SONOMA STATE ENTERPRISES, INC.
Minutes
Friday, March 19, 2010

MEMBERS PRESENT:
Dr. Ruben Armiñana,
Mr. Yale Abrams,
Ms. Letitia Coate,
Dr. Stephanie Dyer,
Ms. Heather Hanson,
Dr. Eduardo Ochoa,
Mr. Michael Ogg,
Mr. Neil Markley,
Joan R. Palmer,
Mr. Jesse Schwartz,
Mr. Tim Tiemens,
Dr. John Urbanski

MEMBERS ABSENT:
Mr. Nick Curry,
Dr. Peter Phillips

OTHERS PRESENT:
Mr. Laurence Furukawa-Schlereth,
Ms. Lisa Andresen,
Mr. Ian Hannah,
Ms. Kelley Kaslar,
Mr. Eric Malvestiti,
Mr. Jim Morgan,
Mr. Peter Neville,
Mr. Dan O’Brien,
Mr. Talmadge Savage,
Ms. Patricia Sinclair,
Ms. Amanda Visser

09.17 Call to Order
The meeting was brought to order at 9:32 a.m.

09.18 Approval of the December 4, 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.
09.19 President’s Remarks
Dr. Armiñana provided some general comments to the board in regards to the Spring Semester and the anticipated budget for next fiscal year. He does not expect the budget to be worse than the current year’s budget, however, he noted that SSE and the University will continue to be impacted by the lower headcount which is a result of total enrollment reduction made by the CSU system of about 40K students. Many services that rely on students will be directly impacted by this enrollment reduction: Housing, Food, Bookstore, etc. Dr. Armiñana explained that if the legislature restores the $305 million to the CSU, then there will be a small increase in enrollment. However, this will likely not be known until the Fall semester begins. In addition, he is not expecting the state budget to be resolved quickly and anticipates as late as September for this to happen.

09.20 Report from SSU Vice President for Administration and Finance
Mr. Schlereth discussed the SSU Scholarship program for 2010/2011 and came to SSE with a request, on behalf of the campus, to allocate one-time funds for 2010/2011 student scholarships. Many SSU students receive some sort of scholarship. Scholarships to students are provided in a number of ways but primarily from direct contributions from donors and the returns from endowment earnings. Due to the market decline, endowment earnings, including SSU endowment earnings, have been negatively impacted. Therefore, the campus needs to find alternative sources to fund student scholarships on a one-time basis.

Mr. Schlereth indicated that ASI is very concerned about scholarship distributions and informed the Board of a resolution that was passed by the Associated Students asking the Administration to find a possible funding solution to save student scholarships without impacting academics.

He noted that a couple things have happened since the resolution was passed by the student body:
1) The Chancellor released $50 million to be used in 2010/2011 for academic course sections. By receiving this money and saving it for course sections for the coming year, it is anticipated that there will not be a need to make material reductions to course sections.
2) Therefore, with the course section issue addressed, Mr. Schlereth is requesting the SSE Board to postpone the UC Pre-Project expenses payment currently budgeted in the 09/10 budget until next year which will free up the $550K to be provided to the campus for student scholarships. He explained that SSU typically makes annual scholarship distributions of approximately $1 million. Currently, the Development Office has been able to raise a portion of this scholarship requirement. The remaining scholarship need is approximately $550K.

Mr. Schlereth thanked the Board for considering his request for a one-time gift to the University to help finance the scholarship program.

Ms. Hansen thanked Mr. Schlereth for his hard work in trying to address this issue and provided a copy of the ASI Resolution to the board. She felt that this was the appropriate body to bring this request to because revenue made in SSE comes mostly from the students and allocating this money to scholarships will be used directly for the students.

Dr. Armiñana moved to item 9.24 ACTION ITEM: 09/10 Budget Revision.
09.24 ACTION ITEM: 09/10 Budget Revision
Ms. Coate informed the Board that the SSE Finance Committee met earlier in the week. The committee discussed the proposal to gift $550K of SSE funds to the University to support student scholarships. The committee unanimously approved the proposal and the resulting budget revision.

Mr. Markley moved to approve the 09/10 budget revision allowing SSE to defer the 2009/2010 payment to Housing to the 2010/2011 fiscal year and allocate $550K for student scholarships in the 2009/2010 fiscal year. Mr. Abrams seconded. There was no further discussion. The motion passed unanimously.

09.21 Chief Operating Officer’s Report
Mr. Markley noted that the areas of focus for this year are: student experience, diversity and sustainability. He feels that the motion that was just passed really demonstrates SSE’s commitment to our student experience. Mr. Markley provided a PowerPoint presentation that reviewed the following areas:

- Housing – Mr. Markley provided an update on Housing. Although this is not in SSE, it drives what happens in the Residential Meal Plan. Spring Housing occupancy is 78%, annualized it was around 81%. Occupancy levels are not as high as normal. Typically Housing occupancy rates in the 90s. Marketing efforts have been increased and are targeting returning residents. It is too soon to tell where we will be at in terms of occupancy percentage, but more should be known at the May meeting. However, he is not anticipating Housing occupancy to go back up into the 90s. It will likely be in the 80s again next year.

- Dining Services – Residential Revenue is ahead of forecast, however Retail Revenue is below forecast. Spring sales are being watched, especially in the retail sales. Marketing efforts are being increased on the retail side to try and boost sales in those areas.

ASI is doing Spirit Thursdays on campus. If customers are wearing Sonoma Blue, they will receive 20% off in Dining venues. The last one is April 15.

Mr. Markley noted some of the diversity events done by Dining:
- Black History Month dinner that went very well.
- St. Patrick’s event was done in the Pub.

Ethnically diverse items have been included in the Dining venues. When these items are purchased, a portion of the sales goes back to the club that is tied to that ethnic food.

A Slow Food dinner will be held in Zinfandel on March 23rd. It will incorporate a lot of locally grown and sustainable foods.

- Marketing – Wolfbuck deposits are strong. Although there is a decline in retail sales, the Wolfbuck deposits will likely end a little higher than last year. Wolfbucks can be used all over campus: Laundry, Vending, Rec Center, Bookstore, Dining venues, etc.

EA adopted the Basketball team this year as a part of A&F’s commitment to athletics. It hosted them for dinner one day a week during intersession after their practices. All of the managers in Mr. Markley’s area made dinner for the team for a total of 4 meals. This was followed up by a half court challenge that was conducted at both the men and women’s games. It was a very fun event and helped to increase attendance at these games.
Starting next week, if you put $100 or more onto your Wolfbucks card, you will receive a 10% bonus.

- **Bookstore** – B&N is piloting textbook rental programs in several of their stores. We are looking forward to learning how the pilot programs are going and the possibility of doing this on our campus. More information will follow. Early indications are that it is somewhat successful. It lowers the initial cost of the textbook to the student, but also lowers the Bookstore’s profit on textbooks. An analysis revealed that it is actually cheaper to buy a used book and sell it back, if the books were readopted on an on-going basis. The textbook rental program costs more to administer, the students don’t get as good a deal in the long run and the return to the campus is less. It is a very interesting concept and it will continue to be monitored.

The textbook sales have taken a significant dip. Mr. Markley is pleased to have the contract with B&N because it has helped to insulate SSE from some fairly significant losses had it been a self-operated store. The contract with the Bookstore will expire in about a year and SSE will need to determine what it would like to do in the future regarding the Bookstore.

To help address the decrease in textbook sales, Jim Morgan, the Bookstore Manager, has been going out to the schools and meeting with departments to help strengthen the relationship between the Bookstore and the rest of the campus. In addition, the Bookstore will be making an advisory group.

- **UC** – The project is continuing to move forward. The construction documents are nearly complete. There are still some interior designs that need to be completed. Unfortunately, given the financial challenges and enrollment challenges, we are not in a position to move forward with construction. However, the construction documents should be finished in the near future.

- **GMC** – Sales and operations are being ramped up at this facility. Events are scheduled throughout the Spring. Some events have been done with the Santa Rosa Symphony and a retirement dinner was held at the facility. The retirement dinner was a fabulous event. The entire team that worked on this event did a tremendous job. A video was made of this event which was played for the Board. The next SSE Board meeting will be held there.

### 09.22 Chief Financial Officer’s Report

Handouts were provided to the Board and emailed to the Board in advance of the meeting and included: Schedule of Net Assets, Statement of Activity (both through February 28, 2010) and a financial summary. Ms. Coate reviewed the handouts with the Board. See handouts.

Mr. Markley thanked Eric Malvestiti, Executive Chef, for all his hard work in keeping food costs down and using fresh foods.

### 09.23 ACTION ITEM: Audit Committee recommendation for the engagement of the selected independent auditor

Mr. Abrams announced that the Audit Committee met to review the engagement letter submitted by Pisenti & Brinker for the annual audit and tax return for the year ending June 30, 2010. The cost of the audit will be $20,685 and the cost of the tax return will be $3,180. These were in line with the agreement and were unanimously approved by the Audit Committee. Mr. Abrams brought forth a recommendation from the Audit Committee as a motion to approve the engagement of the auditors to complete the audit and tax return. The motion was passed unanimously.
09.25 Other Non-Action Items

Mr. Schlereth acknowledged Eduardo Ochoa’s appointment in which he has been selected to serve on President Obama’s Administration. He wished Dr. Ochoa congratulations on this appointment.

Mr. Schlereth also recognized Dr. Armiñana for the recent achievement of the full accreditation for Sonoma State University for a period of 10 years, which is the maximum accreditation period. This is a very big achievement for the campus and a testament of Dr. Armiñana’s leadership.

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Letitia Coate                                              Anna Reynolds-Smith
Secretary/Chief Financial Officer                          Recording Secretary