

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

**Thursday, March 21, 2019
4:00 p.m. – 6:00 p.m. (or until business concludes)**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Finance and Administration Committee Members:

Sheila Clough	Present	Shanztyn Nhipali	Present
Les AuCoin	Present	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Absent
Megan Davis Lightman	Present		

Chair Sheila Clough called the meeting to order at 4:02 p.m. in the DeBoer Room of the Hannon Library. Chair Clough introduced Dr. Lee Ayers Preboski, who then talked about her position at SOU and her role on the HECC. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Lyn Hennion, Paul Nicholson, Deborah Rosenberg and janelle wilson.

In addition to some of the members of the President's Cabinet and individuals on the agenda, other attendees included: Penny Burgess, USSE; Echo Field, emeritus SOU faculty; Josh Lovern, Budget Office; Andrew Gast, Office of Development; Deborah Lovern, Provost's Office; Lee Ayers Preboski, Undergraduate Studies and HECC; Susan Dyssegard, Office of Finance and Administration; Ryan Schnobrich, Internal Audit; John Stevenson, Information Technology; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Consent Agenda

Trustee Lightman moved to approve the consent agenda, as presented. Trustee Thorndike seconded the motion and it passed unanimously.

Vice President's Report

Committee Dashboard

Greg Perkinson reviewed the financial dashboard included in the meeting materials. He said operating cash is below target as a result of less revenue due to decreased enrollment. Receipt of state appropriations is delayed, causing a lag in revenue.

Supplies and Services expenses exceed the burn rate, which is problematic. There is less internal reimbursement from housing occupancy back to facilities. Natural gas prices have spiked and electricity costs are about 28 percent higher.

The Joint Committee on Ways and Means has released the co-chairs' budget, which is at current service level: \$40 million over the last biennial budget.

General Updates

Mr. Perkinson provided an update on labor negotiations. Faculty negotiations have culminated in ratification of a contract; they anticipate the final contract to be ready in mid-April. Statewide negotiations with the classified staff union [SEIU] just started and the energy is positive.

In recent meetings with legislators, SOU demonstrated how state funding would affect SOU's need to reduce costs. Various operating revenue and tuition increase scenarios were used to show the funding needed and to demonstrate the cost reductions that would be necessary to meet the 10 percent target fund balance. This started the dialog that if SOU receives less state funding, it will have to be more aggressive in cost cuts and tuition increases.

Mr. Perkinson reviewed a heat map of the top 20 risks identified through SOU's enterprise risk management process, which includes likelihood, consequence, ownership, level of oversight and mitigation steps. The next steps are to do a deep dive with President Schott to ensure the assessment connects with hers. The administrative team will then meet with trustees to identify and discuss their top three risks. Mr. Perkinson described the internal method used to identify and monitor risks.

Noting that scholarships were not included in the top 20 risks, Trustee Lightman expressed serious concerns with the recent admissions scandal at the University of Southern California. Significant discussion ensued on steps taken at SOU to prevent such issues as well as how SOU can improve transparency of decisions made, drive accountability, and award scholarships through the SOU Foundation. Chair Clough said this topic warrants further discussion.

Legislative Affairs Update

Mr. Perkinson drew committee members' attention to the charts in the meeting materials comparing the Governor's Recommended Budget to the investment plan and to the Ways and Means co-chairs' budget. He then reviewed the projected allocation of the co-chairs' budget for each university using the outcomes-based funding model. SOU's additional allocation would be about \$2 million for the next biennium.

President Schott said she has had numerous visits with legislators. The most encouraging was a meeting the university presidents had with Representative Dan Rayfield, who is pushing for higher education to be included in the student success package, along with K-12.

Action, Information, and Discussion Items

Endowment Investment Policy

Sabrina Prud'homme said the work group on policies sought the committee's input on three issues in particular: timeframe for the moving average for the spending policy, asset allocation and the distribution rate. Penny Burgess, Director of Treasury Operations at USSE, discussed the long-term objective of the endowment and how that impacts the allocation; she said she supports the allocation and distribution rate in the current policy.

Board Chair Hennion and Board Vice Chair Nicholson articulated two approaches to the moving average, asset allocation and distribution rate. Trustee AuCoin supported Board Chair Hennion's slightly less aggressive approach. Trustee Lightman reiterated the committee's ability to bring the policy back for future discussion if warranted.

Vice President Janet Fratella added that the SOU Foundation has had the same conversation recently. They increased their distribution rate to 4 percent, use a 12-quarter rolling average and are close to the 75/25 market split.

Trustee Franks pointed out a grammatical error in paragraph 6A. Ms. Prud'homme confirmed that the committee recommended correction of that grammatical error and concurred with the other changes as presented in the meeting materials.

Tuition Advisory Council (TAC) Update

Greg Perkinson reviewed the HECC's slides on college costs and affordability that were included in the meeting materials. SOU's strategic communication plan regarding university finances and tuition shows the messaging to various audiences to educate and create awareness. He said staff have created two checklists to ensure compliance with requirements as SOU moves through the tuition-setting process. Dr. Susan Walsh added that the checklists and other information are posted on the TAC website.

Responding to Chair Clough's inquiry, Mr. Perkinson said the TAC will start meeting again after the spring term begins and will develop its recommendation hopefully within 18-20 days. He will provide a status update at the next committee meeting with the goal of providing a final presentation to the committee and board in May.

Student Incidental Fee Update

Greg Perkinson said the students decided on a 4.25 percent student incidental fee increase from \$345 to \$360 per term. The building fee has been \$45 per term for quite some time; they are considering the addition of a nominal \$15 fee to that to support SOU's software, hardware and network. The Student Recreation Center fee is locked at \$95 for three years after the center's opening; Hugues Lecomte is operating the center as a business, looking for ways to generate revenue. The Health Center fee currently is \$140 per term; there is no new recommendation yet. The Housing Office is still looking at adding a new meal plan that will create better affordability and is looking at rolling back to 2016 rates. This will somewhat offset modest increases in housing costs (2.75% in residence halls and \$25-\$30 per month for student and family apartments).

Review of Pro Forma and Budget Discussion

Greg Perkinson reviewed a comparative analysis of having an 8 and a 5 percent primary reserve, showing optimistic, pessimistic and realistic scenarios for each based on different levels of funding, enrollment and cost cutting measures. In the pessimistic and realistic scenarios, austere measures would be required in the form of \$1 million in cost cuts split across the biennium. Responding to Chair Clough's inquiry, Mr. Perkinson said the \$1 million in cost cuts would have service level implications.

Discussion ensued on expectations for the ending fund balance and different ways to achieve it in both years of the biennium. President Schott stressed that she believes

SOU is making the right strategic moves and investments and that it is a matter of time and timing until they work. The consensus of the committee members was to remove the 5 percent primary reserve from consideration. If seeking the HECC's approval of a tuition increase, Chair Clough suggested showing what steps would be required for maintaining an ending fund balance of 8 and of 10 percent.

Trustees explored and discussed a variety of financial scenarios using the interactive pro forma.

Future Meetings

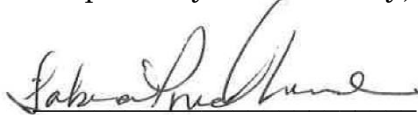
The next regularly scheduled committee meeting will be on April 18.

Adjournment

Chair Clough adjourned the meeting at 6:06 p.m.

Date: April 18, 2019

Respectfully submitted by,

A handwritten signature in cursive script, appearing to read "Sabrina Prud'homme", is written over a horizontal line.

Sabrina Prud'homme
University Board Secretary