

**Board of Trustees
Finance and Administration Committee Meeting
Thursday, May 19, 2022**

MINUTES

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

Committee Chair Sheila Clough called the meeting to order at 4:02 p.m. She welcomed everyone to the meeting and thanked presenters and special guests including Tom Battaglia, Toya Cooper, Ashley King, Josh Lovern, student Sarah Ross, Jill Smedstad, Patricia Syquia-McCarthy, and Rebecca Walker.

Vice President Greg Perkinson read the SOU Land Acknowledgment.

Board Secretary Sabrina Prud'homme called the roll and a quorum was verified.

Committee Members:

Sheila Clough	Present	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Lyn Hennion	Present		
Mimi Pieper	Absent		

Other trustees in attendance: Daniel Santos, Paul Nicholson, President Rick Bailey

Public Comment

No members of the public provided comments.

Consent Agenda (Action)

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

Vice President's Report

Vice President Greg Perkinson first discussed state revenues, noting that it was an "astronomical tax season," with \$2.3 billion more than was forecasted in March. A discussion followed about the importance of advocating for a share of this money.

Mr. Perkinson reported on the Higher Education Coordinating Commission (HECC) meeting and the Oregon Public Universities' consolidated funding request. He provided capital updates including that HECC's scoring rubric for the capital projects SOU submitted should be finished in early June and that the deferred maintenance allocation is increasing to about \$90 million. He expects around \$5 million for SOU if it is approved. Trustee Vincent advised that deferred maintenance can support underrepresented and disadvantaged students by improving family housing and increasing ADA compliance, thereby, improving SOU's goals in the areas of equity, diversity and inclusion (EDI) and improving SOU's scoring.

Enterprise Resource Planning (ERP) and Student Information System (SIS) Update

Vice President Perkinson highlighted key concepts of the ERP software and implementation as well as transitioning from SOU's legacy system, Banner. The transition will cost \$7.4 million that would be spread over 3.5 years. Board approval will be necessary because of the cost of the contracts.

Mr. Perkinson emphasized that he was not asking for Board approval now but was setting the foundation for the Board's thinking. Discussion ensued regarding how to finance the project and what benefits will be realized. Board Chair Santos noted that a special meeting will be necessary.

Perkinson reviewed the ERP financing strategy which included HECC support, taking out a "bridge loan" of \$3.2 million for year-one, requesting \$6.4 from the legislature, and tracking estimated savings of \$8 million over ten years.

Integrating Equity, Diversity, and Inclusion into the Supply Chain

Mr. Perkinson stated that he would refer to a panel of experts to help with this discussion and encouraged trustees to ask questions. He set the stage for this discussion by stating that about 2.5 years ago, when the Business Affairs Council established the wildly important goal of financial sustainability, the number one sub-goal of that was tied to studying and improving the procurement process. This study led to the information system replacement project. He and the aforementioned meeting guests reviewed slides pertaining to sustainable purchasing. He then asked Vice President Cooper for a high-level sense of EDI and its relation to the supply chain.

Vice President Cooper summarized that it signals to the outside world what is important, meaningful, and tangible—and touches people through the pocketbook. Supply chain diversity is not new but has come to light more over the last few years due to the civil unrest our country has faced. It is how companies indicate how black lives matter, for example, and how to support other businesses owned by women, minorities, and others.

Mr. Perkinson stated that SOU developed a sustainability and procurement policy and asked that the panelists talk about that process and how to enact it. Ashley King in purchasing explained how the policy will help the team and the members of campus to be more mindful about purchasing. She talked about educating campus and vendors on how to work with SOU. Patricia Syquia McCarthy in contracts, risk management, and the EDI team spoke about the process of requests for proposals, including language that speaks to SOU's values, and asking vendors to include their mission as it relates to SOU's values. She also spoke about building relationships with vendors. Becs Walker in sustainability discussed environmental sustainability in purchasing and stated that procurement and consumerism are about paying for the world you want to see. Chief Information Officer Tom Battaglia described how Workday aligns with the university's EDI values.

Trustees commended these efforts, committed to work alongside the university, and appreciated the triple bottom line approach. Trustee Thorndike asked if SOU's process required vendors to identify as B-corps. Ms. King said no but it could easily be implemented and Mr. Perkinson said he would explore the possibility.

Financial Sustainability

Vice President Perkinson reminded the committee of Strategic Direction 5 which is to "maintain financial stability and invest for institutional vitality." President Bailey added that long-term financial stability does not mean "let's rely on tuition." He stated that this is an intentionally diverse set of enterprises to answer the call for this strategic direction. Mr. Perkinson offered cost management as the first example and cited SOU's 97 vacant positions and the sobering conversations about which ones need to be filled. He stated that

cost management is just one of the four activities proposed and others include alternative revenue streams. President Bailey talked about grants and his belief that there is an opportunity to leverage a lot more federal funding by incentivizing employees to secure grants. He also talked about how to leverage philanthropy to support financial stability. He said that although it's not an exhaustive list, there are four activities every stakeholder has to be a part of. These include: 1) enrollment, we all have to be recruiters; 2) student success, we all need to ensure students are thriving; 3) culture, there needs to be unity and kindness; and 4) fiscal responsibility.

Looking at Education and General revenue and expenses over time, Mr. Perkinson noted that the future forecast assumes that the vacant positions are filled. Josh Lovern talked about expenses over time, with student credit hours (SCH) over time, which is declining.

Draft Budget for Fiscal Year 2022-23

Transitioning to the budget and pro forma, Greg Perkinson focused on bad debt and noted that increase from \$800,000 to \$1.2 million makes a difference. He reminded the committee that the financial grace given to students during the pandemic contributed to this and that only 20 percent of the \$10 million dispersed to students was returned to SOU. He expressed the delicacy of collecting this revenue while still keeping students engaged. Vice President Woolf clarified that students could not use the federal money they received for institutional debt or account balances until the third iteration of the program.

Continuing coverage of the pro forma, Vice President Perkinson explained that SOU has about \$1 million from the sale of three houses in miscellaneous revenue that is sitting in a reserve account until a decision is made on how to allocate it. He also pointed out that supplies and services (S&S) is exceeding projections. These and other factors contribute to closing the year with an 8.53 percent fund balance.

Vice President Perkinson and Josh Lovern gave further details on the pro forma and draft budget showing the summary of expenditures by fund: \$67,988,300 in budgeted operations; \$15,002,274 in auxiliary operations; and \$5,538,012 in designated ops and service centers for total expenditures of \$88, 528,286. They talked about the significant expense savings during the pandemic that were a result of furloughs, restrictions on travel, and vacancies in 2020 and 2021, which would not continue. They also reviewed the assumptions and key observations underlying the budget, as presented in the materials.

Chair Clough observed that revenues are lower than expenses, which is a scary. Discussion ensued regarding the employee vacancy factor, the accessibility of other fund reserves, the Workday project, last year's deficit budget, and the overall shortfall. Trustees expressed serious concerns about the draft budget and hoped to see one in June that is better than a \$4M deficit. Vice President Perkinson liked the idea of bringing scenarios to the board and said one scenario could be where SOU allocates cost reduction targets similar to three years ago. Trustees supported the idea and expressed confidence in the SOU team.

Future Meetings

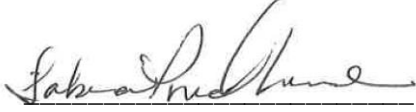
Chair Clough said the next Finance and Administration Committee Meeting will take place on Thursday, June 16, 2022.

Adjournment

With no further business proposed, Chair Clough adjourned the meeting at 6:00 p.m.

Date: October 20, 2022

Respectfully submitted by,

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

Sabrina Prud'homme
University Board Secretary