

**Board of Trustees
Finance and Administration Committee Meeting
Thursday, January 20, 2022**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Shaun Franks	Present
Lyn Hennion	Present	Mimi Pieper	Present
Bill Thorndike	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: Daniel Santos, Jonathon Bullock, Paul Nicholson, Deborah Rosenberg, and President Rick Bailey.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for University Advancement; Jeanne Stallman, Associate Vice President for Government and Corporate Relations; Toya Cooper, Vice President for Equity, Diversity, and Inclusion; Tom Battaglia, Chief Information Officer; Alana Lardizabal, Director, Human Resources; Josh Lovern, Director of Budget and Planning; Sabrina Prud'homme, Board Secretary; and Pamela Tomac, Office of the Board Secretary.

Chair Clough offered a warm welcome to President Bailey at his first meeting of the Finance and Administration Committee.

Public Comment

No members of the public offered comments to the committee.

Consent Agenda

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

Vice President's Report

Enterprise Resource Planning (ERP)/Student Information System (SIS) Banner Update

Since Tom Battaglia will do a deep dive with the board, Mr. Perkinson didn't go into detail on the item but asked the committee to keep in mind that the Banner contract ends in 2024 and a transitions will be about three years. He asked trustees to keep this in mind as the administration seeks the board's support for SOU's ask to the legislature of \$7.2M for the project.

Higher Education Coordinating Commission (HECC) Update

Greg Perkinson said he received a draft of this year's financial conditions report from the HECC. The ratios are significantly better this year, with a \$10M increase in expendable net assets and an \$8M decrease in expenses. Those kinds of swings positively drive change in some of the ratios, and that narrative at its worst is benign. This is a significant improvement.

Federal Funding Update

There is a total of direct aid to students of almost \$8.5M with the total support of \$21M, so a positive increase for students. The university has distributed \$5.4M out of \$5.5M to date of the American Rescue Plan Act (ARPA) dollars. Lastly, the decision made at the last meeting to allocate \$3.3M to Education and General (E&G) to create runway by spreading the additional ARPA dollars over three years has begun.

State Funding Model Updates

On the Student Success and Completions Funding Model (SSCM), Mr. Perkinson described five major changes outlined in the materials: the definition of Science, Technology, Engineering, and Mathematics (STEM); transfer weighting is expected to have a positive effect on SOU; the study bonus is now additive; the cost weights have been modernized; and mission differentiation was simplified. The major takeaway is SOU's net increase of \$1.6M and Mr. Perkinson thanked Jason Catz, Britney Sharp, and the SOU team for their work on the SSCM.

Facility Planning and Utilization Committee (FPUC) Update

Part of SOU's normal process is managing capital project execution against bond timing, and Q-series bonds have a 3-year life that can be extended with permission. In the course of asking for more time for the Central Hall project since SOU had a delay in starting, SOU used the opportunity to seek additional time and funding. Through the Department of Administrative Services, the Legislative Fiscal Office, and the HECC, SOU has asked either for more time and authorization of a second phase, seeking more capital later; or 2) more money at this time.

Provost Walsh and Dr. Woolf are co-chairs of the FPUC, along with Mr. Perkinson. That committee is working on campus-wide moves that need to happen, integration, staffing to accomplish the facility work that is completed across the campus. One task currently underway is to move the people located in Central Hall to swing space to enable a start on that construction.

Another update is the denial of an appeal of the city's decision to allow a cell tower that AT&T proposed; so the decision will stay. An additional service provider has now requested a tower as well. If there are new developments to share, Mr. Perkinson will update the committee.

Action, Information and Discussion Items

Budget Update

Mr. Perkinson informed the board that SOU's predictive modeling is getting better, as actual enrollment numbers match those used in the pro forma, so that aspect of the numbers will remain unchanged. One change is that the Service Employees International Union (SEIU) labor costs will be adjusted in the next pro forma after payroll actuals occur in February. All other observations and assumptions, as well as the plan, remain unchanged. Responding to Chair Clough, Mr. Perkinson affirmed that there has been an escalation in costs for utilities, goods and services, and construction. Mr. Perkinson has been engaged in conversation with President Bailey about financial and cost-management strategies moving forward. Related to this, Mr. Perkins said SOU received an offer on the Roca St property, which is under review. He envisions the proceeds from those sales will be set aside for the president to decide how they will be used.

Mr. Perkinson reviewed the three different thought processes on how to analyze and model enrollment, as presented in the materials and highlighting the lack of stability in SOU's enrollment. Discussion centered on the key performance indicator (KPI) of ending fund balance

as a percent of revenue, noting the legacy 10 percent KPI from the Oregon University System. Responding to Chair Clough, Mr. Perkinson replied that he did not see any Oregon institutions achieving the National Association of College and Business Officers (NACUBO) recommended 40 percent KPI in their E&G. Responding to Trustee Vincent, Mr. Perkinson confirmed, unequivocally, that a receipt of revenue from property sales has no connection to the state funding formula. President Bailey commented that the administration will be working to present the board with some entrepreneurial options for diversifying revenue, while at the same time, on the political side, working with Salem, the governor's office, HECC, and with legislators to support SOU on this path forward so as not to place the burden on students.

Budget Committee Update

Josh Lovern said the Budget Committee launched and he thanked the members. There will be more informational sessions, then deep discussion on the budget model and how to move forward.

The group covered the Public University Support Funding (PUSF) and the SSCM. Mr. Lovern discussed mission, which is 17 percent of the total SSCM, and activities and outcomes collectively at 83 percent. This breakdown offers a good sense of what can be influenced. Small subgroups such as Dr. Matt Stillman and his team are looking at how to make such changes, and Chris Stanek is looking at how the model, reporting to the state, will then impact the activities and outcomes. As the committee works through SSCM, additional work will be done on revenue source as well as the modeling that builds out all the formula in the pro forma.

Mr. Lovern also discussed the idea of various budget models that focus on increasing central reserves. Mr. Perkinson spoke about how to connect that idea to a new Enterprise Resource Planning (ERP) platform. This will provide an opportunity to be very creative, transformative, and forward-thinking on how to design a new processes. It is big brain work, with the right brains working on it. Mr. Lovern added that when moving from ERP it is a good time to look at the business structure, the chart of accounts, revenue model, and create efficiencies. Chair Clough applauded the effort. Responding to Chair Clough's question about the diversity of the committee, Mr. Lovern stated that there is a charter describing membership, which includes faculty, classified, and administration across a variety of areas. Chair Clough underscored that the diversity of the group is what matters across the broader organization, including people working on the front lines of day-to-day operations.

Process for setting Tuition and Mandatory Fees *and* Student Fee Process (Action)

Chair Clough introduced this topic to remind the committee 1) of the many parts of the process for setting tuition and fees, as well as 2) the board's and others' responsibilities in the tuition and fee setting process. The committee will discuss HB 4141 and the checklist of requirements, the Tuition Advisory Council (TAC), and the board's role. As legislation has somewhat shaped this process with HB 4141, it continues to do so, and the committee will discuss this as well. The board previously approved a process for setting tuition and mandatory fees, which it is required to do. To ensure that the board's process is compliant with new, applicable law, a few updates are proposed. This process is described in the materials and the committee will be asked to recommend it to the board for approval.

Provost Walsh said the TAC advises on matters that pertain to the cost of attendance. The TAC promotes communication by hosting pop-up lunches, through social media messages, transparency in meetings and minutes, attending athletic events, and talking to students at the

Student Union (SU). The TAC makes an extensive communication effort especially if it is a difficult year in terms of tuition increases.

The membership of the TAC is mandated through HB 4141. Voting members are Provost Walsh (chair of the group), an additional administrator (currently Matt Stillman); at least 4 students with 2 representing student government and 2 representing the underserved student populations as defined; and 2 faculty members. The TAC receives a lot of education on the front end, taking a lot of time talking and debating, with the hope to reach consensus, which is usually achieved.

The process starts with TAC discussing tuition rates and the mandatory enrollment fees, which are the matriculation fee, the health services fee, and the building fee. This data is provided to the president for consideration, who then makes a recommendation to the board. Part 1 of the training reviews the role of TAC in the tuition and fees process, an overview of the budget concepts, recent fiscal year results, a discussion about university revenues and expenses, and an introduction to the pro forma. Part 2 of the training is about the competitive landscape and enrollment projections which covers terms and conditions, acronym review for understanding and applicability, the national, regional, and state-wide landscapes, a historical analysis, and influence on projections such as Student Credit Hours (SCH) projection and modeling for the pro forma. Part 3 training is on institutional cost management and tuition modification options. These are discussed in the context of the HB 4141 requirement which reviews cost management strategies/levers, tuition modification scenarios, pro forma modeling assumptions, and live pro forma and scenario building. Mr. Lovern praised Trustee Vincent for providing ideas for sliders and interactive modeling, which assists TAC members. Part 4 of the training reviews retirement rates, Oregon Public Universities' historical comparisons, SCH projection targets, discussions of pending variables in the model that will influence the ending fund balance, a detailed live pro forma modeling and discussion, and any committee requests for information.

Trustee Hennion returned to the prior conversation and mentioned that the Oregon state education deduction for fees ended last year, so any Oregon parents paying education expenses will now have a surprise to not get that deduction. Trustee Hennion wondered if there is a way to get the extra money the state is going to have by not giving that state reduction in taxes because it would be for tuition and fees. Mr. Perkinson said he would look into this question.

Mr. Lovern discussed the mandatory incidental fees and the many items the Student Fee Committee considers in their diligence determining the fee. While placing in the midst of the other institutions for the cost of tuition and fees combined, Mr. Lovern said one reason SOU's fee is of high quality is it contains the bills for the Student Recreation Center (SRC) debt service. President Bailey added that he, Board Chair Santos, and Greg Perkinson went to the HAWK and students told them they loved the services they received here as well as the affordability, so it was worth it for them to come from Portland. President Bailey felt there is a balance between robust opportunities that behave like a bigger university yet having a campus that retains a hometown feel. Trustee Pieper concurred, citing that she has talked to many students about why they attend SOU, and above all, they say it is the affordability and to get a meaningful experience while not acquiring \$100K in debt. The students do not feel that because it is inexpensive that SOU is less than any other university; the vast majority are very happy with the services provided, especially compared to what other universities charge for tuition.

Trustee Thorndike added that it will be interesting to see how guaranteed tuition over 4 years plays out, without taking into consideration that tuition cannot be raised for any inflationary period. Having flexibility and adaptability positions SOU well.

On the disclosure of mandatory fees, the administration is studying the fees and how to best communicate to campus about what all goes into those fees. This disclosure has been met but SOU is studying how to enhance this. For example, Dr. Stillman is working with the bookstore on how materials transparency aligns with course fees.

The students' mandatory incidental fee process is spearheaded through Associated Students of Southern Oregon University (ASSOU) and its Student Fee Committee and the SRC has a committee that looks that that fee every three years. All fees go to the SOU president and with student fee autonomy, those recommendations now will move forward as a joint recommendation to the board, which is already how SOU has been operating. Further describing the process, Mr. Lovern shared a triple exponential smoothing model to show the art and science of forecasting that allows hypothetical circumstances to help demonstrate scenarios; Mr. Lovern demonstrated an example of adjusting for headcount.

President Bailey commented on the competition factor slide, which showed prospective student information. He underscored that it does not capture an untapped target pool of adult learners, which Dr. Woolf is thinking broadly about, and the president did not want the committee to think the highlighted group is the only focus. Trustee Thorndike added that given the \$200M budget between workforce and education, SOU needs to ensure it is offering appropriate coursework.

Having reviewed the processes for the tuition and mandatory enrollment fees as well as the student incidental fee, the board secretary provided an overview of proposed changes to the board's process to stay consistent with applicable law, and as presented in the redlined materials.

Trustee Franks moved to approve the resolution for the process of establishing tuition and mandatory fees for the board's adoption. Trustee Pieper seconded the motion, and it passed unanimously.

Also related to tuition and fees, the committee discussed affordability and Vice President Toya Cooper referred to a survey on why students leave SOU citing everything from fit to finances, which are unrelated. She, Chris Stanke and Joe Jackson have been analyzing student data for any correlations between why they leave and affordability among BIPOC students, and as SOU collects the data over time, the university can better understand the role of all the factors.

"Employer of Choice" Updates

Alana Lardizabal, HR Director, informed the board that Strategic Direction (SD) II Goal One is to make SOU an employer of choice, and progress has been made thanks to all the partners around campus. The three elements are around an effective orientation or new employee experience (student employees included), training and professional development (PD), and a performance management process that rewards employees for continuous improvement.

The university is doing a good job on the first two, so most of the information will be about performance management of non-faculty staff performance. The HR team sought a performance management system to engage employees and allow for ideas on how improve the institution.

First, an analysis of the workforce was completed, finding that 55 percent are Baby Boomers and Gen X-ers who are accustomed to a traditional annual review, while 45 percent are Generation Y and Z who are less-accustomed to this process and are more interested in continuous feedback, continuous goal setting and attainment, and do not want to wait 12 months for results.

The second theme is assessment, realizing that there is a culture on campus about the assumption that if you do not get a performance review, you are doing great. Issues around this include progressive discipline hesitancy and limited accountability. The process of reviews, even when satisfactory, already created stress and anxiety for both parties involved.

The third theme indicated that supervisors felt the current paper process for reviews was too time-consuming and did not meet the needs for regular feedback. With the cabinet's approval, the PeopleAdmin license was extended to add the performance management module.

Currently, HR is in a very early phase of piloting the digitized annual review and a quarterly check-in process. Being selective of who was invited to participate with the pilot, the following were chosen: a manager who is very productive at submitting reviews for all employees, a manager with a lot of direct reports, and a manager whose job descriptions do not provide their reports with regular computer access. Once the feedback is collected, HR will pause to analyze results, customize specific training materials, and then transition to a more continuous feedback cycle.

The final piece about doing this now is this will allow for a transition and reduction of the learning curve while continuing to evaluate other efficiencies. People tend to leave for many reasons, at the forefront is the relationship with peers and their managers, and this new process will hopefully improve those relationships.

Chair Clough thought this new process was fantastic. Responding to Chair Clough, Ms. Lardizabal said HR is collecting information at new employee orientation, as well as on what to do differently as an institution to monitor the impact of improvements. For SOU, there is an average turnover rate of 7.5 percent which is average for a university this size. Each time there is a resignation, HR looks for opportunities to be more efficient, to improve, or to do reorganizations that allow employees to be recognized or rewarded.

Future Meetings

Currently, the committee does not have a meeting in February but will meet again on March 17, 2022, where trustees will focus on budget matters. Any trustee with contributions for that agenda were asked to send them to the board secretary.

Adjournment

Chair Clough adjourned the meeting at 5:59 pm.

Respectfully submitted on March 17, 2022, by,



Sabrina Prud'homme
University Board Secretary