

**Board of Trustees
Finance and Administration Committee Meeting
Thursday, June 15, 2023**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Chair Shaun Franks called the meeting to order at 5:03 p.m. He thanked Dr. Woolf and President Bailey for the invitation to the reception for American Samoan students and their families. He welcomed all attendees and expressed his excitement for the return of SOU Budget Director, Josh Lovern. 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:

Sheila Clough	Present	Christina Medina	Absent
Shaun Franks, Chair	Present	Liz Shelby	Present
Andrew Gay	Present	Bill Thorndike	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 May 18, 2023 meeting and the financial dashboard. Trustee Shelby seconded the motion and it passed unanimously.

Vice President's Report

Higher Education Coordinating Commission (HECC)

Vice President Perkinson reported that legislative support is still unknown but more information is expected in by the end of the legislative session. He stated that although SOU is optimistic, budgeting is conservative. Mr. Perkinson highlighted key points on the initial higher education budget including Public University Support Fund (PUSF) at \$1.05B to achieve the current service level (CSL); \$25M for TRUs and Portland State University (PSU); \$6.8M for Strong Start in which SOU may receive \$1M; the Oregon Opportunity Grants (OOG) at \$308M; and sports lottery. He also reviewed an analysis of PUSF funding allocation to SOU in conservative, expected, and optimistic scenarios.

Capital Projects Funding Update

Mr. Perkinson informed the committee that SOU will probably not know the capital allocation funding until the last day of the session but that it wasn't looking promising. He said further planning will begin in July once the outcomes of the legislative session are known and funding is determined.

Core Information System Replacement (CISR) Project Update

Mr. Perkinson provided CISR highlights, achievements, and a look ahead at the next few months. SOU will continue to work hard to go live [with Phase 1 of Workday] in December 2023. In response to Vice Chair Clough, Mr. Perkinson stated that no delays are expected and reported good news from Chief Information Officer, Tom Battaglia, that a languishing data transfer from the Public Employees' Benefit Board (PEBB) is resolving. He also reviewed the CISR dashboard and tools.

Action, Information and Discussion Items

SOU Forward: Accountability Framework for Implementation

President Bailey indicated that SOU owes everyone a cultural shift, one that minimizes the risk of financial instability going forward. He noted the importance of accountability and assurance that budget issues would not continue year after year is essential for SOU. Bailey acknowledged that accountability is as or more important to employees than workload, which is weighing on people's minds.

President Bailey reviewed the five questions to create a culture of accountability from *SOU Forward*. These questions were: What resources will a new proposal require? What are the anticipated fiscal or performance benefits from an 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? He emphasized that the board should hold him accountable to answer these five questions and that the Vice Presidents and their teams are using the questions as well.

Mr. Perkinson reviewed the President's Dashboard depicting how to operationalize and track the *SOU Forward* initiatives going forward. Under each initiative, there is a "drill down" worksheet of each initiative offering additional detail. The worksheet answers each of the five questions referred to earlier and assesses risks, issues, and opportunities. President Bailey expressed his concern that this process not become a juggernaut and the intention is not to add more workload. He also shared his thoughts on how SOU can become more offensive than defensive and think more strategically and systemically.

Vice Chair Clough complimented the administration for doing what they said they were going to do and for being transparent. She commented on the due diligence being hardwired into these processes but pondered whether the board has to change its practices to ensure it is asking the questions and that it has enough eyes on the dashboard. In response, President Bailey talked about the time value of decisions and that the board will have the ability to see signs of trouble or challenges and compel the administration to act. Mr. Perkinson added that the Process Improvement Team has been reimplemented. These eight volunteers consider projects such as the remissions overrun "problem." This is a work in progress.

On other parts of *SOU Forward*, Mr. Perkinson gave an overview of solar energy

production, Cascade retirement living community project, the university business district, and the Pacific Northwest Workday training center. He elaborated on the solar project and displayed a press release announcing an additional \$1M grant. He reviewed the board summary and highlighted that SOU has accomplished phases 0 and 1. He explained that momentum is building for phase 2 with the \$4M in State and Federal funding. Chair Franks commented on others that have received funding and others are getting on board for the charge that SOU is leading. Discussion ensued regarding the SOU's role in partnering with the City of Ashland and others.

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

Mr. Perkinson invited the panel of experts, Josh Lovern, Steve Larvick, and Agnes Maina, to discuss the budget and pro forma. Mr. Perkinson focused on what has changed since the last meeting. He started with simplifying the way federal relief is presented in the pro forma and structural changes in the pro forma. He noted that analyses and corrective actions taken for remissions have been undertaken and that work is still needed to correct the \$300K deficit. President Bailey said SOU has to do a better job in planning for the cost of remissions. Mr. Perkinson reviewed the current year's execution to the plan with a softening of the Ending Fund Balance (EFB) but a projection to still close the year slightly better than planned.

Fiscal Year 2024 Budget (Action)

Greg Perkinson started with the revenue assumptions by stating SOU remains conservative with the Governor's Recommended Budget (GRB) for state funding and with enrollment down 1.6 percent. In response to Vice Chair Clough's question, Mr. Perkinson said there is not really a chance for the GRB to be any lower, as there have been no significant changes in miscellaneous revenues or federal support. He also stated that one-time monies are not considered and highlighted some of these additional revenue asks.

Mr. Perkinson stated that there were no significant changes on the cost side from last month's update. The model has been updated based on the *SOU Forward* plan.

Mr. Perkinson then reviewed the Conservative Pro Forma that was based on conservative assumptions. This model projects a key performance indicator (KPI) of 9 percent of operating revenue for an EFB of \$5.8M. He also mentioned that the savings from the CISR project will not be realized until the next biennium.

In response to Trustee Gay, there was discussion on how the negative fund balance in the out years was resolved. It was a combination of reductions in services and supplies (S&S) as outlined by *SOU Forward*, and the projected Workday savings.

The revenue modeled less than 3 percent for enrollment growth, as a downturn due to the demographic cliff was built into the enrollment assumption. A stabilizing of enrollment is expected, as SOU is doing more diversifying before the cliff occurs in 2025. Dr. Woolf then explained the difference between head count, full-time equivalency (FTE) and student credit hours (SCH) and how these affect the budget. In

response to Trustee Thorndike's question regarding SOU's rate of remissions versus tuition compared to that of other state universities, Mr. Perkinson recalled that several institutions were higher than SOU at eleven percent or more. Steve Larvick added that, 9 percent in remissions is budgeted but the actual is 12 percent. Vice Chair Clough commented that a couple of "rainy day slush things" SOU has used in the past to address revenue and cost disconnect are no longer going to be there after this budget cycle. She provided examples of the staff vacancy factor and federal funds. She emphasized the importance of due diligence and the need to hit specified targets.

Mr. Perkinson reviewed the summary of expenditures by fund. These included the budgeted operations; auxiliary operations; and designated operations and service centers. He showed the breakdown of the funds for FY 2022 actuals, the FY 2023 adopted budget plus adjustments; the FY 2023 year-end projection; and the FY 2024 draft budget for each fund. Starting with the Education and General Fund (E&G), or budgeted operations, Mr. Perkinson reviewed these items and also pointed out changes to the spreadsheet for clarity such as column titles and colors. Overall, the proposal is for \$67.4M and is favorable by about \$600K.

Mr. Perkinson identified the Designated and Service Center Operations as the non-credit earning programs such as Jefferson Public Radio (JPR) and Rogue Valley Television (RVTV). He stated that the purpose of this fund is not to make money but to be cost efficient. The fund has a negative \$140K balance and a strong EFB.

Auxiliary Operations was the next fund Mr. Perkinson addressed; he later shared that the auxiliary operations are housing, the health center, athletics, parking, recreation center, and other activities that should be self-supporting. The fund has a \$6M reserve. The fund was previously \$1.4M in the hole but revenue was fine-tuned as was labor, and SOU is reorganizing the Housing Department, which approximately amounts to a \$760K improvement in the deficit. Mr. Larvick added that Housing also gives remissions and that the department has only spent about half of what was budgeted. There was further discussion on the delta which was a result of high occupancy in housing and a lot of vacant positions. It was also attributable to the refinancing of the ground lease and the increase in conference revenue since COVID.

Responsive to Chair Franks' request last month, Mr. Perkinson reviewed the transfers between funds. This is tied to the plant transfers. Athletics spends more than they bring in and SOU has strategically chosen to do so. Athletes have strong retention, are great for the SOU brand, and this is standard. If the sports lottery gets full funding, it will be \$200K for the biennium, which might be able to be leveraged for coach salaries and other personnel expenses, so all other expenses come from ticket sales, tuition, student fees and E&G transfers back to athletics.

The FY 2023 year-end estimated projection for transfers has a positive balance of \$1,360. There is a \$125K disconnect in the combination of the three funds which is \$800K better than last month. Mr. Perkinson then presented the resolution to recommend adoption of the fiscal year 2023-2024 budget. Trustee Shelby asked that if

the trustees adopt the conservative budget, can one assume if the more optimistic one becomes a reality, SOU will see increases in income but expenses would remain unchanged. Mr. Perkinson said this was correct. President Bailey commented that costs need to remain the same as SOU gets used to its new normal and building the reserves. He acknowledged that SOU is the outlier, as every other institution in the state has a healthier reserve/fund balance than SOU.

For combined operations, the proposed Fiscal Year 2023-2024 expenditures budget was \$87,601,957 inclusive of Education and General [budgeted operations] in the sum of \$67,488,209; an Auxiliaries budget in the sum of \$14,256,140; and Designated Operations and Service Centers in the sum of \$5,857,608.

Trustee Thorndike moved to recommend the resolution to adopt the fiscal year 2023-2024 budget. Trustee Gay seconded the motion and it passed unanimously.

Future Meetings

Chair Franks announced that the next meeting of the committee is scheduled to take place on October 19, 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 6:33 p.m.

Date: October 19, 2023

Respectfully submitted by,



Sabrina Prud'homme, University Board Secretary