

Board of Trustees
Finance and Administration Committee Meeting
Thursday, October 15, 2020
Videoconference

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Megan Davis Lightman	Present
Les AuCoin	Absent	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Lyn Hennion	Present		

Chair Sheila Clough called the meeting to order at 4:01 p.m. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Paul Nicholson, Deborah Rosenberg, Daniel Santos, President Linda Schott, Barry Thalden and janelle wilson.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for University Advancement; Jeanne Stallman, Associate Vice President for Government and Corporate Relations; Penny Burgess, University Shared Services Enterprise; Sabrina Prud'homme, Board Secretary; Josh Lovern, Budget Office; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Consent Agenda

Trustee Vincent moved to approve the consent agenda as presented. Trustee Hennion seconded the motion and it passed unanimously.

Vice President's Report

Committee Dashboard

Greg Perkinson reviewed the financial dashboard, emphasizing how the pandemic has affected SOU's financial condition. Operating cash is down due to decreased revenue. Mr. Perkinson said enrollment was down 10.9 percent as of the end of September and the board approved a budget assuming a 10 percent decrease. Fiscal year (FY) 21 revenue is trailing FY20 revenue by \$1.1 million. Mr. Perkinson noted that Labor, Other Personnel Expenses, and Supplies & Services are down, reflecting effective cost cutting. Regarding ending fund balance, the fiscal year started with \$5 million.

COVID-19 Update

Reviewing the fiscal impact of COVID-19, Greg Perkinson said revenue is down \$10 million, half of which is in housing. There is almost \$6 million in cost avoidance,

especially in travel expenses. Mr. Perkinson pointed out that normal revenue and expenditure patterns will vary this year; for example, athletic travel will shift from the fall to the spring. He reviewed other expense categories, as included in the meeting materials. The net effect is that SOU is down about \$2.9 million.

Responding to Chair Clough, Mr. Perkinson said the data is collected by activity as well as index and is very precise. The data can be evaluated by fiscal or academic year.

Enrollment Update

Mr. Perkinson mentioned enrollment data earlier in the meeting.

Action, Information and Discussion Items

Investment Update: Fiscal Year 2019-20 Fourth Quarter

Penny Burgess provided the investment report for FY 2020, noting the major economic impact the coronavirus had on the global investment landscape. She said the market highlights for the year included the global central bank support and fiscal stimulus that helped stabilize the volatility in the fixed income and equity markets. She reviewed various market indicators, the US Treasury yield curve and international fiscal responses to COVID-19, as included in the meeting materials.

Ms. Burgess then turned to SOU's operating assets that are invested in the Public University Fund (PUF). The PUF gained 1.1 percent for the quarter and 4.2 percent for the FY, most of it being driven by the performance in the core bond fund. SOU ended the FY with \$18.9 million in total operating assets invested in the PUF, which generated interest earnings of \$767,000.

Ms. Burgess said Will Hampson and John Lutkehaus are new investment officers at the Oregon State Treasury and they will have oversight of SOU's endowment assets.

The PUF investment policy is up for its 2-year review in 2021. There are no major changes from a strategic perspective. The State Treasury did recommend a benchmark change for the core bond fund to more closely reflect the original intent of the fund in light of changes to the portfolio.

Turning to SOU's endowment assets, Ms. Burgess said the fund increased by 16.1 percent for the quarter and 3.2 percent for the fiscal year. The fund had a balance of \$2.5 million in market value at the end of the fiscal year.

Responding to Chair Clough's inquiry, Sabrina Prud'homme said the committee and the board would review the Board Statement on Investments for the SOU Endowment Fund in March 2021.

Revenue Report

Greg Perkinson presented information on the revenue picture and SOU's forecast. In

May, the state's revenue forecast and the impact on funding for universities was rather doom and gloom; however, it has improved with some projections increasing funding for the public university support fund (PUSF) of 3.5 to 5 percent. With tuition and fee revenue comprising about two-thirds of SOU's revenue, enrollment and retention are critical. Mr. Perkinson added that it looked like SOU would receive \$187,000 in this year's true up.

Mr. Perkinson informed the committee of current efforts to refinance the bonds for the North Campus Village to accelerate savings. He explained that if revenue losses in housing were sustained, it would put the North Campus Village project at risk.

Budget Update

Greg Perkinson provided a snapshot and highlights of the budget, saying SOU closed FY20 with 7.9 percent operating revenue in the Education and General fund. He then mentioned the reductions needed to achieve the board's minimum ending fund balance [of 8 percent]: \$6.4 million in June, \$4.4 million in July and then \$1.9 million in September. The cuts decreased based on more funding than expected in the PUSF, savings from furloughs and other cuts.

Mr. Perkinson then reviewed the updated pro forma and mentioned some of the integrated assumptions, including the PUSF being held harmless, faculty and staff furloughs, labor cuts, freezing travel, no catering at campus functions, continuing the hiring freeze, and transforming processes. Chair Clough and Trustee Hennion stressed that, although the cuts needed may be realized, it does not help SOU in the long term as it attempts to deliver its product and retain the workforce necessary to do so.

High-level Cost Containment Update

Greg Perkinson referred trustees to the chart in the meeting materials summarizing cost management strategies, saying SOU is doing all the right things to improve its financial position. Responding to Chair Clough's inquiry, Mr. Perkinson said some of the positive opportunities realized while making cuts include increases in fiscal awareness, a focus on efficiency and creating process improvements.

Higher Education Coordinating Commission Update

Greg Perkinson provided an update on the possible revisions to the Student Success and Completion Model (SSCM). The series of weekly task force meetings is now over and it was a fairly contentious process. He said Jason Catz advocated very well for solutions that would improve equity and stability in the funding model. One of the main areas that SOU may have made progress in was mission differential funding. Mr. Catz provided some details on the two recommended approaches to mission differential funding (viz flat funding or simplified funding through category reduction) while still maintaining an outcomes-based funding model.

Currently, about 17 percent of the total PUSF funding is being put into the pool for mission differential funding; Mr. Catz said he and Mr. Perkinson have been advocating for an increase to 20-25 percent. Mr. Catz said he argued repeatedly that the impact of increasing the amount to 23 percent is significant in terms of what it does for the institutions but the change to the character of the model is minimal.

The next steps in the process include the HECC staff assembling a report and recommendation for the HECC's Funding and Achievement Subcommittee to review in November or December.

President Schott said that, based on her readings, allocating 25 percent to outcomes is considered the most advanced type of outcomes-based funding model. The HECC's allocation of 49 percent to outcomes is very skewed to one end of the spectrum of funding models. Further, research on this topic is clear that it often works against equity and against trying to serve underrepresented populations.

Mr. Perkinson mentioned the recent meeting with the HECC's executive director, Ben Cannon, saying Mr. Cannon has publicly recognized that he appreciates the transparency and effort that SOU has gone through to communicate, work through and own its financial challenges. Board Chair Nicholson added that he was surprised by Mr. Cannon's comment that the model was not set up to be equitable to the institutions but rather to support success of students; Board Chair Nicholson said he now understands why SOU's argument that the SSCM was not equitable was falling on deaf ears. SOU needs to find a way to show the HECC that equity to institutions translates into equity for students. President Schott said she reminded Mr. Cannon during the meeting that SOU has been making reductions for years and has already been through two retrenchments. At the end of the meeting, Mr. Cannon said SOU has provided everything needed for the HECC to advocate on SOU's behalf with others.

Proposed 2021-2022 Committee Meeting Schedule

Chair Clough referred to the proposed committee meeting schedule included in the meeting materials and pointed out the February meeting has been removed from the schedule for various reasons. She also noted the committee can call a special meeting if needed. None of the committee members had any questions about or concerns with the proposed schedule.

Future Meetings

The committee's next meeting will be on January 21, 2021.

Adjournment

Chair Clough adjourned the meeting at 5:48 p.m.

Date: January 21, 2021

Respectfully submitted by,



Sabrina Prud'homme

Sabrina Prud'homme
University Board Secretary