

# CI University Auxiliary Services, INC.

## BOARD OF DIRECTORS

### Special Meeting

Wednesday, June 26, 2024

### ATTENDEES

Dave Armstrong, Board Chair  
Bill Robe, Board  
Dave Press, Board  
Jeff Kim, Staff  
Stephanie Bracamontes, Staff  
Peter Maher, Staff  
Airam Flores  
Doreen Hatcher  
Leticia Down  
Michael Gravagne  
Julia Heck

Barbara Rex, Treasurer and Secretary  
Marianne McGrath, Board  
Andrew Fox, Board  
Laurie Nichols, Staff  
John Lazarus, Staff  
Christina Salas, Staff  
Dr. Eboni Ford Turnbow  
Dorothy Patten  
Hilda Ocampo Diane Bobritsky  
Dr. Doreen Hatcher

Unknown public attendees: Joe P & unidentified owner of 703-405-6327

1. **CALL TO ORDER**
  - a. Dave Armstrong called the meeting to order at 10:01 AM.
2. **PUBLIC COMMENTS**
  - a. No public comments were presented.
3. **INFORMATIONAL ITEM:**
  - a. Review of Directors' Roles and Responsibilities.
  - b. Presented by John Lazarus. Defining Boards fiduciary responsibility.
4. **INFORMATIONAL ITEM:**
  - a. Dr. Ford Turnbow shared Humboldt's experience in working with Chartwells. Transition was easy and flexible. Chartwell representatives presented interest in not just the bottom line but growing with the Cal Poly Family.
  - b. Campus and students benefited from the relationship by internships and scholarships.
  - c. Dr. FT noted Humboldt contract was completed within five weeks
5. **INFORMATION ITEM:** Presentation of FY 2425 UAS Operating Budget Proposals.
  - a. Laurie Nichols presented the UAS Operating Budget Proposal.
    - i. Currently self-operations show improvement with sales and labor efficiencies and operating at less of a loss.
    - ii. Student retention and enrollment are concerns.
    - iii. Key model differences include upfront funds, outsource operations at Lighthouse Café to Wild Blue with 20% in sales commission, consolidating Islands dining room to just west side, and introduction of self-checkout and mobile ordering.

- b. Barbara Rex provided a high-level overview comparing the annual net financial position for the current self-operating model which excludes any cost mitigation measures against the Chartwells model. She noted that the enrollment assumptions provided to Chartwells are 5% higher than the current preliminary Fall 2024 forecast. Financial Performa include enrollment assumptions, annualized headcount and FTE. 12.5% rate increase is included in both self-operating and Chartwells' proposals. She noted that the Chancellor's Office is willing to contribute \$600k in 2 installments of \$300k each starting in a few years, but during the Term on the Chartwells Agreement.
  - c. Risks include continued enrollment decline and short timeline. The contract is for eight years and if terminated early the remaining balance would be due. Option to extend 5 to 10 years.
  - d. Barbara indicated that other CSU campuses with Chartwells highly recommended that UAS ensure a member of staff was assigned to work closely with Chartwells on a day to day basis. The contract must be closely managed.
  - e. Julia Heck has worked closely with students and gathered student recommendations on improving their dining experience. Shared student feedback of more seating for hanging out and affordability.
  - f. Chartwells retail recommendations include,
    - i. Introduction of mobile ordering.
    - ii. Change Freudian Sip to a grab and go location with healthier options.
    - iii. Create more gathering space at the Student Union Building.
    - iv. LightHouse Cafe to be operated by Wild Blue (contracted directly with Chartwells)
    - v. Introduction to the game room near the Sea Store.
    - vi. Look into local options for coffee and beer.
    - vii. Introduction of ghost kitchen
    - viii. Late night enhancements
    - ix. Rename some of our current sites.
  - g. Jeff Kim presented a more detailed budget for FY 2024025 which includes annual price increases of 3% after the 12.5% increase in 2025-26 and X% annual cost escalation. operation assumed a modest 3% increase in retail revenue and 2% increase in residential . Due to Chartwells outsourcing with Wild Blue there is a 2% decrease. Salaries and benefits reflect 11% savings. This is in part due to consolidating food service, outsourcing labor for Lighthouse Cafe to Wild Blue, and changing JSB to a self-serve option. COGS has an 11% decrease.
  - h. Vending and Bookstore would continue to operate as is.
  - i. Bill Robe questioned the use of the previous Pizza 3.14 location. Laurie Nichols advised Chartwells was not interested in use of the space. Campus is working on revitalizing the location with potential for a build out pub like area. A local entity is interested in the use of the space. The current lease expires in 2027.
  - j. Budget Assumptions.
    - i. drop to 4,204 FTE enrollment in FY24/25.
    - ii. Chartwell to manage labor and COGS.
    - iii. External Events will move stateside, but UAS/Chartwells will continue to support food/catering..
    - iv. Meal plan changes and rate increased deferred until FY25/26
    - v. ASI would work directly with ADP TotalSource for HR and payroll.
6. **INFORMATIONAL ITEM:** Discussion of FY 24/25 UArS Operating Budget Proposals

- a. Dave Armstrong inquired about the contract terms and MEA. As discussion ensued, it was noted that a contract is yet to be received. He requested that a schedule of annual planned expenditures for deferred maintenance and equipment replacement be incorporated in the implementation plan and contract deliverables with an expected roll-out in August.
- b. The contract is based on management fee arrangement. Chartwells will receive 3% of all sales with no contractual targets. However, Chartwells has suggested a series of KPIs in the Master Enabling Agreement (MEA), and is not target based.
- c. Dave Armstrong noted contracting with Chartwells is not a silver bullet meaning, in either scenario UAS operates at a loss. does not remove the responsibility of improving our debt. Barbara stated that the contract terms clearly favor Chartwells while CSUCI shoulders the risk. Chartwells provides no support for debt service or the facilities lease.
- d. Dave Armstrong inquired about the COS as a percent of sales. Typically this type of arrangement yields a reduction in COS as the provider benefits from rebates and volume discount.
- e. Either party can terminate.
- f. Dave Armstrong inquired about the accounting for funds provided upfront by Chartwells for capital and other discretionary priorities. Jeff Kim stated that tech capital investments would be amortized as an operating expense over the life of the contract and deducted from the client return. Dave asked if the use of the funds would be approved by the board. Staff indicated that updates on the use of these funds would be provided at the quarterly board meetings and accounted for in funds separate from general operations.
- g. Bill Robe inquired about the number of new residents expected in Anacapa Canyon . John Lazarus expects 2k new residents for a total of 4k, once fully occupied..
- h. Andrew Fox requested more details regarding Islands Cafe. No food service will be in the South side,. only seating. Food will be served on the Northside.
- i. Board members inquired about the enrollment assumptions. Laurie assured the board that the campus is strategically focused on initiatives to increase new student enrollment and retention. Andrew Fox noted that while our primary focus tends to be on student enrollment growth and access, more attention is needed promoting the quality of our programs and postgraduate support and regional job placement. We need both. Dave Armstrong inquired about housing capacity to get a feel for future potential increase in dining for residential students.

- j. Board members asked about Chartwells retention of current UAS employees and if compensation and benefit packages will be comparable to UAS. Laurie Nicols noted Chartwells is an employee-first company and indicates interest in retaining current UAS staff She confirmed that salaries will be comparable , and highlighted Chartwells training and employee recognition programs. Self-operating does not assume costs for consolidating the North side only model.
  - k. Dave Press directed staff to engage our auditors in a discussion regarding controls that serve as best practices from other compasus to help inform the final contract. development and review and, and consider engaging our auditors to assist with contract review. Stephanie stated that the Chartwell model will be shared with the auditors.
  - l. Interface expected to occur,
  - m. UAS Executive Director for managing Follet, vending, etc.
  - n. Chartwell management team
  - o. Executive Chef
  - p. Unknown of the reporting structure.
  - q. Positions that currently exist may not exist.
  - r. UAS would remain responsible for repairs and maintenance for the next eight years.
  - s. Dave Armstrong inquired about the liquor license. which will remain in UAS name. He requested a close review of the MEA to ensure a clear understanding of the indemnity clause.
  - t. In conjunction with Dave Press, Dave Armstong requested a review of the contract by board members prior to final signature. He also inquired about the delegated authority to sign the contract. John Lazarus and Laurie indicated that the President has the delegated authority to sign the contract. Stephanie recommended a follow-up review to confirm appropriate signatory authority.
  - u. .
7. **ACTION ITEM: Request approval of FY24/25 UAS Food Operations**
- a. Combined with Budget Proposal
8. **ACTION ITEM: Request approval of FY 24/25 UAS Budget Proposal**
- a. Bill Robe moved to approve the Chartwell budget with the provision that the Board members review the contract prior to final signature.
  - b. Dave Press second the motion.
  - c. Dave Armstrong amended the motion for staff to provide KPI's at their convenience.
9. **BOARD COMMENTS.**
- a. Barbara Rex noted the recent discovery of unpaid commissions by Follett. Follett is experiencing financial challenges which the CO is investigating. Stephanie Bracamontes noted that she will evaluate the appropriate allowance for doubtful accounts to be incorporated in the 2023-24 financial statements
10. **AGENDA ITEMS FOR FUTURE MEETINGS**
- a. Dave Armstrong requested Follett discussion on the agenda for the next meeting.
11. **Meeting adjourned by Dave Armstrong at 12:12 PM**