

SONOMA STATE ENTERPRISES, INC.

Minutes

Friday, September 19, 2008

MEMBERS PRESENT: Dr. Ruben Armiñana, Mr. Yale Abrams,
Dr. William Barnier, Ms. Letitia Coate,
Mr. Neil Markley, Ms. Nicolette Margi,
Ms. Janisha Moore, Dr. Eduardo Ochoa,
Joan R. Palmer, Dr. Peter Phillips,
Mr. Floyd Ross, Mr. Tim Tiemens,
Dr. John Urbanski

MEMBERS ABSENT: Mr. Derek Pierre

OTHERS PRESENT: Mr. Laurence Furukawa-Schlereth,
Ms. Lisa Andresen, Mr. Brett Bradford,
Mr. Walt Leonard, Mr. Eric Malvestiti,
Mr. Jim Morgan, Mr. Peter Neville,
Mr. Dan O'Brien, Mr. Jeremy Olsan,
Ms. Patricia Sinclair, Mr. Matt Williams

08.00 Call to Order

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

08.01 Approval of the May 9, 2008 Minutes

Minutes were provided to the committee via email in advance of the meeting. There were no objections and/or changes. Therefore, minutes were approved unanimously.

08.02 Seating of the Board

Dr. Armiñana welcomed the new members of the Board.

08.03 Committee Appointments

Committee appointments were made. Following is a list of the current committee memberships:

Executive Committee: Dr. Armiñana, Mr. Markley, Ms. Coate, Dr. Urbanski, Mr. Ross, and Ms. Margi.

Finance Committee: Ms. Coate, Mr. Markley, Dr. Barnier, Mr. Ross, Ms. Margi. Mr. Bill Ingles (non-voting) will continue to serve as a non-voting member. The replacement for Ms. Paulette King (non-voting) will be added when her position is filled.

Audit Committee: Mr. Abrams (Chair), Dr. Phillips, Mr. Tiemens, and Ms. Moore.

08.04 Conflict of Interest Presentation Non-Profit Integrity Act

Mr. Jeremy Olsan, the Organization's attorney, distributed the Conflict of Interest Statements and Non-Profit Integrity Act to the members of the Board. He provided one original and one copy to each Board Member requesting that they sign one copy and return it to Ms. Reynolds-Smith as soon as possible. He noted that there were no changes to the law from the previous year.

Mr. Olsan reviewed the attorney letter emphasizing its main points. He also discussed the Conflict of Interest statements and reviewed the responsibilities of the individuals and the organization under the California Non-Profit Integrity Act. Mr. Olsan emphasized the important role that each person is taking as a Board member and the fiduciary duties that go along with their position on the Board.

There were no questions from the Board in regards to the presentation.

08.05 President's Remarks

Dr. Armiñana began his remarks by asking that all the Board members introduce themselves.

Dr. Armiñana reported on the current budget situation for the state. He indicated that after nearly 80 days without a state budget, it is probable that there would be a budget for California as early as tomorrow or perhaps Monday of the following week. Dr. Armiñana feels that the proposed budget deflects most of the \$15 billion problems to the next fiscal year. Therefore, he is anticipating next year's budget challenges to be similar, if not worse, than the current year. For the CSU, Dr. Armiñana anticipates a flat budget, dollar to dollar, from last year to this year, with the exception of having higher costs. There is an expected \$215 million less for the CSU System as a whole. The only new revenue for the CSU was \$73 million which came from student fee increases. This amount went to pay mandatory costs which mostly consist of health benefit costs for employees and a small amount went to additional compensation for Faculty.

Dr. Armiñana reported that enrollment for the CSU system is very healthy. There were approximately 11,000 additional students in the system last year. This year there were only 9,000-10,000 additional students overall. SSU was slightly over enrolled. He noted that the freshman class came in right at target, however, the number of transfer students was higher than anticipated and made up a large portion of the over enrollment on the SSU campus. There is no growth expected for next academic year as the system is not budgeted for further increase.

Dr. Armiñana described the advances which have been made on the Tuscany project. He announced that this project is ahead of schedule as a result of good weather. He is hopeful that this facility will be ready for Fall 2009. When this facility is opened and utilized the campus will have approximately 30% of its students living on campus.

08.06 Report from SSU Vice President for Administration and Finance

Mr. Schlereth indicated that this is the time of year where the campus tries to identify and articulate priorities for the coming year. He noted five areas that are priority at SSU and impact SSE:

- ***Tuscany*** – As indicated by the President, Tuscany is well underway and progressing. This facility will house 600-700 new students on campus. Mr. Schlereth noted that with these new residents, new challenges will be faced. He feels that addressing these challenges and new students needs to be a priority for SSE as well.
- ***GMC*** – The Hospitality Center is expected to open in the Spring of 2009. Lots of energy and effort will be spent by SSE on the opening of this new facility.
- ***UC*** – Mr. Schlereth understands from the student leadership that the University Center is one of the highest priorities of the students right now. This is a ambitious project that is being created through partnerships with ASI, SSUC, Housing and SSE.
- ***Sustainability*** – Mr. Schlereth would like to ask SSE to advance this goal in the 2008/09 year. He noted that Mr. Markley will likely discuss some of these initiatives in his report.

- **Diversity** – The President’s Counsel on Diversity has been developed and members have been appointed. He would like to ask SSE to assist in this effort as much as possible.

The overarching theme for the 2008/09 academic year is the quality of the student experience. These five areas are the most crucial for this year. Mr. Schlereth answered questions from the Board.

08.07 Chief Operating Officer’s Report

Mr. Markley began his report by informing the board that all of the EA Ops combined have a student payroll of approximately \$1 million. In addition, he noted that the minutes were sent out electronically in an effort to be more sustainable. Should any of the Board members have an issue with this new format, he requested they let him know. Following these comments, Mr. Markley presented a PowerPoint presentation which reviewed the following areas:

- **Focus** - The focus continues to be on the student experience, along with diversity and sustainability.
- **Housing** – Housing occupancy is about the same as last year. Typically, however, these numbers drop slightly throughout the semester. Projections are showing that this number will drop by about 125-140 residents. It is understood that these students will not be replaced. The importance of this is that the residential number impacts dining revenue. However, residential dining revenue is projected to be about the same as last year and this will be discussed further in the budget review. Housing is monitoring the enrollment numbers very carefully.

Housing is working with the Marketing Department to develop a marketing plan for Tuscany and plans to roll this out in the next months. The Faculty in Residence program is up and running. One faculty member, Kelli Estrada, is currently living in the residential community in Sauvignon Village and there is an intention to expand this program to Tuscany as well.

It was also noted that all residential community rooms have been switched over to electronic locks which improves safety to the students and encourages use of the Seawolf Card.

- **Dining Services** – The ordering kiosk in Charlie Brown’s is gaining popularity. This provides another point of sale at this facility and encourages students, faculty and staff to use Wolfbucks. A kiosk will be coming in the Pub soon. In addition, Charlie Brown’s is selling a variety of organic products that are completely organic and from local farms. Zinfandel Hall is conducting a major sustainability initiative by removing trays from the dining hall. This change has dual roles in that it reduces food waste and reduces cleaning products and water used to clean the trays. Mr. Markley had anticipated to receive complaints regarding this change, however he has only heard positive feedback thus far. Both the efforts in Charlie Brown’s and Zinfandel enhance and support the campuses commitment to sustainability.
- **Marketing** – Marketing brought back the Pub Club campaign from last year where a portion of sales from The Pub go to a specific club. Ten clubs have signed up to participate this semester. This encourages sales at The Pub, but also provides assistance to various clubs.

In addition, there is a Seawolf Card HotSpot campaign where students, faculty and staff can swipe and be entered to win at specified locations throughout the semester.

Marketing will also be summarizing and posting different sustainability facts that are currently being done by EA departments. These will be posted in table tents throughout the various in the dining units.

- **Bookstore** – In relation to sustainability, the Bookstore will be moving from Blue Books to Green Books. Currently the store is carrying both, but it will move to carrying Green Books only in the future.

ATI is having an impact on the book ordering process for the Bookstore. The book orders will now be compiled centrally by the Provost's Office. As a result of this initiative, the Bookstore is required to carry at least 1 copy of every textbook that is being ordered because the campus is required to have these books available. The Provost's Office will be coordinating with departments for the orders. More to come on this process in the future.

- **Hospitality Center** – The Hospitality Center is anticipated to open in Spring 2009. The final construction is underway. A business plan will be completed sometime in the Spring. Continue to work with the On Campus Presents group for programming out of the center for programs that will enhance the student experience.
- **UC** – The schematic design for the building was completed. The preliminary design at 90% is expected to be received at the end of the month. More updates on this project to follow. Mr. Markley noted that a lot of this project is contingent on the enrollment numbers, however, we are continuing to move forward with the project and it is a very high priority for SSE.
- **Assessment** – An assessment on Entrepreneurial Activities was conducted by outside consultants and the final report has been received. It is currently in the Campus Reengineering Committee for review. Mr. Markley shared the areas that directly impact SSE. He noted that positive feedback was received for all of the areas, but he was planning to highlight the recommendations with the Board:
 - **EA** – Suggestions for this area include: marketing and communicating to the campus community regarding the mission, services and value of EA; consider a name change for EA which softens the image; develop a business plan specific to Hospitality Center; better align Facilities and IT serves to meet the needs of EA areas; continue to benchmark retail operation pricing and services structures with local, CSU and web-based vendors; and conduct customer surveys routinely.
 - **Dining Services** – Suggestions for this area include: work better at communicating within the organization, particularly within the management team; with all the new venues coming on-line with the Hospitality Center and UC, consider hiring professionally trained personnel; work with HR to streamline hiring process for dining personnel; replace dining facilities; and consider creating positions for the Hospitality Center.
 - **Marketing** – Suggestions for this area include: strengthening communication between Marketing and Dining and enhance marketing efforts for EA.
 - **CEC** – Suggestions for this area specific to SSE include: move Catering into Dining Services. It is hoped that this organizational change will address some of the communication issues noted in Dining Services. The consultants felt it was better to have Dining and Catering all in one unit. In addition, new catering software needs to be updated and/or replaced.

08.08 Chief Financial Officer's Report

Ms. Coate reported that the Finance Committee met earlier in the week to review the budget in detail. She noted that the committee also discussed investments and will be looking at different investment strategies.

08.09 ACTION ITEM: Approval of 2007/08 Audited Financial Statements

Mr. Abrams announced that the committee met earlier this week to review the draft audited statements. Mr. Abrams felt that the auditors were satisfied with SSE's internal procedures and controls. He introduced Matt Wilson and Brett Bradford from Pisenti & Brinker. Mr. Bradford informed the Board that he felt that the financial controls were adequate. The draft reports provided are nearly complete, however, there may be some slight changes to the wording or presentation, but no changes will occur to the numbers. He thanked the Audit Committee for their participation. Overall, SSE received an unqualified opinion. There were no questions regarding the audit report.

The Audit Committee recommended that the full Board accept the audit. The President moved this item to a vote.

MOTION: The Board unanimously approved the audited financial statements for 2007/08.

08.10 ACTION ITEM: Approval of the 2008/09 Budget

Ms. Coate presented and reviewed the 2008/09 Budget to the Board. She provided handouts and walked the Board through the budget line by line. Ms. Coate reiterated that the proposed Budget was reviewed by the Finance Committee earlier in the week with a recommendation from the committee for approval by the Board.

With the Finance Committee's recommendation to accept the 2008/09 Budget, the President moved this item to a vote.

MOTION: The Board unanimously approved the 2008/09 Budget.

08.11 Other Non-Action Items

None.

Letitia Coate
Secretary/Chief Financial Officer

Anna Reynolds-Smith
Recording Secretary