

Board of Trustees
Finance and Administration Committee Meeting
Thursday, June 20, 2019

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Shanztyn Nihipali	Present
Les AuCoin	Absent	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Megan Davis Lightman	Present		

Chair Sheila Clough called the meeting to order at 4:00 p.m. in the DeBoer Room of the Hannon Library. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Lyn Hennion, Deborah Rosenberg and Dr. Linda Schott.

Other attendees included: Penny Burgess, USSE; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Sabrina Prud'homme, Board Secretary; Josh Lovern, Budget Office; Susan Dyssegard, Office of Finance and Administration; Dr. Lee Ayers, Undergraduate Studies and HECC; Deborah Lovern, Provost's Office; Steve Larvick, Business Services; Max Jensen, OSA; Ryan Schnobrich, Internal Auditor; John Stevenson, Information Technology; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Consent Agenda

Trustee Thorndike moved to approve the consent agenda, as presented. Trustee Lightman seconded the motion and it passed unanimously.

Vice President's Report

Committee Dashboard

Greg Perkinson reviewed the dashboard, as presented in the materials. Operating cash is as expected and there are no negative indicators in the revenues. The Supplies & Services burn rate continues to increase. There are no negative indicators for Other Personnel Expenses or Labor and the gap in those is expected to hold. Another deep-dive on athletics recently was completed with good engagement of key stakeholders.

HECC Update

Mr. Perkinson provided highlights regarding HECC's strategic capital plan. He said the HECC has a contractor developing the 10-year strategic capital plan. The contractor is learning the requirements universities have from a physical perspective, along with academic program evolution and regional economic workforce needs. The common dialogue is the importance of creativity and innovation and continuing the momentum to create of a center of excellence. President Schott summarized the change in the submission and approval process for capital improvement projects.

Mr. Perkinson said the Funding and Achievement Subcommittee met and discussed its plan to establish a working group to reevaluate components of the Student Success and Completion Model.

The HECC approved the tuition rates requested by three of the public universities. Mr. Perkinson and, later, President Schott praised Board Chair Hennion, Vice Chair Nicholson, Trustees Nihipali and Thorndike, Alexis Phillips and Jonathan Chavez-Baez, among others, on their participation at the HECC meeting.

Other General Updates

There were no updates to report for this agenda item.

Action, Information and Discussion Items

State Funding Update

Greg Perkinson said the budget has not been signed because the republicans walked out on the vote. The good news is the universities believe there may be \$100 million in funding in addition to the public university support fund (PUSF).

Fiscal Year 2019-20 Budget (Action)

Chair Clough introduced the agenda item, saying that, every meeting since January, the committee has examined issues ranging from enrollment to state funding perspectives and has discussed the difficulties of creating the budget, as some revenue levers remain unknown. The budget proposal is unique for SOU but not uncommon for other universities in the state and for some federal government agencies. Chair Clough reiterated her discomfort with this process. She said this was the time to discuss any concerns so the committee can feel solid about its recommendation to the board.

Greg Perkinson explained that the proposal continues the expenditure side of the budget, understanding that the revenue side is not fully understood and will not be until August or September. He reviewed the sources of SOU's revenue, saying Education & General, Designated Operations and Auxiliary Enterprises are the categories of the budget submitted to the board for approval. The restricted operating funds (gifts and grants) and non-operating funds are an important part of resources received but are not presented for approval.

Mr. Perkinson explained in detail the pro forma included in the meeting materials. Of the additional \$100 million in the PUSF, SOU would get \$1.7 million. The enrollment assumption the Tuition Advisory Council used was -0.5 percent; that, coupled with the 10 percent increase in tuition, is what drives the tuition revenue line. In October, SOU will better understand enrollment and will have a good sense of the revenue picture. Rolling forward only the expenditures is about the uncertainty on the revenue side.

Mr. Perkinson said the adjusted baseline for Raider Aid was \$3.6 million and the budget modeled \$2 million in cuts. SOU presented to HECC that it would increase Raider Aid by \$500,000; it is not modeled that way in the pro forma but will be adjusted.

Turning to projected personnel costs based on collective bargaining agreements, COLA increases, etc., there is about a \$4 million increase. Personnel costs are 83 percent of the expenses and SOU's discretionary spend of one dollar is seven cents. Most of the increase comes from PERS. SOU has been mindful of keeping open positions open, so labor itself is not increasing tremendously. President Schott reminded the trustees that, in terms of salaries, SOU pays 87 percent of College and University Professional Association's average for similar types of institutions; SOU does not pay even 100 percent of what other institutions may pay but the pay is equitable within that band.

With all the assumptions and projections used in the pro forma, the forecast for the ending fund balance for 2019-2020 is 8.2 percent. Responding to Board Chair Hennion's inquiry, Mr. Perkinson said the pro forma assumes an increase in tuition of just under 5 percent in future years. President Schott added that any tuition increase would depend on enrollment. Josh Lovern added that adjustments to Supplies & Services and Labor are modeled as permanent cuts.

Mr. Perkinson then reviewed the figures in budgeted operations, as presented in the materials. The fiscal year 2019 working budget is the one the committee will be asked to review and recommend for approval. After the year-end actual figures and lessons-learned are analyzed, budget personnel may revise the temporary budget to develop the final budget for the board's approval in October.

Much discussion ensued on the new approach, the factors necessitating it and the reasoning behind it. Mr. Perkinson said the committee would be asked to approve only the expenditure portion of the budget at this point in time but the revenue portion could also be rolled forward if desired. Committee members expressed their concerns but also stated they were comfortable with and would not oppose the new roll-forward approach. Jason Catz added that the applicable statute authorizes the board to take actions necessary to carry out its responsibilities and there is nothing in the legislation that prevented the board from taking this approach.

President Schott said the benefit to adopting a budget is that it provides discipline and limitation, especially on the expense side, which is supported by management's accountability-centered approach to spending. She said she thought this was a more honest way to proceed; there are too many variables at this point and the commitment is to come back and adjust accordingly. This gives more time to ask that the plan SOU is going to live by is more accurate.

In summarizing transfers, Mr. Perkinson said the new athletic course revenue is below normal and general fund support to athletics is higher than normal.

Trustee Franks moved approval of the Proposed Resolution, Temporary FY2020 Budget and Expenditure Authorization, as included in the meeting materials. Trustee Vincent seconded the motion and it passed unanimously.

Investment Update

Penny Burgess provided the investment update for the third quarter. There was very strong performance from equities and fixed income during the quarter, with the S&P 500 up 13.6 percent, fixed income up 2.9 percent and international equities posting a 10.3 percent increase.

Turning to the university's investment returns for the operating account invested in the Public University Fund (PUF), Ms. Burgess said the PUF gained 1.7 percent for the quarter, up 3.4 percent year-to-date. SOU had \$28.7 million invested in the PUF on March 31 and earned just over \$177,000 in earnings during the quarter.

Moving to the endowment assets, Ms. Burgess reminded the committee that the endowment assets are invested in a separately managed account with the Oregon State Treasury, independent of the endowment managed by the SOU Foundation. The total return for the quarter was 10.1 percent, outperforming the policy benchmark by 60 basis points. The SOU endowment on March 31 was valued at \$2.44 million.

Future Meetings

The next regularly scheduled committee meeting will be on October 17.

Adjournment

Chair Clough adjourned the meeting at 5:37 p.m.

Date: October 17, 2019

Respectfully submitted by,



Sabrina Prud'homme
University Board Secretary