

**Southern Oregon University
Board of Trustees
Finance and Administration Committee Meeting
Thursday, January 16, 2020**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Paul Nicholson	Present
Les AuCoin	Present	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Absent
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, Dylann Loverro, Deborah Rosenberg, janelle wilson and Dr. Linda Schott.

Other attendees included: Greg Perkinson, Vice President for Finance and Administration; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Jason Catz, General Counsel; Janet Fratella, Vice President for University Advancement; Dr. Susan Walsh, Provost; Sabrina Prud'homme, Board Secretary; Josh Lovern, Budget Office; Deborah Lovern, Provost's Office; Colleen Martin-Low, Business Services; Steve Larvick, Business Services; Rebecca Walker, Sustainability Coordinator; Cynthia Ferrendelli, Business Services; 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 Franks seconded the motion and it passed unanimously.

Vice President's Report

Committee Dashboard

Greg Perkinson reviewed the dashboard included in the meeting materials. The \$1 million delta between the operating cash on hand and the target is due to fewer student credit hours than predicted. Expenses are tracking with the burn rates but Mr. Perkinson said he would like to see a slower burn rate.

Update on External Audit for Fiscal Year 2018-19

Mr. Perkinson said the external audit will be presented at the Executive and Audit Committee meeting and highlighted that there were zero findings. He recognized Steve Larvick and his team for their hard work.

Organizational Update

Providing an organizational update, Mr. Perkinson introduced Rebecca Walker, the new Sustainability Coordinator, and Cynthia Ferrendelli, the Deputy in Business Services. Josh Lovern is now the Director of Budget. Mr. Perkinson mentioned the reorganization of Business Services, the Service Center and the Budget Office.

Other General Updates

Turning to capital projects, Mr. Perkinson said he will do a deeper dive in the board meeting but mentioned the boiler project is in full swing and he will discuss HECC's scoring and methodology. He will also discuss how SOU can compete better for project hierarchy and funding. He mentioned SOU's engagement in HECC's discussions on the Student Success and Completion Model.

Mr. Perkinson mentioned SOU's work with the city to support relationships with neighbors, including addressing complaints about AT&T's installation of a cell tower by the football stadium and accommodating the Vanguard marching band group as a conference activity.

Action, Information and Discussion Items

Enterprise Risk Management

Greg Perkinson provided an overview of the enterprise risk management tool his team uses regularly. He said enterprise risk management identifies risks from the ground up and from the top down. His team analyzes the risks and assesses handling options to plan and perform mitigation actions. He then reviewed the heat map and the tracking tool included in the meeting materials. The tracker includes 44 risks, which are described; characterized using consequence and likelihood; assigned an owner; provided an estimated mitigation date; and assigned a level of oversight between the craftsman level and the board. Mr. Perkinson said his next action is to interview President Schott and the board to get a sense of what keeps them up at night.

Responding to trustees' inquiries, discussion ensued on leaders applying pressure when needed; the importance of peer pressure; identifying risks; issues are being worked; how the leadership keeps an eye on the highest priority risks; and shifting responsibility when the position assigned ownership is vacant.

Budget Process for Future Fiscal Years (Action)

Introducing the agenda item, Chair Clough said, in the past, the board has approved the university budget in June. Last year, when several variables were unknown, the board adopted a carry-forward budget in June and adopted the final budget in October. The committee will decide which process to recommend for the board's adoption.

Greg Perkinson reviewed the three budget process proposals included in the meeting materials. Because of the uncertainty, budget personnel thought this year's approach would have served the institution well. However, they learned that Josh Lovern did a lot of re-working and the process was challenging. The advantage of the legacy approach is the departments are accustomed to that process, there is less turmoil, and there is less re-work. Mr. Perkinson recommended a return to the legacy process. Mr. Lovern added that the disadvantages under the legacy process still exist but the

disadvantages in the FY20 and the hybrid approaches far outweigh those of the legacy process.

Chair Clough added that businesses use the legacy method all the time and the advantage is that SOU has great forecasting tools to replicate any changes in the modeling. Trustee Franks expressed his appreciation that another option was explored and his support for the legacy approach. Trustee Lightman said she also supported the legacy process.

Vice Chair Nicholson expressed his significant misgivings about the approach taken this year but it seemed necessary at the time. He is also supportive of returning to the legacy approach. Since SOU has no control over a large portion of the uncertainty in revenue, Vice Chair Nicholson recommended instituting a tier 1 and a tier 2 budget; tier 1 would be the likely situation and tier 2 would reflect increased expenditures based on revenue increases.

President Schott added that the bigger universities use the approach SOU used this year. However, those universities have many more people to handle the workload. As lean as SOU is, if Mr. Perkinson and Mr. Lovern feel the legacy process is the one they can best support, she said it is the one she would support.

Trustee Thorndike said SOU needs to ensure it is in some lock-step with the HECC as they proceed on the budgetary process. Overall, higher education operations do need to be changed but probably will be accomplished incrementally. He said he hopes the universities can increase the legislators' understanding of the system.

Trustee Franks moved the motion to recommend the full board move back to the legacy process beginning in the FY21 budget cycle. Trustee Lightman seconded the motion and it passed unanimously.

Budget Update and Review of Pro Forma

Greg Perkinson reviewed figures on the pro forma with the mid-year reductions, which also reflects categories where cuts are being made. The pro forma includes two new revenue lines: growth opportunities and revenue external to modeling. Because student credit hours are lower than projected, SOU's revenue is about \$1 million lower than projected. Although SOU is on track to meet the \$2.38 million cost reduction target, the \$1 million reduction in revenue must be offset as well. As a result, SOU is looking at opportunities for additional revenue and \$600,000 in additional cuts.

President Schott pointed out the low ending fund balance in the out years, as reflected in the "mid-year reductions" pro forma. The figures are based on modeling using historic enrollment; since enrollment is trending down, the figures are also trending down. SOU has implemented many initiatives in an effort to turn that around. She stressed the pro forma is not destiny, but rather a model based on past history, and should not be too discouraging.

Mr. Perkinson then reviewed figures in the "aspirational model" included in the meeting materials. This model includes \$1 million, \$2 million and \$3 million in growth

opportunities (e.g., additional state funding and successful public-private partnerships) in the next three fiscal years. Action plans will need to be developed to hit these targets. The aspirational model also factors in cost reductions and savings of over \$3 million in each of the next three fiscal years, some of which may be recurring savings.

Responding to Trustee Franks' inquiry, Mr. Perkinson provided examples of opportunities for increased revenue: the start of the online master's program; the current public-private partnership in housing; an idea for another public-private partnership after the Cascades building is demolished; and increased state funding or positive impacts from changes to the Student Success and Completion Model.

Mr. Perkinson reviewed the cost reduction strategy for the original \$2.4 million in cuts, noting the offices of the president, provost, vice president for enrollment management and student affairs and vice president for development have identified specific line items to achieve their targets. He again mentioned an additional \$602,000 in cuts will need to be made.

Responding to Vice Chair Nicholson's inquiry, Mr. Perkinson said about \$1.4 million of the \$2.2 million in reductions is tied to labor savings from vacant positions and each vice president has evaluated long-term implications of those cuts. Dr. Susan Walsh added that academic affairs runs on a different cycle in terms of staffing; they are working on faculty hiring for fall 2021. She said academic integrity of the curriculum, and student support and affairs is intact; they are not compromising on student success and SOU is safe on delivering a quality education to students.

Responding to Chair Clough's inquiry regarding whether the cuts affect any of the strategies of the organization, Mr. Perkinson said many initiatives were funded last year and some in the first quarter of this year and some have continuing costs. SOU will continue to fund certain initiatives while making cuts in other areas. President Schott added that SOU already is thinly staffed and is going to get thinner. Ultimately that poses risk, which is her longer term worry and supports the need to get some equity from the state. Dr. Neil Woolf stressed that administration is being open with campus about this and is involving people in the discussion so there are no surprises.

Responding to Trustee Loverro's inquiry regarding outreach to students, Mr. Perkinson mentioned some of the efforts made last year to try to get students involved (e.g., nine open forum venues and tabling twice at the Stevenson Union) but struggled to get attendance. Trustee Franks suggested approaching ASSOU and engaging there; Mr. Lovern said he has been working with ASSOU leadership on budget issues so there already is exposure to this information at that level.

Future Meetings

The next regularly scheduled committee meeting will be on February 20.

Adjournment

Chair Clough adjourned the meeting at 5:31 p.m.

Date: March 19, 2020

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme". The signature is written in black ink and is positioned above a horizontal line.

Sabrina Prud'homme
University Board Secretary