



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

**Thursday, January 18, 2018  
4:00 p.m. – 6:00 p.m. (or until business concludes)  
DeBoer Room, Hannon Library**

**MINUTES**

**Call to Order/Roll/Declaration of a Quorum**

Chair Paul Nicholson called the meeting to order at 4:01 p.m. and welcomed two new staff members, Greg Perkinson and Dr. Blaine Steensland, as well as Penny Burgess.

The following committee members were present: Paul Nicholson, Sheila Clough, Lyn Hennion, April Sevcik and Dennis Slattery. Trustee Les AuCoin was absent due to an illness. Trustees Bill Thorndike, Shantzyn Nihipali and Linda Schott (ex officio) also attended the meeting.

Other meeting guests included: Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Dr. Blaine Steensland, Acting Vice President for Enrollment and Student Life; Janet Fratella, Vice President for Development; Dr. Matt Stillman, Registrar and Director of Enrollment Services; Andrew Gast, SOU Foundation; Drew Gilliland, Director of Facilities Management and Planning; Mark Denney, Associate Vice President for Budget and Planning; Joe Mosley, Director of Community and Media Relations; Treasa Sprague, Administrative Services Coordinator; Shane Hunter, Senior Financial Management Analyst; Steve Larwick, Director of Business Services; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

**Public Comment**

There was no public comment.

**Vice President's Report**

Onboarding Update

Greg Perkinson praised Craig Morris and the staff for transition assistance provided in his first weeks on the job. Mr. Perkinson said he focused initially on strategic direction [maintain financial stability and invest for institutional vitality] and thought it would be accomplished by stabilizing and improving revenue streams and managing costs. His approach also focuses on service provision. Emerging initiatives that will enable the vision are affordable housing, space utilization, improving the Student Success and Completion Model and empowering faculty, staff and students. An upcoming focus will be operationalizing risk management; responding to Trustee

Clough, Mr. Perkinson said he thinks SOU has in-house capabilities to implement the enterprise risk management model. He also acknowledged the importance of reshaping relationships and collaborating with the HECC and his counterparts.

#### Committee Dashboard

Mr. Perkinson addressed the information on the financial dashboard. The indicators are positive and he said he has no concerns.

#### Construction Projects Update

As detailed in the meeting materials, Mr. Perkinson reviewed funding, estimated completion dates, the scope of work, risks, and issues for the following projects: Lithia Motors Pavilion, Student Recreation Center, Theater/Jefferson Public Radio building, Britt Hall and the Thalden Pavilion. Responding to Trustee Clough regarding increased operational costs of a delayed opening of the Lithia Motors, Mr. Perkinson said it is too early to tell but the impact would be nominal. Responding to Trustee Thorndike, Drew Gilliland said Cascade serves as swing space during renovations.

#### **Consent Agenda**

Trustee Clough moved to approve the minutes from the October 19, 2017, meeting, as presented. Trustee Hennion seconded the motion and it passed unanimously.

#### **Information and Discussion Items**

##### Endowment Investment Report, First Quarter

Penny Burgess, Director of Treasury Management Services with the USSE, provided background and context for the investment accounts for the benefit of the new trustees. She also discussed market highlights underpinning investment performance.

Regarding investment returns, Ms. Burgess said the entirety of the operating assets held in the Public University Fund (PUF) are managed in accordance with the investment policy. The PUF assets are allocated into the following fixed income investment pools: the Oregon Short-Term Fund (primary objective is liquidity to meet cash flow requirements) and the Core Bond Fund (objective is to invest cash balances in excess of projected liquidity needs). The Core Bond Fund was initiated April 3, 2017, to address investment policy revisions, primarily to incorporate fossil-fuel related security restrictions. Ms. Burgess then highlighted the performance of each fund and said SOU had \$20.6 million in cash and investments held in the PUF on September 30. During the quarter, the administrator distributed over \$100,000 of earnings to SOU.

Moving to the university's endowment assets, Ms. Burgess said they are invested in a separately managed account with the State Treasury and are independent of funds the SOU Foundation manages. The total return for the quarter was a 4.4 percent. The total market value of SOU's endowment investments on September 30 was just shy of \$2.4 million. Responding to Trustee Clough's inquiry, Ms. Burgess said the committee reviewed the asset allocation and created the endowment policy about a year ago.

##### Quarterly Management Report, Second Quarter

Steve Larvick reviewed the second quarter report exactly as presented in the materials. Following discussion on Education and General as well as labor cost savings, he said

the ending fund balance is now being projected at 11.4 percent, up from budget but down from prior estimates largely due to shifts in enrollment trends. Although the fund balance as a percentage of revenues is lower than the prior year, the overall fund balance is projected to be a little higher than the prior year because the revenues are substantially higher. Responding to Trustee Slattery's inquiry, Mr. Perkinson and Mr. Denney explained the tuition revenue was less than projected because the projection was based on a 12 percent tuition increase but the increase was actually 9 percent, though SOU is doing better due to higher than expected enrollment.

Regarding auxiliaries, Mr. Larvick said increases in enrollment revenues are tied to increases from the student recreation center, student incidental, and student health center fees. Responding to Trustee Nicholson's inquiry, Mr. Larvick said part of the increase in the Other Revenue is due to higher enrollment and occupancy and to increased efficiencies in A'viands [food service] operations. Overall, the ending fund balance is shifting positive and trending in-line with the budget; however, the fund balance was pushed a bit lower as a result of the ongoing deficit with Athletics, as well as the remaining internal loan given to housing to address the BOLI obligation in 2016.

Mr. Larvick then addressed Designated Operations & Service Departments. In the 2017 fiscal year, Sales & Services and Other Revenue included some substantial one-time monies. Additionally, \$1.7 million in revenue was recognized as the discounted net present value of bonds that the JPR Foundation agreed to pay over the life of the bonds associated with the JPR construction project. The big swing in the number for additions/deductions is associated with the one-time recognition of the par amount of the bonds; the impact of that is largely offset by the recognition of revenue from the JPR Foundation. The ending fund balance is still holding at about \$1.5 million. Overall, looking at total current operating funds, the ending fund balance comes in at about 10.1 percent. However, the most meaningful target is the 11.4 percent in the Education & General, which is the number at which HECC looks.

#### Initial Enrollment Projections

Covering the certified end of fall term data, Dr. Stillman said headcount and full-time equivalent enrollment (FTE) were up over last year, exceeding projections. In response to Chair Nicholson's inquiry regarding the resident and nonresidents with respect to the funding model, Dr. Stillman said the resident enrollment represented a stabilization. President Schott added that overall high school graduates in the state are down so to stay flat is an accomplishment. Dr. Stillman said SOU also is producing more fundable [resident] degrees than in years past.

Trustee Thorndike asked if there is a correlation between jobs opening in Oregon and the types of degrees SOU is offering, as well as how SOU compares to the other regional universities. Dr. Susan Walsh said SOU's pathways tie directly to state employment trends. She added that it is hard to get good data on where the growth in jobs is, but SOU tries to get ahead of some of the trends. Regarding programs, SOU tracks closely with Eastern and Western Oregon Universities.

Regarding winter enrollment, Dr. Stillman said FTE is up slightly but headcount is not. One explanation is that students are carrying more credit hours and with more full-

time students. Dual-enrolled students have not been recorded yet because high schools operate on a different registration calendar. Dr. Stillman said the FTE for winter is projected to end 1.25 percent up from last year's winter term.

#### Budget Process and Assumptions, Fiscal Year 2018-19

Mark Denney explained the budget process and the December-to-June cycle. The process includes gathering labor data; identifying and updating assumptions; building initial budgets; finalizing budgets; developing tuition and fee recommendations; developing enrollment projections; reviewing the pro forma; obtaining fund balance guidance; reviewing auxiliary budgets; finalizing faculty; and validating management priorities. These actions will culminate in the adoption of a final budget in June.

He then discussed the tuition and fee processes and approval authorities. The Tuition Advisory Council was to have its first meeting the following day and the Student Fee Committee was starting its process as well. Mr. Denney also reviewed the pro forma, highlighting the impact on the ending fund balance of the enrollment, the tuition rate, projected enrollment from Academic Partnerships and continued cost management.

#### Budget Update: Auxiliaries

Mr. Denney said they typically spend a lot of time covering housing and athletics because they are the two big auxiliaries. The new Student Recreation Center will be added so they will take a steep look at it since it will have a full year of operations.

#### Proposed Capital Projects

Greg Perkinson highlighted changes in the list of proposed capital projects. The deferred maintenance on the music building has increased \$2 million. The Suzanne Holmes building moved to the 2023-25 biennium. The deferred maintenance on Greensprings has increased \$2 million and is now in two phases. Space management, facility condition, and redevelopment of the campus master plan will inform the list of capital projects as well as provide solid footing as SOU moves forward.

#### Future Meetings

Chair Nicholson said the next committee meeting would be February 15th and the committee would discuss the budgeting process. He asked trustees to let him, the board secretary or Mr. Perkinson know of any items they would like to discuss. Chair Nicholson requested future a discussion of the funding model to be led by Mr. Perkinson.

#### **Adjournment**

Chair Nicholson adjourned the meeting at 6:05 p.m.

Date: February 15, 2018

Respectfully submitted by,



Sabrina Prud'homme  
University Board Secretary