

**Board of Trustees of Southern Oregon University  
Finance and Administration Committee Meeting  
Thursday, April 20, 2023**

**MINUTES**

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

Committee Chair Shaun Franks called the meeting to order at 5:00 p.m. He welcomed all attendees and special guests: Penny Burgess, Executive Director and Treasury Management Services Director at USSE; ASSOU Director of Finance and Administration, Jose Guillen; and Dean of Students, Carrie Vath. He gave a special thanks to the staff members who always show up to support the committee, Greg Perkinson, Sue Walsh, and 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 the minutes of the March 16, 2023 meeting and the financial 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's recent meeting where it was emphasized that the Governor's Recommended Budget (GRB) does not prioritize higher education; however, there was discussion of a \$15M investment in the Technical and Regional Universities (TRUs). He also commented on the governor's focus on workforce issues and noted SOU's corresponding focus on these issues, as demonstrated by the certificates seen in the Academic and Student Affairs Committee. Mr. Perkinson explained that President Bailey's presentation of *SOU Forward* at the HECC meeting was well received. Mr. Perkinson noted that Jim Pinkard talked about tuition and fees and there was a discussion on the expectation that none of the seven public universities would increase tuition beyond five percent. He commented on their lively discussion on financial ratios and whether these lagging indicators accurately measure the financial health of an institution.

Core Information Replacement Systems (CISR) Update

Reviewing the CISR project's status, Mr. Perkinson displayed and explained a

dashboard used by Alchemy and project manager, Tom Battaglia. Mr. Perkinson likes that it is active, in real time, is a good tool for managing project status, and provides a detailed picture of each work stream. He said there is a separate team devoted to the change management piece and best practices.

#### State Funding for the 2023-24 Biennium

In the analysis of state funding allocation through the public university support fund, Mr. Perkinson showed a chart of the three scenarios: 1) the Oregon Public Universities' (OPU) request for \$1.052B; 2) the Ways and Means co-chairs' proposal for \$9.47B; and 3) the GRB of \$9.33B, and he explained that SOU is budgeting conservatively at the GRB amount. President Bailey pointed out that both proposals are below the current service level, which impacts SOU negatively. There was a short discussion on how the disinvestment in high education is further emphasizing the need and importance for SOU's realignment plan.

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

##### Board Statement on Investments for the SOU Endowment Fund (Action)

Vice Chair Clough, who has been leading the board's policy workgroup, said that when this investment policy came up, the group deferred it to the experts, Penny Burgess and Greg Perkinson. Vice Chair Clough noted that no changes are recommended at this time. Mr. Perkinson agreed and clarified the difference between the university and foundation endowments.

Penny Burgess explained the history and the reason for the two separate funds. She added that the university endowment funds were donations received prior to the establishment of the foundation, or received many years ago and a donor requested their donation not be managed by the SOU Foundation.

The original goal of the statement was to look for small programs that keep costs minimal with available strategies and cost-effective solutions. The Oregon State Treasury was managing all OPU assets prior to the dissolution of the Oregon University System. Treasury continues to provide a limited set of investment options to SOU and other universities in order for the institutions to benefit from economies of scale and the state's relationship with State Street Bank.

Ms. Burgess affirmed that no changes are recommended to the policy at this time. The long-term target allocation has been about 75 percent to equities and 25 percent to fixed income. The objective is to cover the spend rate, up to 4 percent determined over a 20-quarter moving average and to protect inflation. Prior to the past 12 months, the funds were maintaining 8.5. to 9.5 percent return, gross of fees and inflation. The 5-year return declined to 3.0 percent with the effects of inflation and fees. Ms. Burgess thinks it will stabilize but inflation is a "wildcard" and challenging to predict. Following the trustees' discussions on how the endowment funds scholarships and the effects of the downturn on students, she further discussed the impact of inflation, its effect on the market, and the allocation of assets. She suggested the committee might reconsider the four percent spend rate next year, as well as diversification of these assets, including real assets.

Trustee Shelby moved to approve the Board Statement on Investments for the SOU Endowment, as presented, for recommendation to the Executive, Audit, and Governance Committee. Trustee Medina seconded the motion and it passed unanimously.

#### Financial Sustainability

Mr. Perkinson reminded the committee of Strategic Direction 5 and that the key to SOU's success is to have revenues greater than or equal to costs. He reviewed SOU's plan to budget conservatively in terms of state, tuition, and miscellaneous revenue, and that no one-time monies are included. Regarding enrollment revenue, he said there has been little or no change. President Bailey stated leadership is working on an enrollment and retention plan with the hopes to have a working document available by time of the Welcome Back Breakfast.

Dr. Matt Stillman reviewed the student categories noting great strides in new freshman and non-degree seeking students; however, the impact of COVID negatively affects returning and continuing students. Headcount is surging due to OLLI, Advanced Southern Credit, and dual enrollment but that does not increase full time equivalency (FTE). He reiterated the conservative approach in enrollment projections and the corresponding tuition income.

Discussion ensued regarding the trustees' agreement with a conservative budgeting approach and the aspiration to increase enrollment. It was acknowledged that SOU has capacity to increase enrollment without greatly increasing cost. President Bailey discussed the importance of growing strategically, ensuring student services, and identifying the "right size" of enrollment for SOU.

#### Cost Management Update

Mr. Perkinson reviewed the pro forma. He explained that SOU finished last year better than expected to meet the \$3.6M cost savings target. In response to Trustee Shelby's question, Mr. Perkinson explained that the difference in the fund balance between the end and beginning of the two fiscal years was because the board approved the budget prior to the fiscal year's closing.

#### Student Fee Budget Committee (SFBC) and Student Fee Allocation Committee (SFAC) Updates (Action)

Chair Franks announced that student incidental fees and tuition and fees would be voted on in a single motion and that the committee will need to make a recommendation to the board for final approval the following day. President Bailey introduced the topic, commented on the sophistication of the process, and praised the amazing, thoughtful work that the SFBC has done. Jose Guillen stated that the Student Senate approved a 4.25 percent increase or \$17 to incidental fees and the reasoning behind the decision. In response to Trustee Shelby's question regarding a deficit in the student fees, Dr. Vath explained that the SFAC had to make \$20M in reductions. In response to Chair Franks question on process, Mr. Guillen complimented the collaboration of all those involved and noted his own gratification in his role.

President Bailey thanked Mr. Guillen for his work and Mr. Perkinson awarded him a Service in Excellence coin.

Trustee Thorndike commented on how grateful he was that the Student Recreation Center was built at the time it was (prior to COVID) so that it benefits SOU students today. He acknowledged the students' decision to fund this state-of-the-art facility.

#### Tuition and Mandatory Student Enrollment Fees

President Bailey introduced the topic and acknowledged the Tuition Advisory Council's (TAC) efforts to keep tuition from skyrocketing in light of challenges and the cost alignment plan. His goal is to have the lowest increase in the state among OPUs and he noted that the increase is the lowest SOU has had in about a decade.

Dr. Susan Walsh reminded the committee that the TAC recommends the tuition to the President and she described the composition and process of the TAC, as required by law. She emphasized the importance of consensus and transparency. Mr. Perkinson presented the data-centric charts that broke down the tuition categories and mandatory enrollment fees with the current and proposed cost of each. He pointed out that his recommendation was to keep debt-service fees and technology infrastructure fees flat in order to offset the other increases.

President Bailey commented on the rumors regarding the Student Health and Wellness Center (SHWC) and acknowledged that SOU management has been investigating the possibility of partnering with an outside provider with two goals in mind: 1) keep the current service level to students; and 2) save students money. He emphasized that no decisions have been made and that talks are preliminary.

Mr. Perkinson reviewed a chart that depicted the tuition and fee impact to a resident undergraduate student. He further explained that this reflected the 3.01 percent increase that will be shared with the HECC and that matriculation fees are flat. In the context of the cost of attendance, he complimented SOU's housing director for submitting a low increase of 3 percent.

Vice Chair Clough said it was impressive that the increases were kept so low with all the increased costs in supplies and labor and assumed that cost-cutting measures were taken. Mr. Perkinson stated that she was correct. Finally, as presented in the materials, Mr. Perkinson showed the total cost of attendance for an undergraduate resident, which is \$28,340 including full time tuition, enrollment fees, incidental fees, housing, and meals.

Further discussion ensued about the tuition revenue stream and the emphasis to keep costs low for students. Trustee Clough mentioned the national conversation regarding the value of higher education. It was discussed that an affordable education would hopefully result in increased enrollment. In response to Trustee Cable's question regarding impact of fee reductions on student services and support, President Bailey talked about the SFAC and their work to manage resource constraints and create efficiencies, as the student incidental fee budget is the SFAC's purview.

Vice Chair Clough moved to approve the resolution to recommend Tuition and Fees for Academic Year 2023-24 to the Board of Trustees. Trustee Shelby seconded the motion and it passed unanimously.

Budget Forecast and Review of Pro Forma Including Proposed Realignment Impacts

Mr. Perkinson described revenue assumptions including a conservative state revenue allocation, tuition revenue modeled with the TAC/President's recommendation and a slight decline in enrollment. He briefly discussed miscellaneous revenue that is up to \$3.3M due to the ground lease transfer and the final increment of federal support of \$2.9M. He also stated that one-time monies have not been included in the budget forecast; these included \$3.3M for CISR; \$15M for TRUs, and \$2.5M for the Oregon Behavioral Health Institute.

Moving to cost assumptions, Mr. Perkinson stated that the \$9M in recurring savings from the [realignment] plan are reflected in the pro forma. Supplies and services are being modeled with 2.5 percent growth, which is well below the current inflation rate and will continue to be monitored. Trustee Gay questioned whether the pro forma assumed a hiring freeze and Mr. Perkinson responded that it did not but reflected the SOU Forward plan and explained that some positions will still be filled. There was further discussion on the plan and how the budget is a working document.

Trustee Thorndike and President Bailey both commented on the plan and the need to continually reevaluate and look for creative solutions. They acknowledged the comments as well as input from the campus and larger communities. Trustee Thorndike talked about artificial intelligence (AI) and how that could impact students and the future of higher education.

**Future Meetings**

Chair Franks announced the next committee meeting on May 18, 2023, at 5:00 p.m. He asked that any requests for future agenda items be submitted to the board secretary.

**Adjournment**

Chair Franks adjourned the meeting at 6:49 p.m.

Date: May 18, 2023

Respectfully submitted by,



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Sabrina Prud'homme  
University Board Secretary