



**Board of Trustees  
Finance Committee Meeting**

**Thursday, November 19, 2015  
4:00 pm – 6:00 pm (or until business concludes)  
DeBoer Room, Hannon Library**

**MINUTES**

**Call to Order**

Chair Nicholson called the meeting to order at 4:03 pm.

The following committee members were present: Paul Nicholson, Les AuCoin (via videoconference), Lyn Hennion, Jeremy Nootenboom, April Sevcik, Dennis Slattery and Steve Vincent.

Other meeting guests included: Craig Morris, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Jason Catz, General Counsel; Chris Stanek, Director of Institutional Research; Lisa Garcia-Hanson, Associate Vice President for Enrollment and Retention; Liz Shelby, Chief of Staff and Director of Government Relations; Ryan Brown, Head of Community and Media Relations; Drew Gilliland, Director of Facilities Management and Planning; John Stevenson, IT User Support Manager; Don Hill, Classroom and Media Services Manager; Shane Hunter, Research and Reporting Analyst; Steve Larvick, Director of Business Services; Janet Fratella, Vice President for Development; Sabrina Prud'homme, Board Secretary; Kathy Park, Executive Assistant; Treasa Sprague, Administrative Services Coordinator; Susan Cain, SOU; Olena Black, League of Women Voters; and David Coburn, OSA.

Trustee AuCoin moved to approve the October 15, 2015 minutes, without amendments. Trustee Slattery seconded the motion and it passed unanimously.

**Public Comment**

There was no public comment.

**Internal and External Auditor Updates**

Mr. Morris advised the committee that one internal auditor candidate came to SOU for an interview and one accepted another job. Next steps will be determined.

Regarding the external auditor, two firms responded to the RFP and will give presentations on November 20th at 10:00 and 11:00 a.m. Mr. Morris encouraged attendance at the presentations.

**Higher Education Coordinating Commission (HECC) Reporting Update**

Chris Stanek updated the committee on preparations for the December 10th report to the HECC. The conditions update report will be about SOU's interim progress. There will be two parts to the report. The first is financial and operational metrics presented by Brian Fox. Next, President Saigo and staff members will focus on mission and decision-making framework.

Trustee AuCoin asked about the potential impact of trustees who do not regularly attend meetings. Mr. Morris said they will focus on the outstanding involvement of the trustees as a whole because engagement is not measured solely by attendance at meetings.

Mr. Stanek said they will describe the organizational, governance and leadership structures; data resources they are leveraging; executive report addressing the completions model; academic reorganization, integration of Academic and Student Affairs and the impact on campus decision-making; new efforts in student retention related to the \$1.2 million in extra funding; contributions to 40-40-20; enrollment analysis; budget pro forma; and conditions ratios. The main message will be that we are implementing the retrenchment plan and are doing quite well.

The report will be quantitative and partially qualitative. On the qualitative side, Chair Nicholson recommended mentioning the oversight the committee provides through its early engagement in the budgeting process. Mr. Morris agreed. Mr. Stanek said they are still in the draft stage. The report will be submitted to the HECC on November 30. Chair Nicholson hoped the board would have some degree of review on the report. On November 23, the president's cabinet will review the draft so it would have been premature to provide the committee or the board a copy at this point in time.

Responding to a question from Trustee Hennion regarding how the HECC will judge SOU, Mr. Morris noted that SOU is in a good position to be successful in reporting-out based on the criteria. One of the most important issues they will cover is letting the HECC know the board and the new president will work together on SOU's mission and developing a strategic plan.

### **SOU Science Building Update**

Drew Gilliland mentioned two recent community meetings held to address noise issues with the Science Building. About 17 neighbors were emailed and the city is involved. SOU hired an acoustic consultant. It will cost \$200,000 to meet the city's standard, which is the lowest decibel standard in Oregon, and probably in the northwest. Mr. Gilliland believes SOU will meet that standard. Mr. Morris stressed the intent to have the contractor deliver the building in a condition that meets all codes.

### **Race Awareness Week**

This topic was postponed until a later date as the presenter was unable to attend the meeting.

### **Enrollment Update**

Chris Stanek and Lisa Garcia-Hanson updated the committee on SOU's enrollment data after seven and a half weeks into the fall term. Compared to the same time last fall, SOU is up 1.4 percent in FTE and a small amount on headcount. At 4,413 FTE, SOU beat the target set in the retrenchment plan.

In the first week of preregistration for winter 2016, SOU is up 1.7 percent in headcount and 6.5 percent in FTE compared to last winter. Relative to the subpopulations SOU gets bonus points for in the funding model, the mix remains about the same but the underrepresented minority populations continue to see increases. Ms. Garcia-Hanson added that these positive indicators show growth on top of growth.

Mr. Stanek said last year's fall-to-fall retention was one of SOU's best. This year's fall-to-fall retention of first-time, full-time freshmen dropped slightly. Looking at other retention metrics defined in the retrenchment plan, such as all undergraduates and transfer students, SOU is meeting or beating them.

In response to Chair Nicholson's question of the arts going down and STEM going up, Mr. Stanek explained that the 7.9 percent drop at Oregon Center for the Arts is because SOU dropped an art history program. Ms. Garcia-Hanson reminded the committee that these numbers reflect student credit hours (SCH) and should not be used to make determinations about major program fluctuations. Mr. Stanek added that physics is a major that SOU cut, but SCH is up because it is a service program for the general education component of all majors. Chair Nicholson suggested adding notes for major changes affecting these numbers.

Regarding retrenchment metrics, Mr. Stanek said SOU is meeting or beating all targets established for fall 2015: SOU beat the FTE target by 4.7 percent; the average course size is 26.5 students; and the number of low-enrolled courses has dropped to 28 (target was 42). This data has been transmitted to the HECC.

Trustee AuCoin asked if the board should read anything into the 4.5 percent decrease in SCH in the House experience. Ms. Garcia-Hanson thought not because it is still a relatively new program. Dr. Walsh mentioned Lee Ayers' recent presentation to the Faculty Senate where she noted revisiting the House program. There are three Houses they feel good about and are committed to the sustainability of those programs. The Mind and Body House was dropped last year. Responding to a question about the recruiting benefits of the House program, Dr. Walsh said University Seminar is only a one-year experience for freshmen, whereas, the House experience is three years and moves through all of general education. The programs differ but both are a recruitment and retention feature and the cohort experience in the three years is key to that. Mr. Stanek added that the 35 SCH decrease represents a very small number and that students retain and succeed about the same in University Seminar and House programs.

Trustee Nicholson pointed out that the total graduate SCH dropped 12.8 percent and is common across the board. Mr. Stanek said the institution is shrinking in terms of graduate level coursework and SOU discontinued the Masters of Management program in Guanajuato, Mexico. Trustee Nicholson asked if SOU is down because of actions taken to reduce courses or limit classes, or because fewer students are engaging in the graduate experience. Mr. Morris said SOU has had several years of growth in graduate programs so this might be a market adjustment or it could be an anomaly; he further noted it cannot be ignored.

### **Accreditation Report Update**

Dr. Walsh addressed the timeline for the accreditation. In September 2014, a steering committee was created. Thereafter, evaluations of academic programs and academic support programs moved forward. In fall 2015, the committee continued to gather data and met with NWCCU accrediting body representatives. In spring 2016, the committee will begin drafting the report to be submitted September 1, 2016, and the site visit will be in October 2016.

Mr. Morris said this is a major and ongoing agenda item for the Academic and Student Affairs Committee. This committee presentation offers a high-level view and another group of trustees are diving deep into this information. Additionally, the prior accreditation reports contain a wealth of information. The provost strongly encouraged all interested people, particularly trustees, to read those reports.

### **Strategic Initiatives**

Dr. Walsh described many ongoing strategic initiatives. The institution will receive \$1.2 million, which was earmarked for student support funding—\$582,000 this year and again next year—which will help support these initiatives.

The first cohort of Pirates to Raiders in the Phoenix-Talent school district arrive in fall 2016. SOU is examining a program expansion and the \$1.2 million allowed expansion into McLoughlin Middle School in Medford to establish the Bulldogs to Raiders program. The program is for Pell eligible, first generation, Hispanic students from seventh grade through the college pipeline. She added that a great outcome would be a bilingual certificate.

SOU is searching for a regional admissions counselor to recruit, retain and graduate urban students from Portland. The Admissions Office is taxed for resources because they have pulled other admissions counselors to send to Portland. The additional counselor will allow a focus on new and transfer students and supports the state's 40-40-20 goals. Mr. Morris said they want to focus recruitment on Oregon students without taking away from recruiting non-Oregon students. Transfers from Portland Community College are growing, but a constant presence is important. Trustee AuCoin mentioned some strong friendships he still has with secondary education teachers in the Portland area and offered his help with opening doors.

The Bridge Program, led by Dr. Amy Belcastro, supports success of high-risk students but is not a remediation approach. It is a collaborative team in Academic and Student Affairs. The focus is on Oregon residents, first generation, rural, underrepresented students who have markers for success. They came to SOU in the summer and program administrators nurtured them and will continue to do so. Involvement starts at ROARs and continues throughout their SOU career.

Dr. Walsh next described information about predictive analysis—data that can predict and identify early intervention opportunities. There are ways that academic advisors, faculty and others who work closely with students can analyze data to help with early intervention so students do not get so far astray that they cannot succeed. Mr. Stanek added that SOU has not yet reached the predictive stage, but is looking at the variable analytics. SOU is also working with the Center for Instructional Support to identify gateway courses with high rates of failure.

SOU is in the process of hiring a case manager, who is a licensed counselor, for SOU Cares. Cares reports had a baseline of 817 in 2012-2013, which increased 12 percent in 2013-14 and 38 percent in 2014-15, with another increase anticipated for this year. The database is triaged regularly throughout the day and referrals are made to resources such as the Student Support and Intervention Office and Health and Wellness Center. A Cares report can range from a professor reporting a student's disengagement in classes to suicidal ideation reported by a friend.

Student Affairs has always offered academic advising by professional advisors. Faculty are still expected to do advising. However, it is not evenly distributed and is inconsistent; some have 60 students while others have three. SOU is examining the issue and exploring the possibility of expanding faculty-member duties of those who are good at advising while decreasing the involvement of those who prefer not to advise.

The Provost's office is working with the Director of Instructional Support on a Curriculum Design Academy to redesign high D, W, F, I, E courses (grades of "D," "withdraw," "fail," "incomplete" and "final exam not taken"). Unfortunately, many of the DWFIE courses are gateway courses for general education requirements and affect a large number of students.

Lastly, Dr. Walsh discussed the Jackson-Josephine County Pledge: a three-year baccalaureate pathway for rural, first generation, Pell eligible, underrepresented high school students. Mr. Morris added that this initiative focuses on recapturing enrollment from the local area. A special tuition rate, nearly equal to RCC's tuition rate, will apply, encouraging the students to come to SOU instead of going to a community college. The accelerated program graduates students

faster, gets them into the workplace faster and reduces student debt. Regarding the participating schools, Ms. Garcia-Hanson said it is currently limited to the 28 public, rural high schools in Jackson and Josephine Counties. Homeschooled students are more difficult to identify because they have to be ready to complete the three-year program. Trustee Vincent expressed concern over not including students from homeschools or online schools because those market segments appear to be exploding. Ms. Garcia-Hanson responded that they are not limiting their marketing and the program will eventually be open to all students.

### **Financial Metrics and Dashboard**

Shane Hunter discussed the data presented on the dashboard, saying it is a snapshot of various metrics and comparisons to last year. This is an effort to start the conversation. The committee will continue to receive this dashboard monthly and will evaluate its usefulness in January.

Mr. Morris explained that the education and general (E&G) fund balance goes up and down like a roller coaster throughout the year. It does not predict the end-of-year fund balance but is just a snapshot in time.

The primary reserve ratio is an estimate on how long the university could pay its expenses if it stopped operating and no more income were received. The primary reserve ratio of 18.1 percent represents about two months of operating expenses and the HECC minimum is 7 percent. The HECC's minimum asset to liability ratio is 2:1; SOU's current ratio of .7:1 does not yet meet that standard. The HECC's maximum debt burden ratio is 7 percent and SOU is at 4.1 percent.

The E&G YTD revenues show how quickly SOU is receiving its revenues, as compared to last year. The YTD select expenses chart reflects data for labor, other personnel expenses, and supplies and services. The "burn rate" is how fast SOU is spending money this year, compared to last year. Some of the expenses for supplies and services transferred from OUS came at the beginning of the year, which caused an early burn rate. Chair Nicholson said the challenge of a burn rate is making the assumption that you are okay if the burn rate is the same in both years, but there can be timing issues that could throw it off. Mr. Morris confirmed this and added that SOU does not budget revenue and expense by month and the only way to measure progress is by comparing SOU's spending to last year's. So if the institution is off-base in a month, there will be a need to understand how SOU is spending and keep an eye on certain expenses.

Trustee Vincent asked why SOU does not budget by month, expressing concern over detecting trends in time to correct problems. Mr. Morris explained that along with academic directors, the provost and others, the institution reviews numerous monthly reports and financial statements.

### **Balance Sheet Ratios**

Shane Hunter discussed balance sheet ratios. The annual review metrics are based on HECC requirements and all seven universities will be reporting them. The retrenchment benchmarks are specifically for universities with retrenchment plans. The ratios go back ten years and the trends are important to examine.

Steve Larvick added that the viability-ratio data goes back relatively far in time but not all the long term liabilities were on SOU's books in earlier years. The focus should, therefore, be on where SOU is now and where it wants to be. Trustee Nicholson asked if the adjustment the auditors required for bad debts was involved in these ratios. Mr. Hunter clarified that it would decrease expendable net assets.

In its annual review of institutions with governing boards, the HECC will use fixed benchmarks.

SOU will use retrenchment benchmarks in its conditions report to the HECC. The data comes from the audited financial statements, which are almost complete.

### **Year-end Projections**

In presenting the year-end projections, Steve Larvick highlighted figures throughout his presentation. He said SOU is up substantially in E&G, largely due to changes in base funding and the funding model tied to the dissolution of OUS. Tuition & Fees was based on a small decrease in enrollment but SOU had a slight increase instead as the enrollment mix has changed. Commission from the Barnes & Noble bookstore and interest on student accounts go into Other Revenue. The swing in transfers is due in large part to the proceeds coming from the North Campus Village.

For auxiliary enterprises, Sales & Services includes revenue from housing, parking, athletics and health center, among others. Other Revenue includes food service operations and housing occupancy increases. The current negative fund balance is due to the BOLI settlement.

In Designated Operations, increases in enrollment fees are tied in with non-credit course activity. JPR is one of the biggest units in Sales & Services. Other Revenue includes the service center, internal sales activity, Rogue Valley TV and contract revenues. The trend is largely tied to service center activity; for example, Print & Copy has increased its revenue by about 30 percent.

SOU is trending mainly in the right direction. Mr. Morris explained that in the past, SOU only forecasted budget. The figures presented are an effort to give the committee meaningful information on forecasted revenue and expenses. He expects that SOU will be on budget or better at the end of the year.

Mr. Morris said the Budgeted Operations Pro Forma handout was for the committee members' information and added historical data for reference. The big take away, he noted, is the forecast and assumptions made. The pro forma will be used at the December update for the HECC. Being conservative in his forecasts, he assumed no enrollment growth; a 4, 6, and 6 percent increase in personnel services over the next three years, respectively; and a 3 percent tuition increase. The fund balance decreases to 11.2 percent because of the assumption of no enrollment growth, thus, underscoring the importance of increasing enrollment.

### **Campus Master Plan: 2017-2019 Capital Request**

Mr. Morris discussed the campus master plan and past capital requests for SOU as well as the other institutions. For 2015-2017, SOU requested funding for the Britt Hall renovation, Cogeneration-Biomass, and the Susanne Holmes Hall renovation projects. The Britt Hall renovation was approved. The capital request for 2017-2019 is due at the end of April.

Discussing the Cogeneration-Biomass project, Mr. Morris said SOU has four boilers on campus. Two were replaced and the other two are past due for replacement. SOU wants to replace them with a cogeneration system. The question is whether the institution would fuel the cogeneration plant with natural gas or biomass. The decision will need to be made at the April board meeting.

SOU has hired Sitelines to update the deferred maintenance backlog. Sitelines will report back to the committee in February. Based on its report, the committee can pick and prioritize projects to put forth in funding requests.

### **Adjournment**

The meeting was adjourned at 6:07 pm.

Date: January 21, 2016

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme". The signature is written in black ink and is positioned above a horizontal line.

Sabrina Prud'homme  
University Board Secretary