

**Board of Trustees
Finance and Administration Committee Meeting**

Thursday, April 15, 2021

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

| | | | |
|---------------|---------|------------------------|---------|
| Sheila Clough | Present | Bill Thorndike | Present |
| Steve Vincent | Present | Lyn Hennion | Present |
| Shaun Franks | Present | Megan Davis Lightwater | 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, janelle wilson, Daniel Santos, and President Linda Schott.

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; Steve Larvick, Director of Business Services; Taylor Burke, Dean of Students and Director of Student Life; Michael McKelvey, Director of Development; Josh Lovern, Director of Budget and Planning; Robert Casserly, OLLI Assistant Director; Violet Crain, ASSOU President; Deborah Lovern, Provost's Office; Daniel Tharp, University Housing; Jayne Atkins, Business Services; Susan Dyssegard, Finance and Administration Office; Christina Sanz, Southern Oregon University Foundation; and Pamela Tomac, Office of the Board Secretary.

Public Comment

There were no public comments.

Consent Agenda

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

Vice President's Report

Properties Task Force Update

Taking items out of order, Mr. Perkinson commended President Schott and the task force on a good job looking at more than 30 outlying SOU properties. David Wright assembled a report that identifies properties, provides specific recommendations for each, and provides comparables. The next step will be to share these recommendations with the campus to gather input and feedback, as well as feedback from the community. This feedback will be vetted and returned for the board's review. Trustee Vincent said David Wright did an amazing job and a lot of effort went into the presentation. Board Chair Nicholson concurred and added that it was fascinating to watch the

committee work together and discuss what properties SOU should not consider disposing of, what properties SOU should dispose of, and whether perhaps SOU could go into some public or private partnerships with others.

Higher Education Coordinating Commission (HECC) Update

On April 7th, a panel discussion took place with the HECC in order to give commissioners a sense of how institutions are administering federal support. Two community colleges, one large university, and a technical and regional university, SOU, participated in the panel. As Mr. Perkinson understands what peers are doing, he is able to say that Vice President Woolf and Kristen Gast are doing a great job dispersing funds directly to students. Over 2000 students have been supported with direct aid and the average dollar value is \$3800 per student. The administration is spending a lot of time working to get the Public University Support Fund (PUSF) to the \$900 million level from \$887 million, which will bring the universities closer to the current service level. Mr. Perkinson commended Jeanne Stallman and her legislative affairs counterparts for their efforts.

Legislative Initiative Impacts

Jeanne Stallman provided a detailed written report for the next day's meeting, so, Mr. Perkinson did not cover those items. He said an important key takeaway from the session to date is that the Ways and Means Committee's draft budget looks encouraging for the public universities. A late-breaking announcement learned earlier in the day, is that there are two key initiatives the HECC supports and that have advanced to the governor's office for American Rescue Plan Act (ARPA) funding: a micro-credentials initiative and one supporting competency-based education, which are cause for optimism for SOU.

Action, Information and Discussion Items

Budget Update and Financial Relief Impacts

Mr. Perkinson said some of the rules for ARPA funds are emerging. Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSSA) and ARPA funds have continued to flow. The fourth source, the Governor's Emergency Education Relief Fund (GEER), is the governor's ability to direct federal discretionary funds provided for Oregon, and it has started to flow as well. The first increment to SOU will be about \$70,000. Mr. Perkinson reviewed the chart of all funding to show that \$8.9 million flowed directly to students and \$12.2 million to the university. The Tuition Advisory Council (TAC) met to review the funding processes and the administration provided the federal funding information to the TAC to help shape recommendations on what the rate increases could look like.

Responding to Chair Clough's questions regarding how students qualify for this aid, Mr. Perkinson shared that SOU has chosen to use the federal Pell Grant criteria as the basis for need. The U.S. Department of Education recognizes the Pell criteria as financial need and is a criterion upon which the SOU financial aid team bases awards. Dr. Woolf added that some students were not FAFSA eligible, so that is where the state dollars helped as with Deferred Action for Childhood Arrivals (DACA) recipients, for example. Each round came with various restrictions, though the university has tried to get the funds out as quickly as possible.

Trustee Franks talked to students who were previously ineligible due to income level but are on unemployment now, so, they may not meet eligibility on paper but do in real life and may be left behind or falling through the cracks. Dr. Woolf said that those students should certainly reapply and update the FAFSA when a change of income occurs. Financial aid counselors can make

adjustments through a professional judgment decision. Not only would the students be eligible to receive more in Pell grants, Stafford loans, and work-study, but the probability of receiving some stimulus dollars also is more likely.

Turning to financial headwinds facing SOU, Mr. Perkinson highlighted costs to date, total costs, and revenue loss to date, which add up to a total revenue loss of \$26 million. These costs carry-through as lost enrollment for the four, five, or six years a student would have been with SOU. Taken together, the COVID direct costs and revenue losses are projected to be more than \$33 million. The bottom line is the administration foresees revenue challenges and is working to account for them.

Mr. Perkinson then compared year-to-date actuals, the budget approved by the board, and the fiscal year forecast on the pro forma as presented in the materials. The continuation of furloughs has been projected through the end of the year. The \$10.4 million figure is one-time federal relief funding that will allow SOU to recover from deep cost-cutting actions. In reviewing labor costs, planned cuts were executed. Previously, the ability to pay expenses and payroll had a run-time of about four weeks; now the federal funding allows SOU the opportunity to build up reserves to 15 percent, which the administration would like to do, as the legacy standard of 10 percent is not tied to the industry or peers. Having two months in reserves (which is what the recommended 15 percent number represents) is a healthier picture and the function of two things: executing the plan and stimulus funding. Chair Clough commented that two months of funds for payroll is a tight situation; other industries have much longer time frames to support operations. The other component to keep in mind is that the university is not out of the woods in terms of revenue streams and recovering from other challenges. There will be a need to weather additional storms.

Mr. Perkinson also explained that the \$8.5 million placeholder is for must-pay bills and initiatives that will help SOU strategically. The cabinet will meet to prioritize, identify, and categorize initiatives on how they will impact students, student success, equity, financial sustainability, timing, and whether the expenses are recurring or one-time expenses.

President Schott added that SOU is in a better position than expected and stressed the need to continue working to improve SOU's financial picture. The federal assistance gives SOU additional time to gather more insight on how the pandemic will impact students, their families, and enrollment patterns. There is a bit more time to continue the great campus work to find efficiencies without damaging operations, such as what Tom Battaglia shared at the last meeting. President Schott added that she is grateful to SOU employees for their sacrifices.

Board Chair Nicholson said he echoed the comments from President Schott, Chair Clough, and Mr. Perkinson, deeming it prudent to hold onto larger reserves because erosion can happen quickly. Responding to Board Chair Nicholson's question about when SOU can anticipate the \$8.5 million outlay, Mr. Perkinson said the administration is focused on must-pay bills such as housing and dining that suffered significant losses. One element of that would be a transfer this fiscal year (FY) to cover such losses and the expected sports lottery losses that affect athletics.

Student Incidental Fees for Academic Year 2021-22 (Action)

Introducing the topic, Chair Clough said at the March meeting of the Finance and Administration Committee, the ASSOU President, Andrew Zucker, provided an extremely detailed review of the student fee process, the work of the committees, the fee allocation, and items that had been eliminated from the fee. The committee encouraged President Zucker to ensure there would be

clear communication with students on those activities that no longer would be funded by the student fee (i.e., child care subsidy). The committee also reviewed the overall budget and other details, though a formal recommendation was not yet ready.

Picking up where Former President Zucker left off, the new ASSOU President, Violet Crain, presented the student fee recommendation, seeking this committee's approval and recommendation to the Board for approval tomorrow.

Ms. Crain signed off on the fee and said she purposefully was left out of the process to prevent bias. She said the important takeaways are: the Student Incidental Fee was raised from \$372 to \$380, which is a modest 2.1 percent increase. The green tag and the recreation center fees remain unchanged. Ms. Crain thanked the committee for the amazing job that was accomplished and felt confident in the overall student participation and representation in this process. Ms. Crain vouched 100 percent for the proposed student fee budget and proposal to the board.

Concerning the eliminated indexes such as Hannon extra hours, the Student Fee Committee believed that programs that were academic and outside the scope of the incidental fee could be defunded. Before the indexes were eliminated, the committee confirmed that SOU's administration would continue to fund these budgets. The Higher Education Center did not request a budget this year, but ASSOU anticipates one in future years and therefore is advocating to transition two additional academic programs—the Center for the Visual Arts Galleries and Tech Share—off the Student Incidental Fee.

Mr. Lovern added that the process was robust throughout the term and there was considerable student engagement. President Schott thanked Ms. Crain, all the students who worked on this process, and Mr. Lovern for the late nights and detailed work. Dr. Woolf later stated that Mr. Lovern and Taylor Burke both put in extra hours and under their guidance, the incidental fee that was in deficit a few years ago now is in a much better position.

Chair Clough acknowledged that the economic situation for students can be challenging and the as-minimal-as-possible increase will be appreciated by the students.

Tuition and Mandatory Enrollment Fees for Academic Year 2021-22 (Action)

President Schott introduced the topic reminding everyone that the process is taken very seriously each year. This year, many struggled from the pandemic and wildfires. As the Tuition Advisory Council (TAC) began, the president's advice or charge was to do all that can be done to acknowledge the needs of the students and their financial struggles, while ensuring that the institution is viable and will be here for future students. While balancing the desire to be as affordable as possible, there is a need to recognize some yearly uncontrollable increasing costs.

Dr. Susan Walsh began by explaining that the TAC tracks against a compliance document. The TAC does not make the decision, but rather, Dr. Walsh facilitates the conversation to help the members arrive at a final recommendation. Meetings began in January and ran weekly through last Friday when a unanimous agreement was reached on the recommendation to be sent to the president. Balancing the financial needs of students and of SOU, TAC talked about a 0 percent increase but that was not acceptable to the TAC students, faculty or staff members. The importance of the financial situation was in keeping with the special care the committee showed throughout the entire process. Some of the areas where the burden could be reduced on students

were considered, such as open educational resources, and keeping the building as well as the health and wellness center fees flat. A priority was keeping a consistent commitment of affordability to all students. This resulted in the most well thought out recommendation that TAC could offer—a 2.99 percent increase was agreed upon across all categories with the exception of Academic Partnerships Online Masters Programs. The actual dollar amount rounds down to 2.55 percent to maintain whole numbers. The students should be commended as membership changed within ASSOU during this process; at one point ASSOU had 4 new members, but the students hung in there, did the homework, and made the best possible decision.

Responding to Chair Clough, Mr. Perkinson agreed that although SOU is experiencing increased costs for both building and health services costs, those costs will not be passed on to the students. The federal relief funding was able to help absorb those additional costs.

Mr. Lovern shared that the fees presented have been incorporated directly onto the pro forma and drive revenue estimates in the pro forma. Mr. Perkinson later added that the housing will be flat for returning students, in an attempt to drive affordability. The total cost of attendance, which is the composite of tuition, mandatory enrollment and incidental fees, housing and meals, will increase 2.69 percent. While the rates are going up, it is much more modest figure than some other Oregon public universities.

Responding to Trustee Thorndike who asked where SOU is relative to competitors and will SOU continue to be in a good position with Western Undergraduate Exchange rates, Mr. Lovern said he doesn't have that information currently, and deferred to Mr. Perkinson for more information. Mr. Perkinson relayed that this data set is not available for this round of discussion though the Oregon schools are being watched closely for comparison. The other Oregon public universities increases range from flat to 4.5 percent. A comparison with California Schools has not yet been completed, but can be researched for tomorrow.

Trustee Thorndike then asked about the income and pricing of micro credentials, badges, etc., and Dr. Walsh explained that the micro credentials are priced per student credit hour. If the typical micro credential is 4 classes, it equates to 16 credits charged as regular tuition. Responding further to Trustee Thorndike's question about how many scholarships were utilized from those made two years ago to all graduating students, President Schott said that only three students had taken advantage of that offer; it was a new concept, a different time, and perhaps after graduation was not the right time to invite offers for further education.

Responding to Trustee Vincent, Mr. Perkinson said that it is possible to take a data set and organize it to reflect SOU's ranking compared to other Oregon institutions based on the percent increase and by per credit hour. President Schott added the SOU ranking used to be at the bottom five years ago, but as of last year SOU was right in the middle and at the top of the technical and regional universities (TRUs).

Chair Clough concurred and added that a lot of time was spent in the last few years putting tuition together, realizing that the escalation was partly due to funding formula inequities and underfunding, items that were out of the college's control. President Schott agreed and said there was a lot of hard work to make changes to the funding model. Unfortunately, success was offset by pandemic, forest fires and the toll these took on enrollment. President Schott appreciated Ben Cannons' willingness to advocate for a bigger funding portion. She said Mr. Cannon praised SOU

for being innovative, adding that SOU's funding is 20 percent lower for higher education than the national average, and he was calling upon legislators to increase the funding for all universities.

Chair Clough, as a business person, said she uses the Consumer Price Index (CPI) for pricing as a gauge. The CPI is currently at 2.5 to 3 percent. This a big indicator that the team worked diligently to maintain affordability within the realm of helping students. Another positive gauge for Chair Clough is that this is the lowest increase to students in recent years.

President Schott, based upon the recommendation submitted to her, recommended a tuition and fee increase for resident undergraduates of 2.55 percent with attendant variations, as presented.

Trustee Hennion moved to approve the Student Incidental Fees, and Tuition and Mandatory Enrollment Fees for Academic Year 2021-2022 as presented. Trustee Lightman seconded the motion and it passed unanimously.

Budget Forecast and Review of Pro Forma

Mr. Perkinson reviewed the pro forma charts, as presented in the materials. He said the Ways and Means co-chairs have recommended \$887 million, which is \$13 million less than requested, so meetings with legislators were important to gain support for the additional \$13 million. A \$260 thousand decrease is expected in sports lottery funding and enrollment is modeled at negative 3 percent. All of the [tuition and fees] rates discussed today have been incorporated into the pro forma, which is a forecast based on the aforementioned variables and expectations. Revenue is a best guess based on current information and will be firmed up as more information is available.

On the expense side, when comparing actuals including furloughs, freezes, etc., the numbers get closer to labor lines as budgeted. However, there is a \$4.1 million disconnect in what SOU would need under this forecast to maintain the 15 percent fund reserve. This forecast will tighten up in May when the committee reviews the draft budget, which will be finalized for the June meetings of the board.

Responding to Trustee Thorndike, Mr. Perkinson said that concerning remissions, the administration is confident that scholarships are being utilized. Thinking back to the \$8.9 million in federal aid directly to students, that aid helped students with the greatest need as defined by Pell eligibility and FAFSA. Dr Woolf added that SOU's remissions dollars do not necessarily have to be applied for; if one qualifies, they will receive the aid, which allows the funds to be put to better use. SOU also sets aside funds for unexpected needs that may arise such as tragedy in a student's life.

Future Meetings

The committee's next meeting will be on Thursday, May 20 at 2:30 p.m. At that meeting, the committee is scheduled to review a draft of the FY 2021-22 budget.

Adjournment

The meeting was adjourned at 5:30 p.m.

Date: May 20, 2021

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