



**Board of Trustees  
Special Meeting**

**Friday, July 17, 2015  
12:00 p.m. – 5:00 p.m. (or until business concludes)  
DeBoer Room, Hannon Library**

**MINUTES**

**Call to Order**

Called to order at 12:11pm by Chair Thorndike. He reviewed the agenda, welcomed guests and asked each trustee and others in the room to introduce themselves.

**Roll Call**

The following trustees were present and a quorum was established. Bill Thorndike; April Sevcik; Les AuCoin; Sheri Bodager; Lyn Hennion; Paul Nicholson; Jeremy Nootenboom; Teresa Sayre; Dennis Slattery; Joanna Steinman; Steve Vincent; and Roy Saigo (ex officio).

The following trustees were absent: Filiberto Bencomo; Judy Shih; and Shea Washington.

Others in attendance included: Sabrina Prud'homme, University Board Secretary; Janet Fratella, Vice President for Development, Dr. Sue Walsh, Provost and Vice President for Academic and Student Affairs; Ben Cannon, Executive Director, HECC; Brian Fox, Director of Public University Budget and Finance, HECC; Craig Morris, Vice President for Finance and Administration; Jason Catz, General Counsel; Dave Cohen, Oregon Student Association; Mark Denny, Associate Vice President for Budget and Planning; Matt Sayre, Director of Athletics; Ryan Brown, Head of Community and Media Relations; Jeff Sharp; Kathy Park, Executive Assistant; John Stevenson, IT User Support Manager; Laurie Beatty, Instructor, OLLI; Art Baden; Laura Baden; Lee Ayres, Director of Undergraduate Studies; Jim Chamberlain; Mira Theisen, Chris Kastelic, and Andy Barnard of SinkCombsDethlefs joined the meeting by phone.

**Public Comment**

Art Baden, an SOU neighbor on Elkader Street, explained that SOU's neighbors have great concerns regarding the noise levels resulting from work on the campus' science building. He said the new HVAC air handling system installed on top of the building is loud in a qualitatively different way than the neighborhood was before, re-creating the ambient environment. On behalf of other present neighbors, Mr. Baden was interested in hearing what can be done about it from the university. Chairman Thorndike thanked Mr. Baden for his comments and noted that the university would be in contact with him about the matter.

## **Lunch and Campus Events Update**

Introducing the topic of the McNeal Pavilion and Student Recreation Center Project, Craig Morris noted designs and cost estimates came back and now the project is over budget, significantly; so, it is necessary to cut back and explore a still functional and spectacular building.

The architects of SinkCombsDethlefs presented conceptual designs and elevations of the Student Recreation Center (SRC) and McNeal Pavilion Renovation Design. Mr. Bernard first presented the McNeal Pavilion showing the footprint of the new building and surrounding grounds pointing out parking to the west and the stadium to the north. He highlighted important considerations: 1) The SRC is a prominent part of the project and would be coordinated closely with the student residences; 2) Service components would be located on the stadium side of the project as managing loading and access is important; 3) The design allows for movement of people toward stadium as a spectator route for stadium goers.

A visual of the explanation and a conceptual view from The Hawk and McLoughlin Hall were displayed. He next covered the color-coded main level floor plan and described the lobby entrance as a point of control into the SRC including a rock climbing wall, cycling repair center, locker rooms, gymnasium and storage. The fitness center level is open and has visibility down to the lobby and other areas. Group exercise rooms and a suspended running track are also features of the SRC.

The McNeal Pavilion project was shown next with particular attention paid to academic offices and special considerations for offering a sense of accessibility between the students and faculty/staff as well as inclusiveness into the entrance. The suite of classrooms has access through the lobby and back hallway. This level has restrooms central during daytime use and when it becomes an event venue there will be accessibility to a box office and central restrooms with controlled access from the rest of the project. There is an access hallway behind the seating on the upper concourse instead of passage in front, for “top-loading” the gym and a smaller entrance on the other side for ground-loading the gym’s event-goers.

Many design considerations were discussed by the architects to ensure access, security, student interaction, functional sports locker rooms, and special use spaces such as a sports medicine suite, equipment storage, laundry, wrestling gym, and more. Answering Trustee Nicholson’s inquiry about gender-neutral locker rooms, Ms. Thiesen said there is a flexible locker room for this purpose.

Trustee Vincent acknowledged that the project would need to be LEED certified and if there was incremental cost to this. Mr. Morris informed him that all state buildings must be built to LEED silver standards and the project will be LEED gold certified. Mr. Barnard noted the incremental costs as minimal.

Answering further questions from Trustees Vincent and Nicholson, the following were confirmed: the project had a planning review on July 1<sup>st</sup> and the project was approved

without modifications; there were no neighborhood items requiring mitigation such as the one Mr. Baden introduced during public comment; and that despite concerns about Ashland's height ordinances and square footage limits, the project's dimensions, footprint, and total square footage were submitted and were part of the approval. Trustee Nicholson encouraged the architects to double-check these requirements. Concluding the item, Mr. Morris answered trustees that going back to the legislature might be a possibility but relying on such funding would require postponing the project.

### **Education Item**

President Saigo introduced the Higher Education Coordinating Commission (HECC) Overview and the Public University Funding Model items to be presented by Ben Cannon and Brian Fox. President Saigo thanked the HECC leaders for taking the time to give a HECC orientation to SOU's trustees. Mr. Cannon thanked the president and chair for the opportunity to visit and present to the campus, noting that together, we are learning our way through this uncharted territory and the board represents new authority in the state's public higher education and investment. Today they would discuss who the HECC is, what they do, focus subsequently on allocation of state funding, and monitoring and reporting on the conditions.

Mr. Cannon first described the state's high goal: by 2025, 40 percent of adult Oregonians will hold a bachelor's degree, 40 percent will have an associate's degree or a meaningful post-secondary certificate, and all adult Oregonians will hold a high school diploma. He showed how the state currently measures up against this goal. Chair Thorndike asked what can be done to the community college system to make it a better feeder. Mr. Cannon noted that attracting otherwise non-attenders and shifting them to four-year universities will help. Part of the issue is that students are enrolling but haven't earned a certificate or degree or otherwise reached completion.

The next broad objective for the conversation was "clear pathways" and discussion of the pipeline between high school and post-secondary degree completion; college completion rates for recent Oregon high school graduates; and paths that end too soon (or take too long). The take-away was that many enroll and not enough complete. Mr. Cannon described the statutory roles of the HECC in this area to approve degrees/ programs; articulate institutions; coordinate initiatives; and convene pathways to completion such as transfer, developmental education, and dual credit programs.

The final broad objective for Mr. Cannon's portion of the presentation was, "investment in outcomes." He defined HECC's statutory role in this area as planning the state budget, allocating state funding, funding strategic initiatives, and improving affordability. He discussed several topics: the state's public university funding history; state appropriations per student; appropriation differences from the U.S. average; the shift of costs from the state to students; funding allocation trends in enrollment and outcomes; per student state funded grant aid; state need-based aid per student; lower college completion rates for students in poverty (regardless of academic skill level); and affordability opportunities to combat declining rates in many of these areas.

Brian Fox continued, describing HECC's organizational structure and the full commission. Chair Thorndike inquired about the logic of voting versus nonvoting members. Mr. Cannon noted that it is a political compromise, in that, those working for or attending an institution would not vote and normal turnover was expected among the commissioners.

Mr. Fox described how the HECC allocates dollars and the shift to more of an outcomes-based funding (OBF) model instead of the traditional enrollment-based model. The OBF model defined, links the distribution of state funding to state education attainment goals; directs state investment to completions; is designed to reward and reinforce student success and support services; and is focused on achieving equity goals. He further described common concerns with the model, compared enrollment and outcomes funding distributions; and described design principles for performance funding.

Oregon's resource allocation method (RAM) and the HECC's student success and completion model (SSCM) for funding both were reviewed. He also described transition mechanisms in place to smooth the transition from RAM to SSCM funding. The allocation methods for the new funding model include mission differentiation allocation, activity based allocation, and the completion-focused allocation. Much discussion took place with trustees about the funding model and impacts on SOU. Mr. Fox talked about the transition process to the new funding model, the evaluation framework and the timeline. He then reviewed how this looks for each institution and talked about enrollment and completions by institution as well as proportional funding by institution. Mr. Fox presented the 2015 funding allocation across all of the Oregon public universities based on credit hour completions, mission differentiation, and regional support. He concluded with 2016 preliminary funding and compared 2015 and 2016 estimated funding increases.

### **Legislative Update**

Liz Shelby provided a brief legislative update, starting with the high level successes. The seven public universities received \$700 million of the \$755 million requested and will return in the January session to request the additional \$55 million. Approximately \$30 million of that is to be used for student success programs.

For 2016-2017, there is a three percent cap on tuition for all institutions unless they go to the legislative assembly and the HECC for permission to exceed that amount. An exception is for those institutions already working with the HECC on retrenchment plans.

Institutions are anticipating a \$140 million budget for an Oregon Opportunity Grant, which would allow undocumented students to get funding as resident students. Prior to this legislative session, these students were not eligible for the funds.

The institutions will receive approximately \$8 million in Sports Action Lottery funding, which is \$3 million less than one percent of the lottery fund. The \$8 million will be divided so the two larger institutions are capped at \$1 million and the remaining \$6 million is distributed by a formula to the other five institutions. This will be an increase to the SOU athletics program by \$50,000 to \$100,000. Graduate student scholarships are in this allocation.

SOU requested \$4.8 million for upgrades to Britt Hall. As the welcome center for prospective and new students, it does not present well. The request was approved and those bond funds will be available in the spring of 2017.

There was a one-time, special purpose appropriation set aside by the legislature to settle negotiations with the classified union.

Ms. Shelby mentioned several other items of special interest in the legislature: free community college will begin in 2016; the sunset of the Oregon Investment Board; reciprocity agreements with other states for delivery of online courses; SOU served as the model for several sexual assault-related bills; priority registration for veterans; a small bit of funding exists to explore open source textbooks; House Concurrent Resolution 17 was introduced and quickly passed to honor the national success of the SOU football team; and Senate Bill 418 (which initially started as SB 84) was passed, which has the HECC studying how to create standard opportunities for accelerated learning.

With this being the first time the seven universities were not part of OUS, Ms. Shelby mentioned how well they all worked together to achieve common goals, noting that legislators commented that the seven worked extraordinarily well together. In particular, she mentioned the vice presidents for finance and administration, the provosts, other university personnel, Mark Denney who did fiscal impact statements, and the trustees who made phone calls and testified on behalf of SOU. She also stated that a lobbying firm was working on behalf of the universities this time, which was of assistance in Salem.

### **Academic and Student Affairs Committee Report**

Committee Chair Sayre summarized the most recent committee meeting. They welcomed Sheri Bodager to the committee. Dr. Jody Waters talked to the committee about the accreditation process and timeline and what still needs to be done. The group learned how critical accreditation is to the university in terms of federal student loans, degree programs, faculty recruitment, and other considerations. Lisa Garcia-Hanson presented the enrollment drivers website and gave an enrollment update. The committee also discussed a draft proposal for approving new programs, which the committee will review again and then bring forward to the board for approval. Finally, the committee will not meet in August and will resume regular meetings in September.

## **Finance Committee Report**

Committee Chair Nicholson summarized the items of the most recent committee meeting. Mr. Morris provided a brief update and Lisa Garcia-Hanson presented the enrollment drivers website and gave an enrollment update. Mr. Morris and Dr. Walsh are working on new initiatives to increase enrollment mentioning that of the \$30 million that Ms. Shelby referenced, SOU will get about \$1.2 million, which is \$582,000 over next two years of the biennium. It is less than SOU should get proportionately, but it is the way the numbers work. The committee discussed the McNeal project and the money that the legislature has set aside to support negotiations with the union for the classified staff.

He noted the athletics program has a negative fund balance; Mr. Morris and his team will analyze the issue then bring it to the Finance Committee at a future meeting. Also at a future meeting, the committee will learn more about other personnel expenses (fringe costs) since they comprise a significant portion of SOU's budget.

Mr. Morris has been approached by a developer interested in building a hotel on campus. Prior to having any further conversations with the developer, he wanted to bring the issue before the board. President Saigo as well as Trustees Slattery, Hennion and AuCoin voiced their concerns with the idea.

Finally, the committee looked into the budget in great detail and the financial picture for the next couple of years.

## **Executive and Audit Committee Report**

Chair Thorndike informed the board that in the last week of system governance, OUS provided his evaluation and self-evaluation. Chair Thorndike talked with the president about the evaluations and his contract under OUS. The chair would like the Executive and Audit Committee to provide input about the body that hired the president, the parameters of that employment and what the president was hired to do, how SOU is doing in that regard, and where potentially, SOU wants to go from that point. However, "Where do we go from here," with regard to the presidency of SOU is a matter for the board to decide. Following the committee discussions, a special meeting of the board will be called. Chair Thorndike as well as Trustees AuCoin and Slattery noted the importance of expediency.

## **FY 2015-16 Budget (Action Item)**

Mark Denney presented the budget and drew the board's attention to the following budget notes:

Note 1: State funding increased by \$30 million. The university's share is approximately \$582 thousand each year in the biennium. There is a budget note requiring that the \$582 thousand be spent exclusively on tuition remissions and student support and success initiatives each year, and is included in the budget. However, specific programs it will fund have not yet been identified.

Note 5: The budget includes a three percent compensation increase pool. This should be adequate to cover SOU's current cost of the negotiated salary package, though the university is in negotiations currently and the final outcome is unknown. The challenge will be the rollup of the salary packages into the FY 17 budget.

Note 7: If actual fall 2015 enrollment is flat or better compared to last year, additional adjunct faculty and graduate assistants will need to be hired. The provost has identified the financial impact at \$363 thousand for adjuncts and \$57 thousand for graduate assistants that would have to be added to the budget to accommodate increased student enrollment

Note 13: All auxiliary and designated operations department budgets are balanced with the exception of athletics. That budget has a current deficit of approximately \$400 thousand that includes the addition of two new sports teams and includes funding for post-season travel should SOU's teams be successful next year. There will be an extensive athletics discussion with the Finance Committee soon.

Mr. Denny reviewed the budget, variances, original FY 15 budget and noted the greater state appropriation up from \$16.7 to \$20 million, while the retrenchment plan projected \$14.6 million. Dissolution of the OUS system added \$1.6 million of those dollars to cover additional costs, and there is additional revenue in the 2015-16 biennium. A tuition increase from \$31.9 to \$33.6 million also adds to this. The increase already was approved and SOU continues to experience a better mix of higher-paying students which impacts the tuition revenue despite enrollment decline projections. Addressing Trustee Steinman, it was noted that future years will be under a three percent cap on tuition increases.

Regarding expenditures, the original budget was for \$43.8 million and is at \$45 million, which includes the additional positions SOU has hired due to the dissolution of OUS, and the three percent reserve for labor negotiations. The ending fund balance in FY 14 was 3.5 percent; the FY 15 original budget projected an 8.1 percent increase in ending fund balance and we are projecting an 8.8 percent ending fund balance. The FY 16 proposed budget projects a 10.6 percent balance. The retrenchment plan had SOU at a 7.8 percent ending fund balance. The university is doing better than the plan as enrollment did not decline.

Mr. Denney reviewed the auxiliary budgets next, noting housing, student life, athletics, fitness center, and others are part of auxiliaries. These budgets all are balanced, with the exception of athletics. Designated operations and service departments also are all balanced within their budgets.

Trustee Nootenboom asked what happens if SOU hits a 10 percent fund balance ahead of the retrenchment schedule. Mr. Denney said the retrenchment plan and its metrics last until FY 18; so, while advantageous to be ahead, SOU must continue to operate within the plan and prove that the university has a sound financial structure going forward. Looking closely at the Budgeted Operations Pro Forma, Mr. Morris added that the forecast revenue is conservative and provided details.

Addressing questions from Trustees Nicholson and Vincent, Mr. Denney affirmed the university's significant efforts across campus to accomplish budget goals. Mr. Morris added that controls are in place to address personal accountability with regard to cost and spending habits, provided details, and said the campus takes seriously the duty to not overspend.

The board recognized Mr. Denney and Mr. Morris and their staff for their tremendous work on the budget, explanations and information provided.

Trustee Nicholson moved that the board approve the \$53.9 million budget, as presented and a further \$420 thousand for the hiring of adjunct faculty and graduate assistants, as required, if enrollment exceeds budgeted levels. Trustee Sevcik seconded the motion. The motion passed unanimously.

### **Adjourn**

Chair Thorndike adjourned the meeting at 4:37 p.m.

Date: October 16, 2015

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme", written over a horizontal line.

Sabrina Prud'homme  
University Board Secretary