

**Board of Trustees**  
**Finance and Administration Committee Meeting**  
**Thursday, March 18, 2021**

**MINUTES**

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

Committee Members:

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

Chair Sheila Clough called the meeting to order at 4:00 p.m. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Jonathon Bullock, Paul Nicholson, Daniel Santos, President Linda Schott and janelle wilson.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for University Advancement; Penny Burgess, USSE; Jeanne Stallman, Associate Vice President for Government and Corporate Relations; Sabrina Prud'homme, Board Secretary; Tom Battaglia, Chief Information Officer; Josh Lovern, Budget Office; Andrew Zucker, ASSOU; and Kathy Park, Office of the Board Secretary.

**Public Comment**

There were no public comments.

**Consent Agenda**

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

**Vice President's Report**

HECC Update

*Capital Projects Update* - In the last two cycles submitted to HECC, SOU did not score above the funding line. The Republicans walked out before capital could be approved, so the HECC list of capital projects effectively carried over for one year. SOU will continue to explore ways to submit packages that score better in future offerings.

*Capital Improvement and Renewal* - SOU received Q-series bonds to do work in this category. SOU was projected to receive about \$5 million in this next cycle. Another university took issue with the bond allocations approved and an adjustment was made that lowers SOU's allocation by approximately \$280,000, affecting SOU's capacity to do improvement and renewal projects. Responding to Board Chair Nicholson, Mr. Perkinson said that most of SOU's work on capital projects are bond-funded, which lands in a separate SOU plant fund.

*Student Success and Completion Model (SSCM)* – Mr. Perkinson said the funding model moved to the rule-making process. The administration will review this at a future meeting and perform a deeper understanding of what finally got approved and how it affects us.

#### Overview of Emergency Relief Funding

Mr. Perkinson mentioned the federal funding relief to SOU: Coronavirus Aid, Relief, and Economic Security Act (CARES); Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA); and American Rescue Plan Act (ARPA). There is \$8.87 million in direct support for students and a total of \$5.45 million to the university.

#### Legislative Initiative Impacts

Regarding ARPA, Mr. Perkinson said SOU has received an extension of unemployment benefit authority.

Regarding wildfire funding, SOU is seeking \$1 million dollars per year for 2 years. President Schott shared that SOU has made this request in partnership with Rogue Community College and each institution would receive the same amount, if funded. Responding to Trustee Lightman’s question on legislators’ receptiveness to the request, President Schott said that she, Cathy Kemper-Pelle, and Jeanne Stallman met with Representative Clem and Senator Golden, who head the House and Senate committees, respectively. Additionally, there is a letter of support from HECC clearly stating that they cannot help SOU. Thus, President Schott thought that as long as state and local government relief is in the ARPA, there will be significant one-time dollars available. Chair Clough noted that it is great that ARPA allows SOU to continue the furloughs, but wondered how they will last, as SOU is returning to campus this Fall. President Schott said a plan outlining this information should be ready in April and that SOU wants to be consistent across campus when making decisions about taking people off of furlough. It’s time to begin the process of moving back to full operations and SOU needs to think carefully and possibly do things differently.

#### Update on North Campus Village (NCV) Sale of Bonds

Mr. Perkinson mentioned the NCV bond sale completed. The key takeaway is the 5 percent net present value savings and the \$4.1 million in gross debt service savings over the next three fiscal years.

### **Action, Information and Discussion Items**

#### Endowment Investment Policy (Action)

With Chair Clough’s and Penny Burgess’ guidance, the committee reviewed the Board Statement on Investments for the SOU Endowment Fund. A spelling error was corrected; no material changes were made.

In response to Board Chair Nicholson’s inquiry, much discussion ensued on the number of quarters/years to use for computing rolling averages. No change was made to this 20-month stipulation in the policy.

Trustee Lightman moved to approve and recommend to the board the SOU endowment investment policy with the minor change. Trustee Hennion seconded the motion and it passed unanimously.

Ms. Burgess further shared that this fund continues to perform very well, meeting and exceeding expectations. The average return is 10.9 percent, so from a historical perspective, it is doing well.

#### Budget Update

Mr. Perkinson said the budget data represents a year-to-date actual through the end of February and provides an estimate to complete based on normal projection modeling. The furlough savings modeled are based on the continuation of furloughs through September 6. However, it does not include the ARPA funding since that was approved last Thursday and this budget snapshot was taken beforehand. Excluding stimulus funding, there is a projected \$6.8 million or 10.4 percent ending fund balance. Mr. Perkinson added that the rules have not been finalized yet but conversations indicate that SOU might be able to apply the funding to lost revenue; Mr. Lovern modeled lost revenue at \$6.1 million

Mr. Perkinson reminded trustees that in a past meeting, the committee discussed offsetting previously incurred debt or liabilities, including the \$1 million borrowed from the plant fund and the \$900,000 incurred by the Schneider's Children's Center. Repaying these will improve SOU's balance sheet, which could improve SOU's financial ratios.

Overall projections without ARPA are still positive. Responding to Board Chair Nicholson, Mr. Perkinson said that SOU established a working group to look at the distribution of the \$1.7 million in CARES dollars. Based on stringent CARES rules, it resulted in about \$560,000 to E&G to support academic programs, \$1.4 million being dedicated for housing which lands in the auxiliary, not E&G. Mr. Lovern reminded trustees that some of the distributions were last fiscal year and the forecast shown is this fiscal year. After SOU closed the books last fiscal year, late guidance was received on how to handle the auditing of those transactions. Steve Larvick and his team worked with the auditors to recognize as much income for the institution as for the student outlay.

#### Student Fee Update

Andrew Zucker introduced the student fee process saying it takes place in two parts: the first is the Student Fee Budget Committee determines the fee increase and the second is the Allocations Committee allocates the fee based on full time enrollment. The student fee was funded at \$380 per term per student, that's a modest 2.15 percent increase over last year. Students who are not on campus are not able to take full advantage of programs funded by the incidental fee so the committee wants to make sure it's removed so further expenses to students are not added where it's not necessary. Mr. Zucker detailed the process used to set the fees, saying the budget committee spent over 40 hours coming to this decision and it was a great effort among the student and administrative support teams.

Mr. Zucker spent significant time discussing the specifics of individual fees including the recreation center and green tag fees. He said the final approval of student fee allocations was sent to President Schott alongside the recreation center and green tag fees; so, ASSOU is finished. He later added that ASSOU will have the budget submitted to the Board for the 16<sup>th</sup> of April.

Mr. Zucker said the process went smoothly and they used technology to their advantage. From the administrative side the process has made some big strides to increase visibility and transparency, and in having a direct line of communication with ASSOU and SOU leadership. Mr. Lovern later described the detail of the forecast models and the transparent approach he used in the process and agrees that it helped build trust with the budget office.

Mr. Zucker spoke about one issue to avoid, which is the concept of cyclical allocation and shared that process in detail. The students considered what index [budget codes] should and should not be part of the student fee, and to move some indexes off the student fee that don't necessarily fit its purpose. One index that was completely defunded was the child care subsidy. The library extra hours were also moved off the incidental fee. ASSOU will be working to make sure that any index that may move off the fee find other funding and not just be eliminated. Responding to Chair Clough, Mr. Zucker stated that the student body can prepare for any fee and communication changes for the future. ASSOU is not necessarily looking to zero-out any indexes or reduce funding as occurred last year; it is looking for other funding. The goal is to keep as many programs intact as possible and create stability within the student fee.

Chair Clough thanked Mr. Zucker for his leadership and wished him best regards.

#### Tuition Advisory Council Report and Update

Dr. Walsh said TAC is ready to make a recommendation on two mandatory fees—that the Student Health and Wellness fee and the building fee remain flat. The TAC is holding 3 percent as a placeholder in the budget for tuition, with a meeting on March 19<sup>th</sup> to determine further information. Updates are always available on the website, which is maintained to record the TAC's work.

#### Report on Presidential Task Force on Financial Sustainability

##### *Master Planning and University Properties Task Force Update*

Mr. Perkinson informed the committee that the master planning space management team has met once, and is looking to see how to improve both the process and the outcomes related to those functions. Trustees from both the governing and foundation boards, and others, are working together to determine recommendations for the highest and best use of some of the perimeter properties at SOU.

#### *Student Success and Completion Model (SSCM)*

The SSCM group met to bring together their collective knowledge and expertise to focus on how to maximize changes in the model to ensure SOU can take full advantage of the changes in a way that benefits SOU.

### *Budget Committee Update*

Mr. Lovern will chair the budget committee. Some initial dialogue has begun and as this committee matures, more information will be shared.

### Information Technology (IT) Cost Savings

Tom Battaglia shared the creative cost reduction strategies that IT executed this year. The university's IT costs have gone up fairly rapidly every year, partly due to the ever-changing and pervasive use of technology, including cyber security initiatives. Two factors are costs IT can control versus costs IT cannot control. The solution is to control what we can, to some degree, which is personnel costs. The department was able to restructure while maintaining the service level and remain aligned with Strategic Direction II for being an employer of choice. Working with Human Resources, IT was able to move people throughout the IT organization, restructure, and fill key vacancies. The salary savings were significant, yet, IT provided additional compensation to employees and was still able to realize hundreds of thousands of dollars in savings.

Chair Clough added that the savings of recruitment and ramp up costs of a new employee also were saved due to moving within the department.

### Revenue Update and Forecast

Mr. Perkinson said the revenue forecast is better than initially expected. Mr. Perkinson explained that there are a few major line-items that tie to SOU's ability to forecast. Dr. Woolf spoke about student enrollment, which is about a 9.7 percent decline for spring. Fall enrollment will be hit by the 28 percent decline at Rogue Community College and returning to in-person instruction will help enrollment a bit.

### Budget Forecast

Mr. Perkinson said that there are many known and unknown variables to forecasting. State funding is unknown so the administration is modeling this conservatively. Others such as cost of living increases and labor category increases are known and can be modeled accordingly. Next fiscal year's forecast shows the CRSSA stimulus included, but not the institutional side of the stimulus. Though there is a \$5.2 million disconnect to maintain the 8 percent operating revenue, there is a \$5.4 million stimulus coming in to offset this. Mr. Lovern reviewed the live pro forma and the impacts of the added stimulus in the forecast. Mr. Perkinson said that SOU continues to look for potential structural changes and transformation in order to be more efficient and effective. President Schott said that SOU needs to continue to improve operations and do everything it can to drive enrollment, reduce costs, and find a balance between these. Additionally, the federal stimulus funding has provided SOU the time to do this.

Responding to Trustee Franks, Mr. Perkinson clarified the timing of the tuition will be set next month in April and the budget will be set in May.

### Future Meetings

The committee's next meeting will be on April 15, 2021.

### **Adjournment**

Chair Clough adjourned the meeting at 6:01 p.m.