

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

Thursday, June 17, 2021

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Shaun Franks	Present
Lyn Hennion	Present	Megan Davis Lightman	Absent
Bill Thorndike	Present	Steve Vincent	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, and President Linda Schott.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; 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; Dr. Matt Stillman, University Registrar; Chris Stanek, Director of Institutional Research; Sabrina Prud'homme, Board Secretary; Josh Lovern, Director of Budget and Planning; and Pamela Tomac, Office of the Board Secretary.

Public Comment

No public comments have been received.

Consent Agenda

Trustee Hennion moved to approve the consent agenda as presented. Trustee Thorndike seconded the motion, and it passed unanimously.

Vice President's Report

Mr. Perkinson overviewed that the HECC Funding and Achievement subcommittee met to review financial trends related to the pandemic. On a side note, the Community College Funding Model piece was fascinating in its complexity.

The Ways and Means Committee approved the \$900M public university support fund, which has been integrated into the student success completion model (SSCM) in the pro forma and the proposed budget. The sports lottery was fully funded and the allocation was preserved, meaning that last month's conservative estimate improved overall. SOU's Strong Start program will have \$6.1M to support transitioning high school students. The Oregon Opportunity Grant funding increased to \$200M but it is unknown how it will affect SOU at the 4-year or master's levels yet.

The newest update is the second allotment of the Governor's Emergency Education Relief Fund (GEER) that brings the student support to a total of \$21M. The third wave of GEER funding is expected in the future. Almost \$9M in federal relief aid has been given to students directly. There is a \$10.3M federal aid component for institutional purposes as well. Responding to Chair Clough,

Mr. Perkinson confirmed that these are treated like grant funds and there will be no payback required. Additionally, for each funding source, the timeline and key milestones for SOU's portions, such as drawdown and next steps, will begin in mid to late July, followed by an allocation and execution strategy to be completed in August.

SOU Excess Properties Update

President Schott hosted a webinar to share the recommendations of the task force with the community. Mr. Perkinson mentioned a deep appreciation for the task force: David Wright, Laz Ayala, Board Chair Nicholson, Trustees Vincent and Thalden, Cynthia Ferrendelli, Noah Hurley, and Staci Buchwald who made a great team. The task force ended with two objectives: generate funds (which could tie to a reserve strategy), and help address Ashland's housing shortage. In the meeting materials for the full board, the granular report of the task force appears. Responding to Trustee Hennion, President Schott replied that the map shows properties with red outlines which are under consideration to be sold, properties with green outlines are under consideration to be kept, and properties with grey outlines are under consideration for future development.

The recommendations will occur in two phases based on the initial vision and community feedback. Phase one will be to sell single-family homes adjacent to the residential zoning; consider using a portion of revenue to raze dilapidated houses on Walker St; and study the possibility of developing multifamily housing on Henry St. through a partnership with a private entity. Phase Two will be to integrate additional discussion of properties into the revision of the University Master Plan.

Responding to Trustee Vincent, Mr. Perkinson said the results from the community webinar were as expected: overall there was positive and constructive feedback from the city with a better understanding of how to work with the city. There were a few community comments about not fixing up homes or not using them to support fire victims. Board Chair Nicholson added that it was a fantastic process, and the staff working on the task force were terrific. Dave Wright was exceptional, adding substance and detail to the process. The starting point was President Schott's idea to use properties to fund reserves, then the housing shortage was talked about in the webinar which underscored the immense importance of that goal. President Schott added that it has been an evolving conversation. This task force was started, the fires came, and the invisible housing crisis was felt for faculty and staff; people migrate to college towns where the quality of life is high but it inflates the cost of housing and makes it less accessible for employees. Chair Clough participated in the webinar and felt everyone did an amazing job being concise about the message and offering up opportunities for discussions.

Action, Information and Discussion Items

Board Statement on Managing Fund Reserves

Chair Clough introduced this item by reminding the committee about the strong support received for this concept in the last meeting, with robust comments and suggestions that clearly tie into the updated document. No action is due at this time; the committee is continuing the dialogue to shape the document and concept. Vice President Perkinson added that the goal is to get support to operationalize this plan, which also will support Josh Lovern as he establishes the SOU Budget Committee and guides those activities.

Summarizing reserves, Mr. Lovern explained the graphic of a fountain showing revenue streams at the top that help fill the central reserves below, which are at a 15 percent target for both revenue-producing areas and indirect support areas such as the budget. As those areas fill, the operational reserves will build, and once the target greater than 10 percent is met, the ability to carry forward

funds for strategic purposes will be attained. Trustee Hennion noted that a 15 percent key performance indicator to meet 3 months of salaries is better than where SOU has been and is aspirational, but it should be even higher than that.

Responding to Board Chair Nicholson, Mr. Perkinson said the central reserves were modeled after Portland State University and they afford different levels of discretion regarding how assets are shepherded with a role for the president and vice presidents. Mr. Lovern added that because areas are revenue-generating, those reserves are expected to fill up fairly quickly. The indirect areas come from cost savings or reductions, and once the 20 percent operational reserve target is met, the indirect areas can slowly fill up as it takes more time to generate savings.

Answering Trustee Franks, Mr. Perkinson said the thought is that it will take a year to develop the process and procedure on management, but the \$10.3M of federal aid can be used to seed the fund. As the allocation of the aid is studied and the different reserves reestablished, the challenge will be how to address the legacy structural deficit which would erode the reserve as soon as it is filled. Mr. Perkinson described the budget as an austerity budget having about a year to recoil and develop the structure to complete the work ahead.

Trustee Thorndike mentioned that there once was not a lot of trust in the numbers, but now the resources can be traced allowing confidence in them. Trustee Thorndike applauds what has been done, but feels the HECC and legislature will also need to recognize that this has created a stable platform to provide services.

Chair Clough stated that as this complex plan is operationalized, the more simplified it is, people will see that there is transparency and nothing is hidden. Responding to Chair Clough, Mr. Perkinson said the Budget Committee is a legacy construct that ties to the faculty by-laws; they are re-envisioning the new Budget Committee that will be led by Mr. Lovern and will have stakeholders from across the campus. Mr. Lovern said the reserves are a target structure for that committee to meet, allowing an early framework for deciding on procedures for revenue sources and uses.

Board Chair Nicholson appreciated the cascading fountain visual but would like more information on how those reserves have been built up, and where the operational reserve funds come from—the obvious would be from bequests, the sale of excess land or homes, or perhaps a year in which revenue is a net gain, but wanted to know what other ways could the operational reserves be filled up, and would there be value in writing this into the policy statement? Mr Lovern believed that including various scenarios into the policy statement would serve well as a broad statement authorizing the creation of these reserve buckets. Additionally, there already is a paragraph in the statement saying that the board may state if certain funds should be allocated in the reserves in a particular way that provides additional information.

Fall 2021 Enrollment Forecast

Dr. Woolf said that the national picture shows a declining trend. As fewer people are entering college at this time, it is not a healthy environment for higher education.

Looking at Monday's data on total confirmed new freshmen, the numbers are behind similar to last year at this time, by 43 students. While in-state shows an increase in new freshmen, the Western Undergraduate Exchange change of -57 supports the overall decline, mostly due to California in-state college affordability. The fall snapshot for transfers was down 8 percent, though Dr. Woolf expected worse because RCC is lower overall; the in-state count is down by only 5 percent. In

review, adding new and transferred freshmen together puts the headcount down by 64 students though ahead by the in-state numbers. The international headcount is expected to increase as the Kings agreement is operationalized.

Local factors contributing to the lower headcount were the fires that significantly impacted with a 43 full-time equivalent loss; Medford School District has noted only 67 percent of students are on track to graduate at this time. Regional factors include no tuition increases in California's university systems coupled with significant investment to support their in-state students in additional ways; the travel bans that hurt recruitment efforts; and the University of Oregon, Oregon State, and Portland State Universities are admitting more students. On the positive side, the new freshman headcount is ahead by 6.5 percent; the count of new Oregon students is ahead; and graduate enrollment is growing. The melt rate is likely to improve, as a more normal rate is anticipated once again.

The "15-weeks from the start of term" headcount is behind compared to last year by about 5.6 percent. The spring headcount was flat, although FTE was down because students do not enjoy attending online or remotely, signifying that fewer classes were taken. Looking at all students by race/ethnicity, some bright spots to note are that the American Indian/Alaska Native, Asian, and Black/African American numbers are up. The total students-of-color headcount was down 18 students, culminating in a -3 percent change from last year. Mr. Perkinson said the main takeaway is that the modeling for the budget is now down 5 percent instead of 3 percent based on these combined numbers.

Responding to Trustee Hennion, Dr. Stillman explained that in the SSCM model, money is gained as degrees are produced and money is gained for credit hours. If a non-admit student is an Oregon resident, SOU gets funding for the student credit hours the same as a degree-seeking student, but the university will not receive the other side of the funding which is for the degree component.

Trustee Thorndike noted that the reality is Oregon is sandwiched between two states doing a superb job right now, as Washington residents get full tuition to go to university plus California is offering students many incentives as well. Dr. Woolf added that another challenge, as the disparity in resident costs grow in Washington and California, it is now becoming easier for them to take Oregon students as well.

Student Success and Completions Model Update

Mr. Perkinson informed everyone that President Schott organized an SSCM work group through the presidential task force to review how the model could perform better based on changes in the model. Mr. Perkinson reminded the committee how the money from the public university supports funding flows with a 49/51 split over the biennium, reviewing mission support with the four major areas of base funding, research support, regional access, and public service. The funding allocation has mission support coming off the top, with a remaining split 60/40 by rule for the outcomes and activities components. A sample calculation was made for how values are derived by cost weights applied for each level/discipline combination for the activity support portion. The area of study bonus is now additive, which helps SOU greatly, and targeted populations are additive as well, which has a positive effect on SOU.

Mr. Perkinson agreed with Trustee Vincent that the weighting is disadvantageous to universities that have been disallowed doctoral programs. President Schott added that it is more expensive to run doctoral programs due to the higher professor-to-student ratio and equipment necessary for research doctorates. Now, SOU may be able to offer a professional doctorate. Dr. Stillman noted

via chat, that doctoral students receive funding in the SSCM even if they are not Oregonians.

The summary of the SSCM working group showed initiatives were developed and presented to the president and vice presidents for a “vector check.” The next steps include consolidating initiatives and presenting them to Academic Affairs Division Directors; developing a training and education program reinforcing that retention and completion are critical; conducting cross-checks on instructional codes; and continuing to recruit targeted populations with fully-engaged student services to ensure their success.

Fiscal Year 2021-2022 Budget (Action)

President Schott reflected on what occurred a year ago, the pandemic hit, the state economy was disrupted, and HECC warned that higher education funding might be cut significantly. Taking those thoughts into consideration, this budget should be viewed with gratitude for sacrifices made on campus this year allowing for cost savings, and for the actions taken by the federal and state governments to make possible the most challenging year she has seen in 36 years of higher education. Without those two things, there would have been a deficit, and the ending fund balance would not have grown through an enrollment downturn.

Mr. Perkinson reviewed the basic assumptions which were not much different from last month. Mr. Lovern said that one change is the breakout of transfers, which was provided in the consent agenda. In the Education and General (E&G) budget, the 2.25 percent increase in Supplies and Services (S&S) addressed an influx in expenses of general operations due to an inflationary environment. Related to labor cost controls, Mr. Perkinson added the unclassified administrator increases have been held at 0 percent for the last 2.5 years so President Schott approved a 3 percent cost of living adjustment. Regarding the structural deficit, the data will highlight the nature of that within each fund.

Mr. Lovern shared that one change in the auxiliaries’ assumptions is lottery support greater than expected. Labor increases appear magnified due to furloughs and the hiring freeze, S&S increases are due to: travel and equipment replacement cycles; athletics returning to normal sports operations; and cost escalations for health and safety reasons. The housing losses are magnified by the pandemic with support becoming necessary from the federal relief acts. Mr. Perkinson later added that the main note on the auxiliaries is that housing took significant losses last year so the \$2.6M in federal relief is a reasonable value to shore up expenses on that line.

Designated operations has no major changes from last month as the labor increases appear magnified due to furloughs and the hiring freeze. The S&S line is scaling back as some programs have reduced need and the budget is largely stable with some concern around revenue generation coming out of the pandemic, which will require careful monitoring.

In budgeted operations, Mr. Lovern presented a thorough review of the various budget categories, explaining where each hit and why. The highlighted figure of \$70M is the requested target for the expense budget as it is not yet known exactly what to expect from federal relief.

Responding to Chair Clough, Mr. Perkinson highlighted the budget summary pointing out that the final page denotes the actual proposed recommended budget requested for approval, which is approximately \$90.6M, inclusive of education and general (budgeted operations) in the sum of \$70M, an auxiliaries budget in the sum of \$15M, and designated operations in the sum of \$5M.

Chair Clough clarified that the committee is asked to approve expenses higher than revenues and that federal relief will cover the differential, but cost-cutting and savings remain important. Mr. Lovern added that rather than using those funds this year, the funds can be used next year because of the losses that would have carried between the two years. By showing federal funding as an offset to the expense, it is handling the reduced revenue against expenses that were managed well this year due to leveraging the workshare, hiring freezes, etc.

Board Chair Nicholson stated that the amount requested for approval for the combined operations budget is \$90,579,980 with the understanding that federal funding of \$10.3M is coming, providing a \$2.1M gain for the year. It is important to notice, SOU has never been able to budget for a gain, which is helpful in regards to looking at structural deficits, and this gain could be added to reserves to protect SOU moving forward.

Mr. Perkinson explained that this pro forma view does not include federal relief, to starkly bring into focus the effect of the aid. The second version of the pro forma includes the \$7.3M federal relief and shows growth from this fiscal year of \$8.6M to the now forecasted \$9.5M, which ties to a 15 percent KPI. This brings together enrollment data, SSCM, revenue, and expense projections, and indicates how to get to a better landing point where the ending fund balance is \$9.5M with a 15 percent KPI by the end of next year. President Schott reminded the committee that there is still optimism about getting funding relief for the fires.

Trustee Hennion moved to approve the budget as proposed. Trustee Franks seconded the motion, and it passed unanimously.

President Schott closed by stating an appreciation for the teams' hard work. Though it is still not a pretty picture, the university is here with help from the federal government. SOU will fulfill the mission to make changes to increase enrollment and reduce expenses.

Future Meetings

The committee's next meeting will be on Thursday, October 21, 2021, at 4:00 PM.

If any trustee on the committee has any topics they would like to see on a future agenda, please send them to the board secretary or the chair.

Adjournment

The meeting adjourned at 6:00 p.m.

Date: June 17, 2021

Respectively submitted by,



Sabrina Prud'homme
University Board Secretary