SONOMA STATE ENTERPRISES, INC.

Minutes

Friday, September 16, 2011

MEMBERS PRESENT:
Dr. Ruben Armiñana
Mr. Alex Boyar
Dr. Michael Cohen
Dr. John Kunat
Mr. Neil Markley
Mr. Michael Ogg
Dr. Andrew Rogerson
Mr. Tim Tiemens
Mr. Collin Yballa

MEMBERS ABSENT:
Mr. Yale Abrams
Ms. Letitia Coate
Dr. Stephanie Dyer
Joan R. Palmer

OTHERS PRESENT:
Mr. Laurence Furukawa-Schlereth
Ms. Lisa Andresen
Mr. Ian Hannah
Mr. Steve Higginbotham
Ms. Kelley Kaslar
Ms. Kindra Kautz
Mr. Richard Ludmerer
Mr. Eric Malvestiti
Mr. Peter Neville
Mr. Dan O’Brien
Mr. Jeremy Olsan
Mr. Talmadge Savage
Mr. Robbie Siverly
Ms. Amanda Visser
Ms. Jessica Way
Mr. Matt Williams

11.00 Call to order
The meeting was brought to order at 9:38am by Dr. Armiñana.
11.01 Approval of the May 13, 2011 Minutes
Minutes were provided to the committee via email in advance of the meeting. There was one change noted to the minutes. The minutes were approved with this change.

11.02 Seating of the Board
Dr. Armiñana welcomed the Board to a new term and introduced the new members which included Provost Dr. Andrew Rogerson; new faculty representative Dr. Michael Cohen, and new student representatives: Mr. Alex Boyar and Mr. Collin Yballa. One student position remained vacant at the time of this Board meeting.

11.03 Committee Appointments
Dr. Armiñana noted the three standing committees for the Sonoma State Enterprises Board. Committee appointments were made. Following is a list of the committee memberships for the 2011/2012 term:

Executive Committee: Dr. Armiñana, Mr. Markley, Ms. Coate, Dr. Dyer, Mr. Tiemens, and Mr. Boyar.

Finance Committee: Ms. Coate, Mr. Markley, Dr. Cohen, Mr. Ogg, and Mr. Yballa.

Audit Committee: Mr. Abrams (Chair), Dr. John Kunat, Mr. Tiemens, and Mr. Boyar.

11.04 Conflict of Interest Presentation Non-Profit Integrity Act
Dr. Armiñana introduced Mr. Jeremy Olsan, the Organization’s attorney, who provided the members of the Board with a letter informing Board Members of their duties as a Board member, information about conflict of interest, and the Non-Profit Integrity Act. He requested that, after the presentation, each member sign and return the form to SSE staff to be kept on file.

Prior to reviewing the handout in detail, Mr. Olsan discussed the impacts of the Yee bill on the organization. This bill puts in place a requirement to respond to requests for information as quickly as possible. However, this does not directly relate to Board member obligations and duties, therefore, he did not plan to focus his presentation on this bill. Mr. Markley added that SSE has complied with provision of the bill. SSE only had one contract that was considered confidential however this stipulation has since been removed. SSE has been using University process to ensure that the corporation is in compliance with bill.

Mr. Olsan proceeded to review the attorney letter in detail, 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 highlighted the important role that each person is taking as a Board member and the fiduciary duties that go along with his/her position on the SSE Board. He stressed the need for each member to act in the best interest and good faith of the organization.
11.05 President’s Report

Dr. Armiñana noted that the corporation is heavily impacted by University enrollment. He discussed enrollment figures for the CSU system and campus explaining that CSU enrollment is very healthy this year. SSU is expecting the largest First-Time Freshmen (FTF) class in SSU history at 1,800 FTF. He indicated that SSU is slightly over-enrolled at this point in time, but he anticipates that this will balance out over the course of the year. Dr. Armiñana expects SSU to meet or be slightly above its target of 7,450 Full-Time Equivalent (FTE).

Dr. Armiñana noted that although enrollment is good, the CSU sustained another large cut in funding from the state. The reduction to the CSU was approximately $650 million. Some of this cut was mitigated by tuition increases made to our students. Dr. Armiñana explained that 2011/2012 funding is at about the same level of support as in 1998/1999 but with the exception that there are about 1,000 more students to serve on the SSU campus. Further, there is a significant possibility that the CSU and UC systems will be assessed another $100 million reduction each in state funding. For SSU, this would be an additional reduction of $2.3 million on top of the $9.3 million reduction already assessed totaling nearly $11.6 million. At this time, it is unclear if this additional cut is a one-time reduction or permanent reduction. If one-time, SSU will be able to meet this via roll over funds that were not spent in the previous year. If it is a permanent reduction, SSU will be in a very different position and will require different actions. Overall, the University faces significant budget challenges.

Dr. Armiñana also reported that the lobby for the Green Music Center is an active construction sight with completion anticipated to happen in this calendar year. He also informed the Board that the Student Center project is on the agenda of the Board of Trustees for review next week. Because of the Board’s role as a partner in this project, Dr. Armiñana felt it was important to notify the Board that there is a legal firm that represents some faculty and student groups that are challenging the referendum results. He noted complaints about procedural matters relating to the election process.

11.06 Report from SSU Vice President for Administration and Finance/Chief Financial Officer

Mr. Schlereth discussed the significance of the reductions in state support. He explained that the campus is still short on making the reductions permanently by about $1.8 million. He described two options that could be considered to make these permanent reductions: (1) could go into core programs which would reduce access and the number of courses offered or (2) look at ways to be more efficient in the management of operations by further streamlining and reducing overhead of organization. He noted that the second option would be done without layoff of permanent employees and would have the least amount of impact on the student experience. Changes will be taking place over the next nine months to streamline operations.
Mr. Schlereth explained that enrollment growth is the only way to get new resources. Therefore, the BOT may request a 5% increase in enrollment for the CSU and could possibly look to grow international student populations. Currently, SSU is at capacity and needs to determine a way to be able to expand capacity. One way to do this is to complete Schroeder’s Hall which could add capacity of about 400-500 students with this new space being utilized as a classroom.

11.07 Chief Operating Officer’s Report
Mr. Markley provided a PowerPoint presentation.

Mr. Markley reported on several areas:

- **Focus of Organization continues to be on the student experience.**
- **Housing – Freshmen in residence is at 1632 which drives the revenue in the Board program. This is about 200 more Freshmen than the previous year. Housing also rolled out new kiosks. Mr. Markley explained the old process of re-encoding keys versus the new kiosk process. He feels that it provides a better service for the students, is convenient and saves time for the support staff.**
- **Dining Services – Midnight Breakfast was held last night and was well attended. Zinfandel is over capacity and busy all the time. Mr. Markley reviewed some of the new promotions: Larry Allen sandwich in the Pub and new Punch’d app which is an app for cell phone to record the number of items purchased towards one free item. Dining Services is always trying to be more sustainable and recently partnered with SRJC Shone Farms as another local supplier. In addition, Dining Services is offering Community Supported Agriculture (CSA) boxes through Shone Farms to the campus community. Fifteen boxes were ordered for the first week. Revenue goes to support SRJC. Dining is also making a nutrition partnership with the Recreation Center. A nutritionist is coming over to Zinfandel to inform students and show the correct serving portions. Similar things have been done in the past, however, not with a nutritionist.**
- **Bookstore – Mr. Markley introduced the Bookstore’s new Manager, Steve Higginbotham who recently joined the store coming from West Valley Community College. Mr. Markley shared that the textbook rental program has been launched for the Fall semester and seems to be very popular. This addition increases options to students and helps to keep out of pocket costs down. He also noted that digital textbooks have been available in the past, however the number of titles available is increasing. The biggest challenge the Bookstore faces is trying to get textbook adoptions in a timely manner. Mr. Markley noted that the week before classes started, the Bookstore received about 20% of its orders for the Fall. Discussion regarding ordering ensured.**
- **Green Music Center (GMC) – The GMC will have a grand opening event on September 29, 2012. Mr. Markley noted the mention of construction discussed previously. He is hopeful the lawn will be completed at that time as well. He reviewed many things that are taking place in preparation for the opening of the center: Board meeting, committee meetings, and On Campus Presents which is a student centered/commercial focused group.**
• Student Center Project – Mr. Markley noted that the item is on the BOT agenda for consideration at the September meeting. In hopes that the item passes, a ground breaking ceremony has been tentatively scheduled for October 10th and the Board is invited to attend. Formal invitations will follow. The construction for the center should end around late spring or early summer of 2013. He also explained that there are several working groups that have been put together to continue work on the project.

• Reorganization – Mr. Markley noted that he discussed this item at the Board meeting in the May. He noted that Campus Life moved to Entrepreneurial Activities last week.

• Thank You – Mr. Markley reflected on the current year and thanked his staff for all their hard work. He also thanked the Board for their continued support and productiveness.

11.08 Chief Financial Officer’s Report
In Ms. Coate’s absence, Mr. Markley noted that there is no financial report and deferred to the budget item discussed later in the meeting.

11.09 Action Item: Approval of 2010/11 Audited Financial Statements
In Mr. Abram’s absence, Mr. Tiemens introduced the action item. Before beginning his report, Mr. Tiemens introduced Mr. Matt Williams from Pisenti and Brinker. Mr. Tiemens explained that the Audit Committee is charged with going through the Audited Financials in detail. He reported that this was done a few weeks ago with the Audit firm. Overall, Mr. Tiemens informed the Board that it was a clean audit, no alternations or changes were made, and the corporation strongly benefits from the controls put in place by the University. Mr. Tiemens highlighted a section for the Board on page 7 regarding Factors Impacting Future Periods which highlights certain items that are coming up and could have an impact on the financials. The Audit Committee voted to accept the report and bring a recommendation to the full Board for approval. With the Audit Committee’s recommendation to approve the 2010/2011 Audited Financials, Dr. Armiñana moved this item to a vote. The motion passed unanimously.

11.10 Action Item: Approval of the 2011/2012 Budget
In Ms. Coate’s absence, Mr. Markley presented the proposed budget. Handouts were provided. Mr. Markley walked the Board through the budget in detail. He noted that the proposed budget was reviewed in detail with the SSE Finance Committee with the committee’s recommendation for approval by the Board.

With the Finance Committee’s recommendation to approve the 2011/2012 Budget, the President moved this item to a vote. The budget was approved unanimously by the Board.
11.11 Action Item: Investment Policy
This item was a first reading at the May Board meeting and is being brought back today for action. In Ms. Coate’s absence, Mr. Ian Hannah presented the draft Investment Policy. Handouts were provided. Mr. Hannah reviewed the draft policy in detail noting the main changes from the current policy. He noted that this item also came as a recommendation from the SSE Finance Committee for approval by the Board. The revised Investment Policy was approved unanimously by the Board.

11.12 Green Music Center (GMC)
Mr. Markley discussed the opening of the Hall and the need to have concessions in these spaces. He noted that there would be approximately $1.5 million in expenses related to building these spaces. He pointed out that these items were not planned for in the budget that was just passed, but will need to have discussions about what to do for these spaces: (1) use cash, (2) rent buildings, or (3) Finance. Mr. Markley will be reviewing these options and will bring forward suggestions to the Board. Discussion about the facility and potential that it has took place.

11.13 Other Non-Action Items
None.

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Neil Markley      Anna Reynolds-Smith
Vice President/Chief Operating Officer  Recording Secretary