



**Board of Trustees
Finance and Administration Committee Meeting**

**Thursday, April 14, 2016
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Chair Nicholson called the meeting to order at 4:05 p.m.

The following committee members were present: Paul Nicholson, Lyn Hennion, Jeremy Nootenboom, April Sevcik, Dennis Slattery and Steve Vincent. Trustee Les AuCoin participated by videoconference but had to depart after the action item on the 2016-2017 Tuition and Fees: Process and Recommendation. Trustee Roy Saigo (ex officio) also attended the meeting. Trustee Filiberto Bencomo participated by teleconference.

Other meeting guests included: Jason Catz, General Counsel; Craig Morris, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Mark Denney, Associate Vice President for Budget and Planning; Torii Uyehara, ASSOU President; Steve Larvick, Director of Business Services; Chris Stanek, Director of Institutional Research; Kelly Moutsatson, Director of Admissions and Co-Executive Director of Student Enrollment; Matt Stillman, University Registrar and Co-Executive Director of Student Enrollment; Partha Chatterjee, Senior Budget Analyst; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Shane Hunter, Senior Financial Management Analyst; Janet Fratella, Vice President for Development; Sabrina Prud'homme, Board Secretary; Kathy Park, Executive Assistant; David Coburn, OSA; and Olena Black, League of Women Voters.

Trustee Slattery moved to approve the March 17, 2016 meeting minutes as drafted. Trustee Vincent seconded the motion and it passed unanimously.

Public Comment

There was no public comment.

Vice President's Report

Addressing the financial dashboard, Craig Morris said all elements are at or above target except for supplies and service. Spending has escalated slightly but the increase appears to be primarily a timing issue; budget personnel will keep a close eye on it.

Chris Stanek explained the new enrollment dashboard, which shows admissions applications, degree applications and enrollment trends. It also depicts the undergraduate student population, showing the distribution of resident, WUE and

nonresident students; it includes a further breakout of first generation students and the main categories of the new funding model. The chart also displays retention and 6-year graduation rates, which are updated yearly. He noted that degrees are tracked by the number of applications.

Responding to Trustee Hennion's concern over graduation rates, Mr. Stanek said SOU's rate is typically lower than the other institutions and has been for many years. He clarified that the graduation rate is not part of the model, but rather the number of degrees conferred.

Mr. Stanek then discussed the degree completions report addressing the numbers, weighting, and calculations shown on the slides. Some degree programs earn extra points. A small reduction is calculated for transfer students, at any level, who earn a degree. Mr. Morris added that there are a lot of positive things to look at in terms of enrollment but the growth of resident students is not one of those. Discussion ensued on that topic, with the conclusion that SOU needs to focus on increasing that number since the model bases funding on degrees awarded to resident students.

Discussion followed Trustee Slattery's comment on the decreasing resident undergraduate enrollment rate, including the decreasing high school graduation rates, the SOU student mix shifting to more nonresident students over the past few years, the large number of WUE students, shifting demographics in Oregon, and retention programs. Mr. Morris said there is no clear explanation for the decrease in resident students and the committee should have a conversation on that after further investigation. Dr. Matt Stillman added that SOU is focusing on recruiting in Portland and from the Hispanic population because of the demographic shifts and based on SOU not doing particularly well in recruiting from those populations. Mr. Morris mentioned other initiatives currently in place that target the recruitment of residents: a new recruiter for the Native American population, the Jackson-Josephine County pledge, and Pirates and Bulldogs to Raiders.

As a parallel effort, Trustee Hennion suggested informing the HECC that SOU and EOU are different. If the institutions are going to be regional universities and their regions are smaller, the institutions need to be rewarded for that.

Craig Morris then mentioned SOU's two campus information forums that were held the previous week, with Mark Denney giving an update on the budget; Chris Stanek presenting an enrollment update; and Liz Shelby discussing the February legislative session. There was a good turnout and one of the forums was video recorded and broadcast to the campus community.

Discussing the HECC funding request, Mr. Morris said he and two other Vice Presidents for Finance and Administration presented the request to a HECC subcommittee. Commissioners are sensitive to and understand the position the universities are in regarding the current service level (CSL) funding development and are prepared to do their best to support it. Responding to Chair Nicholson's inquiry, Mr. Morris said all seven universities are in concert on this request to the HECC.

Mr. Morris then reviewed the pro forma, focusing on the 2019-21 biennium. Using the

same assumptions as in previous forecasts (viz a 3 percent increase in tuition, no enrollment growth and a 3 percent increase in the CSL for each of those years), SOU's fund balance drops to 3.1 percent at the end of that biennium, which is cause for concern. However, an increase of just 1 percent in enrollment in each of the three years results in a 9.9 percent fund balance. He said this emphasizes the importance of enrollment.

Responding to Trustee Vincent's question, Mr. Morris said the greatest revenue comes from a nonresident student paying full tuition, then a WUE student, then a resident student with accompanying state funding. However, the revenue from each category is almost equal. If the state continues to invest in resident students, they will end up bringing in more revenue than nonresident students.

President Saigo said SOU must focus intensely on recruiting, enrollment, retention and graduation because those will result in a positive bottom line. He mentioned some areas of concern that could negatively impact SOU's enrollment in the future, including decreasing high school graduates, the concern in California over institutions bringing in so many international and nonresident students, a Cascade campus for OSU with an increasing student population, and the Oregon Promise.

Responding to Trustee AuCoin's inquiry, Mr. Morris said the board can set whatever level it chooses for the fund balance. In the May committee meeting, he will discuss the next year's ending fund balance, which will allow his office to build the expense budget. When the board approves tuition and fees for the next academic year, Mr. Denney can then build the revenue budget.

2016-2017 Tuition and Fees: Process and Recommendation (Action)

Chair Nicholson opened the item by saying that, upon the dissolution of OUS, SOU continued to follow its old procedures for setting tuition and fees but has not yet set a new policy. President Saigo then praised the thorough process and the relationship between the SOU administration and the students, and thanked all those involved.

Torii Uyehara described the process students follow to set student fees. They started in the fall by recruiting students into subcommittees of the Student Fee Process. They reviewed the budgets of all the groups seeking student fee funding. The subcommittees compiled reports, which were presented to the Student Incidental Fee Committee. That committee reported to the Student Senate, which made its recommendation to her as the ASSOU President. Ms. Uyehara reviewed it, made corrections, then made her recommendation to President Saigo.

Mark Denney gave an overview of the process for developing a tuition recommendation: rates are developed in the Tuition Advisory Council, presented around campus to various constituent groups for feedback and discussion, presented to the president and his cabinet, then presented to this committee and the board. The recommendation for the student recreation center fee was developed using similar procedures to the student incidental fee; the Director of the Student Health and Wellness Center makes the recommendation for the student health fee; the building fee is set by legislative action; and the Director of Housing makes the recommendation for the residence and dining fee. A regimented process also is used to recommend special fees.

Mr. Denney said President Saigo recommended no rounding in the tuition and fee rates. Mr. Denney pointed out that the rate for one tuition category, a new online undergraduate differential tuition rate for two wholly-online degree programs, was not being presented to the committee or the board at this time. Mr. Denney emphasized the 3 percent increase in undergraduate tuition rates and no change in graduate tuition rates. If the recommended rates were approved, SOU would have to notify the HECC of the increases in the student incidental, health and recreation center fees because they increased by more than 3 percent.

Responding to Chair Nicholson's call for a recommendation, President Saigo said the tuition and mandatory fee schedule was developed and reviewed per established SOU procedures, including students and the student government. He submitted and recommended that the Tuition and Fees for Academic Year 2016-2017 be accepted by the committee, as proposed. Trustee AuCoin moved to recommend the resolution on the tuition and fee schedule to the board for approval. Trustee Slattery seconded the motion and it passed unanimously.

Chair Nicholson then addressed the proposed resolution on the tuition and fee process, saying it puts in place what SOU has been using and accepts it as SOU's process. Trustee Vincent then moved to recommend the resolution on the tuition and fee process to the board for approval. Trustee Hennion seconded the motion and it passed unanimously.

2017-2019 Capital Projects Prioritization and Recommendation (Action)

Mr. Morris advised the committee that the two projects on the 2017-19 capital projects prioritization request were for boiler replacement and Central Hall deferred maintenance.

Trustee Slattery moved that the Southern Oregon University Finance and Administration Committee recommend to the full board, approval of the 2017-2019 prioritization of capital projects based on the committee's in-depth review and discussion over several meetings of the project prioritization process and rationale including the backlog of deferred maintenance, future capital renewals, and overall evaluation of the campus' needs in this area. The recommendation included the following capital project priorities: a boiler replacement project at an estimated cost of \$2.7 million and the Central Hall deferred maintenance project with an estimated cost of \$7 million. Trustee Hennion seconded the motion and it passed unanimously.

Bond Funding to Replace SELP Loan Funding (Action)

Providing background information on this item, Jason Catz said that prior to the renovation of SOU's Science Building, the university was approved for a loan from the Oregon Department of Energy's (DOE) State Energy Loan Program (SELP) to include energy efficient features in the building. Due to a disruption in the timing and availability of the loan funds, for which SOU was not at fault, and because the energy efficient features were already installed in the building, the committee previously directed Mr. Morris to present appropriate options for replacing the SELP loan.

At the committee's March 17, 2016 meeting, Mr. Morris presented the pros and cons of two options. One option was to borrow funds using XI-J bonds procured by DOE. The

other option was to borrow funds using XI-F bonds from the Department of Treasury's bond package. Mr. Morris' presentation showed that, while it would take longer to receive the proceeds of the XI-F bonds, the cost of that loan was less expensive over time.

Trustee Vincent moved that the Finance and Administration Committee recommend to the full Board of Trustees that the Vice President for Finance and Administration be authorized to execute any agreements or other instruments necessary to obtain financing of this portion of the Science Building renovation through the proposed XI-F bonds. Trustee Nootenboom seconded the motion. Trustee Hennion abstained from voting, due to a possible conflict of interest. The motion passed unanimously.

Responding to Chair Nicholson's inquiry, Mr. Morris said the Department of Treasury decides if the bonds would be 15 or 20 year bonds but he would advocate for 15 year bonds.

Budget Timeline

Mark Denney covered the budget timeline to give the committee a good idea where SOU currently is in the process and the upcoming steps. The tuition and fee rates, which have been presented to the committee a few times, will be submitted to the board for approval in the April meeting. The revenue and auxiliary operations budget will be formally presented to the board in May. The full budget will be presented to the board for approval in June.

Mr. Denney introduced Partha Chatterjee, the Budget Office's new senior budget analyst. Mr. Denney also mentioned the new budget software his office is using, which has the capability to produce various reports of interest to the board.

Adjourn

Chair Nicholson adjourned the meeting at 5:30 p.m.

Date: May 19, 2016

Respectfully submitted by,



Sabrina Prud'homme
University Board Secretary