

Board of Trustees
Finance and Administration Committee Meeting
Thursday, May 18, 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 guest, Steve Larvick, SOU's former controller and current interim budget director. He gave a special thanks to the VPs and staff who always show up to support the committee.

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

Committee Members:

Katherine Cable	Absent	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 Gay moved to approve the consent agenda consisting of the minutes of the April 20, 2023 meeting and the financial dashboard. Trustee Thorndike seconded the motion and it passed unanimously.

Vice President's Report

Higher Education Coordinating Commission (HECC)

Vice President Perkinson reported that SOU projects scored fifth and sixth on the HECC's list for capital funding. Legislative support is still unknown but more information is expected in June. He provided an update that the \$15M Technical and Regional University (TRU) earmark will include Portland State University, for a potential \$25M.

Mr. Perkinson highlighted key points from Jeanne Stallman on legislative actions. He stated that the revenue forecast is strong and if there is a recession, it is expected to be small and probably would not occur until 2024. The result is that the legislative team is pushing hard on the Public University Support Fund (PUSF) at \$1.05B to achieve the current service level (CSL).

President Bailey added that most of SOU's revenue is from students and even a CSL budget means a burden on students. The goal is to convince the state that higher education is a public good. Discussion ensued about the value of higher education and state funding in a time of decreased enrollment. President Bailey pointed out that state funding for higher education is the same as it was 20 years ago.

Core Information System Replacement (CISR) Project Update

Mr. Perkinson provided an update on the CISR project: the project team is focused and doing well; the change management piece is in full swing and received positive feedback; and the organizational structure is being refined as preparation for testing begins.

In response to Trustee Gay's questions, Mr. Perkinson stated that if capital projects do not get funded in this session, SOU will revisit them and work to strengthen the proposals. President Bailey discussed his conversations with legislators and his hope they, too, will see now as "SOU's turn" to receive support. Vice President Fratella asked if the updated increase in projected state revenue would provide additional money for capital projects. Ms. Stallman stated that the increase does not affect the capital budget. There was further discussion regarding funding and enrollment. It was noted that there are fixed and variable costs and that not all costs are directly increased by an increase in enrollment.

Action, Information and Discussion Items

SOU Forward: Accountability Framework for Implementation

President Bailey started with the question of, "How can SOU ensure it does not end up in the same [fiscal] position in five years?" He acknowledged that SOU is good at starting new things but not so great at stopping or evaluating things. He stressed the need to have accountability measures and provided five accountability questions for new requests that should be answered. What resources will this new proposal require? What are the anticipated fiscal or performance benefits from this initiative? What is the time horizon for these expected benefits? What metrics and measurements will be used to monitor progress? And, what actions will be taken if the expected milestones are not achieved?

President Bailey announced that he filmed the latest video update in which he spent a lot of time talking about belonging and the negative language some use. In the entirety of his time at SOU, it has felt to him that SOU has been playing defense. He believed that crisis has been averted, noting that there will still be challenges but crisis would have been far worse for SOU and its students. He questioned how SOU can switch from being on defense to offense, and what needs to be done to be the university everyone wants to see now and in the future.

Mr. Perkinson discussed implementing *SOU Forward* and a framework that includes: focus, leverage of energy, engagement, and accountability. This includes regular team meetings from cabinet to front-line managers. He reviewed cost management milestones in the near-term, mid-term, and long-term. A near-term milestone was the issuance of employment notices on May 1. Fifty-one funded, vacant positions also were moved out of the budget. President Bailey reiterated that taking 51 one vacancies off the books, in which no people were affected, removed the safety net [of having a vacancy factor] from the budget. Mr. Perkinson highlighted a couple of mid-term goals that included: a reorganization of Academic and Student Affairs; a transition of facilities management to "asset management," and hiring a new provost. On the long-term side, it is about culture and monitoring culture change tied to equity, accountability, and the transformation of technology, processes, and tools.

Budget Update and Pro Forma Review: Revenue and Expenses for Fiscal Year 2023

Discussing the FY 2023 budget and the estimate to complete, Greg Perkinson said the changes from April are subtle. Highlights included a projected \$5.5M ending fund balance, which ties to 8.7% of the budget. SOU has seen a positive \$550K in tuition revenue collections. Offsetting this is remissions, which were planned at \$3.4M and SOU is currently over \$4M. About \$300K

was clawed back in other spending while a \$300K disconnect remains; so, the president is working with financial aid, budget, and the controller on this issue. A strategic question is if SOU should use any of its reserves to shore up that deficit. President Bailey described remissions as an imperfect art and that he has asked Vice President Perkinson to facilitate a process improvement plan. Trustee Clough cautioned that using rainy-day funds such as the COVID funds and vacancy factors will inhibit SOU's ability to weather future storms.

Draft Fiscal Year 2024 Budget

Greg Perkinson announced that there were no major changes to the budget since the last meeting and provided an overview of the conservative revenue assumptions, which remain unchanged from the last meeting. The state revenue allocation is a conservative \$26.4M, based on the governor's recommended budget; tuition revenue is modeled with a slight decline in student credit hours; there is an increase in miscellaneous revenue from the refinancing of North Campus Village bonds and a restoration of lease income; the last increment of federal funding [\$2.9M] is included, and one-time monies were not considered in the budget.

On the cost side, Steve Larvick stated that vacant positions were removed and factored into the budget while other positions will be removed based on timing in the realignment plan. Regarding supplies and services (S&S), Mr. Larvick elaborated on the projected cost savings from reductions in shared services as SOU migrates to Workday; although, financial reporting requires a 24-month notice, so those savings will not be reflected until January 2025. Regarding transfers in and out of the education and general fund (E&G), changes in athletics and offsets from donations will result in less reliance on E&G for athletics support.

Reviewing the pro forma, Mr. Perkinson noted a negative \$1.6M tuition based on enrollment and the mix of tuition rates. Health insurance costs are increasing, and S&S is up by \$1.1M. With reserves, and the [realignment] plan, there are increases year-over-year in fund balance starting from \$5.5M this year to \$9.2M in the out years. President Baily added that this does not capture revenue or cost savings from energy projects [or building projects] in the other planks of *SOU Forward*. Trustee Clough thought it was good to see projections out to 2027, which is shaping up well, but cautioned that two years ahead are where SOU needs to focus.

Reviewing the draft budget, Mr. Perkinson noted that the budget presentation is a summary of expenditures by fund. Education and general is SOU's primary mission fund. As a starting point, Mr. Larvick noted that in FY 22 SOU received \$9.9M in federal relief funds, which could be used for expenses, not just losses. After accounting for losses, in line with the Department of Education and SOU auditors, one-third went into E&G, and the remaining \$6.6M went into an auxiliary reserve. As budgeted operations were needed, monies were transferred. For this budget, the remaining funds have been moved from a transfer line to a federal relief line to more accurately depict this. So, the total revenues are \$65.3M and expenses are \$67.3M, offset by the federal fund for total estimated expenditures of \$64.4M.

Much discussion ensued regarding the federal relief, the use of reserve accounts, transfers, and how SOU shows this in the budget. Responding to Trustee Gay's question, Mr. Perkinson and Mr. Larvick noted that when backfilling administrative positions like the provost's, those are held static in the budget until more information is available on the salary, and classified salaries generally are dependent upon the step level of the outgoing employee and assumptions on how SOU plans to backfill that position. Committee Chair Franks requested a transfer report to be included in June to capture transfers in and out at a high level and

especially the federal funds, which otherwise skews the budget.

Mr. Perkinson explained that Designated and Service Center Operations shows non-credit earning programs, public services such as Jefferson Public Radio (JPR), Rogue Valley Television, and service centers like SOU Print and Copy (P&C). It's a much smaller budget and the intent is that the designated operations units are self-supporting. This budget [with total expenditures of nearly \$5.9M] shows a negative \$400K between revenues and expenses, which Perkinson does not find concerning, as SOU anticipates that revenue in these areas will be refined by June and may improve. If the \$400K disconnect persists thereafter, the ending fund balance remains. President Bailey asked Mr. Perkinson to comment on the longitudinal stability of the fund, and the fundamental differences between this and E&G. He replied that the goal is not to make money but to break even on the cost of providing services to SOU. Units estimate their costs without understanding fully what the demand may be, and Mr. Perkinson pointed to P&C as an example, noting they don't know how many photocopies will be needed next year or that JPR transfers funds to pay for costs, but it gets refined.

Turning to the Auxiliary Operations (AO) fund, which covers operations such as housing, athletics, parking, and the student health center, Mr. Perkinson explained that each entity is managed by its own director in different ways, but all are intended to be self-supporting. He showed a slide outlining total 2024 expenditures of \$14.6M, with a fund balance of \$6M, most of which is in reserves rather than operations. There is a \$600K disconnect on the revenue side, which is expected to improve as price increases take effect. Mr. Larvick noted that the federal funds were taken out of auxiliaries but in FY 2022 it was a transfer in; but, it wasn't a windfall of \$6M for auxiliary activities. Mr. Perkinson further explained that when academic activities occur within the student recreation center, E&G pays for those with a transfer-in to AO. Responding to Trustee Shelby's question about income from the sale of the three houses, Mr. Perkinson said it is in a strategic housing reserve.

Showing combined operations for all three funds, Mr. Perkinson said that given the refinements and fine-tuning revenues for housing, as well as picking up the disconnects, the bottom line will be refined in June. Vice Chair Clough said it seems like this year SOU is projecting a positive bottom line and next year is negative. Mr. Perkinson agreed and said what hasn't been quantified yet from the *SOU Forward* plan, is the housing front-office reorganization, noting that occupancy is high, SOU is meeting targets in North Campus Village, and this is just one area. Continued refinements will occur for the June submittal. Mr. Perkinson reviewed the path forward as continued austerity, transparency with campus; bending the cost curve through innovation and transformation; and stabilizing revenue.

In response to Trustees Thorndike, Shelby, and Gay regarding the accounting for student labor and scholarships, Mr. Perkinson explained that scholarships offset enrollment for students but are not shown as income. He described work-study and other programs that help students retain, although they aren't necessarily part of a recruitment package. Giving an example of attracting students to SOU, Debra Lovern added that work-study is part of a \$400K financial aid package and the Bridge Program has \$100K for student workers, so these account for a half-million dollars for students. Mr. Larvick added that the total student labor budget is back up to \$2.8M for next year; however, federal funding for work-study has not increased in decades and when minimum wage goes up, it puts pressure on the university to fund student employment reasonably. He added that federal work study money sometimes is left "on the table," like last year, but that was not the case this year.

Expenditure Request: Continuation of Education Advisory Board Navigate Software (Action)

Vice President Perkinson provided an overview of Navigate as a tool that enables students' communication and helps them to succeed. Provost Walsh explained that without Workday's implementation, this program is needed to support students as it helps with advising, identifying at-risk students, and communicating with professors to provide support services. Using the integrated analytics of Navigate, student success coordinators (SSCs) can identify and blast out a campaign to grow an under-enrolled class to maximize class size. The provost expressed concern that if SOU gets rid of the Navigate software before the new platform is in place, there could be a two to three-year gap and relying on simply on email and texts would affect students' ability to persist and graduate on time. Although many things impact retention, Mr. Perkinson shared his belief that Navigate helps drive retention among users and is a good return on investment. He showed data on student usage and retention, noting that eight of the past ten terms show that retention to subsequent terms is higher for Navigate users than non-users. He reviewed the contract proposal, as presented in the meeting materials.

Trustee Gay announced that he has been identified as a Navigate "power-user" and champion because he uses it a lot and has few issues with the program. He noted that some of faculty are not convinced that Navigate is worth the investment. He would like more data on actual usage. Provost Walsh later commented that it is not just a faculty issue and that there are very heavy users of Navigate including SSCs, the office of the dean of students, and the SOU Student Health and Wellness Center—especially during COVID. She also suggested that usage adoption is generational. Addressing Trustee Gay's concern about the administrator of Navigate leaving SOU, Provost Walsh expressed confidence in the infrastructure support and service that will continue. Mr. Perkinson shared that additional information would be presented in June.

Trustee Clough commented on the differences between change management versus actual software issues, as well as the challenges of implementing another software while waiting on Workday. In response to Trustee Gay's question on whether SSCs are appreciating the tool, Provost Walsh answered with 95% confidence that they are. Trustee Thorndike commented on the reasonable return on investment and the modest increases in pricing of the contract.

Trustee Thorndike moved to recommend that the board approve the 3-year EAB Navigate expenditure, as proposed, in the amount of \$655,006. Trustee Medina seconded the motion and it passed with one abstention from Trustee Gay.

Future Meetings

Chair Franks announced that the next meeting of the committee is scheduled to take place on June 15, 2023 at 5:00 p.m. If any trustee has a specific item to suggest for a future meeting, please send them to the board secretary.

Adjournment

Chair Franks adjourned the meeting at 7:02 p.m.

Date: June 15, 2023

Respectfully submitted by,

A handwritten signature in cursive script, appearing to read "Sabrina Prud'homme".

Sabrina Prud'homme, University Board Secretary