

SONOMA STATE ENTERPRISES, INC.

Minutes

Friday, May 12, 2006

MEMBERS PRESENT: Dr. Ruben Armiñana, Mr. Yale Abrams,
Dr. Carlos Benito, Mr. Neil Markley,
Dr. Eduardo Ochoa, Joan R. Palmer,
Dr. Paul Porter, Mr. Keith Roberts,
Mr. Floyd Ross, Mr. Tim Tiemens,
Mr. Nadir Vissanjy

MEMBERS ABSENT: Ms. Sherri Anderson, Ms. Letitia Coate,
Mr. James Reilly, III

OTHERS PRESENT: Mr. Laurence Furukawa-Schlereth,
Ms. Lisa Andresen, Mr. Ken Brown,
Mr. Al Commoli, Mr. Ryan Ernst,
Ms. Paulette King, Mr. Richard Ludmerer,
Ms. Kathy Mitchell, Mr. Talmadge Savage,
Ms. Patricia Sinclair, Ms. Jessica Way

05.28 Call to Order

The meeting was called to order at 9:40 a.m.

05.29 Approval of the March 10, 2006 Minutes

Minutes approved unanimously.

05.30 President's Remarks

Dr. Armiñana announced that the Commencement ceremonies are beginning earlier this year. The first ceremony will begin at 9:00 a.m. He is looking forward to the Commencement ceremonies as they are representative of several years of study, include many first generation graduates, and it is a day of beginning and ending where graduating students are sent out and new students are brought in to begin their studies.

Dr. Armiñana felt that this was an overall successful year despite lower enrollment numbers than originally anticipated. He noted that competition for students from other schools and the UC System is increasing and is highly significant. Enrollment concerns are an issue for SSE because they directly impact these operations. Therefore, there is a need to do things differently.

Dr. Armiñana thanked all the members of the board for a good year.

05.31 Report from SSU Vice President for Administration and Finance

Mr. Schlereth provided a PowerPoint presentation entitled Administration and Finance Strategic Planning. Mr. Schlereth focused on specific initiatives in Administration and Finance that he would like to ask the SSE Board for assistance in completing.

Infrastructure:

- ***Beaujolais Village II*** – Mr. Schlereth stressed the importance of this project due to enrollment growth expected in the coming years. This project will help cater to the Junior and Senior population.

He noted the record number of students who want to remain living on campus for the next school year stating that the demand for on-campus student housing is high. Mr. Schlereth discussed the importance of SSU housing revealing that it is one of the aspects that draws students to SSU. It is anticipated to have this project underway a year from now. Construction is scheduled to begin after the rains end next year in 2007.

- **University Center**– Mr. Schlereth informed the Board that a selection committee for an architect has been developed and a recommendation is anticipated in July. It is intended to move forward in the Fall with the Schematic Design for this project. Mr. Schlereth provided a break down of the numbers that each unit will be responsible for in this project. These numbers were based on square footage that each unit will have in the facility. The overall cost for this project is projected to be \$46 million. Mr. Schlereth expects that the University Center Project and Beaujolais Village II will open around the same time; projects would be underway simultaneously.
- **Faculty and Staff Housing** – He discussed the progress of the land development indicating a need to remove structures, complete an environmental report, etc. He hopes to proceed with the approval of the Chancellor’s Office and begin construction sometime in the summer of next year (2007). Mr. Schlereth indicated that there is a cost associated with this project for SSE Board.
- **Green Music Center** - Mr. Schlereth anticipates that the concert hall foundation will begin within days. Mr. Schlereth believes that the design of the restaurant will be finalized in September. He feels that the biggest challenge for SSE will be to identify 50% of the resources for the hospitality center/restaurant. The targeted opening date is in 2008.

Quality of Student Experience:

- **Assessment** – Analyze and assess the student’s experiences with Entrepreneurial Activities services. This assessment will take place in 2006/2007.
- **One Card** – Try to fully implement the One Card to provide students with choices in retail, dining, etc. One Card has already been implemented in Dining Services. Mr. Schlereth would like to see this service expand to other venues. Mr. Schlereth noted several areas of desired expansion: Beaujolais Village II, Bookstore, Laundry, Vending Machines, and self service which will hopefully be attached to the website to allow for easy additions onto the card.

Mr. Schlereth explained that SSE is going to try to identify \$2.5 million in one year for these specific objectives. In order to do this, it will require fundamental rethinking and re-imagining of how things are done at this University. He anticipates difficult choices will be brought forward in order to meet these revenue needs. In addition, Mr. Schlereth explained that each of these objectives are things that the student customers have come to expect. These objectives will help to meet student enrollment targets; however, resources are not going to be provided by the state. Therefore, creative thinking needs to be done in order to fund these financial challenges.

05.32 Chief Operating Officer’s Report

Mr. Markley provided updates on the following areas with a PowerPoint presentation entitled “SSE Board of Directors: Chief Operating Officers Report.” Key topics discussed are as follows:

- **Enrollment Projections** – Target was 1650 Freshmen (1436 freshmen residents). Currently the number is up to 1600 Freshmen students. Anticipate that housing will be filled this year.

- ***Bird Flu Preparation*** – A Business Continuity Program is in process with Administration and Finance to prepare for a disaster. Dining and Housing have a big role in this due to the amount of students on campus. A draft of the plan is anticipated to be ready in the next couple weeks. One item that we are looking at is a hand sanitizer machine. This could be implemented into the dining venues to add an extra layer of protection though it does not take the place of hand washing. The Board will be briefed of this plan at the September meeting.
- ***Reprographics*** – There have been reports of possible paper shortages. The price of paper has been going up due to supply and demand. Currently a recovery plan is being drafted for Reprographics and will be brought to the September meeting as well.
- ***Dining Services*** – Dining Services has been implementing vegan, organic, and wheat-free options into their venues. Midnight breakfast went well. Mr. Markley acknowledged the people present at the meeting who assisted in this event. Mr. Markley reported that a Meals-to-Go program is being reviewed as a possibility to include in Zinfandel Dining Hall to provide different options and flexibility to the students. More on this program will be presented at the September meeting.
- ***Retail Services*** – Ken Brown will be retiring at the end of the Fiscal Year. A retirement party is scheduled for June 15, 2006 from 3-5p.m. at the University Club. Mr. Markley thanked Ken Brown for his hard work and contributions at the University over the past 30 years.
- ***Marketing and Quality Improvement*** – Mr. Markley informed the Board that the recent “Eat for your Health Recipe Contest” done in collaboration with the Student Health Center was a huge success. He also informed the Board of new coupons, offers, notices that will print on the bottom of receipts to provide messages to the campus community. There could be some possible improvements to the Pub that will allow it to be more of a student centered place. More to come at the September meeting regarding this matter.
- ***New Hot Tub Hours*** – Mr. Markley reported that the Hot Tub Hours have been changed and will now remain open until midnight as per Dr. Armiñana’s suggestions in a previous discussion.
- ***Funding Enrollment Growth*** – Working with Administration and Finance on the Strategic Planning. Need to start to plan now to be able to prepare for the enrollment growth and changes.

05.33 Chief Financial Officer’s Report/Audit Committee Selection

In Ms. Coate’s absence, Mr. Abrams gave a brief report on the recent Audit Committee meeting held on March 27, 2006. He named the members of the committee: Ms. Sherri Anderson, Mr. Tim Tiemens and Mr. Yale Abrams. Ms. Letitia Coate, Mr. Neil Markley and Ms. Paulette King served as staff to the committee. The committee agreed to use Stonefield Josephson again if their cost was within reasonable bounds. Ms. Coate received a quote that was an increase of approximately 3% over last year’s costs, but the committee felt that this was reasonable. A meeting will be set with Stonefield Josephson shortly.

Mr. Abrams moved that the Board hire Stonefield Josephson, Inc. to conduct the financial audit for the fiscal year ending June 30, 2006. Mr. Ross seconded.

MOTION: The Board unanimously approved the motion to have Stonefield Josephson, Inc. conduct the financial audit for the fiscal year ending June 30, 2006.

05.34 ACTION ITEM: Recommendation of the Bookstore Subcommittee on future of Bookstore Operations

Mr. Markley informed the Board that due to the confidential nature of the process he was going to provide a general overview with some specifics. Should the Board desire more detailed information, Mr. Markley requested that the Board move into a closed session at that point.

Mr. Markley presented a PowerPoint presentation that reviewed the Bookstore evaluation process. Items discussed included:

- Reflection on the Evaluation Process: Mr. Markley reminded the Board that discussion about contracting out the Bookstore operation was first discussed in the September 2005 meeting where it was decided that a committee would be established to research this issue more thoroughly. Updates of this progress were presented to the Board at the December 2005 and March 2006 meetings.
- Reasons for the Evaluation Process: (1) major retirements, (2) annual net income of Bookstore has been inconsistent due to many different factors; these factors provide an opportunity for change.
- Subcommittee developed in November 2005 with a charge to develop an RFP, evaluate the merit of contracting the operations, and if decision to contract with an outside vendor, the committee would select the vendor.
- Committee Members included: Dr. Paul Porter (Faculty), Mr. Keith Roberts (Student), Joan R. Palmer (Community Member), Mr. Floyd Ross (Staff), Mr. Neil Markley (Chair), Ms. Anna Reynolds-Smith (Project Staff Member-Non Voting) and Ms. Linda Mikowicz (Procurement Representative)
- Bookstore Evaluation Subcommittee Guiding Values included: (1) The people currently working in the store need to be taken care of; (2) Financial offer needs to be equal to or better than currently obtaining; (3) Pricing – textbook prices need to be maintained and not have a negative impact on the students; and (4) Service levels need to be maintained or increased.
- Background Research included: (1) contacting other Universities regarding experiences with contracting out and their specific vendors; (2) contact vendors directly; (3) periodical research; and (4) NACS meeting.
- A decision was made to issue an RFP based on the necessity to obtain all of the facts involved with contracting the operation. It was determined that issuing an RFP would assist the committee in considering the whole picture. The RFP was issued on March 10, 2006.
- The Bookstore Subcommittee visited 8 stores that were similar in size to SSU.
- Proposal Evaluation Process included: (1) Proposals received 4/20/06; (2) Presentations were made by vendors; (3) Confidential Negotiations with vendors were held; (4) Final proposals were received on 4/26/06; (5) More reference checks were made to campuses that had cancelled their contract with specific vendors to determine the reasons that contracts were cancelled.
- Decision of Subcommittee: After in-depth research, the committee felt comfortable with contracting out and selected B&N as the vendor.

Mr. Markley also provided a brief overview of the Proposal from B&N. The key items of the contract were reviewed:

- Contract term is 5 years, with a option to extend an additional 5 years
- Commission has two components: commission based on sales and an annual guarantee which ensures a stable net income. Increased sales leads to increased net income.
- Mr. Markley anticipates an approximate bottom line increase of \$200,000 in year one, noting that once the EO753 charges are removed (anticipated to occur by year 3 of the contract), he predicts this bottom line will raise to \$400,000/year.
- B&N will provide \$20,000 in scholarships and donations.
- B&N will provide capitol improvements for: fixtures, new signage and furniture.

- A new POS System will be supplied by the vendor.
- The vendor will purchase usable inventory currently on hand in addition to outstanding purchase credits due to SSE.
- The vendor has agreed to not increase gross margins on textbooks while increasing the number of used textbooks available to students by 20% over three years.
- Some of the additional services provided by B&N include: online orders, website development and maintenance, year-round buyback program, faculty and staff discounts, and registration integration (ordering textbooks after registering for courses), digital textbooks, Best Seller Program (similar to the Management Trainee Program at SSU).

Mr. Markley reviewed the guiding values of the Subcommittee:

- People – all permanent employees will be deployed within the University. Student employees will be hired by the vendor and accommodations could be made to move these student employees to other areas within SSE should they not want to work for the vendor.
- Financial – there will be an increase in net income including additional incentives.
- Pricing – textbook margins will not increase and more increased number of used texts will be available.
- Service – will be the same if not better.

Mr. Markley summarized that this opportunity ties back into the University's Strategic Plan and will financially assist with the development and schematic design of the University Center project.

Discussion and questions ensued. Topics discussed included: start date; possible bargaining issues; number of staff that would be in the store; gross profit margin will be maintained; how contract is drafted; website will be maintained by vendor and linked to SSU Website; B&N fitting into the community of SSU – manager of the store is the key; B&N working with student groups; logo and apparel will follow the guidelines established by the University – the University will have the ability to veto items that are viewed as inappropriate; and \$20,000 in scholarships and donations will be allocated out by SSE Board.

Mr. Markley moved to make an intent to award a 5 year contract with Barnes & Noble to operate the Sonoma State University Bookstore. Mr. Ross seconded.

MOTION: The Board unanimously approved the motion of an intent to award a 5 year contract to Barnes & Noble to operate the Sonoma State University Bookstore.

05.35 Other Non-Action Items

Dr. Armiñana thanked the Board for a great year.

Letitia Coate
Secretary/Chief Financial Officer

Anna Reynolds-Smith
Recording Secretary