

CONSOLIDATED OPERATING BUDGET

For the period ending June 30, 2025

(in thousands)

	ACTUAL FISCAL YEAR 2022-23 RESULTS			PROJECTED FISCAL YEAR 2023-24 RESULTS			BUDGETED FISCAL YEAR 2024-25 RESULTS			PROJ 24 vs BUD 25 VARIANCE	
	Core Operations	University Programs	Partners Total	Core Operations	University Programs	Partners Total	Core Operations	University Programs	Partners Total	\$ Favorable / (Unfavorable)	%
Revenues											
Sales	35,970	6,893	42,863	41,686	7,803	49,489	46,338	9,219	55,557	6,068	12%
Assessments	3,889	-	3,889	4,044	-	4,044	4,383	-	4,383	339	8%
Fees for Service	991	233	1,224	1,040	212	1,252	1,043	236	1,279	27	2%
Rental Income	952	6	958	2,143	65	2,208	2,526	49	2,575	367	17%
Gifts	-	303	303	-	402	402	-	512	512	110	27%
Other Revenues	5,966	2,939	8,905	7,451	2,707	10,158	7,731	2,579	10,310	152	1%
Total Revenues	47,768	10,374	58,142	56,364	11,189	67,553	62,021	12,595	74,616	7,063	10%
Expenses											
Cost of Sales	13,214	1,855	15,069	15,547	1,887	17,434	16,127	1,686	17,813	(379)	-2%
Payroll Expenses	17,553	3,719	21,272	21,747	4,216	25,963	23,633	4,750	28,383	(2,420)	-9%
Operating Expenses	15,378	7,752	23,130	19,690	8,369	28,059	21,200	9,420	30,620	(2,562)	-9%
Total Expenses	46,145	13,326	59,471	56,984	14,472	71,456	60,960	15,856	76,816	(5,361)	-8%
Net Operating Income (Loss)	1,623	(2,952)	(1,329)	(620)	(3,283)	(3,903)	1,061	(3,261)	(2,200)	1,702	44%
Other Income (Expense)											
Transfers (To) / From **	(622)	2,008	1,386	1,796	3,171	4,967	(620)	2,976	2,356	(2,611)	-53%
University Services	(1,122)	-	(1,122)	(1,124)	-	(1,124)	(1,124)	-	(1,124)	(0)	0%
Investment Income *	2,941	-	2,941	3,827	-	3,827	2,915	-	2,915	(912)	-24%
Interest Expense	(1,480)	-	(1,480)	(2,438)	-	(2,438)	(2,665)	-	(2,665)	(227)	-9%
Other Income (Expense)	10,639	(36)	10,604	554	254	808	110	344	454	(354)	-44%
Total Other Income (Expense)	10,356	1,973	12,328	2,615	3,425	6,040	(1,385)	3,320	1,936	(4,104)	-68%
Net to (from) Reserves	11,979	(979)	11,000	1,995	142	2,137	(324)	59	(265)	(2,402)	-112%

* Due to the unpredictable nature of investments, market value gains (losses) are not included in this presentation.

** Transfers (To) / From the Plant Fund are excluded for purposes of this presentation.

CORE-BUSINESS CONSOLIDATING OPERATING BUDGET PROPOSAL

For the period ending June 30, 2025

(in thousands)

	General Administration	Investment Fund*	Mustang Shop	Cal Poly Print & Copy	Campus Dining	Plant Operations	Technology Park	Conference and Event Planning	BUDGET 2024-25 TOTAL
Revenues									
Sales	-	-	56	224	46,058	-	-	-	46,338
Assessments	4,383	-	-	-	-	-	-	-	4,383
Fees for Service	1,043	-	-	-	-	-	-	-	1,043
Rental Income	-	-	-	-	-	1,951	575	-	2,526
Contract & Grant IDC Income	-	-	-	-	-	-	-	-	-
Gifts	-	-	-	-	-	-	-	-	-
Other Revenues	1,610	-	1,383	-	2,612	393	10	1,723	7,731
Total Revenues	7,036	-	1,439	224	48,670	2,344	585	1,723	62,021
Expenses									
Cost of Sales	-	-	33	44	16,050	-	-	-	16,127
Payroll Expenses	5,633	-	-	111	16,769	124	108	888	23,633
Operating Expenses	2,890	602	726	73	14,262	1,343	500	804	21,200
Total Expenses	8,523	602	759	228	47,081	1,467	608	1,692	60,960
Net Operating Income (Loss)	(1,487)	(602)	680	(4)	1,589	877	(23)	31	1,061
Other Income (Expense)									
Transfers (To) / From	1,586	(1,586)	-	-	(620)	-	-	-	(620)
University Services	-	(27)	(322)	(2)	(742)	-	-	(31)	(1,124)
Investment Income	-	2,915	-	-	-	-	-	-	2,915
Interest Expense	-	-	-	-	(1,305)	(1,292)	(68)	-	(2,665)
Other Income (Expense)	-	-	(335)	(0)	445	-	-	-	110
Total Other Income (Expense)	1,586	1,302	(657)	(3)	(2,222)	(1,292)	(68)	(31)	(1,385)
Net to (from) Reserves	99	700	23	(7)	(633)	(415)	(91)	-	(324)

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

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

UNIVERSITY PROGRAMS CONSOLIDATING OPERATING BUDGET PROPOSAL

For the period ending June 30, 2025

(in thousands)

	University Graphic Systems	Cal Poly Arts	Sponsored Programs Admin	Swanton Pacific Ranch	Commercial Ag Operations	Bartleson Ranch	BUDGET 2024-25 TOTAL
Revenues							
Sales	102	1,201	-	31	4,849	3,036	9,219
Assessments	-	-	-	-	-	-	-
Fees for Service	-	-	201	35	-	-	236
Rental Income	-	-	-	49	-	-	49
Contract & Grant IDC Income	-	-	-	-	-	-	-
Gifts	-	512	-	-	-	-	512
Other Revenues	-	781	170	660	909	59	2,579
Total Revenues	102	2,494	371	775	5,758	3,095	12,595
Expenses							
Cost of Sales	56	-	-	-	1,630	-	1,686
Payroll Expenses	62	708	1,867	658	1,283	172	4,750
Operating Expenses	69	1,730	1,420	375	2,939	2,887	9,420
Total Expenses	187	2,438	3,287	1,033	5,852	3,059	15,856
Net Operating Income (Loss)	(85)	56	(2,916)	(258)	(94)	36	(3,261)
Other Income (Expense)							
Transfers (To) / From	-	-	2,951	-	25	-	2,976
University Services	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-
Other Income (Expense)	88	-	-	185	71	-	344
Total Other Income (Expense)	88	-	2,951	185	96	-	3,320
Net to (from) Reserves	3	56	35	(73)	2	36	59

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

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



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

University Graphic Systems

Fiscal Year 2024-25

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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 Partners, and the Cal Poly campus.

2023-24 ACCOMPLISHMENTS

- UGS installed a few new pieces of equipment over the course of this year. This includes a 1.25" button maker, a Cricut Heat Press for vinyl, dye sublimation, and foil.
- UGS worked on continuing the growth of the Digital Storefront (DSF). We have several more items available, like our monthly promotions. We are solidifying Quickprint pricing and connecting the DSF to the Fiery. Hypothetically, jobs uploaded to the DSF will be directly uploaded to our Rip. It should be fully functional by the end of our term. The DSF is nearly ready to be released to the public. This will allow orders to be placed online, upload artwork for the job and provide a customer quote, giving managers more time to work on production in the back. The future of UGS lies in this website. The introduction of new web alternatives with built-in DSF capabilities will allow for easier updates to the product portfolio, pricing, and easy access to customers.
- The marketing and account managers have been able to grow UGS into a multi-platform service. Besides print, UGS now manages social media, designs graphics and logos, and maintains/develops websites. There has been an influx of users for these services who then follow through with job production.
- We have continued to hold in-person events in our Specialty Lab in Building 26A, as well as held various boothing events in the University Union and Dexter Lawn. We have seen significant interest in the in-person printing events, whether we are holding them as a solo event or as a collaboration with another on campus club. We have recently introduced apparel into our event products which we saw a significant interest in these products and increase in sales.
- We updated the Trello cards to improve workflow and automation, as well as a complete overhaul of the estimating sheets and quote forms after adjusting our pricing and services throughout the year. We are suggesting to the new team to change project management software that contains more automated capabilities to improve overall efficiency in the workflow. We are suggesting to the new team to increase pricing next year to compensate for the increase in minimum wage in California this year. Large building, window, and floor signage as well as seasonal door signage has been a very successful new venture for UGS that we are advising the following team to continue.
- UGS is looking into other web alternatives to our current site as it would require a full-time employee to maintain and update the current html site. I have advised the following team to investigate an alternative such as Square Space. I have provided them with mockups and drafts of a newer website design/look using Figma.
- UGS ran successful campaigns which brought increased sales for the months where promotions were run.
- UGS worked closely with the UGS Advisory Board to increase opportunities for industry insight and donations. And developed partnerships that have allowed us to outsource some of the large quantity jobs we cannot fulfill. A partnership portfolio has been made to reference in the future.

2024-25 GOALS & OBJECTIVES

Continue to Expand Community Outreach:

Continuing off the previous team's efforts, UGS has budgeted for \$5,000 in event income, as we will continue to hold more in person events on campus for student outreach and involvement. Events like screen-printing workshops and a continuation of UGS's partnership with other on campus organizations such as Fraternity and Sorority Life. By presenting the capabilities of UGS and promoting our services along with hosting private events as well. Increase our boothing and promote services and events in populated areas of campus such as University Union and Dexter Lawn. In addition to the increase in boothing, UGS also plans to increase printing events for maximum outreach. Another method of outreach we wish to further expand is our Instagram and social media presence.

Continue Expanding Digital Printing Services:

If possible, UGS would like to continue to make the digital storefront more accessible by adding a pay option to the website. UGS will continue to work with and improve the services of the digital storefront in the upcoming year to streamline quick print services for clientele. With our advisor our goal is to streamline workflow processes which may incur costs if new software is needed. With the closure of the library, UGS would like to use that as a way to encourage customers to use our services and continue to expand multi-media applications of wide format across campus departments and organizations.

More focus on Expanding Specialty Services:

UGS plans to increase specialty sales by expanding its outreach to other on-campus organizations. UGS plans to also encourage on-campus organizations to plan private events such as screen-printing and dye sublimation workshops. In addition, UGS also plans on expanding an apparel line that will be sold on Dexter Lawn, Health Center Lawn, and other boothing locations. This will expand our specialty services to reach the everyday student. Account Managers will promote these services and acquire new clients and customers once established.

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

UGS has always been a continuous supporter and resource to the Graphic Communication Department. In the past year, UGS has offered its services and materials to students and professors alike in the department, ranging from mounting boards to specified paper for a book design class. UGS is a case study to find improvements and reduce waste and creates an internship-like experience in the form of a class. We plan to continue to increase our services to the various clubs and research groups under the Graphic Communication Department. UGS will continue to provide and create wide format applications for the Graphic Communication Department such as building wall graphics, door signage, and floor signage. UGS also plans to start a creative magazine to be handed out during WOW week. This is a great way to get future GRC students excited for the 4 years ahead of them in the GRC department.

Continue to cultivate UGS' relationship with Cal Poly Partners:

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

Continue working closely with UGS Advisory Board:

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

2024-25 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$74	\$86	\$61	\$102	\$41	68%
Cost of Goods Sold	33	37	33	56	(22)	(67%)
Gross Margin	37	48	26	46	20	80%
Salaries & Wages	52	55	52	60	(8)	(16%)
Benefits	2	1	1	2	(0)	(38%)
Total Payroll Expense	54	56	53	62	(9)	(16%)
Supplies & Equipment	4	3	6	5	2	27%
Rent / Lease Expense	17	16	34	24	10	29%
Travel Expense	1	6	6	6	(0)	(5%)
CP Partners Administrative Services	16	17	16	27	(11)	(68%)
Other Operating Expenses	15	11	10	14	(4)	(40%)
Total Operating Expenses	51	47	67	70	(3)	(5%)
Total Expenses	105	103	120	131	(12)	(10%)
Net from Operations	(65)	(55)	(92)	(85)	7	8%
Other Income (Expense)	55	55	88	88	-	0%
Total Other Income (Expense)	55	55	88	88	-	0%
Net to Reserves	\$(10)	\$0	\$(4)	\$3	\$7	171%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Sales and Cost of Goods Sold:

Sales for FY 2023-24 are expected to end below budget primarily the result of lower than anticipated specialty print and wide-format sales. Sales are budgeted to increase in FY 2024-25 over the FY 2023-24 projection as UGS increases its efforts to expand specialty print and wide-format sales.

Payroll Expenses:

Student managers are the students hired to manage the business. They receive class credit for hours worked. UGS will employ nine student managers for 44 weeks out of the year, at \$16 per hour for the first six months of the fiscal year. With the anticipated state-mandated change in the minimum wage on January 1, 2025, the budget assumes a wage increase to \$18 per hour for the second half of the fiscal year. The general manager will be receiving 50¢ per hour more than the other managers the entire fiscal year.

Operating Expenses:

Operating expenses for FY 2024-25 are budgeted to slightly increase over the FY 2023-24 projection as we anticipate travel and administrative expenses to increase. Any new printing technology or software that may be explored and used in FY 2024-25 will be provided by UGS sponsors such as the Graphic Communication Advisory Board.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2022 Reserve Balance	\$155,418	\$0	\$155,418
FY 2022-23 Change in Reserves	(9,277)	496	(8,781)
June 30, 2023 Reserve Balance	146,141	496	146,637
FY 2023-24 Change in Reserves (estimate)	(3,652)	(496)	(4,148)
June 30, 2024 Reserve Balance (estimate)	142,488	0	142,488
FY 2024-25 Change in Reserves (budget)	2,941	0	2,941
June 30, 2025 Reserve Balance (budget)	\$145,430	\$0	\$145,430

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 2024-25.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Technology Park

Fiscal Year 2024-25

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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. Effective July 2024, ABI will no longer be renting the greenhouses. CP Partners is currently looking for alternative solutions on-campus.

In 2018, Cal Poly applied for the Economic Development Administration's EDA-2018-Disaster funding opportunity to support an expansion of the Technology Park. In May 2019, Cal Poly received conditional approval for a cost-shared project to build an additional building adjacent to the original Technology Park building. Construction of the 16,200 square foot expansion building (Phase II) has begun and is scheduled to be completed in November 2024.

Cal Poly Partners (Partners) provides administration of Tech Park operations. Currently, Jim Dunning, associate executive director of real estate development and services, monitors the day-to-day operations of the park. Dunning is the liaison between tenants and Cal Poly researchers and provides overall project management. The Partners provides property management and administrative support for the operations.

2023-24 ACCOMPLISHMENTS

Over thirty companies have resided in the Tech Park since 2010, employing or providing opportunities to more than 320 students. Companies have donated labor and equipment to various departments across campus with an estimated value of approximately \$2 million. As of March 2024, ten tenants are operating at the Tech Park, representing 95% occupancy.

Some highlights for FY 2023-24 include:

- **Expansion Project:** Partners and University staff collectively worked to retain design build contractor AMG, which began construction on the Tech Park Expansion Project (Phase II) in April 2023.
- **Building 50J Project:** Work this year also included design and preconstruction activities for the Building 50J warehouse, which is adjacent to the expansion project. Engaged Federal partners US Geological Survey (USGS) and National Oceanic and Atmospheric Administration (NOAA), who will provide the campus with opportunities to collaborate on new research and development projects.
- **Support Offshore Wind Activity:** Hosted a number of off-shore wind stakeholders.
- **Hosted Congressional Staffers:** Tech Park was selected as the location for Assemblyman Salud Carbajal.
- **Building Upgrades and Improvements:** Performed landscaping upgrades to the front of the building, along with assisting tenants with remodels and improvements.

2024-25 GOALS & OBJECTIVES

The Tech Park liaison will continue to make connections between the tenants and the academic community to support collaboration and information exchange. Some potential outcomes may include:

- Phase II construction is scheduled to be completed on the 16,200 square foot facility in November 2024. Tenant recruitment is anticipated to result in 80% occupancy by July 1, 2025.
- Complete improvements to Building 50J in advance of new tenant moving in in November 2024. Execute a ground lease with the University for the use of the space.
- 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

2024-25 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Rental Income	\$520	\$527	\$494	\$575	\$82	17%
Other Revenues	19	20	18	9	(9)	(48%)
Income Before Operations	539	547	512	585	73	14%
Salaries & Wages	50	54	67	70	(2)	(3%)
Benefits	32	33	40	38	2	6%
Total Payroll Expense	82	87	108	108	0	0%
Depreciation & Amortization	226	226	219	224	(5)	(2%)
General Maintenance	65	94	74	73	1	2%
Utilities	66	65	60	62	(2)	(3%)
Supplies & Equipment	5	8	0	16	(16)	(19653%)
Fees for Services	33	34	34	35	(1)	(3%)
Other Operating Expenses	38	60	36	90	(53)	(147%)
Total Operating Expenses	432	486	424	500	(77)	(18%)
Total Expenses	514	573	531	608	(76)	(14%)
Net from Operations	25	(26)	(20)	(23)	(4)	(18%)
Other Income (Expense)	(6)	-	(4)	-	4	100%
Interest Expense	(78)	(73)	(73)	(68)	5	7%
Total Other Income (Expense)	(84)	(73)	(77)	(68)	9	12%
Net to Reserves	\$(60)	\$(99)	\$(97)	\$(91)	\$6	6%
Noncash transactions (add back):						
Depreciation & Amortization	226	226	219	224	(5)	(2%)
Adjusted Net to Reserves	\$167	\$127	\$122	\$133	\$11	9%

* 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 \$122,000 for FY 2023-24 and \$133,000 for FY 2024-25. Income from operations is used to service the debt on the facilities and fund reserves.

Total projected rental income for FY 2023-24 is slightly below budget estimates due to one suite being vacant for the entire fiscal year. Demand for commercial real estate has returned and the FY 2024-25 budget anticipates full occupancy for the year.

Approximately 20% of the Tech Park manager's payroll and 20% of the Tech Park administrative assistant's payroll are reflected in the projection for FY 2023-24 and the budget for FY 2024-25. Total projected payroll expenses for FY 2023-24 exceed the FY 2023-24 budget by approximately 24% because the budget did not include allocation of the Tech Park manager's payroll, but instead allocated 75% of the Tech Park administrative assistant's payroll. This current restructure better reflects the time and effort of both positions managing overall Tech Park operations.

Operating expenses for FY 2023-24 are projected to be 11% under budget, primarily due to savings in maintenance expenses and travel expenses. The FY 2023-24 budget included \$25,000 for air conditioner maintenance expenses, which are now anticipated to occur in FY 2024-25. FY 2024-25 budgeted operating expenses are expected to increase by 14%, primarily due to marketing expenses for a re-design of the Tech Park website. In addition, next year's budget includes an increase in project equipment for the Phase II expansion project of the Tech Park.

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

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

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non- cash)	Debt Service Reserve	Capital Replacement & Renewal Reserve	Total
June 30, 2022 Reserve Balance	\$305,425	\$1,607,838	\$289,709	\$275,753	\$2,478,725
FY 2022-23 Change in Reserves	42,073	(123,586)	2,644	19,279	(59,590)
June 30, 2023 Reserve Balance	347,499	1,484,252	292,353	295,032	2,419,136
FY 2023-24 Change in Reserves (estimate)	35,882	(40,327)	2,315	(94,798)	(96,928)
June 30, 2024 Reserve Balance (estimate)	383,381	1,443,925	294,668	200,234	2,322,208
FY 2024-25 Change in Reserves (budget)	11,501	(4,334)	1,985	(100,485)	(91,333)
June 30, 2025 Reserve Balance (budget)	\$394,882	\$1,439,592	\$296,653	\$99,749	\$2,230,876

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

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

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

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

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

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Sewer Pump Lift Station	\$30,000	10	\$3,000
Tech Park Expansion Project - Second Floor Improvements	50,000	10	5,000
Total Major Capital Outlay	\$80,000		\$8,000
Minor Capital Equipment Outlay (Up To \$25,000)			
Air Conditioning Units	\$10,000	10	\$1,000
Electronic Door and Surveillance Upgrades	7,500	5	1,500
Total Minor Capital Outlay	\$17,500		\$2,500
Total Capital Outlay	\$97,500		\$10,500
Previously Approved Capital Outlay Requests (1)			
Tech Park Expansion	\$12,173,000	30	\$405,767
Building 50J Addition	75,000	10	7,500
Miscellaneous Tenant Improvements	15,000	5	3,000
Total Capital Outlay Request	\$12,360,500		\$426,767

CAPITAL OUTLAY DETAIL

Sewer Pump Lift Station: The original Tech Park (building 83) needs a new sewer pump lift station installed. The cost of the installation and equipment is estimated to be approximately \$30,000.

Air Conditioning Units: The original Tech Park (building 83) needs to install new air conditioning units. The total project is estimated to cost \$10,000.

Electronic Door and Surveillance Upgrades: The original Tech Park (building 83) needs network upgrades made to its electronic doors, in addition to upgrades to its surveillance system. The upgrades are estimated to total \$7,500.

Tech Park Expansion Project - Second Floor Improvements: The Tech Park Expansion (Phase II) needs additional funds for improvements to be made to the second floor of the building. The estimated cost of design services is \$50,000. These funds were not included in the \$800,000 of tenant improvements that were originally budgeted as part of the total Tech Park Expansion Project (see "Tech Park Expansion" below).

(1) The Capital Outlay Requests below were announced to the Board of Directors at their previous meetings. They are repeated here for informational purposes only. No further action is required.

Tech Park Expansion: Below is a summary of the overall approved funding model for the Phase II expansion building project.

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

Addition of Building 50J to the Tech Park building: An addition of approximately 5,000 square feet in building 50J is expected to be incorporated into Tech Park operations and is expected to generate approximately \$100,000 of annual lease revenue. Projected cost of the project is estimated to be \$75,000, which represents building improvements to the existing space by adding a telecom link to the existing Tech Park Phase I.

Miscellaneous Tenant Improvements: To account for new tenant acquisitions and the need for modifying suites, Tech Park anticipates providing \$15,000 for tenant improvement allowances in the future.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Swanton Pacific Ranch

Fiscal Year 2024-25

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BUSINESS OVERVIEW

The Swanton Pacific Ranch (SPR) is a 3,200-acre property along the coast in northern Santa Cruz County, operated as a functioning ranch and Learn by Doing facility for the students and faculty of the College of Agriculture, Food, and Environmental Sciences (CAFES) and others at Cal Poly. SPR was donated to CAFES in 1993 by the late Al Smith. A Cal Poly graduate and founder of Orchard Supply Hardware, Mr. Smith stated that the goal of his gift, "is to see this place kept intact and natural – a lab and a classroom – for the College of Agriculture for 'Learn by Doing' forever."

With that goal in mind, the vision for SPR is to be the premier experiential learning center in advancing whole systems thinking to create and maintain sustainable landscapes by helping to transform students' and practitioners' ability to address the critical ecological, economic, and social challenges facing working lands across California and the world.

Our mission is to excellently manage a Living Laboratory that fosters Cal Poly's Learn by Doing philosophy through leading-edge practice and research in a resilient, sustainable, and accessible working landscape.

Operations at SPR include management of forestry resources, livestock and crop production, facilities and infrastructure, and program facilitation. Though SPR operations generate revenue through various channels, most operational expenses are offset through payouts from the Al Smith Endowment at Cal Poly Foundation. The director of the ranch, under the supervision of the CAFES dean, is responsible for overseeing all these activities.

In August 2020, the CZU Lightning Complex Fire burned a significant portion of the ranch destroying a vast majority of infrastructure. Since that time, the SPR team has focused on site cleanup, restoring critical infrastructure, rebuilding program facilitation capacity, and facilitating mission aligned programs in cooperation with a growing network of partners.

Though not presented in this proposed budget, SPR leverages significant external funding to recover costs and expand impact. As a notable example, grant funding has offset over \$4,000,000 in ecological restoration work and educational programming at SPR in FY 2023-24.

Fostering Learn by Doing

Through the facilitation of educational programs, the ranch provides students with learning opportunities ranging from SPR dependent curriculum to multiweek immersive experiences. These opportunities include internships, field trips, short courses, and project specific work. There are also opportunities offered to outside groups. The most impactful student development opportunities at SPR are onsite immersive experiences. To that end, five Cal Poly students were employed over the summer to assist with ranch maintenance and recovery efforts, while three others participated in an immersive ecological monitoring program in cooperation with our partners at UC Santa Cruz. Additionally, 22 Cal Poly students were onsite for three weeks participating in a sustainable forestry course. These immersive experiences provide Cal Poly students with the necessary confidence to transition beyond the classroom to their chosen professions.

Historically, weekend field trips bring more Cal Poly students to the ranch than any other activity. Approximately 500 students from Cal Poly visited the ranch on weekend field trips in previous years with an additional 200-plus students and professionals visiting from other universities and organizations. Unfortunately, primarily due to the fire, field trip numbers for the year are down from historic numbers to around 450 Cal Poly students and around 100 students and professionals visiting from other universities and organizations. The historic use levels have not been attained in the previous three years. However, for the calendar year 2023, Swanton Pacific Ranch has hosted 445 students, during 15 field trips and 21 research projects, and a 6-month live-work internship, leveraging more than \$10,000,000 of support.

Fostering Learn by Doing, and building the capacity to do more, will continue as a strategic priority in future years.

Forestry Management Operations

Forestry operations are ongoing at the ranch focusing on hazard tree removal and postfire forest restoration. Historically, the revenue from timber harvests has been used to supplement the ranch operating budget and to upgrade road infrastructure. Current operations are being funded through other means (FEMA Public Assistance and Cal Fire grants) as only a very small portion of the timber being removed is merchandisable. The sale of the Valencia property in March of 2019, which contributed significant timber revenue to the operating budget, has resulted in a significant long-term reduction in revenue, which over a 25-year period had averaged \$187,000 per year. A net return from timber operations at Swanton Pacific Ranch should not be expected for 30 to 50 years. Consultation and collaboration with representatives of the Natural Resources Management and Environmental Sciences Department is ongoing.

Livestock Management Operations

SPR partners with a local cattlegirl through a pasture use agreement to stock portions of the ranch with adequate vegetation, fencing, and water to support livestock production. SPR manages her animals for a fee while maintaining coastal grasslands, and student employees contribute to these efforts through summer employment. Current annual revenue from this partnership is approximately \$35,000 depending on stocking levels. Consultation and collaboration with representatives of the Animal Science Department is ongoing.

Organic Crop Production Operations

There are two distinct organic crop production operations at SPR which include a 3 acre U-pick apple orchard managed by SPR staff, and a 65 acre commercial lease to Jacobs Farm Del Cabo (JFDC).

Apple Orchard - The organic apple orchard, operated by the ranch, includes more than 12 varieties of dwarf apple trees. Prior to 2020, the orchard brought in an average annual revenue of \$30,000. Revenue levels dropped significantly following the fire, but have rebounded this year to match historical levels.

JFDC - Though 65 acres of SPR are leased to JFDC, only a few are in production at any one time. JFDC has historically grown culinary herbs, winter squash, strawberries, and other specialty crops extensively throughout their leased acreage at SPR, but are now exclusively growing dry farmed tomatoes due to apparent labor shortages. JFDC has expressed interest in discontinuing the lease at SPR within a 3-year

period. SPR staff, in coordination with campus partners, are developing relationships within organic crop production communities to cooperate on successional plans in anticipation of future partnership opportunities.

Capital Projects

In addition to capital projects restoring fire damaged fencing and livestock water systems, Swanton Pacific Ranch, CAFES, Cal Poly Partners, and Cal Poly have worked diligently since the 2020 fire to develop a draft Reconstruction Plan Programming Report. The purpose of this report is to document the spatial needs of both the operational and academic functions at the Ranch, identify an overall site organization that meets ranch needs, complies with applicable requirements, and optimizes the use of available funding. It is expected that this report will be circulated in the coming months as it is presented more widely to stakeholders and permitting authorities.

2023-24 ACCOMPLISHMENTS

Goals for FY 2023-24 were to progress further with reconstruction planning, increase capacity for land management activities, and reduce wildland fuels. Accomplishments in support of these specific goals, and our mission in a broader sense, are listed below:

Recovery Specific Accomplishments through FY 2023-24

- Damage assessment, debris removal and site stabilization (August 2020 –June 2021)
- Hazard tree removal (May 2022 –ongoing)
- Secure and administer FEMA Public Assistance Grant Funding (September 2020 –ongoing)
- Restore critical ranch operational capacity (October 2020 –September 2022)
 - Water supply and wastewater management
 - Radio & internet
 - Road & culvert repairs
 - Livestock perimeter fence replacement
- Restore critical ranch educational capacity
 - Construction / Installation of onsite housing for staff (December 2020 –March 2022)
 - Construction of temporary housing & comfort station for students (May 2022 –October 2022)
 - Secure temporary housing for visiting professors & Cal Poly staff (November 2022 –January 2022)
- Reconstruction planning
 - County Consultation / Pre-Clearance for reconstruction (March 2021 –November 2022)
 - Documentation of Pre-Fire / Damaged structures & infrastructure (June 2021 –May 2022)
 - Analysis of environmental / jurisdictional constraints (June 2021 –May 2022)
 - Draft Reconstruction Plan Programming Report (June 2023 –ongoing)

Experiential Education and Leadership Development

- Field trips
- Student projects
- Professional workforce development
- Graduate student research
- 2-unit field course in conjunction with UCSC
- 5-week summer internship in conjunction with UCSC
- Technician training and career development
- Collaborative natural resource management

Applied Research

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

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

Landscape management

- Successfully removed high risk fuels on several hundred acres of burned timberland
- Removed and disposed of over 3,000 hazard trees
- Upgraded over 13 miles of low standard ranch roads
- Performed routine required vegetation management around remaining facilities
- Ongoing goat vegetation management partnership within CAFES
- Initiated a ranch conservation management planning process within CAFES
- Constructed over 6 miles of perimeter fencing throughout the ranch
- Evaluated and initiated irrigation well restoration and repairs
- Formed strategic grazing services partnership with local livestock owner
- Enhanced key vehicular access routes throughout the ranch
- Addressed deferred maintenance in existing livestock water systems
- Addressed deferred maintenance issues throughout vehicle and equipment fleet
- Designed gravity and solar powered livestock water system
- Initiated discussions with key stakeholders and secured funding for stream restoration work
- Competitive grant funding applications submitted for over \$20M for ecological restoration

Experience Management

- Maintained rustic camping accommodations for Cal Poly field trips
- Established temporary overnight accommodations for visiting students, faculty, staff, and sponsored guests
- Ensured staff support for booking, accommodating visitors, and orienting visitors
- Hosted critical stakeholder meetings and workshops throughout the year
- Maintained periodic on campus presence for academic engagement
- Successfully tracked customer traffic and revenue through the U-pick apple orchard

2024-25 GOALS & OBJECTIVES

Goals for FY 2024-25 are to progress further with reconstruction planning, increase capacity for land management activities, and reduce wildland fuels. Objectives in support of these specific goals, and our mission in a broader sense, are listed below:

Experiential Education and Leadership Development

- Sustain the listed FY 2023-24 activities
- Leverage additional student internship opportunities with partner organizations (especially the Natural Resource Conservation District and the University of California Cooperative Extension)

Applied Research

- Sustain the listed FY 2023-24 activities
- Leverage additional Cal Poly SLO student/faculty research opportunities through partner organizations (especially the Santa Cruz County Resource Conservation District and the National Oceanic and Atmospheric Administration)

Landscape management

- Sustain the listed FY 2023-24 activities
- Complete remaining phases of forest health project
- Install livestock water system improvements

Experience Management

- Sustain the listed FY 2023-24 activities
- Update outreach and marketing materials with clear and current messaging
- Produce plans for permitting and construction of Swanton Pacific Ranch Education Center and other support facilities

2024-25 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$23	\$42	\$27	\$31	\$4	14%
Cost of Goods Sold	-	-	1	-	1	100%
Gross Margin	23	42	27	31	4	16%
Fee for Service Income	-	-	11	35	24	224%
Rental Income	6	49	65	49	(16)	(24%)
Other Revenues	721	600	606	660	54	9%
Income Before Operations	750	692	709	775	66	9%
Salaries & Wages	366	437	411	435	(24)	(6%)
Benefits	202	230	213	222	(10)	(5%)
Total Payroll Expense	568	667	623	658	(34)	(6%)
Depreciation & Amortization	44	16	46	46	-	0%
General Maintenance	46	59	71	54	18	25%
Utilities	27	26	26	27	(1)	(2%)
Supplies & Equipment	25	30	30	18	12	41%
Taxes / Insurance	18	31	14	22	(7)	(50%)
CP Partners Administrative Services	39	96	96	111	(14)	(15%)
Livestock / Feed Expense	2	2	2	3	(1)	(36%)
University Cost Allocation	9	2	2	1	1	43%
Other Operating Expenses	129	101	97	95	3	3%
Total Operating Expenses	338	365	386	375	11	3%
Total Expenses	907	1,032	1,010	1,033	(24)	(2%)
Net from Operations	(157)	(340)	(301)	(258)	43	14%
Other Income (Expense)	(19)	182	224	185	(39)	(17%)
Total Other Income (Expense)	(19)	182	224	185	(39)	(17%)
Net to Reserves	\$(176)	\$(159)	\$(77)	\$(73)	\$4	5%
Noncash transactions (add-back):						
Depreciation & Amortization	44	16	46	46	-	0%
Other Expense	217	-	-	-	-	0%
Adjusted Net to Reserves	\$85	\$(142)	\$(31)	\$(27)	\$4	13%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

The budget for FY 2024-25 includes a number of baseline assumptions described in further detail below. Any changes to these assumptions could result in unforeseen changes or alterations to this budget. The budget does not include restoration expenses covered by insurance and FEMA.

Income Before Operations for FY 2023-24 is projected to end slightly above budget. Ranch operations for FY 2024-25 will continue with the following assumptions: the Jacobs Farm/Del Cabo crop lease will generate \$42,000 and the Grazing Service Agreement with Pastorino Hay will generate \$35,000, the Apple Orchard will generate \$20,000, Cal Fire land lease will generate \$7,000, and no net proceeds from timber operations are expected.

In FY 2024-25, the primary source of income to fund ranch operations will come from the Al Smith Endowment. The contribution directed to ranch operations last year was \$600,000.

FY 2023-24 **Payroll Expense** is projected to end approximately \$43,000 under budget due to higher than expected support from sponsored programs. FY 2024-25 payroll expense is budgeted approximately \$34,000 or 6% higher than FY 2023-24 projections. This increase is primarily due to increases in regular salaries and student labor.

FY 2023-24 **Operating Expenses** are projected to be approximately \$21,000 or 6% over budget, primarily the result of an increase in professional services. FY 2024-25 operating expenses are budgeted to be approximately \$375,000 compared to \$365,000 budgeted for FY 2023-24. The increase in operating expenses is primarily the result of increased professional service fees.

FY 2023-24 **Other Income (Expense)** includes a \$185,000 cash transfer to support Ranch operations from the Swanton endowment payout and supporting funds from CAFES. A similar transfer of \$185,000 is included in the fiscal year 2024-25 budget.

For FY 2024-25, the projected **Net Loss to Reserves** of approximately \$73,000 includes non-cash depreciation expenses of \$46,000. Excluding depreciation, the FY 2023-24 net loss to reserves is projected to be \$27,000. Operating reserves are projected to remain positive through FY 2024-25.

The goal is to remain in an efficient mode of operation while preserving necessary operational support and to begin taking advantage of new opportunities. The ranch continues its outreach efforts to establish new educational opportunities. New relationships are being established with faculty throughout the university, which will lead to newly established internships, special projects, and interdisciplinary solutions.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2022 Reserve Balance	\$261,293	\$1,121,848	\$1,383,141
FY 2022-23 Change in Reserves	21,905	(198,185)	(176,280)
June 30, 2023 Reserve Balance	283,198	923,663	1,206,861
FY 2023-24 Change in Reserves (estimate)	(30,801)	(46,273)	(77,074)
June 30, 2024 Reserve Balance (estimate)	252,397	877,390	1,129,787
FY 2024-25 Change in Reserves (budget)	(26,788)	(46,273)	(73,061)
June 30, 2025 Reserve Balance (budget)	\$225,608	\$831,117	\$1,056,725

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

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

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

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

CAPITAL OUTLAY REQUEST

Capital outlays for facility and infrastructure improvements are contingent on an influx of outside funds. There are no capital outlay requests being submitted for FY 2024-25 at this time. Requests may be made if alternative funding is attained.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Plant Operations

Fiscal Year 2024-25

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BUSINESS OVERVIEW

Plant Operations serve to support the Cal Poly Partners' ("Partners") vision of providing facilities and services that support the educational mission of the university. Activities of Plant Operations include the acquisition, construction, expansion, maintenance and operation of certain Partners-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 Partners-managed facilities:

Partners Administration Building – In 1989, the Partners completed the construction of its administration building (building 15). This building is considered the Partners' business office and hosts all of the major activities of General Administration, including the executive office, business and finance, human resources, legal and facilities, commercial services, real property services, marketing and communications, the Partners board room and the staff training facility.

Partners Warehouse – Also in 1989, the Partners 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 Partners executed a contract with Follett Higher Education Group to operate its campus bookstore. Follett declined using the warehouse, which resulted in a decision to release control of a majority of the warehouse, previously used by the Partners, back to the University.

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

As of March 2024, the Partners owns three condominiums within Bella Montaña. One condominium is available for corporate transitional housing, one unit is rented to Cal Poly faculty and staff, and one unit is held on behalf of the Orfalea College of Business (OCOB) for visiting lecturers and faculty. Operating expenses for this unit are funded by Cal Poly Foundation gift funds and endowment payouts.

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

Mustang Business Park – On September 20, 2023, the Cal Poly Partners executed the purchase of a commercial building located at 4800 Morabito Place in the City of SLO. The property, known as the Cal Poly Mustang Business Park (CPMBP), is approximately 48,000 square feet and was acquired for \$16,800,000. The acquisition was financed with proceeds from the issuance of CSU Institute Commercial Paper Notes (ICPNs). It is anticipated that the commercial paper notes will be replaced with proceeds from the issuance of the CSU SRBs during the summer of 2024. In connection with the acquisition of the building, the Partners entered into a long-term lease with the University for use of the entire building. Terms of the lease will cover annual debt service and operating expenses related to the building. The University has a need for additional office and academic space on-campus and will use the CPMBP to accommodate several administrative functions of the University. The building is also expected to house certain administrative functions of Cal Poly Partners, which will move into the building during FY 2024-25.

2023-24 ACCOMPLISHMENTS

- Partners-owned owned Bella Montaña units were rented for the majority of the fiscal year.
- The Grand Avenue properties were rented for the entire fiscal-year subject to a lease with the SLO Classical Academy. The lease was extended for another three years effective July 1, 2022.
- Completed the purchase of the Cal Poly Mustang Business Park and executed a lease with the University for use of the space.
- Began planning activities to relocate several administrative functions from Building 15 to the CPMBP.

2024-25 GOALS & OBJECTIVES

- Continue enhancing the property management function for Partners-owned real property.
- Complete all necessary improvements at the Mustang Business Park.
- Complete the relocation of several administrative functions from Building 15 to the CPMBP.

2024-25 OPERATING BUDGET PROPOSAL

PLANT OPERATIONS

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Occupancy Income	\$432	\$426	\$427	\$431	\$4	1%
Other Revenues	43	14	22	21	(1)	(5%)
Income Before Operations	475	440	449	452	3	1%
Depreciation & Amortization	117	106	106	106	(0)	0%
General Maintenance	42	45	39	49	(9)	(24%)
Utilities	52	57	56	62	(5)	(10%)
Supplies & Equipment	7	2	0	3	(2)	(7143%)
CP Partners Administrative Services	80	80	80	82	(2)	(3%)
CP Partners Allocated Services	50	38	40	44	(4)	(10%)
Taxes / Insurance	35	42	34	38	(4)	(11%)
Other Operating Expenses	36	22	40	26	14	34%
Total Operating Expenses	419	392	395	409	(14)	(4%)
Total Expenses	419	392	395	409	(14)	(4%)
Net from Operations	56	48	54	43	(11)	(20%)
Net to Reserves	\$56	\$48	\$54	\$43	\$(11)	(20%)
Noncash transactions (add back):						
Depreciation & Amortization	117	106	106	106	(0)	0%
Adjusted Net to Reserves	\$173	\$154	\$160	\$149	\$(11)	(7%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

2024-25 OPERATING BUDGET PROPOSAL

MUSTANG BUSINESS PARK

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Occupancy Income	0	1,880	1,222	1,520	297	24%
Other Revenues	0	0	402	373	(30)	(7%)
Income Before Operations	0	1,880	1,625	1,892	267	16%
Salaries & Wages	0	60	48	77	(29)	(59%)
Benefits	0	36	29	47	(18)	(62%)
Total Payroll Expense	0	96	77	124	(46)	(60%)
Depreciation & Amortization	0	562	375	562	(187)	(50%)
General Maintenance	0	79	74	135	(61)	(82%)
Utilities	0	176	0	0	0	0%
Supplies & Materials	0	17	0	23	(23)	(95733%)
Fees & Services	0	84	268	63	205	77%
Other Operating Expenses	0	44	52	152	(99)	(190%)
Total Operating Expenses	0	963	769	934	(166)	(22%)
Total Expenses	0	1,059	846	1,058	(212)	(25%)
Net from Operations	0	821	778	834	55	7%
Interest Expense	0	(881)	(1,027)	(1,292)	(266)	(26%)
Total Other Income (Expense)	0	(881)	(1,027)	(1,292)	(266)	(26%)
Net to Reserves	\$0	\$(59)	\$(248)	\$(458)	\$(210)	(85%)
Noncash transactions						
Depreciation & Amortization	0	562	375	562	(187)	(50%)
Adjusted Net to Reserves	\$0	\$503	\$126	\$103	\$(23)	(18%)

OPERATING BUDGET DISCUSSION

Revenues

Occupancy income includes cost recovery charges to occupants of the Partners Administration Building and the Partners Warehouse to cover maintenance and operating expenses for those facilities, as well as build reserves for renovations and future capital outlays. Occupancy income also includes rent revenue for Partners-managed real property included in this budget. FY 2023-24 projected total revenue has a slightly favorable variance from budget, resulting from Bella Montana activity. Consistent with FY 2023-24 budget, the Partners does not plan to increase the cost recovery charges for the Partners Administration Building and Partners Warehouse for FY 2024-25. Finally, the FY 2024-25 budget anticipates full occupancy for rented units at Bella Montana.

For CPMBP, revenues represent rents received from the University for their lease of the entire CPMBP. FY 2023-24 projected total revenue has an unfavorable variance from budget. At the time of the development of the FY 2023-24 budget, it was not clear when the building purchase would be finalized and what actual debt service would be on the building. FY 2024-25 budgeted total revenue is expected to increase as a result of a full year of lease revenues related to the CPMBP.

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

Expenses

Total operating expenses for FY 2023-24 are in line with budget. Total operating expenses are expected to remain consistent through FY 2024-25.

For CPMBP, total operating expenses for FY 2023-24 are less than what was anticipated in the budget. The budget assumed utilities would be paid for by CPP and reimbursed by CPSU. Instead, building utilities were paid for directly by CPSU. Total operating expenses for FY 2024-25 are expected to increase primarily due to increases in interest expense related to the financing of the CPMBP.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Replacement & Renewal	Facilities Reserve	Debt Service Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2022 Reserve Balance	\$294,080	\$3,019,929	\$2,235,714	-	\$3,011,240	\$8,560,963
FY 2022-23 Change in Reserves	(6,141)	222,955	(40,740)	-	390,501	566,575
June 30, 2023 Reserve Balance	287,939	3,242,884	2,194,974	-	3,401,741	9,127,538
FY 2023-24 Change in Reserves (estimate)	143,299	206,880	(64,080)	1,486,026	(480,130)	1,291,995
June 30, 2024 Reserve Balance (estimate)	431,238	3,449,765	2,130,894	1,486,026	2,921,611	10,419,534
FY 2024-25 Change in Reserves (budget)	(37,526)	226,433	(86,747)	-	(517,518)	(415,358)
June 30, 2025 Reserve Balance (budget)	\$393,712	\$3,676,197	\$2,044,147	\$1,486,026	\$2,404,094	\$10,004,176

Plant Operations maintains five 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 Partners Warehouse, the Partners Administration Building, and the Mustang Business Park. 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 Partners facilities, including staff and faculty housing.

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.

Debt Service Reserves represent 115% of the subsequent year's debt service, including both principal and interest. The purchase of the Mustang Business Park will be partially financed by loan proceeds, which will require the creation of the debt service reserve in FY23-24.

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Mustang Business Park Improvements	\$100,000	5	\$20,000
Mustang Business Park Moving Expenses	50,000	5	10,000
Total Major Capital Outlay	\$150,000		\$30,000
Total Capital Outlay Request	\$150,000		\$30,000

CAPITAL OUTLAY REQUEST DETAIL

Mustang Business Park Improvements - The cost to complete improvements, such as installing workstations and office furniture, is anticipated to be \$100,000. Tenant improvement costs in the amount of \$5 million were previously approved as part of the Morabito Building project budget.

Mustang Business Park Moving Expenses - The cost to move office furniture and equipment from the Cal Poly campus to the Mustang Business Park is estimated to be \$50,000.



CAL POLY Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Other Commercial Activities

Fiscal Year 2024-25

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BUSINESS OVERVIEW

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

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

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

Effective July 1, 2017, the Partners executed a contract with Follett Higher Education Group (Follett) to operate its campus bookstore, downtown location, and e-commerce store. Follett agreed to fund an extensive renovation of the store, leading to a restated contract in 2021. The restated contract extends the relationship to 2029, with three one-year renewals. As part of this arrangement, the Partners earns a commission based on certain sales. The commission funds continuing expenses (i.e. downtown lease expense, taxes, depreciation, and utilities) as well as contract management support. Residual income is used to support on-going Partners operations and contributions to university services.

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

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

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

Other Retail Outlets - From time to time, the Partners 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 Partners through revenue-sharing or rent charges in exchange for allowing these vendors to do business on campus.

2023-24 ACCOMPLISHMENTS

Cal Poly Mustang Shop:

- **Course materials:** To lower the cost of course materials, Cal Poly Partners partnered with Follett to provide a quarterly dashboard to college deans and associated deans. The dashboard provides department level metrics critical to providing the lowest cost course materials. Those metrics include the department's on-time adoptions rate, Poly (Inclusive) Access penetration, and OER and digital rates. Meetings were conducted with each College to review the information and discuss tactics for improvement. Feedback from Deans on having actionable data has been very positive. The increased engagement with faculty combined with providing detailed reports of potential savings to students for classes that are offered through Poly Access has increased Poly Access penetration to double digits.
- **Stockroom:** Mustang Shop's 4,000 square foot stock room was included in the building 19 remodel, leaving it inaccessible for three years. In the interim, employees were transporting back stock from building 82, requiring multiple trips per day and prioritization of peak weeks between supplies and merchandise. Due to the library needing the space in building 82 in July, the back stock moved to 50J until the completion of the remodel in March of 2024. Having the stock room operational will improve out of stocks, speed to service, and lower labor costs.
- **Revenue growth:** Gross sales are down 3% driven by softness in rental texts, supplies, and merchandise sales. Growth in technology products is 9% above last year due to the increase in Cal Poly Scholars students that receive financial aid for laptops. Cal Poly Partners doesn't receive a commission on technology sales, but Follett does receive a small margin on these sales, helping to mitigate the losses the company incurred during the pandemic. Digital sales are up 32% to prior year. The mix shift to more digital sales with a lower commission, and technology products with no commission resulted in full commissionable sales down 10% for the campus store. The downtown store commissionable sales are down 7% due to less consumer traffic in the downtown corridor. Despite these sales results, Cal Poly is the second best performing of the 14 CSU stores that Follett operates.

Cal Poly Print & Copy:

- **Student courseware support:** Cal Poly Print & Copy has successfully produced 100% of all course packs for Follett on time since inception of the Follett contract.
- **New Print and Copy location on campus:** Due to the library renovation, Cal Poly Print & Copy moved into a new location on campus within Building 52. Moving is never an easy feat, especially with all the equipment Print & Copy owns. The group was able to meet the deadline of moving out of the library and taking ownership of the new space.
- **New business opportunities and revenue growth:** Cal Poly Print & Copy staff have become notary certified and licensed to take passport pictures. The group is offering these services to the Cal Poly community. These services have been requested by Cal Poly students, faculty, and staff, and look to generate additional revenue and growth.

2024-25 GOALS & OBJECTIVES

Cal Poly Mustang Shop:

- **Revenue growth:** The 2024-25 budget assumes a 3% increase in commission income. Downtown sales are projected to be flat compared to the previous year, the campus store digital sales are budgeted to grow 20%, while all other sales are budgeted to grow at 2%. The stores will achieve this growth from modest pricing, assortment management, and improved order fulfillment out-of-stock items driven by the Shop's backstock move from offsite to underground building 19.
- **New downtown store location:** The Partners has signed a lease for 1144 Chorro Street. The new space will be the new home of the Mustang Shop and CIE (Center for Innovation and Entrepreneurship). In addition to the benefits of co-locating two Cal Poly entities, the new lease will be half the cost of the current location and expand the shoppable space from 2,900 to 3,500 square feet. Renovation will begin in May, and the store will be open for business August / September 2025. Follett has agreed to provide \$600,000 in capital and will assume the full cost of the lease for a reduction in commission. The Partners is fully funding the lease of the current location. With these favorable terms with Follett, we will have an estimated payback of 6 years to fund the additional \$900K investment the Partners is contributing to the project. The current lease expires in 2026. The goal is to negotiate with the current landlord to reduce the cost of the remaining lease term through either an early termination or partial rent abatement.
- **Course materials partnership:** Follett's market share of purchased course materials has increased by 2.5%, but the overall share is still low at 22%. Combined with the size of the course materials market declining by 9%, course material revenue continues to decline. Two major factors in the shrinking market size are the increased use of free OER (Open Education Resources) and e-books that sell for less than printed books. The course materials subcommittee and Follett will continue to strengthen relationships with assistant deans and department heads to increase on-time adoptions and increase digital and inclusive access adoptions. Using a consultative approach with data each quarter on timely adoptions and selection of digital, OER, and inclusive access course materials, the goal is to increase market share, while decreasing the cost for students. In addition to continuing to grow inclusive (Poly) access, we are building a road map for implementation of equitable access (EA). EA is a campus wide program where all students pay one flat fee for all course materials.

Cal Poly Print & Copy:

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

- **New business opportunities:** The Partners will continue to support Cal Poly Print & Copy by creating focus groups and surveys to establish new services Print & Copy can offer to better support the needs of the Cal Poly community.

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2024-25 OPERATING BUDGET PROPOSAL

CAL POLY MUSTANG SHOP

(in thousands) **	Fiscal Year 2022-23 Actual	% of Sales	Fiscal Year 2023-24 Budget	% of Sales	Fiscal Year 2023-24 Estimate*	% of Sales	Fiscal Year 2024-25 Budget Proposal	% of Sales	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$59	100%	\$62	100%	\$56	100%	\$56	100%	-	0%
Cost of Goods Sold	41	69%	43	69%	33	58%	33	58%	-	0%
Gross Margin	19	31%	20	31%	23	42%	23	42%	-	0%
Other Revenues	1,355	2277%	1,387	2224%	1,343	2385%	1,383	2456%	40	3%
Income before Operations	1,373	2308%	1,407	2256%	1,366	2427%	1,406	2498%	40	3%
Depreciation & Amortization	42	70%	26	42%	32	57%	32	57%	-	0%
General Maintenance	2	4%	6	9%	6	11%	6	10%	1	15%
Rent / Lease Expense	151	254%	172	276%	172	306%	178	316%	(6)	(3%)
CP Partners Administrative Services	617	1038%	600	962%	601	1068%	265	472%	336	56%
CP Partners Allocated Services	52	87%	159	255%	156	278%	143	255%	13	8%
Utilities	49	82%	48	76%	54	96%	60	107%	(6)	(11%)
Other Operating Expenses	88	147%	33	53%	53	94%	41	74%	12	22%
Total Operating Expenses	1,000	1682%	1,043	1673%	1,075	1910%	725	1289%	350	33%
Total Expenses	1,000	1682%	1,043	1673%	1,075	1910%	725	1289%	350	33%
Net from Operations	373	627%	363	582%	291	517%	680	1209%	390	134%
Other Income (Expense)	10	17%	-	0%	21	37%	(335)	(595%)	(356)	(1701%)
University Services	(322)	(542%)	(322)	(517%)	(322)	(573%)	(322)	(573%)	-	0%
Total Other Income (Expense)	(313)	(525%)	(322)	(517%)	(302)	(536%)	(658)	(1168%)	(356)	(118%)
Transfer From (To) Plant Fund Reserves	(25)	(42%)	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$35	59%	\$41	65%	\$(11)	(19%)	\$23	41%	\$34	314%
Noncash transactions (add back):										
Depreciation & Amortization	42	70%	26	42%	32	57%	32	57%	-	0%
Other Expense	16	27%	-	0%	-	0%	-	0%	-	0%
Adjusted Net to Reserves	\$93	156%	\$67	108%	\$21	38%	\$55	97%	\$34	160%

* 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 2022-23 Actual	% of Sales	Fiscal Year 2023-24 Budget	% of Sales	Fiscal Year 2023-24 Estimate*	% of Sales	Fiscal Year 2024-25 Budget Proposal	% of Sales	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$227	100%	\$234	100%	\$191	100%	\$224	100%	\$33	18%
Cost of Goods Sold	58	26%	54	23%	45	24%	44	20%	1	2%
Gross Margin	169	74%	180	77%	145	76%	180	80%	34	24%
Income before Operations	169	74%	180	77%	145	76%	180	80%	34	24%
Salaries & Wages	86	38%	73	31%	89	47%	84	38%	4	5%
Benefits	24	11%	26	11%	27	14%	26	12%	0	1%
Total Payroll Expense	110	49%	99	42%	115	60%	111	49%	5	4%
Depreciation & Amortization	3	1%	0	0%	0	0%	-	0%	0	0%
General Maintenance	30	13%	21	9%	13	7%	21	9%	(8)	(64%)
Rent / Lease Expense	1	0%	-	0%	-	0%	-	0%	-	0%
CP Partners Administrative Services	26	12%	29	12%	29	15%	34	15%	(5)	(16%)
CP Partners Allocated Services	1	1%	10	4%	13	7%	8	3%	5	40%
Other Operating Expenses	12	5%	17	7%	9	5%	11	5%	(2)	(27%)
Total Operating Expenses	73	32%	77	33%	64	33%	73	33%	(10)	(15%)
Total Expenses	183	81%	177	76%	179	94%	184	82%	(5)	(3%)
Net from Operations	(14)	(6%)	3	1%	(34)	(18%)	(4)	(2%)	29	87%
Other Income (Expense)	(6)	(3%)	-	0%	(0)	0%	-	0%	0	0%
University Services	(2)	(1%)	(2)	(1%)	(2)	(1%)	(2)	(1%)	-	0%
Total Other Income (Expense)	(8)	(4%)	(2)	(1%)	(3)	(1%)	(2)	(1%)	0	9%
Transfer From (To) Plant Fund Reserves	12	5%	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$(10)	(4%)	\$1	0%	\$(36)	(19%)	\$(7)	(3%)	\$30	81%
Noncash transactions (add back):										
Depreciation & Amortization	3	1%	0	0%	0	0%	-	0%	0	0%
Adjusted Net to Reserves	\$(7)	(3%)	\$1	1%	\$(36)	(19%)	\$(7)	(3%)	\$29	81%

* 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 includes results from Cal Poly Print & Copy operations as well as wine sales at Cal Poly Downtown. At Cal Poly Print & Copy, the unfavorable variance in sales from budget of approximately \$43,000 for FY 2023-24 is primarily the result of lower than anticipated sales in digital print and course packs. The digital print sales budget for FY 2024-25 is expected to increase as Cal Poly Print & Copy increases its marketing efforts and implements price adjustments to align closer to the market.

Sales at Cal Poly Print & Copy for FY 2024-25 assume the store will be open for the entire academic year. Sales estimates reflect an increase from the FY 2023-24 projection but are still less than the average pre-pandemic historical performance. Cost of Sales for FY 2024-25 reflect margins consistent with pre-pandemic years with an adjustment for pricing.

Other Revenues for the University Store Contract primarily represent commissions earned from Follett, which is generally calculated at 7% of digital commissionable sales and 17% of non-digital commissionable sales. The budget for FY 2024-25 assumes that a 25% and 3% increase in both digital and non-digital commissionable sales for Follett, and corresponding commission growth. This shift towards more digital sales reflects the post-COVID trends. The Partners management is working closely with Follett to identify ways to increase commissionable sales over the coming year.

Total Payroll Expense relates solely to Cal Poly Print & Copy and is projected to end FY 2023-24 \$16,000, or 16% over budget. The unfavorable variance from budget reflects more than anticipated labor costs related to the temporary relocation of operations out of the Kennedy Library. Payroll expense FY 2024-25 includes a 5% general salary increase, a performance based compensation pool, and slightly lower fringe benefit rates.

Total Operating Expenses for the University Store Contract include continuing direct expenses for the University Store and Cal Poly Downtown (i.e. rents, taxes, depreciation and utilities) as well as contract management and indirect cost support. FY 2024-25 Operating Expenses are expected to decrease \$350,000 from FY 2023-24 projections primarily the result of changes in the presentation of administrative cost recovery charges from the Partners. The FY 2024-25 budget has separated administrative cost recovery charges from additional contributions to cover the Partners general administrative overhead costs, which is included in other expenses below. The aggregate total is consistent with the FY 2023-24 budget.

FY 2023-24 Operating Expenses for Cal Poly Print & Copy are projected to end under budget, primarily related to equipment maintenance expenses that were postponed to the following year. In addition, the budget assumed Cal Poly Print & Copy would be responsible for certification costs related to the temporary relocation of operations out of the Kennedy Library. Those costs were reimbursed by the university. FY 2024-25 Operating Expenses are expected to increase \$9,000, resulting primarily the result of increases in administrative cost recovery charges from the Partners and equipment maintenance expenses.

Other Income (expense) for FY 2023-24 and FY 2024-25 includes funding for University Services. In addition, FY 2024-25 includes additional contributions from Mustang Shop to cover the Partners general administrative overhead costs.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2022 Reserve Balance	\$994,920	\$7,050,997	\$121,603	\$0	\$8,167,520
FY 2022-23 Change in Reserves	87,255	(410,680)	(62,551)	0	(385,976)
June 30, 2023 Reserve Balance	1,082,175	6,640,317	59,052	0	7,781,544
FY 2023-24 Change in Reserves (estimate)	(321,437)	(622,434)	(4,172)	900,000	(48,043)
June 30, 2024 Reserve Balance (estimate)	760,738	6,563,499	54,880	900,000	8,279,117
FY 2024-25 Change in Reserves (budget)	22,188	25,768	868,148	(900,000)	16,104
June 30, 2025 Reserve Balance (budget)	\$782,926	\$6,589,267	\$923,028	\$0	\$8,295,221

Reserves for other commercial activities are designated as follows:

Operating Reserves represents working capital held for contingencies and continuing operations. The reserve balance for the University Store contract is equal to 100% of the subsequent year's budgeted operating expenses (less depreciation expense), which reflects the difference in business model compared to other commercial operations. Operating reserves at Cal Poly Print & Copy for June 30, 2024 (estimate) and June 30, 2025 (budget) are equal to 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

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

Investment in Operating Assets for June 30, 2024 (estimate) and June 30, 2025 (budget) represents the investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Previously Approved Capital Outlay Requests (1)			
1144 Chorro Street tenant improvements	\$900,000	10	\$90,000
Total Capital Outlay Request	\$900,000		\$90,000

CAPITAL OUTLAY REQUEST DETAIL

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

1144 Chorro Street tenant improvements: The Partners has signed a lease for 1144 Chorro Street. The new space will be the new home of the Mustang Shop and CIE (Center for Innovation and Entrepreneurship). In addition to the benefits of co-locating two Cal Poly entities, the new lease will be half the cost of the current location and expand the shoppable space from 2,900 to 3,500 square feet. Renovation will begin in May, and the store will be open for business August / September 2025. Follett has agreed to provide \$600,000 in capital for tenant improvements. An additional \$900,000 investment in tenant improvement will come from Mustang Shop reserves.

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CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Commercial Agriculture Operations

Fiscal Year 2024-25

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BUSINESS OVERVIEW

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

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

Students benefit indirectly from Partners-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 Partners agricultural operations, which cannot be overstated.

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

Animal Science and Dairy Science Programs

Dr. George Gallagher

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

Demand for programs in the animal science department is strong, with about 800 undergraduate students enrolled. Because of the level of demand the Animal Science major and Dairy Science major were identified by the institution as subject areas for enrollment expansion. Enrollment for the Animal Science major was increased by approximately 10% for the Fall 2023 quarter.

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

In the past two years, veterinary students from Western University visit four times a year to gain practical hands-on experience with large animals at our beef, dairy sheep and goat, and swine units. In addition to providing another revenue stream to Cal Poly, undergraduate students are also exposed to the Western University veterinary program, veterinary medicine students and other instructors.

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

Facilities:

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

Environmental Horticulture/Crop, Fruit and Vegetable Science

Dr. Scott Steinmaus

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

This year, we experienced many staff transitions. Kelly O'Neil was hired on as Plant Sciences Manager. Johnny Rosecrans, who has been the Crop Technician II for the department, landed the role as Farm

Manager at Bartleson Ranch, however, he agreed to stay on part-time until his position could be filled. We are interviewing for that position and hope to have it filled by May 2024.

The department typically accommodates up to 72 students per quarter in field crop, fruit, horticulture, and vegetable projects. The ongoing goal of these programs is to give students the best possible educational experience in sustainable farming and growing including organic production. The enterprise project program is a key component of that educational experience. Student numbers in our Enterprise projects are close to pre-pandemic levels. Cal Poly's Learn by Doing philosophy is a fundamental part of what distinguishes its graduates, and our Crops and Horticulture Unit epitomizes that philosophy.

We have broken ground on the Plant Sciences Complex building project. We are continuing to seek donor support for the new Plant Sciences Complex that will house a fruit and vegetable processing center, and a building complex that will house teaching and research lab facilities. We have received donor support to renovate, repair and upgrade the greenhouse complexes at the Horticulture Unit. We have received donor funds in support of the Leaning Pine Arboretum facilities, and we have hired a full-time lecturer for Landscape Horticulture/Leaning Pine Arboretum director.

Facilities:

- Crops Unit:
 - Field production: vegetable crops, forage crops, pumpkins
 - Orchard production: citrus, avocado, stone fruit
 - Honey
 - Cal Poly Organic Farm
- Horticulture Unit:
 - Poly Plant Shop
 - Leaning Pine Arboretum

Food Science and Nutrition (FSN)

Molly Lear

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

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

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

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

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

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

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

Wine and Viticulture

Dr. Benoît Lecat

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

With the addition of the new JUSTIN and J. LOHR Center for Wine and Viticulture, the Wine and Viticulture department is able to provide students with a comprehensive educational experience, from growing grapes all the way to bottling wine. This fiscal year saw our first vintage from harvest to bottle and allowed us to now include the winery production budget as part of the overall Commercial Agriculture budget.

Bartleson Ranch and Conservatory

The Bartleson Ranch and Conservatory is a 448-acre working ranch situated in the city of Arroyo Grande. The Ranch was received in 2015 on behalf of the College of Agriculture, Food and Environmental Sciences and a life interest was retained by the donors. The Ranch primarily produces lemons. Subsequent to receiving the Ranch, the donors continued to manage operations through June 2022. In fiscal year 2022-23, the College assumed Ranch operations and entered into a management contract with Bee Sweet Citrus. During fiscal year 2023-24, the College took over ranch management duties from Bee Sweet Citrus. The College expects to see the ranch operations begin to show profits in fiscal year 2024-25.

2023-24 ACCOMPLISHMENTS

Animal Science and Dairy Science Programs

- The use of all production units for academic courses continues to be a priority. In addition, expansion of hands-on learning opportunities offered through enterprise courses continues to expand.
- Sales of meat products at the Meat Processing Center have remained strong. The Meat Processing Center has also incorporated items for sale from other departments such as flowers, vegetable boxes, and other processed food products.
- The Oppenheimer Family Equine Center provided another year of excellent results from the annual sale of young performance horses, prepared by Cal Poly students.
- The Oppenheimer Family Equine Center has continued to receive donated breedings from leading sires in the Quarter Horse industry. Twenty-three horses were sold for an average of over \$12,000/horse, totaling approximately \$276,000 in sale of livestock.
- The Creamery's holiday cheese box sales continue to be a primary revenue avenue. In addition to local cheese sales, ice cream sales for the "Friday Drive-Through" have become established. Extensive renovation of plant facilities is in process.
- The sales of eggs to the community from the Poultry Operation have been maintained. In addition, the facility has collaborated with an industry partner to produce niche market meat breeds of poultry.
- Practicums have continued as outlined by the Affiliation Agreement for Veterinary Practicums with Western University of Health Sciences. Veterinary students participate in planned activities at the beef, dairy, sheep and goat, swine, and the Meat Processing Center. Conversations are continuing to explore expanding these types of practicum activities to other veterinary schools and regional community colleges.
- In February, the 2024 Western Bonanza Junior Livestock Show was again a success. There were over 5,200 entries representing 11 states, over the four-day event held in Paso Robles. This event is organized and implemented by up to 120 Cal Poly students. The national attention provided to Cal Poly is extensive.
- The Sheep and Goat unit continues to support a holistic sustainable management approach to vegetation control, while producing other animal products.
- The Cal Poly Dairy continues to provide learning opportunities by maintaining the two primary dairy breeds of cattle maintained in the United States. The unit has continued to operate, primarily by students, while a national search was implemented to hire a new manager. A new Dairy Operations Manager will be on campus toward the end of March 2024.
- The 2023 Beef Cattle Bull Test was completed over the summer, with another successful sale held in October (75 bulls). The operation now includes state of the art instrumentation for gaining precision performance of individual animals being evaluated.
- The swine unit continues to provide educational opportunities representing both commercial and show pig types of business systems.
- The beef cattle unit continues to function as a sustainable operation to optimize beef production practices. Cal Poly is now among the elite cattle producers operating under the Prime Pursuits program in partnership with 44 Farms. This group provides Angus Beef for Wal Mart, Inc.
- Industry support for the Earn by Doing student manager program remains strong, with funding at seven of the operations. This helps mitigate the negative effect of increasing minimum wages and allows more students the ability to work to offset their educational costs.

Environmental Horticulture/Crop, Fruit and Vegetable Science

The accomplishments for this year and projections for next are tied to several nuances of our current operations. Our profits are tied intricately to our orchard operations especially the citrus, avocado, pome (apple, pear) and nut trees. They represent a significant portion of our overall profitability. They are also tied to our losses because we removed and established new plantings in FY 2023-24 to make up for old unproductive ones. These new plantings will not provide us with economic returns immediately, but are a necessary investment in the long-term sustainability of our production operations for teaching, research and commercial sales. This year, the environmental unit will work with facilities to grow plants needed for the campus. This will be a wonderful income generation in addition to the Poly Plant Shop's annual sales for tomatoes, succulents, and poinsettias.

Fruit Crop

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

- Plant Science (PLSC) orchard production is a dynamic process as trees are planted, do not produce profitable yield immediately, reach maximal bearing age, and then begin aging to the point where they need to be replaced. This creates new opportunities for research and teaching.
 - We have established a new avocado rootstock trial with the assistance of the California Avocado Commission on Radio Tower Hill. It is currently in its 4th leaf stage and will be bearing fruit for its second year.
- Updated/rerouted deer fencing on section of Radio Tower Hill for improved security
- Continued "U-Picks" on Saturdays. Lower amount this year and last due to rainy weather.
- Partnered with Talley Farms to purchase mandarin fruit for its boxes. This helps assist with picking and can sell 7,000 pounds at a time.
- Cost of fertilizer and plant protection chemicals (insecticides, herbicides, fungicides, etc.) continue to increase.
- The PLSC department works with the SLO Food Bank and Glean SLO when there is product that needs to be picked and we cannot sell it and/or do not have the labor to pick it.
- We coordinated with Cal Poly's Real Food Collaborative to provide produce baskets for students and community members at a reduced price.

Vegetable

- Repair or replace implement for 4-row lister tractor
- Instituted new fertilizer injection system (Ag Solutions Master)
- Research and eventually buy GPS/laser level drag scraper - Working with Ag Operations on this

Organic Farm

- Most vegetables run on underground drip
- Improved fertigation practices
- Improved boarder weed control (fence line, end of row, road)
- Purchased and used floating row covers for pest control
- Purchase boom sprayer for weed/pest control (possible to repurpose an old one)
- Hired new organic farm supervisor Kelly O'Neal

Environmental Horticulture

- Realigned ridge vents in Greenhouses 2 and 4 to improve environmental control
- Provided Greenhouse 9 to support Strawberry Center needs
- Overseeing renovation of greenhouse, a collaboration with the effort of CAFES
- Partnering with the university's Landscape division to grow plants used on campus
- Continued to nurture the close relationship we have with Altman Plants

Food Science and Nutrition

- The use of both pilot plants for academic courses continues to be a priority.
- Continued to increase productivity while still training student employees for food industry.
- Worked with donors to continue their support for our chemicals, spices and tomato paste for our BBQ sauce, mustard powder for our mustard and some of our IQF products to be donated.
- Worked with Dr. Lammert and FSN 408 (Product Development) and Dr. Choudhury and FSN 474 (Advanced Food Processing) to take a benchtop idea to a successful pilot run salad dressing. Received the "S-Letter" from the UC Lab for Research & Food Preservation (UCLRFP) to produce item in Late Spring 2024.
- Worked with two undergrad students to increase yield for our smooth mustard. Submitted new formulation to UCLRFP and received "S-Letter" to produce mustard in late spring 2024.
- Continued to manage the colleges UPC program for all units and created new UPC's for WWIT
- Maintained products and support for teaching and labs within FSN Pilot Plants
- Continued to increase productivity, while still training student employees for food industry.
- Improved social media presence with a designated student assistant maintaining accounts and creating fun posts.
- Continued working with CP marketing to overhaul product labels with new updated CP logo and label design (~25+ products), ingredient statements, nutritional facts etc. Newly labeled products are slowly rolling out as we utilize our inventory.

Wine and Viticulture

The major long-term investments in the vineyards were done from 2014 to 2018.

During Harvest 2023, several tons of grapes were sold to industry partners directly from the vineyard: 4 tons of Sauvignon Blanc at \$2,200 per ton; 6 tons of pinot noir with a price varying from \$2,000 to \$3,600 depending on the quality and clone.

With the JUSTIN and J. LOHR Center for Wine and Viticulture ("the winery") now online and fully productive, this year was the first year the wine program has been included in the commercial agriculture production units. This year, the winery has processed 26.9 tons for the commercial programs as follows:

- 4 tons Pinot Noir Rosé (date: Sept 14, 2023)
- 5 tons Sauvignon Blanc (date: Sept 21, 2023)
- 6 tons Pinot Noir (date: Sept 29, 2023)
- 6 tons Chardonnay (date: Oct 5, 2023)
- 5.9 tons Cabernet Sauvignon (date: October 27, 2023) donated by the industry

- 1.1 tons of Cab Sauvignon on Nov. 7 donated by the industry
- 1.6 tons of Syrah from Spanish Springs donated by the industry

Bringing the winery completely online also helped to create “Learn by doing” educational opportunities. Students enrolled in the winemaking course series (WVIT 404, 405, 406) created 4.9 tons for 4 varieties: Chenin Blanc, Zinfandel, Chardonnay and Pinot Noir. Students involved in senior projects (WVIT 465) processed 11.54 tons of different varieties such as: Cabernet Sauvignon, Vermentino, Pinot Noir, Assyrtiko, Syrah, Roussanne, Petite Sirah.

2024-25 GOALS & OBJECTIVES

Animal Science and Dairy Science Programs

- Continue to implement dairy reconstruction and development plans
 - Completion of herd size reduction to encompass 120-150 lactating cows
 - Identify dairy heifers to retain to optimize herd value for teaching and research
 - Initiate facility renovations as provided by the Climate Smart funding
 - Development of updated SOP to optimize facility productivity and education value
 - Moving feed mixing to the Animal Nutrition Center –increase consistency and decrease feed losses
 - Increase feed push up frequency in the alleyway to improve utilization of feed and decrease waste
 - Alter reproductive management protocol to reduce costs and increase reproductive success rate
- Continue to implement creamery reconstruction and development plans
 - Finalize and initiate facility renovation plans
 - Finalize list of products to be produced and sold
- Evaluate the appropriate size and numbers of animals maintained at the swine, equine and beef unit required for educational purposes
- Develop a sustainable, integrated product production, processing, and distribution system for Cal Poly food products
 - Maximize the proportion of milk produced at the dairy that is processed at the creamery to produce viable products utilized at Cal Poly and available for local consumption
 - Identify avenues to market Cal Poly products nationally
 - Maximize the processing of beef, swine, lamb, and goats at the Cal Poly Meat Processing Center to capitalize on local demand
 - Maximize utilization of poultry facilities available to enhance productivity for meat and egg production
- Identify avenues of industry support to implement renovation of Cal Poly poultry egg production facilities to expand cage-free operations
- Identify and evaluate additional potential sources of revenue streams at production units. This includes support from local industry partners, additional products and/or services provided.

Environmental Horticulture/Crop, Fruit and Vegetable Science

Fruit Crop

- Improve efficiencies with technology and implement separate farming equipment for conventional and organic fields as new equipment becomes available
 - Install new fertilization system for RTH

- Add base rock to roads in new orchard - Ongoing
- Upgrade orchard equipment - Ongoing
- Install micro sprinklers on new avocado block
- Install additional drain outlets on RTH to capture run off that original outlets missed
- New nut tree/stone pomegranate fruit orchard in field 31 —we have completed the first 2/3 of planting and will complete remaining in 2025

Vegetable Crop

- Stumping terraces on RTH to improve tree vigor in coming years
- Purchase corn planter Monosem 2-row planter repurpose old planter for Organics
- Install a permanent base station for GPS/RTK Working with BRAE and TopCon
- Purchase new equipment with grant funding (Equipment type TBD): Research and eventually buy GPS/laser level drag scraper
- Improve ground squirrel control - Ongoing
- Upgrade Vegetable equipment: Repair or replace implement for 4-row lister tractor
- Improve/Clean up field to meet food safety requirements
- Replace deer fencing along creek in field 25 (waiting for state funding and approval)

Organic Farm

- Improve overall weed control - Ongoing
- Improve ground squirrel control - Ongoing
- Add/Upgrade organic equipment
- Partner with Organic Farm Center - Ongoing
- Purchase small fertilizer injector/mirroring industry
- Purchase boom sprayer for weed/pest control (possible to repurpose an old one)

Environmental Horticulture

- Purchase an automatic seeder for the purpose of growing plant transplants, which will increase efficiency while providing students with hands-on experience of current industry practices
- Sustain a close relationship with Altman Plants. The company is eager to hire our students for internships and employees.
- Paint exterior of dorm house as it is the at the entrance of the Poly Plant Shop
- Develop a production plant list with newly hired full-time lecturer and Landscape Horticulture and Arboretum Director for Arboretum focused sales.

Food Science Production

- We have many of the same goals and objectives as in FY 2023-24, as we continue to strive to move updates forward.
- Continue to update CP Chocolates facility so that chocolates pilot plant can be food safe and functional in 24-107. Two projects we are waiting on scheduling for are: increasing door size/walling off smoker and we are waiting on an estimate for HVAC control within 24-107. FSN is currently working with the college and the Advancement team to determine funding for these projects.

- FSN is working to identify a retail space that we can set consistent sales hours for on/off campus purchases. We look forward to participating in the CAFES “Farm Store” when that facility comes online in future years.
- FSN Production continues to work to automate and update facilities to ensure excellent products and to address food safety concerns.
- We are planning on introducing 2 new white chocolate flavored chocolate bars, and have re-introduced mustard products after reformulation and marketing updates.
- Continue to increase productivity while still training student employees for food industry
- Work with Stakeholders to increase our visibility and products in Campus Venues and off campus with a delivery vehicle
- Working on a new website for CP FSN production to sell our products online, which we hope will provide increases in retail sales

Wine and Viticulture

Budget year 2023-24 is the first year we included the winery and wine sales in our commercial agriculture budget. This was the first harvest (2023) to be processed in the new JUSTIN and J. LOHR Center for Wine and Viticulture, and we produced our best wines to date. We expect to continue to grow sales from our wine club, and partner with other production units (such as the creamery and meat processing center) to create packages for customers throughout the year. The revenues from the winery now offset costs associated with vineyard management.

2024-25 OPERATING BUDGET PROPOSAL

COMMERCIAL AGRICULTURE OPERATIONS

(In thousands) **	Fiscal Year 2022-23 Actual	% of Sales	Fiscal Year 2023-24 Budget	% of Sales	Fiscal Year 2023-24 Estimate*	% of Sales	Fiscal Year 2024-25 Budget Proposal	% of Sales	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$5,593	100%	\$5,394	100%	\$5,333	100%	\$4,849	100%	\$(484)	(9%)
Cost of Goods Sold	1,822	33%	1,558	29%	1,852	35%	1,630	34%	223	12%
Gross Margin	3,770	67%	3,836	71%	3,480	65%	3,219	66%	(261)	(8%)
Other Revenues	997	18%	738	14%	1,180	22%	909	19%	(271)	(23%)
Income Before Operations	4,767	85%	4,574	85%	4,660	87%	4,128	85%	(532)	(11%)
Salaries & Wages	1,198	21%	1,004	19%	1,173	22%	1,118	23%	54	5%
Benefits	186	3%	149	3%	152	3%	165	3%	(13)	(9%)
Total Payroll Expense	1,383	25%	1,152	21%	1,325	25%	1,283	26%	41	3%
Depreciation & Amortization	153	3%	144	3%	139	3%	126	3%	13	9%
General Maintenance	217	4%	151	3%	227	4%	127	3%	100	44%
Livestock / Feed Expense	2,332	42%	1,795	33%	1,695	32%	1,278	26%	417	25%
Supplies & Materials	468	8%	385	7%	447	8%	325	7%	122	27%
Fees & Services	435	8%	284	5%	302	6%	298	6%	4	1%
CP Partners Administrative Services	197	4%	230	4%	236	4%	276	6%	(39)	(17%)
Other Operating Expenses	725	13%	594	11%	626	12%	508	10%	118	19%
Total Operating Expenses	4,527	81%	3,584	66%	3,673	69%	2,939	61%	735	20%
Total Expenses	5,911	106%	4,736	88%	4,998	94%	4,222	87%	776	16%
Net from Operations	(1,143)	(20%)	(163)	(3%)	(338)	(6%)	(94)	(2%)	244	72%
Other Income (Expense)	(68)	(1%)	20	0%	(7)	0%	71	1%	78	1082%
Total Other Income (Expense)	(68)	(1%)	20	0%	(7)	0%	71	1%	78	1082%
Transfers In (Out)	158	3%	145	3%	766	14%	25	1%	(741)	(97%)
Net to Reserves	\$(1,053)	(19%)	\$2	0%	\$421	8%	\$2	0%	\$(419)	(100%)
Noncash transactions (add back):										
Depreciation & Amortization	153	3%	144	3%	139	3%	126	3%	13	9%
Adjusted Net to Reserves	\$(900)	(16%)	\$147	3%	\$560	11%	\$128	3%	\$(433)	(77%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

2024-25 OPERATING BUDGET PROPOSAL

BARTLESON RANCH & CONSERVATORY

(in thousands) **	Fiscal Year 2022-23 Actual	% of Sales	Fiscal Year 2023-24 Budget	% of Sales	Fiscal Year 2023-24 Estimate*	% of Sales	Fiscal Year 2024-25 Budget Proposal	% of Sales	2024-25 Budget v. Estimate Variance	Favorable (Unfavora- ble) % Variance
Sales	\$419	100%	\$800	100%	\$1,336	100%	\$3,036	100%	\$1,700	127%
Other Revenue	322	77%	78	10%	33	2%	59	2%	26	79%
Income Before Operations	741	177%	878	110%	1,369	102%	3,095	102%	1,726	126%
Salaries & Wages	58	14%	210	26%	116	9%	107	4%	9	8%
Benefits	5	1%	100	12%	55	4%	65	2%	(9)	(17%)
Total Payroll Expense	63	15%	310	39%	172	13%	172	6%	(0)	0%
Depreciation & Amortization	0	0%	38	5%	43	3%	39	1%	4	8%
Professional Services	506	121%	32	4%	997	75%	2,252	74%	(1,254)	(126%)
General Maintenance	0	0%	60	8%	34	3%	37	1%	(3)	(9%)
Utilities	17	4%	52	6%	9	1%	37	1%	(28)	(309%)
Supplies & Materials	59	14%	70	9%	82	6%	162	5%	(81)	(99%)
Management Contract Fees	0	0%	0	0%	384	29%	0	0%	384	100%
Fees & Services	0	0%	88	11%	160	12%	252	8%	(93)	(58%)
CP Partners Administrative Services	0	0%	0	0%	18	1%	42	1%	(24)	(130%)
Property Taxes	0	0%	0	0%	71	5%	0	0%	71	100%
Other Operating Expenses	22	5%	87	11%	30	2%	66	2%	(36)	(121%)
Total Operating Expenses	604	144%	426	53%	1,827	137%	2,887	95%	(1,060)	(58%)
Total Expenses	667	159%	736	92%	1,999	150%	3,059	101%	(1,060)	(53%)
Net from Operations	74	18%	142	18%	(630)	(47%)	36	1%	666	106%
Other Income (Expense)	0	0%	0	0%	(36)	(3%)	0	0%	36	100%
Total Other Income	0	0%	0	0%	(36)	(3%)	0	0%	36	100%
Net to Reserves	\$74	18%	\$142	18%	\$(666)	(50%)	\$36	1%	\$702	105%
Noncash transactions										
Depreciation & Amortization	0	0%	38	5%	43	3%	39	1%	4	8%
Adjusted Net to Reserves	\$74	18%	\$180	23%	\$(623)	(47%)	\$75	2%	\$698	112%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Income Before Operations is projected to end 2% over budget for FY 2023-24. This is mostly due to gift income from Cal Poly Foundation, along with the addition of the Cal Poly Wine revenues.

We are continuing to insure our milk prices against market fluctuations whenever possible, resulting in more stable income. The budget for FY 2024-25 continues to reflect some of the high ongoing feed prices, but new product offerings from the creamery, including new ice cream flavors and cheese varieties, which will help to increase sales across retail locations. We will continue to decrease herd sizes over the next year, which will increase livestock sold, as well as significantly decrease costs for feed and student assistant salaries.

Cost of Goods Sold is projected to be approximately 35% of total sales for FY 2023-24, which is a 10% increase over the previous year. We expect this percentage to stay steady through FY 2024-25 as we continue to keep our product prices as low as possible in the face of nationwide inflation.

Total Payroll Expense is projected to be approximately 15% over the budget for FY 2023-24 due largely to open state-funded staff positions and increases in minimum wage. We expect payroll expenses to decrease slightly for next year. We have hired a new (state side) dairy manager, who we expect to help bring student labor expense in line with past years, especially given the reduction in herd size.

Operating Expenses are projected to be approximately 2.5% over budget for FY 2023-24. This was mostly due to increases in auction expenses as we decrease the dairy herd size, as well as increases in supplies and general maintenance. The Operating Expense budget is expected to decrease significantly in FY 2024-25, as we reduce herd sizes and look for efficiencies in feed purchasing. We also hope that state funded improvements to the creamery and the dairy will create new opportunities and revenue lines, as well as increase efficiency in operations.

For FY 2023-24, the expected **Net to Reserves** of approximately \$421,000 includes non-cash depreciation expense of \$139,000 and is largely due to gift income from Cal Poly Foundation to decrease deficits at the dairy. For FY 2024-25, the budgeted **Net to Reserves** of approximately \$2,000 includes non-cash depreciation expense of \$126,000, resulting in a positive cash reserve of \$128,000. Operating reserves are expected to remain positive through June 30, 2025.

STATEMENT OF RESERVES OVERVIEW (COMMERCIAL AG ONLY)

	Operating Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2022 Reserve Balance	\$1,392,514	\$501,911	\$1,894,425
FY 2022-23 Change in Reserves	(1,080,846)	27,745	(1,053,101)
June 30, 2023 Reserve Balance	311,668	529,656	841,324
FY 2023-24 Change in Reserves (estimate)	544,589	(123,679)	420,910
June 30, 2024 Reserve Balance (estimate)	856,257	405,977	1,262,234
FY 2024-25 Change in Reserves (budget)	104,190	(102,679)	1,511
June 30, 2025 Reserve Balance (budget)	\$960,447	\$303,298	\$1,263,745

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, 2024 (estimate) and June 30, 2025 (budget) represents investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

CAPITAL OUTLAY REQUEST

There are no capital outlay requests for FY 2024-25 at this time. Capital outlays for facility and infrastructure improvements are contingent on outside funds. Requests for approval of capital expenditures will occur when funding is available, as appropriate.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Cal Poly Arts

Fiscal Year 2024-25

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BUSINESS OVERVIEW

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

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

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

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

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

The COVID-19 pandemic presented new and significant challenges for Cal Poly Arts. Despite not being able to present live programming in FY 2020-21, Cal Poly Arts kept engaged with local audiences through virtual programs. While Cal Poly Arts was able to return to live performances in FY 2021-22, the challenges of COVID-19 continued. With emerging COVID variants came reticence for audiences to return to venues, resulting in ticket sales coming in less than projected on nearly every event presented. Consistent with performing arts industry trends across the country, the shifts in audience behavior continued in FY 2022-23, with lower than projected ticket sales continuing and unprecedented volatility in budget projections. In FY 2023-24, audience trends began to stabilize more. Cal Poly Arts is constantly evaluating the data we are receiving from our audience and adjusting to the current challenges to stabilize and thrive in these new times.

Cal Poly Arts will continue to fulfill its mission of bringing a professional, diverse, and dynamic performing arts series to the Central Coast. In addition to 38 years of experience in presenting artists, Cal Poly Arts consults with experts in the presenting field to inform its programmatic decisions. Staff members attend regional and national booking conferences and collaborate with other presenters in its network to explore which artists would be locally viable and are currently touring. It also relies on feedback audience data to determine which artists will be desirable to the community. All of this input is used to determine which programs are appropriate for Cal Poly Arts' market, venue capacities, and presenting budget.

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

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

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

2023-24 ACCOMPLISHMENTS

- Cal Poly Arts was successful in its review and analysis of audience attendance and their interests over the past two seasons. The use of audience observation and post-performance surveys gave insight to our ticket patrons and in addition to box office data from Pollstar, was a valuable guide in developing the upcoming 2024-2025 season. With a focus on community engagement Cal Poly Arts has built new audiences, and ticket sales have significantly increased from the 2022-2023 season. The 2023-2024 Cal Poly Arts season presented a balanced series of artists that had name recognition while also introducing new artists to the community that represented diverse genres, identities, and cultures throughout our presentations.
- Our return to a more robust Broadway series re-engaged audiences and highlighted the importance of this genre in building back our subscriber base. The Cal Poly Arts 2023-24 season featured four national Broadway tours, each with enthusiastic audience attendance and sold-out shows. The increase of Broadway productions contributed to an increase in the Cal Poly Arts subscribers, which are now back to pre-pandemic levels. Subscriptions were not limited to the Broadway series, it also led to increased subscriber tickets amongst other performing arts genres in the season. The increase in season brochure distribution via targeted marketing also contributed to the increase of subscription and single ticket sales.
- Cal Poly Arts strengthened our campus relationships by participating in the HSI Resource Fair, Building 52 Open House and the March Fourth with Cal Poly Partners events. Cal Poly Arts hosted visiting artist workshops and discussions at La CASA and BAEC. OUDI and ASI supported Cal Poly Arts programming with multiple performance sponsorships, investing in the Cal Poly Arts program as well as sharing the achievements showcased by these important and diverse artists.
- In the community, the Cal Poly Arts programs Poly Arts for Youth and Passport to the Arts increased its workshops, artist discussions and free ticket programs, reaching over 10,000 people. Through community partnerships with the following organizations, we were able to distribute over 1,000 tickets to low-income and marginalized audiences: Big Brothers Big Sisters, CASA, Go See Foundation, Restorative Partners, San Luis Obispo County Libraries, HASLO, and 5Cities Homeless Coalition. Cal Poly Arts presented The Concert Truck for 5 days of free concerts daily at various schools, senior centers, HASLO, ECHO, the Farmers Market and at Cal Poly University Union, reaching more than 7,000 members of our community. Cal Poly Arts hosted a periodic networking event called “Movers and Shakers” for dance schools, instructors, students and/or supporters of dance to meet in person, connect and collaborate within the dance community. Response to these programs and its positive impact on participants affirms our commitment to make the performing arts accessible to all members of our community.
- Cal Poly Arts more fully integrated with University’s advancement office to increase annual giving through multiple targeted donor appeals throughout the year. Cal Poly Arts participation in the national Day of Giving and other campuswide fundraising activities was a success. Particular attention was given to the impact of printed mailers in our donation efforts. A physical presence added a special touch and resonated with donors, beyond email campaigns. Cal Poly Arts continues to fortify fundraising efforts throughout the year.

- Our partnership with the Cal Poly Arts Advisory Board increased and we welcomed a new member to the board from the Charles Becker Foundation. The Advisory Board continued to support and promote Cal Poly Arts performances and programs. As ambassadors, they have an active, hands on, partnership with Cal Poly Arts, connecting to the community and prospecting new donors to the arts.
- The Cal Poly Arts 2023-2024 season included our first year of season sponsorship from the Foundation of the Performing Arts Center. Cal Poly Arts has successfully secured its second year of season sponsorship for 2024-2025 from FPAC. Thanks to FPAC and its commitment to supporting the resident organizations of the Performing Arts Center in their use of the PAC, and our positive working relationship with the FPAC team, both organizations have benefitted, and the first season sponsorship was a success for all.
- Cal Poly Arts refined marketing strategies based on ROI research to spend marketing dollars more efficiently, resulting in significant savings to the organization. A successful onboarding of our new Marketing & Communications Manager has also helped in developing more sound marketing strategies in an increasingly saturated performing arts market.

2024-25 GOALS & OBJECTIVES

- Cal Poly Arts will work to increase ticketing capacity and revenue generation for costly national Broadway touring shows by increasing from 1-day to 2-day runs. Cal Poly Arts will present three well-recognized titles for a total of six evenings of Broadway throughout the season. While the artist fees will increase, production expenses will be offset because set up and take down tech expenses are one time only, and ticketing capacity for those shows will double.
- Cal Poly Arts will begin identifying major lead donors for an endowment campaign to commemorate Cal Poly Arts' 40th anniversary season in 2025-2026. The 2024-2025 season will be used to begin building the support and framework for that campaign through donor meetings and donor cultivation activities, with guidance from the College of Liberal Arts advancement director.
- We hope to increase show sponsorship income by gradually increasing show sponsorship levels, which are under-market as compared to peer organizations. The increase in sponsorship dollars will continue to buffer the risk of presenting shows with high artist fees and/or high technical production bills. We will also make targeted asks of current donors to increase their support of Poly Arts for Youth and Passport to the Arts programs in addition to their annual contributions, with testimonials from those impacted most.
- Cal Poly Arts will adjust ticket prices to respond to rising production costs and artist fees, as well as to be on par with ticket prices from other presenters in the market. The cost of presenting high quality shows continues to increase more steeply each year and we need to reflect that in our ticket prices in order to carry out our mission of providing high quality performing arts experiences.
- We will increase our season brochure distribution by 10% through targeted mailing lists to continue to build our subscriber base and build new audiences. The season brochure continues to be an integral part of our marketing strategy in selling subscriptions and single tickets.
- Cal Poly Arts will continue to refine our social media marketing spending with more training and understanding of how we can target specific markets to build upon our success in this advertising realm.
- Cal Poly Arts will continue to build upon the positive momentum it has created as it relates to audience building for jazz and dance genres and will continue to cultivate a multi-generational audience through thoughtful and well-researched program curation.

2024-25 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Gifts	\$303	\$548	\$402	\$512	\$111	28%
Ticket Sales	787	1,010	1,045	1,200	155	15%
Other Revenues	692	613	718	782	64	9%
Income Before Operations	1,782	2,171	2,165	2,494	329	15%
Salaries & Wages	330	358	412	442	(31)	(7%)
Benefits	189	215	243	266	(23)	(9%)
Total Payroll Expense	519	573	655	708	(54)	(8%)
Artist Fees	647	755	619	922	(303)	(49%)
PAC Services	260	392	314	468	(154)	(49%)
CP Partners Administrative Services	51	19	69	88	(19)	(28%)
Advertising & Marketing	80	122	44	74	(30)	(67%)
Fundraising Expenses	15	20	24	23	1	4%
Other Operating Expenses	128	189	131	154	(23)	(18%)
Total Operating Expenses	1,181	1,498	1,202	1,730	(528)	(44%)
Total Expenses	1,700	2,071	1,857	2,439	(582)	(31%)
Net from Operations	82	100	308	55	(253)	(82%)
Other Income (Expense)	2	-	(4)	-	4	100%
Total Other Income (Expense)	2	-	(4)	-	4	100%
Transfers In (Out)	-	-	1	-	(1)	(100%)
Net to Reserves	\$84	\$100	\$305	\$55	\$(250)	(82%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Cal Poly Arts met our ticketing projections for the majority of performances and in some cases exceeded our ticketing projections, increasing our ticketing revenue significantly from the 2022-23 season. This was due to increased enthusiasm about the Cal Poly Arts season overall, strong season curation as well as increased community trust in the season curators, as well as a return by some audience members who had previously stayed away from performances due to COVID concerns. Ticket sales are budgeted to increase in FY 2024-25 by approximately \$155,000.

Events such as our Spotlight season preview and sponsorship drive, continue to be an important focus in our fundraising. Gradually increasing post-pandemic attendance in this event means a positive outlook in donor support for the 2024-25 season. We were able to maintain our current sponsors from last year with very little drop-off and also added a few new sponsors. Cal Poly Arts has strengthened its relationship with current donors and has engaged new donors over the 2023-24 season. We believe the majority of our donors have more capacity to give and we are creating strategies to continue to cultivate our donors to maximize the potential of our fundraising efforts. We are also more regularly meeting with College of Liberal Arts advancement team to plan fundraising activities and appeals throughout the year. The acquisition of the season sponsorship from the Foundation of the Performing Arts Center has also helped significantly in meeting our fundraising goals for the 2023-24 season. A portion of fundraising revenues included in the 2023-24 projection are for support of the 2024-25 season (at least half of the sponsorship funds raised at Spotlight are received before the 2023-24 fiscal year close even though are in support of 2024-25 performances).

Our endowment return has increased from approximately 5% over the past year. We were also named as one of the beneficiaries of a new endowment created by a Cal Poly supported who recently passed away. We aim to increase endowment giving to provide strengthened sustainability of the organization, especially as it relates to programming high-quality artists.

Production expenses for some shows came in less than originally projected. Namely Broadway show technical costs came in less than initial estimates. With less overall expense for these costly productions, profit margins increased with sell-out shows. Estimates for productions overall were more accurate than in the year past which helped in the budgeting process. Production expenses will continue to fluctuate year to year depending on what shows are being presented.

Marketing spending has decreased significantly throughout the season. Cal Poly Arts changed its focus on marketing spending, concentrating on social media as opposed to print, radio, and tv advertising. Social media marketing is more cost effective with a demonstrable return on investment and does not cost as much as more traditional marketing approaches. In addition, the Cal Poly Arts position of Marketing Manager was unfilled for the first part of the 2023-2024 performance season, resulting in less spending due to a limited capacity by supporting staff to initiate marketing spends.

Projected payroll expenses are increasing. The marketing position was a stateside position in years past and would not have shown on our Cal Poly Partners budget. That position has transitioned to be a Cal Poly Partners position so there will be an increase in that salary line item going forward.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Total
June 30, 2022 Reserve Balance	\$563,925	\$563,925
FY 2022-23 Change in Reserves	83,866	83,866
June 30, 2023 Reserve Balance	647,791	647,791
FY 2023-24 Change in Reserves (estimate)	305,042	305,042
June 30, 2024 Reserve Balance (estimate)	952,833	952,833
FY 2024-25 Change in Reserves (budget)	55,460	55,460
June 30, 2025 Reserve Balance (budget)	\$1,008,293	\$1,008,293

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 2024-25.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Campus Dining

Fiscal Year 2024-25

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BUSINESS OVERVIEW

Campus Dining is a self-supporting operation, supporting the university community's health, well being, and educational mission. As Cal Poly Partners' (Partners) largest commercial service, our program:

- Provides a variety of fresh and delicious food options along with wellness and sustainability learning opportunities to help students make smart eating choices.
- Employs over 1,100 associates each academic year (the largest employer of students on campus) and operates 50 different food venues.
- Serves over 5.1 million customers annually with a range of 14,000 to 27,000 daily transactions.
- Provides significant resources to combat food insecurity through its partnership with the Food Pantry, substantial donation to and administration of the Mustang Meal Share program, and support of student financial needs through athletic scholarships.
- Actively partners with campus departments and organizations to assist with their individual missions.

Chartwells Partnership

In 2018, Cal Poly Partners entered into a management and consulting service agreement with Chartwells Higher Education, which included providing a full-time onsite dining director and an executive chef. In FY 2021-22, the Partners helped lead a CSU Master Sponsorship Agreement, establishing Chartwells as a single system-wide partner to provide food services to participating campuses. In FY 2023-24, the Partners expanded its relationship with Chartwells to a management fee agreement, to oversee daily operations. Under the management fee model:

- Chartwells is the employer for all foodservice employees.
- Food purchases are procured through the Chartwells Foodbuy program, along with a majority of Campus Dining variable operating expenses.
- Cal Poly Partners reimburses Chartwells for these program expenses, along with a management fee of 1.5% of program revenues.
- All program revenues and expenses continue to be recorded on the Partners' accounting records.
- Cal Poly Partners retains ultimate decision-making power for all program-related decisions, such as concepts, meal plans, capital investments, etc.

Revenues

Campus Dining primarily generates three distinct sources of revenue: dining plan revenue from first-year on-campus residents, community dining plan revenue from campus participants, and walk-up sales from the Cal Poly community. Dining plan revenue varies with the first-year enrollment numbers and represents approximately 68% of Campus Dining's historical sales. All first-year students living on campus are required to have a dining plan.

For the 2024-25 academic year, all dining plan options will remain on a declining balance system. There are three dining plans available for first-year students, and six dining plans with low buy-ins offered to continuing students and the entire campus community.

Facilities

Campus Dining operates more than 285,000 square feet of space throughout 50 venues across 4 neighborhoods on campus. This encompasses multiple mobile food operations as well as third party vendors that include Subway, Shake Smart, G Brothers, Jewel of India, Sequel Tea, What's Cookin' Kosher, and Plant Ivy.

2023-24 HIGHLIGHTS & ACCOMPLISHMENTS

Campus Dining operations are constantly evolving. We continue to collect data and invest heavily in focus group feedback to structure the program to address both short-term and long-term needs. Some highlights from the year include the following:

- Pursuant to the agreement with Chartwells Higher Education, had a successful transition with Chartwells to a management fee model, retaining over 98% of associates. Attracted applicants with more competitive wages and leveraged the Chartwells compensation package, resulting in improved hiring and fulfilling more open positions.
- Repeated our successful opening strategy from prior years, using a model that creates a great first impression for students. Used Chartwells' expanded resources to bring outside assistance during fall opening to train and develop staff early in the school year.
- Successfully opened 1901 Marketplace in winter quarter. The building has 7 venues with an additional venue opening summer 2024. This facility has become a hub of activity on campus. We have aligned our sales mix to create a more sustainable financial projection; more revenue is captured at Campus Dining retail venues while third-party and market capture rates are decreasing.
- Engaged students with multiple events throughout the year. Student experience events included YouFirst Week, JoyFul, ThankFul, DelightFul, and ThoughtFul. Highlights included student appreciation, band performances, Teaching Kitchen, Subway's Wrappy Hour, Freebie Friday, and free samples and swag from Campus Dining and outside vendors. Our first annual student employee celebration is planned for mid-June and will include student employees from all Partners operations.
- Achieved the highest percentage of participation in voluntary dining plans of all Chartwells campuses by population in the Western Division dining plans with over 4,000 continuing students choosing a dining plan. This shows loyalty in the program continues to grow and improve in non-mandatory plans.

2024-25 GOALS & OBJECTIVES

Campus Dining's mission is to build the best program that aligns with the University's mission. Our expanded partnership with Chartwells and the ability to leverage their full system capability enables us to be more productive and enhance the student experience as well as manage costs more proactively. Our primary objective is to provide quality food and service to the campus community.

Goals and objectives for the year include:

- Enhance the student experience with the following initiatives:
 - Open 1901 Kitchen buffet to expand diversity and affordability; offer china as an option to reduce to-go waste and encourage students to dine-in and linger with fellow students.
 - Add additional indoor and outdoor seating to 1901 Marketplace.
 - Open the Partners Plaza at Spanos stadium for lunch, resolving a gap in food options on West Campus.
- Grow incremental revenue streams
 - Increase faculty and staff engagement with Campus Dining by developing customized meal subscriptions and year-round programming. Leverage Partners Pavilion to bring staff and faculty together.
 - Open the Partners Plaza at Spanos stadium for concessions and events in August. Mustang Eats will support sports and other events.
 - Add robot delivery to begin structuring a food and grocery delivery program to prepare for future e-commerce demand and campus growth.
 - Rebuild the Catering program revenue, adding resources to capture non-traditional event revenue. Our volumes are 50% of like-sized universities. Hindrances from the pandemic and limited facility space are no longer a factor, there is opportunity to capture more revenue for our Catering program versus outsourced catering companies. Prepare for growth in enrollment and housing by addressing capacity gap in strategic plan.
- Prepare for growth in enrollment and housing by addressing capacity gap in strategic plan.
- Begin construction of a new dining location within Kennedy library. The concept will be Julian's and will include a robust food menu to better serve the campus community with food options. Add a hot food vending option for 24/7 service.
- Work with stakeholders and leverage other universities' best practices to design meal plans that reflect the input from students regarding the value proposition concerning all declining balance plans. Although this will be for 2025-26 school year dining plans, this process occurs early in this fiscal year.

2024-25 OPERATING BUDGET PROPOSAL

(In thousands) **	Fiscal Year 2022-23 Actual	% of Sales	Fiscal Year 2023-24 Budget	% of Sales	Fiscal Year 2023-24 Estimate*	% of Sales	Fiscal Year 2024-25 Budget Proposal	% of Sales	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$35,684	100%	\$40,585	100%	\$41,439	100%	\$46,058	100%	\$4,619	11%
Cost of Goods Sold	13,115	37%	14,436	36%	15,469	37%	16,050	35%	(582)	(4%)
Gross Margin	22,569	63%	26,149	64%	25,970	63%	30,008	65%	4,037	16%
Other Revenues	1,757	5%	2,558	6%	2,465	6%	2,612	6%	147	6%
Income Before Operations	24,326	68%	28,707	71%	28,435	69%	32,620	71%	4,184	15%
Salaries & Wages	8,219	23%	10,856	27%	15,157	37%	16,519	36%	(1,362)	(9%)
Benefits	3,160	9%	3,781	9%	192	0%	250	1%	(58)	(30%)
Total Payroll Expense	11,379	32%	14,637	36%	15,348	37%	16,768	36%	(1,420)	(9%)
Depreciation & Amortization	2,621	7%	3,441	8%	2,832	7%	4,489	10%	(1,656)	(58%)
Software / Hardware Maintenance	195	1%	218	1%	323	1%	358	1%	(35)	(11%)
General Maintenance	373	1%	593	1%	510	1%	403	1%	107	21%
Utilities	712	2%	1,062	3%	1,070	3%	1,418	3%	(348)	(32%)
Supplies & Equipment	694	2%	1,245	3%	1,184	3%	925	2%	259	22%
Rent / Lease Expense	378	1%	498	1%	487	1%	222	0%	266	55%
Management Contract Labor	805	2%	549	1%	513	1%	613	1%	(100)	(20%)
CP Partners Administrative Services	1,231	3%	1,213	3%	1,413	3%	1,424	3%	(11)	(1%)
CP Partners Allocated Services	605	2%	584	1%	588	1%	565	1%	23	4%
Commissions & Royalties	604	2%	691	2%	793	2%	1,098	2%	(304)	(38%)
Other Operating Expenses	2,576	7%	2,080	5%	2,574	6%	2,748	6%	(174)	(7%)
Total Operating Expenses	10,793	30%	12,174	30%	12,288	30%	14,262	31%	(1,974)	(16%)
Total Expenses	22,173	62%	26,810	66%	27,636	67%	31,031	67%	(3,394)	(12%)
Net from Operations	2,154	6%	1,897	5%	799	2%	1,589	3%	790	99%
Other Income (Expense)	10,656	30%	545	1%	532	1%	445	1%	(87)	(16%)
University Services	(742)	(2%)	(742)	(2%)	(742)	(2%)	(742)	(2%)	-	0%
Interest Expense	(1,402)	(4%)	(1,367)	(3%)	(1,338)	(3%)	(1,305)	(3%)	33	2%
Total Other Income (Expense)	8,512	24%	(1,564)	(4%)	(1,548)	(4%)	(1,602)	(3%)	(54)	(3%)
Transfers In (Out)	713	2%	110	0%	310	1%	(620)	(1%)	(930)	(300%)
Net to Reserves	\$11,378	32%	\$443	1%	\$(439)	(1%)	\$(633)	(1%)	\$(194)	(44%)
Noncash transactions (add back):										
Depreciation & Amortization	2,621	7%	3,441	8%	2,832	7%	4,489	10%	(1,656)	(58%)
Adjusted Net to Reserves	\$14,000	39%	\$3,884	10%	\$2,393	6%	\$3,856	8%	\$1,462	61%

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

Sales for FY 2024-25 reflect an increase in first-year and community dining plans, and a full year of operations at 1901 Marketplace. The budget incorporates a residential first-year student headcount of 5,275 first-year students. Sales for FY 2024-25 include a price increase that will offset COGS inflation for FY 2024-25.

Cost of Goods Sold (COGS) as a percentage of sales for FY 2023-24 is projected to be 37.3%, which is over the budget of 35.6%. Food cost inflation and high market sales contribute to this unfavorable variance. We must balance COGS with quality, variety, and value in our menus across all venues. FY 2024-25 COGS is budgeted to be 34.8%, with more revenue shifting away from the markets.

Payroll Expense, including contract labor, is expected to finish at 37% of sales for FY 2023-24 compared to the budget of 36.1%. Staffing throughout Campus Dining venues is focused on providing high levels of service, especially during fall opening to create a great first impression for students and the opening of 1901 Marketplace. Payroll expense for FY 2024-25 is budgeted to be 36.4% of sales and includes a full year of the impact of AB 1228, which increases the minimum wage to \$20 per hour for self-operated national franchises (Starbucks, Taco Bell, Jamba, Chick-fil-A, and Einstein's). In addition, the budget assumes a minimum wage increase to \$18 per hour for all other food services venues, effective January 2025. Increases for all full-time employees impacted by the minimum wage increase are included in the budget.

Operating Expenses for FY 2023-24 are projected to end close to budget. Budgeted operating expenses for FY 2024-25 are expected to increase, primarily from increases in depreciation as major capital projects are completed, as well as increases in insurance and utilities for a full year of operations at 1901 Marketplace. In addition, the FY 2024-25 budget anticipates increases in royalty expense, related to the additions of Chick-fil-A and Panda Express.

Other Income for FY 2023-24 and FY 2024-25 primarily represent income generated in relation to the Partners' exclusivity agreement with Coca-Cola. Although shown as income to Campus Dining, these funds are transferred to the Campus Programs fund in support of athletics (see **Transfers** below). A ten-year agreement with Coca-Cola was executed in 2020, generating significant additional revenue for the university.

Other Expense for FY 2023-24 and FY 2024-25 includes funding for University Services. In addition, FY 2024-25 includes additional contributions from Campus Dining to cover the Partners' general administrative overhead costs.

Other expense also includes approximately \$1.3 million in interest expense related to long-term debt acquired from CSU System wide revenue bonds issued for the construction of Vista Grande and renovation of Building 19.

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

Net Loss to Reserves for FY 2023-24 is expected to be \$439,000. FY 2024-25 is budgeted at \$633,000. The increase in sales will be offset by increases in operating costs, including food costs, payroll, and operating expenses. Net to reserves is negative due to depreciation expense on the new Campus Dining facilities and related equipment. Overall, Campus Dining Operations continue to produce positive cash from operations, which is sufficient to service the annual debt payments and maintain operating reserves.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Capital Outlay Reserve	Facilities Reserves	Debt Service Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2022 Reserve Balance	\$4,706,905	\$4,160,000	\$7,865,773	\$2,007,785	\$20,384,924	\$39,125,387
FY 2022-23 Change in Reserves	1,135,387	(2,633,000)	(443,327)	533,485	12,342,447	10,934,992
June 30, 2023 Reserve Balance	5,842,292	1,527,000	7,422,446	2,541,270	32,727,371	50,060,379
FY 2023-24 Change in Reserves (estimate)	793,164	(782,706)	(6,237,736)	(3,738)	11,019,794	4,788,778
June 30, 2024 Reserve Balance (estimate)	6,635,456	744,294	1,184,710	2,537,533	43,747,165	54,849,158
FY 2024-25 Change in Reserves (budget)	199,064	(244,294)	806,567	144	(744,396)	17,085
June 30, 2025 Reserve Balance (budget)	\$6,834,519	\$500,000	\$1,991,277	\$2,537,676	\$43,002,769	\$54,866,241

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, 2024 (estimate) and June 30, 2025 (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 for future facility projects.

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

Investment in Operating Assets for June 30, 2024 (estimate) and June 30, 2025 (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
Renewal & Replacement - Capital	\$120,000	5	\$24,000
Starship Delivery Robots	100,000	5	20,000
Transit Van - Concessions (Replacement)	70,000	10	7,000
Outdoor Furniture - Spanos	58,000	5	11,600
Sound System - 1901 Marketplace	54,000	10	5,400
Refrigeration Monitoring System	43,000	10	4,300
Espresso Machines - Starbucks (Replacement)	43,000	3	14,333
Outdoor Furniture - Vista Grande (Replacement)	38,000	5	7,600
Data Lines - 1901 Marketplace	37,000	30	1,233
TurboChef Ovens - Grand Avenue Market (Replacement)	27,000	3	9,000
Total Major Capital Outlay	\$590,000		\$104,467
Minor Capital Equipment Outlay (Up To \$25,000)			
Trash Cans - Spanos	\$22,000	10	\$2,200
Additional Seating - 1901 Marketplace	20,000	5	4,000
Golf Cart - Catering	19,000	10	1,900
Panini Press - Poly Deli	18,000	3	6,000
Poster Printer - Marketing	13,000	7	1,857
Freezer Camshelving System - Vista Grande (Replacement)	11,000	10	1,100
Outdoor Patio Furniture - Scout (Replacement)	11,000	5	2,200
POS Hardware and Computers (Replacement)	10,000	5	2,000
Van Lift Gate - Catering (Replacement)	10,000	10	1,000
Commercial Printer - 1901 Marketplace & Catering	8,000	7	1,143
Vacuum Sealer - 1901 Marketplace	7,000	3	2,333
Register Cart - Grand Avenue Market	6,000	5	1,200
Outside Window Tinting - Grand Avenue Market	5,000	5	1,000
Total Minor Capital Outlay	\$160,000		\$27,933
Total Capital Outlay	\$750,000		\$132,400
Previously Approved Capital Outlay Requests (1)			
Spanos Concessions Pavilion Build Out	\$4,825,000	30	\$160,833
Julian's Café at Kennedy Library Build Out	3,075,000	30	102,500
Shop Poly Development	200,000	10	20,000
1901 Kitchen Build Out	1,075,000	30	35,833
Vista Grande Kitchen Remediation	110,000	30	3,667
Total Capital Outlay Request	\$10,035,000		\$455,233

CAPITAL OUTLAY REQUEST DETAIL

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

Starship Delivery Robots: To provide food and grocery delivery service.

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

Outdoor Furniture - Spanos: Stools, bar tables, and VIP area.

Sound System - 1901 Marketplace: To add wireless sound system to 1901 Marketplace.

Refrigeration Monitoring System: To add software system to monitor refrigerator and freezer temperatures at Vista Grande, 1901 Marketplace and Building 82 Warehouse.

Espresso Machines - Starbucks: To replace espresso machines at Starbucks that are at the end of their useful lives.

Outdoor Furniture - Vista Grande: To replace worn out patio furniture at Vista Grande, including sectional lounges, umbrellas, tables, and chairs.

Data Lines - 1901 Marketplace: To add data lines to the office area and warehouse at 1901 Marketplace.

TurboChef Ovens - Grand Avenue Market: To replace ovens that are at the end of their useful lives and add electrical lines for improved placement.

(1) The Capital Outlay Requests below were announced to the Board of Directors in previous meetings. They are repeated here for informational purposes only. No further action is required.

Spanos Concessions Pavilion Build Out: Construction and landscaping for a large pavilion with kiosks and serving locations. Includes terraced seating with capacity for 2,800 customers, three serving kitchens, a Mustang Shop pop-up space, VIP area for special events, and a mobile kitchen unit space to provide an additional food option during the week in an area that has limited food service. Total project cost of \$4.8 million, with funding of \$1 million in donor contributions and balance in zero interest debt financing.

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

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

1901 Kitchen Build Out: To include a buffet kitchen at 1901 Marketplace with the ability to offer diverse menus at affordable prices. Includes architecture, design, and construction, hot and cold holding equipment, and smallware.

Vista Grande Kitchen Remediation: Health and safety initiative to lower drains and re-grade the kitchen floor to allow for proper drainage.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Other Commercial Activities

Fiscal Year 2024-25

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BUSINESS OVERVIEW

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

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

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

Effective July 1, 2017, the Partners executed a contract with Follett Higher Education Group (Follett) to operate its campus bookstore, downtown location, and e-commerce store. Follett agreed to fund an extensive renovation of the store, leading to a restated contract in 2021. The restated contract extends the relationship to 2029, with three one-year renewals. As part of this arrangement, the Partners earns a commission based on certain sales. The commission funds continuing expenses (i.e. downtown lease expense, taxes, depreciation, and utilities) as well as contract management support. Residual income is used to support on-going Partners operations and contributions to university services.

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

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

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

Other Retail Outlets - From time to time, the Partners 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 Partners through revenue-sharing or rent charges in exchange for allowing these vendors to do business on campus.

2023-24 ACCOMPLISHMENTS

Cal Poly Mustang Shop:

- **Course materials:** To lower the cost of course materials, Cal Poly Partners partnered with Follett to provide a quarterly dashboard to college deans and associated deans. The dashboard provides department level metrics critical to providing the lowest cost course materials. Those metrics include the department's on-time adoptions rate, Poly (Inclusive) Access penetration, and OER and digital rates. Meetings were conducted with each College to review the information and discuss tactics for improvement. Feedback from Deans on having actionable data has been very positive. The increased engagement with faculty combined with providing detailed reports of potential savings to students for classes that are offered through Poly Access has increased Poly Access penetration to double digits.
- **Stockroom:** Mustang Shop's 4,000 square foot stock room was included in the building 19 remodel, leaving it inaccessible for three years. In the interim, employees were transporting back stock from building 82, requiring multiple trips per day and prioritization of peak weeks between supplies and merchandise. Due to the library needing the space in building 82 in July, the back stock moved to 50J until the completion of the remodel in March of 2024. Having the stock room operational will improve out of stocks, speed to service, and lower labor costs.
- **Revenue growth:** Gross sales are down 3% driven by softness in rental texts, supplies, and merchandise sales. Growth in technology products is 9% above last year due to the increase in Cal Poly Scholars students that receive financial aid for laptops. Cal Poly Partners doesn't receive a commission on technology sales, but Follett does receive a small margin on these sales, helping to mitigate the losses the company incurred during the pandemic. Digital sales are up 32% to prior year. The mix shift to more digital sales with a lower commission, and technology products with no commission resulted in full commissionable sales down 10% for the campus store. The downtown store commissionable sales are down 7% due to less consumer traffic in the downtown corridor. Despite these sales results, Cal Poly is the second best performing of the 14 CSU stores that Follett operates.

Cal Poly Print & Copy:

- **Student courseware support:** Cal Poly Print & Copy has successfully produced 100% of all course packs for Follett on time since inception of the Follett contract.
- **New Print and Copy location on campus:** Due to the library renovation, Cal Poly Print & Copy moved into a new location on campus within Building 52. Moving is never an easy feat, especially with all the equipment Print & Copy owns. The group was able to meet the deadline of moving out of the library and taking ownership of the new space.
- **New business opportunities and revenue growth:** Cal Poly Print & Copy staff have become notary certified and licensed to take passport pictures. The group is offering these services to the Cal Poly community. These services have been requested by Cal Poly students, faculty, and staff, and look to generate additional revenue and growth.

2024-25 GOALS & OBJECTIVES

Cal Poly Mustang Shop:

- **Revenue growth:** The 2024-25 budget assumes a 3% increase in commission income. Downtown sales are projected to be flat compared to the previous year, the campus store digital sales are budgeted to grow 20%, while all other sales are budgeted to grow at 2%. The stores will achieve this growth from modest pricing, assortment management, and improved order fulfillment out-of-stock items driven by the Shop's backstock move from offsite to underground building 19.
- **New downtown store location:** The Partners has signed a lease for 1144 Chorro Street. The new space will be the new home of the Mustang Shop and CIE (Center for Innovation and Entrepreneurship). In addition to the benefits of co-locating two Cal Poly entities, the new lease will be half the cost of the current location and expand the shoppable space from 2,900 to 3,500 square feet. Renovation will begin in May, and the store will be open for business August / September 2025. Follett has agreed to provide \$600,000 in capital and will assume the full cost of the lease for a reduction in commission. The Partners is fully funding the lease of the current location. With these favorable terms with Follett, we will have an estimated payback of 6 years to fund the additional \$900K investment the Partners is contributing to the project. The current lease expires in 2026. The goal is to negotiate with the current landlord to reduce the cost of the remaining lease term through either an early termination or partial rent abatement.
- **Course materials partnership:** Follett's market share of purchased course materials has increased by 2.5%, but the overall share is still low at 22%. Combined with the size of the course materials market declining by 9%, course material revenue continues to decline. Two major factors in the shrinking market size are the increased use of free OER (Open Education Resources) and e-books that sell for less than printed books. The course materials subcommittee and Follett will continue to strengthen relationships with assistant deans and department heads to increase on-time adoptions and increase digital and inclusive access adoptions. Using a consultative approach with data each quarter on timely adoptions and selection of digital, OER, and inclusive access course materials, the goal is to increase market share, while decreasing the cost for students. In addition to continuing to grow inclusive (Poly) access, we are building a road map for implementation of equitable access (EA). EA is a campus wide program where all students pay one flat fee for all course materials.

Cal Poly Print & Copy:

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

- **New business opportunities:** The Partners will continue to support Cal Poly Print & Copy by creating focus groups and surveys to establish new services Print & Copy can offer to better support the needs of the Cal Poly community.

2024-25 OPERATING BUDGET PROPOSAL

CAL POLY MUSTANG SHOP

(in thousands) **	Fiscal Year 2022-23 Actual	% of Sales	Fiscal Year 2023-24 Budget	% of Sales	Fiscal Year 2023-24 Estimate*	% of Sales	Fiscal Year 2024-25 Budget Proposal	% of Sales	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$59	100%	\$62	100%	\$56	100%	\$56	100%	-	0%
Cost of Goods Sold	41	69%	43	69%	33	58%	33	58%	-	0%
Gross Margin	19	31%	20	31%	23	42%	23	42%	-	0%
Other Revenues	1,355	2277%	1,387	2224%	1,343	2385%	1,383	2456%	40	3%
Income before Operations	1,373	2308%	1,407	2256%	1,366	2427%	1,406	2498%	40	3%
Depreciation & Amortization	42	70%	26	42%	32	57%	32	57%	-	0%
General Maintenance	2	4%	6	9%	6	11%	6	10%	1	15%
Rent / Lease Expense	151	254%	172	276%	172	306%	178	316%	(6)	(3%)
CP Partners Administrative Services	617	1038%	600	962%	601	1068%	265	472%	336	56%
CP Partners Allocated Services	52	87%	159	255%	156	278%	143	255%	13	8%
Utilities	49	82%	48	76%	54	96%	60	107%	(6)	(11%)
Other Operating Expenses	88	147%	33	53%	53	94%	41	74%	12	22%
Total Operating Expenses	1,000	1682%	1,043	1673%	1,075	1910%	725	1289%	350	33%
Total Expenses	1,000	1682%	1,043	1673%	1,075	1910%	725	1289%	350	33%
Net from Operations	373	627%	363	582%	291	517%	680	1209%	390	134%
Other Income (Expense)	10	17%	-	0%	21	37%	(335)	(595%)	(356)	(1701%)
University Services	(322)	(542%)	(322)	(517%)	(322)	(573%)	(322)	(573%)	-	0%
Total Other Income (Expense)	(313)	(525%)	(322)	(517%)	(302)	(536%)	(658)	(1168%)	(356)	(118%)
Transfer From (To) Plant Fund Reserves	(25)	(42%)	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$35	59%	\$41	65%	\$(11)	(19%)	\$23	41%	\$34	314%
Noncash transactions (add back):										
Depreciation & Amortization	42	70%	26	42%	32	57%	32	57%	-	0%
Other Expense	16	27%	-	0%	-	0%	-	0%	-	0%
Adjusted Net to Reserves	\$93	156%	\$67	108%	\$21	38%	\$55	97%	\$34	160%

* 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 2022-23 Actual	% of Sales	Fiscal Year 2023-24 Budget	% of Sales	Fiscal Year 2023-24 Estimate*	% of Sales	Fiscal Year 2024-25 Budget Proposal	% of Sales	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$227	100%	\$234	100%	\$191	100%	\$224	100%	\$33	18%
Cost of Goods Sold	58	26%	54	23%	45	24%	44	20%	1	2%
Gross Margin	169	74%	180	77%	145	76%	180	80%	34	24%
Income before Operations	169	74%	180	77%	145	76%	180	80%	34	24%
Salaries & Wages	86	38%	73	31%	89	47%	84	38%	4	5%
Benefits	24	11%	26	11%	27	14%	26	12%	0	1%
Total Payroll Expense	110	49%	99	42%	115	60%	111	49%	5	4%
Depreciation & Amortization	3	1%	0	0%	0	0%	-	0%	0	0%
General Maintenance	30	13%	21	9%	13	7%	21	9%	(8)	(64%)
Rent / Lease Expense	1	0%	-	0%	-	0%	-	0%	-	0%
CP Partners Administrative Services	26	12%	29	12%	29	15%	34	15%	(5)	(16%)
CP Partners Allocated Services	1	1%	10	4%	13	7%	8	3%	5	40%
Other Operating Expenses	12	5%	17	7%	9	5%	11	5%	(2)	(27%)
Total Operating Expenses	73	32%	77	33%	64	33%	73	33%	(10)	(15%)
Total Expenses	183	81%	177	76%	179	94%	184	82%	(5)	(3%)
Net from Operations	(14)	(6%)	3	1%	(34)	(18%)	(4)	(2%)	29	87%
Other Income (Expense)	(6)	(3%)	-	0%	(0)	0%	-	0%	0	0%
University Services	(2)	(1%)	(2)	(1%)	(2)	(1%)	(2)	(1%)	-	0%
Total Other Income (Expense)	(8)	(4%)	(2)	(1%)	(3)	(1%)	(2)	(1%)	0	9%
Transfer From (To) Plant Fund Reserves	12	5%	-	0%	-	0%	-	0%	-	0%
Net to Reserves	\$(10)	(4%)	\$1	0%	\$(36)	(19%)	\$(7)	(3%)	\$30	81%
Noncash transactions (add back):			(2)	(1%)						
Depreciation & Amortization	3	1%	0	0%	0	0%	-	0%	0	0%
Adjusted Net to Reserves	\$(7)	(3%)	\$1	1%	\$(36)	(19%)	\$(7)	(3%)	\$29	81%

* 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 includes results from Cal Poly Print & Copy operations as well as wine sales at Cal Poly Downtown. At Cal Poly Print & Copy, the unfavorable variance in sales from budget of approximately \$43,000 for FY 2023-24 is primarily the result of lower than anticipated sales in digital print and course packs. The digital print sales budget for FY 2024-25 is expected to increase as Cal Poly Print & Copy increases its marketing efforts and implements price adjustments to align closer to the market.

Sales at Cal Poly Print & Copy for FY 2024-25 assume the store will be open for the entire academic year. Sales estimates reflect an increase from the FY 2023-24 projection but are still less than the average pre-pandemic historical performance. Cost of Sales for FY 2024-25 reflect margins consistent with pre-pandemic years with an adjustment for pricing.

Other Revenues for the University Store Contract primarily represent commissions earned from Follett, which is generally calculated at 7% of digital commissionable sales and 17% of non-digital commissionable sales. The budget for FY 2024-25 assumes that a 25% and 3% increase in both digital and non-digital commissionable sales for Follett, and corresponding commission growth. This shift towards more digital sales reflects the post-COVID trends. The Partners management is working closely with Follett to identify ways to increase commissionable sales over the coming year.

Total Payroll Expense relates solely to Cal Poly Print & Copy and is projected to end FY 2023-24 \$16,000, or 16% over budget. The unfavorable variance from budget reflects more than anticipated labor costs related to the temporary relocation of operations out of the Kennedy Library. Payroll expense FY 2024-25 includes a 5% general salary increase, a performance based compensation pool, and slightly lower fringe benefit rates.

Total Operating Expenses for the University Store Contract include continuing direct expenses for the University Store and Cal Poly Downtown (i.e. rents, taxes, depreciation and utilities) as well as contract management and indirect cost support. FY 2024-25 Operating Expenses are expected to decrease \$350,000 from FY 2023-24 projections primarily the result of changes in the presentation of administrative cost recovery charges from the Partners. The FY 2024-25 budget has separated administrative cost recovery charges from additional contributions to cover the Partners general administrative overhead costs, which is included in other expenses below. The aggregate total is consistent with the FY 2023-24 budget.

FY 2023-24 Operating Expenses for Cal Poly Print & Copy are projected to end under budget, primarily related to equipment maintenance expenses that were postponed to the following year. In addition, the budget assumed Cal Poly Print & Copy would be responsible for certification costs related to the temporary relocation of operations out of the Kennedy Library. Those costs were reimbursed by the university. FY 2024-25 Operating Expenses are expected to increase \$9,000, resulting primarily the result of increases in administrative cost recovery charges from the Partners and equipment maintenance expenses.

Other Income (expense) for FY 2023-24 and FY 2024-25 includes funding for University Services. In addition, FY 2024-25 includes additional contributions from Mustang Shop to cover the Partners general administrative overhead costs.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Facilities Reserves	Investment in Operating Assets (non-cash)	Capital Outlay Reserve	Total
June 30, 2022 Reserve Balance	\$994,920	\$7,050,997	\$121,603	\$0	\$8,167,520
FY 2022-23 Change in Reserves	87,255	(410,680)	(62,551)	0	(385,976)
June 30, 2023 Reserve Balance	1,082,175	6,640,317	59,052	0	7,781,544
FY 2023-24 Change in Reserves (estimate)	(321,437)	(622,434)	(4,172)	900,000	(48,043)
June 30, 2024 Reserve Balance (estimate)	760,738	6,563,499	54,880	900,000	8,279,117
FY 2024-25 Change in Reserves (budget)	22,188	25,768	868,148	(900,000)	16,104
June 30, 2025 Reserve Balance (budget)	\$782,926	\$6,589,267	\$923,028	\$0	\$8,295,221

Reserves for other commercial activities are designated as follows:

Operating Reserves represents working capital held for contingencies and continuing operations. The reserve balance for the University Store contract is equal to 100% of the subsequent year's budgeted operating expenses (less depreciation expense), which reflects the difference in business model compared to other commercial operations. Operating reserves at Cal Poly Print & Copy for June 30, 2024 (estimate) and June 30, 2025 (budget) are equal to 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense).

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

Investment in Operating Assets for June 30, 2024 (estimate) and June 30, 2025 (budget) represents the investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

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

CAPITAL OUTLAY REQUEST

Major Capital Equipment Outlay (Over \$25,000)	Estimate	Years	Annual Depreciation
Previously Approved Capital Outlay Requests (1)			
1144 Chorro Street tenant improvements	\$900,000	10	\$90,000
Total Capital Outlay Request	\$900,000		\$90,000

CAPITAL OUTLAY REQUEST DETAIL

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

1144 Chorro Street tenant improvements: The Partners has signed a lease for 1144 Chorro Street. The new space will be the new home of the Mustang Shop and CIE (Center for Innovation and Entrepreneurship). In addition to the benefits of co-locating two Cal Poly entities, the new lease will be half the cost of the current location and expand the shoppable space from 2,900 to 3,500 square feet. Renovation will begin in May, and the store will be open for business August / September 2025. Follett has agreed to provide \$600,000 in capital for tenant improvements. An additional \$900,000 investment in tenant improvement will come from Mustang Shop reserves.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Sponsored Programs Administration

Fiscal Year 2024-25

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BUSINESS OVERVIEW

Sponsored Programs provides essential functions and services to the Cal Poly community to further its educational mission and scholarly endeavors in accordance with the Integrated CSU Administrative Manual (ICSUAM) section 11000. Cal Poly Partners (CP Partners) and the Division of Research collaborate to provide administration of Sponsored Programs.

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

The primary objectives of Sponsored Programs are as follows:

- To support faculty scholarship and student “Learn by Doing” opportunities by providing financial, compliance and administrative oversight for sponsored programs and related activities.
- To collaborate with the university’s Grants Development Office on the successful transition from pre-award to post-award, and effectively participate in the proposal submission process, when appropriate.
- To perform a thorough review of award agreements 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 and staff to support them in fulfilling the administrative contract or grant research objectives.
- To prepare and manage contractual agreements with external collaborators, when needed, to support the fulfillment and completion of committed project scopes of work.
- To protect Cal Poly Partners and university interests by closely monitoring project accounts to avoid audit disallowance, over-expenditures, uninsured risks, or other potentially negative consequences.
- To satisfactorily provide stakeholders with pertinent financial and technical status information, as appropriate.
- To facilitate the Facilities and Administration proposal submission, rate negotiation, agreement acceptance, and extension request with the proper federal Division of Cost Allocation delegate.

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

2023-24 ACCOMPLISHMENTS

- Collaborated with the Division of Research to welcome and integrate the new Interim Vice President of Research.
- Collaborated with the VP of Research and CP Partners Human Resources to review salaries and grade levels for all Sponsored Program Office staff for equity with their state-side counterparts within the Division. This resulted in salary adjustments for all staff members to bring better equity internally and retain competitiveness with current market rates.
- Completed internal promotions for two Sponsored Programs Office staff members.
- Conducted successful recruitment, hiring and training for two new Contacts and Grants Analysts to fill vacated positions.
- Following the unexpected departure of the Sponsored Programs subaward administrator, collaborated with and trained a CEI staff member to temporarily assist with subaward administration while a permanent position is being recruited.
- Posted recruitment for new Subaward Administrator to fill vacated position.
- Collaborated with the Division of Research to revisit and revise existing research administration processes in preparation to begin development of the new Electronic Research Administration (eRA) system. This system will streamline the award process from the proposal stage to the close out stage to better support the university in research award management and compliance, and increase accessibility for research faculty, staff, and students.
- Completed performance evaluations for all Sponsored Programs Office staff members in collaboration with CP Partners HR in support of their effort to revise and revitalize the performance evaluation process.
- Collaborated with the CP Partners finance team to review and revise leave liability processes.
- Collaborated with ITS and the CP Partners business office on the training and testing of the anticipated Finance Enterprise upgrade.
- Successfully completed the FY 2022-23 single audit and multiple desk audits with no findings.
- Continued to collaborate with Poly Travel and CP Partners business office to improve Concur processes related to travel on sponsored projects.

2024-25 GOALS & OBJECTIVES

- Sponsored Programs will continue working in collaboration with Division of Research staff on the development, testing and implementation of the new Electronic Research Administration (eRA) system.
- Sponsored Programs will collaborate with CP Partners staff on the development and implementation of the new Workday system, and integration with the eRA system.
- Sponsored Programs will develop new training resources for research faculty and staff for the new eRA system, Workday, and any updated or revised research administration processes.
- Sponsored Programs will work with CP Partners Human Resources to review and update job descriptions for staff within the department.
- Sponsored Programs will collaborate with the Division of Research to develop student internships focusing on research administration.
- Sponsored Programs will collaborate with the Division of Research to review and adapt, as needed, policies and procedures in preparation for the quarter-to-semester conversion.
- Sponsored Programs will continue to review and revise the current policies, procedures, and guidelines to ensure they are consistent with federal regulations and the new systems.

2024-25 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Contract & Grant Admin Fees	14	15	6	6	-	0%
Center & Institute Admin Fees	219	225	195	195	-	0%
Other Revenues	204	179	171	170	(0)	0%
Income Before Operations	437	419	372	371	(0)	0%
Salaries & Wages	693	961	873	1,179	(306)	(35%)
Benefits	439	553	514	689	(174)	(34%)
Total Payroll Expense	1,132	1,513	1,388	1,867	(480)	(35%)
Audit & Tax	12	12	12	12	(0)	(2%)
CP Partners Administrative Services	785	902	902	1,042	(140)	(15%)
Insurance	112	129	155	204	(49)	(32%)
Consultants	-	100	-	-	-	0%
University Cost Allocation	94	113	104	100	4	4%
Other Operating Expenses	46	51	41	62	(21)	(50%)
Total Operating Expenses	1,049	1,307	1,214	1,420	(206)	(17%)
Total Expenses	2,181	2,821	2,602	3,288	(685)	(26%)
Net from Operations	(1,743)	(2,402)	(2,230)	(2,916)	(686)	(31%)
Other Income (Expense)	(3)	(2)	(11)	-	11	100%
Total Other Income (Expense)	(3)	(2)	(11)	-	11	100%
Transfers In (Out)	1,849	2,434	2,404	2,951	547	23%
Net to Reserves	\$102	\$30	\$163	\$35	\$(128)	(79%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

***See Operating Budget Discussion for further information

OPERATING BUDGET DISCUSSION

Income Before Operations is expected to end FY 2023-24 less than budget primarily due to an unfavorable variance in administrative fees collected from centers and institutes. Revenues for FY 2024-25 are budgeted to remain consistent with current year projections, primarily due to uncertainty regarding changes in availability of funds.

Total **Payroll Expense** for FY 2023-24 is projected to end under budget primarily due to vacancies in full-time positions. Payroll expense for FY 2024-25 reflects a 23% increase from the FY 2023-24 budget due to several factors. FY 2024-25 payroll expense includes a 5% general salary increase, a performance-based compensation pool, a slight increase in fringe benefit rates, and the restructuring of certain positions within the department.

Total **Operating Expenses** for FY 2023-24 are anticipated to end 7%, or \$93,000, under budget. This favorable variance is primarily the result of savings in the consultants expense category. Consulting firm, Maximus, was hired to assist in preparing the new F& A rate proposal, but the expense was incurred in different budget. Total Operating Expenses for FY 2024-25 are budgeted to increase \$206,000 from prior year, primarily the result of increases in insurance expenses and administrative cost recovery charges from CP Partners.

Transfers In for FY 2023-24 and FY 2024-25 represents IDC funds allocated to support the Sponsored Programs department.

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

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Contract & Grant Audit Reserve	Investment in Operating Assets (non-cash)	Total
June 30, 2022 Reserve Balance	\$509,440	\$381,880	\$0	\$891,320
FY 2022-23 Change in Reserves	66,763	35,675	0	102,438
June 30, 2023 Reserve Balance	576,203	417,555	0	993,758
FY 2023-24 Change in Reserves (estimated)	96,328	66,440	0	162,768
June 30, 2024 Reserve Balance (estimate)	672,531	483,995	0	1,156,526
FY 2024-25 Change in Reserves (budget)	20,176	14,520	0	34,696
June 30, 2025 Reserve Balance (budget)	\$692,707	\$498,515	\$0	\$1,191,222

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

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

Investment in Operating Assets for June 30, 2024 (estimate) and June 30, 2025 (budget) represents the investment in capital assets, net of accumulated depreciation and amortization, and also net of any outstanding principal balances of related debt.

CAPITAL OUTLAY REQUEST

There are no capital outlays requested for FY 2024-25.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

Conference and Event Planning

Fiscal Year 2024-25

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BUSINESS OVERVIEW

Conference and Event Planning (CEP) provides a full array of event services from initial concept to completion of an event. CEP is committed to excellence, crafting tailored experiences and executing with a dynamic blend of professionalism and enthusiasm. Whether orchestrating a corporate conference, a gala dinner or a community gathering, we infuse every moment with a spirit of helpfulness, energy and engagement.

CEP manages services for both University-sponsored and licensed events, each serving distinct yet equally significant roles in advancing the university's mission. University-sponsored events directly align with the objectives of Cal Poly's colleges and departments, whereas licensed events foster educational opportunities for participants sponsored by external organizations. CEP's expertise extends across a spectrum of events, encompassing varying scales, durations, and participant numbers, ranging from intimate gatherings to large-scale affairs spanning weeks.

CEP extends support to corporate sponsors and exhibitors, ensuring adherence to university regulations and alignment with its mission. Authorized to grant licenses for off-campus groups to utilize Cal Poly facilities and services, CEP strengthens the university's ties with the community, bolstering economic activity in San Luis Obispo.

Services offered to both off-campus organizations and university departments include:

- Budget formulation
- Comprehensive registration and reporting services*
- Coordination of on-campus lodging arrangements
- Management of campus facilities and reservations
- Coordination of food and beverage services
- Facilitation of equipment rentals
- Provision of on-site event staffing
- Arrangement of liability and event-related insurance coverage
- Provision of payroll services*
- Coordination of bus and shuttle services
- Development of signage solutions
- Provision of logistical support for event personnel*

(*Available exclusively for university-sponsored events)

Additionally, we have integrated facility management into our revenue model, paving the way for the expansion of this segment of our business.

2023-24 ACCOMPLISHMENTS

- **Increased Gross Revenue:** Successfully implemented strategies resulting in an 18% year-over-year increase in gross revenue.
- **Athletic Partnership:** Established a Memorandum of Understanding (MOU) with the Athletics department to ensure that all LLC and Cal Poly Sponsored Camps are contracted through CEP, strengthening collaboration, and expanding opportunities.
- **Small Live Event Success:** Orchestrated a live event at Mott Athletic Center, selling 2600 tickets and generating \$15,000 for CEP and an additional \$16,000 for campus dining.
- **Broadening Client Base:** Adjusted event management fees to optimize event frequency throughout the academic year, effectively managing smaller events during slower months, thereby expanding the client base.
- **Collegiate Networking:** Solidified partnership with ACCED-I by actively participating in conferences, events, and committee engagements, enhancing CEP's professional network and industry presence.
- **Facility Management Excellence:** Collaborated with commercial services to oversee the management of new facilities such as the 1901 Pavilion Facility, Mott Lawn, Pac Lawn, and the forthcoming Spanos Concession VIP Terrace. This involved setting up venues in 25live, developing marketing materials, and promoting these spaces in various committee meetings, including CEMT, demonstrating CEP's commitment to efficient and effective facility management.
- **Strengthening Internal Relationships:** Teamed up with Cal Poly Partners to coordinate internal events like Movie Night, Advance Meetings, and the grand opening of 1901. Additionally, enhanced relationships with existing clients and expanded connections with campus partners and clients, including Athletics, Catering, the President's Office, and the Business school, fostering a collaborative and supportive environment.
- **Event Management Software Transition:** Continued transitioning from current software to a cloud-based program, aiming for increased efficiency and streamlined coordination of conferences and events. Embracing technology and transitioning to a cloud-based program enables CEP to deliver high-quality services to clients while minimizing manual processes and potential errors, ensuring optimal operational effectiveness.
- **Youth Protection Implementation:** Partnered with Risk Management to spearhead the Youth Protection Guidelines, serving as a committee member and collaborating to research and fund a new campus-wide registration software, demonstrating a commitment to safety and compliance in event management.

2024-25 GOALS & OBJECTIVES

- **Live Event:** Hosting live events presents opportunities on campus for many different Cal Poly entities to generate revenue. In May 2025, CEP will assist in organizing the Live Event concert initiative, targeting the student population and San Luis Obispo and Santa Barbara County populations, with a goal of holding a large concert at the Spanos Stadium.
- **Campus-wide Registration for Youth Programs:** Streamlining the registration process for youth programs across campus is a priority for the university. By partnering with Risk Management and cost sharing the current registration system, CEP will have cost savings and the ability to align with new campus partners.
- **Flexible Job Roles:** Embracing flexibility in job roles enables CEP staff to adapt to evolving business needs and seize new opportunities. By taking on diverse responsibilities, employees contribute to revenue diversification efforts and enhance organizational agility.
- **Event Diversification:** One key focus area is diversifying the range of events hosted by CEP. This involves exploring opportunities beyond traditional event types to attract a broader audience and cater to varying interests and needs.
- **More Cal Poly Community Partnerships:** Strengthening collaborations with community partners is crucial for expanding CEP's reach and impact. By forging strategic alliances with campus partners, CEP can tap into new resources, expertise, and audiences, fostering mutually beneficial relationships.
- **Reimagining a New Business Model:** CEP is in the process of reevaluating its business model to adapt to obstacles such as year around school and rising cost of labor. This involves exploring innovative approaches to event planning, revenue generation, and service delivery to ensure long-term sustainability and growth.
- **Facility Management:** Efficient management of facilities is essential for optimizing resource utilization and enhancing the overall event experience. CEP is committed to implementing best practices to ensure these spaces are rented as frequently as possible.
- **Managing Housing Buildings:** With the quarter to semester transition and year around school around the corner, CEP is in discussions with housing to change the current rental model from bed rentals to building rentals. This would allow us to manage custodial/housekeeping and maximize the number of camps/customers we host in rooms each summer.

2024-25 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Sales	\$787	\$1,246	\$1,060	\$1,082	\$22	2%
Rental Income	-	-	-	57	57	100%
Other Revenues	501	572	495	584	90	18%
Income Before Operations	1,289	1,819	1,555	1,723	169	11%
Salaries & Wages	416	525	504	567	(63)	(13%)
Benefits	242	279	285	320	(35)	(12%)
Total Payroll Expense	658	804	790	888	(98)	(12%)
Software / Hardware Maintenance	19	22	22	22	(0)	0%
Supplies & Equipment	12	14	11	4	7	60%
University Housing Expense	321	585	462	536	(74)	(16%)
CP Partners Administrative Services	104	117	117	129	(12)	(10%)
CP Partners Allocated Services	-	25	30	30	(0)	(1%)
Bank Card Expense	52	62	46	62	(15)	(33%)
Other Operating Expenses	39	36	40	20	19	49%
Total Operating Expenses	548	860	728	804	(76)	(10%)
Total Expenses	1,206	1,664	1,518	1,692	(174)	(11%)
Net from Operations	83	154	37	32	(5)	(13%)
Other Income (Expense)	(0)	-	2	-	2	100%
University Services	(31)	(31)	(31)	(31)	-	0%
Total Other Income (Expense)	(31)	(31)	(29)	(31)	(2)	(6%)
Transfer to Plant Fund Reserves	(239)	-	-	-	-	0%
Net to Reserves	\$(188)	\$123	\$8	\$1	\$(7)	(89%)

* Estimate based on eight months actual and four months estimate

** Columns may not foot due to rounding

OPERATING BUDGET DISCUSSION

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

Revenues:

In FY 2023-24, CEP experienced both successes and challenges in its financial performance. CEP is expected to finish the fiscal year with approximately \$1.5 million in revenue. That said, revenues are under budget primarily driven by the loss of a few key other events and under-attendance at other events.

For FY 2024-25, CEP anticipates an 11% increase in revenues, or approximately \$169,000. This growth trajectory is attributed to several factors, including the acquisition of new clientele, strategic collaborations with Athletics, and leveraging opportunities presented by parents and supporters seeking lodging during SLO days.

Payroll Expense:

As a service-oriented organization, CEP dedicates a significant portion of its budget to personnel costs, which constitute the largest expense. Payroll expense for FY 2024-25 anticipates the possibility of the minimum wage rising to \$18 per hour, effective January 1, 2025. As a result, the budget includes adjustments to full-time exempt salaries to ensure compliance with state law of maintaining exempt employees at a rate of twice the minimum wage. Payroll expenses for FY 2024-25 includes a 5% general salary increase, a performance-based compensation pool, and slightly higher fringe benefit rates.

CEP is committed to implementing strategies aimed at attracting and retaining student workers, a crucial component of our workforce. Additionally, we are exploring alternative staffing options to ensure the seamless execution of our events.

Operating Expenses:

FY 2023-24 is projected to end approximately \$132,000 below budget. This savings is primarily attributed to a decrease in on-campus housing expenses resulting from the reduced number of housed groups during the summer of 2023. Looking ahead to FY 2024-25, total operating expenses are expected to increase by 10%, primarily due to increased housing costs.

Overall, CEP remains committed to maintaining a fiscally responsible approach to its operations while making strategic investments to support the continued growth and success of the organization.

STATEMENT OF RESERVES OVERVIEW

	Operating Reserve	Investment in Operating Assets (non-cash)	Facilities Reserve	Total
June 30, 2022 Reserve Balance	\$342,039	-	\$(239,445)	\$102,594
FY 2022-23 Change in Reserves	(187,644)	-	239,445	51,801
June 30, 2023 Reserve Balance	154,395	-	-	154,395
FY 2023-24 Change in Reserves (estimate)	7,512	-	-	7,512
June 30, 2024 Reserve Balance (estimate)	161,907	-	-	161,907
FY 2024-25 Change in Reserves (budget)	836	-	-	836
June 30, 2025 Reserve Balance (budget)	\$162,743	-	-	\$162,743

CEP maintains three separate reserves for the following purposes:

Operating Reserves represents working capital held for contingencies and continuing operations. The operating reserve balance for June 30, 2024 (estimate) and June 30, 2025 (budget) are under the minimum reserve level of 25% of the subsequent year's budgeted payroll and operating expenses (less depreciation expense). This is the result of the economic impact of the COVID-19 pandemic on CEP operations. CEP continues to rebuild operating reserves, with an expectation to be at minimum reserve level by FY 2025-26.

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

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

CAPITAL OUTLAY REQUEST

There are no capital outlays requested FY 2024-25.



CAL POLY
Partners

OPERATING BUDGET & CAPITAL OUTLAY PROPOSAL

General Administration

Fiscal Year 2024-25

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BUSINESS OVERVIEW

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

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

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

At the start of fiscal year 2021-22, Partners IT resources were absorbed by the university as part of a campus-wide centralization project. University Information Technology Services provides IT support services to the Partners. The GA budget includes the following Partners operations:

Executive Office - The Partners' Executive Office is responsible for setting strategic direction and priorities for the organization, ensuring alignment with university priorities and direction, board and organizational administration and compliance, business and policy development, legal affairs, contract administration and management, capital development and public relations. Under the leadership of the chief executive officer, the Executive Office works directly with campus senior leadership and the Partners Board of Directors to lead the overall management of the Partners. 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 Partners departments, Human Resources recruits, develops, trains, and retains a workforce of approximately 150 full-time employees and 2,000 part-time employees. HR also manages employee relations for all Partners employees. Its goal is to foster a healthy, safe, and productive work environment and position the Partners as an employer of choice.

Business and Finance Office - The Partners Business and Finance Office is responsible for managing the financial resources of the Partners 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 Partners 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 Partners' 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 Partners and other customer units to achieve and then exceed their business objectives. Services provided by MARCOM include strategic planning support, public relations, social media marketing, digital and offline advertising, direct mail marketing, website development, email marketing, media planning and buying, graphic design, video production, and photography.

General Administration operations are funded through cost-recovery allocations and assessments charged to Partners 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.

2023-24 ACCOMPLISHMENTS

- Supported Chartwells towards a successful first year under the expanded relationship, providing oversight on key business, operational, marketing and communication functions
- Completed the design of the Vista Meadows housing project; finalized project financing and obtained all necessary CSU approvals to proceed with entering into a construction agreement; began developing a marketing and communications plan for the project.
- Launched a mortgage assistance program for Cal Poly employees with a local lender (SESLOC). This program allows employees to purchase a home with no down payment and no private mortgage insurance.
- After three failed go-live attempts to upgrade our current information system, CP Partners issued a request for proposal for a new system implementation. Proposals were received, evaluated, and ranked, with a contract awarded to Workday. Implementation began in spring 2024 and will be completed in fiscal year 2024-25.
- Implemented new hybrid flex work guidelines and won the SLO County Family Friendly Workplace Award - BLUE Diamond level
- Launched REVVER document automation system, digitizing all HR processes, and moving to a paper-free work environment
- Completed a comprehensive compensation study, redefining our strategy and market benchmark, updating our salary structure, and reviewing employee compensation for critical positions
- Launched Cal Poly Partners, updating all branding and developing an integrated marketing and communication awareness campaign
- Added partnerships with four university departments or divisions to provide Marcom support services including Academic Affairs, Orfalea College of Business, Student Affairs and Facilities Management and Development
- Won 12 MARCOM Awards for Cal Poly Partners and our other university partners and one bronze NACUFS Award for Campus Dining's revitalization of Via Carta

2024-25 GOALS & OBJECTIVES

- Start construction on the Vista Meadows housing project, with delivery of first homes in summer of 2025; execute the marketing and communications plan for the project
- Complete the implementation of Workday, including training all system users and stakeholders and providing communications and change management
- Identify a solution for adding multi-family housing to the CP Partners real estate portfolio
- In coordination with the university, establish a shared service center for students and all employees on campus
- Broaden wage and hour training to all hourly employees and people supervisors
- Raise awareness of Cal Poly Partners' services and impact to demonstrate our value
- Increase external engagement with our university and community partners to build positive relationships
- Deepen understanding of Cal Poly Partners' stakeholders' needs and aspirations to provide relevant programs and services
- Win 5 MARCOM Awards for Cal Poly Partners and our university partners
- Optimize internal business processes to position CP Partners for success at the Cal Poly Mustang Business Park (CPMBP) and keep up with the university's demands

2024-25 OPERATING BUDGET PROPOSAL

(in thousands) **	Fiscal Year 2022-23 Actual	Fiscal Year 2023-24 Budget	Fiscal Year 2023-24 Estimate*	Fiscal Year 2024-25 Budget Proposal	2024-25 Budget v. Estimate Variance	Favorable (Unfavorable) % Variance
Assessment Income	\$3,088	\$3,544	\$3,544	\$3,915	\$371	10%
Fee for Service Income	990	824	1,040	1,042	2	0%
CP Partners Allocated Services	801	474	500	468	(32)	(6%)
Other Revenues	1,504	1,450	1,645	1,611	(34)	(2%)
Income Before Operations	6,384	6,292	6,729	7,036	307	5%
Salaries & Wages	3,355	3,559	3,456	3,604	(149)	(4%)
Benefits	1,969	2,044	1,853	2,029	(176)	(9%)
Total Payroll Expense	5,324	5,602	5,309	5,633	(324)	(6%)
Depreciation & Amortization	4	4	4	3	1	22%
Software / Hardware Maintenance	176	228	315	747	(432)	(137%)
General Maintenance	27	31	33	27	5	16%
Supplies & Equipment	66	41	46	54	(8)	(18%)
Rent / Lease Expense	215	237	230	233	(3)	(1%)
Audit & Tax	111	114	118	123	(5)	(4%)
Other Operating Expenses	992	904	1,633	1,703	(70)	(4%)
Total Operating Expenses	1,590	1,558	2,378	2,890	(512)	(22%)
Total Expenses	6,914	7,160	7,687	8,524	(836)	(11%)
Net from Operations	(530)	(868)	(958)	(1,487)	(529)	(55%)
Other Income (Expense)	(14)	(0)	3	-	(3)	(100%)
Total Other Income (Expense)	(14)	(0)	3	-	(3)	(100%)
Transfers In (Out)	772	954	2,511	1,586	(925)	(37%)
Net to Reserves	\$227	\$86	\$1,555	\$99	\$(1,457)	(94%)
Noncash transactions (add back):						
Depreciation & Amortization	4	4	4	3	1	22%
Adjusted Net to Reserves	\$231	\$89	\$1,559	\$102	\$(1,458)	(93%)

* 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 2023-24 is projected to end \$437,000, or 7% over budget. This favorable variance is primarily the result of an increase in fees collected for agency assessments and contracted services. Income Before Operations for FY 2024-25 is expected to increase \$307,000 or 5% over FY 2023-24 projections primarily from increased administrative cost recovery charges.

PAYROLL

Payroll expense for FY 2023-24 is projected to end \$293,000 under budget, primarily driven by vacancies in full time positions. Payroll expense for FY 2024-25 includes a 5% general salary increase, a performance based compensation pool, slightly higher fringe benefit rates, and implementation of the recently completed compensation study.

OPERATING EXPENSES

Total operating expenses for FY 2023-24 are expected to end the approximately \$821,000 over budget. The increase from budget is primarily the result of increases in IT-related costs, including the university's ITS cost allocation, and new software costs related to Workday. Operating Expenses budgeted for FY 2024-25 are expected to increase approximately \$512,000, or 12% over FY 2023-24. The increase is primarily the result of increases in IT-related costs, including the university's ITS cost allocation, and new software costs related to Workday.

NET FROM OPERATIONS

General Administration operations are partially funded by net investment income (interest plus dividends, less fees) from the General Investment Fund. FY 2023-24 Transfers-in represent approximately \$2.5 million in net investment income from the General Investment Fund and is expected to decrease to approximately \$1.6 million for FY 2024-25. The change is reflective of expected changes in revenues and expenses as described above.

GENERAL INVESTMENT FUND DISCUSSION

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

Due to the unpredictable nature of the investment market, activities of the General Investment Fund are not consolidated with the General Administration budget. Market gains have totaled \$2.6 million for the first 10 months of the fiscal year, resulting in an overall net operating income of \$4.7 million over the same period. Current year results are driven by asset allocation and rising interest rates. Domestic large cap equities have been a source of outperformance for the portfolio this fiscal year.

Net investment income from the General Investment Fund helps to support the General Administration budget, assist with Partners special projects, and build Partners reserves. The Partners anticipates that approximately \$2.5 million in current year dividend and interest income will be used to support General Administration operations in FY 2023-24. For FY 2024-25, the Partners anticipates that approximately \$1.6 million in dividend and interest income will be used to support General Administration operations.

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

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

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

Past and projected reserve balances are as follows:

	Investment Reserves	General Administration Reserves
June 30, 2023 Reserve Balance	\$11,543,783	\$9,506,921
FY 2023-24 Change in Reserves (estimate)*	664,903	2,913,133
June 30, 2024 Reserve Balance (estimate)*	12,208,686	12,420,054

*(*Current year estimates are based on actual 10-month activity for the current year and estimated results for May and June of 2024. 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, 2022 Reserve Balance	\$1,926,323	\$4,712	\$50,000	\$1,981,035
FY 2022-23 Change in Reserves	220,653	6,095	0	226,748
June 30, 2023 Reserve Balance	2,146,976	10,807	50,000	2,207,783
FY 2023-24 Change in Reserves (estimate)	409,224	(3,755)	1,150,000	1,555,469
June 30, 2024 Reserve Balance (estimate)	2,556,200	7,052	1,200,000	3,763,252
FY 2024-25 Change in Reserves (budget)	76,686	1,197,082	(1,175,000)	98,768
June 30, 2025 Reserve Balance (budget)	\$2,632,886	\$1,204,134	\$25,000	\$3,862,020

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 2024-25 earnings will be sufficient to fully fund the reserve.

Investment in Operating Assets for June 30, 2024 (estimate) and June 30, 2025 (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
ERP System Implementation - Workday	\$200,000	10	\$20,000
Total Major Capital Outlay	\$200,000		\$20,000
Total Capital Outlay	\$200,000		\$20,000
Previously Approved Capital Outlay Requests (1)			
ERP System Change	\$1,000,000	10	\$100,000
Total Capital Outlay Request	\$1,200,000		\$120,000

CAPITAL OUTLAY REQUEST DETAIL

ERP System Change: The Corporation's current ERP system, ONESolution, is past its useful life. The last upgrade occurred in 2016, and now falls short of university IT security requirements. In a 2020 campus-wide IT audit performed by the Chancellor's Office, it was noted that the Corporation's version of ONESolution does not support multifactor authentication (MFA). In 2023, Corporation staff worked closely with ITS staff to attempt an upgrade of ONESolution to the most current version available, which supports MFA. After three failed go-live attempts with the vendor (Central Square), the upgrade project was cancelled. Corporation management was not comfortable about the reliability of the product or the vendor team that would support the product.

Central Square has consistently not met our customer service needs for years. Historically, the Corporation was able to mitigate poor vendor support with a highly trained local IT support team. However, in 2022, the campus went through an IT centralization effort and the CPC IT support team was disbanded. In the 18 months since centralization, the Corporation has had to rely more on vendor support for its ERP system.

In October 2023, the Corporation issued a request for proposal soliciting bids from various vendors. Proposals were received, evaluated, and ranked. All proposals come at a significantly higher cost than ONESolution. However, a new system would allow CPC to not only decommission ONESolution, but a handful of other software products and applications the Corporation currently pays for. A new ERP system would also result in multiple operational efficiencies that would allow the Corporation to mitigate increasing operating costs over time.

In February 2024, the Board appropriated \$1 million towards the implementation of a new system. Since then, a contract has been negotiated and awarded to Workday, the preferred vendor following the RFP evaluation process. Management now estimates the implementation will cost closer to \$1.2 million. This capital outlay request is for the board to appropriate an additional \$200,000 towards the implementation of Workday.

(1) The Capital Outlay Request above was approved by the Board of Directors at their February 2024 meeting.