Budget Committee Report- Nov 4, 2026

Members: Bharti Sharma (Chair), Anna L. Soper, Don St. Hilaire, Heather E. Taylor, Yuanjie (Ed) He, Brinna Pam Anan, Phyllis R. Nelson, Xijing Li, Administrator- Lisa M. Rotunni, Staff - Sabrina Toney, ASI Student representative - Joseph A. Paiva

Oct 21, 2026: The Committee discussed updates on upcoming presentations and prepared for the upcoming CPPE presentation on Oct 28.

Committee members in attendance: Don St. Hilaire, Lisa M. Rotunni, Heather E. Taylor, Yuanjie (Ed) He, Brinna Pam Anan, Joseph A. Paiva, Sabrina Toney, Phyllis R. Nelson, and Bharti Sharma

October 28, 2026- Engaged in an invited presentation delivered by Cal Poly Pomona Enterprises CFO, Juan Hernandez who was joined by CEO, Thomas Sekayan and Senior Director Business Services/ Organizational Effectiveness & Strategy, Tariq Marji

Committee members in attendance: Don St. Hilaire, Lisa M. Rotunni, Brinna Pam Anan, Sabrina Toney, Phyllis R. Nelson, Anna Soper, and Bharti Sharma

Cal Poly Pomona Enterprises (CPPE)- Presentation Summary
(The presentation is uploaded in the Academic Senate Agenda)

As previously reported in 2025 Senate Budget Report, CPPE is 501c3 non-profit corporation that is self-supporting, legally independent, governed by a Board of Directors. It provides campus amenities/support (dining, bookstore, support programs, etc.) that is not funded by the State. CPPE role is to mitigate risk exposure to the University and to manage certain funds on behalf of the University including grants, sponsored programs, and filming.

1. CPPE projects an overall surplus of **~$2.9 M** in FY 2026-27, including $2.7 M in estimated investment gains and $873K from CPPE surplus earnings. For comparison, the net income in reported in FY 2023-24 was **~$7.6 M**, FY 2024-25 was **~$10.4** M and in FY 25/26 ~ was **$7M**.
2. The balance sheet shows the CPPE's total assets of **$349.2 M** for FY 2025-2026, $342.2 M for FY 2024-25, and $214.3 M for FY 2023-2024 with corresponding liabilities and fund balance for each FY as **$263.1 M** and **$86.1 M**, $263 M and $79.2 M and $145.3 M and $69 M, respectively.
3. CPPE reported a fund balance of $86.1 M its composition is, $36.3M in unrestricted funds, $20.4 M in reserves and $29.5 M in restricted funds. The FY 27 ending reserve balance is expected to be ~ $23 M.
4. Financial Support to the University: CPPE provides financial support to CPP through an annual designated gift, the amount of gift various year to year. In FY 25-26, the gift totaled ~ $2.15 M, however, in FY 26-27, the amount is ~ **$0.6 M**. CPPE also provides direct financial support for various university programs and events.

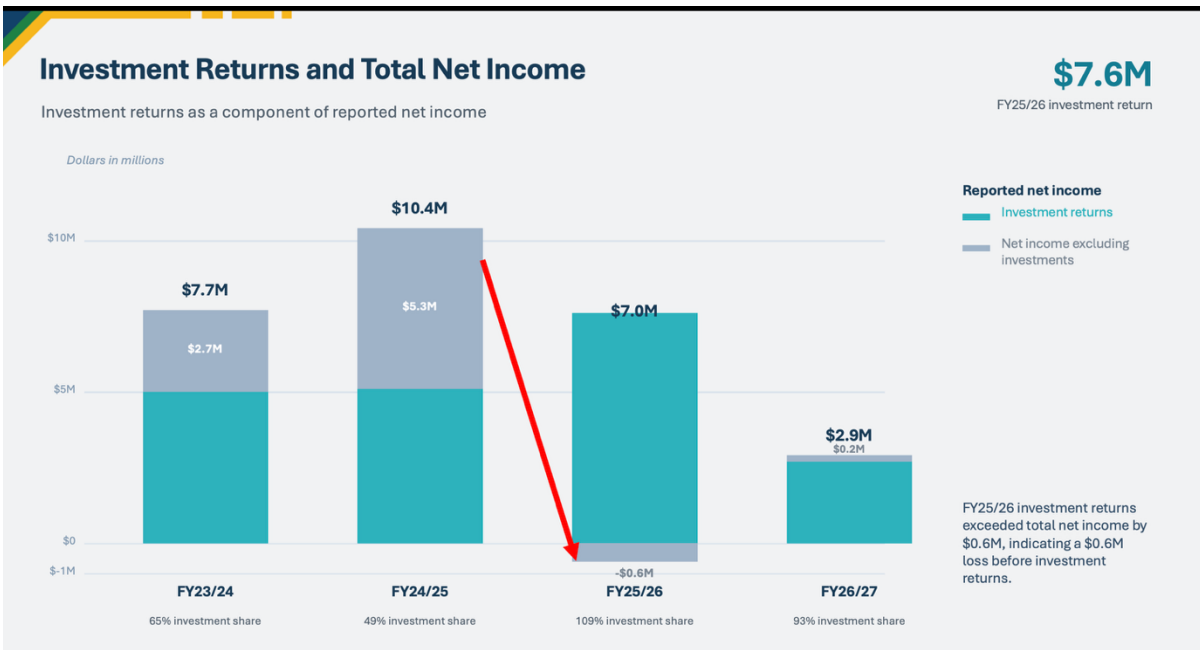
5. In addition, CPPE supports students through scholarships and subsidies, student employment and internship opportunities contributing to CPP's academic mission and student support initiatives.
6. Similar to what was reported last year, allocations for direct student scholarships totaling to **$50,000** will be distributed. Instant access will be subsidized **(~ $40,000**) based on student financial need**.** Additionally, $7k will be provided for regalia, and $200k will be used for engagement programs and events.
7. The revenues earned through filming are **$2.5 M for FY 25-26,** this is lower than the previously reported in academic year FY 24-25 of **$3.76 M**.
8. CPPE reports a post-award grant administration subsidy of **$1.77 M** for FY 2025-26, compared with **$1.87** M in FY 2024-25. CPPE currently receives 4.5% administrative fee for grant administration, however, CPPE reports that the cost of providing these services is 11.08% based on a 2017 analysis.
9. CPPE's budget timeline was presented, from December to February Capital budget preparation and board approval processes are conducted. From late January till early May Operational budget preparation and board review and approval are conducted. CPPE notes in preparation of its budget it factors in, but isn't limited to, student economic trends, broader economic outlook, price elasticity, and anticipated university needs or budgetary constraints. Budgets are largely focused on the revenues generated from the prior/current year, and assumptions made for the upcoming year.
10. For FY 26-27 CPPE General Budget Assumptions are – Enrollment 23,496 for FY 2025-26 remaining flat up to FY 30-31. Housing- at University Village the occupancy is 98% during highest occupancy months (capacity- 1,200 beds, 10-month lease). The Current (housing venture acquired by CPP in 2025), occupancy is 99% (12-month lease, with lowest in July to be 76.3%) with 1% credit risk allowance.
11. CPPE reported a **$4.72 M** new capital is requested for the FY 2026-27 along with a $1.12 M carryover funding. Major planned investment includes Kellogg's West -Marriott branding and facility updates ($2.4 M), Student Housing ($1.05 M), Administration ($620 K) and Dining Services ($235 K).
12. CPPE presented the first quarter statement of activities, which is available in the presentation provided by CPPE.

Committee Discussion Themes

1. Areas committee identified for further discussions:
   During its Oct 21 deliberations, the committee identified several areas for further discussion, building on information presented in previous years. These included reviewing a three-year trend in revenues, expenditures, surpluses/deficits, and understanding the financial sustainability of operations experiencing recurring deficits and examining financial implications of major initiatives, including Kellogg West, new housing ventures, capital investments, and university support. The committee also expressed interest in understanding the policies and priorities guide their allocation of available surplus.

2. The committee examined CPPE's financial performance over past three years. In FY 2025-26 investment returns exceeded total net income by $0.6M, **indicating a $0.6M loss before investment returns**. In FY 2026-2027 the net income is projected to be ~$200 K before adding investment returns. This amount is substantially lower than the reported $5.3 M in FY 2024-25 and $2.7 M in in 2023-24. The committee sought clarification regarding the factors to this decline.

   CPPE explained that FY 2024-25 to FY 2025-2026 decline of non- investment operating net income of $5.9M was primarily caused by 1) a **$4.9M transfer of KW roof** and vested grant assets to the campus, and 2) year over year **agriculture program deficit of ~$1M**. Other fluctuations in core operating were net zero impact to the bottom line.



3. While reviewing the statements of activities the committee noted **deficits** in two areas- administrative activities (~ $1.8 M.) and agriculture (~ $0.5 M).

   CPPE's provided a response- **Administrative cost** budget increased $500k year over year, $360k due to 5% board approved merit and general rate increases and ~140k due to other operating cost increases. When comparing the two years it is important for comparison purposes to add back the grant and program fees recovered to the admin cost in FY26/27 budget since the FY25/26 budget included those as an offset to costs (only commercial fees recovered was broken out consistently in the two budget years.)

FY25/26 = $6,781,390

Other Activities					
Investments	2,463,000	0	106,700	106,700	2,356,300
Administration	614,458	6,637,781	143,609	6,781,390	(6,166,932)
Commercial Fee Recovered	0	0	(4,586,833)	(4,586,833)	4,586,833
Total Other Activities	**3.077.458**	**6.637.781**	**(4.336.524)**	**2.301.258**	**776.200**

FY26/27 $7,284,383

Admin Activities					
Administration	556,200	6,997,700	1,873,834	8,871,533	(8,315,333)
Commercial Fee Recovered	0	0	(4,907,381)	(4,907,381)	4,907,381
Support Programs Fees			(337,150)	(337,150)	337,150
Sponsored Program Fees			(1,250,000)	(1,250,000)	1,250,000
Total Admin Activities	**556,200**	**6,997,700**	**(4,620,698)**	**2,377,002**	**(1,820,802)**

Agriculture: In its response to the committee CPPE's provided the following explanation regarding Agriculture deficits- The College of Agriculture has experienced recurring operating losses since FY2023–24, with the projected deficit reaching approximately $1.07 million in FY2025–26. These losses are primarily attributable to costs associated with outsourced citrus farm management and harvest labor, reduced farm production efficiencies resulting from deferred maintenance, and changes in the funding of certain instructional labor expenses.

The College has identified opportunities to improve its financial position and, in collaboration with the Foundation, has reduced the projected FY2026–27 operating loss by more than 50%. Moving forward, the College will continue to focus on appropriate staffing levels, strengthened contract oversight, improved production planning, and expanded revenue-generating opportunities to further reduce operating losses and move operations toward financial sustainability and break-even.

4. The committee discussed investments in Kellogg's West (KW) hotel including anticipated financial returns and benefits to academic programs. CPPE explained that in collaboration with the Collins College of Hospitality Management Kellogg's West is undergoing facility improvements to operate as a Marriott branded hotel. CPPE described the initiative as an opportunity for Collins College students to gain hands-on experience through employment and projects associated with an internationally recognized hospitality brand. CPPE anticipates that branding will improve occupancy and future enrollment to Collins college. The Committee discussed the ROI and it was noted by CPPE that it will take approximately 5 or more years to recover those costs.

5. The committee also inquired about revenue investment in new student housing facility "The Current". CPPE reported that the property was acquired in June 2025 for ~$126 M ($6 M came from the reserve as down payment and remaining financed as state bonds). CPPE is exploring

residential densification of facility to maximize the use of available space. For both housing facilities additional strategies and collaborations are being considered to maintain occupancy in summer months.

Budget Committee Commentary and Collaborative Next Steps

The Budget Committee appreciates CPPE's engagement in an open and informative discussion with the committee. The committee recognizes the importance of understanding CPPE's financial performance and resource allocation priorities may affect its continued support of university initiatives and student services. The committee looks forward to continued dialogue and collaboration with CPPE.