

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
WEDNESDAY, JANUARY 31, 2024, 2:30 - 4 PM, MICROSOFT TEAMS MEETING MINUTES**

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) convened on January 31, 2024, via Microsoft Teams. The meeting was publicized as available to the public on the WSOS website and made available in person on Microsoft's campus.

Board members virtual: Brad Smith (Chair), Diane Cecchetti, Gary Rubens, Ihssane Mounir, Jane Park, Julie Sandler, Mike Wilson, Miller Adams, Patrick Smith, and PV Sivakumar

Additional attendees: Aileen Miller, Gina Breukelman, Jane Broom, Kimber Connors, Camille Reynaud, Courtney Chen, Dena Parmer, Eileen Moran, Faye Alarcon, Genevieve Geiger, Hayley Schaefer, Jess Tholmer, Jessica Monger, Jessica Vilai, Joanna Moznette, Johnathan Luster, Kelly Stellrecht, Lindzey Lien, Lisa Magennis, Lyanne O'Connell, Niki Cramer, Nicolas Khamphilom, Sam Svilar, Tara Warming, Tori Cambell

Meeting Called to Order

Brad Smith, Chair, called the Board meeting to order at 2:31 p.m.

Approval of Minutes

Diane Cecchetti moved that the minutes of the October 3, 2023, Board meeting be approved. Jane Park seconded the motion, and it carried unanimously.

Ed Corner

Kimber Connors, WSOS Executive Director, reviewed the intended impacts and metrics that our staff work toward. She said the Awards team is focused on improving the eligibility of applicants. She noted the Federal government rolled out a new and improved FAFSA (the form students submit to request federal financial aid) that is tied to tax returns, but it has an internal calculation error that indicates students are eligible for less aid than it should show. The Feds are working to correct the problem, and the Awards team is proactively communicating with our Scholars about FAFSA issues. Connors highlighted that the Programs team did a mid-year check-in and measured how students are engaging their Scholar Lead (peer mentor). She noted we are seeing good progress in hitting engagement goals. Connors said the Graduate (GRD) program has a small number of graduates, but all of them are working in medically underserved areas in Washington as intended by the legislation. While higher education enrollment is still down nationwide, our External Affairs (EA) team has been traveling around the state to promote WSOS resulting in the highest number of applicants we have ever had for our winter cycle. Connors said Development has put out twenty new sponsorship requests for OpportunityTalks which shows great progress on engaging new donors. She said we have secured our \$100K renewal sponsorship from Costco and several other smaller sponsors, showing a continued focus on stewarding existing donors. She reported that Operations have focused on a celebration and appreciation culture by encouraging supervisors to incorporate recognition practices into daily routines.

Connors highlighted key wins of the quarter, including: 1) securing our largest health care investment to date, \$1.3M from Coordinated Care, which administers the Affordable Care Act in Washington; 2) having the largest number of Career & Technical Scholarship (CTS) applicants; 3) strong engagement with our peer mentors allowing us to maximize that program's impact; and 4) disbursing nearly \$150M in scholarships since WSOS inception. Connors welcomed two new Board members, Ihssane Mounir from Boeing and PV Sivakumar from Bristol-Myers Squibb. Each introduced himself and other members of the Board welcomed them.

Connors shared our current challenges, which are building the WSOS Foundation (WSOSF) while keeping our daily work moving forward and the continued challenges with finance tasks. Although less challenging, hiring is still difficult, especially with the finance director. Connors said our final challenge is an error in awarding Rural Jobs Initiative (RJI) students where we need Board action. We recently discovered we have eight enrolled Scholars who do not meet the statutory eligibility requirements due to a formula error in the selection workbook. Connors said this is a problem particularly because RJI funds are statutorily separate and distinct from other WSOS funds. She said there are two options moving forward. One is to withdraw the students from the scholarship, but since we have already awarded some scholarship funds, we would have to pursue repayment as well. The second option is to release funds from CTS to cover already incurred expenses of \$16K and continue to fund these students through their completion of the scholarship, which would be an additional \$22.5K. Connors noted all students are eligible for CTS, just not RJI. Connors said we are asking

for approval of up to \$60K in case these students change programs of enrollment that lead to more money being disbursed to them than anticipated. To prevent this error going forward, Connors shared we are moving the selection process from Excel into our student database for a more automated approach. Connors said the scholarship managers also implemented quality assurance checks that will be used each time we go through the selection process. Brad Smith asked Connors to continue presenting and return to the Board approval of this item in a collective vote.

Connors gave an update on the WSOS Foundation (WSOSF). She said WSOS works under a three-party agreement between the Washington Student Achievement Council (WSAC), the WSOS Board, and the program administrator. Connors said we have always had a program administrator, which will be WSOSF if approved in March, and it will provide the operational backbone for WSOS. She said Washington State Opportunity Scholarship Program (WSOSP) is responsible for program design and strategy, selecting and awarding scholars, government relations, external affairs, and fundraising. Connors said the WSOS Board governs all programming, how students are selected, and how much they are awarded. She said the WSOSF is responsible for HR and talent development, data and systems, all IT provisioning, finance, and other operations. Connors said in the past, the data and systems, operations, and talent development have fallen under WSOSP because we have not always aligned with our program administrator on how those things go through. The WSOS deputy director handled much of this.

Julie Sandler asked what talent development entails and how it would look moving to WSOSF. Connors said it would be support for academic year goals for staff, 360 reviews, identifying professional development, participating in coaching with leadership, etc. Sandler said that she would typically expect the executive director of the program to have this function. Connors clarified the executive director of the program will be the driver of this work but the administrative execution of the programs will be supported by WSOSF. Brad Smith said WSOSF basically serves as human resources and support for talent with responsibility for talent being the WSOSP executive director. Connors affirmed. Connors then shared the WSOSP Board has the authority to supervise the WSOSP executive director including performance evaluation and compensation. WSOSF has a separate board made up of Jess Peet, who works at Microsoft and has been on the WSOS Finance and Investment committee for four years; Jolenta Coleman-Bush from Microsoft, who has supported WSOS for three years as an ex-officio attendee at WSOSP Board meetings; and Gina Breukelman from Boeing, who has been involved with WSOS for over eight years, also as an ex-officio attendee at WSOSP Board meetings. Their accountabilities are around hiring, supervising, evaluating, and compensating the WSOSF executive director.

Mike Wilson asked if there is any functional reallocation of HR, Finance, or IT that should move under the WSOSP executive director rather than with the program administrator based on past challenges. Connors said the biggest piece that has been challenging is HR because we often have different practices than the program administrator. The program administrator carries the risk of HR policies and decisions because they are legally liable if anything goes wrong as the employer of record so they have (and should) maintained control of HR. Connors said she expects this challenge to be addressed with WSOSF because it exists for the purpose of serving the program, and the contract will state all HR policies apply equally to WSOSP and WSOSF staff. Miller Adams said that historically, we have never been able to align with the program administrator for various reasons so this was a promising shift. He said that having Connors's experience is helpful and will ensure that we can make it a good situation for both sides of the house going forward.

Connors then overviewed the organization structure plan for WSOSF. Connors said the WSOSF executive director will functionally replace the deputy director position. The data and systems director will move to WSOSF, as well as their two direct reports. Because these are not new positions, the costs will be a wash although they will show under the program administration fee rather than as salaries and benefits under the program. Connors said the new costs are related to a finance director, an HR director/manager, and a staff accountant. We will also have additional costs for contracted HR legal services and contracted IT services. These costs have been reflected in our program administration fee in the past and will continue to be reflected there moving forward. Connors said that when numbers were presented in the summer, they may have been alarming because the costs that have historically been a part of the program budget appeared as "new" costs rather than shifted expenses.

Connors reviewed the timeline. She said that Johnathan Luster is negotiating the transition contract on behalf of WSOSP since she has an interest in both sides as the future executive director for WSOSF. He is working with Jess Peet, WSOSF Board President. Dave Stoler, legal counsel for WSOSP from inception to his retirement several years ago, has agreed to support WSOSF. We will need a formal vote for us to move to WSOSF as program administrator at the March meeting since the Board has currently given approval to create WSOSF but not yet to engage them as program administrator. Connors said between April and June WSOSF will have built out HRIS and finance systems. Connors said that by July, we would like critical staff to start. September 1 is the start of WSOSF as program administrator, provided the Board approves this move in March. She noted that in the vote request later in the meeting, she'd like the Board's approval to

extend the transition contract with WSOSF from six months to up to eight months (for the same total dollar amount as previously approved, \$200,000) since the timeline was shifted since the initial vote.

Connors provided an update on the search for WSOSP executive director. She would like to engage Clover Search Works to lead the process and to have the search in full swing by March. Connors shared what WA STEM did in the search for their CEO. Connors said they were unsuccessful with the traditional process of hiring a search firm. Instead, they invited a group of “connectors” in the community together to suggest possible new leaders for the organization. Connors said they had about sixty names, and the executive team did more research and identified about twenty of them who would be a good fit for the position. She said they then set up lunch or coffee with each of the twenty people to share more about the role and encourage them to apply. Connors said about seven of the twenty ended up applying, and they hired a wonderful-fit CEO. Connors asked the Board for guidance on how they’d like to approach the search for the next executive director.

Brad Smith said it sounds like WA STEM focused on what they were looking for and then who they were looking for. He said it sounded like they thought they knew what they were looking for and then realized they did not. Brad Smith asked if we knew what we were looking for. He asked if there are changes that Connors thinks we need to make as we look at the next five years. Connors said what we need most is a charismatic leader who can travel around the state to advance the mission of WSOSP and excite people about the scholarship. Connors said she has not done as much of this external work as she wishes she had and believes this should be a large part of the position going forward. Brad Smith said that Connors, in her new role as WSOSF executive director, will function like a COO and that the new ED is more of a CEO as the face of the organization. He asked the Board if this resonates or if we need to talk more about what we are looking for.

Jane Park said that it resonates with her and that it has been incredible to watch WSOSP work without the support needed by the program administrator. Park said we need to catch up on fundraising and the public-facing pieces. She said we have the opportunity to overcome the challenges of Covid and the program administrator not following through with promises. Park said we need someone who is articulate and can handle high-pressure environments. Sandler said she has felt proud to be on the Board and supports Connors. She said another way to think about the needs is that we need someone who is persuasive and influential with stakeholders like partners, donors, and public sector schools. She said we may need someone who is not from the non-profit sector because of the experiences and leadership they bring that can convince people to do things they might not usually do. Sandler said it would be complementary to the education and non-profit experience. Park said that it would be great if there is someone who is passionate and can connect with our mission and who is also an entrepreneur or leader in tech. Park said she would like to see something in addition to Clover’s approach since much of their work is in the non-profit space or for there to be an explicit request to them to look outside of the non-profit sector. Connors said that with the usual job postings, we may get much interest from the usual non-profit leaders. She said the focus of the search can be on the people who would not usually look for a job like this, if that’s the Board’s desire. Park asked if we could use some of the money to hire a part-time administrative assistant to help schedule and track people down. Brad Smith said we have a common view of what we seek. He said the questions now are whether we want to employ a search firm and whether we want to look outside of Washington. Brad Smith said we can take both approaches to help identify people who might not even consider themselves candidates. He suggested we fold innovation into the process. Jane Broom said we want to have different people at the table to help bring names forward.

Connors asked Aileen Miller if she needed to get more direction from the Board. Miller said it depends on the degree the Board wants to control and how far you will go in the search. The Board can delegate authority to Connors or build specific decision points for things they want to review. Connors said she hopes to have engaged with a search firm and possibly gathered some names but not cut it down to any candidates before the next meeting. She would present a clear guideline by the March Board meeting but would appreciate direction on whether the Board would support a creative approach to hiring like what WA STEM did in addition to engaging a search firm. Additionally, Connors asked the Board to adopt the resolution included in the pre-read that outlined more clearly the delegated duties to the executive director more broadly. Without bylaws, the statute doesn’t always make clear which decisions the Board wishes to retain, and the resolution offers more clarity. Brad Smith said the Board should be explicit in naming the authorizing authority for the search as well as including the previously requested approvals for RJI spending and the extension of the transition contract.

Board Action: Cecchettini made a motion to allow up to \$60K in CTS funds to cover the eight erroneously selected RJI recipients; to extend the services contract with WSOSF up to eight months; to authorize Connors to formulate a recruitment plan for the next ED that she will present to the Board, including involvement of members of the Board, and to

retain a search firm; to adopt a resolution that delegates to the ED all of the authority that the Board is not reserving for itself by statute. Wilson seconded the motion, and it carried unanimously.

Finance and Program Administrative Update

Patrick Smith reviewed the financial reports from September 30, 2023. He said the total assets for WSOS were \$110.9M, a 5% decrease from Q3 and the prior year to date. This is primarily due to investment losses and scholarship disbursements that took place in August. He said this was offset somewhat by the \$2.5M installment from the Ballmer Foundation pledge. Patrick Smith said cash is up due to that payment, in addition to private receipts of \$150K from Bristol Myers Squibb, \$123K from BECU, and some other smaller receipts. He said that scholarship disbursements netted refunds of \$6.5M, of which \$4.3M was Baccalaureate Scholarship (BaS) and \$2M was CTS/RJI, with the balance being GRD. Patrick Smith said total liabilities were about \$45M, an increase from Q3 of about 54%. He said there were many questions about the large decrease from September 2022 to September 2023. Connors said the change seemed unusual, and Eileen Moran will research it and present it at the March meeting.

Patrick Smith reviewed the income statement and said the total revenue was \$391K, partly due to investment losses during this period. He said there was a big unfavorable variance due to the timing of receipts, unfilled positions, and about \$2.5M that was budgeted as gains but was actually a loss. Patrick Smith said expenses for the period were \$3.6M, slightly under budget. He said professional fees were under budget because we did not need some supports we thought we would. Connors added that the public revenue is under budget by \$9.2M, which was appropriated to WSAC in July. She said the state match and the private receipts have been received but have yet to be invoiced by the program administrator. Connors said as of December, 501 Commons had invoiced \$6M, and they are working to submit the remainder in the next couple of months.

Patrick Smith reviewed the cash flow summary and said we are looking at how we display some of these reports to make them more useful to everyone. He said that for the twelve months ending on 9/2023, we saw cash inflows of \$5.4M and outflows of \$22.38M, which is a net cash decrease in the scholarship program of \$16.9M and investment losses in the endowment account of \$2.4M for a total cash outflow of \$19.36M. Patrick Smith said the committee did our annual self-evaluation at the last meeting and reviewed committee responsibilities.

Connors reviewed the proposed 2024 budget, pointing out that the proportion spent on programming versus operations is 89% to 11% which is much stronger than nonprofit recommendations which is to generally stay under 25% spent on operations. Connors said the campaign continues and is slightly delayed but on track for success. She said we have a possible \$3M unfavorable variance on the 2023 budget to actuals due to the delay in 501 Commons submitting state match receipts as previously mentioned. This would lead to an increase in 2024 revenue by \$3M if realized. Connors said we will have a difference in campaign targets. There is a difference in how things are recorded on the books because we can not report a DAF until we receive the funds, but we do include this in our campaign total of what has been committed towards the campaign. She said we are anticipating major gifts of \$4.1M by the year's end and a state match of \$7.4M, which we will receive in July. Connors said that our revenue does not match our expenses, which is common for WSOS because our major giving model is to raise money for the students up front, knowing that our contributions to those students come years down the pike. She reviewed personnel spending and said she held 5% for COLA, which is the maximum of our current policy, but that the CPI came in at 4.4%. Connors said four FTEs will move from the program side to the foundation. No additional FTEs were added except the finance support previously approved. She said there will be possible PTO accrual impacts in late 2024, depending on the WSOSF accounting approach. Connors said WSOSF will be substantially the same cost as what we are paying 501 Commons even though the program administration fees appear up 50%; as previously noted, she explained this was a shift in where expenses are shown in the budget, not a real realized increase. She said that non-scholarship spending will grow by about 7% due to increasing salaries, taxes, and benefits costs. We are also spending more on Scholar Lead stipends because we need more Leads due to cohort sizes being up. She said \$200K had been previously approved to shore up our financial functions. Connors said we have not spent any yet and wants to reserve \$50K for an internal audit to ensure everything is cleaned up before we move to the foundation. She said we have also seen operating expenses go up with our existing vendors due to inflation. Connors said we have had a \$150K decrease in consulting, professional services, and lobbying because we concluded our work with the campaign counsel and the campaign collateral.

Wilson asked if we should consider a ceiling of operating costs as we move to WSOSF so that the executive directors from both the foundation and program side work together to ensure we do not go over the ceiling. Patrick Smith said that the way this is reported can be confusing, and the enhanced reports he mentioned earlier will make this clearer once we move to WSOSF. Connors said that we report scholarships and non-scholarship spending because this is how the Legislature requires us to report it but that much of the non-scholarship spending is still programmatic, not operations, in

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nature. She said if we want to cap something, we need to look at the split of 89% programmatic spending and 11% operating, not scholarship versus non-scholarship spending. Patrick Smith asked Connors to add this to the list of reporting that the F&I committee needs to discuss. Connors said she would also include a conversation about a proposed cap that can be addressed in the next meeting.

Patrick Smith noted the Committee was recommending an update to its charter as shown in the pre-read materials. Additionally, he requested the Board reappoint Brad Faulhaber to the Committee as his term was expiring.

Board Action: Patrick Smith made a motion to renew Brad Faulhaber's membership to serve another term on the F&I Committee, update the language of the charter, and approve the proposed 2024 budget. Park seconded the motion, and it carried unanimously.

Executive Session

The meeting went into Executive Session at 3:50 p.m. to evaluate the performance of a public employee. The open meeting reconvened at 4:04 p.m.

Jane Park made a motion to include the executive director in the 4.4% COLA and award the executive director a 3% merit increase for 2024 and an 8% bonus based on 2023 base salary. Adams seconded the motion, and it carried unanimously.

The meeting adjourned at 4:05 p.m.

Respectfully submitted,
Dena Parmer