

**Board of Trustees of Southern Oregon University
Finance and Administration Committee Meeting
Thursday, March 16, 2023**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Chair Franks called the meeting to order at 5:01 p.m. and welcomed all attendees. He also welcomed ASSOU Director of Finance and Administration, Jose Guillen, ASSOU Vice President Julissa Taitano; and SOU Dean of Students, Dr. Carrie Vath. He extended special thanks to Greg Perkinson, Dr. Sue Walsh, and Dr. Neil Woolf.

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

Committee Members:

Katherine Cable	Present	Christina Medina	Present
Sheila Clough	Present	Liz Shelby	Present
Shaun Franks, Chair	Present	Bill Thorndike	Present
Andrew Gay	Present		

Other trustees in attendance: Daniel Santos and President Rick Bailey.

Public Comment

There were no public comments.

Consent Agenda (Action)

Trustee Thorndike moved to approve the consent agenda consisting of minutes of the January 19, 2023 meeting and the Finance Committee Dashboard. Trustee Shelby seconded the motion and it passed unanimously.

Vice President's Report

Higher Education Coordinating Commission (HECC) Updates

Mr. Perkinson reported on the HECC as it relates to the budget cycle and the Governor's Recommended Budget (GRB). He said the two key aspects are tied to the funding of the Public University Support Fund (PUSF) and capital projects. SOU currently has two capital projects that scored well with HECC.

Fiscal Impacts of Proposed Legislative Initiatives

Mr. Perkinson explained the GRB is below current service levels for universities and with inflation around 6.4 percent, this poses more of a challenge. Although the revenue forecast is better than expected and state reserves are healthy, there is still concern.

Core Information Replacement Systems (CISR) Update

Reviewing the CISR project status, Mr. Perkinson referred to communication that was previously sent to the trustees and to the campus community. The original timeline was

aggressive and had overlap between the Human Capital Management (HCM)/Finance/Payroll module and the student module. The team identified issues and people were feeling the stress of burning the candle at both ends; so, it made sense to improve the flow of the work to have a better-quality start on the student phase. He stated that the pro forma will reflect the costs that will be incurred by the delay and that the break-even point will be deferred by a year. There was discussion on what was learned in the process, the risks involved, and how to manage risk. By eliminating the overlap and delaying the start of the student project, there will be more training with phase two before that meter starts running with Alchemy. SOU will continue to communicate additional information regarding the CISR project and any changes moving forward.

Mr. Perkinson reviewed the status updates and the next actions for the CISR project which included adding Alchemy senior leadership to the Steering Committee, creating a Change Management CISR network, and submitting a Congressionally Directed Spending (CDS) proposal to the US Senate for \$3.3M in matching funds. President Bailey noted that the four technical and regional university (TRU) presidents wrote to the governor thanking her for her consideration of the TRUs and how they could use one-time money for long-term return on investment, which included the CISR project.

Capital Projects Update

Mr. Perkinson provided an update on the Central Hall project. The phase 2 construction contract was awarded to Outlier Construction for approximately \$4.8M. Onsite construction has begun, substantial completed is expected by October 2023, although there are supply chain issues. Mr. Perkinson highlighted capital improvement projects in which SOU has a little over \$4M for deferred maintenance. These include repairs and replacement of Britt Hall's exterior concrete stairs; repairs to the roof and HVAC for Facilities Management and Planning; resurfacing of campus pathways and parking lots; and roof replacement for the Ed-Psych building. President Bailey added that there is no money allocated for the list of HECC projects in the GRB; there is an emphasis on deferred maintenance and the legislature is considering funding them but needs to see what the Ways and Means Committee decides.

Action, Information, and Discussion Items

Budget Development Process and Timeline for Fiscal Year (FY) 2023-24

Vice President Perkinson described the budget development process, as presented in the meeting materials and emphasized that the goal is to have revenues greater than expenses. He also emphasized the importance of a healthy ending fund balance and noted that SOU has the least flexibility of the seven public institutions in the depth of its fund balance, which was shown at 11.17 percent at the end of the 2022 fiscal year. The Legacy Oregon University System's key performance indicator (KPI) is a 10 percent fund balance and SOU's has been up and down, with a recent rebound from federal funding. President Bailey emphasized that the last two years showed a "false bump up" due to COVID money SOU received. Trustee Clough later reminded the committee, that it was known that the federal funding was a one-time payment and not permanent. She stated that it was also known that the institution had to change course in order to survive. The committee saw this deficit two to three years ago.

Mr. Perkinson explained that the budget cycle is not linear but iterative and that it is both operational and strategic. President Bailey added that SOU had a strategic decision to make when considering the SOU Forward Plan and how to consider enrollment and retention. SOU is building an Enrollment and Retention strategy and needs to communicate this to the campus community. As the legislature does their work, the HECC needs to take the PUSF and run it through the funding model to get SOU's allocation. Mr. Perkinson later reviewed the Student Success and Completion Model. He said that 17 percent of the PUSF goes to mission, then there is a 60/40 split between activities and outcomes. Outcomes are based on degrees conferred, cost weights, areas of student bonus, and targeted populations.

In response to Trustee Thorndike's comments about whether the state is appropriately delineating state funding from tuition support, President Bailey noted that in his conversations with legislators, he is led to believe that it is "a both and," with programs like the Oregon Opportunity Grant (OOG) and funding to help students from tribal communities—both of which will determine how the legislators make value judgements and allocate limited resources. These legislators see how seriously SOU is taking changing the model. Chair Santos added his belief that the state is investing in resources to students. He suggested that the money follows the students and it is up to SOU to recruit it comes down to recruitment and retention. There was further discussion on attracting students, as well as making SOU appealing and affordable.

Regarding tuition as it feeds into the budgeting process, in April, the committee will see tuition rates in a granular way. They will be broken down into class rank (graduate versus undergraduate); resident versus non-resident versus Western Undergraduate Exchange; online versus in-person; and differential tuition. Mandatory Enrollment Fees also vary.

Mr. Perkinson gave a quick review of expenses, as presented in the meeting materials. He also explained that labor expenses comprise approximately 80 percent of SOU's total expenses and that supplies and services (S&S) are escalating.

Tuition Advisory Council Update

Chair Franks noted that SOU and all of Oregon's public universities are statutorily required to follow a prescriptive process to formulate a recommendation for undergraduate tuition and mandatory fees for the university. A key part of that is the formation of a Tuition Advisory Council, or the TAC. He stated that in April, the committee will be asked to review and recommend the proposed tuition and fees for Academic Year 2023-24 to the Board of Trustees for approval.

Provost Walsh, provided an overview of the TAC process as well as an update on their activities and progress toward formulating a recommendation. She highlighted that the statutes from HB 4141 are largely based on SOU's legacy process and she reviewed the TAC's composition and membership. Dr. Walsh noted that the TAC is not a decision-making body but an advisory group to the president and that they strive for consensus. She stated that all recommendations are presented to the president both in writing and

in person including all minority views. There are ambassadors on the committee with students talking to students and faculty talking to faculty. The committee is very transparent with detailed minutes and a website. A recommendation will come after spring break.

In response to Trustee Gay's question regarding the online versus in-person instruction, Dr. Stillman indicated that these rates are being discussed but no decisions have been made, as it is complicated because of the hybrid component. General discussion ensued regarding the process. President Bailey commented that with the assumption that state funding is constant, tuition would need to increase by 12 to 15 percent for SOU to break-even.

Student Fee Budget Committee (SFBC) and Student Fee Allocation Committee Updates

Jose Guillen stated that the committee took an intense look at the statute and kept two things in mind: impartiality and impact. He explained the purposes of the incidental fees were to provide funding to student organizations; foster a marketplace of ideas; increase recruitment and retention of underrepresented students; and consolidate student resources to create student power and voice. The committee members are from vastly different backgrounds and keep in mind the needs of all students as well as their own biases. He stated that he reiterated to the SFBC the need to think of others, beyond the student body and to consider the university.

Mr. Guillen reviewed the incidental fee rate between 2006 and 2022. The increase has been roughly 3.5 to 4.5 percent annually. The committee felt that an increase above 5 percent or below 3.5 percent at this time would have negative effects on students. It was decided to take a conservative approach and budget just below the forecasted enrollment. He spoke further about the progress and the weeks of deliberation to ensure fairness to students and the clubs offered. The recommendation is a 3.25 percent increase or \$17, resulting in a budget of \$3.25M, which is still a deficit. The committee felt this was a nice middle ground to balance retention and engagement.

Julissa Taitano stated that members of the committees are well-trained and expected to maintain viewpoint neutrality. She explained that the SFBC is responsible for setting the student fee and it is the job of the Student Fee Allocation Committee (SFAC) to spend it. She talked about the process and the make-up of the committee which is representative of the student body. Members are encouraged to "play" with the numbers in order to offer up their recommendations during the deliberations. Members are encouraged not to advocate for their special interests but to think of all students. The committee will meet after spring break and have three weeks to make decisions. A recommendation will be made to the Student Senate and hopefully, they will approve it. If all goes well, President Gerrity will present it for approval.

President Bailey commended the level of sophistication of that SFBC and SFAC display. He said the process is thoughtful, detailed, sophisticated and thorough. He

acknowledged there are more requests than funding and there is a \$440K shortfall. The students are dealing with similar, impossible choices and doing so with grace, love for the institution, and remarkable leadership. Trustee Clough shared her opinion that this was by far the best presentation she had seen in her numerous years on the committee. In response to Chair Santos' question regarding the development of the Student Rec Center fees, Dr. Woolf explained that it was a separate committee. There was further discussion on the potential use of grant funding to supplement some of the shortfalls in the student fees to support student services.

Financial Sustainability and Revenue Outlook

Mr. Perkinson provided a summary of the pro forma forecast, as presented in the materials. Regarding state funding, Vice President Perkinson explained that the universities are seeking \$1.05B and the GRB is at \$933M, based on Governor Kotek's priorities.

Discussing the revenue outlook based on enrollment, Vice President Neil Woolf explained that while headcount is up at this point in time by 224 students, the course-taking behavior of students is lower and full-time equivalency (FTE) is arguably more important than headcount. At this early stage, Spring Term numbers can't be relied upon until the add/drop period completes. Responding to Trustee Gay's question, Dr. Woolf attributed the increase to a combination of efforts such as Demand Builder, getting back on the road to recruit, conducting more recruitment events, and students' applications through data share partnerships.

Regarding the predictions of fall enrollment, Dr. Woolf said it's still early in the fall admissions cycle but there is enough data to make projections, which is both an art and science. Admission applications are up 16.4 percent over last year at this time. New student enrollment is returning to pre-pandemic levels; the outlook is positive on new transfer students; and new graduate students are down due to sunset programs. Due to decreases in enrollment during the pandemic, the number of continuing students is down and SOU is rebuilding enrollment. Responding to Board Chair Santos, Dr. Stillman noted that SOU cannot retain more students than it starts with so the projection is flat. Discussion ensued regarding retention and cautious projections. Trustee Thorndike encouraged connections with Klamath Community College, which is seeing increases and is a rich target environment for recruitment.

Budget Forecast and Review of Pro Forma

Mr. Perkinson reviewed the budget and pointed out key changes in the forecast, which included a tuition revenue deficit of \$1.4M, an increase in miscellaneous revenue of \$3.3M, and labor expenses at \$3.7M under budget. He followed up with additional revenue assumptions for FY 2024 with a conservative state revenue allocation of \$26.4M which is \$1M less than previously planned. Further cost assumptions were a \$9M recurring savings from the cost management plan and a 2.5 percent increase in

S&S expenses due to inflation. In review of the pro forma, Mr. Perkinson point out fund balance growth over the next biennium.

Trustee Gay requested to see the numbers with a zero percent tuition increase. Mr. Perkinson answered that this was done with the TAC and results were painful. Chair Franks asked for that information to be posted on the website and Provost Walsh indicated that it would be simple to do. A conversation ensued about how to hold President Bailey and the administration accountable for the realignment plan. President Bailey assured the trustees that if things aren't working, the plan would be reevaluated and the university will change course.

In response to Trustee Thorndike's request for information about monies from the SOU Foundation, Vice President Fratella said that about 70 percent is scholarship dollars, and most of the rest goes to auxiliary programs. She referred to the capital campaign and its intention to provide stable funding to the institution. Trustee Shelby asked if that would affect tuition if the legislature put forward a budget that gives SOU an additional \$1M. Mr. Perkinson said that tuition would be set before that decision is made. He suggested that the scenario could be plugged into the pro forma.

Future Meetings

Chair Franks announced the committee meeting will be on April 20, 2023 at 5 p.m. He asked that any requests for future agenda items be submitted to himself or the board secretary.

Adjournment

Chair Franks adjourned the meeting at 7:04 p.m.

Date: April 20, 2023

Respectfully submitted by,



Sabrina Prud'homme University Board Secretary