

**Board of Trustees Special Meeting
Monday, August 28, 2023**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Chair Daniel Santos called the meeting to order at 12:00 p.m. He welcomed the trustees, staff, and presenters for prioritizing the university to attend the special meeting

President Rick Bailey read SOU's Land Acknowledgement.

The board secretary called the roll and a quorum was verified.

Daniel Santos	present	Shaun Franks	present
Rick Bailey	present	Andrew Gay	present
Brent Barry	present	Christina Medina	present
Jon Bullock	present	Mimi Pieper	present
Iris Maria Chavez	present	Liz Shelby	present
Sheila Clough	present	Barry Thalden	present
Debra Lee	present	Bill Thorndike	present

Public Comment

No one offered public comments.

Organizational Changes

President Bailey reviewed the organizational chart and updates. He said that with *SOU Forward*, SOU addressed structural challenges head-on and that process highlighted that SOU's budgeting and fiscal process needed to be better and tighter. The *SOU Forward* plan provided an opportunity for reorganization and SOU had an opportunity to accelerate that. The student affairs unit has moved back under Provost Sue Walsh; her successor will have that charge anyway and the executive vice president, Dr. Neil Woolf will assume duties of the vice president for finance and administration (VPFA). President Bailey later added that he and Dr. Woolf will jointly oversee the accounting and budget areas.

President Bailey reviewed additional organizational changes including an announcement from the vice president for equity, diversity and inclusion (EDI) that she would be leaving SOU but will continue to advise the university for several months as the university moves forward with EDI plans. The associate vice president for EDI will report directly to the president and sit on the president's cabinet. A strategic vision for EDI has been created and SOU remains committed to achieving that. President Bailey will hold campus conversations about that structure, as SOU does not want to send a message that EDI is not important.

The search for a new provost and vice president for academic and student affairs is in progress with a strong slate of applicants. The search for a VPFA will commence after Labor Day. President Bailey indicated that SOU will build in more redundancy and resiliency, also making information more accessible info to the board, campus and community in order to keep moving forward in a positive way.

FY 2024 Budget Update

President Bailey and Dr. Woolf reviewed major changes to the SOU budget, which resulted from changes in state funding, internal processes, and errors in calculations and assumptions. The

budget director was on an extended leave and that led to an error in calculations and assumptions that would have been changed, so the approved budget had flaws in it. On the positive side, SOU also got more funding than projected, enrollment is looking better than projections, and these put SOU in a position to weather these errors. Despite these, President Bailey said the university is financially stable, and the revenue-is-greater-than-or-equal-to-costs model ($R \geq C$) introduced in SOU Forward, remains intact. SOU is also working on a culture change where management will make changes when needed

SOU is working to improve its budget processes and stabilize its finances, but recognizes that there will always be variables. The university needs to build more redundancy and resiliency into the process, and make it more transparent and publicly shared. To this end, SOU invited feedback from Jim Pinkard of the Higher Education Coordinating Commission (HECC). Mr. Pinkard provided positive feedback on SOU's strategy and principles, and indicated that the challenges SOU is facing are not unique. President Bailey emphasized that these efforts are not an indictment of the current team, and that everyone is acting in their best capacity. President Bailey noted that SOU is also meeting with an external consultant group to get fresh eyes on the budget process and help SOU improve.

President Bailey explained that SOU discovered that it double-counted savings in S&S resulting in a \$1.1M error. The university reviewed its budget line by line and made necessary adjustments. The administration also had many deep dives with the teams, and with [SOU's auditor] Jean Bushong at CliftonLarsonAllen. President Bailey reiterated that Dr. Woolf is assuming all VPFA responsibilities and that the budget and finance areas are being overseen jointly by him and Dr. Woolf. In response to Vice Chair Cough's question, President Bailey said the team is starting to look deeper into other financial systems and processes beyond the Education and General (E&G) fund. Dr. Woolf added that the board approves the three fund types, and one question is about other metrics the board may need for a more comprehensive view of finances. The president said SOU will build a culture where accountability is not a 4-letter word, and people responsible for the budget need to hold to it.

Reviewing the FY 24 updated revenue assumptions from June to end-August, Dr. Woolf indicated that SOU budgeted conservatively, using the Governor's Recommended Budget, and the legislature provided \$1.3M more than expected. Tuition remissions used to be 9 percent of tuition revenue; however, the award amounts are higher. Much discussion ensued on this topic and Trustee Bullock specifically questioned the disconnect. Dr. Woolf explained that the actual expenditure for remissions is about \$4M and in June the budget included \$3.4M based on the 9 percent; the number is now updated to reflect the actual students SOU is getting and dollars the university is spending. As shown in the meeting materials, the adjustment to the FY 24 budget is slightly more than \$500K, as remissions are contra-revenues. Turning to other revenues, Dr. Woolf noted that updated fall enrollment projections have a positive impact of about \$600K and the special allocation to the technical and regional universities is \$1M, which is nonrecurring.

Regarding assumptions for faculty labor, Dr. Woolf noted there was no change. However, as people come and go, there has been a \$112K expense reduction. For unclassified staff, unplanned position turnover since December led to a \$250K expense reduction. There was no change in the assumption for cost of living adjustments for this group. President Bailey noted there is room for improvement, especially for those at the lower end of the pay scale. The vacancy factor was assumed at 5 percent, but is now 2.5 percent based on *SOU Forward*, as

vacancies were taken off the books completely and those positions as no longer exist as a budgetary safety net.

Regarding classified labor, no factors for the new collective bargaining agreement were assumed. As the Department of Administrative Services (DAS) and the state settled their contract this summer, the planning factor should be closer to that; so, a 6.5 percent increase or \$798K in additional expense was adjusted in the budget. In response to Chair Santos on whether SOU was anticipating the increase, President Bailey said it was an error on the university's behalf. There is an additional \$144K expense due to the minimum wage increases for student workers and the Oregon Public Leave (OPL), retirement, health benefits and other personnel expenses resulted in a \$1.1M in additional FY 24 expenses.

Dr. Woolf reviewed the budget assumptions in supplies and services (S&S). There was 2.25 percent increase across the board for S&S but that has been flattened, resulting in an FY 24 expense reduction of \$389K. Trustee Shelby asked why utilities were excluded from the S&S adjustments and Dr. Woolf responded that there is an assumption that SOU will continue to need utilities the costs will continue to increase. Additional expenses included \$1M from a double-counting error in *SOU Forward*; \$238K in capital- and accounts payable expenses; and \$289K in transfers. Total S&S adjustments are \$1.14M in additional expense.

President Bailey noted that SOU is above water financially, but not flush with cash. He is focused on the \$854K deficit in FY 26 and has promised that the university will not wait until then to address it. SOU is not counting on special allocation dollars, as they are considered one-time funding. President Bailey described the budget as conservative yet realistic, and even with the challenges, SOU is on an upward trajectory. Dr. Woolf noted that some of the budget ebbs and flows are normal and some abnormal, and the administration will do better at monitoring these expenses. They will also provide greater transparency, timeliness in decision-making and reporting, and show non-E&G dollars in the financial picture of the institution. President Bailey punctuated this by saying that SOU should not be a one-mistake university and that everyone at the institution should strive to be better. This is an opportunity and he would rather be in this position now, with more awareness, than without clarity on exactly where SOU is [financially]. Trustee Thorndike is intrigued that the university has to assume 1.5 years in advance. In business, budgets are looked at quarter to quarter. He asked the administration to consider reporting on budgets and enrollment quarterly. President Bailey said it would be a discussion at the upcoming retreat.

Much discussion ensued among trustees and the president regarding the positive outcome of SOU's conservative budgeting approach, the disappointment of not having the extra money SOU would have had without the errors and miscalculations, and how it is that trustees can be assured that SOU will not be back in this situation in five years. President Bailey indicated that that the SOU of today is much healthier than in September of 2022 and noted the importance of changing the culture to institute accountability to ensure $R \geq C$ every year. Bailey added that SOU is on a slow, steady trajectory and provided examples of revenue-generating ideas. He also noted enrollment, retention, and ongoing work to improve these.

Vice Chair Clough and Chair Santos shared their appreciation for the transparency and acknowledgement of the mistakes. Chair Santos also commended all who worked on legislative side to achieve a better-than-expected allocation.

Answering Trustee Thorndike regarding a Core Information System Replacement Project update, Mr. Battaglia indicated that the institution is 100 percent complete on all work streams and efforts for tenet validation, which is the last step for end-to-end testing where a business process is taken from beginning to end. Testing processes for the hiring a new employee from posting a job, to payroll for the first paycheck is an example and this will be done for hundreds of processes, which will allow SOU to go live in January for [Phase 1].

President Bailey said the everything shared with board will be shared at the Welcome Back Breakfast. He promised SOU will be diligent with how the budget is reviewed. He reiterated that SOU Forward remains viable, that he and Dr. Woolf are committed to improving reviews of the budget assumptions by the president and cabinet. They are reviewing tools for budget reporting and presenting of budget information and will provide the board with more comprehensive tools for monitoring the university's financial condition. There will be clear distinctions in the pro forma of recurring and recurring revenues as well as expenditures. There will be ongoing planning to fill the budget gap for FY24. The processes and notifications of budget expenditures will be improved, and the University Budget Committee will be revitalized, including more frequent engagement throughout the annual budget cycle.

Executive Session

Chair Santos asked if any trustee felt the need to have further discussion in an executive session. No such session was held.

Future Meetings

Chair Santos announced that a retreat of the board is scheduled for Sept 29 and 30 and the next regular meeting of the board is scheduled to take place on October 20. He asked that any ideas for agenda items be sent to him or the board secretary.

Adjournment

Chair Santos adjourned the meeting at 1:23 p.m.

Date: October 20, 2023

Respectfully submitted by,



Sabrina Prud'homme, University Board Secretary