OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

University Graphic Systems

Fiscal Year 2019-20

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BUSINESS OVERVIEW

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

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

2018-19 ACCOMPLISHMENTS

- The estimating manager, prepress manager, digital production manager, and prepress manager was converted to three project managers to better reflect print industry best practices. As a result, workflow was much clearer and the time it took to complete commercial jobs was reduced.

- The sales and marketing manager was split into two separate positions. The marketing manager increased following on social media accounts and ran marketing campaigns to increase business and outreach on the Cal Poly campus. The sales manager was also responsible for promoting UGS but instead of using social media, they attended classes and meetings to explain pricing and how to prepare files for print.

- In October, the UGS team attended the Specialty Graphic Imaging Association (SGIA) Expo in Las Vegas. The team was able to network, get insight on the technologies available in the industry, and brainstorm ideas of how to improve UGS. It was also a great bonding experience for the team to experience SGIA and learn about the amazing technology together.

- A freelance designer position was added in order to provide design services when necessary. This helped UGS move towards a marketing-oriented business and also satisfied customer design needs.

- Pace software was implemented, which will reduce process time for jobs, monitor waste, and track intern hours.

- An "Election Bundle" was created, which was marketed to candidates for ASI student government elections. This project was led by the Sales Manager, and interns were able to brainstorm and contribute along with the rest of the UGS team. This will bring more business to UGS as candidates prepare for their campaigns.

- A digital web-to-print storefront implementation is in process. This digital storefront will be used in training next year's management team. This will also eliminate several steps in the workflow and lead to fewer production errors.

- UGS renewed its Forest Stewardship Council (FSC) blanket certification, which allows for quicker processing of FSC-certified jobs. The certification shows that UGS is devoted to sustainability.

- The visual storefront was redesigned to make the front desk area look sleeker and more modern. By painting the shelving, adding more products, and displaying merchandise openly, UGS can showcase its many products.

- UGS emphasized the development of its relationship with the Cal Poly Corporation. This relationship facilitates better tracking of unit finances. A series of front-end procedures continued to be utilized, ensuring accuracy of the monthly job log and proper accounting of payments.

- Collaboration with the UGS Advisory Board increased opportunities for industry insight and donations.

2019-20 GOALS & OBJECTIVES

Change to UGS structure and business model:

UGS continues updating the company structure to better reflect industry best practices in coordination with the Graphic Communication Department, with a continued focus on digital packaging and marketing services. Structure and business model changes will include eliminating the continuous improvement manager, customer service manager, and the web development manager positions. UGS will allocate the responsibilities of these previous manager positions among three project managers, the sales manager, two marketing managers (one design focused, and one web focused), and the general manager.

Expansion of digital printing services:

UGS will focus on actively marketing clear varnish as a service and exploring more applications for this feature. In addition, plans will be solidified for the web-to-print storefront, as the software was recently approved by the university. Plans will include developing Standard Operating Procedures, appropriate pricing structures, and working with a faculty member to implement the service.

Dynamically market and seekout customers to expand specialty services, sale of pre-made storefront items, and use of partnership with trade printer:

UGS' core competency lies in digital printing. However, UGS has begun exploring more specialty product options to be sold in the storefront, such as premade and custom designed vinyl stickers, mugs, T-shirts, planners, and more. Plans are underway to market these products to students and organizations.

Continue to act as a vital resource to the Graphic Communication Department:

UGS is an important resource to Cal Poly's Graphic Communication Department, helping with various events such as Open House. This year, UGS was responsible for a large portion of the highly successful College of Liberal Arts' Open House events. UGS hopes that this partnership will grow in the future, and is striving to strengthen the connection with the department.

Continue to cultivate UGS' relationship with Cal Poly Corporation:

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

Continue biannual meetings with UGS Advisory Board:

UGS maintains several connections with industry representatives who sit on the UGS Advisory Board. This year, UGS brought together a board that is solely invested in the UGS business model and its operations. UGS aims to continue the use of this board to provide insight to new technologies and 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.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Estimate*	Fiscal Year 2019-20 Budget Proposal	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$165	$142	$92	$104	$12	13%
Cost of Goods Sold	113	56	40	42	(2)	(6%)
Gross Margin	**51**	**86**	**52**	**62**	**10**	**19%**
Other Revenues	0	5	0	0	0	0%
Income Before Operations	**51**	**91**	**52**	**62**	**10**	**19%**
Salaries & Wages	45	55	53	52	1	2%
Benefits	7	2	2	2	1	24%
Total Payroll Expense	**52**	**57**	**55**	**54**	**2**	**3%**
General Maintenance	0	0	14	14	0	0%
Supplies & Equipment	4	1	1	1	0	19%
CPC Administrative Services	18	18	18	19	(1)	(4%)
Other Operating Expenses	21	18	16	14	2	14%
Total Operating Expenses	**43**	**37**	**50**	**48**	**2**	**4%**
Total Expenses	**95**	**94**	**105**	**101**	**4**	**4%**
Net from Operations	**(44)**	**(3)**	**(53)**	**(40)**	**14**	**25%**
Other Income (Expense)	48	48	48	48	-	0%
Total Other Income (Expense)	**48**	**48**	**48**	**48**	**-**	**0%**
Net to Reserves	**$4**	**$45**	**$(5)**	**$8**	**$14**	**266%**

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

OPERATING BUDGET DISCUSSION

Income Before Operations:

Sales are expected to slightly increase in FY 2019-20 largely due to better advertisement of UGS services. The full implementation of the sales manager and two marketing managers positions are expected to have a positive impact on sales growth. General print sales are expected to increase based on a higher quantity of portfolio jobs from architecture students and UGS staying open during finals week.

Payroll Expenses:

Student managers are the students hired to manage the business. They receive class credit for hours worked. Student employees are students hired by student managers. UGS will reduce its team from 11 to 8 student managers for 44 weeks out of the year, at $12.50 an hour for the first half of the fiscal year and $13.50 for the second half of the fiscal year. These rates increased by $0.50 from FY 2018-19.

Operating Expenses:

Operating expenses for FY 2019-20 are expected to stay consistent from FY 2018-19. All equipment has recently been updated. Any new printing technology or software that may be explored and used in FY 2019-20 will be provided by UGS sponsors, such as the Graphic Communication Advisory Board.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2017 Reserve Balance	$148,360	$148,360
FY 2017-18 Change in Reserves	4,317	4,317
June 30, 2018 Reserve Balance	152,677	152,677
FY 2018-19 Change in Reserves (estimate)	(5,082)	(5,082)
June 30, 2019 Reserve Balance (estimate)	147,595	147,595
FY 2019-20 Change in Reserves (budget)	8,451	8,451
June 30, 2020 Reserve Balance (budget)	**$156,046**	**$156,046**

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 2019-20.

CAL POLY CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Commercial Agriculture Operations

Fiscal Year 2019-20

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BUSINESS OVERVIEW

The Cal Poly Corporation agriculture operations are an integral part of Cal Poly's Learn by Doing educational philosophy. The commercial funds and student enterprise classes and projects provide students from all majors the opportunity to learn about agricultural production, marketing, and sales, and receive compensation for their work. 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 fertility techniques in Animal Science.

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

Jaymie Noland

The cost of maintaining operational production systems to facilitate the Cal Poly Animal Science Department's hands-on learning mission continues to be high. Demand for these programs continues to be strong, with more than 1,500 applicants for fall quarter and nearly 830 undergraduate students currently enrolled. In addition to the strong demand for these operations, the value of the program's enterprise classes remains high.

The majority of students entering the animal science and dairy science majors are from urban areas and arrive with very limited animal handling experience. Providing hands-on experience with multiple species in production venues is critical, and these units allow student involvement in commercial operations thereby fostering a Learn by Doing approach. The Animal Science Department also continues to increase its offerings of research enterprises, involving more than 300 students in undergraduate research each year.

The Cal Poly commercial production programs, which include the dairy, beef, western bonanza, bull test, vet clinic, goat, sheep, swine, poultry, Animal Nutrition Center (ANC), and meat processing units, are working hard to find donor funding to update facilities and reduce operating costs. These commercial operations provide critical support to the department's academic programs. Learn By Doing would not be a reality without these facilities.

The Cal Poly Creamery, J and G Lau Family MPC, and the Poultry Production Center sell all products produced, both on and off campus. These products can be found in major retail stores and farmers markets and make popular hospitality gifts for visitors to campus.

The Cal Poly Creamery, Meat Processing Center (MPC), and the Poultry Production Center sell all products produced, both on and off campus. These products can be found in major retail stores and farmers markets and make popular hospitality gifts for visitors to campus. Products are also available at the Campus Market and used by Campus Dining, which is important to the program.

Facilities:

- Animal Nutrition Center
- Beef Unit
- 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

Scott Steinmaus

A recent emphasis has been placed on increasing efficiencies associated with water use and precision farming, making aging equipment and irrigation infrastructure major concerns. Food safety continues to be a critical area of department operations and remains a top priority.

The department hopes to accommodate up to 72 students per quarter in field crop, fruit, horticulture, and vegetable projects. The number of students in fruit projects may continue to grow due to the increase of students majoring in wine and viticulture. In total, it is estimated that the program will provide Learn by Doing experience to more than 200 students in the 2019-20 academic year.

The ongoing goal is to give students the best possible educational experience in organic farming –and the enterprise project program is a key component of that educational experience. Cal Poly's Learn by Doing philosophy is a fundamental part of what distinguishes its graduates.

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 one benefitted staff member (state employee) and 26 Corporation 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 (new product), sweet hickory barbecue sauce and fiery barbecue sauce.

The department currently produces the following winter/seasonal chocolate bars: milk, dark, peanut butter crunch, pumpkin spice, coffee crunch, spicy cayenne, peppermint crunch, raspberry crisp, zesty orange, and peppermint bark.

All products are sold both on and off campus at locations spanning from Grover Beach 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 (4,000sq/ft.). Fifteen classes and applicable labs use the pilot plant throughout the year. Cal Poly Chocolates is in Building 24, Room 107 (1,900sq/ft.) and is used for classes, production, sales, and finished product storage.

Wine and Viticulture

Benoit Lecat

Cal Poly's on-campus vineyard is comprised of 14 plantable acres. It is currently undergoing redevelopment in an effort to expand teaching offerings and improve quality. The future vineyard will include several teaching blocks, student rootstock research, a rotational block, and production blocks for the Cal Poly Wine brand.

In late 2014, analysis showed that a number of vines tested positive for various issues, leading to a change in growing strategies for the vineyard. Phase 1 occurred in 2015 and consisted of:

- Removal of 6.5 acres and replanted with healthy vines
- Saving non-symptomatic Pinot Noir vines
- Adding a two acre teaching vineyard strictly for research and class labs.

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
- Planting 3.63 acres to establish a teaching vineyard.

2018-19 ACCOMPLISHMENTS

Animal Science and Dairy Science Programs

- Research and special interactive learning has ramped up to enhance hands on student learning. Research projects have been undertaken at the Sheep, Dairy, Beef, Bull Test, Poultry and Swine units, with many additional projects being proposed this coming year.

- Establishment of the new Animal Use Fees and Service and Service Center Agreements will hopefully provide additional monetary support for the production units that support research.

- To offset high feed costs, herd sizes were reduced for both dairy production and beef operations in 2018-19, and will remain at current or lower levels in 2019-20.

- The Meat Processing Center continues to flourish, despite a reduction in product demand from Campus Market and Campus Dining.

- Deferred maintenance and personnel adjustments within the creamery continue to be challenging. Maintenance technician salary was moved from State to the Corporation budget, with deferred maintenance also being done on the Corporation budget.

- Creamery product line and marketing revamping is underway. Efforts to improve product quality are starting to manifest. Cal Poly Gouda recently won 3rd place in National competition, and Cal Poly Smoked Gouda recently won 5th.

Environmental Horticulture/Crop, Fruit and Vegetable Science

Crops

- Finished RTH irrigation modernizations and upgrades complete with remote valve operations, new underground lines, etc.

- Completed concrete project surrounding the coolers with the help of the BioResource & Agricultural Engineering (BRAE) department.

- Installed new wind machine in the lemons, complete with auto start, replacing two older ones.

- Removed diseased kiwi block.

- Timed avocado harvest with peak market price, maximizing returns.

Organic Farm

- Created a new farm map to improve farm management.

- Created a crop rotation plan for both field 34 and the home garden.

Plant Shop

- Utilized social media accounts to cross post and create marketing synergies.
- New website is under development and hope to launch soon.
- Collaboration with Crops U-picks and Markets has been initiated.
    - Crops market products are being sold at the Poly Plant Shop on rainy Saturday when the weather prohibits access to the fields, orchards.
    - Teaming up on wholesale calls and deliveries, special Cal Poly product sales events and combined advertising efforts.
- Restructured Poly Plant Shop into two areas, 1) nursery and 2) floral design orders. Reducing hours of operation and maximizing labor hours has provided for increased revenue and less labor expense.
- Installed automated (centralized) irrigation system which decreases labor hours and increase in production.

Food Science and Nutrition

- Sold $265,000 worth of product in the 2018-19 year.
- Purchased a vacuum kettle for jam production. Kettle installed in March 2019.
- Worked with donors to continue their support. Currently, chemicals, spices for barbecue sauces, jars, and some Individual Quick Freezing (IQF) products are supplied through donations.
- Continue to employ 25-30 undergraduate students.
- Continuing to improve marketing though increased social media presence, and the addition of shirts for public purchase.

Wine and Viticulture

Production Vineyard

- The trellis system was not installed in 2017 due to erosion issues and hard ground. The trellis stakes were installed in 2018.
- The ground hose and emitters were installed. The sprinkler/frost system will also be installed on these blocks.
- Ongoing cultivation and weed control.

- Removal of the existing fence and installation of a new deer fence were made and supported by the Dean’s office.

Trestle Teaching Vineyard

- Planting was completed in summer of 2018. All missing vines, and a few extras, have been ordered from Duarte or Wonderful nursery.
- Training/suckering, tying, canopy management.
    - All vines are 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.
    - Herbicide and hand weeding will keep the berms clean.

2019-20 GOALS & OBJECTIVES

Animal Science and Dairy Science Programs

- Expect continued deficits for the Creamery's 2019-20 year, which will be offset by discretionary funding or other unit income.
- Dairy milk prices are at a near record low, and feed prices have remained high. Deficits will continue into 2019-20.
- The beef herd inventory has now been brought back up to typical stocking density prior to the prolonged drought. Selling of heifer calves will generate more income in 2019-20. Will also start invoicing customers for purchase of livestock for local and state FFA competitions.
- Do not expect any changes in the Bull Test 2019-20 budget.
- Prado Doggy Days will continue as a scope of the Vet Clinic. Increased costs will be offset by IRA funding. Expect the Vet Clinic to remain profitable for 2019-20.
- Increased research conducted at the Swine Unit will strengthen net income for the 2019-20 year.
- Adjusting the course offerings after the major renovations at the Equine Unit impacted the 2018-19 revenues. The 2019-20 year is expected to be fully operational with a break even net income. Additional equestrian classes are being proposed during the summer quarter.
- A new ANC manager was hired last spring. Some deferred maintenance impacted the 2018-19 budget. Feed charges for research are being increased to stabilize revenues for the 2019-20 year.
- Increased research conducted at the poultry unit will strengthen income for the 2019-20 year.
- The MPC will continue to perform strongly through off-campus sales.

Environmental Horticulture/Crop, Fruit and Vegetable Science

Crops

- Continue to modernize orchards with technology, sensors, automation, etc.
- Replant tree crops that were removed for the new Justin and JLohr Center for Wine and Viticulture.
- Resurface roads for improved accessibility during the rainy season to help accommodate U-picks, harvesting, wind machine access, etc.
- Look into and convert student employees to time stamp feature to assist with monitoring student employee hours.

- Replace old wind machines with new ones, and/or convert to auto-start, allowing for efficient fuel consumption in order to maximize fuel savings.
- Upgrade drip irrigation to mirror industry as well as increasing water use efficiency.

Organic Farm

- Purchase a mini harvester for carrots, beets, radishes, onions to increase harvesting efficiency and hands-on student experience.
- Continue to intensely manage weed control and reduce the weed bank.
- Upgrade drip irrigation to mirror industry as well as increasing water use efficiency.
- Continue to apply Cal Poly compost to the farm, applying it twice a year at a higher rate.
- Look into and convert student employees to Time Stamp feature to assist with monitoring student employee hours.
- Introduce new methods for pest control (i.e. ladybugs and other natural predators).

Plant Shop

- Effective management of online website point of sale to expand and compliment current marketing efforts through Poly Plant Shop, Poly Plant and Floral Design, Farmers' markets, and special events.
- Evaluate and be responsive to labor and product costs associated with the Poly Plant Shop.
- Engage donations and networking to improve the Poly Plant Shop facilities, and involve student labor, creative design, and enthusiasm.
- Continue to collaborate with Crops Unit Marketing efforts, as well as investigate possible marketing and event opportunities that will provide a multi-product marketing of Cal Poly products.

Food Science and Nutrition

- Update labels to meet 2021 Food and Drug Administration (FDA) guidelines.
- Set consistent sales hours for on and off campus purchases as the department struggles to identify sales space for production within building 24.
- Work with students and senior projects to create a new marinade or a unique jelly flavor line that fits into the hot-fill-hold product line.

- Continue to increase sales in order to facilitate the purchase of a new state of the art chocolates line from TCF/FBM.

- Continue to increase productivity while still training student employees for the food industry.

Wine and Viticulture

- The major long-term investments were done from 2014 to 2018. It was funded by the fundraising effort made by the Wine and Viticulture department under the leadership of Dr. Jean Dodson Peterson. Paul Fountain, former professor of viticulture was very instrumental in establishing this fund through a donation of $250,000.

- The current budget for 2019-20 is mainly composed of labor costs, administrative costs, and insurance. This budget allows for maintaining tools for production and maintaining the teaching site to train the students. 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. The CAFES Dean’s office continues to support the program.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	% of Sales	Fiscal Year 2018-19 Budget	% of Sales	Fiscal Year 2018-19 Estimate*	% of Sales	Fiscal Year 2019-20 Budget Proposal	% of Sales	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$3,456	100%	$3,221	100%	$3,717	100%	$3,636	100%	$(81)	(2%)
Cost of Goods Sold	888	26%	714	22%	732	20%	721	20%	12	2%
Gross Margin	**2,569**	**74%**	**2,507**	**78%**	**2,985**	**80%**	**2,915**	**80%**	**(70)**	**(2%)**
Other Revenues	935	27%	686	21%	788	21%	626	17%	(162)	(21%)
Income Before Operations	**3,504**	**101%**	**3,193**	**99%**	**3,773**	**101%**	**3,541**	**97%**	**(231)**	**(6%)**
Salaries & Wages	725	21%	632	20%	774	21%	813	22%	(39)	(5%)
Benefits	89	3%	136	4%	95	3%	131	4%	(36)	(38%)
Total Payroll Expense	**814**	**24%**	**768**	**24%**	**870**	**23%**	**944**	**26%**	**(74)**	**(9%)**
Depreciation & Amortization	76	2%	104	3%	89	2%	81	2%	8	9%
Livestock / Feed Expense	1,108	32%	1,062	33%	1,161	31%	1,139	31%	22	2%
Supplies & Materials	367	11%	251	8%	355	10%	326	9%	30	8%
Fees & Services	475	14%	334	10%	248	7%	243	7%	5	2%
CPC Administrative Services	170	5%	169	5%	168	5%	174	5%	(6)	(3%)
Other Operating Expenses	707	20%	499	15%	613	16%	550	15%	63	10%
Total Operating Expenses	**2,903**	**84%**	**2,420**	**75%**	**2,635**	**71%**	**2,513**	**69%**	**122**	**5%**
Total Expenses	**3,717**	**108%**	**3,188**	**99%**	**3,505**	**94%**	**3,457**	**95%**	**48**	**1%**
Net from Operations	**(214)**	**(6%)**	**5**	**0%**	**268**	**7%**	**84**	**2%**	**(184)**	**(69%)**
Other Income (Expense)	(0)	0%	76	2%	(102)	(3%)	(0)	0%	102	100%
Total Other Income (Expense)	**(0)**	**0%**	**76**	**2%**	**(102)**	**(3%)**	**(0)**	**0%**	**102**	**100%**
Transfers In (Out)	**6**	**0%**	**91**	**3%**	**-**	**0%**	**-**	**0%**	**-**	**-**
Net to Reserves	**$(208)**	**(6%)**	**$172**	**5%**	**$166**	**4%**	**$84**	**2%**	**$(82)**	**(49%)**
Noncash transactions (add back):										
Depreciation & Amortization	76	2%	104	3%	89	2%	81	2%	8	9%
Adjusted Net to Reserves	**$(132)**	**(4%)**	**$276**	**9%**	**$255**	**7%**	**$165**	**5%**	**$(90)**	**(35%)**

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

OPERATING BUDGET DISCUSSION

Overall, a favorable variance in **Sales** is projected for 2018-19 fiscal year due largely to increases in avocado sales.   A decrease in sales is expected in 2019-20 due to a reduction in sales to off-campus customers. Feed prices continue to be high; recovery from the worst drought in the recorded history of the Central Coast is ongoing. Consequently, it will take several years to restore grazing lands and return to normal carrying capacity of cattle.

Milk prices have dropped dramatically on the national level and have impacted current year revenues for the Dairy Science program. The budget for next year continues to reflect some of the high ongoing feed prices and low milk prices, however other options are being reviewed to lower feed costs and increase efficiency at this unit.

The creamery cost factors are being evaluated in manufacturing and offering specialty cheeses. The plan is to dramatically increase production and sales of dairy products, including offering specialty cheese products. Production of nationally recognized new cheese product lines should help to increase revenues. Changes continue to be made in the administration of this production unit to enhance productivity and income.

Cost of Goods Sold is predicted to be 20% of total sales for FY 2018-19 and remain consistent through FY 2019-20.

Total **Payroll Expense** is approximately 13% over budget for FY 2018-19, and is expected to increase in FY 2019-20. The increase in is due to the increase in student wages, as well as moving the unit manager for Food Science and Nutrition from the state budget to Corporation payroll. This move has been planned for more than 4 years and is well supported by the revenues generated from this department.

Operating Expenses were 9% over budget for FY 2018-19. This was mostly due to the continued high cost of feed. Operating Expenses are expected to decrease by 5% in FY 2019-20 the result of increased efficiencies in production.

For FY 2018-19, the projected **Net to Reserves** of $166,000 includes non-cash depreciation expense of $89,000. For FY 2019-20, the budgeted **Net to Reserves** of $84,000 includes non-cash depreciation expense of $81,000.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2017 Reserve Balance	$943,227	$271,900	$88,150	$1,303,277
FY 2017-18 Change in Reserves	(238,366)	(175,107)	205,314	(208,159)
June 30, 2018 Reserve Balance	704,861	96,793	293,464	1,095,118
FY 2018-19 Change in Reserves (estimate)	378,537	70,090	(282,739)	165,888
June 30, 2019 Reserve Balance (estimate)	1,083,398	166,883	10,725	1,261,006
FY 2019-20 Change in Reserves (budget)	155,292	(70,700)	(725)	83,867
June 30, 2020 Reserve Balance (budget)	**$1,238,690**	**$96,183**	**$10,000**	**$1,344,873**

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, 2019 (estimate) and June 30, 2020 (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

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
Minor Capital Equipment Outlay (Up To $25,000)			
Electrical Upgrades - Bldg. 24	$10,725	10	$1,072
Total Minor Capital Outlay	**$10,725**		**$1,072**
Total Capital Outlay Request	**$10,725**		**$1,072**

CAPITAL OUTLAY REQUEST DETAIL

Electrical Upgrades - Bldg. 24: Upgrades to the electrical system will be made in building 24. In order to continue the excellent standards of Learn by Doing, it is critical to employ appliances like those used in industry. The current power in the building is inadequate to run these newer appliances. A back-up generator will provide for electrical outages and prevent product losses and food safety issues.

CAL POLY

CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Technology Park

Fiscal Year 2019-20

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BUSINESS OVERVIEW

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

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

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

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

The Cal Poly Corporation (Corporation) and the Office of Research and Economic Development collaborate to provide administration of Tech Park operations. Currently, Jim Dunning, director of economic development and technology transfer, monitors the day-to-day operations of the park. Dunning is the liaison between tenants and Cal Poly researchers and provides overall project management. The Corporation provides administrative support for the operations.

2018-19 ACCOMPLISHMENTS

As of March 2019, 10 tenants were operating at the Tech Park, representing 97% 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.

Thirty companies have resided in the Tech Park since 2010, employing or providing opportunities to more than 300 students. Companies have donated labor and equipment to various departments across campus with an estimated value of approximately $1 million. Some highlights for FY 2018-19 include:

- **Business Attraction Marketing Video –**With the efforts of various on and off-campus stakeholders, the Office of Research & Economic Development, and support from Extended Education, a regional business attraction marketing video to support the planned expansion of the technology park was produced.

- **Expansion Planning Grant –**In FY 2018-19, the Office of Research & Economic Development submitted a request for capital to the Economic Development Administration (EDA) to expand the existing technology park by adding a 30,000 square foot building and associated critical infrastructure. The project is estimated to create 150 new high-wage jobs and $20M in annual economic impact for the region. As of March 2019, the project proposal is still under consideration at the EDA. If funded, the expected award date is August 1, 2019. The total project cost is estimated to be $11.2M with approximately 60% of the funding from the EDA and 40% from Cal Poly. In addition to providing additional space for private technology-based companies, the proposed project will house the new headquarters for Cal Poly Extended Education. Cal Poly Extended Education will deliver a skills-training center that addresses the hiring needs of the regional business community. In addition, if awarded, proposed EDA project will also house the headquarters for the planned Cal Poly Wildland-Urban Interface Fire Institute (WUI Institute). The planned WUI will leverage the proven expertise at Cal Poly to provide a world-class center for WUI fire research, education, training, and technology. The proposed project will centralize these resources to provide focus and continuity in addressing WUI risks.

- **Cal Poly Strawberry Research Center (SRC)** –The SRC is proceeding with a new laboratory space investment. This investment helps diversify the space offerings of the Tech Park and will be helpful in future tenant acquisition efforts.

2019-20 GOALS & OBJECTIVES

- The Tech Park liaison will continue to make connections between the tenants and the academic community to support collaboration and information exchange. Some potential outcomes may include:
    - Company-sponsored research and student senior project support
    - Guest lectures conducted by company subject matter experts in Cal Poly classes
    - Student internships and employment opportunities
    - Cal Poly intellectual property licensing opportunities
    - Company participation in department-level industrial advisory boards
    - Companies utilizing established fee-for-service agreements for specialized laboratories and equipment
- Tech Park will transition property management functions currently provided by an outside service provider to Corporation administration.
- Tech Park building expansion plans will be finalized and an environmental consultant will be retained to update California Environmental Quality Act (CEQA) documentation to ensure the next phase of the project is 100% "entitled" for development if funding is secured from the EDA.
- Tech Park staff will continue to support university Facilities Planning and Capital Project teams in the overall Campus Master Plan and Environmental Impact Report and analysis as it relates to long-term Tech Park expansion planning, as required.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Estimate*	Fiscal Year 2019-20 Budget Proposal	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Rental Income	$469	$500	$493	$503	$10	2%
Other Revenues	17	15	15	19	4	30%
Income Before Operations	**486**	**515**	**507**	**522**	**14**	**3%**
Salaries & Wages	38	48	48	56	(8)	(17%)
Benefits	22	29	29	35	(5)	(19%)
Total Payroll Expense	**61**	**77**	**77**	**91**	**(14)**	**(18%)**
Depreciation & Amortization	306	325	320	323	(2)	(1%)
General Maintenance	67	42	46	48	(2)	(5%)
Utilities	32	30	33	34	(1)	(3%)
Supplies & Equipment	0	9	5	0	5	97%
Rent / Lease Expense	1	1	1	1	0	8%
Other Operating Expenses	70	79	75	79	(4)	(6%)
Total Operating Expenses	**476**	**486**	**480**	**485**	**(5)**	**(1%)**
Total Expenses	**537**	**563**	**558**	**576**	**(18)**	**(3%)**
Net from Operations	**(51)**	**(47)**	**(50)**	**(54)**	**(4)**	**(8%)**
Other Income (Expense)	(2)	-	(1)	-	1	100%
Interest Expense	(99)	(100)	(96)	(92)	4	4%
Total Other Income (Expense)	**(101)**	**(100)**	**(96)**	**(92)**	**5**	**5%**
Transfers In (Out)	112	-	-	-	-	0%
Net to Reserves	**$(40)**	**$(147)**	**$(147)**	**$(146)**	**$1**	**0%**
Noncash transactions (add back):						
Transfers (In) Out	(112)	-	-	-	-	0%
Depreciation & Amortization	306	325	320	323	2	1%
Adjusted Net to Reserves	**$154**	**$178**	**$174**	**$177**	**$3**	**2%**

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

OPERATING BUDGET DISCUSSION

This budget includes rental income and related operating expenses as well as depreciation on the Tech Park facility and related tenant improvements. Net income, excluding depreciation, is expected to be $174,000 for FY 2018-19 and $177,000 for FY 2019-20. Income from operations is used to service the debt on the facilities and fund reserves.

Total projected revenue for FY 2018-19 is slightly below budget primarily the result of lower occupancy rates. Total revenue is expected to increase by 3% in FY 2019-20, with an expectation of full occupancy. Every Tech Park tenant with a lease expiring in FY 2019-20 is expected to renew its lease or be replaced by a new tenant. Additionally, Tech Park will rent out its conference room on an hourly or monthly basis to generate additional revenue.

In the initial years of operation, payroll expenses for the Tech Park manager and related administrative support were funded by grants received by the university. To create a more self-sustaining operation, Corporation management and the Office of Research formulated a plan that allows for a portion of these expenses to be funded through the Tech Park operating budget. Funding is based on time and services rendered to Tech Park operations, which is approximately 30% of total payroll expenses for the Tech Park manager and related administrative support. Funding is being phased in over multiple years at a level that is supportable by the operating budget. Management's long-term objective is to build a revenue model that will sustain these expenses indefinitely. Payroll expenses for FY 2018-19 and FY 2019-20 represent 25% and 30%, respectively, of the total related payroll expenses for the Tech Park liaison and an amount for related administrative support.

Operating expenses for FY 2018-19 are slightly under budget and are expected to remain relatively constant in FY 2019-20. The decrease from budget is, in part, the result of a decreases in travel, supply, and project equipment expenses.

Noncash transfers in FY 2017-18 of $112,000 primarily represents leasehold improvements paid for by the Strawberry Center.

Principal and interest payments on long-term debt are approximately $189,000 annually, but are expected to decrease to $180,000 in FY 2019-20.

Overall 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, 2017 Reserve Balance	$195,172	$2,322,261	$287,599	$264,948	$3,069,980
FY 2017-18 Change in Reserves	42,200	(71,961)	2	(10,443)	(40,202)
June 30, 2018 Reserve Balance	237,372	2,250,300	287,601	254,505	3,029,778
FY 2018-19 Change in Reserves (estimate)	15,796	(198,473)	(7,799)	43,925	(146,551)
June 30, 2019 Reserve Balance (estimate)	253,166	2,051,827	279,802	298,430	2,883,225
FY 2019-20 Change in Reserves (budget)	7,595	(222,807)	3,631	65,727	(145,854)
June 30, 2020 Reserve Balance (budget)	**$260,761**	**$1,829,021**	**$283,433**	**$364,157**	**$2,737,372**

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 principle 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
Previously Approved Capital Outlay Requests (1)			
Electronic Door Locks	$15,000	5	$3,000
Misc. Tenant Improvements	5,000	3	1,667
Total Capital Outlay Request	**$20,000**		**$4,667**

CAPITAL OUTLAY DETAIL

Environmental Consultant for Expansion Project: Engage Rincon consultants through the university's existing task order service agreement (TOSA). Utilization of the TOSA will allow Tech Park to proceed in an expeditious manner in meet contracting requirements anticipated for the EDA grant. The consultants will be retained to update California Environmental Quality Act (CEQA) documentation to ensure the next phase of the project is 100% "entitled" for development.

(1) The Capital Outlay Requests below were approved by the Board of Directors at their FY 2018-19 budget meeting. They are repeated here for informational purposes only. No further action is required.

Electronic Door Locks: All common area door locks will be retrofitted to include electronic locking mechanisms to enable remote and timed activation of locking cores.

Miscellaneous Tenant Improvements: To account for new tenant acquisitions and the need for modifying suites, Tech Park anticipates providing tenant improvement allowances in the future.

CAL POLY
CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Swanton Pacific Ranch

Fiscal Year 2019-20

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BUSINESS OVERVIEW

The 3,280-acre Swanton Pacific Ranch (the ranch or Swanton) and operations provide unique Learn by Doing experiences in a premier selection of living and learning laboratories. Primary operations include forestry, livestock, and crops activities. The director of the ranch, under the supervision of the dean of the College of Agriculture, Food and Environmental Sciences (CAFES), is responsible for planning and overseeing operations and promoting associated educational opportunities. The director also facilitates other opportunities associated with the unique environmental and cultural setting of the ranch.

EDUCATION AND RESEARCH PROGRAMS

Through educational programs, the ranch provides students with a variety of opportunities. These opportunities include internships, field trips, and short courses. There are also extension opportunities offered to outside groups. A primary educational focus of the ranch is resident and non-resident internships. Fourteen 12-week internships were completed by students from CAFES; 12 summer internships are planned for summer 2019 with five of these summer internships fully funded by private donations. Gifts, donations, and grants received are not part of this budget.

Weekend field trips bring more Cal Poly students to the ranch than to any other activity. More than 500 students from Cal Poly visited the ranch on weekend field trips this past year. These students are primarily from Natural Resources Management & Environmental Sciences (NRES) and Animal Science (ASCI). There are also 48 students from a Biological Sciences botany class each spring. Another 200-plus students from other schools, universities, and professional groups also visited the ranch this past year. The ranch continues to look for ways to engage other nearby universities. University of San Francisco and UC Santa Cruz made return field trips to the ranch.

The ranch also hosted a number of professional group meetings and seminars. For example, two all-day educational events included the ecology and conservation of the California Red-legged Frog and the Scotts Creek Watershed Research Symposium.

FORESTRY MANAGEMENT OPERATIONS

Forestry operations are ongoing at the ranch and continue to provide revenue and a variety of educational opportunities to Cal Poly students. The revenue from timber harvests is used to supplement the ranch operating budget and to upgrade road infrastructure.

The Valencia Creek property (617 acres) has been a significant source of timber revenue supporting ranch operations, netting $1.4 million in the harvest of 2013 and 2014. During FY 2017-18, a decision was made to place Valencia Creek property for sell to help support capital projects at Swanton and within the CAFES. The sale of the Valencia property closed in March of 2019. The buyer has agreed to continue to allow educational and research access to Cal Poly students and faculty.

The lower Little Creek harvest planned for last year was delayed due to design and approval challenges. The harvest will occur in FY 2019-20 and will include realigning lower Old Schoolhouse Gulch Road through an amendment to the standing Non-Industrial Timber Management Plan. The graded road will provide two-lane traffic access to the Al Smith House and Staub house, and other ranch facilities. The plan amendment was developed by the ranch operations manager, working with a private consultant and student forestry technicians.

With the new Swanton Pacific Educational Center and Field Camp (SPECFC) on the horizon, new classes are contemplated to occupy available time slots in the summer and other field-oriented immersive courses, including course for Forestry & Natural Resource and Environmental Management and Protection students. In addition, milling redwood logs into exterior siding boards to be used in building the SPECFC will occur during the upcoming summer.

LIVESTOCK MANAGEMENT OPERATIONS

The Swanton livestock program centers around three revenue generating operations:

Stocker Cattle Program - The stocker cattle program is a critical component of the goal of providing educational research opportunities while maintaining a productive and sustainable rangeland. The program includes managing approximately 350 stocker cattle, depending on current conditions and the contract with Lacey Cattle Company. The lease is a price per pound of weight gain. These efforts help in meeting operational goals for promoting perennial grass establishment and fire protection. The enterprise involves 12-18 students from CAFES. The program's profitability remains steady despite drought challenges limiting forage production and water availability. This is attributed mainly to being able to adjust to gains in efficiencies made possible by the controlled grazing management strategies and water development fostered by the livestock manager and faculty coordinator for the Stocker Cattle Enterprise. The experience created for students is enhanced through the balance of educational and work activities during winter and spring quarters.

Cow/Calf Program – The resident herd produce about 30 to 40calveseachspring. Some calves, heifers, and cull cows are sold each year. Some calves are retained or used as replacement for those animals harvested for the Natural Beef Enterprise.

Natural Beef Enterprise –The natural beef enterprise offers a unique experience for students. The market is growing, and expectations are that the herd could be increased to improve profitability. Most recently, Swanton natural beef is being sold to Campus Dining and is now included on two menu items at Myron's restaurant. Campus Dining also promoted Swanton by hosting an evening in the 805 Kitchen that features several meal options using Swanton beef and other ranch products. The commitment with Campus Dining is expected to grow significantly in the coming years. Revenues are utilized directly in the ranch's budget for operational and educational purposes.

CROPS MANAGEMENT OPERATIONS

Organic farming lease operation – The primary crop activity 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. The company also grows strawberries and dryland-farmed tomatoes, and acorn squash. This operation offers unique intern experiences in a production-scale organic operation, 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 orchard is run primarily as a U-pick operation. This past season was another record setting season, generating approximately $20,000 - $30,000 in sales and selling out by mid-October. The ranch has increased the size of the orchard by 300 trees. Those immature trees are two years from producing. The orchard provides educational opportunities to student interns and weekend student volunteers.

The winter pruning weekend, overseen by the ranch's agricultural management specialist and a professor from the Horticulture and Crop Science Department, is held each year and draws participation from a number of fruit science students as well as students interested in sustainable agriculture and organic farming. The ranch has also participated in an apple cider project initiated by a food science professor. Similar student opportunities are planned for the coming year. Student interns also maintain the orchard grounds and infrastructure each summer and prepare for the fall U-pick season.

Pumpkin and squash – An assessment of the merits of growing pumpkin and squash is ongoing. This includes exploring further connections with Campus Dining to investigate contract growing opportunities for Jacobs Farm and the ranch to supply produce/herbs. This could possibly be expanded to local schools. Exploration of grant opportunities continues for water quality solutions using well water for irrigation and technologically-advanced instrumentation to provide information about water usage.

SWANTON PACIFIC EDUCATIONAL CENTER AND FIELD CAMP (SPECFC)

With an approved development permit from the Santa Cruz County Planning Commission, efforts have focused on refining the plans and securing funding to be able to submit for building permits. The water system and infrastructure project has begun and a 100,000-gallon water tank has been installed with a conduit and treatment center in process. Exploration continues for designs and costs to account for additional programming. Construction activities will likely be phased as funding becomes available, as early as summer 2019.

2018-19 ACCOMPLISHMENTS

- The ranch operated efficiently using funds made available through endowment interest payout, income earned from operations, facility use fees, and grants.

- The Education and Research Coordinator continues to facilitate and track all visitors and usage. Volunteer weekends were held for vegetation restoration efforts, apple pruning, and redwood seedling planting. Also, the Swanton Ambassadors (former interns) helped with staff field trips, volunteer weekends, tours, and special events.

- The Phase 3 Scotts Creek Habitat and Floodplain Enhancement Project improved habitat for salmonids and improved hydrologic function, reconnecting a portion of the lower Scotts Creek flood plain to the channel through a series of levee breaches. The work, supported a graduate student, interns, and faculty, restored a more-naturally functioning stream system while preserving agriculture. The second year of effectiveness monitoring has resulted in a rich biological and physical habitat dataset collected through the help of apprentices, interns, and watershed technicians. The funding from the project has allowed the ranch to partially fund a watershed apprentice for three years to study this system and employ the help of additional students to complete the field work.

- Two courses were offered last summer to 27 students; the expected enrollment this summer will be at least 32 students. The classes held this summer include NR 475 Sustainable Forestry and Environmental Practices and Bio 336 Field Methods in Wildlife Ecology. The courses recover costs to host the classes and generate revenue from housing rent and facility fees to help operate the ranch.

- The ranch usage by professional groups is maintaining a level near the demand and near capacity for what ranch staff can accommodate. These have included workshops, professional meetings, and community meetings. Facility usage fees help offset ranch costs and add revenue. Some of the groups that used the facility this fiscal year were Cal Trans Highway One Crossing Replacement Advisory Group, Scotts Creek Watershed Council, and Jacobs Farm/Del Cabo.

2019-20 GOALS & OBJECTIVES

OVERALL RANCH GOALS

- Increase overall Cal Poly student awareness of the ranch's educational opportunities and operations.
- Expand utilization of the ranch by CAFES and other Cal Poly colleges.
- Increase exposure of the ranch through professional meetings and conferences.
- Develop budget strategies for sustaining operations and educational programs, by analyzing funding alternatives which include advancement strategies.
- Continue maintaining and upgrading existing ranch facilities.
- Finalize membership with the SP Advisory Council and Management Advisory Groups.
- Conduct Advisory Council meeting and define goals and roles.
- Facilitate meetings for the Livestock Management Advisory Group, Crop Management Advisory Group, and Forest Management Advisory Group.
- Refine the advancement plan in anticipation of launching a capital campaign.
- Pursue a ranch wide water plan.
- Update the ranch management plan.

FORESTRY

- Complete NTMP amendment and undertake Lower Little Creek harvest to extract timber and realign lower Old Schoolhouse Gulch Road.
- Update and manage the Continuous Forest Inventory using new Student Forest Technician program.
- Repair road damage along forest roads.
- Perform audits and meet compliance expectations for Forest Stewardship Council (FSC) accreditation.
- Pursue educational, research, and demonstration opportunities with Cal Poly faculty and other collaborators.

LIVESTOCK

- Maintain rangeland infrastructure that supports stocker and cow/calf operations such as fencing, water system, and ranch roads.
- Maintain cow/calf operation to sustain rangeland health and generate revenue.
- Continue stocker cattle operation with Lacey Cattle.
- Monitor rangeland indicators of condition and health.
- Monitor water use and improve conservation measures.
- Pursue avenues to attract rangeland research or demonstration through Rangeland Monitoring Group.
- Continue to evaluate production of natural grass-fed beef and identify best-fit markets, such as with Campus Dining, local restaurants, and local individuals.

CROPS

- Work with Jacobs Farm to identify water quality solutions, water use accountability, soil health projects, and student opportunities.
- Operate organic apple orchard and sell apples through U-pick venue.
- Pursue Campus Dining collaborations.
- Pursue educational, research and demonstration opportunities.

SWANTON PACIFIC EDUCATIONAL CENTER AND FIELD CAMP

- Complete design changes and permitting requirements for the SPECFC.
- Complete the water system and infrastructure project this coming fiscal year. This includes water, power, and communications.
- Acquire permit and construct solar array.
- Update and vet cost analysis for SPECFC and prepare for construction by acquiring building permits to be shovel ready as funding is released.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Estimate*	Fiscal Year 2019-20 Budget Proposal	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$164	$161	$147	$166	$20	13%
Cost of Goods Sold	14	8	8	10	(2)	(18%)
Gross Margin	**149**	**152**	**138**	**156**	**18**	**13%**
Fee for Service Income	6	-	-	-	-	0%
Rental Income	82	87	86	91	5	6%
Other Revenues	938	561	566	609	43	8%
Income Before Operations	**1,176**	**801**	**790**	**856**	**66**	**8%**
Salaries & Wages	412	406	395	408	(14)	(4%)
Benefits	240	260	261	279	(18)	(7%)
Total Payroll Expense	**652**	**666**	**656**	**687**	**(31)**	**(5%)**
Depreciation & Amortization	214	198	196	154	42	21%
General Maintenance	118	51	68	72	(4)	(6%)
Utilities	50	55	50	50	(0)	0%
Supplies & Equipment	66	49	76	64	12	16%
Rent / Lease Expense	0	-	1	-	1	100%
Audit & Tax	3	3	3	4	(0)	(1%)
CPC Administrative Services	36	37	37	37	(0)	0%
Livestock / Feed Expense	5	3	6	7	(1)	(12%)
Other Operating Expenses	165	155	189	173	16	8%
Total Operating Expenses	**659**	**551**	**626**	**561**	**65**	**10%**
Total Expenses	**1,310**	**1,217**	**1,282**	**1,249**	**33**	**3%**
Net from Operations	**(134)**	**(416)**	**(492)**	**(392)**	**100**	**20%**
Other Income (Expense)	34	4	4	-	(4)	(100%)
Total Other Income (Expense)	**34**	**4**	**4**	**-**	**(4)**	**(100%)**
Transfers In (Out)	**(252)**	**230**	**1,184**	**250**	**(934)**	**(79%)**
Net to Reserves	**$(353)**	**$(182)**	**$696**	**$(142)**	**$(838)**	**(120%)**
Noncash transactions (add-back):						
Depreciation & Amortization	214	198	196	154	(42)	(21%)
Transfers (In) Out	-	-	(884)	-	884	100%
Adjusted Net to Reserves	**$(139)**	**$15**	**$7**	**$12**	**$4**	**60%**

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

OPERATING BUDGET DISCUSSION

Income Before Operations for FY 2018-19 is projected to approximate the budget. Sales and Cost of Sales were less than budgeted, but were offset by increases in Other Revenues. FY 2018-19 proved to be a poor growing season for apples. Apple sales came in 25% under forecasted revenues. Income from livestock operations for FY 2018-19 is expected to total approximately $84,000. The stocker cattle enterprise, natural beef sales, and livestock sales for FY 2018-19 are projected to be approximately $28,000, $23,000, and $33,000, respectively.

The FY 2019-20 forecast for the livestock program is $79,000 and the stocker cattle enterprise, natural beef sales, and livestock sales are estimated to be $30,000, $24,000 and $35,000, respectively. The beef/stocker programs, land rent, produce, and natural beef sales will generate additional income to support ranch operations. Total annual farming lease income is expected to be approximately $72,000.

In FY 2019-20, the primary source of income to fund ranch operations will come from the Al Smith Endowment. The contributions over the last several years directed to ranch operations has held at $550,000.

The FY 2019-20 operating budget for the ranch is proposing a 3.2% increase in total payroll expense over the previous year budget due to new hires, reclassification and promotion of staffing. The Agricultural Management Specialist position is no longer jointly funded between the ranch and Jacobs Farm/Del Cabo, representing a 30% increase in the ranch cost for the position. Private endowment support contributes $15,000 per year toward the position. Additional casual employees and student interns add to the personnel and are critical to operating the ranch.

FY 2019-20 **Operating Expenses** are budgeted to decrease 10% from FY 2018-19, resulting from decreases depreciation expense and supplies expense of $42,000 and $18,000, respectively.

FY 2018-19 **Transfers In** includes $884,000 of non-cash assets consisting of work in progress related to the SPECFC project. It also includes a $300,000 cash transfer to support Ranch operations. A similar transfer of $250,000 is included in fiscal year 2019-20.

For FY 2019-20, the **Net Loss to Reserves** of $142,000 includes non-cash depreciation expense of $154,000. Excluding depreciation, the FY 2018-19 net to reserves is projected to be a positive $12,000. The ranch has sufficient operating reserves to continue operations through the 2019-20 fiscal year.

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

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2017 Reserve Balance	$208,445	$1,788,181	$1,996,626
FY 2017-18 Change in Reserves	(196,305)	(156,603)	(352,908)
June 30, 2018 Reserve Balance	12,140	1,631,578	1,643,718
FY 2018-19 Change in Reserves (estimate)	7,479	688,169	695,648
June 30, 2019 Reserve Balance (estimate)	19,619	2,319,747	2,339,366
FY 2019-20 Change in Reserves (budget)	11,930	(154,176)	(142,246)
June 30, 2020 Reserve Balance (budget)	**$31,549**	**$2,165,571**	**$2,197,120**

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. Requests for approval of capital expenditures will occur when appropriate.

CAL POLY

CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Cal Poly Arts

Fiscal Year 2019-20

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BUSINESS OVERVIEW

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

Cal Poly Arts was created by the College of Liberal Arts 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/country artists.

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

The year 2002 marked the beginning of Cal Poly Arts' endowment campaign to support both Poly Arts for Youth programs and its season programming. The current endowment fund balance is in excess of $600,000 and, as operating cash reserves continue to grow, excess funds will be transferred into the endowment.

Today, Cal Poly Arts continues its goal of bringing a professional, diverse, and dynamic performing arts series to the Central Coast. In addition to 35 years of experience in presenting artists in this region, 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 from its audience members to make Cal Poly Arts aware of artists they would like to see perform locally. 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 factors in establishing an annual budget. New concert venues of various sizes have opened recently, and will continue to do so in the region, changing the landscape of local presenting.

In response to this expanded competition, Cal Poly Arts has begun utilizing off-campus venues to help remain competitive in the local marketplace. In 2018-19, Cal Poly Arts successfully presented several events at the historic Fremont Theatre, helping the program reach new audiences and expand revenue opportunities. The organization will continue with this practice in the 2019-20 Season, having booked one performance there to date, with the hopes of adding more when appropriate. It is important for Cal Poly Arts to continue to monitor the local performing arts scene and to react as needed, with adjustments to programs, marketing, and operations.

2018-19 ACCOMPLISHMENTS

- Cal Poly Arts presented 49 public performances in the 2018-19 Season at Harold Miossi Hall at the Performance Arts Center, the Spanos Theatre, and the Fremont Theatre, including ten showings of the Met Live in HD series in partnership with Opera San Luis Obispo.

- Bolstered by the financial success of the two prior years, Cal Poly Arts expanded its programming, presenting four more public performances than the previous year. This led to sales exceeding $1.25 million for the first time in the past five years.

- Despite adding these extra performances, the percentage of attendance relative to capacity remained at 70%, consistent with the 2017-18 season, and the highest over the past decade.

- With Broadway shows and other high-profile events leading the way, a number of performances sold out the Performing Arts Center. The exceptional season featured extraordinary performers like rock icon Boz Scaggs, violin virtuoso Joshua Bell, Jazz legends Herb Alpert and Wynton Marsalis, country star LeAnn Rimes, and piano genius Jon Batiste. “We Shall Overcome,” a memorable Tribute to Dr. Martin Luther King in February during Black History Month led by renowned music director and conductor Damien Sneed, was an event that left the audience in a revelatory state.

- Another season highlight was an appearance by actress/comedienne Lily Tomlin, whose January performance sold out so quickly that a second performance was added, which nearly sold out, as well. Including event sponsors, Ms. Tomlin’s visit to San Luis Obispo resulted in net profit of more than $38,000.

- The 2018-19 Season also marked the successful launch of the new National Geographic Live series at Harold Miossi Hall. The three-event series, co-presented with the Performing Arts Center, featured three enticing speakers who drew more than 2,000 patrons to these fascinating events.

- Efforts to expand audiences through performances at off-campus venues continued. This season, Cal Poly Arts presented three events at the historic Fremont Theatre in downtown San Luis Obispo. The performances were successful in attracting an entirely new audience demographic.

- The Poly Arts for Youth program served more than 1,000 local students with twelve free outreach programs, workshops, and master classes in local schools and at other community and Cal Poly campus venues.

- The new donor program, the Cal Poly Arts VIP Membership, was successfully launched this season. The goal is to brand Cal Poly Arts’ donor program and link it with subscriptions, giving members deeper subscription ticket discounts and a variety of other benefits designed to engage donors and encourage a sense of ownership in the organization, leading to increased subscription sales and a higher level of contributions. Results of the new program led to increased number of donors and additional contributed income.

2019-20 GOALS & OBJECTIVES

During FY 2019-20, Cal Poly Arts will continue to identify opportunities and sustain efforts to:

- Maintain a balanced operating budget, finishing with another surplus to add to operating cash reserves, which currently exceed $300,000. Based on the level of success, surpluses may be transferred to Cal Poly Arts' endowment at the end of the fiscal year.

- Maintain programming volume at current levels, based on the success of the past three seasons.

- Continue a programming strategy of anchoring season offerings with performances by several high-profile artists such as film, television and Broadway star Mandy Patinkin, well-known comedian George Lopez, jazz and pop music band leader and piano genius Jon Batiste, and global music sensation Pink Martini, along with a full complement of popular Broadway shows.

- Reach a new and underserved population on the Central Coast with Cal Poly Arts' new LatinX Series, bringing targeted artists to appeal to this demographic group.

- Continue to utilize the Spotlight Season Rollout and Sponsorship Acquisition Event to raise an amount equal to or greater than the contributed income support from sponsors for the 2018-19 season, which was $231,000 in cash support from sponsors and $140,000 in in-kind support.

- Expand the number of donors in the membership program, Cal Poly Arts VIP Membership, which was launched in spring of 2018 as a branded "club" that offers members enhanced benefits like additional percentage discounts on subscription tickets, invitations to donor recognition events and receptions, drink coupons, etc. Dual goals are to increase subscribership by offering additional ticket discounts to members, and increasing contributions by incentivizing ticket-buyers to become members and/or increase their donor level.

- Continue to strategically expand use of off-campus venues, elevating Cal Poly Arts' brand and stature in the market. One performance is booked to date at the Fremont Theatre in 2019-20, with aspirations to add one or two more as the year progresses and circumstances allow.

- Expand and enhance the Poly Arts for Youth outreach program through longer residency projects, offering deeper, richer experiences for both the students and artists.

- Continue to maintain and develop new partnerships with local organizations both on and off campus in order to maximize reach while reducing risk. For example, Cal Poly Arts will be partnering with Cal Poly ASI to co-present several high-profile speakers and/or comedians at the Performing Arts Center in 2019-20. There will also be a collaboration with the SLO International Film Festival in showing a classic silent film, accompanied live on the Forbes Pipe Organ.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Estimate*	Fiscal Year 2019-20 Budget Proposal	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Gifts	$481	$324	$320	$344	$24	7%
Ticket Sales	1,251	1,235	1,260	1,348	87	7%
Other Revenues	88	57	83	80	(3)	(3%)
Income Before Operations	**1,820**	**1,617**	**1,663**	**1,771**	**108**	**7%**
Salaries & Wages	-	1	-	-	-	0%
Benefits	-	0	-	-	-	0%
Total Payroll Expense	**-**	**1**	**-**	**-**	**-**	**0%**
Supplies & Equipment	5	5	3	5	(2)	(46%)
Rent / Lease Expense	56	56	58	64	(6)	(10%)
CPC Administrative Services	34	29	36	36	(0)	(1%)
Artist Fees	881	835	866	912	(46)	(5%)
Other Operating Expenses	698	647	618	721	(103)	(17%)
Total Operating Expenses	**1,674**	**1,571**	**1,582**	**1,738**	**(156)**	**(10%)**
Total Expenses	**1,674**	**1,572**	**1,582**	**1,738**	**(156)**	**(10%)**
Net from Operations	**146**	**45**	**80**	**33**	**(48)**	**(59%)**
Other Income (Expense)	(12)	-	(3)	-	3	100%
Total Other Income (Expense)	**(12)**	**-**	**(3)**	**-**	**3**	**100%**
Net to Reserves	**$134**	**$45**	**$77**	**$33**	**$(45)**	**(58%)**

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

OPERATING BUDGET DISCUSSION

Following two fiscal years (2016-17 and 2017-18) that ended with a combined $300,000 in surplus operating income, 2018-19 appears headed for another surplus year. Once again, the season began with several events where ticket sales were below budgeted expectations. As has typically been the case, however, fortunes improved as the season progressed, highlighted by a two-night run in January of comedienne Lily Tomlin’s one-woman show, which sold out its first performance so quickly that a second was added and ultimately sold more than 1,000 tickets. The two shows netted $28,500 from ticket sales alone. Overall for the season, percentage of sales to capacity will once again reach 70%, equal to the high-water mark for the past decade. Maintaining this level of sales is one of the keys to financial success.

While overall sales remain strong, there is a concern with the proliferation of competition in the market. The conversion and emergence of The Fremont Theatre as a major live performance venue in downtown San Luis Obispo has raised challenges for Cal Poly Arts. Fremont management has taken a very aggressive posture, booking multiple events each week, saturating the market with available tickets. In addition, Vina Robles Amphitheater continues to present obstacles to booking larger name artists because its 3,000 seat-capacity allows for much greater gross sales, and thus higher artist fees. And on the other end of the spectrum, numerous smaller venues such as The Rock - SLO Brew and a number of new winery venues in the region are also gobbling up local ticket buying dollars.

In order to survive in this environment, Cal Poly Arts must play to its strengths, which include the presentation of Broadway touring shows. Cal Poly Arts is the only organization capable of hosting these large and extremely complicated productions. The superior technical capabilities of the Performing Arts Center make it the best choice for many technologically complex performances. As well, strategic decisions to occasionally rent competing facilities like The Fremont Theatre and/or Avila Beach Resort when appropriate will continue to keep Cal Poly Arts in the mainstream and help appeal to a more diverse and region-wide audience demographic.

The emphasis on anchoring season selections with several popular Broadway shows and a number of artists with household or iconic names, has led to increased sponsorship opportunities. Over the past three years, revenue from cash sponsors has grown by nearly $100,000/year, reaching between $230,000 and $250,000 annually. This has eased, to some extent, dependence on the more volatile ticket sales as a revenue source to balance the annual budget.

Annual fundraising, overall, was enhanced by the launch of the new VIP Membership program last year. The added donor benefits it provides to patrons, especially the additional ticket discounts levels for subscribers who contribute at $300 or higher, leveraged a significant increase in the number of overall donors and average gift levels. Moving forward, Cal Poly Arts will put considerable effort into marketing this program, as it will serve to broaden the donor base, creating a more substantial and reliable platform of income from smaller gifts.

Cal Poly Arts continues to seek pathways toward more collaboration with the Performing Arts Center. In the past season, Cal Poly Arts co-presented the new National Geographic Live speaker series, allowing for reduced risk and leading to collaborative efforts on marketing that maximized reach. The series was very successful and will be renewed in 2019-20. Other avenues of collaboration are in discussion regarding overall marketing services, which would call for PAC staff to provide Cal Poly Arts with website maintenance and other marketing services, boosting efficiency for both organizations.

The Poly Arts for Youth outreach program continues to grow, offering two multi-day artist residencies to accompany eight other single event engagements, sending professional touring artists into local schools for workshops, lecture/demonstrations, and mini performances. This program provides students with unique, up-close-and-personal arts experiences they might otherwise never have.

Finally, having achieved more consistency in the management of its annual budget, Cal Poly Arts is ready to take the next step toward creating a level of financial security that will safeguard the organization through future years. The primary strategy in this area is to develop a plan to increase the departmental endowment. With a current fund balance in excess of $600,000, the endowment needs to grow by $2 million over the next few years in order for it to generate annual earnings of $100,000. This is an amount sufficient to positively impact annual operations and to provide a level of protection from variations in budgetary success from year to year. Cal Poly Arts will work with the College of Liberal Arts Advancement Team to develop a fundraising plan to accomplish this goal. The aging of Cal Poly Arts' donor base provides an opportunity to solicit major planned gifts that would be a key factor in the success in reaching this objective.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2017 Reserve Balance	$196,012	$196,012
FY 2017-18 Change in Reserves	134,496	134,496
June 30, 2018 Reserve Balance	330,508	330,508
FY 2018-19 Change in Reserves (estimate)	77,226	77,226
June 30, 2019 Reserve Balance (estimate)	407,734	407,734
FY 2019-20 Change in Reserves (budget)	32,550	32,550
June 30, 2020 Reserve Balance (budget)	**$440,284**	**$440,284**

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 2018-19.

CAL POLY
CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Campus Dining

Fiscal Year 2019-20

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BUSINESS OVERVIEW

Campus Dining is a self-supporting operation, providing quality food and service to the university community since the first dining hall was established in the 1940s. As the Corporation's largest commercial service, Campus Dining employs over 1,400 staff and students each academic year, and operates anywhere from 25 to 30 different food concepts at a given time. Campus Dining serves over 3.2 million customers annually with an average of 20,000 daily customer transactions daily. During fiscal year (FY) 2016-17, the Corporation entered into a three-year contract with Chartwells Higher Education Dining Services to provide an on-site management team to lead existing campus food operations.

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

Revenues

The dining program operates on two distinct sources of revenue: dining plan revenue from on-campus freshman housing residents, and revenue from cash sales to the Cal Poly community. The dining plan revenue-stream increases and decreases with the freshman enrollment numbers, and represents approximately 75% of Campus Dining's revenue in FY 2018-19.

For the 2017-18 academic year, the freshman dining plan was an all declining balance program where students could make purchases at any of the campus food operations. After significant research and discussion, and financial evaluation, two new dining plans were introduced for the 2018-19 academic year. These additional plans include a mix of meal credits and declining balance. This was in response to the many students and parents who were requesting dining plans that included a range of pricing. In addition, three plans were offered to continuing student residents - one all declining balance plan, and two plans with a mix of meal credits and declining balance. Over 430 continuing students obtained a dining plan for the 2018-19 academic year.

For the 2019-20 academic year, freshman and continuing students have three dining plan options, all of which are all declining balance programs. All plans will offer discounts to students at selected Campus Dining locations. Plans are required for freshman students and optional for others.

Facilities

Campus Dining operates over 88,000 square feet of space on the Cal Poly campus, with an additional 25,000 square feet used in culinary and administrative support space. The core facility, Building 19, opened in 1961 and houses some of the busiest restaurants on campus including 805 Kitchen, 805 Cafe, The Avenue, Poly Deli, and Lucy's Juice. Building 19 also includes a warehouse for Campus Dining along with a bake shop and commissary production unit. These units provide products for dining locations across campus. Campus Dining has additional venues at other locations across campus, including Poly Canyon Village, the University Union, Kennedy Library, the Dexter Building, and Campus Market, and will be opening a convenience store in the new yak?it^{y}ut^{y}u village complex in Fall of 2019.

During the 2016-17 fiscal year, the 43-year old Vista Grande complex was demolished. Construction of a new state-of-the-art facility is under way, and is scheduled for completion during the 2019-20 academic year. The new Vista Grande building will be approximately 35,000 gross square feet, including 7,000 square feet for offices, conference rooms, and common space.

2018-19 HIGHLIGHTS & ACCOMPLISHMENTS

- Winner of two Loyal E. Horton Dining Awards presented by The National Association of College & University Food Services (NACUFS). The Loyal E. Horton Dining Awards is a prestigious honor celebrating exemplary campus dining services throughout the United States and Canada.

    - Grand Prize Winner and Gold Medal, Catering Online Menu
    - Silver Medal, Catering Special Event

- Opened newly relocated and remodeled Village Market and Einstein's.

- Focus in market products on local, healthy, allergen-free, and specialty foods, including kosher, halal, vegan, vegetarian, gluten-free, and "Kaitlin's Korner" dietician recommended.

- A gluten-free products/choices virtual tour was made available on Campus Dining website.

- Inaugurated the Choose Well Ambassador Program; student ambassadors provide peer-to-peer wellness and sustainability education to assist fellow students in making healthy choices.

- Integrated with university housing's Star Rez program which enabled enrollment in dining plans by all students residing on campus.

- Implemented optional dining plans for continuing students, with purchase of over 430 plans.

- Launched Cooking in the Canyon classes in conjunction with University Housing. Every Tuesday, a Campus Dining chef helps students, faculty and staff prepare a recipe and shares culinary tips and tricks.

- Featured special events including Dead Week Dinner, Dessert Night at 805, Swanton Ranch event, FriYAY, Farm to Fork Dinners, PolyCultural Week special menus, and kosher Passover dinner.

- Began research for an upgraded point of sale system (POS) and inventory and food management software for Campus Dining locations.

2019-20 GOALS & OBJECTIVES

- Through effective project management, ensure a successful and smooth opening of new and renovated venues:
  - Vista Grande
  - Grand Avenue Market
  - Starbucks University Union

- Complete and execute plan to meet the dining needs of students on central campus during the Building 19 renovation

- Contribute to the University's sustainability goals with the launch of Vista Grande:
  - Reusable dishware
  - Sustainable to-go containers
  - Increased mix of fountain beverages paired with multi-use containers

- Central recycling and refuse stations with engaging signage

- Deliver on key nutritional needs by successfully executing Vista Grande offerings:
  - Kosher
  - Gluten Free
  - Halal
  - Vegan

- Improve food and labor costs:
  - Increased focus and financial analysis of monthly cost of goods and labor by venue
  - Secured inventory at Building 19 and Vista Grande
  - SKU level price review with Chartwells and competing vendors
  - Variable staffing at Vista Grande

- Implement an upgraded point of sale system for all Campus Dining locations, including mobile register options

- Conduct employee training in the following areas:
  - Effective Management
  - Diversity
  - Standards of Conduct

- Establish improved food and worker safety programs through documentation of policy and procedures, audits and employee training

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	% of Sales	Fiscal Year 2018-19 Budget	% of Sales	Fiscal Year 2018-19 Estimate*	% of Sales	Fiscal Year 2019-20 Budget Proposal	% of Sales	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$33,679	100%	$32,830	100%	$31,148	100%	$34,525	100%	$3,378	11%
Cost of Goods Sold	12,453	37%	11,506	35%	11,057	36%	12,207	35%	(1,150)	(10%)
Gross Margin	**21,226**	**63%**	**21,323**	**65%**	**20,090**	**64%**	**22,318**	**65%**	**2,228**	**11%**
Other Revenues	862	3%	658	2%	2,037	7%	649	2%	(1,388)	(68%)
Income Before Operations	**22,088**	**66%**	**21,981**	**67%**	**22,127**	**71%**	**22,967**	**67%**	**840**	**4%**
Salaries & Wages	7,668	23%	8,166	25%	7,919	25%	9,031	26%	(1,112)	(14%)
Benefits	2,739	8%	3,122	10%	3,000	10%	3,456	10%	(456)	(15%)
Total Payroll Expense	**10,407**	**31%**	**11,288**	**34%**	**10,919**	**35%**	**12,487**	**36%**	**(1,568)**	**(14%)**
Depreciation & Amortization	773	2%	741	2%	741	2%	1,659	5%	(918)	(124%)
Software / Hardware Maintenance	97	0%	122	0%	130	0%	181	1%	(51)	(39%)
General Maintenance	468	1%	534	2%	407	1%	429	1%	(22)	(5%)
Utilities	533	2%	612	2%	540	2%	600	2%	(60)	(11%)
Supplies & Equipment	728	2%	708	2%	576	2%	898	3%	(322)	(56%)
Rent / Lease Expense	375	1%	388	1%	382	1%	407	1%	(24)	(6%)
Management Contract Labor	520	2%	544	2%	524	2%	547	2%	(23)	(4%)
CPC Administrative Services	1,089	3%	1,162	4%	1,162	4%	1,228	4%	(66)	(6%)
CPC Allocated Services	476	1%	567	2%	569	2%	612	2%	(43)	(8%)
Commissions & Royalties	589	2%	549	2%	598	2%	575	2%	23	4%
Other Operating Expenses	1,243	4%	1,411	4%	1,415	5%	1,424	4%	(9)	(1%)
Total Operating Expenses	**6,890**	**20%**	**7,338**	**22%**	**7,045**	**23%**	**8,560**	**25%**	**(1,515)**	**(21%)**
Total Expenses	**17,297**	**51%**	**18,626**	**57%**	**17,964**	**58%**	**21,047**	**61%**	**(3,083)**	**(17%)**
Net from Operations	**4,791**	**14%**	**3,355**	**10%**	**4,163**	**13%**	**1,920**	**6%**	**(2,243)**	**(54%)**
Other Income (Expense)	(386)	(1%)	240	1%	241	1%	240	1%	(1)	0%
University Services	(670)	(2%)	(670)	(2%)	(670)	(2%)	(672)	(2%)	(2)	0%
Interest Expense	-	0%	-	0%	-	0%	(1,160)	(3%)	(1,160)	(100%)
Total Other Income (Expense)	**(1,056)**	**(3%)**	**(430)**	**(1%)**	**(429)**	**(1%)**	**(1,592)**	**(5%)**	**(1,163)**	**(271%)**
Transfers In (Out)	**(7,082)**	**(21%)**	**(315)**	**(1%)**	**(315)**	**(1%)**	**306**	**1%**	**621**	**197%**
Net to Reserves	**$(3,347)**	**(10%)**	**$2,610**	**8%**	**$3,418**	**11%**	**$634**	**2%**	**$(2,784)**	**(81%)**
Noncash transactions (add back):										
Depreciation & Amortization	773	2%	741	2%	741	2%	1,659	5%	918	124%
Other Expense	100	0%	-	0%	-	0%	-	0%	-	0%
Adjusted Net to Reserves	**$(2,747)**	**(8%)**	**$3,351**	**10%**	**$4,160**	**13%**	**$2,293**	**7%**	**$(1,867)**	**(45%)**

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Campus Dining anticipates total **Sales** and **Other Revenues** for FY 2018-19 to be slightly below the budget (approximately 1%). First-year freshman headcount was about 40 students lower than anticipated, which was offset by increases in dining plan revenues resulting from some students switching to more expensive dining plans during the year. Cash sales are expected to be 6% under budget, but was offset approximately $1.1 million in meal plan sales to continuing and transfer students. The decrease in total sales and other revenues from prior year is the result of a decrease in first-time freshman headcount and the change in dining plan structure.

For the 2019-20 academic year, freshman and continuing students have three dining plan options, all of which are all declining balance programs. Sales for 2019-20 are budgeted to increase 11% over the FY 2018-19 projections, which is the result of a combination of increases in first-time freshman headcount and general pricing.

Current year **Cost of Goods Sold (COGS)** is projected to be below the FY 2018-19 budget by about $450,000, which is consistent with the change in Sales over the same period. As a percentage of Sales, cost of sales is projected to be approximately 35.5%, which is slightly higher than the budget of 35%. The variance from budget is partially driven by investments in higher cost special events such as Cooking in the Canyon, Guest Chef Series, and FriYAY. Food cost percentage for FY 2019-20 is budgeted to remain consistent with the FY 2018-19 level.

Payroll Expense for FY 2018-19 is estimated to be $370,000 under budget, primarily due to a favorable variance in intermittent labor and vacancies in full-time positions. Payroll expense for FY 2019-20 reflects a 3% compensation pool for full-time employees, with an additional 1% in January 2019 for employees at lower earnings to address compression from minimum wage increases. It also reflects an increase in the minimum wage for student and part-time employees in January 2020, and fringe benefit rates slightly lower than FY 2018-19.

Overall payroll expenses are budgeted to increase 11% over the 2018-19 budget due to the opening of the new Vista Grande dining complex. Overlap in services, labor for moving, and increased positions required for staffing the new venue are included in the 2019-20 budget.

Operating Expenses for FY 2018-19 are anticipated to be approximately 4% lower than budget as a result of savings in multiple expense categories, general maintenance, utilities, and supplies and equipment. FY 2019-20 operating expenses as a percentage of sales are budgeted to increase 2%, primarily due to increases in depreciation expense as well as supplies and equipment related to the opening of the new Vista Grande dining complex.

Other Income/Expense for FY 2018-19 represents income generated in relation to the Corporation's exclusivity agreement with Coke. Although shown as income to Campus Dining, these funds are transferred to the Campus Programs fund in support of athletics. The agreement with Coke expires in July 2019 and a request for proposal has been issued for beverage pouring rights for the campus. The amount included in other income/expense for FY 2019-20 assumes a successful contract valued at an amount equal to the current agreement.

Other income/expense for FY 2019-20 includes approximately $1.2 million in interest expense related to proceeds acquired from CSU Systemwide Revenue Bonds issued for the construction of Vista Grande.

Net from Operations for FY 2018-19 reflects a positive variance from the budget of $808,000 primarily due to the savings in food costs, payroll and operating expenses as noted above. The decrease in Net from Operations in the FY 2019-20 budget is the net impact of the costs related to the opening of the new Vista Grande dining complex that are noted above.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Outlay Reserve	Facilities Reserves	Debt Service Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2017 Reserve Balance	$4,350,783	$1,981,000	$23,922,344	$1,443,729	$5,245,861	$36,943,717
FY 2017-18 Change in Reserves	119,517	(1,656,000)	6,767,293	160,452	(1,971,323)	3,419,939
June 30, 2018 Reserve Balance	4,470,300	325,000	30,689,637	1,604,181	3,274,538	40,363,656
FY 2018-19 Change in Reserves (estimate)	376,700	765,500	951,045	36,475	1,288,651	3,418,371
June 30, 2019 Reserve Balance (estimate)	4,847,000	1,140,500	31,590,682	1,640,656	4,563,189	43,782,027
FY 2019-20 Change in Reserves (budget)	145,410	(140,500)	(13,656,019)	88,657	14,196,452	634,000
June 30, 2020 Reserve Balance (budget)	**$4,992,410**	**$1,000,000**	**$17,934,663**	**$1,729,313**	**$18,759,641**	**$44,416,027**

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, 2019 (estimate) and June 30, 2020 (budget) is equal to three months of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

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

Facilities Reserves represent Campus Dining’s accumulated earnings after all other reserves are funded. Facilities reserves will be used towards the construction of the new Vista Grande (Building 112) as well as future facility projects involving Building 19.

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

Investment in Operating Assets for June 30, 2019 (estimate) and June 30, 2020 (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
Point-of-Sale/Food Service System	$600,000	5	$120,000
Remodel Walk-In Cooler - Building 82	68,000	5	13,600
GEM Electric Vehicles (3) - Building 19 & Concessions	55,500	5	11,100
Renewal & Replacement - Capital	50,000	5	10,000
Flooring Replacement - Campus Market	40,000	10	4,000
Secondary Ware-Washing Station - Building 19	30,000	5	6,000
Food Truck Charging/Storage - Building 82	30,000	5	6,000
Ford Transit	26,000	5	5,200
Fryers (2) - Campus Market	25,000	5	5,000
Total Major Capital Outlay	**$924,500**		**$180,900**
Minor Capital Equipment Outlay (Up To $25,000)			
Henny Penny Fryers (2) - Chick-Fil-A	$24,000	5	$4,800
Traulsen Reach-in Refrigerator - Chick-Fil-A	21,000	5	4,200
Vulcan Fryer - Chick-Fil-A	20,000	5	4,000
Service Trailer - Chick-Fil-A	20,000	5	4,000
Re-work Line Countertop - Red Radish	20,000	5	4,000
Trailer Improvements - Concessions	18,000	10	1,800
Kegerators (2) - Concessions	12,500	5	2,500
Steamer - Campus Market	10,000	5	2,000
Big Joe Electric Stacker - Building 19	10,000	5	2,000
Back-of-House Tile Replacement - Campus Market	10,000	10	1,000
Dishwasher - Red Radish	7,500	5	1,500
Coffee Brewer & Grinder - Einstein's	7,500	5	1,500
Nitro Cold-Brew Tap - Starbucks Campus Market	7,500	5	1,500
Double-Door Freezer - Mustang Station	6,500	5	1,300
Three-Door Refrigerator - Red Radish	6,000	5	1,200
Electric Pallet Jack - Building 19	5,500	5	1,100
Refrigerator - Starbucks Campus Market	5,000	5	1,000
Security Camera System - Campus Market	5,000	5	1,000
Total Minor Capital Outlay	**$216,000**		**$40,400**
Total Capital Outlay	**$1,140,500**		**$221,300**
Previously Approved Capital Outlay Requests (1)			
Building 19 Design and Renovation	$26,800,000	30	$893,333
Yak?ityutyu Campus Dining Space	1,225,000	30	40,833
Starbucks Refresh	675,000	30	22,500
Vista Grande Replacement Building	36,000,000	30	1,200,000
Total Capital Outlay Request	**$65,840,500**		**$2,377,967**

CAPITAL OUTLAY REQUEST DETAIL

Point-of-Sale/Food Service System: Upgrade of Point-of-Sale system to a cloud-based, secure version, including new hardware.

Remodel Walk-In Cooler - Building 82: The existing freezer will be converted to a combination freezer/refrigerator to facilitate storage lost during the closure of building 19.

GEM Electric Vehicles (3) - Building 19 & Concessions: Replacement for aging vehicles; additional needs for transportation of product during the closure of building 19.

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

Flooring Replacement - Campus Market: Replace existing aged, damaged tile flooring throughout the market.

Secondary Ware-Washing Station - Building 19: To increase washing capacity during the closure of building 19.

Food Truck Charging/Storage Infrastructure - Building 82: To enable charging of vehicles and storage of truck product during the closure of building 19.

Ford Transit: Vehicle to be used for product delivery from building 82 during closure of building 19.

Fryers (2) - Campus Market: Replace aging, undependable equipment with new models with enhanced safety features.

(1) The Capital Outlay Request below was approved by the Board of Directors at their January 2019 meeting. It is repeated here for informational purposes only. No further action is required.

Building 19 Renovation: 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.

yak?it^{y}ut^{y}u Campus Dining Space: As part of the construction of the yak?it^{y}ut^{y}u student housing facility, the Corporation has been allotted approximately 1,900 square feet of space to design, develop, and construct a Campus Dining retail space. The space will be a combination convenience market and food service space.

Starbucks Refresh: The Corporation's license agreement with Starbucks for the University Union location comes to term in September 2018. As a part of its renewal process, Starbucks requires a refurbishment investment in the operation, which brings the space to current Starbucks standards, specifications and design criteria.

Vista Grande Replacement Building: Construction of a new 35,000 square foot dining facility to accommodate the growing student population in that area of campus with the construction of the yak?it^{y}ut^{y}u student housing facility. The approved project budget comes with a 10% variance and includes SRB financing of $28,880,000.

CAL POLY
CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Conference and Event Planning

Fiscal Year 2019-20

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BUSINESS OVERVIEW

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

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

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

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

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

* Available only for university-sponsored events

2018-19 ACCOMPLISHMENTS

- CEP created a “Policies and Procedures” binder, complete with departmental procedures, a table of contents and chapters. The binder helped to focus and fine tune all of the department procedures, which were examined closely and revised if needed.

- A “How to Create an Event” manual was drafted as a help guide to potential clients on summer youth programs. Clients appreciated this guide as it also contained various new ideas on creative approaches and promotion.

- Invitations were extended to other universities to visit our campus, as an outreach program and exchange. CEP visited the UC Santa Barbara campus, and toured their facilities, housing options, conference rooms and dining facilities. CEP gathered information on conference and summer programs. This tour provided beneficial information with insight on other universities housing prices and procedures. CEP also took part in the CSU Summit at CSU Channel Islands, exchanging information, policies and procedures with a number of state Universities, participating in workshops and roundtable discussions.

- Improvements on payment procedures resulted in less outstanding revenue and less time spent on invoice collections. By offering mutually agreed upon payment options, with flexibility on payments and associated timelines, clients budgeted their payment obligations more effectively.

- Focused on fostering strong relationships with campus partners and departments to increase campus facility availability. Ongoing facility renovations and construction provided challenges on alternative space and facilities. CEP explored additional off campus facilities, and these off campus venues were utilized when needed, also forming stronger relationships with the community. CEP coordinated various events at off campus venues such as SLO Brew Rock, Madonna Inn and Inn at the Pier, as well as taking part in tours of Allegretto Vineyard, The Embassy Suites and The Kinney.

- A portfolio on the CEP website was creating, including a slide show of pictures illustrating the department and a display the department’s mission and successes.

- CEP expanded its relationship with San Luis Obispo Chamber of Commerce by taking part in the Good Morning SLO program as well as monthly networking sessions. CEP increased its visibility and promoted Cal Poly’s connection to the community by attending programs and mixers, and networking with other community leaders, business owners, and nonprofits. The CEP Director also attended and graduated from the Chambers “Leadership SLO” program, co-sponsored by the Community Leadership Foundation.

2019-20 GOALS & OBJECTIVES

- External consultant has been engaged to perform a revenue analysis, market study and operational assessment of conference services and summer facility use. CEP will work with corporation executive office and campus stakeholders to complete engagement, review results and implement actions.

- Research additional summer conference and housing opportunities to attract a wider external audience and client base, including government groups and non-profits that conduct training and educational programs. Increase marketing outreach and contact with these groups to help grow external conferences.

- Provide leadership to assigned Corporation strategic plan goals and objectives. Support work of other goal leads as a team member and through engagement of CEP staff.

- Enhance relationships with University faculty, deans and support staff. CEP will develop an outreach initiative, sending invitations and materials to these targeted groups, hosting informal gatherings to educate and share information on potential new camp or conference opportunities, conference services and price structure.

- Work with University student clubs and organizations to facilitate holding of events on the Cal Poly campus. Develop an outreach program for better understanding and collaboration, fostering partnership and welcoming questions from those clubs and organizations holding events at Cal Poly.

- Support sustainability goals and objectives of corporation strategic plan. In conjunction with goal leads and team members, explore options for move to a paperless informational system, using digital file sharing and applications to educate conference and camp guests. Work with clients to support the campus Zero Waste Initiative, suggesting measures such as having Cal Poly Zero Waste Ambassadors at conferences and events, and providing free collapsible water containers for guests.

- Relocate CEP offices to the new Vista Grande Dining Complex. Coordinate with Corporation assigned project manager to ensure this move from one office space to another is accomplished with the highest level of team work, coordinating with all of the campus partners that are instrumental to a successful change of work environment.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Estimate*	Fiscal Year 2019-20 Budget Proposal	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$618	$796	$912	$872	$(40)	(4%)
Other Revenues	401	410	353	361	8	2%
Income Before Operations	**1,019**	**1,206**	**1,265**	**1,232**	**(32)**	**(3%)**
Salaries & Wages	441	469	459	483	(24)	(5%)
Benefits	197	234	232	234	(2)	(1%)
Total Payroll Expense	**638**	**703**	**691**	**717**	**(26)**	**(4%)**
Depreciation & Amortization	10	9	9	8	1	14%
Software / Hardware Maintenance	17	18	17	18	(1)	(4%)
Supplies & Equipment	8	12	10	11	(1)	(7%)
Rent / Lease Expense	1	1	0	1	(0)	(10%)
CPC Administrative Services	123	130	130	135	(5)	(4%)
Other Operating Expenses	209	301	391	336	55	14%
Total Operating Expenses	**367**	**471**	**558**	**508**	**50**	**9%**
Total Expenses	**1,006**	**1,173**	**1,249**	**1,225**	**24**	**2%**
Net from Operations	**13**	**33**	**16**	**8**	**(8)**	**(52%)**
Other Income (Expense)	(5)	-	(1)	-	1	100%
University Services	(26)	(28)	(28)	(21)	7	25%
Total Other Income (Expense)	**(31)**	**(28)**	**(29)**	**(21)**	**8**	**27%**
Transfers In (Out)	**(661)**	**-**	**-**	**-**	**-**	**0%**
Net to Reserves	**$(678)**	**$5**	**$(13)**	**$(13)**	**$(0)**	**(3%)**
Noncash transactions (add back):						
Depreciation & Amortization	10	9	9	8	1	14%
Adjusted Net to Reserves	**$(668)**	**$14**	**$(4)**	**$(5)**	**$(2)**	**(46%)**

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

OPERATING BUDGET DISCUSSION

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

Revenues:

FY 2018-19 revenues are projected to be approximately 5% more than budgeted. The increase from budget is primarily the result of program expansion and increased participation. In FY 2017-18, CEP had three events that were canceled and four others that had significantly less attendance than anticipated, which is the primary reason for the increase in revenues from the prior year.

Overall, FY 2019-20 revenues are expected to decrease 3% percent. The decrease is a direct result of a major client choosing to explore other campus possibilities. That decision was based on their need to provide other campus experiences to their clients.

Payroll Expense:

CEP provides a broad array of event services to the campus community, and the budget reflects the cost of personnel required to provide these services. Payroll expense for FY 2019-20 reflects a 3% compensation pool for full-time employees, with an additional 1% in January 2019 for employees at lower earnings to address compression from minimum wage increases. It also reflects an increase in the minimum wage for student and part-time employees in January 2020, and fringe benefit rates slightly lower than FY 2018-19. To address the impact of rising compensation costs, CEP has reduced student assistant hours and will focus efforts on better training student staff, with an emphasis on efficiency.

Operating Expenses:

FY 2018-19 operating expenses are projected to end the year 18% over budget. The unfavorable variance from budget and change from prior year primarily relates to increases in on-campus housing expenses and consultant expenses. On-campus housing expenses come from the University for housing and laundry expenses and typically represent approximately 60% of all CEP operating expenses. The variance in housing expenses relates to the increase in participation and expansion. The increase from the previous year includes the increase in events and participation as well as an increase in housing rates. In addition, an external consultant has been engaged to perform an assessment and market study of conference services and summer facility use.

Total operating expenses in FY 2019-20 are budgeted to decrease $50,000 over FY 2018-19 projections. The decrease primarily relates to a decrease in on-campus housing expenses, which follows the decrease in budgeted revenues for FY 2019-20.

Transfer to Plant Fund Reserves:

Transfers of $680,000 in FY 2017-18 includes reserves transferred to the Plant Fund and held in a facilities reserve. These reserves represent CEP's accumulated earnings after all other reserve requirements have been met. Transferring these reserves to the Plant Fund is consistent with Corporation practice for other commercial business units.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Facilities Reserve	Total
June 30, 2017 Reserve Balance	$270,234	$36,951	$10,000	$679,759	$996,944
FY 2017-18 Change in Reserves	20,781	(9,903)	(10,000)	(19,148)	(18,270)
June 30, 2018 Reserve Balance	291,015	27,048	-	660,611	978,674
FY 2018-19 Change in Reserves (estimate)	13,188	(9,247)	-	(16,942)	(13,001)
June 30, 2019 Reserve Balance (estimate)	304,203	17,801	-	643,669	965,673
FY 2019-20 Change in Reserves (budget)	9,126	(7,932)	-	(14,568)	(13,374)
June 30, 2020 Reserve Balance (budget)	**$313,329**	**$9,869**	**-**	**$629,101**	**$952,299**

CEP maintains four separate reserves for the following purposes:

Operating Reserves represents working capital held for contingencies and continuing operations. The reserve balance for June 30, 2019 (estimate) and June 30, 2020 (budget) is above the minimum reserve level of 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

Investment in Operating Assets for June 30, 2019 (estimate) and June 30, 2020 (budget) represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

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

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2019-20.

CAL POLY
CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Sponsored Programs Administration

Fiscal Year 2019-20

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BUSINESS OVERVIEW

Sponsored Programs, in accordance with the Integrated CSU Administrative Manual (ICSUAM) section 11000, provides essential functions and services to the Cal Poly community to further its educational mission and scholarly endeavors.

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

The primary objectives of Sponsored Programs are as follows:

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

2018-19 ACCOMPLISHMENTS

- Streamlined electronic processes were implemented utilizing the capabilities provided through the financial management database program (ONESolution), focusing on enhancements to compliance tracking and monitoring.

- A project to scan critical files was completed to reduce the department's reliance on physical documentation for reporting requirements and audit support.

- The department participated in the preparation, development, and submission of the annual composite fringe benefit rate and proposal to the U.S. Department of Health and Human Services.

- Several external sponsor audits were completed, as well as the A-133 single audit and export license reviews.

- The department hired a contracts and grants analyst and an office coordinator to backfill two vacant positions. These positions provide pre- and post-award support to faculty and staff at the project level.

- The department completed a project with Huron Consulting to create a process to initiate and approve service center fees, allowing the creation of auditable service rates that can be compliantly charged to publicly-funded sponsored project agreements. Two units have completed this new process to develop approved rates.

- The department continued to work with the vice president for research and economic development and personnel in the Grants Development Office to refine the campus export compliance review processes.

- Increased communication and streamlining activities between the Grants Development and Sponsored Programs offices resulted in greater coordination and transparency.

2019-20 GOALS & OBJECTIVES

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

- The department will participate in a review and update of Corporation policies and processes to maximize efficiency and service, while ensuring proper stewardship of assets and resources.

- The department will hire and train two additional vacant positions, a contracts and grants analyst and the newly-approved assistant director for Sponsored Programs Administration. The latter position supports activities previously performed by the sponsored programs audit and compliance officer position, which was vacated in January 2019. This position will also provide additional training and guidance for department staff.

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

- The department will collaborate with the Corporation Business and Finance Office and university Administration and Finance, along with the support of a selected external consulting organization, to prepare and submit the next Facilities and Administrative rate proposal for renewal of its federally-approved indirect cost rate.

- New approaches to nurture and promote an exemplary service culture will be developed and applied, including increased in-person support, outreach, and improved resources available on the Sponsored Programs website.

- Working closely with the Corporation IT, streamlined electronic processes will continue to be developed and implemented in support of the strategic goal to ensure business processes and practices maximize efficiency and service, making the best use of resources and assets.

- Evaluation of physical office space use is ongoing, and may include relocation to a campus space that will allow Sponsored Programs, Grants Development, and the Office of Research and Economic Development central staff to co-locate in the same building.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Estimate*	Fiscal Year 2019-20 Budget Proposal	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Contract & Grant IDC Income	4,082	3,650	3,992	4,072	80	2%
Contract & Grant Admin Fees	5	4	3	3	-	0%
Center & Institute Admin Fees	195	174	202	202	-	0%
Other Revenues	144	158	234	234	-	0%
Income Before Operations	**4,426**	**3,986**	**4,430**	**4,510**	**80**	**2%**
Salaries & Wages	595	738	561	797	(236)	(42%)
Benefits	364	447	337	466	(129)	(38%)
Total Payroll Expense	**959**	**1,185**	**898**	**1,263**	**(365)**	**(41%)**
Audit & Tax	11	12	12	12	(0)	(2%)
CPC Administrative Services	712	734	734	760	(26)	(4%)
Other Operating Expenses	322	427	378	511	(134)	(35%)
Total Operating Expenses	**1,045**	**1,173**	**1,124**	**1,283**	**(160)**	**(14%)**
Total Expenses	**2,004**	**2,358**	**2,022**	**2,546**	**(524)**	**(26%)**
Net from Operations	**2,421**	**1,628**	**2,409**	**1,964**	**(444)**	**(18%)**
Other Income (Expense)	(7)	(1)	(2)	(1)	1	43%
Total Other Income (Expense)	**(7)**	**(1)**	**(2)**	**(1)**	**1**	**43%**
Transfers In (Out)	**(2,504)**	**(1,527)**	**(2,311)**	**(1,860)**	**450**	**19%**
Net to Reserves	**$(89)**	**$100**	**$96**	**$103**	**$7**	**7%**

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Total **Income Before Operations** for FY 2018-19 is expected to exceed budget projections by approximately 11%, primarily due to increased sponsored project expenditure activity and a slight increase in the effective rate collected for indirect cost recovery. Projections for FY 2019-20 contract and grant income are expected to increase slightly, primarily due to anticipated increases in federal grant funding. While there continues be uncertainty in the availability of federal grant funding for future years, the increase in federal grant funding received this year increases the potential for additional sponsored project expenditure activity next year. Other revenues in FY 2019-20 are budgeted to remain flat or increase only slightly from the current year, also due to uncertainty regarding changes in availability of funds.

Total **Payroll Expense** for the current year reflects a decrease from the budget due to continued and unexpected position vacancies. Payroll expense for FY 2019-20 reflects a 3% compensation pool for full-time employees, with an additional 1% in January 2020 for employees at lower earnings to address compression from minimum wage increases. It also reflects an increase in the minimum wage for student and part-time employees in January 2020, and fringe benefit rates slightly lower than FY 2018-19. Payroll expense for FY 2019-20 also reflects an expectation of filling vacant positions.

Total **Operating Expenses** for the current year are anticipated to be 4% below budget, which is primarily the result of savings in travel-related expenditures, shipping charges, and consulting expenses. FY 2019-20 Operating Expenses are expected to increase 14%, primarily due to a $75,000 increase in external consulting expenses to assist in the preparation and submittal of the Facilities and Administrative rate renewal proposal of the federally-approved indirect cost rate. In addition, the increase in Operating Expenses next year includes a $44,000 increase in the university cost allocation. The total university cost allocation is provided by the university along with data used to determine each department's individual portion.

Transfers Out includes funds allocated by the Dean of Research for expenditure by various university departments involved in campus research programs. Transfers out in FY19-20 is expected to decrease by approximately $367,000 as a result of the increase in payroll and operating expenses.

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, 2017 Reserve Balance	$465,069	$347,485	$20,724	$833,278
FY 2017-18 Change in Reserves	53,206	(137,215)	(4,974)	(88,983)
June 30, 2018 Reserve Balance	518,275	210,270	15,750	744,295
FY 2018-19 Change in Reserves (estimated)	28,161	73,201	(4,974)	96,388
June 30, 2019 Reserve Balance (estimate)	546,436	283,471	10,776	840,683
FY 2019-20 Change in Reserves (budget)	16,393	91,773	(4,974)	103,192
June 30, 2020 Reserve Balance (budget)	**$562,829**	**$375,244**	**$5,803**	**$943,876**

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

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

During FY 2017-18, a project closed in a deficit position of approximately $167,000. Funds from the Contract & Grant Audit Reserve were transferred to cover the deficit and close the project. It was agreed this reserve would be replenished to full capacity over a two year period.

Investment in Operating Assets for June 30, 2019 (estimate) and June 30, 2020 (budget) represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2019-20.

CAL POLY CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

General Administration

Fiscal Year 2019-20

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BUSINESS OVERVIEW

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

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

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

The GA budget includes the following Corporation operations:

Executive Office - The Corporation’s Executive Office is responsible for setting strategic direction and priorities for the organization, ensuring alignment with university priorities and direction, board and organizational administration and compliance, business and policy development, legal affairs, contract administration and management, capital development and public relations. Under the leadership of the executive director, 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 2,000 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.

Information Technology (IT) - The IT department provides a full range of information technology services for the Corporation's administrative and commercial operations. IT explores, evaluates, promotes, recommends, develops and supports the application of technological solutions. IT provides workstation and other computing equipment support, Help Desk support, computer account administration, network administration, computing asset management, software/hardware installation on workstations and servers, web development and hosting services, database administration, and application development and support.

General Administration operations are funded 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.

2018-19 ACCOMPLISHMENTS

- Finalized the Corporation strategic plan, establishing strategic directions, goals and objectives for the next two to three years, in alignment with university priorities.

- The master plan phase of the Building 19/University Union Neighborhood project was completed in collaboration with ASI. Design and development of Building 19 commenced.

- Completed the hire of several key management positions, including an associate executive director, a new director of human resources, and project/property manager.

- Completed a CSU Chancellor's Office auxiliary audit, with all findings successfully remediated.

- Created an online self-service Docusign form and process for wellness reimbursements.

- In collaboration with Campus Dining, rolled-out the Tapingo Mobile Food Order & Payment application, providing expanded food order options and enhanced customer experience.

- Completed RFP and selection of vendor to improve employee self-service options in Human Resources and Payroll.

- Implemented cloud-based backup and recovery technology to ensure protection and recovery of Corporation data assets and business continuity.

- Developed over three hundred campaigns to market and promote Campus Dining programs and events, assisted Campus Dining in winning two NACUFS Awards, including Grand Prize for on-line menu, and won ten international MarCom awards.

- Completed several key facilities projects, including the relocation of Village Market with full service Einstein's inside store, Campus Market LED lighting retrofit project, Starbucks espresso kiosk integration project, and restroom refresh project in the Corporation administration building.

- Developed and launched a Corporation facilities website, providing up-to-date capital project and building status information.

- Updated and developed numerous templates and standards for Corporation contracts, streamlining the process for new service and other agreements.

2019-20 GOALS & OBJECTIVES

- Develop and roll-out communication elements of corporation strategic plan, including more frequent and informative communications with corporation staff and key constituents.
- Create Corporation sustainability steering committee with charter and purpose, with sustainability overview by committee members to new employee orientation and training.
- Complete building 15 furniture replacement project to add more workstation capacity and create a more functional work environment.
- Develop uniform accounting processes for the commercial agriculture units for recording inventory and cost of goods sold.
- Conduct a needs assessment survey and identify opportunities to bridge skill and succession gaps in operations.
- Expand recruiting outreach through job fairs and web-based recruiting mechanisms to attract a diverse and qualified applicant pool, reduce the number of open positions and satisfy Affirmative Action Plan goals.
- Implement the enhanced Employee Self Service software, providing improved access to HR and payroll information.
- Provide career path and professional development coaching/training to all managers and supervisors.
- Provide project leadership and technical support for implementation of a new cloud-based integrated point-of-sale system.
- Execute a new pouring rights agreement and oversee full campus implementation.
- Work with campus partners to complete design and begin construction on the Building 19/University Union Neighborhood project, including obtaining CSU SRB financing approval from the Chancellor's Office.
- Successfully launch property management function for the Tech Park.
- Investigate options and implement a new work-order management platform to establish key metrics and data collection and analysis capabilities for facilities operations.
- Complete work to transition ASI timekeeping to the CPC Pay and Kronos timekeeping system.
- Establish a more comprehensive and well-documented risk management program.
- Provide leadership and support for the P3 (private-public-partnership) student housing initiative and Tech Park expansion project.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Estimate*	Fiscal Year 2019-20 Budget Proposal	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Assessment Income	$2,894	$3,066	$3,066	$3,129	$62	2%
Fee for Service Income	665	719	597	666	69	12%
CPC Allocated Services	685	726	737	791	54	7%
Other Revenues	643	598	726	807	80	11%
Income Before Operations	**4,887**	**5,110**	**5,126**	**5,392**	**265**	**5%**
Salaries & Wages	2,841	2,874	2,752	2,978	(226)	(8%)
Benefits	1,608	1,677	1,609	1,686	(77)	(5%)
Total Payroll Expense	**4,449**	**4,551**	**4,361**	**4,664**	**(303)**	**(7%)**
Depreciation & Amortization	134	89	82	71	11	14%
Software / Hardware Maintenance	201	228	207	294	(87)	(42%)
General Maintenance	41	24	23	24	(1)	(6%)
Supplies & Equipment	70	82	73	65	8	11%
Rent / Lease Expense	208	208	208	213	(6)	(3%)
Audit & Tax	121	125	112	117	(5)	(4%)
Other Operating Expenses	431	792	752	825	(73)	(10%)
Total Operating Expenses	**1,224**	**1,568**	**1,466**	**1,619**	**(153)**	**(10%)**
Total Expenses	**5,673**	**6,119**	**5,827**	**6,283**	**(456)**	**(8%)**
Net from Operations	**(786)**	**(1,009)**	**(700)**	**(891)**	**(191)**	**(27%)**
Other Income (Expense)	(6)	(1)	(13)	-	13	100%
Total Other Income (Expense)	**(6)**	**(1)**	**(13)**	**-**	**13**	**100%**
Transfers In (Out)	**772**	**975**	**685**	**876**	**191**	**28%**
Net to Reserves	**$(20)**	**$(35)**	**$(28)**	**$(15)**	**$13**	**47%**
Noncash transactions (add back):						
Depreciation & Amortization	134	89	82	71	11	14%
Adjusted Net to Reserves	**$115**	**$54**	**$54**	**$56**	**$2**	**3%**

* 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 2018-19 are projected to end slightly over budget. This variance can be primarily attributed to an increase in Other Revenues generated from internal investment management fees charged to the Corporate Pool. During the current year, $15 million in assets were transferred from the Internal Fund into the Corporate Investment Pool, resulting in an increase in investment management income. In addition, assessment income is in line with budget.

Fee for Service Income is slightly under budget for the current year. This income represents fees charged for services provided to agencies and third parties, including Associated Students, Inc. The unfavorable variance is primarily the result of a decrease in fees collected from the California Specialized Training Institute (CSTI). Fees to CSTI are based on a percentage of expenditures, which have decreased this year as a result of less funding received for classes.

Income Before Operations for FY 2019-20 are expected to increase 5%, which primarily relates to an increase in assessments and allocated services charged to Corporation departments. The increase is reflective of expected increases in payroll and operating expenses as described below.

Payroll Expenses:

Payroll expenses are projected to finish this year approximately 4% below budget. The favorable variance is primarily the result of an unanticipated 4-month vacancy in the director of human resources position. In addition, the budget anticipated the start of the now-filled associate executive director position earlier in the fiscal year.

Payroll expense for FY 2019-20 reflects a 3% compensation pool for full-time employees, with an additional 1% in January 2019 for employees at lower earnings to address compression from minimum wage increases. It also reflects an increase in the minimum wage for student and part-time employees in January 2020, and fringe benefit rates slightly lower than FY 2018-19. The overall increase also reflects the now-filled vacancies previously mentioned.

Operating Expenses:

Total operating expenses for the current year are expected to end 4% under budget, primarily the result of savings from software maintenance and contract services. For FY 2019-20, total operating expenses are expected to increase 10%, which is primarily driven by an increase Software/Hardware Maintenance expenses as well as Other Operating Expenses, including employee development.

Net From Operations:

General Administration operations are partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund. FY 2018-19 Transfers-in represent approximately $685,000 in net investment income from the General Investment Fund and is expected to increase to approximately $876,000 for FY 2019-20. The change is reflective of expected increases in payroll and operating 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 $1.6 million for the first 10 months of the fiscal year, resulting in overall net operating income of $3.2 million over the same period. Current year results are driven by strong equity returns coupled with a large equity exposure and strategic allocation adjustments.

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 $685,000 in current year dividend and interest income will be used to support General Administration operations in FY 2018-19.

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

Investment Reserve – This reserve is intended to establish a contingency reserve to cover potential General Investment Fund losses. The reserve balance is currently equal to 30% of the value of General Fund investment equity securities as prescribed by Corporation policy. During the current year, $15 million in assets were transferred from the Internal Fund into the Corporate Investment Pool, resulting in an increase in the investment reserve requirements.

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

Past and projected reserve balances are as follows:

	Investment Reserves	General Administration Reserves
June 30, 2018 Reserve Balance	$6,781,872	$5,355,293
FY 2018-19 Change in Reserves (estimate)*	2,545,062	319,679
June 30, 2019 Reserve Balance (estimate)*	9,326,934	5,674,972

*(*Current year estimates are based on actual 10-month activity for the current year and estimated results for May and June of 2019. 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, 2017 Reserve Balance	$1,707,438	$295,158	$47,732	$2,050,328
FY 2017-18 Change in Reserves	102,462	(117,389)	(4,600)	(19,527)
June 30, 2018 Reserve Balance	1,809,900	177,769	43,132	2,030,801
FY 2018-19 Change in Reserves (estimate)	53,788	(63,323)	(18,132)	(27,667)
June 30, 2019 Reserve Balance (estimate)	1,863,688	114,446	25,000	2,003,134
FY 2019-20 Change in Reserves (budget)	55,911	(70,564)	0	(14,653)
June 30, 2020 Reserve Balance (budget)	**$1,919,599**	**$43,882**	**$25,000**	**$1,988,481**

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 2019-20 earnings will be sufficient to fully fund the reserve.

Investment in Operating Assets for June 30, 2019 (estimate) and June 30, 2020 (budget) represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2019-20.

CAL POLY
CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Plant Operations

Fiscal Year 2019-20

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BUSINESS OVERVIEW

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

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

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

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

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

Since 2012, nine units previously owned by CPHC have been sold by the Corporation. Proceeds from these sales are used to repay the Corporation for original funding provided. As of September 2018, the Corporation owns five condominiums within Bella Montaña. One condominium is available for corporate transitional housing, three units are rented to Cal Poly faculty and staff, and one unit is held on behalf of the Orfalea College of Business (OCOB). The OCOB unit is provided to visiting lecturers and faculty. Operating expenses for this unit is funded by Cal Poly Foundation gift funds and endowment payouts.

Grand Avenue – In December of 2013, the Corporation purchased four houses on Grand Avenue at Slack Street. These transactions were considered a strategic opportunity to purchase property right at the entrance to the campus. Funding for these units came from a contingency fund reserve set aside for gap funding for various university initiatives. The properties were placed in service during FY 2014-15 and are subject to a lease, which has an initial term though June 2018, but has been extended through June 2020.

2018-19 ACCOMPLISHMENTS

- The Corporation owned Bella Montaña units were rented for the majority of the fiscal year.

- In an effort to more closely align Bella Montaña housing with its original purpose, the Corporation repurchased a unit listed for sale to ensure that it would be occupied by Cal Poly faculty/staff. It is currently one of the Corporation owned units rented to a Cal Poly staff member.

- The Corporation sold one Bella Montaña unit that was held on behalf of the OCOB.

- The Corporation Administration Building restrooms were remodeled.

- The Corporation hired a new project and property manager to develop a more robust property management function for Corporation-owned real property.

- The Grand Avenue properties were rented for the entire fiscal-year subject to a lease with the SLO Classical Academy.

2019-20 GOALS & OBJECTIVES

- Continue to collaborate with the university to determine the best possible use of Warehouse space.

- Redesign and replace the cubicles in the Corporation Administration Building to optimize space utilization and accommodate department and staff relocations.

- Expand the property management function for Corporation-owned real property.

- Obtain an educational property tax exemption for the Bella Montaña unit purchased in FY 2018-19.

2019-20 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2017-18 Actual	Fiscal Year 2018-19 Budget	Fiscal Year 2018-19 Estimate*	Fiscal Year 2019-20 Budget Proposal	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Occupancy Income	$441	$450	$427	$444	$17	4%
Other Revenues	23	12	12	12	(0)	(4%)
Income Before Operations	**464**	**462**	**439**	**456**	**17**	**4%**
Depreciation & Amortization	163	145	151	158	(7)	(4%)
General Maintenance	46	76	81	58	23	29%
Utilities	68	73	58	59	(1)	(2%)
Supplies & Equipment	6	15	15	15	0	0%
Rent / Lease Expense	3	3	3	3	0	5%
CPC Administrative Services	30	81	81	81	(0)	0%
Other Operating Expenses	71	91	93	92	1	1%
Total Operating Expenses	**388**	**483**	**483**	**467**	**16**	**3%**
Total Expenses	**388**	**483**	**483**	**467**	**16**	**3%**
Net from Operations	**77**	**(21)**	**(44)**	**(11)**	**33**	**75%**
Other Income (Expense)	(286)	-	(1)	-	1	100%
Total Other Income (Expense)	**(286)**	**-**	**(1)**	**-**	**1**	**100%**
Transfers In (Out)	**-**	**-**	**(500)**	**-**	**500**	**100%**
Net to Reserves	**$(209)**	**$(21)**	**$(544)**	**$(11)**	**$534**	**98%**
Noncash transactions (add back):						
Depreciation & Amortization	163	145	151	158	(7)	(4%)
Other Expense	283	-	-	-	-	0%
Adjusted Net to Reserves	**$237**	**$123**	**$(393)**	**$147**	**$540**	**137%**

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

OPERATING BUDGET DISCUSSION

Revenues:

One Bella Montaña unit held on behalf of the OCOB was sold in FY 2018-19. Proceeds from the sale were transferred to the OCOB, resulting in no sales revenue for the year. No sales are expected in FY 2019-20.

Occupancy income represents rental charges for the use of Corporation-managed facilities included in this budget. FY 2018-19 is slightly under budget, primarily the result of the OCOB not charging rent for units held on their behalf. Total occupancy income for FY 2019-20 is expected to increase by $17,000 from FY 2018-19 projections, primarily the result of increases in rental rates charged for Bella Montaña units and cost recovery rental charges for the Corporation Administration Building.

Other revenues include funding received from the OCOB related to the operation and maintenance of the condo units owned by the Corporation on the OCOB's behalf. Other revenues in FY 2019-20 are expected to remain consistent with FY 2018-19 projections, as the OCOB will continue to support one unit.

Expenses:

Total operating expenses for FY 2018-19 are consistent with budget, with slight increases in depreciation and maintenance expense, offset by a savings in utilities expense. Total operating expenses are expected to decrease by 3% in FY 2019-20, primarily due to a decrease in maintenance expense for the Corporation Administration Building. In FY 2018-19, maintenance expense included $12,000 related to unanticipated roof leaks and $11,000 related to the bathroom remodels. These expenses are not expected to recur in FY 2019-20.

Transfers Out:

Transfers out for FY 2018-19 represent $500,000 from warehouse reserves for development of the student housing initiative that was approved by the board in the April 2019 meeting. These reserves were previously earmarked for warehouse expansion while the bookstore was operated by the Corporation.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Facilities Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2017 Reserve Balance	$227,604	$1,816,149	$3,251,201	$3,914,036	$9,208,990
FY 2017-18 Change in Reserves	110,546	135,005	(19,450)	(435,124)	(209,023)
June 30, 2018 Reserve Balance	338,150	1,951,154	3,231,751	3,478,912	8,999,967
FY 2018-19 Change in Reserves (estimate)	(29,496)	154,458	(941,730)	272,382	(544,386)
June 30, 2019 Reserve Balance (estimate)	308,654	2,105,612	2,290,021	3,751,294	8,455,581
FY 2019-20 Change in Reserves (budget)	9,260	165,038	(277,048)	91,918	(10,832)
June 30, 2020 Reserve Balance (budget)	**$317,914**	**$2,270,650**	**$2,012,973**	**$3,843,212**	**$8,444,749**

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)			
Corporation Administration Building Space Reconfiguration	$150,000	30	$5,000
Corporation Warehouse Modifications	100,000	30	3,333
Total Capital Outlay Request	**$250,000**		**$8,333**

CAPITAL OUTLAY REQUEST DETAIL

(1) The Capital Outlay Requests within this section were approved by the Board of Directors at their June 2018 and January 2018 meetings. They are repeated here for informational purposes only. No further action is required.

Corporation Administration Building Space Reconfiguration: Reconfiguration of existing space within the Corporation Administration Building.

Corporation Warehouse Modifications: Modification and consolidation of existing Corporation space within Building 82.

CAL POLY

CORPORATION

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Other Commercial Activities

Fiscal Year 2019-20

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BUSINESS OVERVIEW

Cal Poly Corporation has the exclusive right and responsibility to provide a number of commercial services on campus. Commercial services provided by the Corporation include food services, conference and event planning services, print services, and other retail outlets. In addition, the Corporation has been delegated the responsibility of contracting with third party providers of commercial services to the campus community.

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

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

The University Store has served the campus community since 1933. During FY 2016-17, the Corporation executed a contract with Follett Higher Education Group (Follett) to operate its campus bookstore and other retail store located in the center of downtown San Luis Obispo. Effective July 1, 2017, the agreement with Follett is a seven-year term, with three additional one-year extensions. As part of the arrangement with Follett, the Corporation receives an annual commission based on certain sales. The commission is used to pay for continuing expenses (i.e. rents, taxes, depreciation, and utilities) as well as contract management support. Residual income is used to support on-going Corporation operations and contributions to university services.

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

2018-19 ACCOMPLISHMENTS

Facilities renovation: The agreement with Follett includes $575,000 for a limited physical renovation of the store, including fixtures, equipment, and structural changes. The Follett team has been working closely with corporation and university management so that plans for physical changes to the store are integrated into the University Union/Building 19 neighborhood project.

Expand campus outreach and joint marketing programs: The Corporation and Follett continue to expand community outreach efforts, build upon existing relationships with faculty, staff, and student groups and cultivate new ones. Outreach efforts include increased faculty education in regards to textbook adoption and affordability and re-establishment of a store advisory council.

Library renovation collaboration: The Corporation continues 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.

Apple Alumni program: The campus store added Cal Poly alumni to the educational discount program. This allows alumni to use the discount when purchasing Macs and iPads at the store or from the website.

Cal Poly Print & Copy: Cal Poly Print & Copy has successfully produced 100% of all course packs for Follett on time for the past 5 quarters. Student labor costs have decreased while maintaining above average service and completing jobs faster than in the past. Product quality and consistency have been improved and there were no customer complaints or returned jobs during fiscal year 2018-2019.

2019-20 GOALS & OBJECTIVES

Facilities renovation: The Follett team will continue working closely with corporation and university management so that plans for physical changes to the store are integrated into the University Union/Building 19 neighborhood project.

Immediate Access program: Follett will work closely with the Corporation and university on the adoption of an immediate access program at Cal Poly. One of the affordable learning solutions portfolio of suggested campus actions, this program allows students access to digital course materials on the first day of classes.

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.

Cal Poly Print & Copy: Cal Poly Print & Copy will continue to expand wide format services and hours of operation. Outreach on the campus will continue to be a focus, primarily towards the admin staff, to further grow the business.

2019-20 OPERATING BUDGET PROPOSAL

OTHER COMMERCIAL ACTIVITIES (CONSOLIDATED)

(in thousands) **	Fiscal Year 2017-18 Actual	% of Sales	Fiscal Year 2018-19 Budget	% of Sales	Fiscal Year 2018-19 Estimate*	% of Sales	Fiscal Year 2019-20 Budget Proposal	% of Sales	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$1,528	100%	$422	100%	$469	100%	$482	100%	$13	3%
Cost of Goods Sold	1,178	77%	73	17%	136	29%	135	28%	0	0%
Gross Margin	**349**	**23%**	**349**	**83%**	**334**	**71%**	**347**	**72%**	**13**	**4%**
Other Revenues	1,999	131%	1,631	386%	1,541	328%	1,389	288%	(152)	(10%)
Income Before Operations	**2,348**	**154%**	**1,980**	**469%**	**1,875**	**399%**	**1,736**	**360%**	**(139)**	**(7%)**
Salaries & Wages	186	12%	145	34%	136	29%	142	29%	(6)	(4%)
Benefits	57	4%	61	14%	42	9%	40	8%	1	3%
Total Payroll Expense	**243**	**16%**	**206**	**49%**	**177**	**38%**	**182**	**38%**	**(5)**	**(3%)**
Depreciation & Amortization	77	5%	71	17%	74	16%	73	15%	2	2%
Rent / Lease Expense	218	14%	168	40%	168	36%	170	35%	(2)	(1%)
CPC Administrative Services	763	50%	721	171%	721	154%	679	141%	42	6%
CPC Allocated Services	10	1%	64	15%	55	12%	60	12%	(5)	(9%)
Other Operating Expenses	211	14%	190	45%	156	33%	162	34%	(6)	(4%)
Total Operating Expenses	**1,280**	**84%**	**1,213**	**287%**	**1,174**	**250%**	**1,143**	**237%**	**31**	**3%**
Total Expenses	**1,523**	**100%**	**1,419**	**336%**	**1,351**	**288%**	**1,325**	**275%**	**26**	**2%**
Net from Operations	**825**	**54%**	**561**	**133%**	**523**	**111%**	**410**	**85%**	**(113)**	**(22%)**
Other Income (Expense)	49	3%	-	0%	(94)	(20%)	-	0%	94	100%
University Services	(294)	(19%)	(294)	(70%)	(294)	(63%)	(302)	(63%)	(8)	(3%)
Total Other Income (Expense)	**(245)**	**(16%)**	**(294)**	**(70%)**	**(388)**	**(83%)**	**(302)**	**(63%)**	**86**	**22%**
Transfer to Plant Fund Reserves	**(919)**	**(60%)**	**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**0%**
Net to Reserves	**$(339)**	**(22%)**	**$267**	**63%**	**$135**	**29%**	**$108**	**23%**	**$(27)**	**(20%)**
Noncash transactions (add back):										
Depreciation & Amortization	77	5%	71	17%	74	16%	73	15%	2	2%
Other Expense	20	1%	-	0%	42	9%	-	0%	42	100%
Adjusted Net to Reserves	**$(241)**	**(16%)**	**$338**	**80%**	**$252**	**54%**	**$181**	**38%**	**$(70)**	**(28%)**

* 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 2017-18 Actual	% of Sales	Fiscal Year 2018-19 Budget	% of Sales	Fiscal Year 2018-19 Estimate*	% of Sales	Fiscal Year 2019-20 Budget Proposal	% of Sales	2019-20 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	$430	100%	$422	100%	$420	100%	$431	100%	$11	3%
Cost of Goods Sold	89	21%	73	17%	103	25%	102	24%	1	1%
Gross Margin	**341**	**79%**	**349**	**83%**	**317**	**75%**	**329**	**76%**	**13**	**4%**
Other Revenues	0	0%	-	0%	-	0%	-	0%	-	0%
Income Before Operations	**341**	**79%**	**349**	**83%**	**317**	**75%**	**329**	**76%**	**13**	**4%**
Salaries & Wages	154	36%	145	34%	136	32%	142	33%	(6)	(4%)
Benefits	41	10%	61	14%	42	10%	40	9%	1	3%
Total Payroll Expense	**195**	**45%**	**206**	**49%**	**177**	**42%**	**182**	**42%**	**(5)**	**(3%)**
Depreciation & Amortization	6	1%	4	1%	8	2%	8	2%	(0)	(3%)
Rent / Lease Expense	0	0%	1	0%	1	0%	1	0%	(0)	(15%)
CPC Administrative Services	18	4%	19	5%	19	5%	29	7%	(10)	(50%)
Other Operating Expenses	94	22%	91	21%	47	11%	55	13%	(8)	(16%)
Total Operating Expenses	**119**	**28%**	**115**	**27%**	**75**	**18%**	**93**	**22%**	**(18)**	**(23%)**
Total Expenses	**313**	**73%**	**321**	**76%**	**253**	**60%**	**275**	**64%**	**(22)**	**(9%)**
Net from Operations	**27**	**6%**	**28**	**7%**	**64**	**15%**	**54**	**13%**	**(10)**	**(15%)**
Other Income (Expense)	(1)	0%	-	0%	-	0%	-	0%	-	0%
University Services	-	0%	-	0%	-	0%	(8)	(2%)	(8)	(100%)
Total Other Income (Expense)	**(1)**	**0%**	**-**	**0%**	**-**	**0%**	**(8)**	**(2%)**	**(8)**	**(100%)**
Transfer to Plant Fund Reserves	**(232)**	**(54%)**	**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**0%**
Net to Reserves	**$(205)**	**(48%)**	**$28**	**7%**	**$64**	**15%**	**$46**	**11%**	**$(18)**	**(28%)**
Noncash transactions (add back):										
Depreciation & Amortization	6	1%	4	1%	8	2%	8	2%	(0)	(3%)
Other Expense	0	0%	-	0%	-	0%	-	0%	-	0%
Adjusted Net to Reserves	**$(198)**	**(46%)**	**$32**	**8%**	**$72**	**17%**	**$54**	**13%**	**$(17)**	**(24%)**

* 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 2018-19 includes results from Cal Poly Print & Copy operations as well as wine sales at Cal Poly Downtown. The favorable variance in sales from budget is primarily the result of wine sales that were not included in the FY 2018-19. It was originally anticipated that Follett would eventually acquire the license to sell wine at Cal Poly Downtown and assume that activity.

Sales at Cal Poly Print & Copy for FY 2018-19 are consistent with the budget and expected to increase 3% for FY 2019-20, primarily driven by price increases. Cost of Sales is approximately $30,000 over budget, the result of reclassifying usage fees for digital printing from Operating Expenses to Cost of Sales. These variable expenses directly relate to sales and are more appropriately classified as Cost of Sales.

Other Revenues primarily represent commissions earned from Follett, which is generally calculated as 17% of commissionable sales. The contract with Follett guaranteed a minimum commission of $1.9 million in FY 2017-18. Subsequent years provide for a guaranteed minimum commission of 95% of the previous year's commissionable sales. The unfavorable variance from budget in FY 2018-19 is primarily the result of lower than expected Follett commissionable sales, which are down 11% year over year through February. The projection for FY 2018-19 and the budget for FY 2019-20 represents the estimated guaranteed minimum commission for both years.

Total Payroll Expense for FY 2017-18 include approximately $48,000 in compensation for intermittent staff during July and August to manage the wind-down of bookstore operations at the Corporation Warehouse and to close the accounting fiscal year. Inventory not purchased at contract commencement by Follett was housed at the Warehouse and either liquidated or disposed.

Payroll expense at Cal Poly Print & Copy for FY 2018-19 is projected to end approximately $29,000 under budget, primarily the result of an unexpected vacancy in an intermittent staff position and a decrease in student wages. Payroll expense for FY 2019-20 reflects a 3% compensation pool for full-time employees, with an additional 1% in January 2019 for employees at lower earnings to address compression from minimum wage increases. It also reflects an increase in the minimum wage for student and part-time employees in January 2020, and fringe benefit rates slightly lower than FY 2018-19.

Total Operating Expenses 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 2018-19 Operating Expenses at Cal Poly Print & Copy are approximately $40,000 under budget. The favorable variance from the budget and the decrease from the prior year are primarily the result of the previously mentioned reclassification of usage fees for digital printing from Operating Expenses to Cost of Sales. In addition, there were favorable variances in equipment maintenance expenditures, as equipment has operated better than expected. The increase in operating expenses for FY 2019-20 is primarily the result of increase in administrative services provided to Cal Poly Print & Copy.

Other Income (Expense) for FY 2018-19 includes a $57,000 adjustment made in the current year to correct a commission payment that was inadvertently recorded twice in the prior year. In addition, unsold and non-returnable courseware that remained after Follett assumed operations, with a book value of approximately $42,000, was written-off this year. Other expenses for FY 2019-20 include ongoing funding for University Services.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2017 Reserve Balance	$1,349,581	$7,274,014	$523,240	$0	$9,146,835
FY 2017-18 Change in Reserves	(233,203)	(1,009,176)	(100,140)	0	(1,342,519)
June 30, 2018 Reserve Balance	1,116,378	6,264,838	423,100	0	7,804,316
FY 2018-19 Change in Reserves (estimate)	(63,792)	168,473	(69,229)	100,000	135,452
June 30, 2019 Reserve Balance (estimate)	1,052,586	6,433,311	353,871	100,000	7,939,768
FY 2019-20 Change in Reserves (budget)	31,578	149,534	(72,634)	0	108,478
June 30, 2020 Reserve Balance (budget)	**$1,084,164**	**$6,582,845**	**$281,237**	**$100,000**	**$8,048,246**

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 at June 30, 2017 and beyond is equal to 100% of the subsequent year's budgeted operating expenses (less depreciation expense), which reflects the change in business model effective July 1, 2017. Operating reserves at Cal Poly Print & Copy for June 30, 2019 (estimate) and June 30, 2020 (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. During 2017-18, the Board of Directors approved the expenditure of $2 million in these reserves as a contribution towards the construction of the Science and Agriculture Teaching and Research Complex.

Investment in Operating Assets for June 30, 2019 (estimate) and June 30, 2020 (budget) represents our investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over $25,000)	Estimate	Years	Annual Depreciation
University Store storefront changes	$100,000	20	$5,000
Total Major Capital Outlay	**$100,000**		**$5,000**
Total Capital Outlay Request	**$100,000**		**$5,000**

CAPITAL OUTLAY REQUEST DETAIL

University Store storefront changes: The Corporation is collaborating with ASI and Follett to change the storefront of the University Store to complement the University Union/Building 19 neighborhood project.