SONOMA STATE ENTERPRISES, INC.
Minutes
Friday, December 4, 2009

MEMBERS PRESENT:
Ms. Letitia Coate,
Mr. Nick Curry,
Dr. Stephanie Dyer,
Ms. Heather Hanson,
Mr. Neil Markley,
Joan R. Palmer,
Mr. Jesse Schwartz,
Mr. Tim Tiemens,
Dr. John Urbanski

MEMBERS ABSENT:
Dr. Ruben Armiñana,
Mr. Yale Abrams,
Dr. Eduardo Ochoa,
Mr. Michael Ogg,
Dr. Peter Phillips

OTHERS PRESENT:
Mr. Laurence Furukawa-Schlereth,
Ms. Lisa Andresen,
Mr. Ryan Ernst,
Ms. Kelley Kaslar,
Mr. Eric Malvestiti,
Ms. Kathy Mitchell,
Mr. Peter Neville,
Mr. Dan O’Brien,
Mr. Talmadge Savage,
Ms. Patricia Sinclair,
Ms. Amanda Visser,
Ms. Jessica Way

09.11 Call to Order
The meeting was brought to order at 9:36 a.m. by Neil Markley.

09.12 Approval of the September 18, 2009 Minutes
Minutes were provided to the committee via email in advance of the meeting. There were no comments and/or change to the minutes. The minutes were approved.
09.13 Report from SSU Vice President for Administration and Finance

Mr. Schlereth focused his presentation on two main topics: the state budget and impact at SSU and the SSU Academic Foundation. He noted that the budget challenges would have a clear impact on Sonoma State Enterprises.

Budget Review

Mr. Schlereth presented a PowerPoint presentation that reviewed the 09/10 Revised Reduction Plan, cost reductions by Division, non-operating fund budget issues, 09/10 contingency items and preliminary planning for the 2010-11 budget reductions. He noted that the campus budget was reduced by nearly $16 million (or 17%) overall in the 09/10 year. This reduction was addressed in the following ways: (1) there was a student fee increase of 30%, (2) employees, including all employees working for SSE, are participating in a furlough program which equates to approximately 10% reduction in salaries, (3) the PPO program had a benefit savings, (4) some positions in SETC were eliminated because this employee union did not choose to participate in the furlough program, and (5) enrollment is being reduced by 378 FTES. Although most of the budget reductions have been addressed, Mr. Schlereth noted that there is still some uncertainty as a result of a possible mid-year reduction, as well as, a pending student fee lawsuit for the entire system relating to the fee increase in Fall.

In looking forward to the 2010-11 year, the CSU is requesting $766 million additional dollars, but it is not anticipating that this funding will be available. Therefore, the CSU system has requested SSU to plan for an additional $4 million whole because the CSU does not anticipate furloughs to continue into 2010/11. Therefore, because furloughs are anticipated to go away, SSU will need to cut costs elsewhere. At this time, there are many items being discussed to help address these budget concerns.

Mr. Schlereth concluded the budget presentation by indicating that 2010/11 and possibly 2011/12 are going to be very difficult years. However, even given all the budget challenges, the campus is strongly committed to (1) protecting the students and their ability to get the classes they need by providing course sections that are adequate for graduating and (2) protecting as many jobs as possible.

Academic Foundation Update

Mr. Schlereth provided a brief overview of the recent issues with the Foundation in relation to the Carinalli loans. He noted a budget town hall which will be held December 16 and encouraged all Board members to attend to learn additional information at this open forum.

Finally, Mr. Schlereth thanked everyone for their hard work throughout the Fall semester, especially those who work in SSE areas.

Mr. Schlereth opened it up to questions on his report. Discussion ensued about student fees, the record number of applicants at the system and campus level even given the CSU reduction of approximately 40K students, and retention rates.

09.14 Chief Operating Officer’s Report

Mr. Markley provided a PowerPoint presentation that reviewed the following areas:
- **Housing** – The housing occupancy rate for Fall is at 85% and the anticipated occupancy rate for Spring is 78%. This is significantly lower than the typical housing occupancy rate which is closer to 98%. The lower rate is mostly a result of economic factors and the opening of Tuscany. Although there is a lower occupancy rate, there are still more students currently living on campus than ever before. Housing has also started its marketing efforts for next year and will be targeting first-time freshmen as well as returning students. Finally, as a result of the additional reduction of students noted in the VP’s report, Housing is anticipating financial challenges next year.

- **Dining Services** – The Residential Dining Revenue for Fall is higher than anticipated; however, the Retail Revenue is much lower than forecasted. There has been a greater decline in the retail area than originally predicted. Mr. Markley expressed concern for the Spring semester, but noted that he and his managers would continue to watch this very carefully.

    Some of the recent promotions that have been done in the Dining area include: (1) 50% off for Veterans on Veteran’s Day; (2) Blazin’ Blue Thursdays which is a spirit related item which provides 20% off to patrons wearing SSU attire on specific days; (3) Dinner with MECHA and other dinner events are being planned with BSU and FAASU; and (4) inclusion of ethnically diverse menu items throughout.

    Mr. Markley thanked Dining Services for all their continued hard work, especially given all the challenges with furloughs.

- **Marketing** – The amount of Wolfbucks purchased is up from where it was this time last year. SSE supported the Ron Logsdon Basketball Tournament again this year and will sponsor a half-court shot promotion for Basketball at the games in February. The directors in the EA area will be making dinner each Tuesday night in January for the men’s Basketball team as a part of the A&F initiative to support athletics teams. Finally, a Spring marketing plan will be refined to address the sales slump in retail dining venues.

- **Bookstore** – The Bookstore is continuing to offer the textbook scholarship contest again for the Spring semester. This scholarship contest allows 10 students the ability to win $300 to be used for textbook purchases. In addition, the Bookstore is working with faculty and Academic Affairs to refine the instructional material selection process relating to ATI and the ability to provide a complete list of instructional materials to the students to help in determining where to purchase their materials from. Finally, textbook adoptions have shown a steady increase in the number of adoptions that are being placed. Unfortunately, the adoptions are typically received two weeks prior to the first day of classes which makes it extremely difficult to procure any used textbooks and have instructional materials available on the first day of class.

- **UC** – The UC planning process continues and is just finishing the Construction Drawings and Design phases. If construction was to begin today, it is likely that the project would come in under budget. Therefore, it is a great time to go out into the construction market. Unfortunately, this is not a good time to be issuing debt as a result of the revenue reduction. As discussed in previous meetings, once the drawings are completed, the project will be on-hold until there is some financial rebound.

- **GMC** – Interior is nearly complete and SSE is beginning to ramp up the sales, marketing and operations. Mr. Markley introduced Kelley Kaslar who will be responsible for the operations at GMC. The first event will be taking place in the Spring.
Mr. Markley concluded his report and took questions. Discussion took place about housing occupancy and items that can be done to help increase this number. Mr. Markley noted that Housing is looking at various options for the Fall. He also noted that a lot of the decisions are driven by the freshmen class. In addition, there was discussion about the record number of applicants and how this might impact Housing because of the requirement to take applicants within the service area. It was noted that the type of transfer students also plays a factor: lower division versus upper division transfers. Mr. Markley noted that Housing is paying attention to these transfer numbers. Housing is looking at various options to address the occupancy percentage.

09.15 Chief Financial Officer’s Report

Handouts were provided to the Board: a Schedule of Net Assets and Statement of Activity (both through October 31, 2009). Ms. Coate noted that the Finance Committee met earlier in the week to review these statements in detail. These statements are unaudited, prepared by the Financial Services Department, and show 4 months of activity.

Ms. Coate reviewed the financial reports with the Board. Overall, things look good thus far. However, if accruals were included in the statements, the bottom-line would be significantly less than is currently showing on the financial reports. In addition, SSE is moving into lower revenue generating months while expenses will continue at the same rate. Going into the Spring, there is a lot of uncertainty and what it will bring. SSE is trying to be cautious and prudent.

Mr. Schlereth added that most of the enrollment reduction will take place in the Spring semester because the Fall semester was already in place prior to the budget reduction. Therefore, fewer students will be on campus during this semester, which means fewer customers. He agrees with the concern that there will likely be substantially less revenue in the Spring. This revenue number will need to be watched closely.

There were no further questions or comments on the Budget report.

09.16 Other Non-Action Items

None.