

**Board of Trustees  
Finance and Administration Committee Meeting  
Thursday, May 21, 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 4:06 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, Daniel Santos, President Linda Schott, Barry Thalden and janelle wilson.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Dr. Neil Wolf, Vice President for Enrollment Management and Student Affairs; Jason Catz, General Counsel; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for University Advancement; Jeanne Stallman, Associate Vice President for Government and Corporate Relations; Sabrina Prud'homme, Board Secretary; Drew Gilliland, Facilities Management and Planning; Josh Lovern, Budget Office; Dr. Matt Stillman, Registrar; Staci Buchwald, Housing; Taylor Burke, Dean of Students; Britney Sharp, ASSOU President; 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 AuCoin seconded the motion and it passed unanimously.

**Vice President's Report**

Committee Dashboard

Reviewing the financial dashboard, Greg Perkinson said the significant gap in the operating cash principally is due to the loss of \$3.7 million in revenue from housing. Student credit hours (SCH) for the spring term are down about 8.6 percent from last spring, which ties to the reduction in revenue and operating cash. The gap in revenue represents a slowing in the collection of expected revenue.

Mr. Perkinson said the report on select expenses is a good news story. Labor expenses are higher than last year, which reflects wage increases; labor expenses are behind the burn rate, showing that identified reductions are being taken. Supplies and Services expenses are well below last year and are below the burn rate.

The Education and General fund balance is close to the target. Through April, steps taken to implement the aggressive plan to reduce costs were trending well. Savings from recent actions to reduce labor costs have not hit the books yet.

Board Vice Chair Nicholson pointed out the spring 2019 SCH was 185 and was 176 for 2020, a decrease of about 5 percent rather than 8.6 percent. Dr. Matt Stillman said the 176 represents current full time equivalent and the figures on the dashboard represent a full year; the 8.6 percent figure is just comparing spring terms. Dr. Neil Woolf said the difference could also be a timing issue.

#### Higher Education Coordinating Commission Update

Mr. Perkinson highlighted issues discussed at the HECC's Funding and Achievement Subcommittee and full commission meetings, including a comparison of tuition and fees, capital project submissions and the consolidated funding request. SOU has two projects competing for funding, the Music Building renovation combined with the movement of the Digital Media Center and the phase two renovation of Britt Hall.

Responding to Chair Clough's comment, Mr. Perkinson explained the relationship between the overview of the capital project submissions considered by the HECC and the capital projects expenditure authorizations included on the committee's agenda for action. The capital project submissions are future projects that will be submitted to the legislature. The action item includes projects for which funding was previously approved but now require board approval for execution of the contracts. He added that the university presidents work with the Oregon Council of Presidents to submit the presidents' request to the HECC as it is developing its agency budget. COVID-19 dramatically impacted the focus of the consolidated funding request.

Turning to the HECC's discussions on the Student Success and Completion Model (SSCM), Mr. Perkinson said the commissioners want to see a proposal from the HECC staff but there is tension between those who want to slow the process down and those who want it to go faster. Responding to Trustee AuCoin's comment, Mr. Perkinson and President Schott said work on the SSCM has been delayed but SOU continues to work on its strategies and argue for a fix for the coming year. Jason Catz added that the dialogue is not only taking place at the table and has the commissioners' attention but SOU's efforts to engage on this topic is an advancement. Trustee AuCoin and Chair Clough stressed the importance of fairly supporting SOU and the local region.

#### **Action, Information and Discussion Items**

##### Capital Projects Expenditure Authorizations (Action)

Greg Perkinson provided information on the three projects and the bonds that have already been sold for each. He said the Q-series bonds are fully reimbursed by the state. For the Britt Hall project, SOU has received bids and is ready to award the contract. The figures provided for Taylor Hall and Central Hall are estimated costs.

Responding to Trustee Franks' inquiry, Mr. Perkinson said the contracts are ready to award for Britt Hall, with 18 months to completion. Work on Taylor Hall can begin this summer while the building is more available. The timing for work on Central Hall is uncertain and may not begin for 6-12 months.

Responding to Trustee Lightman, Mr. Perkinson said much of the work is deferred maintenance and core improvements. The work in Britt Hall and Taylor Hall will not change the purpose of the facilities but will make them more efficient. However, regarding Central Hall, Drew Gilliland said they are having conversations about the changes meeting programmatic components and following the strategic plan.

Trustee Thorndike said he thought that, instead of spending \$7 million to renovate Central Hall, it might be better to tear it down or gut it and build something more appropriate and more functional. Mr. Perkinson said one observation of the HECC's 10-year facilities capital plan was that universities have more space than needed and the universities should invest more in restoration of existing space to make sure the purposes are right. Mr. Gilliland added that the bonds were for seismic and mechanical improvements but there is some flexibility in the design.

Responding to Chair Clough's inquiry about the timing of these capital projects in the short term, Mr. Perkinson recommended pursuing all three projects. Construction pricing is good now, work needs to be done to restore the facilities, and the state is paying for it. Trustee Lightman added that safety must come first and the buildings must be structurally sound. Trustee Loverro described her personal experience taking classes in Central Hall and Taylor Hall and stressed the importance of renovating the bathrooms to serve students with accessibility needs.

Trustee Lightman moved to approve the three projects and recommend them to the board for approval. Vice Chair Nicholson seconded the motion and it passed unanimously.

#### COVID-19 Financial Update

Greg Perkinson reviewed lost revenue, additional costs, cost avoidance, and recoveries, as included in the materials. The known factors include: tuition and fee revenue is down; direct costs are incurred; there are labor savings with the current furloughs; and there is a commitment for additional CARES Act funding. The unknown factors include fall enrollment and the exact amount of SOU's budget rescission (the HECC said to plan for a \$3.1 million deficit but it could differ).

Mr. Perkinson summarized the key drivers: the decrease in state revenue is driving an 8.5 percent budget rescission; loss of \$3.1 million in the second half of this biennium; loss of sports lottery funding; and significant impacts to auxiliaries, especially housing. He then discussed the phasing strategy of the furloughs and SOU's utilization of the Oregon Workshare Program, as included in the meeting materials. Most employees will have a 20 percent reduction in hours worked and in pay. SOU is able to manage for employees the application for unemployment benefits and the CARES Act will reimburse the state for such benefits.

He noted the sense of shared sacrifice. Classified and administrative staff are impacted by the furlough. Faculty have contributed through their initial transition to remote learning and the provost will talk with the union about how the coming year will look for faculty. Student workers and some part-time employees have not been affected.

Mr. Perkinson mentioned the benefits of acting quickly in applying for unemployment benefits. The action taken avoids laying off 101 employees and he appreciated SEIU's cooperative work. SEIU was a signatory on SOU's application to the Oregon Employment Department for employees' unemployment benefits.

#### Budget Update and Review of Pro Forma

Greg Perkinson reviewed the assumptions used in the pro forma: \$3.1 million decrease in state funding in the next fiscal year; a loss of \$1.2 million in state lottery funding; \$1.7 million estimated savings from furloughs; \$300,000 savings by continuing the hiring freeze through the summer; and \$250,000 from part two of the CARES Act funding is allocated to academic affairs.

He said the good news is that, with aggressive action the team has taken to cut costs, it looks like this fiscal year will close at about a 7.6 percent ending fund balance. Given the \$750,000 in lost revenue due to COVID-19, he is thrilled with that figure. However, he is not thrilled with the projected -5.27 percent ending fund balance for the next fiscal year. This assumes a \$3.1 million decrease in state revenue and accounts for the \$3 million structural deficit SOU has. The figures also include a 10 percent reduction in enrollment, which is what the leadership team determined would be a good planning factor, although, as President Schott pointed out, it is just a guess. President Schott mentioned the positive factors considered in coming up with the -10 percent figure: the incidents of the coronavirus in the region; the Cal State system is fully online; and SOU's coaching staff's best recruiting year ever. Dr. Neil Woolf mentioned positive news in the enrollment area.

Mr. Perkinson said this information sets the stage for the Tuition Advisory Council's (TAC) recommendation to the president because it was what the council members saw as they deliberated.

#### Tuition and Fees for Academic Year 2020-2021 (Action)

Introducing this agenda item, Chair Clough said the committee has been building to this decision, mentioned the voluminous materials included for the trustees' review and reminded committee members of ASSOU President Britney Sharp's updates on the student fee process.

Greg Perkinson discussed affordability, which is where he said the TAC landed in the end. SOU takes many actions to increase affordability, including minimizing the need for tuition increases, creating pathways and working to improve graduation rates. He then reviewed tuition and fee comparisons, as included in the meeting materials. He highlighted increases in salaries, wages and other personnel expenses, saying the increases in salaries, wages and PEBB expenses have been reasonable whereas the increases in retirement expenses has been extensive.

Regarding the work of the TAC, the meeting materials include the various tuition rates, mandatory enrollment fees and mandatory incidental fees that were considered. ASSOU President Sharp said she has kept the board updated over the past few months on the student fee process and added that, when ASSOU decided to increase the fee, they thought it was a safe move to make to protect student programs especially considering the hits taken in the spring term. Mr. Perkinson said SOU decided to

allocate \$163,000 of the CARES Act funding back to students to offset the losses in the incidental fees. Ultimately, the TAC recommended a 4.9 percent increase or less.

President Schott said this year, SOU cannot solve its budget problems by raising tuition. The amount it would have to be increased to cover losses incurred would be 25 percent. Primary in her mind this year was the students, their and their families' employment situations and the long-term importance of an investment in higher education. Balancing those considerations and factoring in Dr. Woolf's information on other public institutions throughout the west, President Schott said she ended up at a 3.7 percent increase. She said she realizes it is not nothing and there will be some impact on students but it is in line with what the other universities are doing.

In making her decision, President Schott said she considered how different increases would impact the fund balance and overall revenue. She concluded that it would not have enough of a positive impact for the institution to increase the pain to individual students and families. She mentioned the increases in two of the other tuition categories: 4.99 percent for non-resident undergraduate and no increase in the rates for the two programs with Academic Partnerships. Josh Lovern pointed out that the total increase to tuition and mandatory fees is 3.69 percent.

Trustee Lightman said the institution must balance affordability with the actual costs to run the institution and prepare for whatever is coming in the future. Regarding SOU's financial stability, President Schott referred to the projections in the pro forma and said SOU would have some hard decisions to make but she does not want to make those decisions until absolutely necessary since those decisions impact real human beings. There are many unknown variables right now. SOU is thinly staffed, even thinner with the furlough, and any layoffs will impact operations. She said SOU will have to make reductions but she needs more time and information as well as students not being driven away by a huge tuition increase.

Trustee AuCoin stressed the importance of acknowledging the gap between the recommended tuition increase and the 25 percent increase that would be necessary for financial stability and expressed his extreme discomfort with the projected ending fund balances. Responding to his inquiry about the impact on the net balance, President Schott said the projected negative ending fund balance in the next fiscal year does not reflect any additional cuts that would have to be made. She reminded the trustees that the pro forma presented is not the proposed budget for the next year.

Trustee Loverro said there is no decision that will make everyone happy and cuts will be required in a lot of places to make this work. She said it was a good time to place trust in the process that led to the recommendation and that those involved have done their due diligence. This is when everyone needs to come together as a team and stand strong as an institution. In supporting the recommendation, that is being done.

Chair Clough said making a decision on tuition and fees is always difficult but it is even more challenging in light of the current world economic situation and obstacles SOU faces with the funding model. She reminded the trustees that they are making a decision on one data point and that the decision affecting this lever is not going to fix the bigger problem. Future conversations will focus on how to fix the bigger problem.

Trustee AuCoin moved to approve the resolution included in the meeting materials. Trustee Lightman seconded the motion and it passed unanimously.

Discussion of Financial Metrics

Chair Clough said the committee has talked about financial metrics, what measures are appropriate and what metrics the HECC uses. In discussions with Board Chair Hennion and Committee Chair Santos, they concluded that the dialogue on metrics would be better suited to a retreat format. This topic will be on-hold until the board's next retreat and, in the meantime, the administration will gather information.

Future Meetings

Chair Clough said the committee's next meeting will be on June 18, during which the budget will be discussed.

**Adjournment**

Chair Clough adjourned the meeting at 6:13 p.m.

Date: June 18, 2020

Respectfully submitted by,



Sabrina Prud'homme  
University Board Secretary