Western Oregon UNIVERSITY

Western Oregon University Board of Trustees
Finance & Administration Committee
Meeting No. 3 - April 20, 2016
Hamersly Library Room 205
MINUTES

(1) CALL-TO-MEETING AND ROLL CALL

The meeting was called to order at 9:07 am.

Committee members present: Louis Taylor (Chair) Jaime Arredondo, Ivan Hurtado, Cec Koontz, Eric Yahnke (Vice President for Finance and Administration & CFO)

Others present: Reina Morgan (Assistant), Penny Burgess (USSE), Marshall Guthrie (Board Member), Brandon Neish (Budget Manager)

(2) CHAIR'S WELCOME/ANNOUNCEMENTS

Chair Taylor thanked people for coming and reviewed the topics to be covered.

(3) FY 16: Q2 INVESTMENT REPORT

Presentation: Penny Burgess, CFA | Director of Treasury Management Services – USSE Oregon State University

Penny Burgess, Director of Treasury Operations at the University Shared Services Enterprise (USSE), presented on the quarter two investment report. During the quarter that ended December 31, 2015, the Oregon Short-Term Fund (O.S.T.F), the Oregon Intermediate-Term Pool (O.I.T.P) and the Long-Term Pool (L.T.P.) each outperformed their respective benchmarks by 10 basis points. Investment earnings distributed to WOU totaled $167,795. The market value of WOU's allocable share of the Public University Fund was $47,719,965.

When WOU became independent we inherited the former OUS investment policy. We are currently transitioning OUS policies over to WOU through a newly created Policy Council, so we will soon have our own investment policy.

The schools will be discussing whether or not they are leaning towards the exclusion of fossil fuel related investments at the April VPFA meeting. Ultimately it is at the discretion of each university to make that decision. We have set up a socially responsible fund at The Foundation for people who want to give a gift to that fund. We are open to looking into doing that with our cash balances as well. There is minimal difference (about five basis points) in yields between investing or not investing in fossil fuels, but if they do decide to exclude fossil fuels it will be quite a bit of work because that will require a change to the benchmarks that we currently measure investments against. There is a benefit to the schools siding together because if any schools separate out then there won't be as much money in the fund.

(4) ACTION ITEM

(a) FY 16 - Q3, Management Report / Status Report

Brandon Neish (Budget Manager) presented on the FY 16 3rd quarter management report. There is a small positive change to tuition revenue. The revised projection is up $267,000, or 1%. This is still down from what was initially budgeted by about three quarter of a million dollars. In the "other" revenue section there was a small revision due to the one-time sale of the University House. This section is down from what was budgeted, but still better than last year.

Personnel services are currently 6% higher than last year at this time due to salary and Other Personnel Expense (OPE) increases. We recently settled with the faculty union and faculty were given retroactive pay back to September during the March payroll period. That cost was captured in this report. There is $1.7 million in vacancy savings due to positions that are budgeted but not filled. Currently there are 25 positions (at a total of 20.5 FTE) that are vacant.

The current year transfers out is lower than the prior year due to a one-time transfer out to support the Woodcock Education project fund in FY15. There is a 1% decline to student FTE from the last quarter, but we still have a 16.8% projected fund balance. In sales and services we brought in about 10% more than this time last year, partially due to housing occupancy being up 4.6%. Bookstore sales were also up. Cec Koontz added that athletic ticket sales were also up 130% due to the success of the men's basketball team as well as having more home football games than normal.

There is an increase in enrollment fees in the designated operations and service centers due to a new summer program for the Regional Center for Deaf and Hard of Hearing Adults (RCDHHA). Projected sales and services revenue increased due to increased use of the print shop. Current print shop volume is 59% higher than the prior year to date. There is a 7% increase to "other" revenue from prior year to date due to an increase in telecommunication rates. Personnel services in designated operations and service centers have increased due to the new RCDHHA summer program. There is a projected decrease in personnel services due to salary savings from a position reorganization and vacancy in telecommunications and the print shop.

Capital outlay is lower than prior year to date due to a capital expense that moved to the general ledger last year that hasn't happened yet this year. Transfers in are lower this year than the prior year to date due to additional transfers in FY15 for telecommunications projects and there is a projected increase in transfers in due to an unanticipated transfer from telecommunications equipment reserve for replacement technology. Cec moved to recommend the quarterly management report to the board for approval. Ivan seconded the motion and all were in favor.

(5) UPDATES

(a) Oregon Military Academy Transition

VP Yahnke gave an update on the Oregon Military Academy (OMA) building that will become property of WOU in August of 2017. The building is a little over 60,000 square feet and has dorms, showers, and a dining facility in addition to classroom space. The building was toured to see if we can relocate the Student Health and Counseling Center there but it would require too much remodeling and isn't an ideal location. Some ideas for the facility are a state of the art live-learn center, conference center, student success center, or a new home for the business and economics division. We could also continue using the classrooms for instruction and the upstairs to house camps. Capital requests have been made in the amount of $8.2 million. Phase one was approved and $5 million in taxable bonds have sold. The final decision on the use of the building will depend on if the second round of bonds is also sold as taxable (non-taxable would limit possible options). The strategic planning process that is starting up will need to discuss the use of this building as well as the use of the old College of Education building for swing space during other campus renovations.

(b) Richard Woodcock Education Center Construction

VP Yahnke also gave an update on the Woodcock Education building. This project is on budget and on time. The building should be ready for us to move in over the summer and we will be able to have all of the College of Education faculty in one building for the first time.

(6) ACTION ITEM

(a) FY 17 Tuition Rate Proposal

VP Yahnke discussed tuition and the fee book. Last time the committee agreed on a tuition increase not to exceed 3%. Since then the rate has been brought down a couple dollars to a 2.65% increase in order to stay competitive with the other universities and in the press. The promise rate is still the same as was previously shown. We will be providing about $50,000 in opportunity grants for students in the middle income range who make too much to receive a pell grant, but don't make enough to be able to afford tuition. The fee book was revised to omit mention of OUS and the rates were set after undergoing tuition advisory committee meetings to get student input. Jaime made a motion for approval to move the fee book to the board for final acceptance. Cec seconded the motion and all were in favor.

(7) DISCUSSION ITEMS

(a) FY 17 Revenue and Expense Projections

A 10 year projection was presented that includes increases for PERS, PEBB and the new minimum wage. This model is assuming flat enrollment. VP Yahnke explained that while an increase in enrollment will help with tuition revenue, it doesn't necessarily mean we will get more state appropriations. If we grow, but other institutions grow quicker, then they will see more funding than us. This means that how the other institutions are doing is important, in addition to our own enrollment.

In regards to tuition and state appropriations there is a settle up for enrollment and outcomes still to come for this year. We have reduced funding due to lower enrollment, but that is being offset by increased funding for regional support. The stop loss provision from the outcomes model saved us equal to our reduction in funding, but there is a three year phase out for the stop loss provision so we will not have a safety net once that time frame is up.

(b) Refined FY 17 Budget

In education and general fund operations there is a budgeted increase in tuition revenue (based on flat enrollment). Another change is the matriculation fee was raised from $300 to $350. Positions that are currently vacant have been budgeted, but could change if we see that enrollment is going to decline. There is a budgeted 16.6% increase.

The general fund budget for FY17 looks similar to the current year. Instruction is our mission and as such is the biggest component of the budget. There may be a reduction to the number of student employees due to the minimum wage increase, but it is up to each department how they allocate the student employment funds that they are awarded.

We have 30% of total participants who are in PERS tier 1 and tier 2 which are the most expensive programs. A retirement incentive package has been offered to reduce the number of employees in those tiers. The incentive package offered a half lump sum so employees can still work 1039 hours and receive benefits.

(c) CSL Projection & Consolidated HECC Funding Request

Discussions have been going on related to what it will cost us in the future to provide the same services as today, or in other words what are current service level (CSL) is. The universities have put together multiple scenarios based on different levels of potential funding from the state. WOU is at a disadvantage because of the promise rate we offer and the number of older employees that are in the high cost PERS tiers. There are benefits to offering a promise rate to students as well as having seasoned employees, but there are risks and costs associated with it as well. WOU has a current service level increase of 10% whereas other universities have a lower increase of 7.9%. Some of the scenarios would require tuition increases upward of 20%, whereas the more preferred scenarios would keep tuition increases around 3-5%.

(d) Capital Construction

VP Yahnke discussed the 2017-2019 preliminary capital requests. All of the universities will be prioritizing projects at the VPFA meeting to submit to HECC. The OMA building that we will be taking ownership of is in need of some remodeling, as well as the Information Technology Center, the New PE building, and the Administration building.

(8) ADJOURNMENT

The meeting was adjourned at 12:56 pm.