



**Board of Trustees Meeting
Friday, January 20, 2017
12:00 – 5:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Chair Thorndike called the meeting to order at 12:05 p.m. He welcomed Julie McFadden, SOU's new Director of Government Relations; Jean Bushong from CliftonLarsonAllen (CLA); Diana Barkelew, Director of Financial Statement Preparation at USSE; Tyler Takeshita, the new president of ASSOU; and Deborah Rosenberg, the new Faculty Senate Chair.

Chair Thorndike took a few minutes to recognize the recent loss of some valued Raiders and friends of the university: Emeritus faculty, Cynthia Jackson Ford; George Gilman, a prominent Rogue Valley community leader and former State Representative; Stephen Williams, an SOU alumnus and computing coordinator in SOU's Information Technology Department; Jason Ebbeling, a former Director of Residential Life at SOU; and Emeritus Professor Ed Houghton. Trustee Steinman thanked those who allowed the memorial service for Stephen Williams to be held on campus and those responsible for coordinating the service.

Chair Thorndike also expressed sorrow over the death of Coach Craig Howard and praised his pride and commitment. Trustee Slattery added that Coach Howard's demand of excellence extended beyond the football field to academics. The board and meeting attendees then observed a moment of silence in recognition for the passing of all those outstanding individuals.

The following trustees were present: Bill Thorndike, April Sevcik, Les AuCoin, Lyn Hennion, Jeremy Nootenboom, Daniel Santos, Teresa Sayre, Judy Shih, Dennis Slattery, Joanna Steinman and Steve Vincent. The following trustees were absent: Paul Nicholson and Shea Washington. Trustee Linda Schott (ex officio) also was present.

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; Janet Fratella, Vice President for Development; Jean Bushong, CliftonLarsonAllen; Paul Westhelle, JPR Executive Director; Chris Stanek, Director of Institutional Research; Steve Larvick, Director of Business Services; Tyler Takeshita, ASSOU President; Lindsay Swanson, SOU student; Deborah Rosenberg, Faculty Senate Chair; Dr. Jody Waters, Associate Provost; Mark Denney, Associate Vice President for Budget and Planning; Kelly Moutsatson, Director

of Admissions and Co-Executive Director of Student Enrollment; Dr. Matt Stillman, University Registrar and Co-Executive Director of Student Enrollment; Ryan Schnobrich, Internal Auditor; Joe Mosley, Director of Community and Media Relations; Olena Black, League of Women Voters; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Trustee Slattery moved to approve the minutes, as drafted, from the following meetings: June 13, September 15 and October 21, 2016. Trustee Nootenboom seconded the motion and it passed unanimously. Trustees AuCoin and Sayre abstained citing absences from some meetings.

Public Comment

Lindsay Swanson, an SOU student, commented on SOU's sustainability programs. She said she would not still be here if she had not become involved in the Ecology and Sustainability Resource Center and found people who shared her passion for environmental issues. Without programs that support environmental action and sustainability, there are students who would not remain at SOU. She encouraged the board to continue to consider sustainability as a priority when making decisions.

Audited Financial Statements (Action)

Agenda items were taken out of order to accommodate the presenter's travel schedule. Craig Morris said SOU and CLA have spent the last six months preparing and auditing the annual financial statements. This is SOU's first individual audit. He has known Jean Bushong a long time and was delighted when SOU made the decision to hire CLA.

Ms. Bushong discussed CLA's responsibilities as SOU's auditors. CLA will issue an opinion on whether SOU's financial statements are free from material misstatements, focusing on whether the statements are free from material error, material fraud and material misstatements due to noncompliance. CLA's opinion is on SOU's financial statements, not its internal control structure; however, CLA would report any significant deficiencies or material weaknesses. Ms. Bushong said SOU received a clean opinion, an unmodified report saying the financial statements were materially correct. That in itself is not unique but SOU having no audit adjustments is unique.

Although SOU had comparative financial statements this year, they were rather uncomparative because of the significant items that made the numbers look different. SOU's debt went down \$90 million, which was attributed to this being the first year of the reorganization of state universities that made SOU a stand-alone entity. There was also \$30-\$40 million in cash that came off the books because it was associated with that debt. The net impact is that equity increased about \$50 million.

Ms. Bushong then discussed the impact of GASB 68 and the Oregon Supreme Court's Moro decision on net pension assets and liabilities of PERS. SOU's net pension asset changed to a net pension liability, which also increased the operating expenses by a significant amount.

Responding to Trustee Steinman's inquiries, Ms. Bushong said SOU posts its financial statements on its website and CLA must upload the results of the single audit to the Federal Audit Clearinghouse. Mr. Morris added that SOU often has to provide its audited financial statements when applying for federal grants.

Ms. Bushong said Management's Discussion and Analysis provides a summary of the information she just highlighted. Although CLA does not audit the SOU Foundation, CLA is required to include the Foundation's information in SOU's financial statement.

This is the first year SOU received a stand-alone compliance audit. The first piece of the audit is the financial reporting results. There were no material weaknesses or significant deficiencies over financial reporting. However, CLA issued a management letter about operational items SOU should examine. The second report within the single audit is the compliance report, which focused on student financial aid. CLA issued a clean opinion stating SOU was in material compliance. However, there were five findings, which Ms. Bushong said she covered in detail at the Executive and Audit Committee meeting earlier that day. Since this was SOU's first single audit, having findings was typical and not unexpected.

Ms. Bushong then discussed required communications. There are qualitative aspects to the financial statements, such as estimates that could impact the bottom line (e.g., net pension liability, North Campus Village receivables and allowances for doubtful accounts) and changes in accounting policies that were implemented. CLA encountered no difficulties in performing the audit. There was one uncorrected misstatement, which was not material, regarding the valuation of a piece of donated equipment. There were no corrected misstatements and no disagreements with management. SOU provided all the required management representations to CLA.

Chair Thorndike said the Executive and Audit Committee accepted CLA's work and proposed that the Board of Trustees accept the 2016 audit. Chair Thorndike read the proposed resolution in the meeting materials titled "Acceptance of the Audited Financial Statements of Southern Oregon University for the Year Ended June 30, 2016." Trustee Santos moved to approve the resolution. Trustee Hennion seconded the motion and it passed unanimously.

Lunch and Campus Update

Mr. Morris introduced the Student Tuition, Debt and Affordability topic, saying the information will help the trustees to be more informed when setting tuition. He encouraged trustees to let him or the board secretary know if they need more information to help them make that decision.

Mr. Denney said the presentation would provide foundational background information for understanding the budget. Operating costs are increasing about 5 percent each year. This year, the increase is significantly more than that because of the PERS costs. The two primary revenue sources are state funding and tuition. Declines in funding from the state and from the Student Success and Completion Model (SSCM) also

combine to create upward pressure on SOU's tuition rates.

Mr. Denney provided an historical look at state funding versus tuition revenue. State aid and tuition revenue increase about 4 percent per year. That presents a challenge because operating costs are increasing at 5 percent per year. A decline in state funding is offset each by an increase in tuition revenue to keep total revenue close to expenditures.

Mr. Denney compared SOU's resident undergraduate tuition rates to those of thirteen comparator institutions, both in-state and out-of-state. He analyzed the following rates: current FY17 rates; a 10 percent increase at Oregon institutions and a 5 percent increase at out-of-state institutions; and a 15 percent increase at SOU, a 10 percent increase at other Oregon institutions and a 5 percent increase at out-of-state institutions.

Responding to Chair Thorndike's inquiry regarding the stability of the WUE relationship, Dr. Susan Walsh said she has not heard anything that would suggest the relationship is anything but stable and solid. Mr. Denney said some Oregon institutions exclude some majors from the WUE program but SOU does not. Mr. Denney said there was an 11 percent growth in students from California from fall 2014 to fall 2015 and a 7 percent growth from fall 2015 to fall 2016.

Responding to Trustee Slattery's inquiries, Mr. Denney said WUE students have to be from certain states and the rate is constrained at 150 percent of SOU's resident undergraduate tuition rate. There are no tuition restrictions for nonresident, non-WUE students. SOU could invite any state to participate in a WUE-type arrangement and Mr. Morris added that there is typically a quid pro quo in such arrangements. Chair Thorndike said that SOU offers in-state tuition rates to students from Modoc and Siskiyou Counties but Mr. Denney pointed out that the SSCM does not recognize them as resident students. Responding to Trustee Santos' inquiry, Mr. Morris said EOU has started grandfathering in an out-of-state tuition rate, has a heavy WUE population and receives a subsidy from the HECC. Responding to Trustee AuCoin's inquiry, Mr. Morris said he has not heard any rumors about a statutorily-imposed tuition cap but there have been conversations among the seven universities and legislators that there will be double-digit tuition increases if the universities are not funded adequately.

Returning to the market comparison, Mr. Denney said SOU is in line with the other regional universities in all three scenarios. However, in the two scenarios with increased tuition rates, there is a significant difference in what a California resident would pay at a California State institution and at SOU as a WUE student. The continuing increases in WUE students from California, despite the freeze in California tuition rates and SOU's increasing rates, imply that the price sensitivity is not yet discouraging those students from attending SOU. This hints that SOU would not see a significant decline in California WUE students at the higher tuition rate scenario.

Responding to President Schott's inquiry, Mr. Denney said SOU does not have a

separate rate for international students. Mr. Morris added SOU has contracts with different organizations overseas for discounted rates for exchange students and Virginia [Roberson] has a lot of freedom to negotiate rates for international students.

Trustee Nootenboom asked about conversations regarding the impact on students who are already at SOU. Mr. Denney acknowledged that students here feel every penny of an increase because those are dollars they were not paying before. At increases of 10 percent in tuition, 5 percent in mandatory fees and 5 percent in room and board, the impact to a resident undergraduate student would be an annual increase of \$1307 and the impact to a WUE student would be \$1603.

Trustee Slattery asked if funding were flat and operating costs increase 5 percent, why would SOU seek a 10-15 percent tuition increase? Mr. Denney explained that tuition is two-thirds of SOU's revenue and state funding is one-third. If state funding stays flat, SOU must make up the 5 percent of that one-third. Further, given the application of the SSCM, SOU expects to see \$2 million less over the biennium from the state even if funding to the seven universities stays relatively flat. Therefore, tuition would have to cover the lack of increase in state funding as well as the shortfall caused by the SSCM.

Mr. Denney then discussed the impact of a tuition increase on financial aid packages and Parent PLUS Loans for various categories of students, as detailed in the meeting materials.

Mr. Denney discussed the three-year history of debt load for students graduating from SOU and four other Oregon universities. At approximately \$25,000 in debt load, SOU is in line with WOU and EOU and is below the national average of \$30,000-\$35,000. However, those statistics are only for federal student loans. SOU does not have data on other loans students may get. Considering the percentage of students who graduate with debt, SOU is higher than WOU and EOU and significantly higher than OSU and U of O. This speaks to the student population SOU serves compared to the students the other universities serve. Over the last ten years, the average amount of debt SOU students have has remained relatively constant, whereas the number of students graduating with debt has been climbing fairly dramatically.

Responding to Trustee Slattery's inquiry, Mr. Denney said it is key to get students to file earlier to qualify for as much funding as possible and to receive what they are qualified for. Trustee Nootenboom said he was unaware of the phenomenon and thought it made sense for SOU to invest in marketing in this area; Mr. Denney said the registrar's and financial aid offices are actively engaged in doing that.

Mr. Denney said, depending on the particular loan and amount involved, a student could be paying \$150-\$250 per month, which is substantial. Trustee AuCoin added that the trustees talked about one of SOU's values being a caring institution. That comes into play as the university approaches a tuition decision and the trustees have to be mindful of the full life picture of these individuals. He supported President Schott's idea of looking for other streams of revenue; President Schott said that is being done by

one of the Professional Learning Communities.

Turning to the default rates, Mr. Denney compared the rates for SOU and four other Oregon universities. At 6 percent, SOU is a little better than WOU and EOU but not as good as OSU and U of O. Across Oregon, the cohort default rate is 4.4 percent and the national rate is 11.3 percent. Responding to Trustee Nootenboom's inquiry, Mr. Denney said, through intern programs, SOU works with regional employers to help students as they are repaying their loans.

Mr. Denney said SOU helps students with rising costs by improved financial aid support (e.g., encouraging early filing and using financial literacy tools to educate students on the impact of their loans), programs designed to lower the total cost of attendance (e.g., SOU's accelerated baccalaureate degree and Jackson-Josephine County Pledge), student success initiatives, tuition remission and SOU Foundation support. Responding to Trustee AuCoin's inquiry, Janet Fratella said SOU Foundation support has increased by 50 percent over last year, for a total of \$1.5 million.

In summary, Mr. Denney said low tuition is a factor that makes SOU attractive. However, low tuition makes SOU more reliant upon state funding and, when state funding does not come through, it puts more challenges on the institution. Even when state funding is there, the way the SSCM operates relative to SOU's student population is also challenging. As tuition costs increase, SOU needs to continue to support students' financial needs.

Answering Trustee Slattery's inquiry, Mr. Denney said initial modeling indicates SOU would not see a significant change in enrollment even if there were no increase in tuition. An increase in operating costs, no increase in tuition, flat enrollment, a resulting decrease in state funding and an inability to make drastic cuts would necessarily reduce the ending fund balance and would not be sustainable. Responding to further inquiries, Mr. Denney said they do not believe tuition is inelastic and would impact enrollment. A decrease in tuition would not necessarily result in an increase in enrollment. The bottom of the elasticity range is between SOU and RCC; an extremely price sensitive student would choose RCC which is cheaper than SOU. President Schott added that more information would be presented to the trustees and encouraged them not to form an opinion just yet about what a tuition increase or decrease might do.

President's Report

Using a puzzle analogy, President Schott said she is making progress on knowing where the pieces go and fitting things together. She highlighted some of her accomplishments thus far: continued to meet people; has one last one-on-one meeting with a trustee; met with 52 faculty members; met with six different faculty groups; met with 27 elected officials; attended two HECC meetings; made community presentations; and has upcoming presentations to the Medford and Ashland Rotaries and OLLI. In the next couple of weeks, she will attend some conferences. Whenever possible as she travels, she attends Raider Rendezvous events and individual meetings with donors and potential donors. Trustee Slattery later commented that the number of people the

faculty meetings impacted is so much greater than those 52; people have remarked positively on those meetings and appreciate President Schott having them.

President Schott said she and Tom were moving into the president's residence, even though the renovations were not yet complete.

Turning to staffing issues, President Schott mentioned the recent hiring of Julie McFadden and Craig Morris' upcoming retirement. In planning for his replacement, Dr. Susan Walsh will chair the search committee and President Schott would like a local trustee to serve on the committee. Mentioning the high degree of respect Mr. Morris has from legislators and other university presidents and vice presidents of finance and administration, President Schott said his retirement will be a loss to SOU and it is important to conduct a very thorough search.

President Schott mentioned Marjorie Trueblood-Gamble's Title IX presentation and said SOU has begun its mandatory sexual assault and Title IX training for all employees.

President Schott then mentioned the success of SOU's athletics programs and coaches, including women's basketball, women's soccer and men's cross country. SOU is currently in first place for the [Cascade Collegiate Conference] all-sports trophy. Student athletes are also doing well in the classroom. Nine athletic teams were recognized as NAIA scholar teams for the year, the highest total in the department's history. Matt [Sayre], Bobby [Heiken] and their colleagues are working hard at fundraising to support athletics and, with support from Lithia and Sid DeBoer, raised a record of nearly \$440,000 for student-athlete scholarships at the fall fundraising event.

An important part of President Schott's job is working closely with Ms. Fratella. The SOU Foundation fundraising goal is \$3.1 million and they are currently at \$2.4 million. There has been significant support - \$450,000 - from scholarships in the last 90 days, including a \$250,000 gift from the Smullin Foundation. Ms. Fratella later added comments about scholarships, saying the SOU Foundation awards scholarships to about 550 students, with the average award being about \$2500.

Discussing the strategic planning process, President Schott reminded trustees that she presented them an outline last fall, which has been further developed, posted information on the website and conducted a survey to obtain campus feedback. The meeting materials include the planning process and an executive summary of the survey. In general, the feedback was very positive. Some thought the timeline was aggressive, an opinion President Schott thought might be true but maybe not when moving an organization the size of SOU through this complex process. She hoped the trustees would be willing to grant her some leeway to extend the process if needed. Ginny Lang and Jon Lange will facilitate and coordinate all the moving parts. President Schott would like a trustee to serve on the strategic planning committee; Chair Thorndike recommended Trustee Nicholson for that position. Answering Trustee Steinman's inquiry, President Schott said she has not yet finalized the membership for

the strategic planning committee. The University Planning Board is the core group because it is charged with planning for the university but additional expertise and assistance needs to be added to that group. There have been quite a few volunteers to serve on the Professional Learning Communities.

Trustee Hennion moved to support President Schott's efforts around the strategic planning process and to have Trustee Nicholson represent the Board of Trustees on the committee. Trustee AuCoin seconded the motion and it passed unanimously.

Committee Reports

Executive and Audit – Chair Thorndike said everything the committee worked on will be voted on later in the meeting.

Finance and Administration – Delivering the report on Trustee Nicholson's behalf, Trustee Slattery said the committee has reviewed financial dashboards; received an in-depth enrollment and admissions overview; and reviewed the governor's recommended budget and the co-chairs' budget. The committee reviewed the history regarding the proposed sale of Cascade Theatre to the JPR Foundation; after discussion, the committee agreed to refer the item to the full board for approval, with the committee's endorsement. Mark Denney provided a detailed comparison of SOU's tuition with other institutions and identified issues relating to price sensitivity. The committee received the six month "periodic review" showing a projected decline in the fund balance from 13.7 percent to 11.8 percent, which will have real implications for the next biennium and the out years. They used the pro forma to assess implications of state funding levels, tuition assumptions and enrollment numbers and received a demonstration on how the pro forma is being used to educate faculty, staff and students on budgeting issues. They received a review of SOU's pension (PERS) liability; received a report that President Schott and her family would be able to move into the newly-renovated president's residence by the end of January; and reviewed a proposed Endowment Investment Policy and recommended the board adopt the policy. The committee discussed a recommendation that the Public University Fund divest itself of investments in fossil fuels; the committee agreed to send a letter to the OSU board chair expressing support for the divestiture and encouraging the OSU board to reach out to the universities for input on further investment strategies. The committee expressed its real appreciation for the work of Mr. Morris, Mr. Denny and their staffs for the ways in which they are giving the committee a deeper understanding of financial issues while creating a more transparent system of reporting and budgeting.

Academic and Student Affairs – Trustee Sayre said the committee reviewed the revised meeting schedule. They discussed three new curriculum programs: a graduate degree in Outdoor Adventure and Expedition Leadership, an undergraduate degree in Health Care Administration and a Wine Business certificate. She reminded the board that all the proposals are still in the program approval process and commended the committee members on their excellent questions and great feedback. She said all three programs

are innovative and very resourceful. The Outdoor Adventure and Expedition Leadership and Wine Business proposals are further along in the approval process. The Health Care Administration proposal has been delayed due to significant involvement of community partners in creating the program. The committee also looked at the National Survey of Student Engagement, which provides an overview of the perceptions of certain indicators from first-year students and seniors. The survey results can be used as SOU moves forward on various programs.

Student Leadership Report

Tyler Takeshita introduced himself, saying he serves SOU as the student body president, is a senior and is a Raider Ambassador. He discussed ASSOU's five major issue campaigns for the year. The student power initiative, in conjunction with OSA, is designed to ensure student rights and perspectives are well represented in the capital in the upcoming legislative cycle. The solar power purchasing agreement with the university will increase the sustainability of campus and provide a source of income to the students; Trustee Nootenboom is spearheading that program. ASSOU is revamping the food pantry to make it accessible and well-stocked every day of the week. The publicity campaign is looking at things internally to determine how ASSOU can reach out to students more effectively and to better serve them. The year of veteran awareness recognizes that important group on campus and the unique challenges veterans face on campus. Each campaign has an ad hoc committee.

Responding to Trustee AuCoin's inquiry, Mr. Takeshita said the veterans initiative came forward in last year's open forum for issue choosing and was brought up again this year. Trustee Vincent shared comments he has heard about tension over the lack of a private space for the Veterans Resource Center. Mr. Takeshita said it is a concern that has been brought to ASSOU's attention and hopefully the program will enable them to work toward finding veterans their own private space. Responding to Trustee Vincent's further inquiry, Mr. Takeshita said he was not aware of students being unable to separate veterans and their service from foreign policy or of a bias against veterans. He will bring the issue forward to the chair of that committee to explore.

Responding to Chair Thorndike's inquiry, Mr. Takeshita said ASSOU uses Facebook and Instagram to connect with students and tailors the accounts to individual needs.

Trustee AuCoin requested adding veterans as a future agenda item as he thought there was more to do for that group when opportunities arise. Dr. Walsh said representatives met on the space issue. Students control the space in the student union and, now that they are aware of the issue, they can have a more robust conversation on it. President Schott said she and Dr. Walsh have encouraged Veterans Resource Center personnel to meet with Kelly Moutsatson and admissions personnel to advertise available resources.

Faculty Senate Report

Deborah Rosenberg, the Faculty Senate Chair, introduced herself, saying she has been at SOU almost 18 years, teaches primarily costume design, was a past chair of Theater Arts, is co-chair of Creative Arts and one of her hobbies is carving wood with a chainsaw. She said she is thrilled to be on the Faculty Senate at this time in SOU's history. The Faculty Senate has a new energy and sense of hope because of the new president, the provost and the governance board.

Ms. Rosenberg said the Faculty Senate had a lively discussion on where recordings of meetings should be posted. The nature of that conversation set the tone for future conversations. They talked about curricular development and trusting committees to do their work rather than second-guessing their work after the fact. They want to change from a responsive body to a proactive body. Ms. Rosenberg mentioned the Faculty Senate's four goals: get more involved in creative curriculum development; evaluate and streamline committees; take an active role in strategic planning; and streamline all systems. She said they have a fine crop of senators. Dr. Walsh and President Schott thanked Ms. Rosenberg and said her leadership is outstanding.

Adoption of President's Evaluation Policy (Action)

Chair Thorndike said the proposed Board Statement on Evaluation of the University President and the president's eight goals are before the trustees for action. He said they have worked with President Schott on the presidential evaluation policy, which outlines a pathway to go forward on the presidential reviews. Additionally, the contract with President Schott includes a number of duties she is responsible for fulfilling.

Trustee AuCoin thought the self-assessment portion of the evaluation policy should include areas where the board could improve or provide more support to the president. Responding to Trustee Steinman's inquiry, President Schott said her self-assessment would include whether she was ably assisted in achieving her goals through the work of her team; identify any problems or needs; and recommend any needed reorganization or changes to the team. Jason Catz added that it also provides the opportunity for the president to describe how she has managed matters through her vice presidents and reflect on positives or negatives of her direct reports.

Chair Thorndike said some of the more interesting conversations have been on the quantitative versus qualitative reviews of the goals. Because of the adjustment period in the initial year of employment, it may be unrealistic to have a lot of quantitative aspects, but there are a few that are quantitative by their very nature (e.g., enrollment and retention). President Schott said the previous contract language from OUS conflated individual goals and achievements with institutional ones and Ellen Chaffee commented that it was not really appropriate. The final contract includes items that are the president's responsibility.

Chair Thorndike said he, Vice Chair Sevcik and President Schott worked together to identify the proposed goals. President Schott said the proposed goals are for the next six months; she and the trustees will work together next fall to articulate new goals and assessment measures.

Responding to Trustee Slattery's inquiry, President Schott said she feels very good about where they are and she senses people can feel the emerging spirit on campus. She is working well with the board and is very pleased with her leadership team. She could use help enhancing her knowledge of the political landscape, working effectively with legislators and building connections with business leaders and employers.

Chair Thorndike corrected the figure in the fifth goal. The annual fundraising goal should be \$3.1 million dollars rather than \$3.3 million.

Chair Thorndike read the following proposed motion: I move that the SOU Board of Trustees adopt the Presidential Evaluation Policy as proposed. I further move that the SOU Board of Trustees approve President Schott's 2016-17 goals as amended. Trustee Sevcik made the motion, seconded by Trustee AuCoin. The motion passed unanimously.

Proposal to Adopt Revised Board and Committee Meeting Schedules (Action)

Chair Thorndike said the revised meeting schedule ensures compliance with state regulations and allows the board to work effectively. Discussion ensued on whether the quarterly board meeting should be held in March rather than April, starting in 2018. Sabrina Prud'homme explained that boards currently are required to meet at least once quarterly and pending legislation may change this, so dates in both September and October are being reserved until further notice.

Responding to Trustee AuCoin's inquiry, Mr. Morris said, if the board set its tuition rate and later received state funding at a higher level than anticipated, the board could roll the tuition rate back if desired or could fund additional initiatives.

Chair Thorndike read the following proposed motion: I hereby move that the SOU Board of Trustees adopt the proposed meeting schedule. Trustee Vincent made the motion, seconded by Trustee Nootenboom. The motion passed unanimously.

Proposed Amendment to "Board Statement on Board Committees" to Add Board Governance to the Express Responsibilities of the Executive and Audit Committee (Action)

Chair Thorndike said the proposed change to the Board Statement on Board Committees would add board governance to the express responsibilities of the Executive and Audit Committee. The board and the Executive and Audit Committee have had several conversations about adding the function of governance to the

responsibilities of that committee rather than forming a separate committee. To formally assign this responsibility to the committee requires a policy change, which the committee has reviewed and recommended for adoption by the full board.

The work group headed by Trustee Shih is currently working on governance issues and will continue to make progress throughout the year.

Chair Thorndike proposed for the board's consideration the adoption of the amendment to the "Board Statement on Board Committees" to add board governance to the express responsibilities of the Executive and Audit Committee. Trustee Sevcik made the motion, seconded by Trustee Steinman. The motion passed unanimously. Trustee Shih clarified that the work group would continue its work on governance issues.

Transfer of Property: Sale of Cascade Theatre to JPR Foundation and Related Bond Defeasance (Action)

Jason Catz provided background information on this item. In 2011, OUS conducted an audit, which raised questions for OUS and SOU about how best to ensure JPR, a department of the university, maintains appropriate internal controls and how best to structure its staff and assets. This caused a strain in the relationship between SOU and JPR Foundation (JPRF). Though it was a well-publicized dispute, it was amicably resolved in 2012 in mediation. One of the issues that was resolved was what to do with the Cascade Theatre, which SOU had purchased in 1999. JPRF was interested in continuing to maintain some theater operations and SOU was interested in getting the theater and its associated debt off its balance sheet. In the settlement agreement, SOU agreed to give and JPRF was happy to receive an option to purchase the Cascade Theatre. Now, 4½ years after the settlement, JPRF would like to exercise that option.

Even though OUS and SOU agreed to sell the property, to fulfill SOU's promise, Mr. Catz said the board needs to formally approve the sale in order to defease the bond and convey the property. The mediation and the resulting agreement have been a great success and the current relationship between SOU and JPRF is extremely positive. Mr. Westhelle echoed Mr. Catz's conclusion that SOU and JPRF are working together better than ever and highlighted some of JPR's recent accomplishments.

Mr. Catz added that, since the purchase of the building, JPR has paid the entire debt service and SOU is not out of pocket even one cent on the purchase or operation of the building. The purchase price is the remaining debt service on the bonds used to buy the theater. Since the original purchase of the theater, JPRF will have paid for the entire building and will pay it off in this transaction. Mr. Catz added the Finance and Administration Committee endorsed and referred the matter to the board for its action.

Chair Thorndike referred the trustees to the proposed resolution in the meeting materials. Trustee AuCoin moved to accept the resolution, seconded by Trustee Santos.

The motion passed unanimously, with Trustee Hennion abstaining, citing a potential conflict of interest.

Proposed Endowment Investment Policy (Action)

Trustee Sevcik said she and Trustees Hennion and Slattery were on the working group that reviewed this policy. She said the role of the board is to recommend broad investment goals to the investment advisor (the state), including spending rate information, and to provide input into the asset allocation process. The group met, looked at the investment policy and made some simple revisions. The working group previously presented the policy to the Finance and Administration Committee.

Trustee Sevcik said the state has done a good job with the money and moved that the board approve what the working group has done. Trustee Slattery seconded the motion and it passed unanimously.

Legislative Update

Craig Morris said the seven public universities communicate more often and with higher quality than they did while under the former system. The seven are working together in Salem on a few main objectives: 1) They are advocating for the additional \$100 million for the public university support fund. 2) The presidents submitted a list of capital projects totaling \$284 million, which the HECC prioritized. The governor reprioritized the list, which contains one project for SOU (\$6 million deferred maintenance for Central Hall). The capital request also included \$65 million in capital repair and renewal dollars for deferred maintenance and building improvements. The governor's recommended budget reduced that to \$45 million. The universities will advocate strongly for funding at the full \$65 million. 3) The governor's recommended budget funded an additional \$30 million to the Oregon Promise. The Oregon Opportunity Grant did not receive any additional funding. The universities are going to advocate strongly for additional funding for need-based aid for students. 4) The governor's recommended budget did not include the \$8.1 million in sports lottery funding, which funds \$400,000-\$500,000 of SOU athletics' \$2 million operating budget. The universities will advocate for the restoration of that funding.

Mr. Morris said Liz Shelby asked him to remind the board that Chair Thorndike is the voice of the board and provides the board's official position on issues. If trustees think they will be with legislators, Ms. Shelby also wanted Mr. Morris to ask them to coordinate with President Schott, Ms. McFadden or Ms. Prud'homme so SOU leadership knows what is going on and can provide trustees updated information.

Enrollment and Completions Update

Dr. Susan Walsh addressed the dashboard, saying winter term would end 3.1 percent down from one year ago. However, advance southern credits have not been recorded yet, which will bring the FTE number up a bit.

She said attendance at the two recent preview weekends was great and the recruiters are out in the field. Dr. Walsh and President Schott expressed that SOU has hired the consulting services of Roger Sullivan to look at enrollment comprehensively.

Answering Trustee AuCoin's inquiry, Dr. Walsh said Brent Florendo is SOU's Native American recruiter and has been on board for almost a year. Dr. Walsh also mentioned the new faculty member in Native American studies, Brook Colley, and the search for another faculty position in that program. Given his experience with tribal issues, Trustee AuCoin graciously offered to travel at his own expense to tribal events.

HECC Update

Dr. Susan Walsh discussed the recent HECC meeting that she, President Schott and Mr. Morris attended. She said the universities' evaluations were on the HECC agenda for approval. Mr. Morris added that SOU's evaluation was pretty positive and there were no big criticisms. Dr. Walsh said there were three items worth noting: 1) The universities have gone back and forth with HECC leadership over the last couple of years to figure out the HECC's scope and reach; 2) The HECC is considering doing evaluations every other year rather than annually; and 3) Mr. Cannon plans to brief the legislature on what the HECC has been doing and ask if that is what the legislature intended when it created the enabling statute.

Dr. Walsh said they also attended the HECC's equity summit, where there were good conversations about diversity and inclusion.

Accreditation Update

At the NWCCU accreditation meeting, Dr. Walsh and President Schott said two of the members asked questions about SOU's strategic planning process, student success initiatives, financial sustainability, the library and the retrenchment plan. President Schott felt good about the meeting. NWCCU members said SOU did a good job and that they were impressed given everything the campus has been through over the last seven years, that the sense from the team's report was that morale on campus was good, people were willing and eager to work to move forward. The report will be out in another couple of weeks and President Schott does not expect any problems.

Board Governance Work Group Update

Trustee Shih said the work group was created out of the board's recognition that there is a need to address board governance, particularly with respect to structure, composition, engagement and assessment.

Regarding the board self-evaluation, Trustee Shih reminded the trustees that the board adopted the resolution on the responsibilities of individual trustees and one of the elements is to conduct a regular assessment on their own performance, which will be done through the self-evaluation. Trustee Shih said Ms. Prud'homme designed the on-

line evaluation and, after the results were in, she collated the data and prepared an executive summary. Twelve of the fourteen trustees responded to the survey, which evaluated individual trustees and the board as a collective and addressed upcoming issues. Trustee Shih reviewed the executive summary, which was included in the meeting materials. One of the modifications made to the survey was to include an evaluation of individual trustees in the thirteen areas the board was collectively evaluated on in this survey.

Although many trustees were willing to accept leadership positions, Trustee Shih noted no one indicated a desire to serve as the board chair. As a governing board, the board needs to pay attention to mentoring future leaders and recruiting new trustees with needed skill sets. The survey also included evaluating each of the current leaders and the feedback was provided privately to those individuals.

Trustee Shih said the work group is also assembling a handbook for trustees and an outline of the proposed elements was included in the meeting materials. The work group still has to create some of the items in the handbook. Trustee Steinman added that the handbook is designed in a web-based format.

Trustee Shih said there has been quite a bit of conversation about the terms of most of the trustees ending at the same time. The board needs to have an understanding of its current composition and a strategy for moving forward to stagger the appointments for a smoother transition. As a first step to doing that, Trustee Shih asked the trustees to complete the matrix so the board would know where strengths and weaknesses lie. Ms. Prud'homme will send the matrix in an upcoming weekly update and will compile the results, which will assist in recruiting new board members.

Future Meetings

Chair Thorndike said the next meeting will be in April. He then solicited names for new trustees and asked trustees to send suggested names to Ms. Prud'homme. Trustee Slattery suggested having a future meeting to discuss cyber security. Mr. Catz added that he and Brad Christ are developing an enterprise risk management protocol.

Adjourn

Chair Thorndike adjourned the meeting at 4:33 p.m.

Date: April 21, 2017

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme", is written over a horizontal line.

Sabrina Prud'homme
University Board Secretary