

Board of Trustees
Finance and Administration Committee Meeting
Thursday, June 16, 2022

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Chair Clough called the meeting to order at 4:00 p.m. She welcomed everyone to the meeting and thanked presenters and guests. She announced that Trustee Hennion would be unable to participate on the committee going forward, expressed deep appreciation for her, and wished her the best.

Board Secretary Sabrina Prud'homme called the roll and a quorum was verified.

Committee Members:

Sheila Clough	Present	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Lyn Hennion	Absent		
Mimi Pieper	Present		

Other trustees in attendance: Daniel Santos, Jonathon Bullock, President Rick Bailey

Public Comment

No members of the public provided comments.

Consent Agenda (Action)

Due to issues of capacity, there were no minutes to approve. Trustee Franks moved to approve the consent agenda as presented. Trustee Vincent seconded the motion and it passed unanimously.

Vice President's Report

Vice President Greg Perkinson reviewed the financial dashboard and noted that \$3.3 million of federal relief funds were placed in the Education and General fund (E&G) in March. With these federal funds and some additional labor savings, it is anticipated that SOU's ending fund balance will come in at just over \$5 million. He reported that funds are up substantially from the prior year because of increased occupancy in housing and the \$9.5 million in federal relief, which are offset by declines in enrollment revenue, which was attributed to COVID. He also discussed expenses and the overall cost increases which included labors costs, other personnel expenses (OPE), and supplies and services.

The vice president reported on a reorganization and promotion of Robert Gibson in Campus Public Safety to shore up that department's vacancy in the director position. He updated the committee on the Higher Education Coordinating Commission and the positive economic outlook for revenues as well as anticipated cost escalations of 8.7 percent in order to maintain current service level. He also updated the committee that SOU's projects scored as numbers 5 and 6 in the capital projects prioritization, which is good. This means that as the legislature considers capital investment, they would need to appropriate enough authority to sell bonds to get to this level on the list. Regarding the information system replacement, there was a question from the committee on whether this funding could be used for technology upgrades and President Bailey said that IT projects would be at a disadvantage in the scoring rubric.

Action, Information and Discussion Items

Core Information System Replacement (CISR)

It was noted that the committee and the board have been discussing the Banner replacement for about six months. Both the Enterprise Resource Planning and Student Information System sides of the information system are scheduled to be replaced. The committee needs to make a recommendation to the board on three actions: Workday Product Contract Award; Workday Implementation Contract Award; and Workday Project Financing Authorization.

Vice President Perkinson quickly reviewed prospective outcomes, anticipated costs, and return on investment resulting from a transition to Workday. The annual cost for the ten-year contract is an estimated \$832,000 per year with an annual uplift of 2 percent per year. This contract has a conservative annual savings of more than \$700- to 800,000 annually.

Term sheets have been requested from several financial institutions for scenarios of \$10 million in funding. These included potential conservative amortization schedules that were modeled at 4.5 percent for which the savings would begin in 2026. Summarizing the financing strategy, Mr. Perkinson noted that SOU would seek a loan for \$10 million over 10 years and in parallel, request \$7.4 million from the legislature for years two through four. The university also would track savings over 10 years and repay the loan.

Of the bids received on the project, Chief Information Officer Tom Battaglia affirmed that Alchemy was second lowest; performed the most successful higher ed conversions; and is most mature at these implementations. It is a time and materials bid and the implementation is nearly as expensive as the software itself. He noted that there are no penalties for early payment.

President Bailey acknowledged that the timing is challenging for this conversation considering SOU's budget and fiscal challenges. However, he asked that the committee consider Workday and the implementation as a cost management project and to consider the cost of not doing the project and staying with an antiquated system for ten more years. Mr. Battaglia estimated that the savings would be roughly \$12 million. Discussion continued around the funding and cost savings of the project, length of the transition, concerns about how to finance it, the amortization and cost savings schedule, use of savings and loan proceeds to pay the obligations, and early payoff. The committee shared significant concerns about financing this project given SOU's current financial condition.

The committee did not act on the agenda item and it was decided that a special meeting of the board would need to be called to approve the Workday contract, implementation of Workday with Alchemy, and the terms and conditions of financing, once it has been secured.

Financial Sustainability

Vice President Perkinson reviewed Strategic Direction five: to maintain financial stability and invest for institutional vitality. President Bailey said the key to success would be to attack both sides of the revenue and expense equation. Similar to past meetings, the highlights of this strategy included cost management; working the four alternative revenue sources, and refocusing on grants and philanthropy.

Revenue Update

Vice President Neil Woolf provided an in-depth update on enrollment as a revenue driver. An important takeaway was that total applications and admits are up over the previous year

although overall enrollment is down, impacting revenue. Vice President Perkinson reviewed the distribution of SOU's projected revenue streams for FY 23: 39 percent state funding; 51 percent tuition; 6 percent fees; and 4 percent miscellaneous revenues. President Bailey reminded trustees of the alternative revenue streams that are being considered including: solar energy production; Cascade Housing Project; a University District Business Accelerator, and the Pacific Northwest Workday Training Center.

Lovern reported on the cost drivers and indicated they matched HECC's cost drivers as well. With 78 percent of the total expense portfolio comprised of labor and OPE, and cost escalations in supplies and services, there is very little flexible spending but costs must be managed. Trustee questions centered on how cuts would impact students and where SOU is in the retirement cycle, as that's one of the biggest drivers of costs going forward.

Review of Pro Forma

Vice President Perkinson provided an update on the pro forma noting key differences since the May meeting. There was an improvement in miscellaneous revenue, particularly from a housing transfer, and the ending fund balance is now projected to be \$6.5 million or 10.61 percent. Discussion ensued on what happens to these monies going into the next fiscal year.

Fiscal Year 2022-23 Budget (Action)

Mr. Perkinson presented a summary of FY 23 expenditures by fund, comparing 2021 actuals, the FY 22 adopted budget, the FY 22 year-end projections, and the FY 23 proposed budgets for the three fund types. Vice President Perkinson and Josh Lovern gave further details on the pro forma and draft budget showing the summary of expenditures by fund: \$64,973,761 in budgeted operations; \$13,246,543 in auxiliary operations; and \$5,721,413 in designated operations and service centers for a total expenditure budget of \$83, 941,717, cutting at least \$3.7 million out of the budget

President Bailey acknowledged that as fiduciary agents of the institution, the board charges the university with achieving the targets. Trustees discussed that with this budget, the institution will have to find a combination of revenues and expense management to total \$3.7 million in order to get to an even budget for this year.

Trustee Vincent made a motion to approve the resolution to recommend the adoption of the Fiscal Year 2022-2023 budget. Shaun seconded the motion, and following a roll call vote, the motion passed unanimously.

Future Meetings

The next committee meeting will take place on Thursday, October 20, 2022. Chair Clough asked that if members of the committee have agenda items for to send topics they would like to see on that agenda, please submit them.

Adjournment

There being no further business, Chair Clough adjourned the meeting at 6:14 p.m.

Date: October 20, 2022

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