

SONOMA STATE ENTERPRISES, INC.

Minutes

Friday, March 21, 2008

MEMBERS PRESENT: Dr. Ruben Armiñana, Mr. Yale Abrams,
Dr. William Barnier, Dr. Carlos Benito,
Ms. Letitia Coate, Mr. Neil Markley,
Dr. Eduardo Ochoa, Dr. Peter Phillips,
Mr. Floyd Ross

MEMBERS ABSENT: Ms. Whitney Diver, Ms. Nicolette Margi,
Ms. Whitney McClure, Joan R. Palmer,
Mr. Tim Tiemens

OTHERS PRESENT: Mr. Laurence Furukawa-Schlereth,
Ms. Lisa Andresen, Ms. Jenifer Crist,
Mr. Ryan Ernst, Ms. Paulette King,
Mr. Walt Leonard, Mr. Eric Malvestiti,
Mr. Talmadge Savage

07.21 Call to Order

The meeting was brought to order at 9:35 a.m.

07.22 Approval of the November 16, 2007 Minutes

Minutes approved unanimously.

07.23 President's Remarks

Dr. Armiñana announced that there was a Budget Forum that took place on campus yesterday where attendees heard from a variety of representative groups and individuals regarding the major budget problems currently facing the state.

Dr. Armiñana reported on the current budget situation for the state. He noted that at the start of the calendar year, the Governor estimated that California would end the fiscal year with a deficit of \$14.5 billion. Dr. Armiñana indicated that this number has been confirmed, if not increased. He further reported that recent reports reveal that the deficit is continuing to grow. By the May Revise, the deficit could reach upwards of \$18.5 to \$20 billion. As a result, the Governor recommended a 10% reduction across the board for all state agencies and organizations. For the entire CSU system this is equivalent to approximately \$313 million. Added to this is a 10% Fee increase of \$73 million. Therefore, the total cuts to the CSU are approximately \$386 million. Dr. Armiñana noted that the CSU is built on the assumption of the Compact. Legislative Analysts have recommended a different budget cut model that is not across the board, however, it does not assume the Compact at all. The budget is a large concern, because students cannot be supported by such severe cuts. Dr. Armiñana reminded the Board of the reductions made in 2002/03 academic year. At this time, the CSU budget was reduced by \$522 million. SSU's portion of this cut was approximately \$13 million. The recently proposed 10% reduction would be equivalent to an additional \$3.5 million reduction for SSU.

The CSU system is very united in trying to get these reductions restored. Unions, Administrators, Students, and Staff have come together about this issue. Dr. Armiñana believes this is a good

thing to have these groups working together to try and restore the budget. Overall, Dr. Armiñana is predicting a difficult year ahead and does not expect to see the outcome of these united efforts until sometime in the summer or fall.

07.24 Report from SSU Vice President for Administration and Finance

Mr. Schlereth spoke to the Board about three campus wide issues that directly relate to SSE: (1) Green Music Center (GMC), (2) Dialog on Senate Talk, and (3) Strategic Plan Initiatives.

- ***GMC*** – Mr. Schlereth announced that the construction of the GMC is well underway. Mr. Schlereth feels that the campus needs to do a better job at integrating the nature of the GMC with the co-curricular experience of the student body. As such, he has been working with a group consisting of representatives from Housing, Residential Life, Campus Life, Sonoma State Enterprises, CPA, Conferences, Events and Catering, Associated Students, and the Student Union. This group is working together to come up with ways to enhance and directly benefit the co-curricular experience using the GMC facility. Currently, this group is discussing what a presenting season will look like that will directly benefit the social and co-curricular student experience. Mr. Schlereth hopes to be able to present something at the next meeting of what a year might look like from the student perspective. He is very excited about this group and thanked the students and partners in their efforts on this project.
- ***Dialog on Senate Talk*** – Mr. Schlereth explained that Senate Talk is a communication tool used by the Academic Senate. He noted two issues that were recently raised in this forum. The first was the concept of creating an International Student House. Mr. Schlereth informed the Board that Chuck Rhodes and Tim Tiemens are currently working with a committee to analyze whether or not something like this should be incorporated at SSU. He is expecting a report from this committee by the end of the Spring semester. The second was regarding the Faculty in Residence Program which was approved at the last Campus Reengineering Committee (CRC) meeting. Mr. Schlereth indicated that this will be tried as a pilot program in Fall 2008 with one Faculty in Residence initially and if all goes well, he would like to consider expanding it to four or five Faculty living in residence. He feels that this program will be helpful for Faculty in that it will allow them to save money which could eventually help them to purchase a home in the area.
- ***Strategic Plan Initiatives*** – Mr. Schlereth announced that the draft Strategic Plan has been released for comment and there are two initiatives that are receiving particular attention: diversity and sustainability. Mr. Schlereth indicated that the WASC team was on campus and they indicated that there were a lot of things that could be done in these two areas that do not have a significant cost associated to them, but could still make a big difference. As such, Mr. Schlereth is trying to generate a list of 50-60 ideas through his various constituent groups that he works with on campus that will be analyzed by CRC. Examples of suggestions in the area of sustainability include: using recycled paper in all of the copiers and all meetings use an electronic means to communicate. In the area of diversity, Mr. Schlereth indicated that there is research being done to look into the Human Rights Commission Quality Index, a national organization, which rates corporations with respect to their tolerance in the workplace. Currently, Mr. Schlereth is unaware of any universities from California that have participated in this. The University is actively engaged in the Strategic Planning process and Mr. Schlereth will be challenging Entrepreneurial Activities to identify specific initiatives for 2008/2009.

Mr. Schlereth welcomed questions from the Board. Dr. Phillips inquired about faculty representation on the presenting season group. Mr. Schlereth clarified that the group is focusing and working specifically on student programs in relation to the co-curricular experience. All of the members on this group participate in the student experience outside of the classroom. Mr. Schlereth feels that there should also be a curricular group that does a similar thing, however, this group is specifically focused on the co-curricular learning. He

agreed that he would bring this matter to the group for consideration and discussion. Dr. Ochoa added that an academic plan is currently being developed in his area for the academic use of this facility.

07.25 Chief Operating Officer's Report

Before beginning his report, Mr. Markley informed the Board that the Resolution in Support of the University Center would be considered a first reading at this meeting and would be brought back to the May meeting for further discussion and action because the students were not present to have representation on this item. He reminded the Board that the focus for this year is on the student experience. Mr. Markley presented a PowerPoint presentation which reviewed the following areas:

- ***Housing*** – Budget issues discussed by Dr. Armiñana tend to affect the number of Freshmen in Housing. The current enrollment plan is expecting 100 less Freshmen in residence for Fall 2009. This will directly impact the revenues in both the Housing program as well as the dining program. The Housing program should be fine in terms of revenues; however, the Dining program will likely be impacted as a result of the lower number of Freshmen on the meal plan. The Tuscany project is moving forward and should open on schedule in Fall 2009. Dirt is currently being moved from the Tuscany site to the Faculty and Staff Housing Land. Mr. Markley added to Mr. Schlereth's discussion on the Faculty in Residence Program. He indicated that the program will be piloted in the coming year and will provide housing to a faculty member in Sauvignon Village. A unit is currently being designed as a part of the Tuscany project as well. Electronic locks are being installed in the dorms. Mr. Markley emphasized the importance of these locks for convenience, but more specifically for security purposes. The first phase of electronic locks has been implemented. Phase two is scheduled to begin shortly. The Tuscany project will open with electronic locks.
- ***Dining Services*** – The Health Department conducted an inspection of the Dining facilities and there were only minor findings reported. Therefore, dining will receive 5-star ratings in all of its facilities. Mr. Markley thanked Dining for working at such a high level. Dining has been working with a student group in relation to composting. This group has been discussing pre-consumer waste and hopes to discuss post-consumer waste at future meetings.

An ordering kiosk is being installed at Charlie Brown's. This is primarily an expansion of the point of sale system. The addition of a kiosk was brought forward through the one-card project because this station will accept Wolf Bucks. A demonstration unit was available for Board members to explore after the meeting. Mr. Markley hopes that this kiosk will be installed and in use by the end of the semester.

- ***Marketing*** – Marketing is currently doing a Pub Club Pilot program out of the Pub that shares sales with clubs. It is a way to give back to the student clubs, as well as, increase sales in this venue. Some of the clubs that are participating in this are JUMP, the Children's School Parent's Club, various sports clubs and others. If this is successful, it will be rolled out in Fall 2008 on a more formalized basis. For the month of April, the marketing focus will be on trying to keep it fresh. Finally, in relation to sustainability, Mr. Markley is working with A&F in developing a website that lists all the sustainable initiatives that his areas are doing. Mr. Markley hopes this website will be up before May.
- ***Bookstore*** – Mr. Markley announced that the Bookstore received new textbook shelves which were the final improvements made by B&N to the existing facility. Accessible Technology Initiative (ATI) is moving along. This initiative has three major priorities: Administrative Websites, Instructional Materials and Procurement. In relation to instructional materials, it requires that the Bookstore have books available in an accessible format on the first day of classes. Mr. Markley is working with the

campus and the Bookstore in this process and awaiting direction from the University in how to proceed. The Bookstore is dedicated to helping in any way they can with this initiative.

The CMS link is complete. Students can register and purchase or view their book list at the same time they enroll for classes. This new process was available in January, however, it was after registration for Spring classes. Finally, the Grad Fair was held recently in the Commons.

- **Hospitality Center** – Mr. Markley announced that the opening for this center is slightly delayed a bit due to facility design taking a bit longer than expected. This facility is expected to open in Spring 2009. In addition, Mr. Markley is hoping to take a tour of the facility at the May meeting and requested that attendees please wear shoes that are appropriate for walking in construction areas.
- **Assessment** – Mr. Markley indicated that he had met with the consultant yesterday and expects to receive a final report soon. Once this is received, Mr. Markley will bring these results to the Board.
- **Transparency** – Mr. Markley did some background work in terms of looking into the matter surrounding transparency of contracts and informed the Board that future contracts will be free of the confidentiality clause. In his work, he discovered that vendors preferred to keep contracts confidential for competitive reasons and without the confidentiality clause, there could be a slight impact to the agreement. Therefore, Mr. Markley announced that future contracts will be free of the confidentiality clause. Any deviation from this will be brought to the Board for discussion prior to entering into an agreement.
- **Finance Committee**- Mr. Markley is hoping to talk with Citicorp Smith Barney at the upcoming Finance Committee meeting. Citicorp Smith Barney was recently selected as the system-wide investment firm. In addition, the Finance Committee will be discussing socially responsible investing.
- **Audit Committee** – Mr. Markley noted that selection of the auditor was accidentally left off today's agenda as an action item. Therefore, he is going to call a meeting of the Executive Committee to vote on the recommendation from the Audit Committee for the retention of an independent auditor unless the full Board is concerned with what Mr. Abrams has to report from the meeting. Mr. Abrams provided a brief update to the full Board regarding the recent Audit Committee. He identified Pesinti & Brinker as the firm being forwarded by the Audit Committee as the recommended audit firm. This firm was highly competitive with the other firms and hires SSU graduates.

Dr. Armiñana disclosed to the Board and asked that the minutes reflect that he uses Pesinti & Brinker as his personal accountants. Dr. Armiñana is not a member of the Audit Committee and, therefore, did not participate in the review and selection process to recommend this firm to the full Board.

- **University Center** – Mr. Markley presented a PowerPoint presentation covering the University Center Project. He expressed appreciation to the many different organizations that have come together to work on and support this project. The presentation covered programming components, meeting rooms, ASI spaces, Student Union spaces, events center, retail spaces, and shared/common spaces. In addition, it covered the overall building square footage (approximately 132,500 sqft) and costs (approximately \$62,000,000), revealed the site location, aesthetics of the UC, Sustainability considerations for the center and the timeline. The goal is for this facility to open in Fall 2010.

Questions were taken on Mr. Markley's report. Dr. Ochoa asked what the plan is for the spaces that will be vacated when this building is opened. Mr. Schlereth informed the Board that a committee has come together

from CRC to address these issues. Dr. Phillips asked if there was anticipated to be a fee increase associated with the UC Project. Mr. Markley responded that they will have to look into this a bit further. If a fee increase does transpire, it will be a very modest increase and will be student approved. Further, this fee money would be used to pay for the common spaces in the building. There will be no general fund money used to construct this facility. Dr. Phillips stated that it might be overly ambitious to kick this off in a year. He feels that it is ambitious given the GMC not being fully paid for and the looming budget cuts. Mr. Markley stated that this is one of the most important projects moving forward for the students. For SSE, it is extremely important given the projected growth of the campus. If this facility is not constructed, SSE will be in a position where it will be unable to feed the residential student population without significant renovation and/or expansion. Mr. Schlereth added that this project is a project for the students and it is really a student driven project, hence the reason the vote was deferred until the May Board meeting. Dr. Armiñana further added that now is the time to borrow money because interest rates are very low. Borrowing for the CSU is at an extremely low rate. Dr. Phillips asked what profits will be committed to the UC Project. Mr. Markley responded that most, if not all, profits will be utilized for this facility. Dr. Phillips expressed a desire to have a discussion with SSE to be able to provide assistance to instruction. Mr. Markley reiterated that there is a substantial amount of deferred maintenance required in the existing facilities that will force SSE to make significant upgrades in these areas if the UC is not built. Thus, the surplus may not always be what it seems. Dr. Barnier suggested that the Finance Committee look at the issues in relation to surplus and the academic program at their upcoming meeting.

07.26 Chief Financial Officer's Report

Ms. Coate provided the Board with two handouts: (1) Schedule of Net Assets and (2) SSE Statement of Activity both through 2/29/2008. She reviewed both sheets in detail with the Board.

07.27 ACTION ITEM: Resolution in Support of University Center Project

Mr. Markley distributed the Resolution in Support of the University Center Project. He noted that as a first step, the various organizations that are partnering in this project are getting support from their Boards. In addition, Mr. Markley provided the Board with the ASI resolution which was passed in support of the University Center. He encouraged the Board to review the proposed resolution as it will be brought back as an action item at the next meeting.

07.28 Other Non-Action Items

None.

Letitia Coate
Secretary/Chief Financial Officer

Anna Reynolds-Smith
Recording Secretary