Western Oregon UNIVERSITY

Western Oregon University Board of Trustees:
Finance & Administration Committee (FAC)
Meeting No. 30 – January 26, 2023
8:00AM – 11:00AM
Public Meeting: via Zoom
Phone: +1-253-215-8782 | Meeting ID: 816 6492 0811

MINUTES

I. CALL TO MEETING/ ROLL CALL

The meeting was called to order at 8:02am. The following Trustees were present: Gayle Evans, Cec Koontz, and Angela Fasana. The following Trustees were absent: Lupe Diaz and Leah Mitchell. Others present: Ana Karaman, Cara Groshong, Camarie Moreno, Samantha Cameron, Rebecca Chiles, Bill Kernan, Jason Krawczyk, Chelle Batchelor, Dona Vasas, Darin Silbernagel, Kristin Diggs.

II. COMMITTEE CHAIR'S WELCOME AND INTRODUCTIONS

Chair Evans said she hoped to welcome Trustee Lupe Diaz, but he is out of the country. He graduated from WOU, and she hopes we will have an opportunity to get to know him at the next meeting.

III. CONSENT AGENDA

1) Approval of November 1, 2022 Meeting Minutes

Trustee Koontz moved for approval of the Consent Agenda, as presented. Trustee Fasana seconded. The motion was passed unanimously.

IV. ACTION ITEMS:

1) FY2022 Financial Statements Audit and Single Audit

Financial statements used to be prepared by shared services, which cost annually $147K. This is the third year of financial statements being prepared in-house. Lehman provided financial highlights focusing on major changes between FY21 and FY22. Net position included an overall decrease in $518K, broken up between three areas – net investments in capital assets, restricted expendable net position, and unrestricted net position. Net investment in capital assets decreased by $3M, which was largely due to depreciation and large debt payments associated with those capital assets. The restricted portion decrease of $6M was largely due to the OPEB benefits. These are WOU's share of benefit assets set aside for future claims. The unrestricted portion increased almost $9M, which was primarily due to operation expense increases of $2M, quasi-endowment of $500K, and PERS/OPEB of $6M.

Operating revenue increased $5.5M, with grant activity making up about $2M of that. Auxiliary services increased nearly $8M, because of campus recovering from the pandemic. This was offset by decreased tuition & fees by $4.6M. Operating expenses increased $7M, with a decrease in compensation and benefits of $3M. Supplies & services increased $7M, footnote 12 of the financial statements details how this is accounted for. Additionally, scholarships and fellowships increased by $3.5M, which includes the student portion of the HEERF grant. Overall, cash position increased by $1M. Karaman noted that one of the major changes was the change in pension liability and other institutions were similarly impacted.

Eide Bailly have been the external auditors for the last six years. Kristin Diggs, a partner at Eide Bailly, gave an overview of the audit process and the audit letters. A new standard was implemented this year that requires auditors to disclose the significance of major risks. These risks are not new, but the new guidelines require that they present these risks to the Board of Trustees and governing bodies, as they make decisions for agencies. The risks include management override of controls, valuation of the allowance for doubtful accounts, and improper revenue recognition, which are all common for higher education institutions.

As a result of audit procedures, Eide Bailly passed on two adjustments as they were not significant (material) enough to impact the financial statements. The first one is related to the HEERF funding with a passed adjustment $151K that was from the prior year. The second one was the right to use asset to be in line with the actual life of the lease rather than the life of the asset, which was related to GASB 87 standard new for this year. Other than the two passed adjustments, disagreements with management on findings would have been noted; however, there were none. Financial Statement audit testing resulted in an unmodified opinion, as well as for Internal Control over Financial Reporting.

Single Audit testing included three major programs: Student Financial Assistance, HEERF/GEER/SIP, and the Child Care and Development Block Grant. Testing resulted in a clean, unmodified opinion. There was one finding (HEERF), which was a repeat finding from last year. Due to the timing in the beginning of the fiscal year, the first report was late, and all reports submitted thereafter were submitted on-time. Last year this finding was a material weakness, and this year it was downgraded to significant deficiency.

Upcoming for next year (FY23), GASB 96 will be related to Subscription-Based Information Technology Arrangements. These will be brought on the books, like leases. This will be a big change for Higher Education institutions, and Banner would be an example of WOU's impact on this change in standard. Additionally, GASB 94 relates to Partnerships and Availability Payment Arrangements (FY24). Lastly, GASB 101 relates to Compensated Absences (FY25).

Evans noted that the committee has an opportunity to excuse management to speak with the auditors independently if they so wished.

Trustee Koontz moved to recommend the Board of Trustees accept the fiscal year 2022 audit of financial statements and single audit. Trustee Fasana seconded the motion. The motion was passed unanimously.

2) FY2023 Management Report (as of December 31, 2022)

Karaman noted the purpose of the management report is to see how we are doing as an institution in terms of revenue and spending for each period, compared to the budget, prior year actuals in the same period, and looking forward to project year-end. This year's budget was a deficit budget of about $8M, but there have been steps taken by management to reduce the actual overall deficit through one-time savings, with the goal to not utilize more than $5M of fund balance. Actions taken to date include 10% across the board S&S reductions and centralizing salary savings rather than allowing departments to spend those savings on other uses.

Moreno reviewed the P6 report, which shows tuition revenue is down about $1M, because of enrollment decline. Fall was down 7% from last fall term; however, freshmen were slightly up which is hopefully a sign that WOU is turning the corner on enrollment. The budget is built based on 6% attrition between terms and fall to winter actual attrition came in closer to 5%. Moreno noted the fee remission comparison is not fair, as winter term remissions had not been disbursed in P6 FY23, while they were in the prior year. As of January, total fee remissions are $3.276M, which is much more comparable to prior year. Overall total revenues are steady, even though individual components vary. On the expense side, personnel had an increase; raises for both unions, in addition to unclassified raises. Service & Supplies spending has increased slightly as well, and Dr. Peters continues to communicate with campus to watch spending to hopefully slow down our expenses. Capital Expenses are holding steady.

On the auxiliary side, fee revenue (primarily incidental fees) has decreased due to fewer students enrolled. Sales & Services are slightly down as well, while other revenue is slightly increased. On auxiliary expenses, personnel and services & supplies costs have increased more dramatically. Some of this can be associated with the return to campus; however, we are hoping to see a slow-down on the expense side for auxiliaries in the coming months. Designated Operations, which includes the Oregon Council of Presidents and Telecommunications departments, are holding relatively steady.

Projected to year end, tuition & fees are expected to come in slightly higher than the adjusted budget, which was based on actual fall enrollment. This is partly due to the 5% attrition for winter term, instead of the budgeted 6%, as well as $500K of anticipated fee remission savings. Gifts, Grants, and Contracts are also projected to be over budget, simply due to the increase in grant activities and therefore increased indirect cost recovery. Other revenue expects to see a slight decrease. Overall, total revenue is forecasted to be about $1M higher than the budget.

On the expense side, $60M of personnel was budgeted and are currently forecasting $57M. Typical salvage savings in a year are closer to $1M, so the anticipated $3M is a reflection of a soft hiring freeze and salary savings being swept centrally. Services &

Supplies are projected to be slightly over budget, and we are hoping to see a slow-down in that area to not go over budget by the end of the year. Net Transfers consists of our scheduled Athletics and Child Development Center subsidies. The year end projection shows an anticipated deficit of $4.67M (reaching the target of utilizing less than $5M of fund balance) primarily due to fee remission and salary savings. Karaman issued a caution that these are projections, and the university needs to continue to be diligent in our efforts.

Auxiliaries are projected to be slightly under budget on some revenues and slightly over on other revenues, which is expected to even out to what was budgeted for. Personnel and Service & Supplies are both projected to be over budget based on current spending patterns.

Trustee Koontz moved to accept the FY23 Year-End Report and overall Management Report as of Dec. 31, 2022. Trustee Fasana seconded. The motion was passed unanimously.

V. REPORTS & DISCUSSION ITEMS:

1) University Budget Advisory Committee (UBAC)

Groshong, UBAC tri-chair, shared that the committee met on December 8th. Karaman also noted that the Academic Sustainability Committee has become great partners to UBAC. The groups have been collaborating on how to move forward together in a transparent and sustainable way, as WOU reviews their budget reduction strategy. WOU was selected to participate in a NACUBO grant, which has developed a budget reduction tool that is used to evaluate the impact of reductions. Both committees as well as the senior leadership team are currently reviewing the strategic budget tool. The committees will meet once a month for the remainder of the academic year, with the intention to strategize on ways to facilitate opportunities for campus to engage on money-saving and increasing revenue, along with increasing enrollment.

2) University Technology Advisory Committee (UTAC)

Kernan, UTAC co-chair, shared the committee met in October and December, which focused on the committee's charge and the membership structure. Ellis is charged to the group's cybersecurity updates and works with Homeland Security to stay engaged. WOU recently purchased a project accessibility widget on the bottom of the homepage and an AI driven tool behind the scenes that helps blind students view our webpages. Additionally, blue phones have been brought up as a concern by students, and UCS is working with Campus Public Safety, Housing, student groups, and Facilities Services to address this. The group walked the campus to note where lights and blue phones were needed. $120K in rebates to upgrade energy-efficient lighting is available that may be utilized, as well as Capital Improvement and Renewal (CIR) dollars to help fund these priorities.

3) Finance & Administration Report

Karaman gave an overview of the cash flow report, which includes $16.5M of funds allocated by the state for the Steam Pipeline repair project, which are being given to WOU upfront rather than on a reimbursement-basis as other capital funds are. Silbernagel mentioned that as of December 31st, we had $41M cash position across all funds. The projection is still showing $69.5M inflow to project over the next six months and $72M projected outflow.

Krawczyk reported on the schematic drawings for the Student Success Center. One of the key features will be street-level access to the first floor and second floor. The design incorporates multiple flex spaces and workspaces.

The Steam Line project is also underway. The plan is to ensure future access to the Steam Line for the Student Success Center project so that the road will not need to be torn up again in the future. They also hope to tie it into the ITC south wing from the existing tunnel from Rice Auditorium. The plan is to not only have the steam line but also chiller pipes that can run throughout campus. The roadway will be opened up and worked on within the next six months.

Other projects underway include roofing projects and WOU signage in Salem.

Moreno reported that work is underway to identify $5M in permanent reductions for FY24. This is in line with the fiscal sustainability plan developed as a result of WOU's accreditation review, which models achieving 5,000 FTE in five years (FY28) and a break-even budget, as well as a path to preserve financial reserves until that is achieved. This model includes utilizing $5M of the fund balance in the current year, which is less than the FY23 Adjusted Budget, and the campus is actively working towards identifying those one-time savings. Current FY24 budget will be just one step in the longer fiscal sustainability future.

Karaman shared the WOU Budget Dashboard which provides historical data and trends in graphs to serve as a visual update for the committee to review. There are three guiding principles: Stakeholder Involvement and Transparency, Continuity of Decisions, and Strategic Reductions.

VI. FEBRUARY 14-15, 2023 BOARD MEETING PREPARATION

VII. UPDATES AND AROUND-THE-TABLE

VIII. ADJOURNMENT

The meeting was adjourned at 11:04am.