

**Board of Trustees
Special Meeting
June 30, 2022
8:00 – 10:00 a.m.
Videoconference**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Chair Daniel Santos called the meeting to order at 8:05 a.m. He welcomed trustees to the special meeting. Vice President Perkinson read the SOU Land Acknowledgement.

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

Committee Members Present:

Daniel Santos	Present	Mimi Pieper	Present
Rick Bailey	Present	Deborah Rosenberg	Present
Jon Bullock	Present	Barry Thalden	Present
Sheila Clough	Present	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Debra Lee	Present	janelle wilson	Present
Paul Nicholson	Absent		

Public Comment

No public comments were provided.

Action, Information and Discussion Items

Workday Product Contract Award

President Rick Bailey acknowledged that SOU is grappling with significant budget challenges. He underscored that SOU spends \$1.5 million on an antiquated information system and Workday is expected to save SOU between \$700,000 and \$800,000 annually, which is a conservative estimate. He added that whether or not SOU receives state support for the project, that it is something the university needs to do for the long-term fiscal health of the organization. Explaining the bottom line up front, Mr. Perkinson explained he is seeking the board's approval on the 10-year contract between Workday and SOU, as proposed, at a cost of approximately \$832,000/year with a 2 percent annual uplift. He is also seeking to award the implementation contract valued at \$7.4 million, as well as authority to enter into a master lease agreement (MLA) for the project financing.

The Workday subscription will provide SOU with the information system for 17 specific areas, which were detailed in the meeting materials. Human resources, payroll and finance are included and it offers additional capacities SOU does not currently have in a software solution such as pay equity and diversity dashboards. The student platform would be everything from registration and course scheduling to degree audits and a 21st century mobile experience for students. They shared the cost detail for the contract, as presented in the materials.

Workday Implementation Contract Award

Regarding the Alchemy implementation contract, it is a three-year relationship and partnership. Mr. Perkinson said it is not simply for data transfer, it is also change

management, process flow, process development, and continuous improvement where SOU can learn from industry, benchmark and improve. Chief Information Officer Tom Battaglia added that the implementer will help transition SOU's processes and people to a 21st century way of doing things. Responding to trustee questions, he affirmed that training costs from the implementer are included.

The value of the contract is \$7.4 million and they discussed the cost summary schedule outlining each function. Mr. Battaglia said there are only 6 certified Workday implementers that do the full higher education suite and Alchemy has the most experience with the student implementation. Theirs was not the lowest bid; it was the second-to-lowest and was selected because the team felt Alchemy could deliver the best chances of success for SOU. They also are throwing in additional services at no extra cost such as integrating with the state retirement and benefits systems, which also benefits them as other universities make this transition.

Responding to the chair's question on the project budget, Mr. Battaglia said that for the first three years, SOU is still paying for the old system as SOU transitions into the new one so those dual costs are included as project costs. He acknowledged that there is risk associated with any project of this magnitude and responding to additional questions, he further stated that the number one cause for project failures is lack of executive sponsorship, but SOU has full executive sponsorship.

Much discussion ensued among trustees about change management, the importance of leadership's commitment, having an organizational culture commitment to ensuring full integration, and ensuring that no one is left behind. Responding to a trustee question about cost-avoidance in the first three years during the time when SOU has to pay for the old and new systems concurrently, Mr. Perkinson noted that the MLA option chosen was structured to be interest-only for the first three years to ensure the least impact to SOU's operational budget.

Trustees commended SOU's due diligence efforts in seeking to mitigate risks and not repeat others' failures. Trustees also commended the SOU's leadership's support of the project. Trustee Clough remarked that those at the top have to keep eyes on all of the phases, and she encouraged the board to require or request routine updates for three to four years to ensure it can be a partner in monitoring and helping to remove roadblocks.

Workday Project Financing Authorization

Vice President Perkinson explained that the winning response to the request for proposals was actually a creative solution—a master lease agreement instead of traditional financing. It's a nontraditional structure in that it's not a loan, but is a pathway many universities use. The chosen company, First American, is a subsidiary of Royal Bank of Canada and has many references. The main reason banks structure these as MLAs is that it allows the lender to file for loaning to a tax-exempt organization and offer lower rates not available on a traditional loan product. SOU currently has other MLAs in place for university-wide computers, vehicles, JPR radio sites, and copy machines.

Responding to various questions and discussion of how SOU can lease money, the structure of the MLA, and tangible assets, essentially, Mr. Perkinson said the Internal Revenue Service provides for a financing lease, which is defined like a bond. Mr. Battaglia added that a lease is essentially a loan to pay for depreciation, but it's still a loan, as in a car

lease. First American can offer an MLA to public institutions as tax exempt and that's why it's structured as a lease rather than a loan. A lease has no closing costs, no covenants, and is purely unsecured with no liens and allows for customized repayment plans and simple paperwork. The "tangible asset" is the subscription to Workday and the contract essentially says, "and at the end the subscription is yours." The bank is not giving SOU \$10 million, they validate if the services were provided by Workday and the implementer, and then make progress payments, which helps them mitigate risk but the full amount is kept in escrow on their side. They release payments when progress has been made.

Mr. Perkinson shared the lease term sheet with the board and reviewed the business case points such as the 3.49 percent interest rate, an interest only payment plan for years 1-3, operations savings starting on year one as legacy HR platforms are sunset, significant operational savings starting in year 4 and the break-even point projected in FY 2033. The amortization schedule also was shared with trustees, showing total payments of approximately \$12.3 million including the amount financed and the roughly \$2 million finance charge.

The board questioned and discussed pre-payment penalties, references, and any possibility of accelerating the implementation. They also reviewed frequently asked questions, as presented in the materials. Chair Santos appreciated the transparency of the documents and the discussion.

Trustee Clough moved to adopt the resolution as presented. Trustee Lee seconded the motion and Chair Santos called for a roll call vote.

Daniel Santos	Yes	Deborah Rosenberg	Yes
Jon Bullock	Yes	Barry Thalden	Yes
Sheila Clough	Yes	Bill Thorndike	Yes
Debra Lee	Yes	Steve Vincent	Yes
Shaun Franks	Yes	janelle wilson	Yes
Mimi Pieper	Yes		

The resolution was passed with a unanimous vote.

Future Meetings

Chair Santos announced the board will hold a retreat on September 16 and 17 since that is the date new and continuing trustees seem to have the best availability. He announced the next regular meeting of the board is scheduled to take place on Friday, October 21.

He thanked the outgoing trustees for their two terms of service to the institution and for their friendship.

Adjournment

Chair Santos adjourned the meeting at 9:21 a.m.

Date: October 21, 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