

Board of Trustees
Finance and Administration Committee Meeting
Thursday, January 21, 2021
Videoconference

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

| | | | |
|---------------|---------|----------------------|---------|
| Sheila Clough | Present | Megan Davis Lightman | Absent |
| Les AuCoin | Absent | Bill Thorndike | Present |
| Shaun Franks | Present | Steve Vincent | Present |
| Lyn Hennion | Present | | |

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

Other trustees in attendance: Paul Nicholson, Deborah Rosenberg, Daniel Santos, President Linda Schott and janelle wilson.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; 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; Alana Lardizabal, Director of Human Resources; Nicole Blodgett, Human Resource Office; Josh Lovern, Budget Office; 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 Hennion seconded the motion and it passed unanimously.

Vice President's Report

Greg Perkinson described the content of SOU's financial webinar in December, including concerns of whether furloughs would continue. Based on various factors, the administration decided to continue furloughs into 2021.

JPR Paycheck Protection Program Forgivable Loan

This agenda item was covered in a later segment.

Action, Information and Discussion Items

Year-to-Date Financial Update

Greg Perkinson said the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) may provide SOU \$6.2 million in federal relief. Of that amount, SOU is required to support students directly at the same level (\$1.7 million) or

greater as in the first round of CARES Act funding. Mr. Perkinson cautioned, however, that the Department of Education has begun to issue guidance on the use of these funds. He said a recommended allocation decision would be submitted to President Schott and stressed that the pro forma reflected a notional allocation scenario. He then reviewed some of the key data points in the pro forma.

Mr. Perkinson reviewed a notional strategy incorporated in the pro forma. Two years ago, \$1 million was transferred from the plant fund into the Education & General (E&G) fund; this is an opportunity to repay that money. When SOU closed the Schneider Childcare Center, the total debt was about \$900,000; this strategy would also repay that debt, which would moderately improve SOU's financial indices. This would result in an approximate \$6 million fund balance, which would be a 9.5 percent fund balance. Mr. Perkinson emphasized that steps must be taken to weather the next couple of biennia, which are going to be very difficult.

Responding to Chair Clough's inquiry, Mr. Perkinson said the CRRSAA funds are guaranteed. The Act was signed in December and the appropriation has been made. Now the mechanics have to be worked through to spend the funds appropriately.

Responding to Board Chair Nicholson's inquiry, Mr. Perkinson said he thought the board should approve the transfer back into the plant fund because the board previously approved the transfer from the plant fund to the E&G fund. Jason Catz said he would need to research whether the board's approval was required but thought such approval would be appropriate in any event.

COVID Impacts - In looking at the federal strategy, Mr. Perkinson discussed funding going to states and for needed items such as testing, vaccinations and personal protective equipment. Additionally, the Incident Command is tracking actions regarding the health of students and staff.

Reviewing the financial impacts of COVID, Mr. Perkinson said SOU is trending about \$4 million down. However, this does not reflect the new CRRSAA funding.

Turning to the Paycheck Protection Program (PPP), Mr. Perkinson said the Corporation for Public Broadcasting lobbied to get support through a provision which made Jefferson Public Radio (JPR) eligible for the PPP. SOU has applied for a \$280,000 forgivable loan for JPR.

Discussing the impact of COVID on revenue, Mr. Perkinson said things are being done to soften the financial impact on students, such as continuing the 10 percent student fee reduction and not assessing late fees or interest.

Wildfire Impact - Josh Lovern modeled the potential financial impact of the Alameda and Obenchain fires. This has been shared with the HECC and has become part of SOU's broader strategy, telling its story, and getting support.

Mr. Lovern said he noticed a pattern in the data on when and how students apply, when they come to campus and what the FTE looks like. There was a dip around the time of the fires, from which he was able to model revenue losses and cost impacts

across campus. His projection was extremely close to the one from the Dean of Students, which gave him confidence in the model. Responding to Trustee Franks' inquiry, Mr. Lovern said the \$3.5 million projected revenue impact in years 2-6 was based on student credit hours through pipeline losses.

Mr. Perkinson said a path for federal and state funding was also pursued. The School Emergency Response to Violence grant and a specific FEMA grant both were not viable options. However, President Schott expressed her gratitude to Ben Cannon and the HECC for their support in these processes.

State Funding Update - Mr. Perkinson said the Student Success and Completion Model (SSCM) is working its way through rulemaking. An adjustment to dual credit could be favorable to SOU in the course of this refinement to the tune of about \$1.4 million.

Discussing funding for the public university support fund (PUSF), Mr. Perkinson said initial indications through the governor's recommended budget are that it will be flat funded; there will be efforts to get more funding for the PUSF. SOU took a hit last year in the sports lottery; it was restored but it is unclear how it will go moving forward.

University Properties Task Force

President Linda Schott said SOU's financial challenges coupled with the region's housing shortage, which was worsened by the fires, made last fall the right time to look at all the properties SOU has and decide on their highest and best use. Additionally, the pandemic has shown that SOU might not need as much property as it currently has. A task force was formed with knowledgeable individuals, including trustees from SOU's governing and foundation boards. Cynthia Ferrendelli prepared an analysis of the property SOU owns. President Schott stressed that it will help meet community and regional needs as well as update SOU's holdings and how they are utilized.

Trustee Vincent thought this was remarkable timing to launch this task with the reality of COVID and changes in the delivery of education. Board Chair Nicholson added that those on the task force were surprised at how many seemingly-extraneous properties the university owns. The task force and the administration will identify which of the properties fit into the core function of the university and which are ancillary, the latter of which might be utilized in other ways or disposed of. Trustee Thorndike suggested negotiating with the city over what could be done to benefit the campus in exchange for selling property and putting it back on the city's tax rolls.

Responding to Trustee Hennion's inquiry, President Schott said the properties could be divided into three categories: core properties to keep; those close to something critical that might be used in another way but probably would not be sold; and those that could be sold. She said only the board has the authority to sell property and more information will be provided later. Mr. Perkinson said the task force would meet again, direction and timing would be refined, and the master plan would be updated.

Early Retirement Analysis

Greg Perkinson said the Human Resource Office evaluated the possibility of offering early retirement to employees as way to improve SOU's long term structure. Alana Lardizabal reviewed the seven tiers for the two primary retirement plans. Depending

on when the tiers were implemented, different employer rates are paid based on the employee's earnings. Another complexity is there are different ages at which someone is eligible to retire, depending on the tier. The older tiers are costlier to SOU. Ms. Lardizabal said the data presented includes classified and unclassified staff; faculty members were excluded.

Nicole Blodgett said the analysis included employees who had at least ten years of service at SOU, were retirement eligible and were at least 63 years old. There were 19 employees who met these criteria, ten of whom were classified employees.

Combining the two sets of data, Ms. Lardizabal said the combined salary is realized at year five. As salaries stabilize, there would be an overall savings of approximately \$100,000 each year to implement this incentive. She added that some expenses were not included in the analysis, such as COLAs and costs for hiring, recruiting and relocating new employees. In essence, the stabilized savings equated to one or possibly two positions.

Weighing the risks and the benefits, Mr. Perkinson concluded that offering early retirements is not a good option. President Schott said she was surprised at the conclusion but it shows SOU's due diligence in terms of trying to figure out every possibility that would benefit the institution.

North Campus Village Refinancing (Action)

Greg Perkinson mentioned the \$4.7 million loss in revenue in housing and dining caused by COVID. Since then, the administration has been discussing ways to stabilize the North Campus Village project. The project has been very successful and, with the assistance of outside counsel, the focus was on understanding and modifying the current project to refinance it and create liquidity.

Jason Catz said this issue was challenging because SOU does not own the building but receives most of the revenue from it. SOU covered the cost of the refunds to students who were not returning to housing and determined that something must be done to prevent future occurrences.

SOU negotiated waivers to the existing agreements with the bond insurer and the borrower. Mr. Catz mentioned the various factors involved in the negotiations. He pointed out that, although there is now a lower interest rate, it will cost a bit more over 35-40 years. However, the debt service over the next three years is reduced from \$2.8 million to roughly \$1.7 to \$2 million, depending on the sale of the bonds. If SOU has to provide refunds again for whatever reason, the lower debt service puts SOU in a better position to absorb such costs. On the other hand, if matters improve, SOU may have more savings to help rebuild the fund balance and repay funds to the auxiliaries.

Responding to Chair Clough's inquiry, Mr. Perkinson mentioned some of the risks involved in this course of action, including a resurgence in COVID that drives occupancy down again, lack of federal relief, and uncertainty in the bond market. Mr. Catz said the resurgence of the virus is the largest risk because SOU does not have adequate revenue coming in to even cover the new debt service, which is why \$1.8 million was left in the project as a reserve fund.

Mr. Catz added that, since SOU is not the borrower on the bonds, there is no requirement for board approval. The ground lease and the management agreement are being amended. However, he stressed that the underwriter feels most comfortable with great paperwork.

Trustee Franks moved to approve the resolution to refinance the North Campus Village bonds. Trustee Hennion seconded the motion and it passed unanimously.

Budget Forecast

Greg Perkinson reviewed three scenarios for the budget forecast, as included in the meeting materials: a 0 percent resident tuition increase, a 3 percent increase and a 4.9 percent increase. Tuition revenue is two-thirds of SOU's total revenue.

Josh Lovern discussed the budgeting around enrollment for the fall based on solid mathematical modeling; that modeling is an assumption in the scenarios. Additional assumptions in the scenarios include: funding from the SSCM is modeled at the governor's recommended budget; a 5 percent increase in nonresident tuition; a 3 percent increase in labor costs; and PEBB and PERS were modeled based on known rates.

The scenario with a 0 percent increase in tuition ties to outcomes in the next biennium that have a \$3 million disconnect. Without that \$3 million cut, there would be a degradation in the ending fund balance to about \$2.8 million in the first year of the biennium, which is about 4.3 percent.

In the scenario with a 3 percent increase in resident tuition, the disconnect decreased to about \$2 million. At a 4.9 percent increase in resident tuition, the disconnect decreased to about \$1 million. Responding to Board Chair Nicholson's later comment, Mr. Perkinson said, at a 4.9 percent tuition increase, \$1.17 million would need to be cut to restore the ending fund balance to match that of the beginning fund balance.

Responding to Trustee Vincent's inquiry, Mr. Lovern said the increase in tuition revenue is based on the current low enrollment and a projected increase in returning students, at a rate lower than in 2019.

Dr. Neil Woolf added that enrollment for the fall is speculative. Resources and tools are being provided to help students return and there is some expectation that there will be a slight rebound. What Mr. Lovern modeled was based on a mathematical model; whether or not that holds true will be constantly monitored. President Schott added that changes in federal financial aid may also impact enrollment.

Dr. Woolf mentioned some of the recent programs implemented to expand enrollment, including Lead Generation, Kings Education, expanding adult leads population, community college transfer programs and initiatives from the Southern Oregon Education Leadership Council. Offering programs that students want or need is also involved with enrollment expansion and SOU's new and future academic programs help with that. Dr. Woolf reviewed the tool for analyzing market data on job opportunities and growth, as included in the meeting materials. Dr. Susan Walsh stressed the

importance of sharing such data with the faculty so they are informed as well.

Future Meetings

The committee's next meeting will be on March 18, 2021.

Adjournment

Chair Clough adjourned the meeting at 5:59 p.m.

Date: March 18, 2021

Respectfully submitted by,

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

Sabrina Prud'homme
University Board Secretary