SONOMA STATE ENTERPRISES, INC.
Minutes
Friday, December 10, 2010

MEMBERS PRESENT:
Mr. Yale Abrams
Ms. Letitia Coate
Ms. Bridgette Dussan
Dr. Stephanie Dyer
Dr. John Kunat
Mr. Michael Ogg
Mr. Neil Markley
Ms. Katie Robinson
Mr. Alex Sorci
Mr. Tim Tiemens
Dr. John Urbanski

MEMBERS ABSENT:
Dr. Ruben Armiñana
Dr. Saeid Rahimi
Joan R. Palmer

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

10.10 Call to order
The meeting was brought to order at 9:35am by Mr. Markley. Dr. Armiñana was unable to chair the meeting because he was out ill.

10.11 Approval of the September 17, 2010 Minutes
Minutes were provided to the committee via email in advance of the meeting. There were no comments and/or changes to the minutes. Mr. Ogg made a motion to approve the minutes. Ms. Dussan seconded. The minutes were unanimously approved.

10.12 President’s Report
Due to the President’s absence, there was no report.
10.13 Report from SSU Vice President for Administration and Finance/Chief Financial Officer

Mr. Schlereth addressed three main topics in his report: new Executive Order 1052, a new Conflict of Interest Policy for Auxiliary Organizations, and Green Music Center (GMC) Update.

1. **Executive Order 1052** – Mr. Schlereth provided background on the new EO noting that it is mainly a result of all the publicity in the past year surrounding philanthropy and request for transparency of funds. It requires the campus CFO to look at the auxiliary organizations to be sure they follow the appropriate processes. Mr. Schlereth conducted a review of all the organizations and provided a letter to the CO indicating that SSE is fully compliant with EO 1052.

2. **Conflict of Interest Policy** – Mr. Schlereth provided background on the conflict of interest policy issue. A group, consisting of Faculty, Students and Administrators, was created to review the issue of conflict of interest in relation to the auxiliary organizations. The group determined the following: (1) continue to follow the law relating to conflict of interest; (2) an individual cannot transact business with the board or organization for three years after they depart the board with an exception for the student organizations; and (3) all financial contracts must be public within the auxiliary organizations with two exceptions: (a) Foundation may keep donations anonymous, if desired by the donor and (b) Student organizations may keep contracts confidential with artists, dance groups, performers, etc. Mr. Schlereth will present a draft policy to CRC at the meeting later today. It will also go to various other campus groups, including the Academic Senate, before it becomes a blue paper policy which the auxiliary organizations will be required to follow.

3. **Green Music Center Update** – Mr. Schlereth announced that he hopes the hall will open in Fall 2012. In order to complete the lobby and back of house portion of the project, $4 million needs to be identified. Mr. Schlereth and others are working closely with the donor community and hope to close the loophole in February 2011. At that time, Mr. Schlereth will be able to provide an update. Currently, work is being done to look at what a season will look like with the Santa Rosa Symphony, OCP, Center for Performing Arts and others. A rich program is coming together.

10.14 Chief Operating Officer’s Report

Before beginning his report, Mr. Markley introduced Dr. Kunat who is a new faculty representative on the Board, but was unable to attend the meeting in September.

Mr. Markley reported on several areas:

- Housing – The number of residents is up this year over last year. Going into the Spring semester, there are about 20 more residents expected. Most of these are transfer students. Therefore, this increase won’t help the Dining program
substantially, but it is good for Housing. Next year the first time freshmen (FTF) target is 1900, which marks the largest freshmen class in SSU history. This is positive for both Housing and Dining.

- **Dining Services** – A group of people including Lisa Andresen, Neil Markley and Jodi Roth went to Shone Farm to visit the facility because they are looking at the possibility of partnering with the Junior College (JC) to source products from the farm and provide student programming opportunities through the farm. Dining would pay market rates to the JC. Any profits made from the farm go back into the JC educational programs. Thus, it is a natural fit. The JC also has a viticulture program in which Dining is looking at the possibility of incorporating JC wines as the standard wine for the Catering program. Mr. Markley showed the Dining Facebook page which is currently interviewing different chefs that work in the various units to help make a connection with the people who work behind the scenes and the campus community. He played a video featuring John Locker. Mr. Markley indicated that Dining is doing well in sales. The Residential program is good, however, the retail sales look a little weak. However, overall, things are going well.

- **Bookstore** – Mr. Markley featured the Bookstore Facebook page and played a clip done by Trevor, one of the student employees. Trevor has been working on various short clips to market different aspects of the store. Mr. Markley also discussed the Nook Study program which is a software program that can be used on any device for digital textbooks. It allows integration of course materials, notes and other materials. This is currently a Blackboard application, however, Barnes & Noble is looking at different platforms.

- **Marketing** – Marketing is extremely busy working on various projects. They have been doing a lot of work with the students on the Student Center project. In addition, they recently completed some work on Prelude relating the website, flyers, and pamphlets. Prelude brochures were distributed to the Board. Mr. Markley highlighted a number of the events that have been held at Prelude by the campus community and outside world, for example: Blue and White Ball, Joint Cabinet Meetings, two weddings over the summer and more. Ms. Kaslar is working with wineries for Food/Wine pairing events and other events that will take place in the Spring. In addition, Dining Services will be putting on a Petaluma Hospital Valley event which is a 400 person gala event. Mr. Markley also announced that SSE Marketing, Athletics and GMC Marketing are all coming together to increase efficiencies and encourage crossover. He discussed some of the promotions that are being done with athletics: half-court shot, Ron Logsdon Tournament, and volleyball promotion with Ameci’s Pizza.

- **Student Center Project** – More to come later in the meeting.

There were no questions.
10.15 Chief Financial Officer’s Report
Ms. Coate reported on the activities being conducted by the Finance Committee. She informed the Board that the Finance Committee will be looking at the corporation’s investment policy and is planning to update it at which time it will be presented to the Board with a recommendation from the Finance Committee. The Finance Committee also reviewed and approved the SSE Reserves which takes the unrestricted fund balance from the prior year and allocates it out to various categories based on the Reserve Policy. She emphasized the desire and requirement by the campus CFO to have the Working Capital category in liquid assets. She noted that SSE is not quite there yet, however, the money that was set aside in the budget to go to Reserve will help SSE reach this goal.

Ms. Coate moved into the Financial Statement review. Handouts were provided to the Board: Schedule of Net Assets and Statement of Activities (both through October 31, 2010). Ms. Coate reviewed these handouts in detail with the Board. She thanked the Dining Services managers and team for all their great work.

Ms. Coate concluded her report by discussing the implementation of the Common Financial System (CFS) project of the CSU. SSU is the second wave and will be live January 1, 2011 which means, SSU will be taking entire financial system, including all four auxiliaries, and moving from own database to a consolidated database that will have all 23 campuses in it by the end of this year. Ms. Coate reported that SSU is on schedule and she feels confident with the information that will be brought over in January. Trainings will take place in January to learn how to use the Warehouse and new reports.

Mr. Schlereth provided additional background on the project noting that it simplifies the financial system, bringing the campuses into one database with one set of modifications, which results in significant cost savings for the system. He offered congratulations to Ms. Coate, Ms. Visser and the entire financial team who has participated in this initiative.

10.16 Discussion: Bookstore Contract
Mr. Markley provided some background on the current Bookstore Contract for the new members of the Board noting that about five years ago, the Bookstore was seeing retirements of key personnel (Manager and Asst. Manager) and had been experiencing inconsistent net incomes for a number of years. A study group was created to look at the question of whether to continue to operate the Bookstore independently with these key personnel departures and financial factors or whether SSE should look into potentially outsource the Bookstore to a third party contractor. The study group, a Subcommittee of SSE, determined that the contracting route was the best option. Consultation was done with the campus through SSE board, CRC, and ASI. An RFP was issued which ultimately resulted in Barnes & Noble College Booksellers being selected to operate the campus Bookstore. They started in July 2006 with a 5 year contract with an option to renew for up to an additional 5 years. No Bookstore personnel were fired, textbook
margain held constant, merchandise sales have gone up, SSU employees get discounts, and Bookstore staff has really reached out to campus.

Currently, SSE is at the end of the 5 year term and there are three options: (1) take back over the store and self-operate, (2) go back out to bid, or (3) extend agreement with B&N. Mr. Markley noted a couple key factors that influence this decision. First, the amount of change that is taking place in the textbook industry and the amount of uncertainty that currently exists is a large unknown. He pointed out textbook rentals which, is a major trend in the college market and becoming more and more popular and the influence of online retailers which are heavily impacting the textbooks market as well. In addition, another item for consideration is the Student Center Building and the decision on the fee referendum. The decision on this vote determines the direction of the Bookstore. If passed, will move in one direction, if not passed, likely go in another direction.

Management has taken all of these factors into consideration and feels that it would be best to extend the current contract with B&N for two years. This will provide the opportunity to get clarity on what is going on in the textbook market and give some time to have the Student Center question answered. If SSE went out to bid at this time, SSE probably wouldn’t get a bid that would be very good or accurate given all the uncertainty in the market and economy. If SSE was to self-operate, SSE would likely lose money and/or not be able to provide the financial support back to the campus as it has done in the past for programs such as student scholarships.

Therefore, it was determined that the best course of action is to extend the contract for two years. There are some impacts in extending the current agreement. A positive impact is that we will be able to offer textbook rentals. These cannot be accommodated under the current financial package because it has an impact on financials because the revenue on rentals is much less, but it will also help recapture sales that are going elsewhere. The down side is that SSE will lose about 20% of its current revenue from B&N, primarily having to do with the textbook rental program. This is not an insignificant number, however, this is really where the market is right now. New proposal is to modify the financial terms to (a) allow textbook rentals and (b) modify financial portion to reduce the financial guarantee, however, the commission percentage will increase by about a point. Although Mr. Markley would like to be able to offer textbook rentals and be making more money, that is not the way the textbook industry is moving today.

Mr. Markley felt that there was no action necessary by the board at this time because extending the contract falls within the original agreement which was agreed to by the Board. However, he wanted to bring it to the Board for discussion.

Discussion ensued. There were no objections to contract extension.
10.17 Student Center Presentation
Mr. Markley acknowledged and thanked Bridgette Dussan who has been one of the main people working on the marketing for the Student Center. He thanked her for her contributions.

Mr. Markley shared floor plans of the Student Center and walked the Board through the building, pointing out the various venues and spaces that will be in the building. As he went through the floor plans, he discussed the programming elements of the various spaces. He also shared some of the virtual renderings for various spaces in the building. He noted that the architects are in the final stages of completing these plans and getting the necessary approvals from the appropriate agencies.

Mr. Markley informed the Board that the students, led by Bridgette Dussan and Leslie Witter, are working on a marketing campaign to raise a fee to help construct and operate the building. He noted that the partners were originally trying to build the facility without raising a student fee or keep it as small as possible. In order to make the project financially viable, a student fee needs to be approved for $150/semester. A referendum will be conducted in March or early April. The students are really working hard to get the word out and trying to increase the information around the project.

He shared the facebook page that is up for the Student Center.

10.18 Other Non-Action Items
None.

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