



**Board of Trustees
Finance Committee Meeting**

**Thursday, September 17, 2015
3:30 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Finance Committee Chair, Paul Nicholson, called the meeting to order at 3:31 p.m.

The following committee members were present and a quorum was established: Paul Nicholson, Lyn Hennion, Jeremy Nootenboom, April Sevcik, Dennis Slattery, and Steve Vincent.

The following committee member was absent: Les AuCoin.

The following trustees also were present: Roy Saigo (ex-officio), Board Chair Bill Thorndike, and Joanna Steinman.

Other meeting guests included: Steve Larvick, Director of Business Services; Craig Morris, Vice President for Finance and Administration; Matt Sayre, Director of Athletics; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Ryan Brown, Head of Community and Media Relations; Jason Catz, General Counsel; Liz Shelby, Chief of Staff and Director of Government Relations; Sabrina Prud'homme, University Board Secretary; Don Hill, Classroom and Media Services Manager; Janet Fratella, Vice President for Development; Mark Denney, Assistant Vice President for Budget and Planning; Karen Stone, Associate Vice President for Curricular Management; Jeff Gayton, Director of the Hannon Library; Devora Shapiro, APSOU; Lee Ayers, SOU-UGS; Sherry Ettlich, SOU; Kathy Park, Executive Assistant; Treasa Sprague, Administrative Services Coordinator; Shane Hunter, SOU; David Coburn, Oregon Student Association; Brian Sorenson, ASSOU; Megan Mercier, ASSOU; Sherritta Guzman, SOU; Scott Rex, SOU; and Olena Black, League of Women Voters.

Trustee Vincent moved to approve the July 16, 2015 meeting minutes. Trustee Slattery seconded the motion and the motion passed unanimously, without amendments.

Public Comment

Devora Shapiro, APSOU board member and member of the contract negotiating team, shared concerns regarding the university budget and its vulnerability, specifically with regard to the athletics funding discussion. She urged the board to look into the budget, as she believed that increased athletic funding and the accumulation of debt would be viewed unfavorably among accreditors.

FY 14-15 Review of Year-End Financials

Steve Larvick presented the highlights financial review noting that the results were still under auditor review at the time of the meeting. Starting with the periodic management report, Mr. Larvick highlighted Education and General; auxiliary enterprises; designated operations, service departments, and clearing funds; and all current unrestricted funds. In response to questions by Trustees Vincent and Slattery, Mr. Larvick confirmed that the 9.1 percent fund balance listed fits within retrenchment metrics and that the board approved a budget to get SOU to 11 percent. Board Chair Thorndike requested quarterly metrics to see in future dashboards.

Trustee Vincent asked about red flags board members should be concerned about and Mr. Larvick explained that a lot was occurring in the transfers due to one-time events happening in the year and that debt services will be higher. Trustee Sevcik asked if debt on the north campus will be higher and Mr. Larvick affirmed that it would go up because the first year wasn't a full year of debt service and subsequent years would be. Chair Nicholson added that a conversation about transfers is warranted for some future date.

Vice President's Report

Craig Morris, Vice President for Finance and Administration, offered an accreditation process update. He noted that the Northwest Commission review would be earlier than anticipated. SOU is preparing the self-study accreditation report and the evaluation is likely to take place next September/October when they send a team of people from other universities to SOU and they issue a report to the accrediting body. Dr. Susan Walsh noted that the full board could get a more robust presentation at a future meeting, with a timeline and details. It was noted that the board's involvement would be minimal.

Mr. Morris presented an enrollment update and noted that as of last Monday, the student headcount was basically flat and the full-time equivalency rate was up. Answering Trustee Hennion, he confirmed that this means SOU has fewer students carrying bigger loads. He highlighted that first-year students were up 14 percent, representing the biggest freshman class in SOU's history. Of those, Oregon students were up 22 percent over last year and minority student enrollment was up 9.1 percent. He pointed out that these numbers were not final and that SOU typically sees a lot of activity in the first few weeks of the term.

Mr. Morris offered HECC updates and a reporting review. He explained that this year, the three "biggs" would do their reporting and next year the remaining institutions would, including SOU. The next HECC report would be on the conditions in December 2015 and, at that time, Commissioners will provide feedback regarding the narrative report presented in June. SOU also will provide a report on mission refinement; program rationalization; contribution towards 40-40-20; and financial stability progress and trajectory. SOU's metrics are better than the goals that were set, so Mr. Morris expects a positive update to the HECC.

Regarding the institution's recent collective bargaining process, Mr. Morris announced that SOU had reached a tentative bargaining agreement. He explained that the agreement is expensive for SOU and, as such, is beyond SOU's retrenchment plan and budget. The \$1.9 million set aside by the legislature was to help with reaching an agreement with the classified staff. The four TRUs will get money to cover the difference between impasse and final agreements, with anything leftover going to PSU.

Discussion ensued primarily among President Saigo, Chair Nicholson, and Mr. Morris regarding the settlement. Specifically, they highlighted that the set-aside monies will not be continuous and SOU will have to come up with funding in the future as it may not be included in the FY 2017-19 cycle. Mr. Morris concluded the discussion advising that it behooves SOU to continue to remain focused on revenue and expenses.

FY 16-17 Budget Process and Timeline

Chair Nicholson introduced the item and informed the committee that the objective is to identify how it may want to modify the process for next year, such as scheduling key events earlier, involving the committee earlier and ending the process earlier.

Mark Denney discussed key budgetary events, noting that guidance from the board will be instrumental in helping develop a plan that fits the strategic objectives. He first reviewed the timeline and responded to how the board could be involved in the process earlier. He noted that during March, April and May, updates could be provided to the board on how the process is going, how much progress is being made and any concerns as they arise. Regarding key events in the timeline, Board Chair Thorndike inquired if SOU inherited its tuition policy from OUS and Mr. Morris affirmed this, adding that the board has the ability to change the policy though the HECC has some requirements for approval to raise tuition greater than 5 percent. The Board Chair also asked if SOU could consider differentiated tuitions depending on degrees and programs. Mr. Morris noted SOU could be open to doing so.

Looking at preparation of the preliminary budget in the spring and as the board looks at costs of the institution, Committee Chair Nicholson asked about increasing faculty and additional programs and the board's involvement. Dr. Walsh answered that increasing faculty, courses, and if necessary, class size would have to be considered. Starting new majors is an ongoing conversation and, when the time is right, curriculum proposals would come forward. Mr. Morris cited that the board's directives to budget for flat or increased enrollment would set off a cascade of planning events between the budget office and the provost's office. Dr. Walsh informed the Committee Chair that she is in constant contact with division directors and the budget office regarding adjuncts and they remain nimble.

Responding to concerns Trustee Slattery raised about the timelines, Mr. Denney noted that the current process has an aggressive timeline but SOU's new budget software

should offer significant ability to do this better in the future. Mr. Morris thought they may need to be even more flexible to involve the students in any discussions as necessary.

Athletics Funding Discussion

President Saigo introduced the athletics item while Matt Sayre presented and covered several areas including: background and recent history of the athletics program at SOU; operational revenue; SOU's athletics excellence; elevated profile; scholar-athletes and teams; demographics; student funding of athletes; and more. Mr. Denney presented the institutional funding comparison; funding resources and revenue; fundraising; expenses; and travel budget. Based on this information, Mr. Sayre identified numerous objectives of the athletics program, specifically related to funding. Two main issues identified were that the athletics program at SOU does not have an adequate funding model to sustain its operations fully. Additionally, due to teams' strong post-season performance, significant national travel has had an effect on the athletics deficit.

Trustees engaged the presenters in discussions regarding the considerations for benefits associated with NAIA or NCAA membership. Trustee Slattery noted that the post-season travel adds to SOU's national reputation and that the in-season travel costs associated with Division II (NCAA) membership would be more expensive.

Responding to trustees' questions regarding the new wrestling and soccer teams, Mr. Denney informed the group that by adding those two programs, SOU increased the general funding contribution to support the teams. Growing the number of new athletes rather than pulling from SOU's ranks improves SOU's statistics for new students. Trustee Slattery asked for clarification regarding revenue generated, if any, by these two teams. His concern centered on SOU's elimination of faculty and staff positions while simultaneously people hear of an investment in athletics that doesn't mention whether the institution is actually making money from the teams. Mr. Denney explained that soccer garnered additional tuition revenue from the student athletes who wouldn't otherwise have been at SOU. It was also beneficial for wrestling but slightly less due to the program's structure.

Trustee Vincent posited that a "Flutie factor" may be in effect: increasing enrollment due to strong athletic performance at the institution, which might be tied to SOU's national championship. An Oregon Institute of Technology study found that an athlete brings an additional 1.5 students with him/her. When discussing the intangible values that the raised profile of athletics brings, he and other trustees were interested in seeing the advertising value of their sports coverage, and if there is a net benefit from that for the school. Mr. Morris noted that it's difficult to quantify the intangibles and cautioned against drawing the conclusion that athletics is a money maker for the bottom line using intangibles as the calculation. Trustee Slattery believed that SOU

made money from athletics, noting that the athletes would need to be replaced with other students, otherwise there are fewer students and fewer degrees.

Board Chair Thorndike found the discussion to be a valuable tutorial to help the committee understand better how athletics fits into the mix. He believed that other programs on campus have similar financial predicaments and taking the time to understand what the programs actually cost is a move towards transparency in understanding. Committee Chair Nicholson encouraged exploration of the disconnect between the presentation to the board and what the faculty understands, noting that clarifying the situation seems worthwhile. President Saigo informed the committee that a condensed version of the presentation would be given to the Faculty Senate, in the spirit of transparency that was mentioned.

Adjournment

The meeting was adjourned at 6:05 p.m.

Date: October 15, 2015

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme", written in black ink. The signature is fluid and somewhat stylized, with a prominent initial 'S'.

Sabrina Prud'homme
University Board Secretary