



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

June 14, 2018

TO: Southern Oregon University Board of Trustees, Finance and Administration Committee

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting of the Finance and Administration Committee

The Finance and Administration Committee of the Southern Oregon University Board of Trustees will hold a regular meeting on the date and at the location set forth below.

Topics of the meeting will include a vice president's report with a review of the financial dashboard and general updates. There will be discussion and actions on an amendment to the student incidental fee and the fiscal year 2018-19 budget. There also will be an investment update.

The meeting will occur as follows:

Thursday, June 21, 2018
4:00 p.m. to 6:00 p.m. (or until business concludes)
Hannon Library, DeBoer Room, 3rd Floor, Room #303

Materials for the meeting will appear on the board's website:
governance.sou.edu.

The Hannon Library is located at 1290 Ashland Street, on the Ashland campus of Southern Oregon University. **If special accommodations are required or to sign-up in advance for public comment, please contact Kathy Park at (541) 552-8055 at least 72 hours in advance.**



Board of Trustees
Finance and Administration Committee Meeting
June 21, 2018

Call to Order / Roll / Declaration of a Quorum



**Board of Trustees
Finance and Administration Committee Meeting**

**Thursday, June 21, 2018
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

AGENDA

Persons wishing to participate during the public comment period shall sign up at the meeting.
Please note: times are approximate and items may be taken out of order.

- | | | | |
|---------|----------|---|---|
| | 1 | Call to Order/Roll/Declaration of a Quorum | Chair Paul Nicholson |
| | 1.1 | Welcome and Opening Remarks | |
| | 1.2 | Roll and Declaration of a Quorum | Sabrina Prud'homme,
SOU, Board Secretary |
| | 1.3 | Agenda Review | Chair Nicholson |
| | 2 | Public Comment | |
| 15 min. | 3 | Vice President's Report | Greg Perkinson, SOU,
Vice President for Finance
and Administration |
| | 3.1 | Review of Committee Dashboard | |
| | 3.2 | General Updates | |
| 5 min. | 4 | Consent Agenda | |
| | 4.1 | Approval of May 17, 2018 Meeting Minutes | Chair Nicholson |
| | 5 | Action Items | |
| 20 min. | 5.1 | Amendment to Student Incidental Fee | Daryl Maplethorpe,
ASSOU, President; Mark
Denney, SOU, Associate
Vice President for Budget
and Planning |
| 25 min. | 5.2 | Fiscal Year 2018-19 Budget | President Schott |

**Board of Trustees
Finance and Administration Committee Meeting**

**Thursday, June 21, 2018
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

AGENDA (Continued)

6 Information and Discussion Items

- | | | |
|---------|-----------------------|--|
| 15 min. | 6.1 Investment Update | Penny Burgess, USSE,
Director of Treasury
Operations |
| | 6.2 Future Meetings | Chair Nicholson |
| | 7 Adjournment | Chair Nicholson |

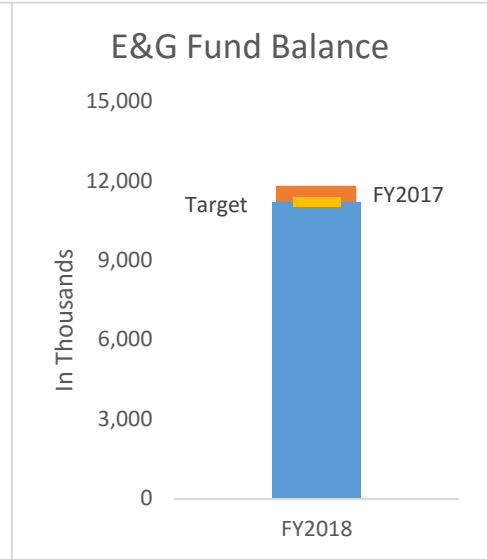
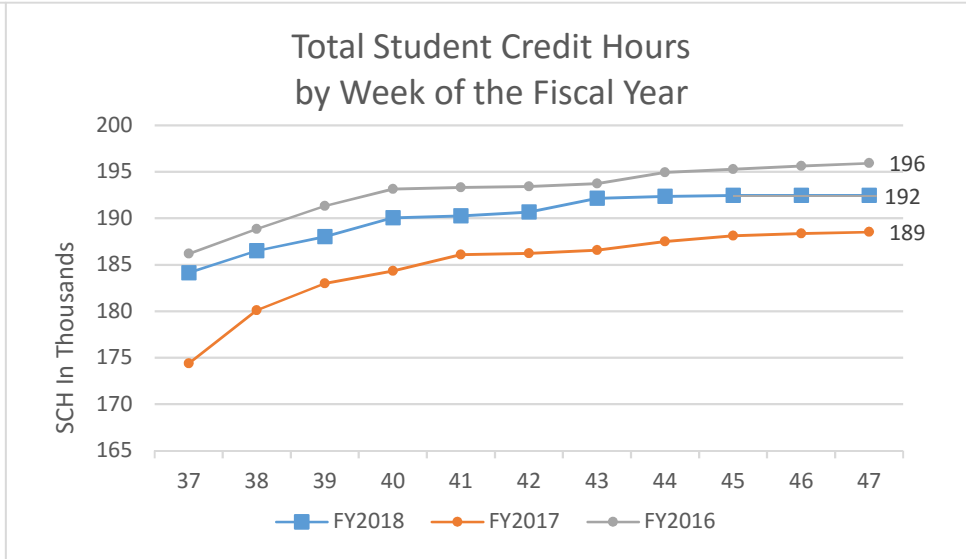
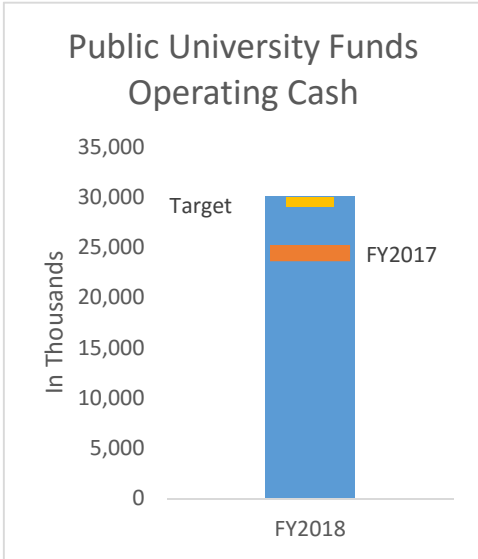
Public Comment

Vice President's Report

Financial Dashboard

For FY18 close of period 11

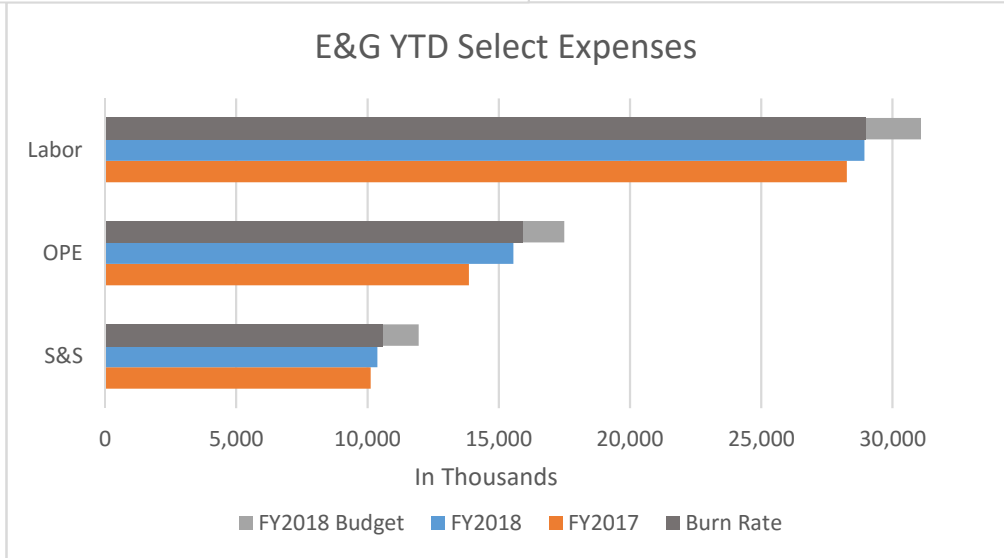
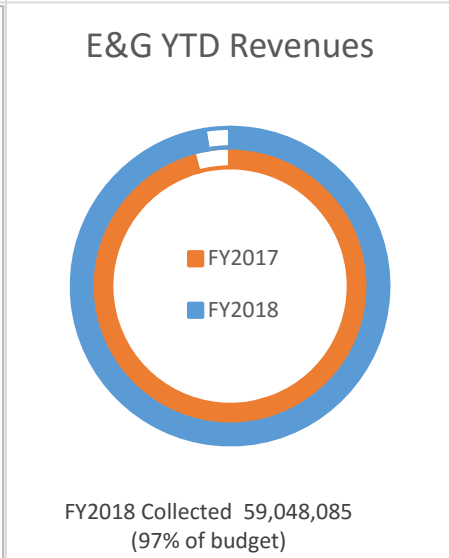
As of May 31, 2018



Persistence Prevailed

\$500,000 awarded

(by Public Universities Risk Management and Insurance Trust)



Culture of Service Excellence

- Dashboard
- Driving a Culture of Excellence
- Institutional Effectiveness
 - Corrective Actions
 - Risk Management
 - Continuous Improvement
- At the awards breakfast:
 - People First: what did we do to take care of our folks?
 - Mission support: what did we do to support the mission?
 - And, driving a Culture of Excellence

Driving a Culture of Excellence

Framework for Service Excellence



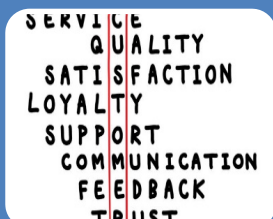
Knowledge - “we teach, learn and share”



Teamwork - “we integrate internally to support our customer”



Accountability - “we can take care of that”



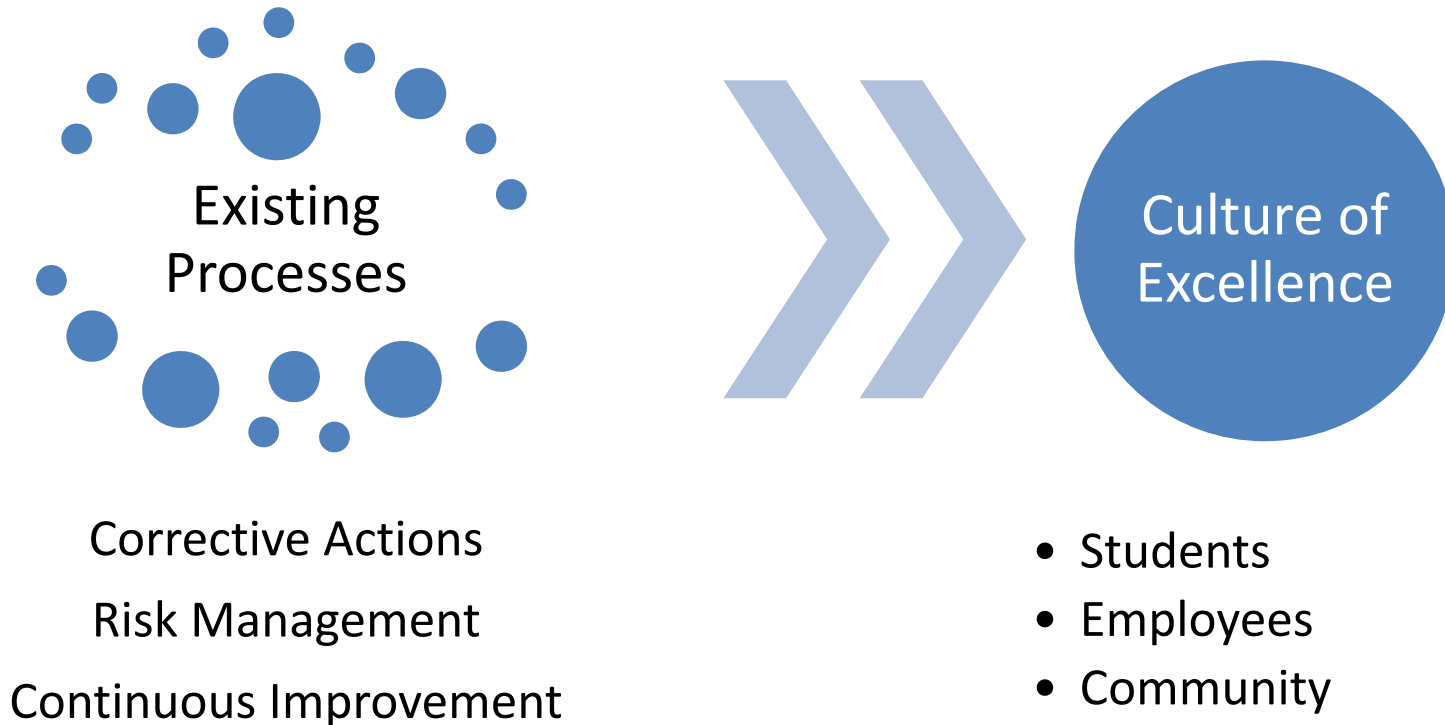
Quality Service - “Find a way to say yes” FAWTSY

Employee Success

Strategic Direction II, Goal 1

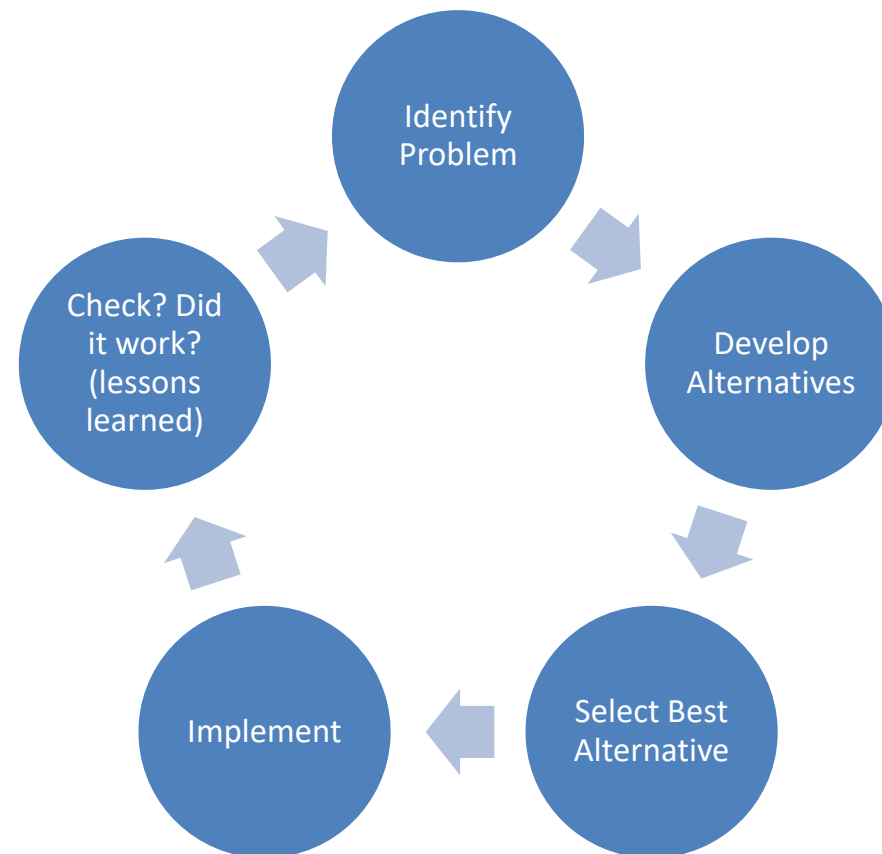


Institutional Effectiveness



Corrective Actions

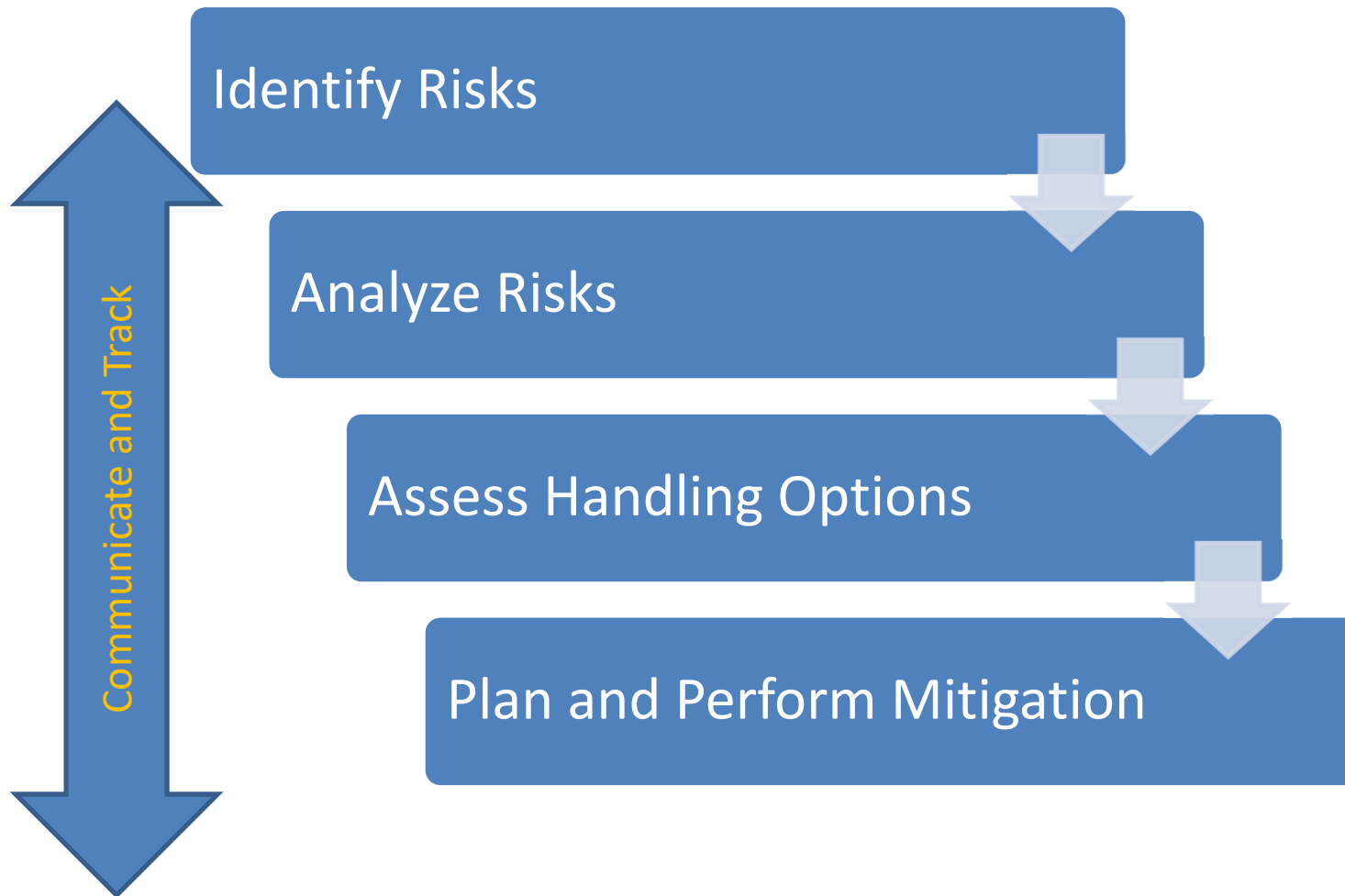
- Responsibility
(own the problem)
- Make the plan
visible
- Track it to closure



After
Action
Reviews ... and

Root Cause Corrective Action

Enterprise Risk Management



Continuous Improvement (and Process Improvement)



The screenshot shows a web browser window with the following tabs: Welcome | SOU Home, Inbox (77) - perkinsog@..., EAB - Fostering Contin..., 35519-BAF-Infographic.p..., All Univ. Supplemental In..., Business Strategy: Kapla..., Thorndike- The Comple..., Southern Oregon Univers... The address bar shows the URL: https://www.eab.com/-/media/EAB/Research-and-Insights/BAF/Infographics/2017/35519-BAF-Infographic.pdf. The infographic content is as follows:

The Essential Five-Step Recipe for Process Improvement

An institution's work processes are its means of production. They determine how people operate. Simplifying and standardizing those processes can create efficiency, free up capacity, and even unlock opportunities to scale.

Many formalized process improvement methodologies compete for attention, but you don't have to decipher all the buzzwords. Regardless of which approach you adopt, five steps contain the active ingredients to understand and untangle processes that are overly complex, paper-based, out of sync with policy, or otherwise "broken."

This infographic outlines the five critical steps that organizations must take as part of their process improvement journey.

- 1 Assemble the Right People**

The best process improvement teams draw on **different perspectives and approaches** to make processes more simple, standardized, and beneficial to the customer. Consider the following roles and perspectives in assembling your team.

Team size: five to eight people	Other on-deck team members and perspectives:
Team roles: <ul style="list-style-type: none">• Process improvement coordinator• Top customers• Central office representatives• Distributed unit representatives• End users• Process managers	<ul style="list-style-type: none">• Subject-matter experts• Technology experts• Resident complainers• Faculty members• Auditors• Apprentice process improvement coordinators
- 2 Map the Current State**

Teams should work from start through finish of a process to understand **what happens, why it happens, and who is involved**. If your campus is new to this activity, begin with a high-level map of five to seven tasks or subprocesses, and then drill down from there. Consider the following questions as you work together.

Capture "as-is" process steps: <ul style="list-style-type: none">• When does this process begin, and when does it end?• Who is involved in this process? What are their roles?• Who owns which process steps?• What prompts a step to begin and end?• What inputs and outputs are necessary for each step?• What workarounds, shortcuts, duplicative work, and shadow systems are necessary to complete the process?	Evaluate redesign opportunities: <ul style="list-style-type: none">• Why is the step necessary? What other steps rely on it?• What value does the step provide?• What manual steps are opportunities for automation?• How and why does the process vary across campus?
--	--
- 3**

At the bottom of the browser window, there are three open PDF files: Diversity and Incl...docx, Process Improvem...pdf, and Fostering-Continu...pdf. A "Show all" button is visible in the bottom right corner of the browser window.

Oregon's University for the Future



Backup

People First

RAIDERS HELPING RAIDERS

Need help with finding food resources?

Complete the form on the link below to apply for 3 meals for the month at The Hawk. Recipients must be an SOU Student and registered for classes.

Students currently on a residential meal plan are not eligible for these meals.

□ Raiders Helping Raiders, assists students who are facing food insecurities or do not have access to food on a regular basis.

Students with meal plans are able to donate 1 meal a month from their meal plan to a student in need, and A'viands will match the 1st 100 meals donated each month.

□ For more information:
<https://inside.sou.edu/housing/rhr.html>

In collaboration with SOU Dining, A'viands, University Housing, Student Support & Intervention, and Student Life

University Housing

LGBTQIA+ THEMED COMMUNITY

SOU Housing is introducing a new LGBTQIA+ themed housing option in partnership with the Queer Resource Center for the 2018-2019 Academic Year. Located on the second floor of Shasta Hall, this community is designed to foster a safe, inclusive, and knowledgeable space for LGBTQIA+ students and allies.

Gender is not a factor in roommate selection or assignment so roommates can be of the same or a different gender.

To live in this space you must fill out an additional application and agree to the principles of the community to create an open space for all. The housing application goes live on February 14th, 2018

FOR MORE INFORMATION ABOUT UNIVERSITY HOUSING VISIT
[HTTPS://INSIDE.SOU.EDU/HOUSING](https://inside.sou.edu/housing)

ALICE

ALERT

- \ Initial Alert may be a gunshot, PA announcement, etc.
- \ Avoid code words.

LOCKDOWN

- \ If evacuation is not a safe option, barricade entry points.
- \ Prepare to Evacuate or Counter if needed.

INFORM

- \ Communicate real time information on shooter location.
- \ Use clear and direct language using any communication means possible.

COUNTER

- \ As a last resort, distract shooter's ability to shoot accurately.
- \ Move toward exits while making noise, throwing objects, or adults swarm shooter.

EVACUATE

- \ Run from danger when safe to do so, using non-traditional exits if necessary. Rallying point should be pre-determined.

Great Colleges to Work for

SURVEY RESULTS

Response Rate



42.1% Response Rate
390 Surveys Sent
164 Total Respondents

Response Distribution



29% 49 **A**dministration
35% 59 **F**aculty
14% 23 **E**xempt Prof'l Staff
17% 29 **N**on-exempt Staff
2% 4 **U**nspecified

Mission







Theatre and JPR



OREGON
CENTER FOR THE **ARTS**
AT SOUTHERN OREGON UNIVERSITY





Chief Financial Office's Gold Star Certificate



Awarded to

Southern Oregon University

*For Achieving Statewide Accounting Goals
and Excellence in Financial Reporting
Fiscal Year Ended June 30, 2017*

George Naughton, Chief Financial Officer

February 13, 2018

Date

Robert W. Hamilton, SARS Manager

State of Oregon

*Department of Administrative Services
Chief Financial Office*

BOILER REPLACEMENT PROJECT 2018

The \$2.8 million project will replace two of the university's four boilers, along with a condensate storage tank, the boiler control system and an undersized chiller.



- > The two boilers targeted for replacement are 47 and 52 years old, exceeding their useful service life of 25 years, and are considered susceptible to imminent failure
- > Evergreen Engineering, Inc., has evaluated the university's boiler system and recommends replacing the two outdated 350-horsepower boilers with new 400-horsepower boilers
- > The university replaced its two other boilers in 2008
- > The existing condensate accumulation and storage tank does not effectively remove dissolved oxygen from the water, which can result in boiler damage
- > The current manual control system is inefficient and should be replaced with an integrated boiler control system
- > Overall, the changes will result in savings of \$93,000 per year in natural gas consumption and \$6,100 per year in chemical usage

Transforming Information Technology



Infrastructure



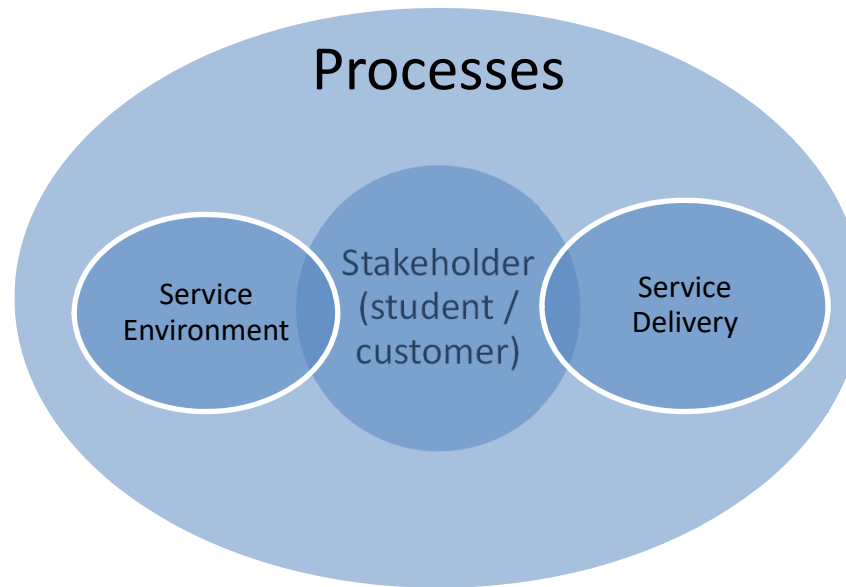
Faculty Support



Professional Development
and Training

From Unleashing Excellence

(used at Montana State University)



Consent Agenda

**Board of Trustees
Finance and Administration Committee Meeting**

**Thursday, May 17, 2018
4:00 p.m. – 5:30 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Chair Nicholson called the meeting to order at 4:04 p.m. and welcomed Dana Richardson, the executive director of the Oregon Council of Presidents.

The following committee members attended the meeting: Paul Nicholson, Sheila Clough, Lyn Hennion and Dennis Slattery. Trustee Shanztyn Nihipali attended via videoconference. Trustees Les AuCoin and April Sevcik were absent.

Other meeting guests included: Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Janet Fratella, Vice President for Development; Josh Lovern, SOU; Ryan Schnobrich, Internal Auditor; Treasa Sprague, Administrative Services Coordinator; Mark Denney, Associate Vice President for Budget and Planning; Steve Larvick, Director of Business Services; Andrew Gast, SOU; Don Hill, Classroom and Media Services Manager; John Stevenson, User Support Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Public Comment

There was no public comment.

Vice President's Report

Presenting the financial dashboard, Greg Perkinson said SOU has received \$12 million of the \$13 million on the Q-Series bonds but due to timing issues, this was not reflected in the operating cash balance. There is a slight uptick in student credit hours. The revenue chart includes the \$3.3 million that was forward-funded to help with the cash needed to operate. There are no negative indicators regarding the year-to-date Education & General (E&G) expenses and the fund balance is within target.

Regarding implementation of the strategic plan, Mr. Perkinson said the senior leadership team prioritized six goals, one of them being service excellence. He has created a work group, developed a framework and presented it to the president's executive council, all with a goal of establishing service excellence as the culture in all aspects of the university. Responding to Chair Nicholson's inquiry, Mr. Perkinson said the financial implications of this work is that, as SOU grows the culture of excellence, customers will feel it and it will help with student recruitment, retention and success.

Discussing enterprise risk management, Mr. Perkinson said Brad [Christ] and Ryan [Schnobrich] rolled-out a model shortly after his arrival. SOU is looking at risk areas and has developed a framework to capture the risks, likelihood of occurrence, and mitigation in order to create a heat map. The vice presidents met with Mr. Schnobrich to

discuss issues of concern. The next step is to talk with the President about how to manage those risks at the board, president or vice president level, as appropriate. Trustee Clough stressed the importance of the board seeing the risk model.

Lastly, Mr. Perkinson mentioned the CIO candidate search, saying there were three good candidates and the process is moving forward.

Consent Agenda

Trustee Hennion moved to approve the April 19, 2018 meeting minutes, as presented. Trustee Slattery seconded the motion and it passed unanimously.

Action Items

AY 2018-19 Differential Tuition Rate for International Exchange Students

Mark Denney said the proposed differential tuition rate for international students helps SOU better target those students very specifically. SOU has agreements with various international universities where SOU sends one of its students to the other university and that university sends one of its students to SOU. The exchange is typically for one term to one year. The student pays tuition to the home university and pays nothing at the visiting university in this one-for-one exchange arrangement. Some of the international universities want to send more students to SOU but SOU does not have enough students to participate in additional one-for-one exchanges. Those international universities may still send their students to SOU and, currently, the students pay the non-resident tuition rate to SOU. However, this is cost-prohibitive in some cases. He said Virginia [Roberson, the Director of International Programs,] projected there would be ten students or fewer who would pay this differential tuition rate in the first year but that number would grow. The proposed 175 percent of the resident undergraduate rate is more than the WUE rate and would cover the cost of delivering education.

After some discussion, Jason Catz and Mr. Denney proposed amendments to the resolution included in the meeting materials. The second paragraph should read “Whereas, the university president recommends a 2018-19 differential tuition rate of \$301.00, or 175 percent of the resident undergraduate rate for students coming from international exchange partner universities not participating in a one-for-one exchange program” and the last paragraph should read “Be it resolved, the Finance and Administration Committee hereby recommends the Board of Trustees of Southern Oregon University approve the AY 2018-19 differential tuition rate of \$301.00 for students coming from international exchange partner universities not participating in a one-for-one exchange.”

Responding to Trustee Clough’s inquiry, Mr. Denney said this rate would not take away funding from other priorities and would actually increase funding for such priorities. Further, there is no impact to funding model, as it does not cover these students.

Responding to Chair Nicholson’s inquiry regarding unintended negative consequences, Mr. Denney said Ms. Roberson identified one: the small number of students (one or two) above the one-to-one exchange who pay the full nonresident rate will pay less. Although SOU will lose money on those students, SOU will be ahead with the students it will gain.

Trustee Slattery made the following motion: The Finance and Administration Committee hereby recommends the Board of Trustees of Southern Oregon University

approve the AY 2018-19 differential tuition rate of \$301.00 per credit hour for students coming from international exchange partner universities not participating in a one-for-one exchange program. Trustee Clough seconded the motion and it passed unanimously.

Trustee Hennion clarified that this differential rate does not affect students from American Samoa. She also requested a list of the international universities that participate in the exchange program.

Information and Discussion Items

Periodic Management Report

Greg Perkinson presented the periodic management report, focusing on variances from budget greater than 10 percent. Regarding the E&G fund, there was a 21 percent increase in other revenue from the amount originally budgeted compared to the amount currently forecasted; SOU received an additional \$250,000 in insurance recovery funds related to the wire fraud case. Responding to Trustee Hennion's inquiry, Jason Catz said the investigation into the wire fraud case is ongoing. The recovery is approaching \$900,000 and there are no indications of any additional insurance recovery.

Regarding Auxiliary Enterprises, there is a 13 percent variance in "other revenue" reflecting a \$377,000 uptick in revenue from increased dining activity and receipt of one-time funds from the Collegiate Housing Foundation. There is a negative 10 percent variance in expenditures for personnel services, partly because the COLA increases came in lower than budgeted. Chair Nicholson pointed out that parenthetical entries for revenue reflect a "worse than" situation whereas for expenditures they reflect a "better than" situation.

Regarding Designated Operations, there is a negative 14 percent variance for personnel services expenditures, tied to COLA, fringe benefits, and expected growth with JPR that did not transpire. The transfer-in from the general fund to support the PEAK [student employment] program was larger than expected, causing a 12 percent variance.

Mr. Perkinson discussed the aggregate of the three funds, the ending fund balance and transfers between fund types. Looking at the data, he said nothing seemed anomalous.

Review of Draft Budget

Mark Denney reviewed the draft budget for E&G. He said the pro forma has served as the contextual reference for the budget and decisions have been made based on the pro forma. This meeting was the first opportunity to compare the pro forma with the draft budget and, hopefully, give the confidence that the pro forma is a fair and accurate proxy for the budget. Mr. Denney said the draft budget was developed based on the committee's earlier guidance of having an ending fund balance above 10 percent, preferably in the 11 percent range. The draft budget has an ending fund balance of 11.2 percent.

Josh Lovern addressed many of the figures of the draft budget included in the meeting materials. He mentioned the growth in certain areas, including the online MBA program, WUE students, students from American Samoa, and retention improvement. Responding to Chair Nicholson's inquiry regarding enrollment for the online MBA program, Mr. Denney said his estimates continue to be conservative.

Although there is an increase in the budget for unclassified salaries, Mr. Lovern said savings were realized from some searches not being successful; the difference between the budgeted amount for COLA and what was received; and the slight increase in the vacancy level than what was projected.

However, the increase in student pay is in recognition that SOU has not increased the budget in this area in the last few years but minimum wage has increased. The budget increase helps SOU keep the same headcount in student workers. The increase in student labor and an anticipated increase in medical costs contribute to the increase in Other Payroll Expenses.

Discussing the impact of the Academic Partnerships contract on Service & Supplies (S&S), Mr. Lovern said the remittance of one-half of the tuition revenue (\$750,000) will be recorded as a service charge. Responding to Chair Nicholson's inquiry, Mr. Denney said most of the initiatives President Schott may wish to pursue will be funded from the S&S budget.

After Trustee Hennion and Chair Nicholson identified mathematical errors in the draft budget, discussion ensued on what may have caused such errors. Chair Nicholson advised that there was still work to be done on the budget before the next meeting.

Review of Pro Forma

Mark Denney said the ending fund balance for 2019 is estimated to be 11.2 percent. Using that fund balance and looking at future years, there would be around a 10 percent fund balance in the next biennium, which is lower than President Schott desires. SOU must, therefore, continue to grow enrollment and manage expenditures. Mr. Denney said he has not built in any costs, savings or revenue from proposed initiatives because it is not yet known which initiatives will be implemented.

Ongoing Financial Performance Metrics

Greg Perkinson mentioned his work with the HECC on financial stress testing. Not all of his peers are on board with what the HECC is doing. He believes the HECC will have the opportunity to collaborate more with the universities' vice presidents for finance and administration to develop a sense of the benefit of sharing university data and how it will be integrated into decision processes.

Returning to the budget, Chair Nicholson said the trustees with the strongest financial understanding are on the committee and expressed concern for the other trustees when the budget is presented for approval. He recommended having a generalized narrative about major changes taking place in the budget and spelling out the connection between the budget and the strategic plan.

Future Meetings

This agenda item was not covered in the meeting.

Adjournment

Chair Nicholson adjourned the meeting at 5:27 p.m.

Amendment to Student Incidental Fee

What is Changing?

Current Mandatory Fee Schedule, based on March 2018 Board Action

Southern Oregon University
Academic Year 2018-19 Mandatory Fees

Credits	Building		Incidental - Base		Incidental - Green Tag ¹		Incidental - SCC ¹		Health Service ²		Student Rec Center		Total Fees	
	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate
1	23.00	23.00	209.00	209.00	13.00	13.00	13.00	13.00	0.00	0.00	95.00	95.00	353.00	353.00
2	25.00	25.00	250.00	250.00	13.00	13.00	13.00	13.00	0.00	0.00	95.00	95.00	396.00	396.00
3	27.00	27.00	291.00	291.00	13.00	13.00	13.00	13.00	0.00	0.00	95.00	95.00	439.00	439.00
4	29.00	29.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	622.00	622.00
5	31.00	31.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	624.00	624.00
6	33.00	33.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	626.00	626.00
7	35.00	35.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	628.00	628.00
8	37.00	37.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	630.00	630.00
9	39.00	39.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	632.00	632.00
10	41.00	41.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	634.00	634.00
11	43.00	43.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	636.00	636.00
12 or more	45.00	45.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	638.00	638.00

Endnotes:

(1) The Incidental Fee is one fee. The Green Tag and Schneider Children's Center (SCC) elements of that fee are funded first, regardless of the total rate a student pays for the Incidental Fee. The Incidental fee is the sum of these three.

(2) Qualified tuition and fees do not include student health insurance fees for Tax Relief Act Reporting

(3) A one-time Matriculation Fee of \$300 is assessed to all new and transfer students for admissions, advising, orientation, academic support services, and housing application

Incidental SCC = Incidental Fee dedicated to support the Schneider Children's Center

Why is it Changing?

Due to the University's decision to close the Schneider Children's Center, ASSOU held a special election to remove that portion dedicated to supporting the Center from the approved 2018-19 Student Incidental Fee

Southern Oregon University
Academic Year 2018-19 Mandatory Fees

Credits	Building		Incidental - Base		Incidental - Green Tag ¹		Incidental - SCC ¹		Health Service ²		Student Rec Center		Total Fees	
	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate
1	23.00	23.00	209.00	209.00	13.00	13.00	13.00	13.00	0.00	0.00	95.00	95.00	353.00	353.00
2	25.00	25.00	250.00	250.00	13.00	13.00	13.00	13.00	0.00	0.00	95.00	95.00	396.00	396.00
3	27.00	27.00	291.00	291.00	13.00	13.00	13.00	13.00	0.00	0.00	95.00	95.00	439.00	439.00
4	29.00	29.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	622.00	622.00
5	31.00	31.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	624.00	624.00
6	33.00	33.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	626.00	626.00
7	35.00	35.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	628.00	628.00
8	37.00	37.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	630.00	630.00
9	39.00	39.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	632.00	632.00
10	41.00	41.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	634.00	634.00
11	43.00	43.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	636.00	636.00
12 or more	45.00	45.00	332.00	332.00	13.00	13.00	13.00	13.00	140.00	140.00	95.00	95.00	638.00	638.00

Endnotes:

- (1) The Incidental Fee is one fee. The Green Tag and Schneider Children's Center (SCC) elements of that fee are funded first, regardless of the total rate a student pays for the Incidental Fee. The Incidental fee is the sum of these three.
- (2) Qualified tuition and fees do not include student health insurance fees for Tax Relief Act Reporting
- (3) A one-time Matriculation Fee of \$300 is assessed to all new and transfer students for admissions, advising, orientation, academic support services, and housing application

If approved, the new 2018-19 Mandatory Fee schedule will be:

- Total Student Incidental Fee will go from \$358/term to \$345/term
[\$332 (incidental base) + 13 (green tag)]
- Total Mandatory Fees will go from a maximum of \$638/term to \$625/term

This will be effective Fall 2018

Southern Oregon University
Academic Year 2018-19 Mandatory Fees

Credits	Building		Incidental - Base		Incidental - Green Tag ¹		Health Service ²		Student Rec Center		Total Fees	
	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate
1	23.00	23.00	248.00	248.00	13.00	13.00	0.00	0.00	95.00	95.00	379.00	379.00
2	25.00	25.00	276.00	276.00	13.00	13.00	0.00	0.00	95.00	95.00	409.00	409.00
3	27.00	27.00	304.00	304.00	13.00	13.00	0.00	0.00	95.00	95.00	439.00	439.00
4	29.00	29.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	609.00	609.00
5	31.00	31.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	611.00	611.00
6	33.00	33.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	613.00	613.00
7	35.00	35.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	615.00	615.00
8	37.00	37.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	617.00	617.00
9	39.00	39.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	619.00	619.00
10	41.00	41.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	621.00	621.00
11	43.00	43.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	623.00	623.00
12 or more	45.00	45.00	332.00	332.00	13.00	13.00	140.00	140.00	95.00	95.00	625.00	625.00

Endnotes:
 (1) The Incidental Fee is one fee. The Green Tag element of that fee is funded first, regardless of the total rate a student pays for the Incidental Fee. The Incidental fee is the sum of these two amounts.
 (2) Qualified tuition and fees do not include student health insurance fees for Tax Relief Act Reporting
 (3) A one-time Matriculation Fee of \$300 is assessed to all new and transfer students for admissions, advising, orientation, academic support services, and housing application

Questions?

Fiscal Year 2018-19 Budget

Overview. Goals of the Budget

The 2018-19 Budget incorporates reserve funding for the University to enable implementation of ‘immediate priorities’ from the Strategic Plan. Inherent in the new budget is the incorporation of Enterprise Risk Management, Corrective Actions (from Internal Audits), and the implementation of Institutional Effectiveness. This transition includes a sharper focus on new initiatives the university identified, and also what the university will no longer do. However, to the extent that it can, the 2018-19 budget attempts to create capacity for the full implementation of the strategic plan through accomplishing the following:

- Maintaining strong ending fund balances, thereby creating capacity for the future
- Validating submitted budgets, ensuring they support the direction of the Strategic plan,
- Using data to inform decision making and validate planning

In total, the 2018-2019 Fiscal Year budget for SOU is \$86,066,121 inclusive of Education and General (aka budgeted operations) in the sum of \$65,210,486; an auxiliaries budget in the sum of \$16,427,493; and designated operations in the sum of \$4,428,142.

Connection between the Budget and implementation of the Strategic Plan

Budgets are not strategic tools. They are by nature operational, primarily focused on the next year’s plan and all of the detailed elements necessary for a complex operation such as the university. The link between the operational (budget) and strategic (strategic plan) is the prioritization of operations, establishment of strategic fund balance goals that enable the capacity to implement the strategic plan, and the forward looking capability of the financial pro forma that is directly linked to the Budget.

Budget Detail

The Budget includes several key elements of Operations: Revenue, Expenditures, Transfers between operations, and finally, ending balances. They are briefly detailed here:

Revenues

The primary elements of Revenue for SOU are: 1) Tuition and Fees, 2) State Support, and 3) Miscellaneous Other Revenue. Depending on the Operations, Education and General, Designated or Auxiliary, each of these revenue categories plays a greater or lesser percentage of the total revenue for that operational area.

Tuition. Tuition rates are increasing 4.22% for undergraduate students and 2.15% for graduate students. Enrollment is projected to increase overall by 2.3%. When calculating tuition revenue, it is the mix of enrollment plus the rate increases that drives tuition revenue. [Figure 1](#) shows enrollment projections. It should be noted that SOU’s 3 year net enrollment has been relatively flat despite overall declines in the state and nationwide for higher education. This opposition to that trend due to recent recruiting success plus modest improvement in retention, which is why overall enrollment is projected at slightly above flat for 2019. However, initiatives in online graduate students takes that flat enrollment picture to a net growth projection of 2.3%. The combined impact of significant online graduate student enrollment growth, which is at a higher tuition dollar level, added to the 4.22% rate growth for undergraduate students, and an overall Student Credit Hour growth projection, is that the total projected growth in tuition dollars over the FY2017-18 is just over 10%.

State Support. The bulk of funding SOU receives from the State is allocated from the Public University Support Fund (PUSF) through the Student Success and Completion Model or SSCM. It allocates the funding provided by the legislature to the Public University Support Fund based primarily on attendance and graduation of Oregon residents. SOU, due to its large nonresident student population has historically not done well in the allocation model, however, initiatives directed at recruitment of rural, first generation, and other underrepresented students, coupled with enhanced retention initiatives are aimed at bending that trend line.

FISCAL YEAR 2018-19 BUDGET SUMMARY

Miscellaneous Other Revenue. The primary sub-categories of Miscellaneous Other Revenue are: Gifts and Grants, Investment Revenue, Sales and Service Revenues, Other revenues, and Internal Sales. For Education and General, this category makes up only 3% of total revenue, but for Auxiliary Operations, it is more than 50% of total revenue, due primarily to Sales revenue in Housing.

Direct expenditures

SOU's primary direct expenditures are labor and supplies and services which includes travel and capital equipment expenditures.

Labor. In E&G Operations, labor makes up just over 80% of total expenditures. It is lower in the other operations categories, but still over 50% in each. The primary driver of labor is the cost of benefits that SOU is mandated to participate in. As an example, PERS or the Oregon Public Employees Retirement System, increased at close to 20% in FY18 and is anticipated to continue at that rate of increases for the next several biennium. The Primary cost management tool for labor is managing the efficient utilization of labor resources in the delivery of academic programming as well as required support programs.

Supplies and Services. SOU has been successful in initially reducing and most recently holding ground on rising costs for S&S expenditures, but managing rising costs continues to be a challenge. Included in the S&S expenditures is the cost of initiatives driving online graduate student enrollment growth.

Inter Fund Transfers. There are two primary reasons for transferring funds between operations:

Support or subsidization of one program by another such as the Education and General Operations support of:

- Jefferson Public Radio, in recognition of the community service mission of the university
- Rogue Valley TV and the Student Recreation Center, in recognition of the use of Academic programs in those non-academic spaces that would otherwise require the construction of alternate facilities
- Athletics, in recognition for the primary recruitment and retention role played by Athletics that directly benefits the Education and General Operations

Establishment and use of Reserves. Primarily within Auxiliary Operations, programs such as Housing transfer money to separate funds to establish building and equipment replacement reserves. They then transfer money out of those reserves when equipment purchases or significant building repairs occur.

Ending Fund Balance

Though no official goal for ending fund balances has been established, an industry "Best Practice" is 40% of all funds combined. This enables intuitions to weather fluctuations in enrollment, reductions in state funding, and other unforeseen events. It also enables institutions to have the capacity to invest and keep their operations relevant and serve the changing needs of their learners and the communities in which they exist. SOU's combined ending fund balance is well below 20%. This is not dire. However it does indicate that continued effort on ensuring revenues exceed expenditures through strategic enrollment management, operational efficiencies, and investments in operations are mindfully managed in support of the strategic goals of the University. The President's goal for an Education and General ending fund balance for Fiscal Year 2018-19 is 11%, which is the budgeted projection as shown in the Pro Forma, [Figure 5](#).

FISCAL YEAR 2018-19 BUDGET SUMMARY

Definitions and Figures

Definitions: Key elements of this budget

This budget does not cover all elements of SOU, it is focused on budgeting for operations only. Other areas such as Grants, Gifts, and Capital Construction will only be executed if funds are received, and according to budgets established at that time. For SOU, Operations includes the following:

- Education and General Operations (aka Budgeted Operations)
 - Those Operations designed to achieve the primary goals of the university: delivery of academic programs, student support programs and institutional support programs.
 - Primarily supported through Tuition and Fees and State Support
 - Figure 2 reflects the proposed 2018-19 Education and General Budget
- Designated Operations
 - Those Operations that have been designated as a vital service the university provides, but outside of our primary academic and academic support programs
 - Such as continuing education programs that do not generate academic credits
 - Primarily supported through Tuition and Fees
 - Must be self-supporting – Education and General Operations cannot support
 - Figure 3 reflects the proposed 2018-19 Designated Operations Budget
- Auxiliary Operations
 - Those Operations that support the vitality and experience of our Students, and are critical to their success at SOU, but are outside the primary academic and academic support mission.
 - Primarily supported through Mandatory or Special Fees and Sales
 - Must be self-supporting – Education and General Operations cannot support, (with the exception of E&G support to Athletics)
 - Figure 4 reflects the proposed 2018-19 Auxiliary Operations Budget

Figure 1: Student Credit Hours (SCH) Enrollment Projections

Enrollment projection - with AP included	2010-11 to 2016-17							Projected		Forecast			
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment by SCH													
01-WUE SCH	38,087	39,541	38,755	38,644	41,706	46,144	46,741	47,135	48,483	48,770	48,952	49,551	49,907
02-UG Resident SCH (incl. EXRES)	114,752	108,860	105,372	95,356	88,103	86,346	80,609	83,095	83,467	82,507	83,140	83,153	83,049
03-UG Non Resident SCH	3,679	7,154	6,162	5,006	4,736	4,729	4,657	4,984	4,786	4,805	4,855	4,815	4,825
04.1-UG Online SCH RES	3,062	3,644	3,567	17,146	18,138	16,930	17,165	17,429	17,192	17,280	17,318	17,281	17,311
04.2-UG Online SCH NON-RES	14,161	16,855	16,499	2,041	2,262	2,416	2,297	2,694	2,469	2,486	2,550	2,502	2,513
04.3-UG Online SCH WUE	1,914	2,278	2,230	3,472	4,587	5,745	6,368	6,682	7,381	7,926	8,445	9,033	9,583
Enrollment growth: Undergraduate Enrollment		1.5%	-3.2%	-6.3%	-1.3%	1.7%	-2.8%	2.6%	1.1%	0.0%	0.9%	0.7%	0.5%
05-GR Resident SCH (incl. EXRES)	11,153	6,477	6,315	2,732	2,542	2,412	2,264	2,252	2,158	2,074	2,011	1,930	1,853
06-GR Non Resident SCH	824	987	1,230	1,714	1,841	1,625	1,408	1,366	1,466	1,413	1,414	1,431	1,419
07.1-GR Online SCH RES	806	959	939	1,114	1,199	749	667	755	3,293	5,254	5,366	5,390	5,380
07.2-GR Online SCH NON-RES	201	240	235	283	313	272	207	263	1,104	1,752	1,795	1,801	1,797
08-GR - MEDU SCH	-	5,041	3,950	5,864	6,567	6,947	6,698	5,899	5,685	5,264	4,786	4,413	3,989
Enrollment growth: Graduate Enrollment		5.5%	-7.6%	-7.6%	6.4%	-3.7%	-6.3%	-6.3%	30.1%	15.0%	-2.4%	-2.6%	-3.5%
09-Staff	2,919	2,895	2,179	2,404	2,665	2,383	1,822	1,693	1,966	1,827	1,829	1,874	1,843
10-Waived Tuition SCH	1,136	1,632	1,653	2,195	2,121	2,268	1,788	1,871	1,976	1,878	1,908	1,921	1,902
11-Course Based Tuition SCH	2,998	4,307	4,361	5,434	5,597	6,053	6,535	5,898	6,180	6,223	6,119	6,174	6,172
12-Adv Southern Credit SCH	6,053	8,898	8,805	11,029	11,302	11,512	12,709	13,670	12,494	12,821	12,859	12,725	12,802
13-Early Entry Credit SCH	39	55	56	154	72	147	96	122	122	113	119	118	117
	13,145	17,588	17,054	21,217	21,758	22,362	22,949	23,254	22,737	22,863	22,834	22,811	22,836
		33.8%	-3.0%	24.4%	2.5%	2.8%	2.6%	1.3%	-2.2%	0.8%	-0.1%	-0.1%	0.1%
Total SCH Enrollment	201,783	209,624	202,307	194,590	193,753	196,676	192,030	195,809	200,220	202,394	203,464	204,110	204,461
		3.9%	-3.5%	-3.8%	-0.4%	1.5%	-2.4%	2.0%	2.3%	1.1%	0.5%	0.3%	0.2%

FISCAL YEAR 2018-19 BUDGET SUMMARY

Figure 2: Education and General (Budgeted Operations) proposed 2018-19 Budget

EDUCATION AND GENERAL	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2018 YTD	2018 Proj End	2019 Budget
REVENUE							
Total Tuition	36,335,550	37,257,346	37,169,558	39,109,887	37,122,800	37,959,620	42,700,752
Total Fees	1,502,598	1,374,388	3,216,341	3,317,822	3,131,017	3,260,740	3,255,539
Total Remissions	(3,211,523)	(3,890,877)	(3,586,840)	(4,053,564)	(4,231,605)	(4,056,996)	(4,142,383)
Total - Tuition, Fees, net of Remissions	34,626,624	34,740,857	36,799,059	38,374,145	36,022,214	37,163,364	41,813,908
Total - State Support	16,860,248	20,595,231	21,539,826	20,304,196	21,330,826	21,330,826	21,577,804
Misc. Other Revenue							
Subtotal - Gifts and Contracts	292,935	273,890	203,633	273,500	181,957	214,079	273,500
Subtotal - Investments/Debt/Debt Service	860,698	493,876	831,925	481,725	277,457	428,679	621,925
Subtotal - Sales and Services	661,299	732,705	601,354	1,120,918	506,088	1,125,750	1,142,523
Subtotal - Other Revenue	79,168	345,438	469,030	61,150	549,926	575,000	61,650
Subtotal - Internal Sales	7,311	5,590	-	-	-	-	-
Total - Miscellaneous Other Revenue	1,901,411	1,851,499	2,105,942	1,937,293	1,515,428	2,343,508	2,099,598
Total Revenue	53,388,283	57,187,587	60,444,827	60,615,634	58,868,468	60,837,698	65,491,310
LABOR							
Subtotal - Unclassified Salaries	19,257,412	19,503,869	20,378,196	21,526,762	17,162,656	21,033,150	22,110,421
Subtotal - Unclassified Pay	2,373,338	2,811,929	3,175,364	2,965,841	2,325,315	2,988,924	2,913,990
Subtotal - Classified Salaries	5,268,850	5,656,301	5,933,830	6,176,596	5,113,190	6,158,086	6,511,866
Subtotal - Classified Pay	258,679	280,323	263,291	153,046	227,250	272,517	153,046
Subtotal - Student Pay	1,001,457	1,054,377	1,104,851	1,298,595	970,708	1,193,768	1,388,024
Subtotal - Grad Assist	68,529	119,904	68,956	169,035	102,343	128,000	182,836
Subtotal - Benefit Compensation	62,961	33,853	84,105	5,000	88,209	89,455	5,000
Subtotal - Other Payroll Expense (OPE)	14,488,152	15,002,995	15,275,659	17,671,025	13,911,462	17,020,245	18,462,519
Total Labor	42,779,379	44,463,551	46,284,251	49,965,900	39,901,132	48,884,145	51,727,702
DIRECT EXPENSE							
Service & Supplies							
Subtotal Supplies & Services	10,225,098	11,958,696	11,725,984	12,101,775	10,471,580	12,283,779	13,670,228
Subtotal - Capital Expense	236,628	202,360	193,651	140,704	127,249	140,003	241,251
Subtotal - Student Aid	-	-	-	-	-	-	-
Subtotal - Merchandise - Resale/Redist	-	-	-	-	-	-	-
Subtotal - Internal Sales Reimbursement	(2,599,325)	(2,843,645)	(2,876,505)	(3,092,959)	(2,472,158)	(2,920,144)	(3,019,585)
Subtotal - Student Loan Related Expenses	-	-	-	-	-	-	-
Total Direct Expenditures	7,862,402	9,317,407	9,043,121	9,149,520	8,126,675	9,503,638	10,891,894
INTERFUND TRANSFERS							
Subtotal - Interfund Transfers In	(3,296,620)	(2,079,694)	(860,228)	(130,142)	(98,577)	(222,408)	(130,142)
Subtotal - Interfund Transfers Out	1,750,846	4,182,673	3,096,587	2,333,466	2,052,557	2,495,647	2,721,032
Total Transfers	(1,545,774)	2,102,979	2,236,360	2,203,324	1,953,980	2,273,239	2,590,890
Total All Expenses	49,096,008	55,883,937	57,563,732	61,318,744	49,981,786	60,661,022	65,210,486
Total Revenues Less Expenses and Transfers	4,292,276	1,303,651	2,881,095	(703,110)	8,886,682	176,676	280,824

Note: figures shown for prior years are unaudited and will not align exactly with audited financial statements as they are only through period 12, where SOU's audited financial reports are through period 14. They are shown for comparison to current year and proposed budget year figures. 2018 Projected figures are effective with the April 30, 2018 Quarterly Management Report

FISCAL YEAR 2018-19 BUDGET SUMMARY

Figure 3: Designated Operations proposed 2018-19 Budget

DESIGNATED OPERATIONS	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2018 YTD	2018 Proj End	2019 Budget
REVENUE							
Total - Tuition, Fees, net of Remissions	934,483	938,859	1,170,132	998,387	899,089	959,523	1,169,892
Total - State Support	-	-	-	-	-	-	-
Misc. Other Revenue	-	-	-	-	-	-	-
Subtotal - Gifts and Contracts	407,949	392,116	251,318	253,292	192,260	-	253,292
Subtotal - Investments/Debt/Debt Service	-	-	-	-	(2,300)	-	-
Subtotal - Sales and Services	1,716,961	2,179,953	3,134,351	2,453,002	2,142,547	2,616,032	2,637,246
Subtotal - Other Revenue	143,856	189,896	684,514	222,600	74,762	361,303	202,600
Subtotal - Student Loan Revenues	50	393	-	-	-	-	-
Subtotal - Internal Sales	3,300	5,831	1,663	-	2,590	-	-
Total Misc Other Revenue	2,272,116	2,768,189	4,071,846	2,928,894	2,409,859	2,977,335	3,093,138
Total Revenue	3,206,600	3,707,049	5,241,979	3,927,281	3,308,948	3,936,858	4,263,030
LABOR							
Subtotal - Unclassified Salaries	809,958	821,282	847,055	1,255,563	773,980	-	1,106,208
Subtotal - Unclassified Pay	338,733	327,458	329,517	361,210	271,603	-	406,232
Subtotal - Classified Salaries	127,636	154,156	162,864	177,299	156,587	-	185,046
Subtotal - Classified Pay	2,498	2,870	9,056	1,531	3,524	-	1,531
Subtotal - Student Pay	149,561	154,983	172,935	136,960	122,871	-	156,641
Subtotal - Grad Assist	-	-	-	-	-	-	-
Subtotal - Benefit Compensation	-	-	2,592	-	-	-	-
Subtotal - Other Payroll Expense (OPE)	655,086	624,007	680,871	912,893	677,925	-	958,361
Total Labor	2,083,473	2,084,756	2,204,889	2,845,456	2,006,489	2,410,040	2,814,019
DIRECT EXPENSE							
Service & Supplies	-	-	-	-	-	-	-
Subtotal Supplies & Services	1,262,637	1,369,745	2,081,498	1,708,649	1,523,379	-	1,996,508
Subtotal - Capital Expense	37,722	78,326	18,400	12,086	259,707	-	12,086
Subtotal - Student Aid	1,023	-	2,025	-	(1,000)	-	-
Subtotal - Merchandise - Resale/Redist	16,973	115,395	10,623	5,000	1,230	-	5,000
Subtotal - Internal Sales Reimbursement	(16,539)	(5,733)	(10,325)	(5,925)	(3,645)	-	(5,925)
Subtotal - Depreciation	-	-	-	-	(11,206)	-	-
Total Direct Expenditures	1,301,816	1,557,734	2,102,222	1,719,810	1,768,465	1,950,778	2,007,669
INTERFUND TRANSFERS							
Subtotal - Interfund Transfers In	(461,906)	(449,726)	(495,473)	(414,230)	(591,357)	(626,320)	(432,046)
Subtotal - Interfund Transfers Out	120,490	105,216	1,245,395	38,500	190,456	208,982	38,500
Total Transfers	(341,416)	(344,510)	749,923	(375,730)	(400,901)	(417,338)	(393,546)
Total All Expenses	3,043,873	3,297,979	5,057,034	4,189,536	3,374,053	3,943,480	4,428,142
Total Revenues Less Expenses and Transfers	162,727	409,069	184,945	(262,255)	(65,105)	(6,622)	(165,112)

Note: figures shown for prior years are unaudited and will not align exactly with audited financial statements as they are only through period 12, where SOU's audited financial reports are through period 14. They are shown for comparison to current year and proposed budget year figures. 2018 Projected figures are effective with the April 30, 2018 Quarterly Management Report

FISCAL YEAR 2018-19 BUDGET SUMMARY

Figure 4: Auxiliary Operations proposed 2018-19 Budget

AUXILIARY OPERATIONS	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2018 YTD	2018 Proj End	2019 Budget
REVENUE							
Total - Tuition, Fees, net of Remissions	5,304,620	5,745,310	6,145,322	6,845,444	6,786,670	6,295,747	6,954,826
Total - State Support	390,120	401,825	401,825	401,824	401,825	401,824	401,824
Subtotal - Gifts and Contracts	849,474	2,272,247	1,870,486	2,280,810	3,227,230		2,257,617
Subtotal - Investments/Debt/Debt Service	35,298	(80,888)	(178,251)	(180,783)	(155,993)		(182,896)
Subtotal - Sales and Services	5,802,166	6,313,722	5,176,035	7,287,431	6,540,671	7,721,322	7,077,378
Subtotal - Other Revenue	69,536	208,398	97,024	62,434	79,815	3,121,396	67,138
Subtotal - Student Loan Revenues	-	-	99	-	-	-	-
Subtotal - Internal Sales	284,651	249,465	239,224	208,803	473,695		176,163
Total Misc Other Revenue	7,041,125	8,962,944	7,204,617	9,658,695	10,165,418	10,842,718	9,395,400
Total Revenue	12,735,865	15,110,078	13,751,764	16,905,963	17,353,913	17,540,289	16,752,050
LABOR							
Subtotal - Unclassified Salaries	1,974,633	2,226,152	2,395,762	2,809,912	2,300,462		2,868,085
Subtotal - Unclassified Pay	271,683	2,442,543	176,727	170,963	144,809		174,220
Subtotal - Classified Salaries	1,050,469	1,119,585	1,367,059	1,590,215	1,264,429		1,526,542
Subtotal - Classified Pay	90,324	146,181	94,028	129,701	73,049		104,701
Subtotal - Student Pay	778,358	982,763	913,399	1,044,625	938,551		1,314,176
Subtotal - Grad Assist	-	-	-	-	14,214		-
Subtotal - Benefit Compensation	12,485	7,959	6,039	-	32,041		-
Subtotal - Reporting Payroll Expenses	-	(2,410,407)	-	-	-		-
Subtotal - Other Payroll Expense (OPE)	2,051,651	2,483,180	2,440,034	3,101,198	2,491,924		3,019,093
Total Labor	6,229,602	6,997,956	7,393,047	8,846,614	7,259,479	7,925,201	9,006,817
DIRECT EXPENSE							
Subtotal Supplies & Services	7,772,118	8,512,529	7,514,208	8,320,065	8,409,494		8,382,749
Subtotal - Capital Expense	-	190	22,209	-	-		-
Subtotal - Student Aid	225,410	193,184	162,936	193,635	165,602		203,706
Subtotal - Merchandise - Resale/Redist	149,684	33,848	16,498	15,890	12,047		15,890
Subtotal - Internal Sales Reimbursement	(159)	(800)	-	-	(1,753)		-
Subtotal - Depreciation	1,094,585	1,197,295	1,011,368	1,203,182	934,789		1,015,675
Total Direct Expenditures	9,241,638	9,936,246	8,727,219	9,732,772	9,520,179	9,318,398	9,618,020
INTERFUND TRANSFERS							
Subtotal - Interfund Transfers In	(1,221,335)	(2,015,446)	(2,103,776)	(2,901,141)	(2,161,571)	(2,509,350)	(3,240,891)
Subtotal - Interfund Transfers Out	827,763	514,820	638,498	1,073,547	567,900	658,712	1,043,547
Total Transfers	(393,572)	(1,500,626)	(1,465,278)	(1,827,594)	(1,593,671)	(1,850,638)	(2,197,344)
Total All Expenses	15,077,669	15,433,575	14,654,988	16,751,792	15,185,987	15,392,961	16,427,493
Additions/Deductions to unrestricted net assets						(1,232,583)	-
Total Revenues Less Expenses and Transfers	(2,341,803)	(323,497)	(903,224)	154,170	2,167,926	914,745	324,557

Note: figures shown for prior years are unaudited and will not align exactly with audited financial statements as they are only through period 12, where SOU's audited financial reports are through period 14. They are shown for comparison to current year and proposed budget year figures. 2018 Projected figures are effective with the April 30, 2018 Quarterly Management Report

Figure 5: Education and General Financial Pro Forma

Education and General (in thousands of dollars)	2015-17 Biennium		2017-19 Biennium			2019-21 Biennium		2021-23 Biennium	
	2015-16	2016-17	2017-18	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	Actual (000's)	Actual (000's)	BUDGET (000's)	Per QMR (000's)	Prop Budget (000's)	FORECAST (000's)	FORECAST (000's)	FORECAST (000's)	FORECAST (000's)
Revenue									
Total State Funding	20,697	21,540	20,304	21,331	21,578	22,832	23,736	24,964	25,954
Tuition, net of Remissions	34,736	34,111	38,374	37,163	41,814	43,209	45,322	47,470	49,627
Misc. Other Revenue	2,632	3,314	1,937	2,344	2,100	2,243	2,247	2,219	2,442
Other Adjustments to Revenue									
Total Revenues	58,065	58,965	60,616	60,838	65,491	68,284	71,306	74,654	78,023
Personnel Services									
Labor	(44,562)	(30,925)	(32,290)	(31,864)	(33,265)	(34,993)	(36,160)	(37,379)	(38,879)
OPE		(15,340)	(17,676)	(17,020)	(18,463)	(20,455)	(21,268)	(23,744)	(24,782)
Net Personnel	(44,562)	(46,264)	(49,966)	(48,885)	(51,728)	(55,448)	(57,428)	(61,123)	(63,661)
Total Supplies and Services	(9,271)	(9,101)	(9,150)	(9,504)	(10,892)	(11,001)	(11,001)	(11,001)	(11,001)
Total Expenditures	(53,833)	(55,365)	(59,115)	(58,388)	(62,620)	(66,449)	(68,429)	(72,124)	(74,661)
Net from Operations and Transfers	4,232	3,598,575	1,500	2,449	2,872	1,836	2,877	2,530	3,362
Net Transfers	(2,103)	(2,266)	(2,203)	(2,273)	(2,591)	(2,725)	(2,823)	(2,918)	(3,039)
Change in Fund Balance	2,129	1,333	(703)	176	281	(890)	54	(388)	323
Fund Additional (Deductions)		(1,365)							
Beginning Fund Balance	4,759	6,876	6,844	6,844	7,020	7,301	6,411	6,466	6,078
Ending Fund Balance	6,876	6,844	6,141	7,020	7,301	6,411	6,466	6,078	6,400
% Operating Revenues	11.8%	11.6%	10.1%	11.5%	11.1%	9.4%	9.1%	8.1%	8.2%

2018 Projected figures are effective with the April 30, 2018 Quarterly Management Report

Today's Action

Recommendation:

The board adopt the Fiscal Year 2018-2019 budget in the sum of \$86,066,121 inclusive of :

- Education and General [budgeted operations] in the sum of \$65,210,486;
- an Auxiliaries budget in the sum of \$16,427,493;
and
- Designated Operations in the sum of \$4,428,142.

Reminder of Our Path:

- January: Budget assumption and process discussion
- March: Tuition and mandatory fees
- March: Enrollment projection
- April: Revenue projection, based on rate/
enrollment
- May: Draft budget, ending fund balance guidance

Tuition and Enrollment Projections

New Tuition Rates Approved in March 2018 Meeting

Tuition Category	Tuition Rates		
	2017-18	2018-19	
01-WUE SCH	247.56	258.00	4.22%
02-UG Resident SCH (incl. EXRES)	165.04	172.00	4.22%
Jack/Jo Pledge	105.00	110.00	4.76%
03-UG Non Resident SCH	505.00	526.00	4.16%
04.1-UG Online SCH RES	165.04	172.00	4.22%
04.2-UG Online SCH NON-RES	165.04	172.00	4.22%
04.3-UG Online SCH WUE	165.04	172.00	4.22%
05-GR Resident SCH (incl. EXRES)	421.00	430.00	2.14%
06-GR Non Resident SCH	527.00	538.00	2.09%
07.1-GR Online SCH RES	421.00	430.00	2.14%
07.2-GR Online SCH NON-RES	421.00	430.00	2.14%
08-GR - MEDU SCH	361.46	369.00	2.09%
09-Staff	49.00	51.00	4.08%
10-Waived Tuition SCH	-	-	
11-Course Based Tuition SCH (excl. On-Line, ASC, EE, STAFF/Co-Pay)	150.00	150.00	0.00%
12-Adv Southern Credit SCH	45.00	45.00	0.00%
13-Early Entry Credit SCH	165.04	172.00	4.22%

Enrollment Projections from March 2018 Meeting

Enrollment projection - with AP included	Projected				Forecast				
Enrollment by SCH	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
01-WUE SCH	41,706	46,144	46,741	47,135	48,483	48,770	48,952	49,551	49,907
02-UG Resident SCH (incl. EXRES)	88,103	86,346	80,609	83,095	83,467	82,507	83,140	83,153	83,049
03-UG Non Resident SCH	4,736	4,729	4,657	4,984	4,786	4,805	4,855	4,815	4,825
04.1-UG Online SCH RES	18,138	16,930	17,165	17,429	17,192	17,280	17,318	17,281	17,311
04.2-UG Online SCH NON-RES	2,262	2,416	2,297	2,694	2,469	2,486	2,550	2,502	2,513
04.3-UG Online SCH WUE	4,587	5,745	6,368	6,682	7,381	7,926	8,445	9,033	9,583
Enrollment growth: Undergraduate Enrollment	-1.3%	1.7%	-2.8%	2.6%	1.1%	0.0%	0.9%	0.7%	0.5%
05-GR Resident SCH (incl. EXRES)	2,542	2,412	2,264	2,252	2,158	2,074	2,011	1,930	1,853
06-GR Non Resident SCH	1,841	1,625	1,408	1,366	1,466	1,413	1,414	1,431	1,419
07.1-GR Online SCH RES	1,199	749	667	755	3,293	5,254	5,366	5,390	5,380
07.2-GR Online SCH NON-RES	313	272	207	263	1,104	1,752	1,795	1,801	1,797
08-GR - MEDU SCH	6,567	6,947	6,698	5,899	5,685	5,264	4,786	4,413	3,989
Enrollment growth: Graduate Enrollment	6.4%	-3.7%	-6.3%	-6.3%	30.1%	15.0%	-2.4%	-2.6%	-3.5%
09-Staff	2,665	2,383	1,822	1,693	1,966	1,827	1,829	1,874	1,843
10-Waived Tuition SCH	2,121	2,268	1,788	1,871	1,976	1,878	1,908	1,921	1,902
11-Course Based Tuition SCH	5,597	6,053	6,535	5,898	6,180	6,223	6,119	6,174	6,172
12-Adv Southern Credit SCH	11,302	11,512	12,709	13,670	12,494	12,821	12,859	12,725	12,802
13-Early Entry Credit SCH	72	147	96	122	122	113	119	118	117
	21,758	22,362	22,949	23,254	22,737	22,863	22,834	22,811	22,836
	2.5%	2.8%	2.6%	1.3%	-2.2%	0.6%	-0.1%	-0.1%	0.1%
Total SCH Enrollment	193,753	196,676	192,030	195,809	200,220	202,394	203,464	204,110	204,461
	-0.4%	1.5%	-2.4%	2.0%	2.3%	1.1%	0.5%	0.3%	0.2%

Enrollment projection - with AP included	Projected				Forecast				
Enrollment by SCH	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
01-WUE SCH	41,706	46,144	46,741	47,135	48,483	48,770	48,952	49,551	49,907
02-UG Resident SCH (incl. EXRES)	88,103	86,346	80,609	83,095	83,467	82,507	83,140	83,153	83,049
03-UG Non Resident SCH	4,736	4,729	4,657	4,984	4,786	4,805	4,855	4,815	4,825
04.1-UG Online SCH RES	18,138	16,930	17,165	17,429	17,192	17,280	17,318	17,281	17,311
04.2-UG Online SCH NON-RES	2,262	2,416	2,297	2,694	2,469	2,486	2,550	2,502	2,513
04.3-UG Online SCH WUE	4,587	5,745	6,368	6,682	7,381	7,926	8,445	9,033	9,583
Enrollment growth: Undergraduate Enrollment	-1.3%	1.7%	-2.8%	2.6%	1.1%	0.0%	0.9%	0.7%	0.5%
05-GR Resident SCH (incl. EXRES)	2,542	2,412	2,264	2,252	2,158	2,074	2,011	1,930	1,853
06-GR Non Resident SCH	1,841	1,625	1,408	1,366	1,466	1,413	1,414	1,431	1,419
07.1-GR Online SCH RES	1,199	749	667	755	3,293	5,254	5,366	5,390	5,380
07.2-GR Online SCH NON-RES	313	272	207	263	1,104	1,752	1,795	1,801	1,797
08-GR - MEDU SCH	6,567	6,947	6,698	5,899	5,685	5,264	4,786	4,413	3,989
Enrollment growth: Graduate Enrollment	6.4%	-3.7%	-6.3%	-6.3%	30.1%	15.0%	-2.4%	-2.6%	-3.5%
09-Staff	2,665	2,383	1,822	1,693	1,966	1,827	1,829	1,874	1,843
10-Waived Tuition SCH	2,121	2,268	1,788	1,871	1,976	1,878	1,908	1,921	1,902
11-Course Based Tuition SCH	5,597	6,053	6,535	5,898	6,180	6,223	6,119	6,174	6,172
12-Adv Southern Credit SCH	11,302	11,512	12,709	13,670	12,494	12,821	12,859	12,725	12,802
13-Early Entry Credit SCH	72	147	96	122	122	113	119	118	117
	21,758	22,362	22,949	23,254	22,737	22,863	22,834	22,811	22,836
	2.5%	2.8%	2.6%	1.3%	-2.2%	0.6%	-0.1%	-0.1%	0.1%
Total SCH Enrollment	193,753	196,676	192,030	195,809	200,220	202,394	203,464	204,110	204,461
	-0.4%	1.5%	-2.4%	2.0%	2.3%	1.1%	0.5%	0.3%	0.2%

Enrollment projection - with AP included	Projected				Forecast				
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment by SCH									
01-WUE SCH	41,706	46,144	46,741	47,135	48,483	48,770	48,952	49,551	49,907
02-UG Resident SCH (incl. EXRES)	88,103	86,346	80,609	83,095	83,467	82,507	83,140	83,153	83,049
03-UG Non Resident SCH	4,736	4,729	4,657	4,984	4,786	4,805	4,855	4,815	4,825
04.1-UG Online SCH RES	18,138	16,930	17,165	17,429	17,192	17,280	17,318	17,281	17,311
04.2-UG Online SCH NON-RES	2,262	2,416	2,297	2,694	2,469	2,486	2,550	2,502	2,513
04.3-UG Online SCH WUE	4,587	5,745	6,368	6,682	7,381	7,926	8,445	9,033	9,583
Enrollment growth: Undergraduate Enrollment	-1.3%	1.7%	-2.8%	2.6%	1.1%	0.0%	0.9%	0.7%	0.5%
05-GR Resident SCH (incl. EXRES)	2,542	2,412	2,264	2,252	2,158	2,074	2,011	1,930	1,853
06-GR Non Resident SCH	1,841	1,625	1,408	1,366	1,466	1,413	1,414	1,431	1,419
07.1-GR Online SCH RES	1,199	749	667	755	3,293	5,254	5,366	5,390	5,380
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Enrollment growth: Graduate Enrollment	6.4%	-3.7%	-6.3%	-6.3%	30.1%	15.0%	-2.4%	-2.6%	-3.5%
09-Staff	2,665	2,383	1,822	1,693	1,966	1,827	1,829	1,874	1,843
10-Waived Tuition SCH	2,121	2,268	1,788	1,871	1,976	1,878	1,908	1,921	1,902
11-Course Based Tuition SCH	5,597	6,053	6,535	5,898	6,180	6,223	6,119	6,174	6,172
12-Adv Southern Credit SCH	11,302	11,512	12,709	13,670	12,494	12,821	12,859	12,725	12,802
13-Early Entry Credit SCH	72	147	96	122	122	113	119	118	117
	21,758	22,362	22,949	23,254	22,737	22,863	22,834	22,811	22,836
	2.5%	2.8%	2.6%	1.3%	-2.2%	0.6%	-0.1%	-0.1%	0.1%
Total SCH Enrollment	193,753	196,676	192,030	195,809	200,220	202,394	203,464	204,110	204,461
	-0.4%	1.5%	-2.4%	2.0%	2.2%	1.1%	0.5%	0.3%	0.2%

Revenue

EDUCATION AND GENERAL REVENUE	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
Total Tuition	36,335,550	37,257,346	37,169,558	37,959,620	42,700,752
Total Fees	1,502,598	1,374,388	3,216,341	3,260,740	3,255,539
Total Remissions	(3,211,523)	(3,890,877)	(3,586,840)	(4,056,996)	(4,142,383)
Total - Tuition, Fees, net of Remissions	34,626,624	34,740,857	36,799,059	37,163,364	41,813,908
Total - State Support	16,860,248	20,595,231	21,539,826	21,330,826	21,577,804
Misc. Other Revenue					
Subtotal - Gifts and Contracts	292,935	273,890	203,633	214,079	273,500
Subtotal - Investments/Debt/Debt Service	860,698	493,876	831,925	428,679	621,925
Subtotal - Sales and Services	661,299	732,705	601,354	1,125,750	1,142,523
Subtotal - Other Revenue	79,168	345,438	469,030	575,000	61,650
Subtotal - Internal Sales	7,311	5,590	-	-	-
Total - Miscellaneous Other Revenue	1,901,411	1,851,499	2,105,942	2,343,508	2,099,598
Total Revenue	53,388,283	57,187,587	60,444,827	60,837,698	65,491,310

EDUCATION AND GENERAL REVENUE	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
Total Tuition	36,335,550	37,257,346	37,169,558	37,959,620	42,700,752
Total Fees	1,502,598	1,374,388	3,216,341	3,260,740	3,255,539
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Total Revenue	53,388,283	57,187,587	60,444,827	60,837,698	65,491,310

Tuition Revenue: Driven by Online MBA enrollment and 4.22% rate increase

EDUCATION AND GENERAL REVENUE	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
Total Tuition	36,335,550	37,257,346	37,169,558	37,959,620	42,700,752
Total Fees	1,502,598	1,374,388	3,216,341	3,260,740	3,255,539
Total Remissions	(3,211,523)	(3,890,877)	(3,586,840)	(4,056,996)	(4,142,383)
Total - Tuition, Fees, net of Remissions	34,626,624	34,740,857	36,799,059	37,163,364	41,813,908
Total - State Support	16,860,248	20,595,231	21,539,826	21,330,826	21,577,804
Misc. Other Revenue					
Subtotal - Gifts and Contracts	292,935	273,890	203,633	214,079	273,500
Subtotal - Investments/Debt/Debt Service	860,698	493,876	831,925	428,679	621,925
Subtotal - Sales and Services	661,299	732,705	601,354	1,125,750	1,142,523
Subtotal - Other Revenue	79,168	345,438	469,030	575,000	61,650
Subtotal - Internal Sales	7,311	5,590	-	-	-
Total - Miscellaneous Other Revenue	1,901,411	1,851,499	2,105,942	2,343,508	2,099,598
Total Revenue	53,388,283	57,187,587	60,444,827	60,837,698	65,491,310

Remissions: Continuing significant growth from FY18, per TAC



EDUCATION AND GENERAL REVENUE	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
Total Tuition	36,335,550	37,257,346	37,169,558	37,959,620	42,700,752
Total Fees	1,502,598	1,374,388	3,216,341	3,260,740	3,255,539
Total Remissions	(3,211,523)	(3,890,877)	(3,586,840)	(4,056,996)	(4,142,383)
Total - Tuition, Fees, net of Remissions	34,626,624	34,740,857	36,799,059	37,163,364	41,813,908
Total - State Support	16,860,248	20,595,231	21,539,826	21,330,826	21,577,804
Misc. Other Revenue					
Subtotal - Gifts and Contracts	292,935	273,890	203,633	214,079	273,500
Subtotal - Investments/Debt/Debt Service	860,698	493,876	831,925	428,679	621,925
Subtotal - Sales and Services	661,299	732,705	601,354	1,125,750	1,142,523
Subtotal - Other Revenue	79,168	345,438	469,030	575,000	61,650
Subtotal - Internal Sales	7,311	5,590	-	-	-
Total - Miscellaneous Other Revenue	1,901,411	1,851,499	2,105,942	2,343,508	2,099,598
Total Revenue	53,388,283	57,187,587	60,444,827	60,837,698	65,491,310

State Support: Growth in funding due to SOU beating “Average” results

EDUCATION AND GENERAL REVENUE	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
Total Tuition	36,335,550	37,257,346	37,169,558	37,959,620	42,700,752
Total Fees	1,502,598	1,374,388	3,216,341	3,260,740	3,255,539
Total Remissions	(3,211,523)	(3,890,877)	(3,586,840)	(4,056,996)	(4,142,383)
Total - Tuition, Fees, net of Remissions	34,626,624	34,740,857	36,799,059	37,163,364	41,813,908
Total - State Support	16,860,248	20,595,231	21,539,826	21,330,826	21,577,804
Misc. Other Revenue					
Subtotal - Gifts and Contracts	292,935	273,890	203,633	214,079	273,500
Subtotal - Investments/Debt/Debt Service	860,698	493,876	831,925	428,679	621,925
Subtotal - Sales and Services	661,299	732,705	601,354	1,125,750	1,142,523
Subtotal - Other Revenue	79,168	345,438	469,030	575,000	61,650
Subtotal - Internal Sales	7,311	5,590	-		
Total - Miscellaneous Other Revenue	1,901,411	1,851,499	2,105,942	2,343,508	2,099,598
Total Revenue	53,388,283	57,187,587	60,444,827	60,837,698	65,491,310

Miscellaneous Other: Minimal growth, based on trend lines

Expenditures

EDUCATION AND GENERAL	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
LABOR					
Subtotal - Unclassified Salaries	19,257,412	19,503,869	20,378,196	21,033,150	22,110,421
Subtotal - Unclassified Pay	2,373,338	2,811,929	3,175,364	2,988,924	2,913,990
Subtotal - Classified Salaries	5,268,850	5,656,301	5,933,830	6,158,086	6,511,866
Subtotal - Classsified Pay	258,679	280,323	263,291	272,517	153,046
Subtotal - Student Pay	1,001,457	1,054,377	1,104,851	1,193,768	1,388,024
Subtotal - Grad Assist	68,529	119,904	68,956	128,000	182,836
Subtotal - Benefit Compensation	62,961	33,853	84,105	89,455	5,000
Subtotal - Other Payroll Expense (OPE)	14,488,152	15,002,995	15,275,659	17,020,245	18,462,519
Total Labor	42,779,379	44,463,551	46,284,251	48,884,145	51,727,702
Total All Expenses	49,096,008	55,883,937	57,563,732	60,661,022	65,210,486

Labor = 79.3% of total expenditures



EDUCATION AND GENERAL

LABOR

	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
Subtotal - Unclassified Salaries	19,257,412	19,503,869	20,378,196	21,033,150	22,110,421
Subtotal - Unclassified Pay	2,373,338	2,811,929	3,175,364	2,988,924	2,913,990
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Total Labor	42,779,379	44,463,551	46,284,251	48,884,145	51,727,702

Pay is increasing at 4.4%, combination of COLA, Steps, YIR

EDUCATION AND GENERAL	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
LABOR					
Subtotal - Unclassified Salaries	19,257,412	19,503,869	20,378,196	21,033,150	22,110,421
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Total Labor	42,779,379	44,463,551	46,284,251	48,884,145	51,727,702

Other Payroll Expenses (OPE) make up 35.7% of total payroll

EDUCATION AND GENERAL	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
LABOR					
Subtotal - Unclassified Salaries	19,257,412	19,503,869	20,378,196	21,033,150	22,110,421
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Total Labor	42,779,379	44,463,551	46,284,251	48,884,145	51,727,702
Total All Expenses	49,096,008	55,883,937	57,563,732	60,661,022	65,210,486

- Other Payroll Expenses (OPE) make up 35.7% of total payroll
- OPE is increasing at 8.5%, = 35% of total expenditure growth



EDUCATION AND GENERAL

	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
DIRECT EXPENSE					
Service & Supplies					
Subtotal Supplies & Services	10,225,098	11,958,696	11,725,984	12,283,779	13,670,228
Subtotal - Capital Expense	236,628	202,360	193,651	140,003	241,251
Subtotal - Student Aid	-	-	-	-	-
Subtotal - Merchandise - Resale/Redist	-	-	-	-	-
Subtotal - Internal Sales Reimbursement	(2,599,325)	(2,843,645)	(2,876,505)	(2,920,144)	(3,019,585)
Subtotal - Student Loan Related Expenses	-	-	-	-	-
Total Direct Expenditures	7,862,402	9,317,407	9,043,121	9,503,638	10,891,894
<hr/>					
Total All Expenses	49,096,008	55,883,937	57,563,732	60,661,022	65,210,486

Services and Supplies = 16.7% of total expenditures

EDUCATION AND GENERAL

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DIRECT EXPENSE					
Service & Supplies					
Subtotal Supplies & Services	10,225,098	11,958,696	11,725,984	12,283,779	13,670,228
Subtotal - Capital Expense	236,628	202,360	193,651	140,003	241,251
Subtotal - Student Aid	-	-	-	-	-
Subtotal - Merchandise - Resale/Redist	-	-	-	-	-
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Subtotal - Student Loan Related Expenses	-	-	-	-	-
Total Direct Expenditures	7,862,402	9,317,407	9,043,121	9,503,638	10,891,894

- Services and Supplies = 16.7% of total expenditures
- S&S is increasing at 14.6%

EDUCATION AND GENERAL

	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
DIRECT EXPENSE					
Service & Supplies					
Subtotal Supplies & Services	10,225,098	11,958,696	11,725,984	12,283,779	13,670,228
Subtotal - Capital Expense	236,628	202,360	193,651	140,003	241,251
Subtotal - Student Aid	-	-	-	-	-
Subtotal - Merchandise - Resale/Redist	-	-	-	-	-
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Subtotal - Student Loan Related Expenses	-	-	-	-	-
Total Direct Expenditures	7,862,402	9,317,407	9,043,121	9,503,638	10,891,894

- Services and Supplies = 16.7% of total expenditures
- S&S is increasing at 14.6%
- Primarily, due to the cost of the Online MBA

EDUCATION AND GENERAL

	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
INTERFUND TRANSFERS					
Subtotal - Interfund Transfers In	(3,296,620)	(2,079,694)	(860,228)	(222,408)	(130,142)
Subtotal - Interfund Transfers Out	1,750,846	4,182,673	3,096,587	2,495,647	2,721,032
Total Transfers	(1,545,774)	2,102,979	2,236,360	2,273,239	2,590,890
<hr/>					
Total All Expenses	49,096,008	55,883,937	57,563,732	60,661,022	65,210,486

Interfund Transfers = 4% of total expenditures

EDUCATION AND GENERAL

	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
INTERFUND TRANSFERS					
Subtotal - Interfund Transfers In	(3,296,620)	(2,079,694)	(860,228)	(222,408)	(130,142)
Subtotal - Interfund Transfers Out	1,750,846	4,182,673	3,096,587	2,495,647	2,721,032
Total Transfers	(1,545,774)	2,102,979	2,236,360	2,273,239	2,590,890

- Interfund Transfers = 4% of total expenditures
- Transfers are increasing 14%

EDUCATION AND GENERAL

	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
INTERFUND TRANSFERS					
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- Interfund Transfers = 4% of total expenditures
- Transfers are increasing 14%
- Primarily due to:

EDUCATION AND GENERAL

	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
INTERFUND TRANSFERS					
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Total Transfers	(1,545,774)	2,102,979	2,236,360	2,273,239	2,590,890

- Interfund Transfers = 4% of total expenditures
- Transfers are increasing 14%
- Primarily due to:
 - Labor increases in supported programs: Athletics/JPR
 - Addition of the Student Recreation Center for Academic use

Summary:

- Revenue
 - Tuition: Main drivers: Online MBA, 4.22% Rate increase
 - Remissions: Continuing significant growth targeting high need, last mile
 - State Support: Working hard to bend the curve in favor of SOU

- Labor
 - Primary driver: Other Payroll Expenses – amplified impact due labor % of total

- Supplies and Services
 - Primary driver: Online MBA

- Interfund Transfers
 - Primary driver: Labor cost increases, Adding Student Recreation Center



Proposed Ending Fund Balance:

EDUCATION AND GENERAL	2015 Actual	2016 Actual	2017 Actual	2018 Proj End	2019 Budget
REVENUE					
Total - Tuition, Fees, net of Remissions	34,626,624	34,740,857	36,799,059	37,163,364	41,813,908
Total - State Support	16,860,248	20,595,231	21,539,826	21,330,826	21,577,804
Total - Miscellaneous Other Revenue	1,901,411	1,851,499	2,105,942	2,343,508	2,099,598
Total Revenue	53,388,283	57,187,587	60,444,827	60,837,698	65,491,310
LABOR					
Total Labor	42,779,379	44,463,551	46,284,251	48,884,145	51,727,702
DIRECT EXPENSE					
Total Direct Expenditures	7,862,402	9,317,407	9,043,121	9,503,638	10,891,894
INTERFUND TRANSFERS					
Total Transfers	(1,545,774)	2,102,979	2,236,360	2,273,239	2,590,890
Total All Expenses	49,096,008	55,883,937	57,563,732	60,661,022	65,210,486
Total Revenues Less Expenses and Transfers	4,292,276	1,303,651	2,881,095	176,676	280,824
BEGINNING FUND BALANCE				6,843,948	7,020,624
ENDING FUND BALANCE				7,020,624	7,301,448
% OF TOTAL REVENUE				11.5%	11.1%

Questions ???

**Southern Oregon University
Board of Trustees
Finance and Administration Committee**

**Resolution
Recommended Adoption of Fiscal Year 2018-2019 Budget**

Whereas, ORS 352.102(1) provides that, except as set forth within ORS 352.102, the Board of Trustees may authorize, establish, collect, manage, use in any manner and expend all revenue derived from tuition and mandatory enrollment fees;

Whereas, ORS 352.107(1)(a) provides that the Board of Trustees may acquire, receive, hold, keep, pledge, control, convey, manage, use, lend, expend and invest all moneys, appropriations, gifts, bequests, stock and revenue from any source;

Whereas, ORS 352.107(1)(i) provides that the Board of Trustees may, subject to limitations set forth in that section, spend all available moneys without appropriation or expenditure limitation approval from the Legislative Assembly; and

Whereas, ORS 352.107(2) requires, and the Finance and Administration Committee finds, that the budget of the Southern Oregon University is prepared in accordance with generally accepted accounting principles; Now, therefore,

Be it resolved, the Finance and Administration Committee of the Board of Trustees has conducted a thorough review and recommends the board adopt the Fiscal Year 2018-2019 budget in the sum of \$86,066,121 inclusive of Education and General [budgeted operations] in the sum of \$65,210,486; an auxiliaries budget in the sum of \$16,427,493; and designated operations in the sum of \$4,428,142.

VOTE:

DATE: June 21, 2018

Recorded by the University Board Secretary:

Investment Update

Report on Investments – as of March 31, 2018

Market Background

(Provided by Callan Associates, Oregon Investment Council consultant)

Macroeconomic Environment

Rumors of the death of market volatility have been greatly exaggerated...

One month into the new calendar year, it seemed as though markets were lining up for another torrid quarter of stock market performance; 2018 saw the biggest January gain since 1997. Market participants continued to digest another dose of impressive quarterly earnings, the profit-enhancing impact of the Tax and Jobs Act, and a host of other positive economic data in the U.S. and abroad. Likewise, across global bond markets, global sovereign yields rose with expectations of monetary policy normalization by major central banks (the Bank of Japan and European Central Bank in particular), while corporate credit markets outperformed given the positive global economic environment. However, much changed during the first week of February; a sharp correction in global markets accompanied a spike in volatility, seemingly triggered by an accumulation of data that reflected a shift in investors' inflation expectations. The S&P 500 Index posted its first monthly loss (-3.7%) and largest weekly decline (more than 10%) since January 2016, while the Chicago Board of Exchange Volatility Index (VIX) soared to its highest level since August 2015. Volatility was exacerbated by anxiety about overly optimistic sentiment, de-risking on the part of systematic investors, and accelerating wage growth. Other noteworthy events and activity on the economic and political fronts included: a new and larger than anticipated spending bill in the U.S.; talk of tariffs and fear of potential trade wars; volatility within the Master Limited Partnership (MLP) sector following changes in tax treatment by Federal Energy Regulatory Commission (FERC); further deterioration of relations between Russia and U.S.; a more hawkish tone by global Central Banks; and continuing changes within the Trump Administration's cabinet, as Veteran Affairs Secretary David Shulkin, Secretary of State Rex Tillerson, and the National Economic Council Director Gary Cohn all vacated key offices during the quarter.

Despite the market gyrations experienced during parts of the first calendar quarter of 2018 U.S. economic data continued to support the view of a relatively healthy, steadily growing economy. Fourth calendar quarter Gross Domestic Product (GDP) in the U.S. was revised upward by 40 basis points, from 2.5% to 2.9%, and the unemployment rate sunk further to 4.1%—the lowest since 2000. Inflation notched higher but has still remained surprisingly low given the length of the current economic expansion and the degree of tightness in labor markets. Estimates for Personal and Disposable Personal Income both increased by 0.4% in February. On the corporate earnings front, the market appears to anticipate another year of strong earnings per share growth (~20% according to Institutional Broker's Estimate System in February), due in some part to the recent tax cuts. The National Association of Realtors' March report offered more supportive data: existing home sales bounced back in February after two straight months of declines, with sales now 1.1% above a year ago. Sourcing the mostly good news through the first three months, President Trump signed a memorandum targeting up to \$60 billion in Chinese goods with tariffs over what his administration says is misappropriation of U.S. intellectual property, in addition to tariffs on steel and aluminum imports. Additional headwinds included expectations of continued rate hikes (two to three by calendar year end), popular companies drawing the ire from the administration (e.g., Facebook, Amazon, Tesla), and continued political tensions with Russia and North Korea.

Overseas, economic activity across the euro zone remained solid throughout the first calendar quarter, though stock market performance was weak in local currency terms. Euro area GDP growth continued to hover above 2%, unemployment still trended lower (8.6% as of January 2018), and credit growth continued to expand while inflation remained manageable at just over 1% as of February. However, lingering political risks remain in place, including uncertainty around Italy's ability to manage coalition talks as well as ongoing British Exit (Brexit)-related negotiations between the United Kingdom (U.K.) and European Union. In Japan, labor markets continued to tighten, wage growth modestly ticked up, and inflation remained tempered. Many market participants expect a GDP boost from 2020 Tokyo Olympics-related spending in the coming quarters. In China, where the government continues to target growth of around 6.5% with a somewhat tighter fiscal stance, the market remained focused on the country's ability to balance much-needed supply-side reform (including an effort to reduce excess capacity in certain segments of the economy and debt levels) without disturbing continued growth. Growing trade-related tensions between the U.S., China and other global trade partners is a key issue to monitor in the near term.

Equity Market Results

Volatility returned to the equity markets in February and March, spurred by an unexpected uptick in wage gains, geopolitical tensions, and the looming threat of a trade war. The S&P 500 Index saw six days of movements greater than 2% during the quarter versus zero 2% swings in all of 2017. The Index fell 0.8%, its first quarterly loss since 2015. This modest loss belied volatile intra-quarter results where the S&P 500 reached a record high on January 26, then fell about 8% to close the quarter. Volatility, as measured by the VIX, spiked 116% on Feb 5 when the market sank 4%, marking the biggest jump ever recorded—albeit from historically low levels. In this environment, performance across styles and sectors was mixed. Growth continued to outperform value (Russell 1000 Growth: +1.4% Russell 1000 Value: -2.8%) across the capitalization spectrum. Small caps outperformed large in both the value and growth spaces. With respect to sectors, Consumer Staples and Telecommunications both fell over 7% for the quarter while Consumer Discretionary and Technology posted gains of more than 3%. Amazon (+24%) and Netflix (+54%) were key drivers in Consumer Discretionary. Amazon and Microsoft were the top contributors in the quarter and added a meaningful 73 basis points to the total return of the S&P 500.

Meanwhile, developed non-U.S. equity market returns were helped by U.S. dollar weakness. The dollar has been hurt by growing worries over a trade war with China as well as signs that rates may be poised to rise in other countries as global economies improve. The yen was the best performing currency among developed markets, hitting a 17-month high as worries over trade policy spurred demand for the safe-haven currency. In local terms, Japan's equity benchmark fell nearly 6%, but the strength of the yen brought returns in U.S. dollar terms to +0.8%. Likewise, Brexit woes sank the local U.K. market (-8%) but the pound's appreciation versus the dollar offset a good portion of the loss for U.S. investors (-4%). Overall, the Morgan Stanley Capital Indices (MSCI) Europe, Australasia, Far East fell 4.3% in local terms, but only lost 1.5% in U.S. Dollar terms. Emerging markets performed relatively well (+1.4%), though there was wide dispersion among individual countries: Poland and India fell roughly 8% and 5%, respectively, China posted a modest gain (+1.8%), and Russia and Brazil were up 9% and 12%, respectively.

Fixed Income Market Results

Through the first two months of the first calendar quarter, the 10-year U.S. Treasury yield marched steadily higher on the heels of positive economic data, only to fall through March as equity market weakness and concerns over a looming trade war pushed yields lower. The new Federal Reserve Chair, Jerome Powell,

announced his first (widely expected) rate hike in March, raising the Federal Funds rate to 1.50 – 1.75%. Investors are projecting another two hikes this calendar year, and three to four more in calendar year 2019. The 10-year U.S. Treasury yield climbed to a peak of nearly 3% during the quarter before closing at 2.74%, 34 basis points higher than at calendar year-end. Two-year U.S. Treasury yields rose nearly 40 basis points to their highest level since 2008, closing the quarter at 2.27%. The Bloomberg Barclays U.S. Aggregate Index fell 1.5%, with corporate and securitized sectors underperforming Treasuries for the first time in many quarters. High yield corporates suffered outflows and the Bloomberg Barclays High Yield Index fell 0.9%. The S&P/Loan Syndications and Trading Association Leveraged Loan 100 Index benefited from higher rates and rose 1.4%. Conversely, Developed non-U.S. fixed income market returns were also buoyed by U.S. dollar weakness. Generally, currency movements drove global fixed income returns more than interest rate changes in the first calendar quarter, as seen by the return differential in the hedged and unhedged versions of the Bloomberg Barclays Global Aggregate Index (-0.1% and +1.4%, respectively). Credit underperformed government bonds and local currency emerging market debt was a top performing asset class in the first calendar quarter (JP Morgan Global Bond Emerging Market Global Diversified Index: +4.4%). U.S. dollar-denominated emerging market debt did not perform as well (JP Morgan Global Diversified Index: -1.7%) as spreads widened in sympathy with the broader risk-off environment. Finally, municipal bonds underperformed Treasuries in the first calendar quarter in spite of shrinking supply and continued inflows to the sector. As a result, the ratio of the yield of AAA rated 10-year municipals relative to the 10-year U.S. Treasury climbed to 89% as of quarter-end, up from 81% at calendar year-end 2017. The Bloomberg Barclays Municipal Bond Index lost 1.1% and the shorter duration 1-10 Year Blend fell 0.7%.

Other Asset Results

Commodities were among the top-performing major asset classes in the first calendar quarter of 2018 as strong grain and crude-oil prices offset weak livestock and base metal performance. Despite the strength of Energy commodities (+4.8% for the Energy component of the Goldman Sachs Commodity Index), energy-related equities (S&P Energy sector) were down nearly 6% in the first calendar quarter. Across other sub-sectors, agriculture was the largest contributor during the quarter, led by corn, soybeans, and wheat. Meanwhile, precious and industrial metals were about flat, but with wide dispersion (steel was up 33% on strong demand, while palladium, copper, and aluminum were down between -8% and -12%). Both listed infrastructure and real estate suffered negative returns (DJ-Brookfield Global Infrastructure Index: -5.3%, MSCI U.S. REIT Index: -8.4%) throughout the quarter as higher yields and prospects of more rate hikes ahead weighed on these and other rate-sensitive assets. The midstream infrastructure space felt a double whammy (Alerian MLP Index: -11.1%) from rate hike concerns and a negative ruling by FERC on March 14, which led to a widespread sell-off across the sector. Meanwhile, Treasury Inflation Protected Securities (TIPS) outperformed nominal Treasuries in the first calendar quarter, with the Bloomberg Barclays U.S. TIPS Index returning -0.8%.

Closing Thoughts

Reflecting on these last three months, the environment and general mood in the market appear to have shifted to a more cautious state. The broader, macro-oriented stories on which we and many other investors are watching closely include elevated tensions between the U.S. and other, key global trade partners (China chief among them), the pace of rises in both domestic and global interest rates and inflation, the return of equity volatility, currency trends (i.e. continued USD weakening, yen appreciation) as well as further policy normalization by global central banks. While doing so, we continue to suggest that investors temper return

expectations, maintain a long-term perspective, and adhere to prudent asset allocation with appropriate levels of diversification.

Public University Fund

(Prepared by the Public University Fund Administrator)

The Public University Fund (PUF) declined 0.1% for the quarter and gained 0.5% fiscal year-to-date through March 31, 2018. The PUF's three-year average total return was 1.3%.

The Oregon Short-Term Fund (OSTF) returned 0.5% for the quarter and 1.2% fiscal year-to-date, outperforming its benchmark by 10 and 30 basis points, respectively. The Core Bond Fund declined 0.8% for the quarter and declined 0.5% fiscal year-to-date, outperforming its benchmark by 10 basis points during both periods. In April, Oregon State Treasury fixed income portfolio manager, Tom Lofton, conducted a quarterly performance review with university staff. Mr. Lofton discussed the OSTF's favorable sensitivity to rising short-term interest rates. Daily, the OSTF portfolio managers are reinvesting proceeds from maturing securities into new securities with higher coupons, resulting in rising investment income yields for investors. The annualized yield for the Oregon Short-Term Fund was 2.1% as of March 31, 2018, rising 80 basis points during the trailing 12 month period.

The PUF Administrator invested \$45 million of excess liquidity into the Core Bond Fund during the quarter.

During the quarter, investment earnings distributed to Southern Oregon University totaled \$126,438. The market value of SOU's allocable share of the PUF was \$25,322,225 on March 31, 2018.

Southern Oregon University Endowment Fund

(Prepared by USSE Staff)

The SOU Endowment Fund declined 1.0% for the quarter and gained 8.0% fiscal year-to-date, in line with its policy benchmark for the quarter and outpacing its benchmark by 90 basis points, fiscal year-to-date. The Fund ended the quarter with a balance of \$2.5 million.

The majority of the Fund's assets (77%) are allocated to a global equity index strategy while 23% of the portfolio is allocated to an "actively" managed fixed income fund. For the three months ended March 31, the Western Asset Core Plus Bond Fund returned negative 1.4%, outperforming the Bloomberg Barclays U.S. Aggregate Bond Index by 10 basis points. The Blackrock All-Country World Index performed in line with its benchmark, down 0.9% for the quarter.

Southern Oregon University

Investment Summary

as of March 31, 2018

(Net of Fees)

	Quarter Ended 3/31/2018	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
SOU Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	0.5%	0.8%	1.2%	1.0%	0.8%	0.9%	\$ 10,143,368	40.1%	1
Benchmark - 91 day T-Bill	0.4%	0.3%	0.9%	0.5%	0.3%	0.3%			
PUF Core Bond Fund	-0.8%	N/A	-0.5%	N/A	N/A	N/A	15,178,857	59.9%	1
Blended Benchmark ²	-0.9%	N/A	-0.6%	1.2%	1.4%	N/A			
Public University Fund Total Return	-0.1%	0.3%	0.5%	1.3%			<u>\$ 25,322,225</u>	<u>100.0%</u>	
Public University Fund Investment Yield	0.5%	1.3%	1.5%	1.7%					
SOU Endowment Assets									
BlackRock ACWIIMI B	-0.9%	14.4%	10.4%	8.5%	9.7%	N/A	\$ 1,883,668	76.5%	75.0%
Benchmark - MSCI ACWIIMI Net	-0.9%	14.2%	10.3%	8.3%	9.3%	5.9%			
Western Asset Core Plus Bond Fund	-1.4%	1.2%	0.9%	3.1%	3.5%	6.0%	575,978	23.4%	25.0%
Benchmark - Bloomberg Barclays Aggregate Index	-1.5%	-1.7%	-0.2%	1.2%	1.8%	3.6%			
Cash	0.5%	0.8%	1.2%	1.0%	0.8%	0.9%	1,403	0.0%	0.0%
Benchmark - 91 day T-Bill	0.4%	0.3%	0.9%	0.5%	0.3%	0.3%			
							<u>2,461,049</u>	<u>99.9%</u>	
Arrowstreet Tax Reclaim Receivable							2,079	0.1%	
Total Endowment Assets	-1.0%	10.4%	8.0%	6.8%	8.5%	6.6%	<u>\$ 2,463,128</u>	<u>100.0%</u>	
Policy Benchmark ³	-1.0%	9.2%	7.1%	N/A	N/A	N/A			

¹ The Public University Fund (PUF) policy guidelines define investment allocation targets based upon total participant dollars committed. Core balances in excess of liquidity requirements for the participants are available for investment in the Core Bond Fund. Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

² Blended Benchmark Composition: 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.

³ Policy Benchmark Composition: 75% Morgan Stanley Capital Indices All-Country World Investable Market Index Net , 25% Bloomberg Barclays Aggregate Bond Index.

Note: Outlined returns underperformed their benchmark.

Future Meetings

Adjournment