

SONOMA STATE ENTERPRISES, INC.

Minutes

Friday, May 9, 2008

MEMBERS PRESENT: Dr. Ruben Armiñana, Dr. William Barnier,
Ms. Letitia Coate, Ms. Whitney Diver,
Ms. Nicolette Margi, Mr. Neil Markley,
Dr. Eduardo Ochoa, Joan R. Palmer,
Dr. Peter Phillips, Mr. Floyd Ross,
Mr. Tim Tiemens

MEMBERS ABSENT: Mr. Yale Abrams, Dr. Carlos Benito,
Ms. Whitney McClure

OTHERS PRESENT: Mr. Laurence Furukawa-Schlereth,
Ms. Jenifer Crist, Mr. Erik Dickson,
Mr. Ryan Ernst, Mr. Matthew Lopez-Phillips,
Mr. Eric Malvestiti, Mr. Peter Neville,
Mr. Dan O'Brien, Mr. Talmadge Savage,
Ms. Jessica Way

07.29 Call to Order

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

07.30 Approval of the March 21, 2008 Minutes

Dr. Phillips requested clarification of the minutes in the final paragraph of the Chief Operating Officer's Report, item 07.25. Language was added to clarify. Minutes approved as corrected.

07.31 President's Remarks

Dr. Armiñana announced that commencement was almost here and will take place on May 24. He is hoping for dry weather.

Dr. Armiñana indicated that there was nothing new to report on the state budget, however, he will know more when the May Revise comes out in the middle of the following week. He expressed uncertainty regarding the budget, but hopes to know more in the following week.

07.32 Report from SSU Vice President for Administration and Finance

Mr. Schlereth announced that he would have a brief report.

He noted that the campus is engaged in a university-wide strategic planning effort. At the request of the Academic Planning Committee of the Academic Senate, the University has extended the comment period of the draft plan for another six months. Originally, Mr. Schlereth and Provost Ochoa, co-chairs of the Strategic Planning Committee, had intended to send a recommendation to the President by the end of the Spring 2008 semester, however, this will be delayed as there may be additional comments, suggestions, changes, that result from the extended comment period. Meanwhile, Mr. Schlereth noted that the Division of Administration and Finance is actively engaged in planning for 2008/2009. Mr. Schlereth provided examples of items on the division's Strategic Plan that impact SSE. Some of the major issues identified: (1) Tuscan village in the southeast corner of campus which is currently under construction and is scheduled to open in two years, (2) University Center which is another key component and will be discussed in greater detail later

in the meeting and (3) the opening of the Green Music Center which is also currently under construction and scheduled to open in Fall 2010. Mr. Schlereth is engaged with many different groups on campus that are working together to determine ways to fully utilize the GMC space for co-curricular programming. On Campus Presents (OCP) is the name of this group of partners and they are currently putting together an aggressive program for 2010/2011 and 2011/2012 academic year. This will be a key component of the strategic planning efforts in Administration and Finance. In response to a suggestion made in a previous meeting regarding engaging Faculty members in these discussions, Mr. Schlereth reported that this is actively being addressed through the Associated Students which already has a group involving Faculty members in the co-curricular discussions.

Mr. Schlereth indicated that the budget does not look encouraging and enrollment growth is not expected for 2008/2009. Strategic planning and other important initiatives will be placed on hold until budget recovery happens.

Finally, Mr. Schlereth congratulated the Board, management and staff for completing another great year and doing such a wonderful job. He expressed gratitude for everyone's hard work and the progress that has been made on the various projects.

07.33 Chief Operating Officer's Report

Mr. Markley echoed Mr. Schlereth's comments regarding the Enterprises staff and management. He feels that they have done a fabulous job this year and have accomplished a lot.

Mr. Markley focused his report on the University Center (UC) project and presented a PowerPoint presentation that reviewed the floor plan layouts and renderings of the exterior of the building. He noted that this is just the beginning point of the exterior of the building, but it provides an idea of what the exterior might look like. Mr. Markley reviewed the financial partners of the project, the functions of the UC including the use of the outdoor space for co-curricular functions, square footage and cost of the building, major components in the UC, the site diagram which demonstrated where the building will be located in relation to other campus buildings as well as the existing site constraints, and reviewed the three-level floor plan in detail. He noted that the exterior will attempt to keep the same look and elements of the Recreation Center building with the exception of the cinderblock.

Mr. Markley informed the Board that he plans to operate all Entrepreneurial Activities related venues located at the UC and there are no plans to outsource dining and/or reprographics at this time.

Mr. Markley noted that the UC Plans are going to the Board of Trustees later in the month as a part of the Capital Outlay Program. This will not be an approval of the project, but will allow the campus to continue working on it.

Discussion ensued regarding the design of the UC and questions were answered. Joan Palmer inquired as to which direction the glass tower was facing. Mr. Markley indicated that this would be facing Northeast. Dr. Ochoa asked for clarification on the access paths to the third floor dining venues (University Club and the Pub), which were pointed out by Mr. Markley as the main stairway as well as the centrally located elevators. Dr. Barnier questioned the dining venue locations on the third and first floors and the process of deciding the size and scope of the building. Mr. Markley explained that the process of developing the UC program was done by the various partner groups in addition to looking at growth assumptions for the campus. All decisions regarding the size and scope of what would be included in the UC were made collaboratively by the partners. Mr. Markley noted that the main kitchen will be located with the two primary dining locations. Although it would be ideal to have all the dining venues located on the first floor, this is not possible. He noted that a finishing kitchen will be located on the third floor to assist in these areas. Seating capacity of the

Ballroom was discussed. There will be approximately 650 in banquet style seating and approximately 1000 for standing room with stage. Mr. Ross asked if the project was going to incorporate sustainability initiatives. Mr. Markley responded that many features of the project will be and that the architects are designing the project to be LEED Silver Standard equivalent. Joan Palmer asked for clarification between the Pub and Retail Dining and whether or not these venues could be combined. Mr. Markley discussed the differences in programming for these spaces and explained that although he would like to combine them, there is not enough room located on the first floor to put them together. In addition, there are some programming issues that would prohibit these areas from being easily combined. For example, the Pub serves alcohol which needs to be closely controlled and tends to be a noisier venue. This would be harder to do if this venue was located on the first floor. In addition, the Pub venue allows for small performances and could be open later than other venues.

Mr. Markley added that he hopes the entire center will be open late. He envisions many changes in relation to this center. For example, he hopes to change the meal plan to allow students to have all-you-care-to-eat continuous access to Residential Dining. Joan Palmer inquired as to what would happen with the existing facilities, specifically Zinfandel Hall, once the venues move into the new UC. Mr. Markley responded that there is another group looking into what will be done with the spaces that are vacated when the UC opens. Mr. Schlereth added that each building has its challenges. Zinfandel could be a good location for a new Children's School one day. Mr. Schlereth feels that the Commons site would be a good location for the next academic building. He noted that there are three different planning groups that are looking at this issue. Dr. Ochoa inquired as to the capacity of the banquets in the Ballroom and how these compare to others in the county. Ms. Way indicated that this will be the largest banquet facility in Sonoma County. Mr. Markley is hopeful that this will help increase conference activity in the summer.

Mr. Markley stated that the UC program went through the Campus Planning Committee with a recommendation to the President in support of moving forward with this project in the current location. The ASI and Student Union Board have endorsed the project through resolutions supporting the project.

Dr. Phillips expressed concern in how this project will tie up future money for the corporation. Specifically, he wanted to know if SSE was committing all future money to this building. Mr. Schlereth responded that system wide revenue bonds will be used to pay this debt. Part of the pledge for this debt is that SSE has to pledge all revenues to cover their portion of debt on the building. If there are additional dollars after debt payment is made, spending of this money is at the discretion of the Board. He indicated that it is hard to know what the financial impact will be on the entities, but he suspects that additional revenues will materialize from these new venues. Further, he pointed out that a majority of these revenues are generated from the student body. Therefore, he feels that the students will likely want to engage in conversation regarding what will happen with those monies. He feels that the students will want to speak about the need to support the co-curricular activities of the campus and how these programs are funded. Overall, he suspects that revenues will grow but admits that it is hard to know the exact financial impact. However, Mr. Schlereth wanted the Board to be aware that the Board of Trustees will be expecting that all revenues are pledged to support the debt. Dr. Phillips expressed further concern with committing revenue for a thirty year period. Although he would really like to see this building become a reality, he feels that it is irresponsible for the Board to vote this item through. Dr. Armiñana asked that this conversation be placed on hold until the UC Resolution item (07.35) was being discussed. He asked for any further questions on the CFO's report or the UC schematic update.

Mr. Matthew Lopez-Phillips wanted to add that various members from Student Affairs are excited about having a place for students to feel as though they belong. He is hopeful that this facility will provide a place for this and will be a place that students come back to time and time again.

07.34 Chief Financial Officer's Report

Ms. Coate reported that the SSE Finance Committee met and reviewed statements of activity through March 31, 2008. Based on the March 31st projections, Ms. Coate feels that it is premature to bring financial projections to the Board because there are still several months of activity that need to be reviewed in order to provide a more realistic projection of where the corporation will end for the year. However, Ms. Coate does not anticipate a large variance from the budget. Therefore, there is no recommendation being brought forward by the Finance Committee at this time.

07.35 ACTION ITEM: Resolution in Support of University Center Project

Copies of this resolution were provided to the Board for review and discussion. Mr. Markley commented that there are several steps that need to be taken in the next year in order for this project to become a reality. He wanted the Board to understand that passing this resolution today does not indicate that SSE will get itself into a financial situation that it cannot manage.

Dr. Armiñana focused the Board's attention on the resolved statements in the resolution. He noted that this is not a financial plan, but rather it is a commitment of support for the project. Schematic plans are going to the Board of Trustees for approval later in the month and after this is completed, the project will need to obtain financial approval. It was noted that after this was done, another decision point regarding financing will come to the Board for approval.

Joan R. Palmer questioned the \$62 million figure and whether or not this was an actual bid. Dr. Armiñana clarified that this figure is being used as an estimated figure based on the average dollar/square foot used for projects of similar capacity.

Dr. Barnier indicated that he believed this is not a financial plan, but he thought that it might be a good idea to speculate a bit more about the project. Specifically, he thought it might be a good to have a little more confidence in where SSE is going with this building and about the costs of the project. For example, he wanted to know what will be in place to limit cost overruns of this building, if anything. Mr. Schlereth informed the Board that CM at Risk is working with the campus throughout the design phases to ensure that the project stays within budget. Dr. Armiñana added that when the project is bid, there will be a guaranteed maximum price specified in the RFP. Mr. Schlereth is also hopeful that the campus will be able to take advantage of excellent long-term interest rate as interest rates are very low. Regarding speculation for the project, Mr. Schlereth feels that this building will bring with it new revenues. He feels that one of the largest opportunities for this building to be able to generate revenue is the ballroom, especially during the summer. Mr. Markley added that from a financial perspective, an educated guess regarding revenues can be obtained. The Bookstore brings in a guaranteed amount of revenue and Board Program revenue is easy to predict based on Freshmen in Housing. He feels very comfortable with the revenue projections based on these figures.

Ms. Diver further included that this building brings an opportunity that students don't currently have on campus. She feels that this building will change the campus dramatically. The Recreation Center and the University Center will be a big life area hub for students. According to Ms. Diver, students will have a place to call their own. She also believes that revenues will increase because more students will eat on campus and thinks that it is very wise to invest in this building.

Dr. Phillips agreed with Ms. Diver's comments. He expressed concern with the state budget issues. He noted the large number of classes that can't be offered as a result of the budget cuts and would like to wait on a decision by SSE for the UC until September. He is concerned that the budget could be worse a year from now. He would like to keep the door open for support activities to alleviate pressure on the academic programs. He hopes that students would be concerned with classes being cut and see this as a number one priority on campus. He strongly urged SSE to wait on this decision at least until the September meeting.

Mr. Tiemens expressed concern with waiting on this decision because construction costs grow. He provided the example of the Tuscany Housing Project which had an increased cost of at least \$20 million as a result of waiting only a couple of years to construct. Further, Mr. Tiemens thinks it is a good time to absorb debt.

Joan Palmer reflected on her educational experience at Stanford and noted that there was a new Student Union which she felt was the most important experience of all her college experiences. She feels that building this center is a win/win. If the Board approves this today, she felt that it is not approving a financial plan, but allowing SSE to move forward with the project. She feels that SSE needs this building; this vision. It will be good for the students as well as the campus.

Mr. Derek Pierre, incoming ASI President, added that it is scary to not know what's going to happen in the future. He feels that something else could come up in September and this could get put off further. He feels this is something that the campus needs; the students need something to call their own and strongly support this project.

Ms. Diver addressed Dr. Phillip's comments regarding SSE's revenues going to help instruction. She doesn't feel that moving revenues or reserves from any auxiliary organization, including SSE and Housing, is not the way to fix the budget issues impacting instruction. Ms. Diver indicated that all partners on campus need to function well and their revenues need to support their future projects. She considers the issues that Dr. Phillips was addressing regarding the budget are a state-wide problem. She believes that moving revenues from one part of the campus to another will not fix the problems associated with money needed for instruction. Further, she indicated that the budget problems are not going to be fixed this year or next. She feels that providing SSE revenue to assist with instruction would be irresponsible because the budget problems will not be solved by doing this. As a student, she communicated frustration and dissatisfaction that academic programs were going to be cut, but she wants SSE to be able to support its own programs that directly benefit students.

Dr. Armiñana brought the discussion to close and asked the Board to vote on the resolution. The Board approved the resolution with one opposing vote from Dr. Phillips and abstentions from those who were not present.

07.36 Other Non-Action Items

Ms. Diver thanked Dr. Armiñana, Mr. Schlereth, Mr. Markley, Ms. Reynolds-Smith and the SSE Board for all their support and hard work on the University Center Project. She thanked everyone for a wonderful experience and a wonderful year.

Dr. Armiñana also thanked Ms. Diver for all her hard work and dedication and announced that she will be graduating at the end of the Spring semester but hopes that she will come back to the University in a different capacity.

Mr. Markley announced the GMC tour and cart transportation that will be available for the GMC tour.

Dr. Armiñana said thank you to the entire Board and wished everyone a good summer.

07.37 Tour of the Hospitality Center

A tour of the GMC/Hospitality Center was conducted by Mr. Christopher Dinno and commenced at 11:15am.

Letitia Coate
Secretary/Chief Financial Officer

Anna Reynolds-Smith
Recording Secretary