for the 2024-25 school year dining plans, this process occurs early in this fiscal year.
- Successfully open 1901 Marketplace. The current timeline is opening at the beginning of the winter quarter, with temporary occupancy in November. The building will have 7 venues with an additional all you care to eat venue completed in fall 2024. Mustang Station will close for a remodel once 1901 Marketplace is operational.

Updates and additions to venues:

- Taco Bell at Poly Canyon Village will open in September and include late night hours based on student feedback.
- Spanos concession project will serve a dual purpose as a best-in-class concessions pavilion for athletic and live events and a weekday mobile food venue to serve the surrounding colleges and the large amount of traffic that comes on to campus.
- Grand Avenue Market will expand evening hours to provide late night meal options in the residential heart of campus.
- Julian's Café Bistro at Kennedy Library will close. The brand will be refreshed and named on a coffee, smoothie, and juice bar venue at 1901 Marketplace.
- The food truck presence at the Campus Market neighborhood will be expanded to better serve the faculty, staff, and colleges in that neighborhood.
- We have collaborated with the University and completed the design stage of the new Starbucks store at Kennedy Library.

2023-24 OPERATING BUDGET PROPOSAL

(In thousands) **	Fiscal Year 2021-22 Actual	% of Sales	Fiscal Year 2022-23 Budget	% of Sales	Fiscal Year 2022-23 Estimate*	% of Sales	Fiscal Year 2023-24 Budget Proposal	% of Sales	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$31,837	100%	\$36,361	100%	\$35,776	100%	\$40,585	100%	\$4,809	13%
Cost of Goods Sold	11,395	36%	12,882	35%	13,069	37%	14,436	36%	(1,367)	(10%)
Gross Margin	20,442	64%	23,479	65%	22,707	63%	26,149	64%	3,442	15%
Other Revenues	1,791	6%	849	2%	1,765	5%	2,558	6%	793	45%
Income Before Operations	22,234	70%	24,328	67%	24,472	68%	28,707	71%	4,234	17%
Salaries & Wages	7,439	23%	8,291	23%	8,185	23%	10,856	27%	(2,671)	(33%)
Benefits	2,758	9%	3,695	10%	3,176	9%	3,781	9%	(605)	(19%)
Total Payroll Expense	10,197	32%	11,987	33%	11,360	32%	14,637	36%	(3,277)	(29%)
Depreciation & Amortization	2,531	8%	2,615	7%	2,649	7%	3,441	8%	(792)	(30%)
Software / Hardware Maintenance	184	1%	196	1%	194	1%	218	1%	(24)	(12%)
General Maintenance	370	1%	410	1%	467	1%	593	1%	(125)	(27%)
Utilities	541	2%	650	2%	735	2%	1,062	3%	(327)	(45%)
Supplies & Equipment	631	2%	730	2%	710	2%	1,245	3%	(535)	(75%)
Rent / Lease Expense	482	2%	383	1%	500	1%	498	1%	2	0%
Management Contract Labor	520	2%	545	1%	617	2%	549	1%	68	11%
CPC Administrative Services	1,277	4%	1,231	3%	1,231	3%	1,213	3%	18	1%
CPC Allocated Services	531	2%	557	2%	558	2%	584	1%	(25)	(5%)
Commissions & Royalties	508	2%	581	2%	555	2%	691	2%	(136)	(25%)
Other Operating Expenses	1,728	5%	1,558	4%	2,551	7%	2,080	5%	471	18%
Total Operating Expenses	9,303	29%	9,456	26%	10,767	30%	12,174	30%	(1,407)	(13%)
Total Expenses	19,499	61%	21,442	59%	22,127	62%	26,810	66%	(4,683)	(21%)
Net from Operations	2,734	9%	2,885	8%	2,345	7%	1,897	5%	(449)	(19%)
Other Income (Expense)	481	2%	545	1%	497	1%	545	1%	48	10%
University Services	(331)	(1%)	(742)	(2%)	(742)	(2%)	(742)	(2%)	-	0%
Interest Expense	(1,454)	(5%)	(1,365)	(4%)	(1,367)	(4%)	(1,367)	(3%)	-	0%
Total Other Income (Expense)	(1,303)	(4%)	(1,562)	(4%)	(1,612)	(5%)	(1,564)	(4%)	48	3%
Transfers In (Out)	244	1%	(620)	(2%)	(620)	(2%)	110	0%	730	118%
Net to Reserves	\$1,675	5%	\$703	2%	\$113	0%	\$443	1%	\$329	290%
Noncash transactions (add back):										
Depreciation & Amortization	2,531	8%	2,615	7%	2,649	7%	3,441	8%	(792)	(30%)
Adjusted Net to Reserves	\$4,206	13%	\$3,318	9%	\$2,762	8%	\$3,884	10%	\$1,121	41%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Sales for FY 2023-24 reflect an increase in first-year and community dining plans, and 1901 Marketplace opening in the winter quarter. The budget incorporates a residential first-year student headcount of 5,200 first-year students and 3,800 community dining plans. Sales for 2023-24 include a price increase that will offset COGS inflation for both 2022-23 and 2023-24.

Cost of Goods Sold (COGS) percentage of sales for FY 2022-23 is projected to be 36.5%, which is over the budget of 35.4%. Unprecedented food cost inflation has been the primary reason for this unfavorable variance and is projected to continue into next year. We must balance COGS with quality, variety, and value in our menus across all venues. FY 2023-24 is budgeted to be 35.6%.

Payroll Expense, including contract labor, is expected to finish at 33.9% of sales for FY 2022-23 versus budget at 33.0%. Staffing throughout Campus Dining venues were augmented with outside labor services to provide high levels of service, especially during opening to create a great first impression for students. Payroll expense for FY 2023-24 is budgeted to be 36.2% of sales. The payroll budget reflects the contractual change to Chartwells which includes moving administrative functions from CPC, including management, marketing and human resource positions to payroll expense, and the opening of 1901 Marketplace.

Operating Expenses for FY 2022-23, excluding contract labor, are projected to end 2.0% over budget driven by inflationary increases, insurance cost increases, and legal fees. Budgeted operating expenses for FY 2023-24 are expected to increase 11.6% from FY 2022-23 and includes increases in depreciation as more capital projects are completed, replenishing Catering's aging equipment, and 1901 Markplace's opening, insurance and utility costs.

Other Income and Expense for FY 2022-23 and FY 2023-24 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 (see "Transfers" below). A ten-year agreement with Coca-Cola was ratified in 2020, generating significant additional revenue for the University.

Other income and expense also 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.

Transfers include the transfer of funds related to the agreement with Coca-Cola previously mentioned. In addition, Transfers for FY 2023-24 includes a one-time transfer-in of \$730,000 from Corporation reserves to help fund 1901 Marketplace one-time opening costs.

Net to Reserves for FY 2022-23 is expected to be \$113,000. FY 2023-24 is budgeted at \$443,000 reflecting the net impact of sales and funding support from Chartwells. The increase in 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, 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	505,915	1,347,200	(568,384)	276,747	(455,071)	1,106,407
June 30, 2022 Reserve Balance	4,706,905	4,160,000	7,865,773	2,007,785	20,384,924	39,125,387
FY 2022-23 Change in Reserves (estimate)	1,135,387	(2,633,000)	1,092,873	533,485	(15,273)	113,472
June 30, 2023 Reserve Balance (estimate)	5,842,292	1,527,000	8,958,646	2,541,270	20,369,651	39,238,859
FY 2023-24 Change in Reserves (budget)	175,269	(777,000)	(5,037,763)	(3,738)	6,085,960	442,728
June 30, 2024 Reserve Balance (budget)	\$6,017,561	\$750,000	\$3,920,883	\$2,537,533	\$26,455,611	\$39,681,588

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, 2023 (estimate) and June 30, 2024 (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, 2023 (estimate) and June 30, 2024 (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
Digital Signage - Campus-wide	\$400,000	7	\$57,143
Renewal & Replacement - Capital	80,000	7	11,429
Truck - Custodial (Replacement)	68,000	7	9,714
Transit Van - Concessions (Replacement)	65,000	7	9,286
Double Stack Combi Oven - Vista Grande	60,000	7	8,571
Outdoor Seating - Vista Grande (Replacement)	50,000	5	10,000
Vista Grande Express Expansion	50,000	10	5,000
Trash Bins - Vista Grande (Replacement)	40,000	7	5,714
Total Major Capital Outlay	\$813,000		\$116,857
Minor Capital Equipment Outlay (Up To \$25,000)			
Electric Golf Cart - Administration	\$21,000	7	\$3,000
Cooler Automated Door Repair - Warehouse	15,000	5	3,000
Renewal & Replacement - POS Hardware	15,000	5	3,000
Computers & Office Furniture - Chartwells HR & Marketing	12,000	5	2,400
GrubHub Hardware - Campus-wide	10,000	5	2,000
Renewal & Replacement - Computers	7,500	5	1,500
Storage Shelving - Vista Grande Balance	7,500	7	1,071
Auto Scrubber - Poly Canyon Village	7,000	5	1,400
Auto Scrubber - University Union	7,000	5	1,400
Carpet Extractor - Custodial	6,000	5	1,200
Printers - Campus-wide	6,000	5	1,200
Total Minor Capital Outlay	\$114,000		\$21,171
Total Capital Outlay	\$927,000		\$138,029
Previously Approved Capital Outlay Requests (1)			
1901 Marketplace Renovation	\$31,300,000	30	\$1,043,333
Spanos Concessions Pavilion Build Out	4,075,000	30	135,833
Starbucks at Kennedy Library Build Out	3,075,000	30	102,500
Furniture, Fixtures & Equipment - 1901 Marketplace	2,000,000	10	200,000
Taco Bell Retrofit - Poly Canyon Village	550,000	30	18,333
Mustang Station Remodel (Design)	200,000	20	10,000
Shop Poly Development	200,000	10	20,000
1901 All You Care To Eat (Design)	75,000	20	3,750
Total Capital Outlay Request	\$42,402,000		\$1,671,779

CAPITAL OUTLAY REQUEST DETAIL

Digital Signage: Campus-wide digital displays to display menus, student experience content, allow instant menu adaptability and display dietary information.

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

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

Transit Van - Concessions: To replace the present truck that is at the end of its useful life.

Double Stack Combi Oven - Vista Grande: To improve throughput of hot food preparation for Vista Grande platforms.

Outdoor Seating - Vista Grande: To replace the present soft seating chairs and tables that have worn out with durable hard chairs and tables.

Vista Grande Express Expansion: The next phase of expansion of this platform based on student feedback and additional throughput.

Trash Bins - Vista Grande: To replace present bins that are at the end of their useful life.

(1) Capital Outlay Requests below were approved by the Board of Directors in previous meetings. They are 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.

Spanos Concessions Pavilion Build Out: Construction and landscaping for a large pavilion with kiosks and serving locations. Includes terraced seating with capacity for 2,800 customers, three serving kitchens, a Mustang Shop pop-up space, VIP area for special events, and a mobile kitchen unit space to provide an additional food option during the week in an area that has limited food service. Total project cost of \$4 million, funding from \$1 million in donor contributions and \$3 million in debt service.

Starbucks at Kennedy Library Build Out: The library remodel presents an opportunity to move a Starbucks shop to the library with a large footprint and offering more substantial food offerings. Location on the ground level will allow for full visibility from outside the library, with an entry from the main entry plaza. Will include outdoor seating for enhanced student experience. Total project cost of \$3 million funded by debt financing.

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

Taco Bell Retrofit at Poly Canyon Village: Convert Chick-fil-A space at Poly Canyon Village to a Taco Bell restaurant, opening in fall 2023. Taco Bell is consistently voted as one of the top quick service restaurants in our student survey each year, will provide a late-night food option to the Poly Canyon Village community. Campus Dining owns franchise rights and will operate the restaurant.

Mustang Station Remodel (Design): Open up the 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 2024, as soon as 1901 Marketplace opens.

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

1901 All You Care to Eat (Design): To include an all you care to eat option at 1901 Marketplace. Design will inform construction budget.



OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Other Commercial Activities

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW	4
2022-23 ACCOMPLISHMENTS	5
2023-24 GOALS & OBJECTIVES	6
2023-24 OPERATING BUDGET PROPOSAL	7
CAL POLY MUSTANG SHOP	7
CAL POLY PRINT & COPY	8
OPERATING BUDGET DISCUSSION	9
STATEMENT OF RESERVES OVERVIEW	10
CAPITAL OUTLAY REQUEST DETAIL	11

This page is intended to be blank.

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:

Cal Poly Mustang Shop - The Mustang Shop 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 Mustang Shop 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. Follett agreed to fund an extensive renovation of the store, leading to a restated contract in 2021. The restated contract extends the relationship to 2029, with three one-year renewals. As part of this arrangement, the Corporation receives an annual commission based on certain sales. The commission funds continuing expenses (i.e. downtown lease expense, 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.

In addition to managing the retail operations of the two stores, Follett facilitates Cal Poly University's compliance with the U.S. Department of Education's Higher Education Opportunity Act, requiring that all course materials be adopted by faculty prior to registration.

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.

2022-23 ACCOMPLISHMENTS

Cal Poly Mustang Shop:

- **Re-branding:** Cal Poly Corporation partnered 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 was supported with a press release and social media throughout the entire 2022-2023 academic year.
- **Remodel:** With the completion of the remodel last summer, a grand opening event during Homecoming week celebrated the new store. This event, along with the name change and the completion of the remodel was publicized and supported jointly between Cal Poly Corporation and Follett. The long-awaited monument sign was installed over the holiday break.
- **Course materials partnership:** CPC has actively engaged Follett's Chief Operating Officer, to develop a strategic plan for reducing the cost of course materials. The vision was presented to Cal Poly faculty, staff and CPC board members in September. Since then, significant progress has been made with on-time adoptions through working with faculty. Plans are in place to generate a dashboard at the department level each quarter showing on time adoptions, and the adoptions of open education resources and digital material.
- **Revenue growth:** Gross sales are up by 3% with strong growth during Poly Royal weekend. Growth in technology products is 15% above last year due to the increase in Cal Poly Scholars students that receive financial aid for laptops. 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. Digital sales are up 24% to prior year and more than triple pre-covid levels. The campus store has been impacted by logistical challenges with back stock located in Building 82, requiring multiple trips per day and prioritization of peak weeks between supplies and merchandise. The mix shift to more digital sales with a lower commission, and technology products with no commission resulted in full commissionable sales down 3%.

Cal Poly Print & Copy:

- **Student courseware support:** Cal Poly Print & Copy has successfully produced 100% of all course packs for Follett on time since inception of the Follett contract.
- **Library renovation collaboration:** The Corporation continues to collaborate with the university on the library renovation project, gathering information and providing input and identified appropriate spaces and design options for the Cal Poly Print & Copy retail space.

2023-24 GOALS & OBJECTIVES

Cal Poly Mustang Shop:

- **Revenue growth:** The 2023-24 budget assumes a 5% increase in sales and commission growth. The stores will achieve this growth from modest pricing along with space allocated to new concepts with popular third-party vendors such as Levi's and Lululemon. The Shop is planning on expanding the commencement fair with a move to Chumash auditorium and will offer more purchase options to graduating seniors. Out-of-stock items driven by the Shop's backstock move from underground building 19 to building 82 will be minimized with getting the space back with the opening of building 19 in January.
- **Course materials partnership:** Consistent with all other Follett managed stores in the CSU, the Shop continues to lose market share in course materials. The course materials subcommittee and Shop leadership will continue to strengthen relationships with assistant deans and department heads to increase on-time adoptions and increase digital and inclusive access adoptions. Using a consultative approach with data each quarter on timely adoptions and selection of digital, open education resources, and inclusive access course materials, the goal is to increase market share, while decreasing the cost for students.

Cal Poly Print & Copy:

- **Revenue growth:** Cal Poly Print & Copy will work to increase sales by adjusting pricing to align closer to general market prices. It has been multiple years since Cal Poly Print & Copy has increased prices, while paper and ink costs increased significantly over the same period. Outreach on campus will continue with an effort to implement an online ordering option for students.
- **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.

2023-24 OPERATING BUDGET PROPOSAL

CAL POLY MUSTANG SHOP

(in thousands) **	Fiscal Year 2021-22 Actual	% of Sales	Fiscal Year 2022-23 Budget	% of Sales	Fiscal Year 2022-23 Estimate*	% of Sales	Fiscal Year 2023-24 Budget Proposal	% of Sales	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$62	100%	\$60	100%	\$63	100%	\$62	100%	\$(1)	(1%)
Cost of Goods Sold	46	74%	40	66%	46	73%	43	69%	3	6%
Gross Margin	16	26%	20	34%	17	27%	20	31%	2	13%
Other Revenues	1,376	2228%	1,377	2304%	1,319	2096%	1,387	2224%	68	5%
Income before Operations	1,393	2254%	1,397	2337%	1,336	2124%	1,407	2256%	70	5%
Depreciation & Amortization	56	90%	54	91%	50	79%	26	42%	23	47%
General Maintenance	11	18%	8	14%	1	2%	6	9%	(5)	(394%)
Rent / Lease Expense	151	244%	172	288%	172	273%	172	276%	-	0%
CPC Administrative Services	622	1007%	615	1029%	620	985%	600	962%	20	3%
CPC Allocated Services	44	71%	53	88%	49	78%	159	255%	(110)	(222%)
Utilities	45	73%	47	79%	47	74%	48	76%	(1)	(2%)
Other Operating Expenses	80	130%	199	333%	202	322%	204	327%	(2)	(1%)
Total Operating Expenses	1,011	1636%	977	1635%	971	1543%	1,043	1673%	(73)	(7%)
Total Expenses	1,011	1636%	977	1635%	971	1543%	1,043	1673%	(73)	(7%)
Net from Operations	382	618%	420	703%	365	581%	363	582%	(2)	(1%)
Other Income (Expense)	41	67%	-	0%	2	3%	-	0%	(2)	(100%)
University Services	(145)	(235%)	(322)	(540%)	(322)	(513%)	(322)	(517%)	-	0%
Total Other Income (Expense)	(104)	(168%)	(322)	(540%)	(321)	(510%)	(322)	(517%)	(2)	(1%)
Transfer From (To) Plant Fund Reserves (439)	(711%)	-	0%	-	0%	-	0%	-	0%	0%
Net to Reserves	\$(161)	(260%)	\$98	163%	\$45	71%	\$41	65%	\$(4)	(9%)
Noncash transactions (add back):										
Depreciation & Amortization	56	90%	54	91%	50	79%	26	42%	23	47%
Adjusted Net to Reserves	\$(105)	(170%)	\$152	254%	\$94	150%	\$67	108%	\$(27)	(29%)

* 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 2021-22 Actual	% of Sales	Fiscal Year 2022-23 Budget	% of Sales	Fiscal Year 2022-23 Estimate*	% of Sales	Fiscal Year 2023-24 Budget Proposal	% of Sales	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$214	100%	\$287	100%	\$218	100%	\$234	100%	\$16	7%
Cost of Goods Sold	53	25%	67	23%	51	24%	54	23%	(2)	(5%)
Gross Margin	161	75%	220	77%	166	76%	180	77%	14	8%
Income before Operations	161	75%	220	77%	166	76%	180	77%	14	8%
Salaries & Wages	101	47%	101	35%	93	43%	73	31%	20	21%
Benefits	36	17%	34	12%	26	12%	26	11%	(0)	(2%)
Total Payroll Expense	137	64%	134	47%	118	54%	99	42%	19	16%
Depreciation & Amortization	4	2%	3	1%	3	2%	0	0%	3	87%
General Maintenance	29	14%	31	11%	28	13%	21	9%	8	26%
Rent / Lease Expense	1	0%	1	0%	1	0%	-	0%	1	100%
CPC Administrative Services	25	12%	26	9%	26	12%	29	12%	(3)	(11%)
CPC Allocated Services	1	1%	1	0%	1	1%	10	4%	(9)	(747%)
Other Operating Expenses	10	5%	10	3%	11	5%	17	7%	(6)	(53%)
Total Operating Expenses	71	33%	73	25%	71	33%	77	33%	(6)	(9%)
Total Expenses	207	97%	207	72%	190	87%	177	76%	13	7%
Net from Operations	(46)	(21%)	13	4%	(23)	(11%)	3	1%	27	114%
Other Income (Expense)	(0)	0%	-	0%	(6)	(3%)	-	0%	6	100%
University Services	-	0%	(2)	(1%)	(2)	(1%)	(2)	(1%)	-	0%
Total Other Income (Expense)	(0)	0%	(2)	(1%)	(8)	(4%)	(2)	(1%)	6	70%
Transfer From (To) Plant Fund Reserves	28	13%	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$(18)	(9%)	\$10	4%	\$(32)	(15%)	\$1	0%	\$33	103%
Noncash transactions (add back):										
Depreciation & Amortization	4	2%	3	1%	3	2%	0	0%	3	87%
Adjusted Net to Reserves	\$(14)	(7%)	\$14	5%	\$(28)	(13%)	\$1	1%	\$30	105%

* 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 2022-23 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 \$69,000 is primarily the result of lower than anticipated sales in digital print and course packs. The digital print sales budget for FY 2023-24 is expected to increase as Cal Poly Print & Copy increases its marketing efforts and implements price adjustments to align closer to the market.

Sales at Cal Poly Print & Copy for FY 2023-24 assume the store will be open for the entire academic year. The store plans to relocate during the year to accommodate the Library Renovation Project. Sales estimates reflect a modest increase from the FY 2022-23 projection but are less than the average pre-pandemic historical performance. **Cost of Sales** for FY 2023-24 reflect margins consistent with pre-pandemic 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 2023-24 assumes that a 5% increase in Follett sales, and corresponding commission growth. Sales will shift slightly towards more digital sales, reflecting trends pre- and post-COVID. 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 2022-23 \$16,000, or 12% under budget. The favorable variance from budget results from less than anticipated costs for regular salaries and student wages. Payroll expense FY 2023-24 includes a 5% general salary increase, a performance based compensation pool, and slightly lower fringe benefit rates.

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 2023-24 Operating Expenses are expected to increase \$72,000 or 7% from FY 2022-23 projections primarily the result of increases in administrative cost recovery charges from CPC and the university.

FY 2022-23 Operating Expenses for Cal Poly Print & Copy are projected to end consistent with the budget. FY 2023-24 Operating Expenses are expected to decrease \$6,000, resulting primarily the result of increases in administrative cost recovery charges from CPC and the university.

Other Income (Expense) for FY 2022-23 and FY 2023-24 primarily reflects funding for University Services.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2021 Reserve Balance	\$980,410	\$6,563,499	\$210,292	\$100,000	\$7,854,201
FY 2021-22 Change in Reserves	14,510	487,498	(88,689)	(100,000)	313,319
June 30, 2022 Reserve Balance	994,920	7,050,997	121,603	0	8,167,520
FY 2022-23 Change in Reserves (estimate)	87,255	5,633	(79,846)	0	13,042
June 30, 2023 Reserve Balance (estimate)	1,082,175	7,056,630	41,757	0	8,180,562
FY 2023-24 Change in Reserves (budget)	31,831	(158,872)	168,535	0	41,494
June 30, 2024 Reserve Balance (budget)	\$1,114,006	\$6,563,499	\$210,292	\$0	\$7,887,797

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, 2023 (estimate) and June 30, 2024 (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, 2023 (estimate) and June 30, 2024 (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 2023-24.



OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Sponsored Programs Administration

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW	4
2022-23 ACCOMPLISHMENTS	5
2023-24 GOALS & OBJECTIVES	6
2023-24 OPERATING BUDGET PROPOSAL	7
OPERATING BUDGET DISCUSSION	8
STATEMENT OF RESERVES OVERVIEW	9
CAPITAL OUTLAY REQUEST	10

This page is intended to be blank.

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.

2022-23 ACCOMPLISHMENTS

- Completed the hiring and training of a new Director by promoting an existing Sponsored Programs staff member.
- Completed the successful recruitment, hiring and training of a new Operations Manager.
- Conducted successful recruitments, hiring and training for two new Contracts and Grants Analysts to fill vacated positions, one due to the promotion of Director.
- Completed the successful reintegration of staff from CEI to the department.
- Collaborated with CPC finance team to review and revise leave liability processes.
- Collaborated with ITS and the CPC business office on the training, testing and implementation of the One Solution upgrade.
- Completed a successful US Department of Education site visit.
- Updated the policy on the administration of Sponsored Programs to reflect current practices and address changing regulatory requirements.

2023-24 GOALS & OBJECTIVES

- Sponsored Programs will work in collaboration with the Director of Research Compliance on testing and implementing a new Electronic Research Administration (ERA) system.
- Sponsored Programs will continue to review and revise the current policies, procedures and guidelines to ensure they are consistent with federal regulations and the new systems.
- Sponsored Programs will develop new training resources for research faculty and staff.
- Sponsored Programs will work in collaboration with R-EDGE to integrate the new Vice President of Research, upon successful recruitment and hire.
- Sponsored Programs will work in collaboration with the Office of the VP and other units within R-EDGE on the restructuring of the division.
- Sponsored Programs will work with CPC Human Resources to review salary grade levels and job descriptions for staff within the department.

2023-24 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Contract & Grant Admin Fees	12	6	15	15	-	0%
Center & Institute Admin Fees	205	192	225	225	-	0%
Other Revenues	296	315	179	179	-	0%
Income Before Operations	513	514	419	419	-	0%
Salaries & Wages	605	685	701	961	(259)	(37%)
Benefits	362	417	439	553	(113)	(26%)
Total Payroll Expense	967	1,102	1,141	1,513	(373)	(33%)
Audit & Tax	12	12	12	12	(0)	(2%)
CPC Administrative Services	775	785	785	902	(118)	(15%)
Insurance	94	112	112	129	(17)	(15%)
Consultants	-	-	-	100	(100)	(100%)
University Cost Allocation	23	49	93	113	(20)	(21%)
Other Operating Expenses	42	47	39	51	(12)	(31%)
Total Operating Expenses	946	1,005	1,041	1,307	(266)	(26%)
Total Expenses	1,913	2,107	2,182	2,821	(639)	(29%)
Net from Operations	(1,400)	(1,594)	(1,763)	(2,402)	(639)	(36%)
Other Income (Expense)	(1)	-	(2)	(2)	0	18%
Total Other Income (Expense)	(1)	-	(2)	(2)	0	18%
Transfers In (Out)	1,385	1,620	1,868	2,434	566	30%
Net to Reserves	\$(15)	\$26	\$103	\$30	\$(73)	(71%)

* 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 is expected to end FY 2022-23 less than budget primarily due to an unfavorable variance in Fee-for-Service Admin Fees collected due to several fee-for-service arrangements ending. Revenues for FY 2023-24 are budgeted to remain consistent with current year projections, primarily due to uncertainty regarding changes in availability of funds.

Total **Payroll Expense** for FY 2022-23 is projected to end slightly above budget due to the hire of a new contracts and grant analyst. Payroll expense for FY 2023-24 reflects a 33% increase from the prior year due to the anticipated hire of another contracts and grants analyst, in addition to the department absorbing CEI staff. In addition, Payroll expense FY 2023-24 includes a 5% general salary increase, a performance based compensation pool, and slightly lower fringe benefit rates

Total **Operating Expenses** for FY 2022-23 are anticipated to end 4%, or \$36,000, over budget. This unfavorable variance is primarily the result of less than anticipated savings in the university cost allocation charges, which are passed on to Centers & Institutes that use the university's chargeback system for expenses rather than spending directly from CPC. Total Operating Expenses for FY 2023-24 are budgeted to increase \$266,000 from prior year, primarily the result of increases in consulting fees for the preparation of the new F& A rate proposal, and administrative cost recovery charges from CPC and the university.

Transfers In for FY 2022-23 and FY 2023-24 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, 2021 Reserve Balance	\$543,247	\$362,657	\$829	\$906,733
FY 2021-22 Change in Reserves	(33,807)	19,223	(829)	(15,413)
June 30, 2022 Reserve Balance	509,440	381,880	0	891,320
FY 2022-23 Change in Reserves (estimated)	66,844	35,675	0	102,519
June 30, 2023 Reserve Balance (estimate)	576,284	417,555	0	993,839
FY 2023-24 Change in Reserves (budget)	17,289	12,527	0	29,816
June 30, 2024 Reserve Balance (budget)	\$593,573	\$430,082	\$0	\$1,023,655

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, 2023 (estimate) and June 30, 2024 (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 2023-24.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Conference and Event Planning

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW	4
2022-23 ACCOMPLISHMENTS	5
2023-24 GOALS & OBJECTIVES	6
2023-24 OPERATING BUDGET PROPOSAL	7
OPERATING BUDGET DISCUSSION	8
STATEMENT OF RESERVES OVERVIEW	10
CAPITAL OUTLAY REQUEST	11

This page is intended to be blank.

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 is committed to facilitating the highest standards of excellence and professionalism in the performance of its services.

CEP coordinates services for both University-sponsored and licensed events, which serve different purposes but are equally important to the mission of the university. University-sponsored events are directly linked to the purposes of Cal Poly colleges and departments, while licensed events promote education and learning for participants sponsored by off-campus organizations. CEP's coordination of events spans across various levels, sizes, and durations, ranging from small-scale gatherings to large-scale events with thousands of participants and spanning 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

Like many other organizations, Conference and Event Planning (CEP) was significantly impacted by the economic aftermath of the COVID-19 pandemic. In-person events for FY 2020-21 were largely cancelled or postponed in compliance with State government guidelines, resulting in reduced revenue and operational capacity for CEP. The gradual easing of restrictions and resumption of in-person events in FY 2021-22 saw some recovery in CEP's operations. The return to full operational capacity finally occurred in FY 2022-23.

Despite the challenges posed by the pandemic, CEP has remained committed to providing high-quality event services and support to its clients. The team has worked diligently to adapt to the changing circumstances, developing innovative virtual event options and enhancing its technology infrastructure to provide a seamless and efficient experience for the client.

2022-23 ACCOMPLISHMENTS

- Increased gross revenue to pre-pandemic 2019 levels, indicating a full recovery from the impact of COVID-19 on the event planning industry.
- Revised the operational flow for summer 2022 to improve how CEP welcomes clients, runs day-to-day operations, and communicates with partners and clients. This involved identifying areas for improvement, such as desk management systems and inquiry processes, and implementing changes to streamline operations and enhance customer satisfaction.
- Expanded relationships with current clients, including securing a three-year agreement with Cal Fire and two youth camp agreements with Wonderful Company, which helped CEP establish stronger connections with the community.
- Created diverse engagement opportunities for the team, including attending the Annual Conference for Collegiate Event Planners (ACCED-I), and recognized team and individual successes. By providing opportunities for the team to attend industry events and engage in professional development activities, CEP was able to enhance its expertise and visibility in the event planning industry.
- Presented at the ACCED-I conference, showcasing CEP's expertise in event planning and enhancing visibility within the industry.
- Continued the ongoing transition from current software to a cloud-based program, which will provide increased efficiency and streamlined coordination of conferences and events. By embracing technology and transitioning to a cloud-based program, CEP is improving its ability to deliver high-quality services to clients, while also reducing manual processes and potential errors.
- CEP became fully staffed for the first time since 2019, resulting in a strengthened ability to deliver high-quality services.
- Successfully brought back several conferences, such as the Dairy Innovation Conference, and established partnerships for future events.

2023-24 GOALS & OBJECTIVES

- Organize the Live Event concert initiative, targeting the student population and San Luis and Santa Barbara County populations, with a goal of holding a large concert at the Spanos Stadium in April 2024.
- Strengthen our partnership with ACCED-I by taking a more active role in the organization, attending conferences and events, presenting, and participating in committees. Specifically, we will aim to attend at least two regional or national conferences, present at one conference, and participate in at least one committee.
- Provide opportunities for full-time team members to achieve professional growth and distinction by obtaining the ACCED-I Collegiate Conference and Events Professional Certification Program (CCEP) certification. The CCEP program is designed to elevate professional standards and recognize individuals who have achieved a high level of performance in conference and event management.
- Engage with Dean's Council, ASI Board Directors, and other University leaders to create awareness of CEP's services and encourage more conferences and events. We will provide presentations to these groups to showcase the benefits of working with CEP and our ability to help them achieve their event goals.
- Continue the transition of CEP's current conference software to a cloud-based program that provides a streamlined and efficient process for conference and event coordination.
- Test and evaluate technology and software solutions for paperless check-in and check-out, with the goal of eliminating manual paper processes. By implementing a paperless check-in and check-out process, we can reduce our environmental impact, improve the efficiency of our operations, and provide a more seamless and enjoyable experience for our clients.
- Focus on employee morale by providing opportunities for team members to participate in activities and training that strengthen teamwork and internal departmental connections. This will involve identifying team-building activities and training programs that encourage collaboration, communication, and professional development.
- Increase student engagement and create new ways of hiring that attract and retain top talent. This will involve collaborating with the University's career center and student organizations to identify effective recruitment strategies, such as attending career fairs, hosting information sessions, and developing internship programs.

2023-24 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$7	\$963	\$787	\$1,246	\$459	58%
Other Revenues	296	569	492	572	80	16%
Income Before Operations	304	1,531	1,279	1,819	540	42%
Salaries & Wages	372	465	417	525	(108)	(26%)
Benefits	215	260	235	279	(43)	(18%)
Total Payroll Expense	587	725	652	804	(152)	(23%)
Depreciation & Amortization	2	-	-	-	-	0%
Software / Hardware Maintenance	11	21	20	22	(2)	(12%)
Supplies & Equipment	3	12	12	14	(2)	(19%)
University Housing Expense	-	440	321	585	(263)	(82%)
CPC Administrative Services	53	104	104	117	(13)	(12%)
Bank Card Expense	69	30	64	62	3	4%
Other Operating Expenses	23	38	36	61	(25)	(71%)
Total Operating Expenses	161	645	557	860	(304)	(55%)
Total Expenses	748	1,370	1,209	1,664	(455)	(38%)
Net from Operations	(445)	161	70	154	84	121%
Other Income (Expense)	(0)	-	(0)	-	0	0%
University Services	(10)	(31)	(31)	(31)	-	0%
Total Other Income (Expense)	(10)	(31)	(31)	(31)	0	1%
Transfers In (Out)	653	-	-	-	-	0%
Net to Reserves	\$199	\$130	\$39	\$123	\$85	220%
Noncash transactions (add back):						
Depreciation & Amortization	2	-	-	-	-	0%
Adjusted Net to Reserves	\$201	\$130	\$39	\$123	\$85	220%

* 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:

In FY 2022-23, the CEP experienced both successes and challenges in its financial performance. CEP is expected to finish the fiscal year, achieving a full operational recovery, with approximately \$1.3 million in revenue. That said, revenues are under budget primarily driven by the loss of a few key events and under-attendance at other events. Most notably, administration of Upward Bound was transferred from CEP to Student Affairs.

During 2021-22, CPC entered into an arrangement with the Performing Arts Center (PAC) to provide CEP finance and accounting resources on a part-time basis, which created a new source of revenue. The arrangement with the PAC will continue into FY 2023-24 under a slightly reduced scope.

Looking ahead to FY 2023-24, CEP projects a significant increase in revenue of approximately \$540,000 or 42%. This growth is due to the successful return of most of our housed events, new career fairs, virtual events, and other special events.

Payroll Expense:

CEP provides a broad array of event services to the campus community. As a service group, personnel costs are the largest expense for CEP, which provides a broad array of event services to the campus community. In FY 2022-23, CEP held off on hiring a third event coordinator until it was necessary, and the team roles were interchangeable, providing comprehensive all-around support to each other and CEP clients.

CEP faced challenges in hiring student workers for FY 2022-23. Despite efforts to recruit students, there was a shortage of available student workers, leading to the need to use a staffing agency to fulfill necessary contract labor, as well as more non-student part-time employee hours.

Looking ahead to FY 2023-24, CEP has budgeted for an increase in hours allotted for student and part-time employees, but remains cognizant of the challenges faced in 2022-23. CEP will continue to work on strategies to attract and retain student workers, while also exploring other staffing options to ensure the successful execution of our events. In addition, Payroll expense FY 2023-24 includes a 5% general salary increase, a performance-based compensation pool, and slightly lower fringe benefit rates.

Operating Expenses:

FY 2022-23 are projected to end \$89,000, or 14%, under budget primarily related to less than projected on-campus housing expenses. Total operating expenses for FY 2023-24 are anticipated to 55%. This increase reflects the addition of hosting housed events, the transition to a cloud-based program, and an increases in administrative cost recovery charges from CPC and the university.

Overall, CEP remains committed to maintaining a fiscally responsible approach to its operations while making strategic investments to support the continued growth and success of the organization. CEP is budgeted to contribute 7% of its revenues to reserves, further strengthening the organization's financial position.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Facilities Reserve	Total
June 30, 2021 Reserve Balance	\$141,060	\$2,172	\$410,737	\$553,969
FY 2021-22 Change in Reserves	200,979	(2,172)	(650,182)	(451,375)
June 30, 2022 Reserve Balance	342,039	-	(239,445)	102,594
FY 2022-23 Change in Reserves (estimate)	(200,903)	-	239,445	38,542
June 30, 2023 Reserve Balance (estimate)	141,136	-	-	141,136
FY 2023-24 Change in Reserves (budget)	123,189	-	-	123,189
June 30, 2024 Reserve Balance (budget)	\$264,325	-	-	\$264,325

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, 2023 (estimate) and June 30, 2024 (budget) are under the minimum reserve level of 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense). This is the result of the economic impact of the COVID-19 pandemic on CEP operations. CEP continues to rebuild operating reserves, with an expectation to be at minimum reserve level by FY 2024-25.

Investment in Operating Assets represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

Facilities Reserves represent CEP's accumulated earnings after all other reserve requirements have been met. These funds were fully exhausted in supporting CEP through the economic impact of the COVID-19 pandemic.

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2023-24.



CAL POLY
Corporation

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

General Administration

Fiscal Year 2023-24

TABLE OF CONTENTS

BUSINESS OVERVIEW 4

2022-23 ACCOMPLISHMENTS 6

2023-24 GOALS & OBJECTIVES 7

2023-24 OPERATING BUDGET PROPOSAL 8

OPERATING BUDGET DISCUSSION 9

GENERAL INVESTMENT FUND DISCUSSION 10

STATEMENT OF RESERVES OVERVIEW 11

CAPITAL OUTLAY REQUEST DETAIL 12

This page is intended to be blank.

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.

At the start of fiscal year 2021-22, Corporation IT resources were absorbed by the University as part of a campus-wide centralization project. University Information Technology Services provides IT support services to the Corporation. 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.

2022-23 ACCOMPLISHMENTS

- Entered into an expanded agreement (management fee arrangement) with Chartwells Higher Education to manage campus dining operations. Transitioned a majority of campus dining employees to Chartwells employment, taking care for high retention, minimal business disruption and compliance with local/state/federal laws.
- Entered into a pre-construction agreement with a design-builder for the development of the faculty and staff housing project
- Restructured HR for greater focus on talent management, total rewards, and HR information systems (HRIS)
- Finalized hybrid flex work guidelines post-COVID pandemic to foster greater collaboration and employee engagement
- Selected a document automation system, REVVER, to automate workflow, support effective and efficient processes, and manage document retention
- Re-launched the annual performance evaluation process, including defining new competencies and providing training for people managers and employees
- Facilitated conversations with Sr. Staff to define desired CPC culture
- Began system upgrade of ONESolution, with an expected go-live date in summer 2023
- Implemented the results of a comprehensive compensation study
- Signed contract to lead marketing and communications for the Kennedy Library transformation
- Signed contract to lead marketing and communication for Cal Poly California Cybersecurity Institute and Digital Transformation Hub
- Increased contract with Extended Education to include web services
- Won 6 Marcom Awards for CPC and Administration and Finance marketing and communication efforts and NACUF's Loyale Horton award for Via Carta outdoor space

2023-24 GOALS & OBJECTIVES

- Support Chartwells towards a successful first year under the expanded relationship, providing oversight on key business, operational, marketing and communication functions
- Complete the design of the faculty and staff housing project; finalize project financing and obtain all necessary CSU approvals to proceed with entering into a construction agreement; develop and execute the a marketing and communications plan for the project.
- Implement new hybrid flex work guidelines and plan for workspace
- Launch REVVER document automation system
- Review compensation system structure to ensure we are both market competitive and taking care for internal equity
- Review alternative applicant tracking systems to provide broader functionality at a lower cost
- Establish benefits systems to enable employee self-service
- Explore wage and hour training for people managers and review system compliance features
- Form and employee DEI and culture committee
- Complete a system upgrade of ONESolution
- Optimize internal business processes to keep up with University's demands and operational obstacles
- Launch Cal Poly Partners, updating all branding and developing an integrated marketing and communication awareness campaign.
- Renew contract with Extended Ed for marketing and communication services

2023-24 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2021-22 Actual	Fiscal Year 2022-23 Budget	Fiscal Year 2022-23 Estimate*	Fiscal Year 2023-24 Budget Proposal	2023-24 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Assessment Income	\$3,078	\$3,088	\$3,088	\$3,544	\$456	15%
Fee for Service Income	795	747	907	824	(84)	(9%)
CPC Allocated Services	703	799	712	475	(237)	(33%)
Other Revenues	1,109	1,061	1,225	1,450	226	18%
Income Before Operations	5,685	5,695	5,932	6,292	360	6%
Salaries & Wages	2,919	3,109	3,365	3,559	(194)	(6%)
Benefits	1,733	1,883	1,994	2,044	(50)	(3%)
Total Payroll Expense	4,652	4,992	5,358	5,602	(244)	(5%)
Depreciation & Amortization	7	5	4	4	(0)	(6%)
Software / Hardware Maintenance	156	178	181	228	(46)	(26%)
General Maintenance	24	23	21	31	(10)	(48%)
Supplies & Equipment	29	31	64	41	24	37%
Rent / Lease Expense	211	215	237	237	0	0%
Audit & Tax	116	117	114	114	0	0%
Other Operating Expenses	829	865	794	904	(110)	(14%)
Total Operating Expenses	1,372	1,434	1,416	1,558	(142)	(10%)
Total Expenses	6,024	6,426	6,774	7,160	(386)	(6%)
Net from Operations	(339)	(731)	(842)	(868)	(26)	(3%)
Other Income (Expense)	(4)	-	(13)	(0)	13	99%
Total Other Income (Expense)	(4)	-	(13)	(0)	13	99%
Transfers In (Out)	408	808	1,131	954	(177)	(16%)
Net to Reserves	\$64	\$78	\$275	\$86	\$(190)	(69%)
Noncash transactions (add back):						
Depreciation & Amortization	7	5	4	4	(0)	(6%)
Adjusted Net to Reserves	\$71	\$83	\$279	\$89	\$(189)	(68%)

* 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 2022-23 is projected to end \$237,000, or 4% over budget. This favorable variance is primarily the result of an increase in fees collected for agency assessments and contracted services.

Income Before Operations for FY 2023-24 is expected to increase \$360,000 or 6% over FY 2022-23 projections primarily from increased administrative cost recovery charges and contract services.

Payroll

Payroll expense for FY 2022-23 is projected to end \$366,000 over budget, driven by implementing the results of a comprehensive compensation study combined with a board-approved 2% general salary increase on July 1, 2022. In addition, employee turnover has resulted in hiring positions at rates above their predecessors, resulting in equity adjustments. Payroll expense FY 2023-24 includes a 5% general salary increase, a performance based compensation pool, and slightly lower fringe benefit rates.

Operating Expenses

Total operating expenses for FY 2022-23 are expected to end the year slightly under budget. Operating Expenses budgeted for FY 2023-24 are expected to increase approximately \$142,000, or 10% over FY 2022-23. The increase is primarily the result of increases in software maintenance, marketing and communication services, consulting expenses, legal fees, and university cost allocation charges.

Net from Operations

General Administration operations are partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund. FY 2022-23 Transfers-in represent approximately \$1.1 million in net investment income from the General Investment Fund and is expected to decrease to approximately \$954,000 for FY 2023-24. 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 gains have totaled \$1.7 million for the first 10 months of the fiscal year, resulting in an overall net operating income of \$3.6 million over the same period. Current year results are driven by asset allocation and rising interest rates. Domestic large cap equities have been a source of outperformance for the portfolio this fiscal year.

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 \$1.1 million in current year dividend and interest income will be used to support General Administration operations in FY 2022-23. For FY 2023-24, the Corporation anticipates that approximately \$954,000 in dividend and interest income will be used to support General Administration operations.

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

Investment Reserve –This reserve is intended to establish a contingency reserve to cover potential General Investment Fund losses. The reserve balance is currently equal to 30% of the value of General Fund investment equity securities as prescribed by Corporation policy.

General Administration Reserve –This reserve represents prior years' accumulation of net earnings in excess of General 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, 2022 Reserve Balance	\$10,613,725	\$8,190,080
FY 2022-23 Change in Reserves (estimate)*	619,179	2,137,276
June 30, 2023 Reserve Balance (estimate)*	11,232,903	10,327,356

*(*Current year estimates are based on actual 10-month activity for the current year and estimated results for May and June of 2023. 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, 2021 Reserve Balance	\$1,879,889	\$11,814	\$25,000	\$1,916,703
FY 2021-22 Change in Reserves	46,434	(7,102)	25,000	64,332
June 30, 2022 Reserve Balance	1,926,323	4,712	50,000	1,981,035
FY 2022-23 Change in Reserves (estimate)	267,087	8,138	0	275,225
June 30, 2023 Reserve Balance (estimate)	2,146,976	19,952	50,000	2,216,928
FY 2023-24 Change in Reserves (budget)	64,409	46,245	(25,000)	85,654
June 30, 2024 Reserve Balance (budget)	\$2,211,385	\$66,197	\$25,000	\$2,302,582

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 2023-24 earnings will be sufficient to fully fund the reserve.

Investment in Operating Assets for June 30, 2023 (estimate) and June 30, 2024 (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 DETAIL

There are no capital outlays requested for FY 2023-24.