

SONOMA STATE ENTERPRISES, INC.

Minutes

Friday, September 16, 2005

MEMBERS PRESENT: Dr. Ruben Armiñana, Mr. Yale Abrams,
Ms. Sherrie Anderson, Ms. Letitia Coate,
Dr. Eduardo Ochoa, Dr. Paul Porter,
Mr. James Reilly III, Mr. Keith Roberts,
Mr. Floyd Ross, Mr. Tim Tiemens,
Mr. Nadir Vissanjy

MEMBERS ABSENT: Mr. Neil Markley, Ms. Joan Palmer

OTHERS PRESENT: Mr. Laurence Furukawa-Schlereth,
Ms. Lisa Andresen, Mr. Ken Brown,
Mr. Ryan Ernst, Mr. Mike Jameson,
Ms. Paulette King, Mr. Walt Leonard,
Mr. Richard Ludmerer, Ms. Kathy Mitchell,
Mr. Dan O'Brien, Mr. Jeremy Olsan,
Mr. Talmadge Savage, Mr. Hugh Tama

05.00 Call to Order

The meeting was called to order at 9:30 a.m.

05.01 Seating of the New Board

Dr. Armiñana noted that this is the start of a new academic year and there are new members on the board whom he introduced. Members and others in attendance introduced themselves with name and title.

Before commencement with Agenda Items, Mr. Furukawa-Schlereth introduced Mike Jameson, of the Pepsi Bottling Group, who came to present the Pepsi Annual Scholarship in the amount of \$10,000.

Dr. Armiñana noted that there would be some changes to the agenda where items would be moved around.

05.02 Conflict of Interest Presentation Non-Profit Integrity Act

This item was the 4th topic of discussion following the President's Remarks.

Mr. Jeremy Olsan, the Organization's attorney, presented the Board of Directors Duties and Responsibilities and the California Non-Profit Integrity Act that went into effect January 1, 2005.

He passed out one original and one copy to each Board Member requesting that they sign one copy and return it to the Enterprises. Mr. Schlereth noted that "Academic Foundation" needed to be crossed out and changed to "the Enterprises" on the forms.

Mr. Olsan discussed the Board of Director Duties which takes place under the context of the Organization's purpose.

05.03 Approval of the Minutes of May 13, 2005

This item was the 2nd topic of discussion following the approval of audited financial statements.

The Board unanimously approved the minutes from the May 13, 2005 meeting.

05.04 President's Remarks

This item was the 3rd topic of discussion following the approval of the minutes of the May 2005 meeting.

Dr. Armiñana thanked the members for sitting on the Board.

Dr. Armiñana discussed the Faculty and Staff Housing Project noting that the Organization currently owns 88.8 acres which it will eventually sell to the University for use in the Faculty and Staff Housing Project.

Dr. Armiñana discussed the fiscal perspective of the new academic year. He noted that this is going to be a tough year as a result of a smaller freshman class (approximately 200 students less). He further noted that this will have an impact on SSE.

Dr. Armiñana feels that the semester is going well. He stated that students are getting their classes and the governor is holding to the Compact Agreement which is helping to stabilize the University.

05.05 Chief Operating Officer's Report

This item was the 5th topic of discussion following the Conflict of Interest Presentation Non-Profit Integrity Act by Jeremy Olsan.

Dr. Armiñana informed the board that though Mr. Markley wanted to attend the meeting, he was absent because he was getting married the following weekend. Mr. Schlereth presented this report on Mr. Markley's behalf. Before Mr. Schlereth began the report, he introduced Anna Reynolds-Smith, a new Manager Trainee and Ryan Ernst, member of Mr. Schlereth's staff working on the WASC Accreditation project.

Mr. Schlereth began his report by passing out the Strategic Planning Document that is also located at www.sonoma.edu/uaffairs/strategicplan/. Mr. Schlereth requested the members of the Board to look over this plan and make comments as this will impact SSE.

Mr. Schlereth and Ryan Ernest presented a slide presentation that discussed initiatives which are key to the overall Strategic Plan for the University.

- One-Card system. Mr. Schlereth noted that all Dining venues are up and running on One-Card system.
- Green Music Center ties to the cultural aspect of SSU and the overall development of SSU.
- Beaujolais Village II Development ties to the Residential Campus
- University Center ties to the Residential Campus
- Faculty/Staff Housing ties to the Residential Campus
- Planning for Growth. Mr. Schlereth noted that there will be approximately 150 new faculty members hired in the next seven years to account for growth.

- Emergency Preparedness/Safety – commented on the events of the past few weeks reiterating the need to be prepared. Tyson Hill, new Manager Trainee, will be working on this project closely with George Ellington and Nate Johnson.
- Employee Workstation Program – looking for a way to “refresh” the current work stations.
- Management Trainee Program – there are currently 5 Manager Trainees. This program is a response to a need to find young talent within the SSU community.
- Common Management System Plan
- Instructional Technology
- Budget/ Repairing the Cluster Budgets

Mr. Schlereth noted that many of these issues are very important to SSE and that SSE will have an extremely important role over the next five years.

Mr. Schlereth began the Chief Operating Officer’s Report with a slideshow done with Ryan Ernst.

Reprographics – Mr. Schlereth commented that Reprographics will move out of SSE and back into the University.

Housing – experienced another successful move-in weekend. Special thanks and compliments were given to Tim Tiemens and his staff for their hard work. Issues that Housing is looking at are:

- Keyless Locks. Mr. Schlereth noted that this is something both the students and SSE want as the cost of key replacement/re-keying is high.
- Beaujolais Village II. Mr. Schlereth stated concern as there is a \$900,000 loss of income reported due to enrollment being down. There are 200 beds empty due to smaller than anticipated freshman enrollment. This has a major impact on the other SSE venues. He is hopeful that this will be remedied next year.

Dining Services – is doing some great things noting the healthy choices that are being included into the vending machines and the new menu for the University Club. Dining’s key issues include:

- Several vacancies within the unit. Mr. Schlereth noted that Mark Dierkhising, Executive Chef, is leaving at the end of September.
- \$584,000 loss of revenue anticipated as a result of the decreased freshmen enrollment.
- Include one-card system into the vending machines.
- Green Music Center Project and the opening of the new restaurant will require the purchase of new equipment, china and silverware. Mr. Schlereth noted that Dining Services will play a major role in the development of this venue.

Conferences, Events and Catering – is up 40% from the prior year. Mr. Schlereth commented on the Hindu conference that took place over the summer and the Eagles concert which brought approximately 10,000 people, the largest event in the history of Sonoma County, to the University which went off without a hitch. Special credits given to Jessica Way, Lisa Andresen and Nate Johnson for their incredible work on this project.

Bookstore – Sales are up as a result of the average student load increasing. Mr. Schlereth included a comparison of the average college book store with the SSU Bookstore. The average

cost margins from National Association of College Stores (NACS) reveals that SSU is slightly off from the national average, but that the margins for practical reasons are average.

SSU Bookstore net income is lower than average as a result of employee benefit costs (36% paid by SSU Bookstore in comparison to 25% paid by other stores).

Cost of Readers done through Reprographics is more expensive than off campus venues, however, the SSU Bookstore follows the copyright laws which require SSU to pay royalties, therefore, increasing the cost of the Readers. Mr. Schlereth noted the risk involved in not following these copyright laws.

Bookstore challenges:

- Need for a new bookstore
- Students want to be able to use the one-card technology in the Bookstore.
- Proposals for outsourcing of the Bookstore received from Barnes & Nobles and Follett. Currently in the process of analyzing these proposals.

Faculty and Staff Housing – major initiative. Mr. Schlereth noted that Dr. Armiñana already spoke about this topic.

05.06 ACTION ITEM: Approval of Audited Financial Statements

This action item was the 1st topic of discussion after the Seating of the New Board.

Ms. Coate and Mr. Tama from Stonefield Josephson, CPA's, distributed the June 30, 2005 audited financial reports.

Ms. Coate reviewed pages 3-6 of the MDA, noting that overall, this was a good year.

Mr. Hugh Tama discussed the financial statements and the independent auditor's opinion.

The audit received an unqualified opinion.

Special thanks were given to Ms. Paulette King and Ms. Kathy Mitchell for all their contributions and hard work on the audit this year.

Mr. Ross made motion to accept and Mr. Ochoa seconded this motion.

MOTION: The Board Unanimously Approved the Audited Financial Statements.

05.07 ACTION ITEM: Approval of the 2005/2006 Budget Financial Statements

This action item was the 6th topic of discussion following the Chief Operating Officer's Report.

Ms. Coate distributed and reviewed the Sonoma State Enterprises, Inc. 2005/2006 Budget proposal. Refer to handout Sonoma State Enterprises, Inc. 2005/2006 Budget.

Ms. Coate is projecting a balanced budget. However, she identified other expenses/needs that were not included in this budget which are extremely important issues: Faculty and Staff Housing Master Plan, University Center Schematics, and the Green Music Center Equipment Fund.

Ms. Coate made motion to accept. Mr. Ross seconded.

MOTION: The Board Unanimously Approved the 2005/2006 proposed Budget .

05.08 Appointment of the Audit Committee

This item was the 7th item discussed following the approval of the 2005/2006 Budget Financial Statements.

Ms. Coate distributed and reviewed the Resolution of the Board of Directors of Sonoma State Enterprises, Inc. Creating an Audit Committee.

Mr. Ross made a motion to accept.

MOTION: The Board Unanimously Approved the Appointment of an Audit Committee.

Members of the Audit Committee (done through volunteer process):

Ms. Sherri Anderson, Mr. Yale Abrams and Mr. Tim Tiemens

05.09 Other Non-Action Items

None

Letitia Coate
Secretary/Chief Financial Officer

Anna Reynolds-Smith
Recording Secretary