



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

June 8, 2017

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 committee dashboard and general updates. There will be discussion and action on a recommendation for approval of a contract with Academic Partnerships and on the fiscal year 2017-18 budget.

The meeting will occur as follows:

Thursday, June 15, 2017
4:00 p.m. to 6:00 p.m. (or until business concludes)
Hannon Library, DeBoer Room, 3rd Floor, Room #303

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 15, 2017

Call to Order and Preliminary Business



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

**Thursday, June 15, 2017
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 and Preliminary Business | Chair Nicholson |
| | 1.1 | Welcome and Opening Remarks | |
| | 1.2 | Roll Call | Sabrina Prud'homme,
SOU, Board Secretary |
| | 1.3 | Agenda Review | Chair Nicholson |
| | 1.4 | Consent Agenda: Approval of May 18, 2017 Meeting Minutes (Action) | |
| | 2 | Public Comment | |
| ~ 10 min. | 3 | Vice President's Report | Craig Morris, SOU, Vice
President for Finance and
Administration |
| | 3.1 | Committee Dashboard Review | |
| | 3.2 | General Updates | |
| ~ 30 min. | 4 | Recommendation for Approval of Contract with Academic Partnerships (Action) | Jason Catz, SOU, General
Counsel |
| ~ 75 min. | 5 | Fiscal Year 2017-18 Budget (Action) | President Schott; Craig
Morris; Mark Denney,
SOU, Associate Vice
President for Budget and
Planning |
| ~ 5 min. | 6 | Future Meetings | Chair Nicholson |
| | 7 | Adjourn | Chair Nicholson |



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

**Thursday, May 18, 2017
4:00 p.m. – 5:30 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Chair Nicholson called the meeting to order at 4:01 p.m. He welcomed Sheila Clough, the board's newest trustee. The board chair appointed her to the Finance and Administration Committee, after Trustee Vincent graciously ceded his position on the committee. Chair Nicholson also welcomed Penny Burgess to the meeting.

The following committee members were present: Paul Nicholson, Sheila Clough, Jeremy Nootenboom, April Sevcik and Dennis Slattery. Trustees Les AuCoin and Lyn Hennion participated remotely. Trustees Steve Vincent and Linda Schott (ex officio) also attended the meeting.

Other meeting guests included: Craig Morris, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic Affairs; Jason Catz, General Counsel; Janet Fratella, Vice President for Development; Mark Denney, Associate Vice President for Budget and Planning; Devon Backstrom, ASSOU; Carol Voisin, SOU faculty; Monica Magdaleno, SOU student; Mattison Smith, SOU student; Hannah Cable, SOU student; Taylor Skye, SOU student; Chris Warrren, SOU student; Syd Martin, SOU student; Spencer Nelson, SOU student; Noah Hurley, Interim Housing Director; Shanztyn Nihipali, SOU student; Ivonne Hernandez, SOU student; Lesliy Rivera, SOU student; Shelby Gorman, SOU student; Allie Bogard, Student Life; Olena Black, League of Women Voters; Jamani LaShawn, ASSOU, Student Life; Ryan Schnobrich, Internal Auditor; Shane Hunter, Senior Financial Management Analyst; Steve Larvick, Director of Business Services; Daryl Maplethorpe, ASSOU; Matthew Soloway, ASSOU; Dylann Loverro, SOU student; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Trustee Sevcik moved to approve the April 20, 2017 meeting minutes, as drafted. Trustee Slattery seconded the motion and it passed unanimously.

Public Comment

Dylann Loverro, an SOU student, read a letter on behalf of ASSOU President Elect Daryl Maplethorpe, which criticized the Tuition Advisory Council (TAC) and the tuition

setting process. The letter said that, when the TAC drafted its proposal, only three students were present, Mark Denney drafted the proposal for the TAC in a very rushed manner and he was the only one who gave presentations at the TAC meetings. The vote happened in a conversation and not by a show of hands. Ms. Maplethorpe thought the campus presentations were more to inform students of the imminent tuition increase rather than to solicit their feedback. She felt the students were not given adequate opportunities to be involved in the tuition setting process.

Andrew Zucker, an SOU student, thought the board should be looking at students first. At an ASSOU senate meeting, he said they were told the school could get by with a 7.5 percent increase. He understood that, at this point, there is nothing students can do about the increase. He asked the board to endorse Speaker Kotek's tax revenue plan, which would help reduce the tuition increase to about 8 percent. Many students are disappointed with the level of student involvement and the 12 percent increase in general. Mr. Zucker said some of the testimony given to the HECC was not factual.

Syd Martin, an SOU student, commented on what she considered to be the board's unbelievable behavior and the ludicrous situation the board has put students in. She said the administrations' behavior has been disrespectful and shady, all in an attempt to silence students' voices and undermine their opinions. The tuition increase puts an unnecessarily large burden on students and is not the only option. She said the board does not have student support for this decision and has lost students' respect. She also urged the board to support Speaker Kotek's plan.

Monica Magdaleno, an SOU student, said she was appalled when she heard about the possibility of a 12 percent increase. She mentioned her personal financial difficulties in paying for college and being significantly in debt at 19 years old. She is highly considering going elsewhere to college.

Spencer Nelson commented on the lack of a pool at the new [student] recreation center.

Shelby Gorman asked why the board has threatened the HECC with cutting faculty and student funding when there are so many administrative positions.

Vice President's Report

Craig Morris reviewed the financial dashboard, saying the elements the committee usually focuses on have remained pretty much unchanged from the last meeting. Cash is above target; the fund balance is below target; enrollment is running behind which brings the Education and General (E&G) revenue a little behind; labor is above the burn rate compared to last year; and benefits and S&S are behind the burn rate.

Shane Hunter discussed the net revenue ratio, also known as the net profit margin, a measure of revenue that flows to the bottom line. He presented a graph comparing peer institutions with SOU and only one exceeded the recommended 4 percent target for this ratio. He said there is a correlation between state funding and an institution's net revenue ratio.

Mentioning the TRU Day event in Salem, Mr. Morris said he, the president and the provost were there along with Board Chair Thorndike and Trustee Vincent. They advocated for a \$100 million increase in funding above the governor's recommended budget, which was flat with no recognition of increased cost drivers. Twenty-three student athletes and three students from ASSOU participated in the legislative discussions. Mr. Morris said legislators love hearing from students and the students were fantastic as they talked about the need for the additional funding. Discussion ensued on the uncertainty surrounding the budget, revenue generation, lobbying efforts, and restrictions on state employees.

Third Quarter Investment Reports: Endowment and Public University Fund
Penny Burgess, Director of Treasury Services at University Shared Services Enterprise, provided the third quarter investment report update. Regarding the PUF investment report, Ms. Burgess said the entirety of the monies held in the PUF are invested with the State Treasury, in accordance with the investment policy. Six of the seven public universities participate in the PUF. The PUF investments consist of an allocation to each of the following fixed income investment pools: the Oregon Short-Term Fund, the Oregon Intermediate-Term Pool and the PUF Long-Term Pool. The returns for the quarter were a positive 0.6 percent and a positive 0.3 percent fiscal year-to-date. All three of the investment pools posted good returns for the quarter. SOU had \$31.8 million in cash and investments held in the PUF on March 31 and the PUF administrator distributed over \$129,000 of earnings to SOU.

Ms. Burgess said the third quarter is the last quarter to report on the performance of the Intermediate-Term and Long-Term pools. On April 3, a proportion of each pool's underlying securities and cash positions were transferred into the new PUF Core Bond Fund to facilitate the fossil fuel restriction and other components of the PUF's amended investment policy adopted by the OSU Board in January 2017. At that time, the OSU board also approved a framework to guide the evaluation of future PUF investment policy change requests.

Regarding SOU's endowment assets, Ms. Burgess said they are held in a separately managed account with the State Treasury. These endowment assets are independent from those managed by the SOU Foundation. The total return for the quarter was a positive 5.4 percent and 10.4 percent fiscal year-to-date, outperforming the policy benchmark by 40 and 120 basis points, respectively. The returns are supported by strong performance in both domestic and international equity markets, underpinning the 6.9 percent quarterly return for the Blackrock All-Country World index. The total market value of SOU's endowment investments on March 31 was just below \$2.3 million. In January, the SOU board approved a target asset allocation of 75 percent global equity and 25 percent fixed income. She has shared the investment policy and asset allocation request with the State Treasury and asked that they seek permission from the Oregon Investment Council (OIC) to change the allocation. This request has been slated for review at an upcoming OIC meeting. The allocation at the end of the quarter was 72 percent global equity and 28 percent fixed income. Historically, the portfolio is realigned to the allocation targets in July/August of each year when the

funding for the annual distribution is requested. Unless there is an objection, she will request the State Treasury realign to the 75/25 allocation target in August. There being no objection, Chair Nicholson said the committee would stay with its policy.

Mr. Morris reminded the trustees that the institution's endowment funds are \$2.2 million along with the SOU Foundations endowment funds of approximately \$25 million. Responding to Trustee AuCoin's inquiry, Mr. Morris said the \$2.2 million came from donors who did not want their donations to go to the SOU Foundation.

Presentation of 2017-18 Budget Draft for All Fund Types and Review of Pro Forma

Mark Denney discussed the E&G funds, saying the committee has been using the pro forma as a proxy for the budget throughout the year. The budget development process is far enough along that budget numbers can be presented and will demonstrate the alignment between the budget as it is built and the pro forma. Mr. Denney cautioned that the budget as presented is tentative and neither President Schott, Mr. Morris nor Dr. Susan Walsh have seen these numbers.

Mr. Denney then covered the tentative budget figures included in the meeting materials – the FY17 adopted budget, the FY18 draft budget, the pro forma figures and the variance between the draft budget and the pro forma. He corrected the variance figure for the enrollment fees, saying it should be about \$326,000. Transfers are largely made to support athletics, JPR and Rogue Valley TV and have increased from last year. Given low variance rates between the pro forma and the draft budget, Mr. Denney thought the pro forma did a good job projecting revenue and expenditures.

Mr. Denney reiterated the retrenchment plan's requirement that SOU's fund balance be 10 percent or greater. The tentative budget projects a 10.3 percent fund balance, compared to the pro forma's projection of 10.1 percent.

Mr. Morris said he was impressed with the reconciliation between the figures in the pro forma and those in the draft budget. Answering Chair Nicholson's inquiry, Mr. Denney said the pro forma would learn the best it can from the categories with large variances and more accurately project those categories in the future.

Presentation of 2017-18 Auxiliary Budget Drafts: Athletics and Housing

Mark Denney said athletics and housing have the most complex budgets, outside of E&G as a whole. He then covered housing's draft budgets as presented in the meeting materials. The elements of housing operations include residence halls (Greensprings, Cox, Cascade and Madrone), rental housing and the North Campus Village. The budget for the residence halls includes the residence halls, the North Campus Village settlement and the dining facilities. The net profit for housing is about \$500,000, which will be used for deferred maintenance and to maintain its fund balance.

Mr. Morris mentioned the need to renovate some residence halls. He said the committee would be presented a future proposal to borrow 11F bonds for about \$8

million to improve Greensprings. To successfully borrow those funds, housing's balance sheet needs to be strengthened.

Turning to athletics, Mr. Denney said that, unlike other auxiliaries, athletics does not charge a fee to generate revenue. Its support comes from SOU's general fund, activity courses, housing, and Student Life through the student incidental fee. This is the last year housing will support athletics; the university will pick up that support in the future. SOU contributes \$200,000 to a post-season travel reserve but the students are no longer supporting that reserve. Mr. Denney then discussed the breakout of the general fund support of \$1.4 million and the draft athletics operations budget as detailed in the meeting materials. Athletics continues to have a deficit in its budget; this year it will be approximately \$400,000. Responding to Trustee AuCoin's inquiry, Matt Sayre mentioned some of the benefits in economics, recruiting, retention and persistence that student athletes bring.

Higher Education Coordinating Commission (HECC) Update and Next Steps
Chair Nicholson said he thought everyone was aware of the HECC's decisions regarding the universities' tuition proposals. Everyone was disappointed that SOU needed to go to the HECC for approval of the increase but it was necessary for the institution. The presentation to the HECC accomplished what was needed. President Schott added that SOU emphasized the importance of the strategic planning process and the HECC was clear that it would hold SOU accountable for having a developed plan in December.

President Schott said that, before going to the HECC meeting, she personally met with three of the four students on the TAC to discuss what they thought worked and what did not. Dr. Walsh will call the TAC together to discuss the process and ways to improve it. Financial Aid staff have been out twice a week in the Hawk and the Student Union to answer students' questions. Dr. Walsh added her appreciation for the students' opinions and involvement and looks forward to improving the process.

Future Meetings

Chair Nicholson said the next meeting would be on June 15 and the big action item will be the 2017-18 budget. He encouraged trustees to let him or the board secretary know if they have any other items to discuss.

Adjourn

Chair Nicholson adjourned the meeting at 5:58 p.m.

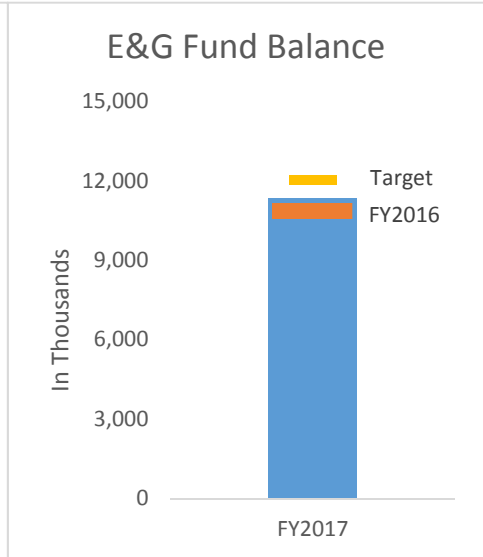
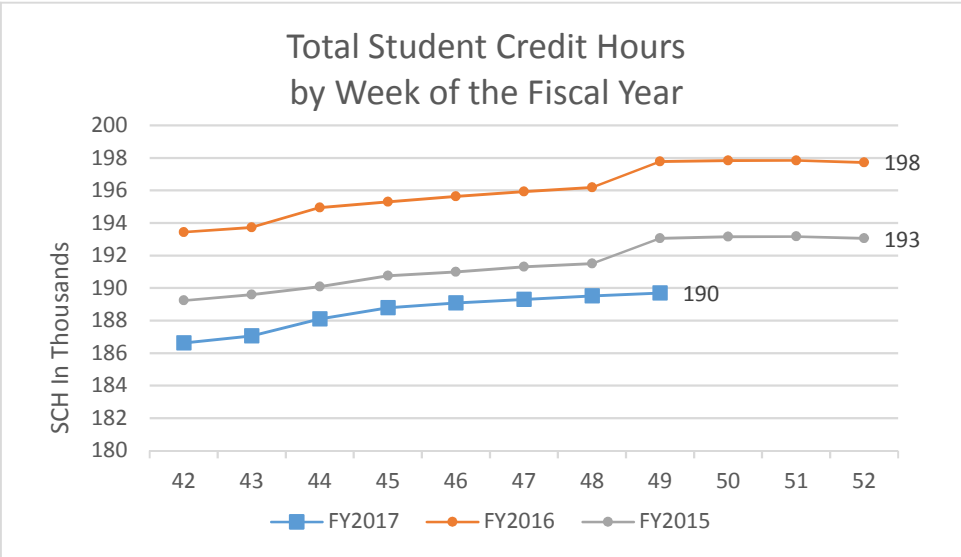
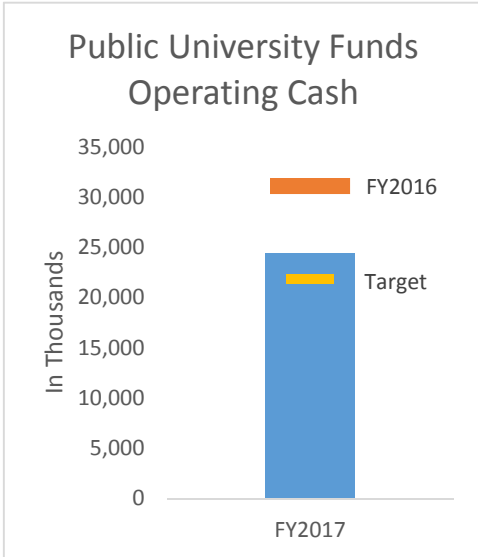
Public Comment

Vice President's Report

Financial Dashboard

For FY17 before the close of period 11

As of May 31, 2017

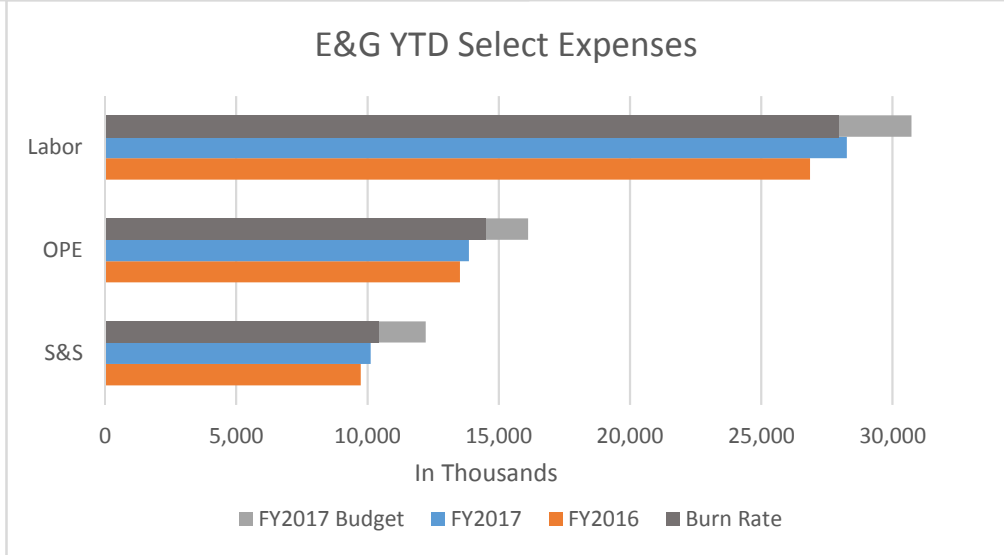
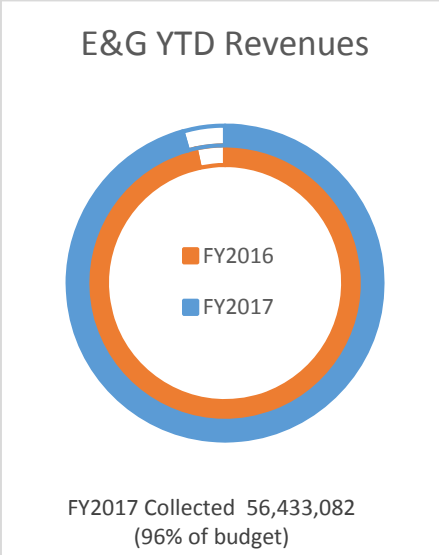


FY17 Allowance for Doubtful Accounts

Added \$740k to Allowance, or about 1% of current year charges.

\$610k in net Write Offs

Allowance for Doubtful Accounts stands at \$3.8M



Recommendation for Approval of Contract with Academic Partnerships (Action)

Academic Partnerships Proposed Contract - Key Terms



- Exempt Procurement – Educational Services
- Term
 - Ten (10) years for each program.
 - If additional program is added later, then term for that program is ten (10) years from the date that program launches.
 - Each original term and each successive term automatically renews for five years unless notice of termination provided 270 days in advance of preceding term's end.
- Revenue Split
 - 50/50 revenue split for all designated programs.

Academic Partnerships Proposed Contract - Key Terms (Cont'd)

- Right of First Offer for New Online Programs
 - SOU must first offer AP the right to exclusively negotiate an addendum for that new program.
 - If AP declines or the parties can not negotiate an agreement in good faith, SOU can contract with other third-party providers.
- Instructional Connections - Related Agreement
 - For academic coaches to provide faculty with instructional support, similar to teaching assistants.
 - Cost is \$32-\$44 per enrolled student per term depending on the nature of program and length of the term.
 - Two year term; can be terminated before start of each academic year.

Fiscal Year 2017-18 Budget (Action)

Reminder: Budget Process

- 9-month process
- Planning/Guidance
- Engagement
- Decisions
- Decisions + Adjusted budget assumptions built balance of budget
- Criteria: 10% ending fund balance for HECC retrenchment requirement

Budget Assumptions

- Beginning fund balance
- Revenue
- Labor
- Supplies and services (S&S)
- Capital
- Transfers
- Contingencies

Budgeted Operations – with Contingencies



SOUTHERN OREGON UNIVERSITY BUDGETED OPERATIONS DRAFT BUDGET									
Code	Title	Draft Budget @ GRB	Draft Budget @ Co-Chair	Draft Budget @ \$691M	Draft Budget @ \$711M	Draft Budget @ \$731M	Draft Budget @ \$751M	Draft Budget @ \$761M	Draft Budget @ \$767M
REVENUE		12%	12%	11%	10%	9%	8.5%	8.0%	8.0%
	Enrollment Fees	38,374,145	38,374,145	38,012,729	37,746,661	37,482,222	37,349,738	37,217,255	37,217,255
	Resource Redistribution	20,304,196	20,784,995	21,019,544	21,260,009	21,260,009	21,260,010	21,368,117	21,489,935
	Misc Other Revenue	1,937,293	1,937,293	1,937,293	1,937,293	1,937,293	1,937,293	1,937,293	1,937,293
	SUBTOTAL REVENUE	60,615,634	61,096,433	60,969,566	60,943,963	60,679,524	60,547,041	60,522,665	60,644,483
	LABOR								
	SUBTOTAL LABOR	(49,965,900)	(49,965,900)	(49,965,900)	(49,965,900)	(49,965,900)	(49,965,900)	(49,965,900)	(49,965,900)
	DIRECT EXPENDITURES								
	SUBTOTAL DIRECT EXPENDITURES	(9,149,519)	(9,149,519)	(9,149,519)	(9,149,519)	(9,149,519)	(9,149,519)	(9,149,519)	(9,149,519)
	TRANSFERS								
	SUBTOTAL TRANSFERS	(2,203,324)	(2,203,324)	(2,203,324)	(2,203,324)	(2,203,324)	(2,203,324)	(2,203,324)	(2,203,324)
	NET: REVENUE MINUS LABOR AND EXPENDITURES	(703,109)	(222,310)	(349,177)	(374,780)	(639,219)	(771,702)	(796,078)	(674,260)
	Beginning Fund Balance	6,876,000	6,876,000	6,876,000	6,876,000	6,876,000	6,876,000	6,876,000	6,876,000
	Ending Fund Balance	6,172,891	6,653,690	6,526,823	6,501,220	6,236,781	6,104,298	6,079,922	6,201,740
	Percent of Revenue	10.18%	10.89%	10.71%	10.67%	10.28%	10.08%	10.05%	10.23%

Budgets to Adopt

- Budgeted Operations
- Designated Operations
- Auxiliary Operations

Proposed Budget



2017-2018		Budgeted Operations	Designated Operations	Auxiliary Operations	Total Operations
Revenue	Tuition & Fees	38,374,145	998,387	6,845,445	46,217,976
	State Support	20,304,196	-	401,824	20,706,020
	Misc. Other Revenue	1,937,293	2,928,894	9,658,695	14,524,882
Total Revenue		60,615,634	3,927,281	16,905,964	81,448,878
Expenditures					
	Labor	(49,965,900)	(2,845,456)	(8,813,612)	(61,624,966)
	Supplies and Services	(9,149,519)	(1,721,810)	(9,732,772)	(20,604,101)
	Net Transfers	(2,203,324)	375,730	1,827,594	-
Total Budget		(61,318,743)	(4,191,536)	(16,718,790)	(82,229,067)
Revenue minus Expenditures					
		(703,109)	(264,255)	187,174	(780,189)

Budgeted Operations Breakout



2017-2018		President	Development	Academic & Student Affairs	Finance Admin	General Institution	Total Designated
Revenue	Tuition & Fees	161,149		41,810,184	73,076	(3,670,264)	38,374,145
	State Support	128,202	15,106	12,392,224	179,160	7,589,504	20,304,196
	Misc. Other Revenue	-		972,768	674,500	290,025	1,937,293
Total Revenue		289,351	15,106	55,175,176	926,736	4,209,265	60,615,634
Expenditures							
	Labor	(1,818,352)	(546,689)	(37,280,407)	(10,689,772)	369,320	(49,965,900)
	Supplies and Services	(430,726)	(26,039)	(4,771,447)	(2,600,439)	(1,320,868)	(9,149,519)
	Net Transfers	(2,063,804)		(139,520)	-	-	(2,203,324)
Total Budget		(4,312,882)	(572,728)	(42,191,374)	(13,290,211)	(951,548)	(61,318,743)
Revenue minus Expenditures							
		(4,023,531)	(557,622)	12,983,802	(12,363,475)	3,257,717	(703,109)

Designated Operations Breakout



2017-2018		JPR	Athletics	RVTV (DMC)	International	Academics	DCE	Disability	Total Designated
Revenue	Tuition & Fees	-	-	-	181,600	221,217	361,100	595,570	993,902
	State Support	-	-	-	-	-	-	-	-
	Misc. Other Revenue	1,767,500	105,000	290,601	183,100	262,185	320,508	320,508	2,928,894
Total Revenue		1,767,500	105,000	290,601	364,700	483,402	681,608	916,078	3,927,281
Expenditures									
	Labor	(1,497,891)	(10,157)	(280,914)	(269,506)	(236,280)	(320,884)	(550,709)	(2,845,456)
	Supplies and Services	(606,579)	(74,343)	(136,126)	(98,400)	(400,694)	(373,224)	(405,668)	(1,721,810)
	Net Transfers	291,710	(20,500)	104,520	-	-	-	-	375,730
Total Budget		(1,812,760)	(105,000)	(312,520)	(367,906)	(636,974)	(694,108)	(956,377)	(4,191,536)
Revenue minus Expenditures									
		(45,260)	-	(21,919)	(3,206)	(153,572)	(12,500)	(40,299)	(264,255)

Auxiliary Operations Breakout



2017-2018		Housing	Student Life	Athletics	Health Center	Parking	Bookstore	Other	Total Auxiliaries
Revenue	Tuition & Fees	(300,000)	3,164,825	1,217,546	1,596,515	-	-	1,166,559	6,845,445
	State Support	-	-	401,824	-	-	-	-	401,824
	Misc. Other Revenue	7,985,140	767,115	122,000	319,721	399,800	59,719	5,200	9,658,695
Total Revenue		7,685,140	3,931,940	1,741,370	1,916,236	399,800	59,719	1,171,759	16,905,964
Expenditures									
	Labor	(1,929,046)	(2,333,986)	(2,358,734)	(1,641,846)	188,875	(59,719)	(301,406)	(8,813,612)
	Supplies and Services	(5,243,747)	(1,671,721)	(1,412,678)	(421,708)	(172,218)	-	(810,700)	(9,732,772)
	Net Transfers	(15,000)	-	1,842,594	-	-	-	-	1,827,594
Total Budget		(7,187,793)	(4,005,707)	(1,928,818)	(2,063,554)	(361,093)	(59,719)	(1,112,106)	(16,718,790)
Revenue minus Expenditures		497,347	(73,767)	(187,448)	(147,318)	38,707	-	59,653	187,174

Proposed Budget for Adoption:

Fiscal Year 2017-2018 budget in the sum of \$82,229,06 inclusive of

- Budgeted Operations in the sum of \$61,318,743; an
- Auxiliaries budget in the sum of \$16,718,790; and
- Designated operations in the sum of \$4,191,536.

2017-2018		Budgeted Operations	Designated Operations	Auxiliary Operations	Total Operations
Revenue	Tuition & Fees	38,374,145	998,387	6,845,445	46,217,976
	State Support	20,304,196	-	401,824	20,706,020
	Misc. Other Revenue	1,937,293	2,928,894	9,658,695	14,524,882
Total Revenue		60,615,634	3,927,281	16,905,964	81,448,878
Expenditures					
	Labor	(49,965,900)	(2,845,456)	(8,813,612)	(61,624,966)
	Supplies and Services	(9,149,519)	(1,721,810)	(9,732,772)	(20,604,101)
	Net Transfers	(2,203,324)	375,730	1,827,594	-
Total Budget		(61,318,743)	(4,191,536)	(16,718,790)	(82,229,067)
Revenue minus Expenditures					
		(703,109)	(264,255)	187,174	(780,189)

Future Meetings

Adjourn