



**Board of Trustees
Finance and Administration Committee Meeting
Thursday, April 19, 2018
4:00 p.m. – 5:30 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Chair Nicholson called the meeting to order at 4:03 p.m.

The following committee members were present: Paul Nicholson, Sheila Clough, Lyn Hennion, Shanztyn Nihipali, April Sevcik and Dennis Slattery. Trustee Les AuCoin was absent. Trustee Linda Schott (ex officio) also attended the meeting.

Other meeting guests included: Greg Perkinson, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Jason Catz, General Counsel; Janet Fratella, Vice President for Development; Ryan Schnobrich, Internal Auditor; Joe Mosley, Director of Community and Media Relations; Mark Denney, Associate Vice President for Budget and Planning; Steve Larvick, Director of Business Services; Deborah Lovern, Budget Officer; Andrew Gast, SOU; Don Hill, Classroom and Media Services Manager; John Stevenson, User Support Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Chair Nicholson announced that SOU is now out of retrenchment.

Public Comment

There was no public comment.

Vice President's Report

Committee Dashboard

Discussing the financial dashboard, Greg Perkinson said the operating cash is well below 2017 as a result of SOU's inability to obtain bond reimbursement. The governor signed HB 5201 and the HECC indicated it would take about two weeks to process the administrative actions necessary to enable the reimbursements to be paid. Student credit hours are trending above 2017 and below 2016. There is an increase in Education and General (E&G) year-to-date revenues due to forward funding of about \$3 million from the Public University Support Fund to offset the problem with reimbursements. Regarding Supplies and Services, spending is slightly above the burn rate and it will continue to be monitored. The E&G fund balance is distorted by the \$3 million advance.

Mr. Perkinson recognized Mark Denney and Steve Larvick, with support from others, for their work in providing data to the Council of Public Liberal Arts Colleges (COPLAC) and the Education Advisory Board to benchmark SOU against a broader set of universities. President Schott said SOU is evaluating whether it will remain a member of COPLAC.

General Updates

Mr. Perkinson said the HECC Subcommittee on Funding and Achievement recently approved a rubric for scoring capital improvements that will be followed this year and recently began discussions about changing the deferred maintenance allocation, which is now called capital improvement and renewal. Responding to Trustee Hennion's inquiry, Mr. Perkinson said he did not think the new rubric would treat SOU less favorably.

Mr. Perkinson mentioned the presentation by Presidents Ray and Fuller at the HECC meeting regarding current service level funding, during which they advocated for an increase to \$130 million and made a good case for increasing the state's commitment to not shift the financial burden to students.

Mr. Perkinson also informed the committee about the recent meeting of the Business Affairs [Council], a working group created to address service excellence issues, and the Chief Information Officer candidate visits to SOU.

Consent Agenda

Trustee Hennion requested changes to the draft minutes from the March 15, 2018 meeting to revise the language about concerns regarding communication with constituency groups about the tuition and fee process. She and Trustee Clough said their comments raised questions (rather than concerns) regarding the process to ensure the trustees understood it. Trustee Clough moved to approve the minutes, as amended. Trustee Hennion seconded the motion and it passed unanimously.

Information and Discussion Items

Draft Auxiliary Budget Presentation

Mark Denney explained that auxiliaries are outside of E&G and are critical to students' success on campus. SOU's major auxiliaries are housing, student life, intercollegiate athletics, parking, bookstore and student recreation center.

Housing has two key centers of operations: housing that is part of SOU and the North Campus Village (NCV). The NCV, now encompassed in Raider Village, is comprised of Shasta and McLoughlin residence halls, which belong to College Housing Foundation. Mr. Denney discussed the housing budget as included in the meeting materials, and said housing is anticipating a slight profit. Housing tries to hover around breaking even, as too much profit means SOU is overcharging for housing. Responding to Trustee Clough's inquiry, Mr. Denney said housing is on track to be in the black again this year.

Turning to student life, Mr. Denney said the key elements are the Athletic Advisory, Stevenson Union Advisory, Educational Activities Advisory and Environmental Affairs

Councils. Student life anticipates earning and spending about \$4.5 million. Responding to Chair Nicholson's inquiry, Mr. Denney said the \$164,000 allocated to the Schneider Children's Center is only a small part of its revenue and the budget assumes the center's continued operations. Mr. Denney discussed the student life budget, as included in the meeting materials, and said it is anticipating a slight deficit which will be covered by its existing fund balance. Trustee Sevcik asked why the depreciation expense was budgeted so high; Mr. Denney was unable to answer that question and said he would look into it.

Mr. Denney then discussed intercollegiate athletics, which includes administration, competition sports, training, post season travel and reserves. Cheerleading and the sports band are included in athletics. Mr. Denney discussed the athletics budget, as included in the meeting materials. Post season travel causes deficit spending and the negative fund balance. Mr. Denney said he think athletics will be better than budgeted as a result of their efforts to keep costs down. For FY19, there is a projected deficit of about \$48,000. He mentioned the Athletics Advisory Council that President Schott recently created to study SOU's athletics programs and spending.

Discussion ensued on the revenue received from the NAIA for post season travel, the sports that qualify for reimbursement, NAIA's newly-approved method of calculating costs, and reimbursements for post season travel—the latter topic being largely due to Matt Sayre's efforts. Mr. Denney continued with his discussion of the budget for athletics and details of transfers, as included in the meeting materials.

Finally, Mr. Denney addressed the student recreation center. He said that, this year, the student recreation center is only contributing to the equipment reserve, not to the building reserve since it is a new building. Mr. Denney discussed the student recreation center budget, as included in the meeting materials. Based on the pro forma, he thought the student recreation center would operate at a deficit through year four, then be back "in the black" in year five and beyond.

Mr. Denney discussed the four groups of accounts for the North Campus Village operations, reserves/payroll, holding accounts, and profit sharing; the complex set of transactions involved because it is an external agency; and how the accounts interact, as detailed in the meeting materials.

Discussion of Budget Transfers (Subsidies)

Mark Denney then presented inter-fund transfers, saying the three primary reasons they are done are for inter-program support, building reserves for the future, and North Campus Village transactions. He then addressed the various transfers, as detailed in the meeting materials.

Review of Pro Forma and Projected Fund Balance

Mark Denney said there have been changes in revenue for 2018-19 in the pro forma since the last committee meeting. In particular, there has been a slight improvement in revenue from the SSCM, tuition revenue has been updated based on the approved rates, and there has been an increase to the enrollment projection. Although it is early, the enrollment funnel for next year is up in resident students, which brings in less in

tuition dollars but more in the funding model. The labor and other pieces are still being driven by the pro forma but the actual budget numbers will be available in May.

Discussion ensued on the ending fund balance the committee members would be comfortable with, cost saving measures being used, unfunded requests, the uncertainty in state funding, affordability for students, the importance of investing in strategic initiatives and the long-term view of the health of SOU. The discussion provided SOU staff a sense of the trustees' comfort levels regarding the ending fund balance (above 10 percent) and their desire to also make strategic investments. President Schott mentioned "Demographics and the Demand for Higher Education," which projects things falling precipitously in higher education in 2025 and she stressed the need for long-term planning.

Future Meetings

This item was not addressed in the meeting.

Adjournment

Chair Nicholson adjourned the meeting at 5:47 p.m.

Date: May 17, 2018

Respectfully submitted by,



Sabrina Prud'homme
University Board Secretary