

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

**Thursday, May 17, 2018
4:00 p.m. – 5:30 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Chair Nicholson called the meeting to order at 4:04 p.m. and welcomed Dana Richardson, the executive director of the Oregon Council of Presidents.

The following committee members attended the meeting: Paul Nicholson, Sheila Clough, Lyn Hennion and Dennis Slattery. Trustee Shantyn Nihipali attended via videoconference. Trustees Les AuCoin and April Sevcik were absent.

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; Janet Fratella, Vice President for Development; Josh Lovern, SOU; Ryan Schnobrich, Internal Auditor; Treasa Sprague, Administrative Services Coordinator; Mark Denney, Associate Vice President for Budget and Planning; Steve Larvick, Director of Business Services; Andrew Gast, SOU; Don Hill, Classroom and Media Services Manager; John Stevenson, User Support Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Public Comment

There was no public comment.

Vice President's Report

Presenting the financial dashboard, Greg Perkinson said SOU has received \$12 million of the \$13 million on the Q-Series bonds but due to timing issues, this was not reflected in the operating cash balance. There is a slight uptick in student credit hours. The revenue chart includes the \$3.3 million that was forward-funded to help with the cash needed to operate. There are no negative indicators regarding the year-to-date Education & General (E&G) expenses and the fund balance is within target.

Regarding implementation of the strategic plan, Mr. Perkinson said the senior leadership team prioritized six goals, one of them being service excellence. He has created a work group, developed a framework and presented it to the president's executive council, all with a goal of establishing service excellence as the culture in all aspects of the university. Responding to Chair Nicholson's inquiry, Mr. Perkinson said the financial implications of this work is that, as SOU grows the culture of excellence, customers will feel it and it will help with student recruitment, retention and success.

Discussing enterprise risk management, Mr. Perkinson said Brad [Christ] and Ryan [Schnobrich] rolled-out a model shortly after his arrival. SOU is looking at risk areas and has developed a framework to capture the risks, likelihood of occurrence, and mitigation in order to create a heat map. The vice presidents met with Mr. Schnobrich to

discuss issues of concern. The next step is to talk with the President about how to manage those risks at the board, president or vice president level, as appropriate. Trustee Clough stressed the importance of the board seeing the risk model.

Lastly, Mr. Perkinson mentioned the CIO candidate search, saying there were three good candidates and the process is moving forward.

Consent Agenda

Trustee Hennion moved to approve the April 19, 2018 meeting minutes, as presented. Trustee Slattery seconded the motion and it passed unanimously.

Action Items

AY 2018-19 Differential Tuition Rate for International Exchange Students

Mark Denney said the proposed differential tuition rate for international students helps SOU better target those students very specifically. SOU has agreements with various international universities where SOU sends one of its students to the other university and that university sends one of its students to SOU. The exchange is typically for one term to one year. The student pays tuition to the home university and pays nothing at the visiting university in this one-for-one exchange arrangement. Some of the international universities want to send more students to SOU but SOU does not have enough students to participate in additional one-for-one exchanges. Those international universities may still send their students to SOU and, currently, the students pay the non-resident tuition rate to SOU. However, this is cost-prohibitive in some cases. He said Virginia [Roberson, the Director of International Programs,] projected there would be ten students or fewer who would pay this differential tuition rate in the first year but that number would grow. The proposed 175 percent of the resident undergraduate rate is more than the WUE rate and would cover the cost of delivering education.

After some discussion, Jason Catz and Mr. Denney proposed amendments to the resolution included in the meeting materials. The second paragraph should read “Whereas, the university president recommends a 2018-19 differential tuition rate of \$301.00, or 175 percent of the resident undergraduate rate for students coming from international exchange partner universities not participating in a one-for-one exchange program” and the last paragraph should read “Be it resolved, the Finance and Administration Committee hereby recommends the Board of Trustees of Southern Oregon University approve the AY 2018-19 differential tuition rate of \$301.00 for students coming from international exchange partner universities not participating in a one-for-one exchange.”

Responding to Trustee Clough’s inquiry, Mr. Denney said this rate would not take away funding from other priorities and would actually increase funding for such priorities. Further, there is no impact to funding model, as it does not cover these students.

Responding to Chair Nicholson’s inquiry regarding unintended negative consequences, Mr. Denney said Ms. Roberson identified one: the small number of students (one or two) above the one-to-one exchange who pay the full nonresident rate will pay less. Although SOU will lose money on those students, SOU will be ahead with the students it will gain.

Trustee Slattery made the following motion: The Finance and Administration Committee hereby recommends the Board of Trustees of Southern Oregon University

approve the AY 2018-19 differential tuition rate of \$301.00 per credit hour for students coming from international exchange partner universities not participating in a one-for-one exchange program. Trustee Clough seconded the motion and it passed unanimously.

Trustee Hennion clarified that this differential rate does not affect students from American Samoa. She also requested a list of the international universities that participate in the exchange program.

Information and Discussion Items

Periodic Management Report

Greg Perkinson presented the periodic management report, focusing on variances from budget greater than 10 percent. Regarding the E&G fund, there was a 21 percent increase in other revenue from the amount originally budgeted compared to the amount currently forecasted; SOU received an additional \$250,000 in insurance recovery funds related to the wire fraud case. Responding to Trustee Hennion's inquiry, Jason Catz said the investigation into the wire fraud case is ongoing. The recovery is approaching \$900,000 and there are no indications of any additional insurance recovery.

Regarding Auxiliary Enterprises, there is a 13 percent variance in "other revenue" reflecting a \$377,000 uptick in revenue from increased dining activity and receipt of one-time funds from the Collegiate Housing Foundation. There is a negative 10 percent variance in expenditures for personnel services, partly because the COLA increases came in lower than budgeted. Chair Nicholson pointed out that parenthetical entries for revenue reflect a "worse than" situation whereas for expenditures they reflect a "better than" situation.

Regarding Designated Operations, there is a negative 14 percent variance for personnel services expenditures, tied to COLA, fringe benefits, and expected growth with JPR that did not transpire. The transfer-in from the general fund to support the PEAK [student employment] program was larger than expected, causing a 12 percent variance.

Mr. Perkinson discussed the aggregate of the three funds, the ending fund balance and transfers between fund types. Looking at the data, he said nothing seemed anomalous.

Review of Draft Budget

Mark Denney reviewed the draft budget for E&G. He said the pro forma has served as the contextual reference for the budget and decisions have been made based on the pro forma. This meeting was the first opportunity to compare the pro forma with the draft budget and, hopefully, give the confidence that the pro forma is a fair and accurate proxy for the budget. Mr. Denney said the draft budget was developed based on the committee's earlier guidance of having an ending fund balance above 10 percent, preferably in the 11 percent range. The draft budget has an ending fund balance of 11.2 percent.

Josh Lovern addressed many of the figures of the draft budget included in the meeting materials. He mentioned the growth in certain areas, including the online MBA program, WUE students, students from American Samoa, and retention improvement. Responding to Chair Nicholson's inquiry regarding enrollment for the online MBA program, Mr. Denney said his estimates continue to be conservative.

Although there is an increase in the budget for unclassified salaries, Mr. Lovern said savings were realized from some searches not being successful; the difference between the budgeted amount for COLA and what was received; and the slight increase in the vacancy level than what was projected.

However, the increase in student pay is in recognition that SOU has not increased the budget in this area in the last few years but minimum wage has increased. The budget increase helps SOU keep the same headcount in student workers. The increase in student labor and an anticipated increase in medical costs contribute to the increase in Other Payroll Expenses.

Discussing the impact of the Academic Partnerships contract on Service & Supplies (S&S), Mr. Lovern said the remittance of one-half of the tuition revenue (\$750,000) will be recorded as a service charge. Responding to Chair Nicholson's inquiry, Mr. Denney said most of the initiatives President Schott may wish to pursue will be funded from the S&S budget.

After Trustee Hennion and Chair Nicholson identified mathematical errors in the draft budget, discussion ensued on what may have caused such errors. Chair Nicholson advised that there was still work to be done on the budget before the next meeting.

Review of Pro Forma

Mark Denney said the ending fund balance for 2019 is estimated to be 11.2 percent. Using that fund balance and looking at future years, there would be around a 10 percent fund balance in the next biennium, which is lower than President Schott desires. SOU must, therefore, continue to grow enrollment and manage expenditures. Mr. Denney said he has not built in any costs, savings or revenue from proposed initiatives because it is not yet known which initiatives will be implemented.

Ongoing Financial Performance Metrics

Greg Perkinson mentioned his work with the HECC on financial stress testing. Not all of his peers are on board with what the HECC is doing. He believes the HECC will have the opportunity to collaborate more with the universities' vice presidents for finance and administration to develop a sense of the benefit of sharing university data and how it will be integrated into decision processes.

Returning to the budget, Chair Nicholson said the trustees with the strongest financial understanding are on the committee and expressed concern for the other trustees when the budget is presented for approval. He recommended having a generalized narrative about major changes taking place in the budget and spelling out the connection between the budget and the strategic plan.

Future Meetings

This agenda item was not covered in the meeting.

Adjournment

Chair Nicholson adjourned the meeting at 5:27 p.m.

Date: June 21, 2018

Respectfully submitted by,

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

Sabrina Prud'homme
University Board Secretary