

Board of Trustees
Finance and Administration Committee Meeting
Monday, April 20, 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	Present
Megan Davis Lightman	Present		

Chair Sheila Clough called the meeting to order at 4:04 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, President Linda Schott and janelle wilson.

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; Dr. Susan Walsh, Provost; Jeanne Stallman, Associate Vice President for Government and Corporate Relations; Sabrina Prud'homme, Board Secretary; Josh Lovern, Budget Office; Britney Sharp, ASSOU President; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Consent Agenda

Trustee AuCoin moved to approve the consent agenda as presented. Vice Chair Nicholson seconded the motion and it passed unanimously.

Vice President's Report

Committee Dashboard

Greg Perkinson reviewed key elements in the financial dashboard included in the meeting materials. The current fiscal year cash is greater than the target but it is a timing issue. Student credit hours (SCH) is below the previous two years by about 7 percent. Regarding Education and General (E&G) expenses year-to-date, labor and Other Personnel Expenses are higher than last year but below the burn rate; Supplies and Services are below that of last year and below the burn rate.

HECC Update and Other General Updates

Turning to the HECC update, Mr. Perkinson said Jason Catz is SOU's primary representative, he [Mr. Perkinson] is the alternate, and Britney Sharp is the student representative on the Student Success and Completion Model (SSCM) work group. At the group's last meeting, there was a proposal to delay the timing of the discussion of the model's key elements, effectively splitting work into two phases and pushing key

decisions into the future. President Schott requested a meeting with Ben Cannon and Jim Pinkard to discuss how SOU interprets the HECC's data and find common ground on data presented, which will culminate in SOU's recommendation that the HECC allocate SOU additional mission differentiation funding. Mr. Catz added that the work group rescheduled the next meeting for May.

Responding to Chair Clough's inquiry regarding the impact on the receipt of COVID-related relief funds, Mr. Perkinson said the funding model would not adversely affect SOU as it is being considered for such funds. SOU will receive \$3.4 million in CARES Act funding, which is directly earmarked for SOU. Responding to Vice Chair Nicholson's later follow up inquiry, Mr. Perkinson and Mr. Catz said the CARES Act allocation is in no way based on the SSCM, rather it is based on PELL-eligible students. Additionally, SOU is engaged in political advocacy to get a share of the \$32 million Governor Brown is allocating to education across the state. President Schott added that she and Sandra Slattery contacted Ben Cannon seeking special consideration, expressing concerns about the decline in the local economy, tourist dollars, and SOU students leaving. Responding to Trustee AuCoin's inquiry, Jeanne Stallman said she has been sending a weekly email message to the Southern Oregon delegation to keep them apprised of how SOU has been affected.

Discussing the potential COVID-19 financial impacts on SOU, Mr. Perkinson reviewed the figures provided in the survey Jim Pinkard created to collect data on short- and long-term impacts, as included in the meeting materials.

Action, Information and Discussion Items

Update on Tuition and Fees for Academic Year 2020-21

Chair Clough reminded the committee members that the committee should be approving tuition and fees at this meeting. However, because of COVID challenges and timing issues, the committee will do that in its May 21 meeting. Mr. Perkinson provided an update on the tuition and fees process, saying the ASSOU Senate has approved fees and the Tuition and Advisory Council (TAC) has been meeting regularly. In last week's straw poll at the TAC, the members were most comfortable with a tuition increase below 5 percent and, when looking at the financials, they recognized the increase should be more like 7 percent. If the CARES Act funding of \$1.7 million was not included in the pro forma, the increase would need to be 15 percent. Mr. Perkinson said data would be available later in the day from the end of the add/drop period and it's the last day to break housing contracts, which will firm up revenue data. About 25 percent of students are expected to remain in housing.

Regarding the student fee process, ASSOU President Britney Sharp said the students were very reluctant to approve the proposed fees. At an emergency ASSOU Senate meeting, Josh Lovern and Taylor Burke explained that ASSOU would be unable to predict its numbers and deficits. When calculating its initial allocations, ASSOU used a 9 percent decrease in enrollment, which is more than SOU's projection of a 7 percent decrease. The ASSOU Senate approved the allocation list.

Mr. Perkinson detailed the next steps: finalize the SCH data, update the pro forma, refine revenue projections, submit the TAC recommendation to President Schott,

present the president's recommendation to the committee, and present it to the board in May. Budget personnel will continue to work the intricacies of SOU's COVID-19 response. President Schott added that there are two factors involved in the tuition increase: what SOU needs financially and what politically is possible; she said she thought the times will not bear what SOU actually needs.

Discussion of Financial Metrics

Continuing the dialogue on financial metrics, Greg Perkinson mentioned the strategic, operational, and tactical levels of managing a metrics program. He would expect the board and president to focus principally at a strategic level; the president and vice presidents on the operational level; and directors on the tactical level.

Mr. Perkinson then reviewed the high level framework the HECC finance director presented to commissioners and said SOU currently collects about 75 percent of these measures, many of which are annual snapshots. He said he no longer would resist the use of these indicators, as the HECC is going to continue to use them. These numbers come from the audited financial statements and are based on accounting principles that can change year after year.

When using the composite financial index, Mr. Perkinson said context is important, which the HECC did not use in its assessment. For each university, there is a story to explain each number. Mr. Perkinson then reviewed the sample strategic measures, included in the meeting materials, including the total E&G spending per full-time enrollment and SSCM degree value. Discussion ensued on how degrees are valued and tuition revenue is analyzed.

Responding to Vice Chair Nicholson's inquiry, Mr. Perkinson said if SOU had received the additional \$3 million that EOU has received for the past several years, SOU's ending fund balance would be 25 percent. President Schott added that at that level, the board may have decided that a 15 percent ending fund balance is needed and SOU would not have needed to drive tuition up. The question is whether this is equitable for SOU's students and families.

Reflecting on Trustee Lightman's earlier comment, Chair Clough said the committee is being asked to contemplate different metrics. However, if the HECC will continue to use these metrics, she is not sure it matters what the committee wants because the university is still accountable to these metrics. President Schott added that SOU should continue to monitor the metrics the HECC uses but, since those do not tell the entire story, SOU should also identify what else is important to monitor.

Responding to Trustee Lightman, President Schott and Mr. Perkinson said the Presidential Task Force on Financial Sustainability is evaluating and exploring options for revenue generation.

Concluding the discussion on this agenda item, Chair Clough said she felt the committee has a good sense of the HECC's measures and now the trustees need to discuss the measures they find most useful in measuring SOU's performance. Eventually, Board Chair Hennion will want a recommendation from the committee.

President Schott added that financial performance is important for this committee but there are other important measures, such as academic quality and performance.

Budget Update and Review of Pro Forma

Greg Perkinson highlighted some recent changes to the pro forma as Josh Lovern utilized the interactive pro forma. The \$1.7 million in CARES Act funding appears as one-time funding. The adjustment to labor represents the expected value of the hiring freeze implemented the previous week. COVID-19 has resulted in some unanticipated gains and losses (e.g., reduced travel expenses and reduced income for housing). The changes result in an 8.5 percent ending fund balance, assuming all of the \$1.7 million in CARES Act funding is rolled into E&G. Mr. Perkinson said, however, there will be hard choices next year regarding budget cuts. President Schott and Mr. Perkinson clarified that the 8.5 percent ending fund balance includes only half of the phase two cost reductions.

Responding to Trustee Franks' comment, Mr. Perkinson summarized the financial impacts of COVID-19. SOU is down close to \$1 million in lost revenue for the spring term. The \$2.9 million in lost auxiliary revenue is a combination of dining, housing, athletics and conferences. SOU expected to spend \$500,000 to transition to remote delivery; that number is overstated and may come in lower. Cleaning costs are \$50,000 and other costs are \$70,000. COVID-19 is estimated to result in a \$2.3 million loss for the current fiscal year. Responding to Chair Clough's inquiry, Mr. Perkinson said the lost auxiliary revenue is not included in the pro forma, which positively impacts the 8.5 percent ending fund balance. He mentioned the actions taken by the dining services provider and housing to cut costs and there are more offsets to come.

President Schott said personnel have been focused on this fiscal year and how to close with a balanced budget and inch the ending fund balance up a bit. Thinking about next year is very tough because of the many unknown variables.

Mr. Perkinson made a last point on CARES Act funding, saying the remaining \$1.7 million is tied to student grants. SOU is working on the methodology to get it to the students. One idea is to issue some in the spring and some in the fall. The funding must be issued within one year. President Schott added that the big decision point is whether all of the first \$1.7 million of the institution's share is put in E&G or whether some should be allocated to auxiliaries. This has significant import; if it is not allocated all to E&G, more reductions may be needed.

Future Meetings

Chair Clough said the committee's next meeting will be on May 21, followed by a special board meeting the next day.

Adjournment

Chair Clough adjourned the meeting at 5:58 p.m.

Date: May 21, 2020

Respectfully submitted by,

A handwritten signature in black ink, reading "Sabrina Prud'homme". The signature is written in a cursive style and is underlined.

Sabrina Prud'homme
University Board Secretary