

**Southern Oregon University
Board of Trustees
Finance and Administration Committee Meeting
Thursday, October 17, 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: Paul Nicholson, Deborah Rosenberg, janelle wilson and Dr. Linda Schott.

Other attendees included: Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Susan Walsh, Provost; Dr. Karen Stone, Associate Vice President for Academic Resource Management; Sabrina Prud'homme, Board Secretary; Josh Lovern, Budget Office; Andrew Gast, Development Office; Staci Buchwald, Housing; Susan Dyssegard, Office of Finance and Administration; Dr. Lee Ayers, Undergraduate Studies and HECC; Deborah Lovern, Provost's Office; Steve Larvick, Business Services; 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 (Action)

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

Vice President's Report

Committee Dashboard

Greg Perkinson discussed the end-of-fiscal-year dashboard. Revenue was down \$3.4 million due to lower enrollment. The ending fund balance closed at \$5.35 million, which was expected. Regarding expenses, labor was as expected; the Other Personnel Expenses (OPE) category was soft, partially due to holding vacant positions open; and Supplies and Services was \$1.9 million higher due to expenses for utilities, retirement liability, and insurance. He reminded committee members that \$1 million was transferred out of the plant fund to soften the impact of the ending fund balance, which was 8.6 percent and a little better than projected.

Responding to Chair Clough's inquiry regarding the relationship between labor (expenses equaled the burn rate) and OPE (expenses were less than the burn rate), Mr. Perkinson said PEBB benefits held flat while budget personnel projected it would increase. Responding to Chair Clough's further inquiry about the labor expenses, Steve Larvick said there were not as many labor vacancies as expected and the budget models a vacancy rate.

Responding to Vice Chair Nicholson's inquiry, Mr. Perkinson said the \$1 million transfer from the plant fund showed up as a decrease in the transfers out of the Education & General fund into auxiliaries and is reflected in the ending fund balance.

State Funding Update

In June, the HECC approved SOU's tuition rate increase of 10 percent. That enabled budget staff to include revenue calculations in SOU's budget forecasting, along with state funding, which came in at \$100 million over the public university support fund. The university also received \$2.5 million in sports lottery funding.

HECC 10-year Strategic Capital Plan and SOU Capital Projects Update

Mr. Perkinson highlighted two key findings in the strategic capital plan: 1) the Oregon public universities have the space they need, though it is not configured to support the way they teach now; and 2) the condition of that space is often deficient with regard to age and code-compliance.

SOU's three capital projects were below the funding line last year but will be refined and resubmitted. The changes to the [HECC's capital planning] rubric are good for SOU and the university may score better in the future. The music building is SOU's priority-one resubmittal; the second is phase 2 of Britt Hall; and the third is Cascades.

Jeanne Stallman said the legislature set aside \$315 million for capital funding. It is unknown how much is for higher education. President Schott said the legislature was waiting for the 10-year capital plan so there would be a roadmap that brings rationality to the process. Answering Chair Clough, Mr. Perkinson said SOU's three projects tie to its strategic plan, which also ties to HECC's strategic plan.

Action, Information and Discussion Items

Fiscal Year 2019-20 (FY 20) University Budget (Action)

Introducing the agenda item, Chair Clough said she wanted discussion and questions and would be looking for a motion to recommend the budget to the board for approval. She reminded committee members that the budget process was different this year, with the adoption of a roll-forward budget in June with the understanding that a full budget would be adopted at this time, in October, after the gaps in information were filled.

Vice Chair Nicholson mentioned the \$247,000 SOU lost in the true-up. From a process perspective, Mr. Perkinson said HECC collects known as well as projected data in July, then in October, completes a true-up with actual figures. They run actuals through the model and make adjustments as necessary. SOU gained \$190,000 last year and lost \$247,000 this year, as SOU's completions and student credit hours were down.

Mr. Perkinson reviewed the FY20 budget forecast variables for the current year, as included in the meeting materials. A total of \$253,000 was lost in the true-up (\$247,000 plus \$6,000 in Engineering and Technology Industry Council funds). The remissions figure of \$3.6 million is based on Dr. Neil Woolf's assessment of need, while OPE is adjusted based on history. Enrollment is projected to be down 3.3 percent. A \$600,000 reduction was made in Supplies and Services due to a decrease in rates for natural gas and electricity. Mr. Perkinson then reviewed the budget forecast variables for future years, as included in the meeting materials.

A key factor in the proposed budget is an expected \$2.38 million cost reduction to get the ending fund balance to 8 percent. Over the summer, the administration talked about strategies and tactics to achieve those cost reductions. The administration landed with a tactical approach, with the Office of the President and each vice president making targeted reductions based on the three principles President Schott released in an email message to the campus the previous week: maintaining academic excellence, supporting student success, and achieving and maintaining operational efficiency and effectiveness. The provost has a solid plan to achieve the \$870,000 cuts in her area. The president and the vice president for enrollment management and student affairs are evaluating options to achieve reductions in their areas. The vice president for development will achieve the reduction in her area by keeping a position vacant. Responding to Chair Clough's inquiry, Mr. Perkinson said the reductions are a combination of one-time cuts and recurring savings which will manifest throughout the year. The cuts for the vice president for finance and administration include his portfolio and general institution accounts.

Although one of the charts in the meeting materials appeared to show a deficit, Chair Clough clarified that the committee is not being asked to approve a budget with a loss of \$2.4 million but is being asked to approve a budget that incorporates these cost reductions. This will come out at about a break-even point and an ending fund balance of 8 percent. Both Mr. Perkinson and President Schott affirmed these statements.

President Schott stressed that, although cost reductions are being made, SOU is still investing in places where it needs to, such as diversity and equity. The president has told the campus that the institution would be making reductions and would protect the academic core and student services as much as possible.

Responding to Trustee Vincent's comment, Mr. Perkinson said the administration has various options for cost reductions, including outsourcing services and early retirement packages. The president's task force on financial sustainability will bring the campus together to look at long-range, deeper solutions and alternatives. Responding to Vice Chair Nicholson's inquiry about the board's role and support, President Schott said a good start is passing a budget that requires these cuts and holding the university accountable. President Schott said that, if the board passes this budget, she and her vice presidents have committed to meeting with every division and other units on campus to provide information and answer questions.

Vice Chair Nicholson asked about the timing of the cuts, especially with much of the budget consisting of labor costs, at least one-third of the fiscal year having already passed, and the impact on SOU's ability to deliver quality education. Mr. Perkinson said one of the highest risks is that there are factors outside the university's control that could negatively influence the university, demoralize and demotivate employees, and make it more difficult to get work done. Also, by keeping positions vacant, the rest of the team has to fill in and there are risks of burning the candle at both ends. Trustee Rosenberg, Mr. Perkinson and Dr. Walsh later stressed the importance of monitoring employees for potential burnout and leaders' roles in doing so. Leadership's challenge is to monitor work flows and how people are doing while looking for opportunities to save money. Dr. Walsh and Deborah Lovern mentioned some of the cuts made in academic affairs, including an unanticipated full professor's retirement, positions vacant since July 1, and fewer term-by-term faculty.

Mr. Perkinson affirmed Chair Clough's statements that the president's cabinet already is identifying and implementing the \$2.4 million in cost reductions and the task force on financial sustainability is looking beyond the current year.

Turning to the current pro forma included in the meeting materials, Mr. Perkinson oriented committee members to each column and reviewed line items. President Schott noted the total OPE is almost equal to the amount received in state appropriations. Looking at the cost reductions in future years, Mr. Perkinson said the amounts increase because SOU must drive larger scale, permanent reductions to survive. The reductions are not cumulative. Some of the savings are recurring, some are one-time. Chair Clough expressed the need for management to track where the savings and reductions are actually occurring and to be able to explain it to the trustees.

Mr. Perkinson then reviewed the proposed budgets for combined, budgeted, auxiliary and designated operations.

Trustee Thorndike recommended the resolution included in the meeting materials be amended to indicate it is the committee's resolution recommending the board approve the budget. Trustee Lightman moved approval of the resolution, as amended. Trustee Franks seconded the motion and it passed unanimously.

Proposed 2020-2021 Committee Meeting Schedule

Chair Clough and Sabrina Prud'homme reviewed the meeting schedule for academic years 2019-20 and 2020-21. The committee members had no comments or concerns.

Future Meetings

The next regularly scheduled committee meeting will be on January 16. As potential topics for the meeting, President Schott, Mr. Perkinson and Dr. Woolf suggested an update on the discussions regarding revisions to the Student Success and Completion Model, enterprise risk management, and results of financial aid leveraging.

Adjournment

Chair Clough adjourned the meeting at 5:41 p.m.

Date: January 16, 2020

Respectfully submitted by,

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

Sabrina Prud'homme

University Board Secretary