



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

**Thursday, June 21, 2018  
4:00 p.m. – 6:00 p.m. (or until business concludes)  
DeBoer Room, Hannon Library**

**MINUTES**

**Call to Order/Roll/Declaration of a Quorum**

Chair Paul Nicholson called the meeting to order at 4:00 p.m. and welcomed attendees to the final meeting of the academic year.

The following committee members were present: Paul Nicholson, Sheila Clough, Lyn Hennion, Shanztyn Nihipali and Dennis Slattery. Trustees Les AuCoin and April Sevcik participated remotely. Trustees Bill Thorndike and Linda Schott (ex officio) also were present.

Other meeting guests included: Penny Burgess, University Shared Services Enterprise; Barry Thalden, incoming trustee; Shaun Franks, incoming trustee; 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, Senior Budget Analyst; Treasa Sprague, Administrative Services Coordinator; Mark Denney, Associate Vice President for Budget and Planning; Andrew Gast, SOU; Deborah Lovern, Budget Officer; Don Hill, Classroom and Media Services Manager; Gordon Carrier, Computing Coordinator; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

**Public Comment**

There was no public comment.

**Vice President's Report**

Greg Perkinson provided an update on the search for the Chief Information Officer, saying Tom Battaglia was selected and will begin August 1.

Review of Committee Dashboard

Presenting the financial dashboard, Greg Perkinson explained each category and said there were no negative indicators.

He noted the \$500,000 insurance payment SOU received following settlement of a lawsuit, praising Jason Catz's persistence in settling the case and obtaining reimbursement for expenses incurred. Mr. Perkinson responded to inquiries and comments from various trustees about accounting for this \$500,000. He said this money will show up as revenue and can be seed money for strategic initiatives. The

budget office created an institution-level activity within the budget and already loaded the money into that activity. It is not built into the baseline budget; rather, it is a one-time receipt. Chair Nicholson postponed further discussion on this topic to the committee's forthcoming discussion on the budget.

### General Updates

Mr. Perkinson described "culture of excellence" and the institution-wide efforts being made to achieve service excellence. He addressed employee success, which is included in goal one of strategic direction II, and mentioned some of the initiatives SOU is implementing, such as intake and onboarding of new employees, professional development opportunities, awards and recognition, and performance management.

Mr. Perkinson said a couple of events accelerated the creation of an institutional effectiveness program. The program includes corrective actions following internal audits. The plan is to strengthen the rigor behind the corrective actions process and nesting that responsibility under Mark Denney.

Regarding enterprise risk management, Mr. Perkinson said SOU is working on identifying, managing and bringing to closure various risk issues. The Business Affairs Council will track and monitor the issues on a monthly basis.

Mr. Perkinson discussed the importance of continuous improvement and process improvement. The intent is to deepen the capability to resolve issues in various areas on campus and those capabilities will be shared with others.

### **Consent Agenda**

Trustee Clough moved to approve the minutes from the May 17, 2018 meeting, as presented. Trustee Slattery seconded the motion and it passed unanimously.

### **Action Items**

#### Amendment to Student Incidental Fee

Mark Denney said this was originally intended to be an action item but will instead be a discussion item. Through part of the student incidental fee, the students subsidized the Schneider Children's Center through a referendum. With SOU's decision to close the center, the students want to discontinue the subsidy, which could only be done through another referendum. The students held a special election to vote on the referendum. However, not enough students participated in the election to meet the requirements of the ASSOU bylaws and, therefore, the results of the special election were not valid. Since the issue is not before the committee as a result of a recognized student process, the committee will not take action on the proposed amendment.

The student incidental fee will remain at its current rate. The proposal moving through the registrar's office is to offer a credit to students in an amount equal to the subsidy. The students will have the opportunity to hold another special election.

### Fiscal Year 2018-19 Budget

President Schott said she is recommending an \$86,066,121 budget. This will allow SOU to continue to operate efficiently and to invest strategically. She reminded the

committee of her commitment to bring forth a budget with an ending fund balance of at least 11 percent. The proposed budget has an ending fund balance of 11.1 percent.

Mark Denney reviewed the path the committee and board have taken to develop the draft budget: budget assumptions and process discussions in January; setting tuition and mandatory fees in March; enrollment projections in March; revenue projections in April; and a draft budget along with ending fund balance guidance in May.

Mr. Denney highlighted some of the tuition rates that were approved in March, as presented in the meeting materials. He then discussed the enrollment projection trend line based on a three-year history, rather than focusing on specific years. The trend line gives a higher degree of confidence in projecting enrollment. He also reviewed the positive impact of the online MBA program.

Turning to revenue, Mr. Denney said tuition revenue is being driven, primarily, by the online MBA enrollment and the 4.22 percent tuition rate increase. Discussion ensued on how summer tuition revenue is divided between fiscal years and the impact of higher than expected online MBA enrollment.

Mr. Denney explained tuition remissions—a program the Tuition Advisory Council strongly recommended be maintained. SOU takes a portion of tuition revenue dollars to give some students a discount on tuition.

Mr. Denney then discussed state support. In the past, SOU has received funding based on the Student Success and Completion Model (SSCM) at the lowest level possible. However, because of recent strong graduation numbers and enrollment of resident students, there may be an increase in state funding based on the SSCM. Responding to Trustee Hennion's inquiry, Mr. Denney said that the potential increase in state funding would not return SOU to its current service level. Additionally, miscellaneous other revenue is projected to decline because this year included some one-time monies.

Turning to expenditures, Mr. Denney said labor makes up 79.3 percent of the total expenditures. Pay is increasing at about 4.4 percent, which is a combination of COLA, year, rank and step increases. Other Payroll Expenses makes up 35.7 percent of total payroll and is increasing 8.5 percent.

Supplies & Services (S&S) is just under 17 percent of the total expenditures but is increasing 14.6 percent. The increase is due in large part to the online MBA program.

Looping back to the discussion on strategic investments, Mr. Denney said one is hiring a Vice President for Enrollment Services, which is reflected in the labor category. Mr. Perkinson added that 39 strategic initiatives were submitted at a cost of \$4.5 million; nineteen of those were approved with existing funds for a total of almost \$800,000. Some of the initiatives are funded from labor and some from S&S.

Chair Nicholson explained that the \$800,000 to support the strategic plan came from reducing the ending fund balance from 12.3 percent to 11.1 percent. Mr. Denney clarified that the \$500,000 mentioned earlier came in after the budget planning

process; it is not built into the budget because it came in too late but will be reflected in a larger ending fund balance this year than what was projected.

Discussion ensued on approval of the budget, authority to spend funds and the board's role in those processes. Mr. Catz added that the committee has visibility and oversight over the budget and he will complete a legal analysis on the budget authority of the administration and the board. Chair Nicholson said his concern was to ensure the administration has the appropriate authority to spend available funds, in particular the \$500,000 mentioned earlier. To address the committee's concerns, Chair Nicholson said there was nothing wrong with having a recommendation to adopt a budget of \$86,566,121, which would include the \$500,000.

Mr. Denney then addressed interfund transfers. The 14 percent increase is due to labor increases in supported programs in athletics and Jefferson Public Radio, and to recognize the academic use of the Student Recreation Center.

Mr. Denney said the projected ending fund balance for 2018 is 11.5 percent, which will be increased by \$500,000, and the proposed budget for 2019 has an ending fund balance that will be a little higher than 11.1 percent. It was the consensus of the committee members that it was appropriate to add the \$500,000 to the proposed budget.

Trustee Clough moved that the [Finance and Administration Committee of the Board of Trustees recommends] the board approve and adopt the Fiscal Year 2018-2019 budget in the sum of \$86,566,121, inclusive of Education and General budgeted operations in the sum of \$65,710,486; an auxiliaries budget in the sum of \$16,427,493; and designated operations in the sum of \$4,428,142. Trustee Slattery seconded the motion and it passed unanimously.

Chair Nicholson and Trustee Slattery thanked Mr. Denney, Mr. Perkinson, and all the staff for the extraordinary amount of work that went into preparing the budget.

## **Information and Discussion Items**

### Investment Update

Penny Burgess, the Director of Treasury Operations at the University Shared Services Enterprise, presented the third quarter FY18 investment report. She said market highlights underpinning investment performance during the quarter included: the US fourth quarter calendar GDP growth registering 2.9 percent; the Federal Reserve raising the Fed Funds rate by 25 basis points at its March meeting; the Barclays US Aggregate Bond Index declining 1.5 percent during the quarter, as yields marched higher on the heels of positive economic data and higher inflation expectations; and US equities declining modestly as the S&P 500 index declined 0.8 percent.

Turning to the university's investment returns, Ms. Burgess said the public university fund (PUF) declined 0.1 percent for the quarter and increased 0.5 percent fiscal year-to-date. On the positive side, the PUF's investment yield is rising, marking 1.5 percent for the first three quarters of the fiscal year and an annualized rate of 2.2 percent, 50 basis points ahead of the 3 year average of 1.7 percent.

The Oregon short-term fund returned 0.5 percent for the quarter, outperforming its benchmark by 10 basis points. The Core Bond Fund declined 0.8 percent for the quarter, outperforming its benchmark by 10 basis points.

On March 31, SOU had \$25.3 million in cash and investments held in the PUF. The PUF administrator distributed over \$126,000 in interest earnings to SOU.

Moving to the endowment assets, Ms. Burgess said the university's endowment assets are invested in a separately managed account with the Oregon State Treasury and held independently from those assets managed by the SOU Foundation. The total return for the quarter declined 1.0 percent, performing in line with the policy benchmark as both global equities and fixed income markets suffered declines during the quarter. The total return increased 8.0 percent fiscal year-to-date, outperforming the benchmark return of 7.1 percent. The asset allocation continues to be within the policy target range of 75 percent global equities and 25 percent fixed income. The total market value on March 31 was \$2.46 million.

Per the investment policy, the annual spend rate is set at 4 percent. The endowment fund has generated strong returns over the last five years, averaging 8.5 percent. The committee members confirmed that they remain comfortable with the 4 percent spend rate and this will be conveyed to Ms. Burgess.

#### Future Meetings

Chair Nicholson said the next committee meeting will be on October 18.

#### **Adjournment**

Chair Nicholson adjourned the meeting at 5:56 p.m.

Date: October 18, 2018

Respectfully submitted by,



Sabrina Prud'homme

University Board Secretary