

**Board of Trustees  
Finance and Administration Committee Meeting  
Thursday, October 19, 2023**

**MINUTES**

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

Committee Chair Shaun Franks called the meeting to order at 5:01 p.m. He welcomed Dr. Woolf, Josh Lovern, Agnes Maina, and Tom Battaglia; an extra-special welcome and thanks to Penny Burgess from USSE.

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

Committee Members:

|                     |         |                  |         |
|---------------------|---------|------------------|---------|
| Sheila Clough       | Present | Christina Medina | Present |
| Shaun Franks, Chair | Present | Liz Shelby       | Absent  |
| Andrew Gay          | Present | Bill Thorndike   | Present |

Other trustees in attendance: Board Chair 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 June 15, 2023 meeting and the financial dashboard. Trustee Clough seconded the motion and it passed unanimously.

**Vice President's Report**

Higher Education Coordinating Commission (HECC)

Dr. Neil Woolf expressed confidence in and appreciation for his team's work over the past several months. He provided an update on the Higher Education Coordinating Commission (HECC) noting their plans to update their strategic plan and SOU's opportunity to provide input. National Center for Higher Education Management Systems (NCHEMS) and their advocacy may help the process. Dr. Woolf also discussed conversations with the Oregon Council of Presidents regarding direct admissions, which aims to establish a guaranteed pathway to higher education in the state.

Financial Information

Dr. Woolf announced that the SOU administration is considering an external review of the budget and budgeting process. President Bailey expressed support for the idea, emphasizing the importance of an external perspective in providing clarity to the processes. The focus will be on building resiliency, identifying errors, and fostering strategic discussions without overwhelming the team. Feedback from the board retreat will be used to present new information about the budget in a more understandable and comprehensive manner. In addition, Dr. Woolf and President Bailey have engaged with faculty senate and staff assembly, and the university budget committee will be reinstated. This will enhance transparency,

fidelity, and understanding of the budget across the campus community. The committee will review assumptions and serve as an advisory body to the president with input from shared governance partners.

The university has begun bargaining with the Service Employees International Union. Human Resources Director Alana Lardizabal is representing SOU in the statewide process. Dr. Woolf committed to providing updates to the board on the process.

#### Continuing to Strengthen Emergency Operations

Last year, SOU and the City of Ashland signed an agreement designating SOU as the city's emergency operations center (EOC). The EOC team's assessment of the emergency operations plan has led to feedback for strengthening the plan. The EOC team members will undergo four levels of FEMA training and attend regular meetings. SOU is working on inventories and energy resilience, aligning with sustainability goals. Trustee Thorndike expressed reassurance in the plan and sought future updates including campus responsibility during a crisis.

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

##### Fiscal Year 2024 Revenue Forecast

Starting with enrollment forecasts, student credit hours shown in the pro forma were at 47,499 SCH, higher than predicted for Fall 2023. Regarding state funding, a reconciling or "true-up" from the HECC will occur later in the fall, and this is based on a three-year average influenced by factors like resident status and course mix. There is a special allocation of \$1M for the technical and regional universities and Portland State, but the university is awaiting final rules on the allocation and allowable expenses. Trustees emphasized the importance conservative planning due to uncertainties. President Bailey noted that the Oregon's Public Universities (OPUs) are collaborative about using the special allocation creatively to support students and solve fiscal stability problems.

Trustees commended the new format of the materials, which is a result of feedback from the board's retreat. Mr. Lovern discussed at various points the new modeling of SCH and remissions that contributes to the new format. Remissions had typically been pegged at nine percent of tuition revenue and it has been closer to eleven or twelve percent so it has now been adjusted to eleven percent as an offset to revenue. Trustee Thorndike noted that California is making some significant increases to tuition in the next six years, which could be of benefit to SOU.

##### Budget Update

Responsive to feedback from the board's retreat, Dr. Woolf presented the new periodic management report and thanked Ms. Maina for her assistance. This report includes the Education & General (E&G) fund, all the auxiliaries, the designated operations, and all the service centers. Trustees Clough and Medina appreciated the new report and Clough suggested adding a column for year-to-date to compare actual performance. Also responsive to feedback from the retreat, Dr. Woolf pointed out that page 16 of the meeting materials provides an analysis of outliers and other areas of significance.

On E&G Labor, President Bailey explained that previously, increases for unclassified staff

had not been included in the budget, which has been corrected. While SOU has the smallest percentage of reserves of any OPU and therefore, does not have a safety net, SOU is planning for increases for classified staff. Other personnel expenses (OPE) is showing significant savings based on additional retirements and separations happening since the budget revisions in July. In response to Trustee Gay's question regarding the hiring of new vice presidents, President Bailey is conscious that every executive at SOU could go somewhere else, do the same job, and make more, but he does not want an environment where senior executives create inequities among the other employees and he is confident that SOU can attract good candidates for current vacancies. In sum, Dr. Woolf said SOU is spending less on labor and expects to finish the year within budget.

In reviewing Supplies and Services (S&S), fiscal year projections are exceeding budgeted amounts. President Bailey credited Ms. Maina, for acknowledging the need to cultivate a culture of accountability around the budget. In setting up Workday, "trip wires" will be created in the system to flag departments' spending, which Banner did not allow. Regarding the growth of S&S, Mr. Lovern explained factors that could impact the ending fund balance and gave an example of large increases in utility usage above what SOU has negotiated. This area has inflationary pressures that have not eased up, and could get worse. Dr. Woolf said SOU will focus on the things it can control.

Dr. Woolf reviewed transfers, and a major change is that the federal influx of COVID dollars has discontinued. Transfers are tracking as planned and will return to normal.

As a result, on the E&G ending fund balance (EFB), President Bailey provided an update that in July, costs were projected to exceed revenue but revenue is now expected to exceed costs by about \$218K [or 9.07 percent EFB] in FY 2024 and \$460K [or 9.33 percent EFB] in the next. Mr. Lovern added that SOU will have final numbers for FY 2023 actuals when the external audit is completed. President Bailey said goals are great when there is granularity to them and believed SOU has an opportunity to define reasonable targets based on enrollment trends, as setting goals and targets will help SOU avoid being back in the same position five years from now. SOU has the lowest reserves of the OPUs at about nine percent and the National Association of College and University Business Officers recommends 40 percent.

In the pro forma, overall, the ending fund balance for FY 2024 is projected to be 9.07 percent, up from the budgeted 8.67 percent. President Bailey pointed out three things to keep in mind: 1) nonrecurring revenues have been zeroed out; 2) in 2026, SOU will be back in labor negotiations with faculty (APSOU) with a goal of having money and a position to bargain from instead of saying "we've got nothing," and assuming there will be no increases; and 3) revenue diversification will not be realized until at least 2027. Therefore, savings from solar or additional revenue have not yet been estimated.

Chair Franks suggested future discussion on other key performance indicators and the possibility to have "heat maps" that would provide a sense of what going well, how SOU's budget is performing, and provide a picture of what is happening.

### **Facilities and Capital Projects (Action)**

#### General Updates

Dr. Woolf explained that Capital Improvement and Renewal (CIR) funding is received through HECC, and upcoming projects including roof repairs, Central Hall basement completion, and renovations to Ed-Psych building. President Bailey highlighted the timeline with funds, noting \$8M due to COVID-related delays. An additional \$1.4M was granted for Central Hall. Dr. Woolf announced a \$1.5M contract for solar panels on The Hawk to increase capacity by 393 kW and President Bailey discussed ongoing projects, including roof replacements, landscape updates, and Cascade demolition.

#### Expenditure Request for Central Hall, Phase 3

Mr. Leon Crouch described in depth the progress of the Central Hall project—from waterproofing and drainage to electrical panels and HVAC. The funding source for the request will be existing CIR dollars and escalation funding from the state for completing the project. However, SOU is still pursuing additional state funding to complete phase two the project, which internally is referred to as phase 3.

Trustee Gay moved to recommend the approval of the expenditure of capital improvement and renewal of funds in the amount of \$3.5M for continued work on Central Hall, Phase 3. Trustee Medina seconded the motion and it passed unanimously.

#### Fiscal Year (FY) 2023 Fourth Quarter and Year-End Investment Report

Penny Burgess provided the fourth-quarter report for SOU investments in the Public University Fund (PUF) and university endowment assets. The PUF, managed by the Oregon State Treasury, saw a 1.3 percent total return with a 3.4percent average investment yield. Despite a \$863K realized loss due to net cash outflows, SOU received \$691K in net investment income. The university's share of unrealized losses was \$375K, and the value of operating assets in the PUF was \$15.5M. Since 2014, SOU has gained over \$4.1M from PUF investments.

The endowment, managed separately, showed a 12.1 percent total return, exceeding the policy benchmark of 10.9 percent. The allocation to the BlackRock All Country World Index fund contributed to positive returns. A \$106K income distribution occurred in September 2023, reflecting a trend of increasing annual distributions over the last 5 years. The endowment's total market value on June 30, 2022, was \$2.78M.

Based on the FY24 cash flow forecast, SOU is estimated to maintain an average cash and investment balance of \$23.6M, slightly below the 5-year average of \$24.2M. It is recommended that SOU keep liquid cash equivalent to 60 days of projected expenditures, with a minimum of 30 days.

#### Public University Fund Exit for SOU Operating Funds (Action)

Chair Franks noted that SOU holds operating cash within the PUF, which was just described as the vehicle for holding funds. As SOU continues tightening up financial matters, the committee is being asked to make a recommendation to the board regarding SOU's proposed exit from the PUF for its operating funds. This item does not affect SOU investment funds. Dr. Woolf and Ms. Agnes Maina discussed the asset allocation within the short-term and core bond funds, evaluating if it meets SOU's liquidity needs. The discussion included the FY 24

cash flow forecast, projecting \$22.8M—a balance close to the 60-day average of expenditures.

Penny Burgess explained that SOU invests the majority of its operating assets in the PUF, and the aggressive asset allocation may not align with SOU's needs. Violation of the PUF agreement with balances falling below 30-days of outflows could lead to liquidation. So, SOU has two options: remain in the PUF, actively manage daily cash flows to avoid rule violation, or provide a 180-day termination notice, potentially completing the process in 60 days. Termination involves investing in the Oregon Short-Term Fund (OSTF) and SOU can later rejoin the PUF. Ms. Maina clarified the banking arrangement with OSTF and efforts to align accounting with Workday. Answering Trustee Clough, Ms. Maina said that yes, the \$300K realized loss will appear on the income statement after SOU transfers out of the PUF. Burgess summarized the financial impact of termination, projecting a small benefit to interest earnings in year one and approximately \$70K-80K in net benefit, depending on interest rates.

Trustee Thorndike moved to provide a recommendation to the full Board of Trustees to provide a termination notice to the PUF Administrator for the management of operating assets. Trustee Gay seconded the motion and it passed unanimously.

#### Core Information System Replacement (CISR) Project Update

Tom Battaglia provided an update on the progress of the CISR project. Mr. Battaglia showed a chart of the \$2.5M budget for this phase of the project, with the extended timeline to February. The project is under budget with only \$1.98M spent thus far. He explained that the three-month burn rate increased significantly due to end-to-end testing being considerably more intense than anticipated.

#### 2024-2025 Committee Meeting Schedule (Action)

Chair Franks reviewed the proposed meeting schedule in the meeting materials. Committee members did not recommend changes. Trustee Gay moved to approve the 2024-'25 meeting schedule. Trustee Thorndike 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 January 18, 2024 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 6:03 p.m.

Respectfully submitted by,



Sabrina Prud'homme University Board Secretary