



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

**Thursday, May 18, 2017  
4:00 p.m. – 5:30 p.m. (or until business concludes)  
DeBoer Room, Hannon Library**

**MINUTES**

**Call to Order and Preliminary Business**

Chair Nicholson called the meeting to order at 4:01 p.m. He welcomed Sheila Clough, the board's newest trustee. The board chair appointed her to the Finance and Administration Committee, after Trustee Vincent graciously ceded his position on the committee. Chair Nicholson also welcomed Penny Burgess to the meeting.

The following committee members were present: Paul Nicholson, Sheila Clough, Jeremy Nootenboom, April Sevcik and Dennis Slattery. Trustees Les AuCoin and Lyn Hennion participated remotely. Trustees Steve Vincent and Linda Schott (ex officio) also attended the meeting.

Other meeting guests included: Craig Morris, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic Affairs; Jason Catz, General Counsel; Janet Fratella, Vice President for Development; Mark Denney, Associate Vice President for Budget and Planning; Devon Backstrom, ASSOU; Carol Voisin, SOU faculty; Monica Magdaleno, SOU student; Mattison Smith, SOU student; Hannah Cable, SOU student; Taylor Skye, SOU student; Chris Warrren, SOU student; Syd Martin, SOU student; Spencer Nelson, SOU student; Noah Hurley, Interim Housing Director; Shanztyn Nihipali, SOU student; Ivonne Hernandez, SOU student; Lesliy Rivera, SOU student; Shelby Gorman, SOU student; Allie Bogard, Student Life; Olena Black, League of Women Voters; Jamani LaShawn, ASSOU, Student Life; Ryan Schnobrich, Internal Auditor; Shane Hunter, Senior Financial Management Analyst; Steve Larvick, Director of Business Services; Daryl Maplethorpe, ASSOU; Matthew Soloway, ASSOU; Dylann Loverro, SOU student; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Trustee Sevcik moved to approve the April 20, 2017 meeting minutes, as drafted. Trustee Slattery seconded the motion and it passed unanimously.

**Public Comment**

Dylann Loverro, an SOU student, read a letter on behalf of ASSOU President Elect Daryl Maplethorpe, which criticized the Tuition Advisory Council (TAC) and the tuition

setting process. The letter said that, when the TAC drafted its proposal, only three students were present, Mark Denney drafted the proposal for the TAC in a very rushed manner and he was the only one who gave presentations at the TAC meetings. The vote happened in a conversation and not by a show of hands. Ms. Maplethorpe thought the campus presentations were more to inform students of the imminent tuition increase rather than to solicit their feedback. She felt the students were not given adequate opportunities to be involved in the tuition setting process.

Andrew Zucker, an SOU student, thought the board should be looking at students first. At an ASSOU senate meeting, he said they were told the school could get by with a 7.5 percent increase. He understood that, at this point, there is nothing students can do about the increase. He asked the board to endorse Speaker Kotek's tax revenue plan, which would help reduce the tuition increase to about 8 percent. Many students are disappointed with the level of student involvement and the 12 percent increase in general. Mr. Zucker said some of the testimony given to the HECC was not factual.

Syd Martin, an SOU student, commented on what she considered to be the board's unbelievable behavior and the ludicrous situation the board has put students in. She said the administrations' behavior has been disrespectful and shady, all in an attempt to silence students' voices and undermine their opinions. The tuition increase puts an unnecessarily large burden on students and is not the only option. She said the board does not have student support for this decision and has lost students' respect. She also urged the board to support Speaker Kotek's plan.

Monica Magdaleno, an SOU student, said she was appalled when she heard about the possibility of a 12 percent increase. She mentioned her personal financial difficulties in paying for college and being significantly in debt at 19 years old. She is highly considering going elsewhere to college.

Spencer Nelson commented on the lack of a pool at the new [student] recreation center.

Shelby Gorman asked why the board has threatened the HECC with cutting faculty and student funding when there are so many administrative positions.

### **Vice President's Report**

Craig Morris reviewed the financial dashboard, saying the elements the committee usually focuses on have remained pretty much unchanged from the last meeting. Cash is above target; the fund balance is below target; enrollment is running behind which brings the Education and General (E&G) revenue a little behind; labor is above the burn rate compared to last year; and benefits and S&S are behind the burn rate.

Shane Hunter discussed the net revenue ratio, also known as the net profit margin, a measure of revenue that flows to the bottom line. He presented a graph comparing peer institutions with SOU and only one exceeded the recommended 4 percent target for this ratio. He said there is a correlation between state funding and an institution's net revenue ratio.

Mentioning the TRU Day event in Salem, Mr. Morris said he, the president and the provost were there along with Board Chair Thorndike and Trustee Vincent. They advocated for a \$100 million increase in funding above the governor's recommended budget, which was flat with no recognition of increased cost drivers. Twenty-three student athletes and three students from ASSOU participated in the legislative discussions. Mr. Morris said legislators love hearing from students and the students were fantastic as they talked about the need for the additional funding. Discussion ensued on the uncertainty surrounding the budget, revenue generation, lobbying efforts, and restrictions on state employees.

**Third Quarter Investment Reports: Endowment and Public University Fund**  
Penny Burgess, Director of Treasury Services at University Shared Services Enterprise, provided the third quarter investment report update. Regarding the PUF investment report, Ms. Burgess said the entirety of the monies held in the PUF are invested with the State Treasury, in accordance with the investment policy. Six of the seven public universities participate in the PUF. The PUF investments consist of an allocation to each of the following fixed income investment pools: the Oregon Short-Term Fund, the Oregon Intermediate-Term Pool and the PUF Long-Term Pool. The returns for the quarter were a positive 0.6 percent and a positive 0.3 percent fiscal year-to-date. All three of the investment pools posted good returns for the quarter. SOU had \$31.8 million in cash and investments held in the PUF on March 31 and the PUF administrator distributed over \$129,000 of earnings to SOU.

Ms. Burgess said the third quarter is the last quarter to report on the performance of the Intermediate-Term and Long-Term pools. On April 3, a proportion of each pool's underlying securities and cash positions were transferred into the new PUF Core Bond Fund to facilitate the fossil fuel restriction and other components of the PUF's amended investment policy adopted by the OSU Board in January 2017. At that time, the OSU board also approved a framework to guide the evaluation of future PUF investment policy change requests.

Regarding SOU's endowment assets, Ms. Burgess said they are held in a separately managed account with the State Treasury. These endowment assets are independent from those managed by the SOU Foundation. The total return for the quarter was a positive 5.4 percent and 10.4 percent fiscal year-to-date, outperforming the policy benchmark by 40 and 120 basis points, respectively. The returns are supported by strong performance in both domestic and international equity markets, underpinning the 6.9 percent quarterly return for the Blackrock All-Country World index. The total market value of SOU's endowment investments on March 31 was just below \$2.3 million. In January, the SOU board approved a target asset allocation of 75 percent global equity and 25 percent fixed income. She has shared the investment policy and asset allocation request with the State Treasury and asked that they seek permission from the Oregon Investment Council (OIC) to change the allocation. This request has been slated for review at an upcoming OIC meeting. The allocation at the end of the quarter was 72 percent global equity and 28 percent fixed income. Historically, the portfolio is realigned to the allocation targets in July/August of each year when the

funding for the annual distribution is requested. Unless there is an objection, she will request the State Treasury realign to the 75/25 allocation target in August. There being no objection, Chair Nicholson said the committee would stay with its policy.

Mr. Morris reminded the trustees that the institution's endowment funds are \$2.2 million along with the SOU Foundations endowment funds of approximately \$25 million. Responding to Trustee AuCoin's inquiry, Mr. Morris said the \$2.2 million came from donors who did not want their donations to go to the SOU Foundation.

### **Presentation of 2017-18 Budget Draft for All Fund Types and Review of Pro Forma**

Mark Denney discussed the E&G funds, saying the committee has been using the pro forma as a proxy for the budget throughout the year. The budget development process is far enough along that budget numbers can be presented and will demonstrate the alignment between the budget as it is built and the pro forma. Mr. Denney cautioned that the budget as presented is tentative and neither President Schott, Mr. Morris nor Dr. Susan Walsh have seen these numbers.

Mr. Denney then covered the tentative budget figures included in the meeting materials – the FY17 adopted budget, the FY18 draft budget, the pro forma figures and the variance between the draft budget and the pro forma. He corrected the variance figure for the enrollment fees, saying it should be about \$326,000. Transfers are largely made to support athletics, JPR and Rogue Valley TV and have increased from last year. Given low variance rates between the pro forma and the draft budget, Mr. Denney thought the pro forma did a good job projecting revenue and expenditures.

Mr. Denney reiterated the retrenchment plan's requirement that SOU's fund balance be 10 percent or greater. The tentative budget projects a 10.3 percent fund balance, compared to the pro forma's projection of 10.1 percent.

Mr. Morris said he was impressed with the reconciliation between the figures in the pro forma and those in the draft budget. Answering Chair Nicholson's inquiry, Mr. Denney said the pro forma would learn the best it can from the categories with large variances and more accurately project those categories in the future.

### **Presentation of 2017-18 Auxiliary Budget Drafts: Athletics and Housing**

Mark Denney said athletics and housing have the most complex budgets, outside of E&G as a whole. He then covered housing's draft budgets as presented in the meeting materials. The elements of housing operations include residence halls (Greensprings, Cox, Cascade and Madrone), rental housing and the North Campus Village. The budget for the residence halls includes the residence halls, the North Campus Village settlement and the dining facilities. The net profit for housing is about \$500,000, which will be used for deferred maintenance and to maintain its fund balance.

Mr. Morris mentioned the need to renovate some residence halls. He said the committee would be presented a future proposal to borrow 11F bonds for about \$8

million to improve Greensprings. To successfully borrow those funds, housing's balance sheet needs to be strengthened.

Turning to athletics, Mr. Denney said that, unlike other auxiliaries, athletics does not charge a fee to generate revenue. Its support comes from SOU's general fund, activity courses, housing, and Student Life through the student incidental fee. This is the last year housing will support athletics; the university will pick up that support in the future. SOU contributes \$200,000 to a post-season travel reserve but the students are no longer supporting that reserve. Mr. Denney then discussed the breakout of the general fund support of \$1.4 million and the draft athletics operations budget as detailed in the meeting materials. Athletics continues to have a deficit in its budget; this year it will be approximately \$400,000. Responding to Trustee AuCoin's inquiry, Matt Sayre mentioned some of the benefits in economics, recruiting, retention and persistence that student athletes bring.

**Higher Education Coordinating Commission (HECC) Update and Next Steps**  
Chair Nicholson said he thought everyone was aware of the HECC's decisions regarding the universities' tuition proposals. Everyone was disappointed that SOU needed to go to the HECC for approval of the increase but it was necessary for the institution. The presentation to the HECC accomplished what was needed. President Schott added that SOU emphasized the importance of the strategic planning process and the HECC was clear that it would hold SOU accountable for having a developed plan in December.

President Schott said that, before going to the HECC meeting, she personally met with three of the four students on the TAC to discuss what they thought worked and what did not. Dr. Walsh will call the TAC together to discuss the process and ways to improve it. Financial Aid staff have been out twice a week in the Hawk and the Student Union to answer students' questions. Dr. Walsh added her appreciation for the students' opinions and involvement and looks forward to improving the process.

### **Future Meetings**

Chair Nicholson said the next meeting would be on June 15 and the big action item will be the 2017-18 budget. He encouraged trustees to let him or the board secretary know if they have any other items to discuss.

### **Adjourn**

Chair Nicholson adjourned the meeting at 5:58 p.m.

Date: June 15, 2017

Respectfully submitted by,



Sabrina Prud'homme

University Board Secretary