



**Board of Trustees
Finance Committee Meeting**

**Thursday, March 17, 2016
4:00 pm – 6:00 pm (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Chair Nicholson called the meeting to order at 4:04 p.m.

The following committee members were present: Chair, Paul Nicholson, Lyn Hennion, April Sevcik, Dennis Slattery and Steve Vincent. The following members were absent: Les AuCoin and Jeremy Nootenboom. Board Chair Bill Thorndike also attended the meeting.

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; Ryan Schnobrich, Internal Auditor; Torii Uyehara, ASSOU President; Brian Sorensen, ASSOU; Steve Larvick, Director of Business Services; Drew Gilliland, Director of Facilities Management and Planning; Victor Chang, SOU; Chris Stanek, Director of Institutional Research; 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; Treasa Sprague, Administrative Services Coordinator; Debra Gary, SOU; and Olena Black, League of Women Voters.

Trustee Slattery moved to approve the February 18, 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

Craig Morris reviewed the dashboard and noted that everything continues to be on target, except operating cash. It is slightly below target because of the prefunding of the SELP loan.

Mr. Morris discussed the Science Building, mentioning the acoustic engineer's report and an email message from Kevin Flynn of the City of Ashland addressed to neighbors explaining the status of the situation. He indicated that SOU has done more than it needed to do and the building exceeds code compliance requirements. In a meeting with

neighbors, Drew Gilliland, Ryan Brown, Mr. Flynn and the acoustic engineer advised that SOU would build a screen to help block the mechanical elements on the roof that will also function as an additional noise barrier. Responding to Trustee Slattery's inquiry, Mr. Gilliland said the acoustic engineer measured all noise, not just that generated by the Science Building, and interstate traffic is likely the biggest contributor. Responding to Trustee Hennion's question, Mr. Gilliland said that, overall, neighbors are happy, they know SOU is doing everything it can to reduce the noise level and they have accepted the results.

Mr. Morris said interior noise in the Science Building continues to be a significant problem and is so loud faculty must use microphones to communicate with students. In some labs, normal conversation cannot take place. Once SOU has the entire report, mitigation strategies will be developed to bring the noise down to an acceptable level, which is what SOU purchased. Much of the work probably cannot be done until summer.

Discussing the bond funding, Mr. Morris said the legislature approved SOU's three bond measures in the February legislative session: XI-F bonds as a backup to the SELP loan, \$1.5 million for the JPR project and \$2 million for the McNeal project. He and Mr. Catz met with SELP representatives in Salem and negotiated a reasonable accommodation on the SELP loan; the Treasury is willing to fund SOU's SELP loan through XI-J bonds. They then met with the associate treasurer, who prepared a comparison of XI-F bonds and the SELP loan funded by XI-J bonds; the SELP loan charges a higher interest rate than XI-F bonds. Going with the XI-F bonds seems the best option but SOU will not see proceeds from the sale of the bonds until next April. SOU will have to carry the \$1.6 million on its books, which will impact its cash and reduce SOU from its target.

Mr. Morris noted this is not an action item but he wanted to hear what the committee is inclined to recommend. Steve Larvick clarified that the bond funds are recorded as a current receivable and do not impact the fund balance, only the cash balance. Responding to Trustee Vincent's comment that the side-by-side comparison makes XI-F bonds look more attractive, Mr. Morris added that SOU will not earn interest on the \$1.6 million during that year it is carried on the books. There is an interest rate risk and a chance the legislature would decide on a different course of action, which would require a legislative act. Chair Nicholson reminded the committee that Mr. Morris has the authority to move forward in either scenario based on the committee's decision at its last meeting.

Mr. Morris then introduced Ryan Schnobrich, SOU's internal auditor. Mr. Schnobrich said he hopes to bring a systematic, proactive and communicative risk control process to the university. He has been exploring SOU, meeting people and assimilating information. He plans to attend conferences, visit OSU to meet with the former state and current OSU chief audit executive. Mr. Schnobrich's number one goal is to develop an audit plan by the June board meeting, passing it through the key stakeholders. He also provided a brief description of his education and professional background.

Enrollment Update

Chris Stanek provided the enrollment update, highlighting the 2.8 percent increase in winter enrollment numbers, which is probably where the term will end. Students of color are up 8.1 percent, WUE SCH is up 10 to 11 percent, and advanced southern credit students are up 6 percent over last year.

After three weeks of preregistration and being two weeks before the start of the spring term, there is a 3.2 percent increase in FTE. Summer is down 9.5 percent on FTE; however, this is only after one week of preregistration and there is time for improvement.

Mr. Stanek then addressed the fall 2016 funnel report. Total fall admissions activity shows 3,084 applications received, which is 45 fewer than were received last year at this time. Freshmen class is down by about 5 percent for first-time applicants. Transfer students are up 5 percent over last year. The 170 post-baccalaureate and graduate applications is a good increase, about 30-35 more than last year at this time. Answering Chair Nicholson's question, Mr. Stanek said neither he nor Kelly Moutsatson are very concerned that the numbers are down a bit since last year was a bumper year in applications. International applications are up 34 percent.

Dr. Susan Walsh added that 700 participants signed up for the next preview event, which is the largest ever. SOU has a new Portland recruiter, but has not realized his efforts yet. Jackson-Josephine Pledge students are almost at the maximum and SOU is looking at increasing the number from 50 to 60. SOU does not know what impact Oregon Promise will have, but estimates it may lose 25-40 students.

Responding to Chair Thorndike's inquiry, Dr. Walsh said SOU's application is primarily online and is student-friendly; conditional admits may have to submit written essays and some applications can be submitted onsite during recruiter site visits. Mr. Stanek added that SOU uses its own application product and there have been some complaints about the online application being clunky. The Admissions Office is revising the application a bit and will track certain data the Institutional Research Office has requested.

Mr. Stanek provided a proposed completions report broken down by discipline and bonus funding categories of the new outcomes-based funding model. The committee members will review the report and provide feedback in the next meeting.

Tuition and Mandatory Fees

Mark Denney presented the recommended tuition and fee rates. He compared SOU to the other institutions, based on current numbers, not recommended ones. SOU's tuition rate is in the lower end for resident, nonresident and WUE undergraduates. For graduate students, SOU's rate is higher, especially for residents. In total mandatory fees, SOU is high compared to the TRUs and is in the middle for all institutions.

The Tuition Advisory Council (TAC) considered several scenarios regarding tuition rates and revenue generation. TAC recommended a 3 percent increase in all undergraduate tuition rates and no change for graduate rates. By not changing graduate rates, SOU's rates will be more in line with other universities and might help grow those programs. This recommendation is fairly consistent with the pro forma and the retrenchment plan.

As detailed in his presentation, Mr. Denney covered each student's dollar amount using the new rates for undergraduates (resident, WUE, nonresident and online) and graduates (resident, nonresident and Masters in Education). He then discussed the impact of rounding up or down and the revenue generated or lost. Rounding up or down simplifies matters for students and the registrar's office. Rounding down comes at a \$50,000

financial cost. Rounding up results in an additional \$107,000 in revenue but SOU would have to notify the HECC because the increase would be over the 3 percent threshold.

Mr. Denney then reviewed the different types of fees - mandatory and special - and the process for setting the fees. Regarding the current \$307 Student Incidental Fee, SOU is in the middle of the seven institutions. The recommendation is to increase the fee to \$320, a 4.23 percent increase to accommodate the student referendum to support the Schneider Children's Center. Torii Uyehara praised the student involvement in the fee process and added that the Student Incidental Fee is well supported across campus.

The Recreation Center Fee is now \$35 per term, which was set to cover a half-year of debt service. For FY17, the fee is projected at \$75 per term, which will cover a full year of debt service and a partial year of operations costs. Ms. Uyehara added this is a good way to ramp in the cost, rather than immediately jumping to the \$95 fee set by the referendum.

The TAC recommended a 5 percent increase in the Student Health Fee. At \$123, SOU is currently the lowest in the state. The primary cost drivers are the COLA increase and staff reclassification in the SEIU contract and the services necessary to meet growing needs. Acknowledging the increase is higher than normal, Victor Chang, Mental Health Services Coordinator, emphasized the reasons for needing the fee increase and that it would allow the center to provide services and initiatives in addition to clinical services.

A discussion regarding mandatory student insurance followed, including SOU's previous efforts to offer student insurance, other university plans and the resulting increase in fees. At this time, offering student insurance is not a viable option. About 70 to 80 percent of students are insured through their parents' plans.

The Building Fee is not changing this year and is set at \$45 per term.

Although not mandatory, the Residence and Dining Fee was included for informational purposes. Universities must increase the fee at least 3 percent each year. Tim Robitz, Director of Housing, recommended an increase in the range of 3 to 7 percent, depending on the type of dorm room. Single rooms would be subject to a 7 percent fee increase, as there is more demand than capacity. Other rooms would be subject to a 3 or 3.5 percent fee increase. Housing has about a \$300,000 budget for remissions, including support to the enrollment mission, athletics and returning students. Mr. Robitz recommended an increase of 2.3 or 4.3 percent in the Dining Fee, depending on the plan purchased. To encourage retention, returning students pay their last year's meal plan rate.

Consolidating all of these recommendations, the total tuition (rounded down) and fees for a resident undergraduate student taking 15 credits would increase \$120 per term, which is a 4.42 percent increase. If tuition were rounded up, this figure would change to \$135 per term, a 4.97 percent increase. Chair Nicholson pointed out that almost \$50 of the increase can be attributed to additional services that are being provided or will be provided to students.

Mr. Denney then reviewed the enrollment projections, which were conservatively calculated. Enrollment and tuition revenue are much better than projected in the retrenchment plan. The bulk of enrollment is made up of resident and WUE

undergraduates.

Next, Mr. Denney reviewed revenue projections, referring to the pro forma numbers as the baseline. The remissions budget is set at about 10 percent of tuition revenue. Explaining the large increase in revenue from fees, Mr. Denney said the online course fee used to be included in tuition revenue but now is an online delivery fee. The total tuition revenue puts SOU slightly below the pro forma, but significantly ahead of the retrenchment plan.

Trustee Vincent asked about the elasticity to raising tuition. Mr. Denney said SOU is near the bottom of the tuition band for the seven universities. If SOU stays in the band and has relatively similar costs, he believed SOU would not be pricing students out of coming to SOU and students are not making decisions on the cost per credit. TAC advised staying near the bottom of the band.

A discussion followed regarding stakeholder buy-in and support for moderate increases. Ms. Uyehara said it is a choice between an increase in tuition to ensure continuity of programs versus no increase and the uncertainty of retrenchment. A small increase was in the best interest of SOU and students. Brian Sorensen added that 60 percent of students who responded to ASSOU's survey said the 3 percent increase was the best of the available options. Mr. Denney praised Ms. Uyehara and Mr. Sorensen for their involvement with students, ensuring student body engagement as a whole.

Describing differences between students at U of O and SOU and the impact this may have on tuition discussions, Ms. Uyehara said, because SOU is small, people can talk as a community, she has access to senior staff, students can engage more directly with the board and students can provide their input knowing it will be considered by the board.

Housing Fee (Action)

Trustee Sevcik moved that the Finance Committee recommend that the full Board of Trustees adopt the 2016-'17 housing and meal rates fee schedule, as proposed in the schedule. Trustee Slattery seconded the motion and it passed unanimously.

Schneider Children's Center Information

Mr. Denney introduced the center director, Debra Gary, and highlighted her accounting and head start background. A discussion on challenges followed, including a slow rebuilding of enrollment, recertification process, students qualifying for Employment-Related Day Care (ERDC) funding, early exhaustion of ERDC funding, miscalculation of the Student Incidental Fee resulting in less revenue, reclassification of positions, unanticipated appliance replacements and new staffing requirements. SOU budgeted to lose about \$100,000 this year but is projecting a loss over \$160,000. After about a year of operating, the model will be evaluated to determine if it is working.

2017-'19 Capital Request Information

Mr. Morris discussed SOU's request for two proposed capital projects for 2017-19, the boiler replacement and Central Hall deferred maintenance, with a view of what the next two biennia requests could be. All prioritization was based on the Sightlines report; however, Suzanne Homes Hall was moved to the 2019-21 biennium because SOU currently has enough academic space. Action will not be taken on this item until the committee's next meeting.

After discussing the strategy of submitting two projects instead of three, the committee concluded adding a third project would not be beneficial for SOU.

HECC Budget Submission Draft

Mr. Morris presented a draft outline of the response to the HECC, which included responses to various funding scenarios involving the Public University Support Fund (PUSF). The HECC will submit a consolidated request to the Governor, who then submits her budget. The universities will then advocate and lobby for a number that may or may not be the same as the HECC's or Governor's requested budget.

The President's Council has reviewed the draft response. The presidents think the scenario of \$765 million will transform into what the request will be for the next biennium. In that scenario, the resident undergraduate tuition rate increases at all the universities can stay below 5 percent. SOU receives one of the lowest allocations because of the way the model funds the institutions.

In the upside scenarios, the PUSF would be a gigantic windfall and the universities' responses would be very extreme. However, even in those scenarios, because of the compounding nature of tuition revenue, the universities would probably still increase tuition less than 3 percent and increase remission budgets by that amount. In the downside scenarios, the result could be increasing tuition beyond a tolerable amount and the universities are sending a message to the HECC through that response.

The final draft will be provided to the seven boards for their information. Given the compressed timeline, it is not possible for the boards to wordsmith the draft and still meet the HECC's suspense.

Responding to Trustee Slattery's inquiry about available options if funding is not received from the legislature and SOU does not make cuts, Mr. Morris said SOU's only option would be to raise tuition since it has already made expense reductions.

Adjournment

Chair Nicholson adjourned the meeting at 6:12 p.m.

Date: April 14, 2016

Respectfully submitted by,



Sabrina Prud'homme
University Board Secretary