OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

October 8, 2015

TO: Southern Oregon University Board of Trustees, Finance Committee

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting of the Finance Committee

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

Topics of the meeting will include: report from the Vice President for Finance and Administration including the 2010-2020 campus master plan; an investment report; an enrollment update; a discussion of FY 15-16 "other personnel expenses;" and a discussion of FY 15-16 budget assumptions.

The meeting will occur as follows:

Thursday, October 15, 2015
4:00 pm to 6:00 pm (or until business is concluded)
Hannon Library, DeBoer Boardroom, 3rd Floor, Room #303

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

Board of Trustees
Finance Committee Meeting
October 15, 2015

Call to Order and Preliminary Business

Board of Trustees
Finance Committee Meeting

Thursday, October 15, 2015
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	Agenda review	
	1.3	Roll call	Sabrina Prud'homme, SOU, Board Secretary
	1.4	Consent agenda: Approval of September 1, 2015 meeting minutes (Action) Approval of September 17, 2015 meeting minutes (Action)	Chair Nicholson
	2	**Public Comment**	
~ 5 min.	**3**	**Vice President's Report**	Craig Morris, SOU, Vice President for Finance and Administration
	3.1	Distribution of 2010-2020 Campus Master Plan	
~ 30 min.	**4**	**Investment Report**	Penny Burgess, USSE, Director of Treasury Operations
~ 20 min.	**5**	**Enrollment Update**	Chris Stanek, SOU, Director of Institutional Research
~ 25 min.	**6**	**Discussion of FY 15-16 Other Personnel Expenses**	Mark Denney, SOU, Associate Vice President for Budget and Planning

Board of Trustees
Finance Committee Meeting

Thursday, October 15, 2015
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library

AGENDA (continued)

~ 20 min.	**7**	**Discussion of FY 15-16 Budget Assumptions**	Mark Denney
	8	**Adjourn**	Chair Nicholson

DRAFT

Board of Trustees
Special Meeting of the Finance Committee

Tuesday, September 1, 2015
10:30 – 11:30 am (or until business concludes)
DeBoer Room, Hannon Library

MINUTES

Call to Order and Preliminary Business
Finance Committee Chair, Paul Nicholson, called the meeting to order at 10:32 am. Chair Nicholson explained the key issue on the agenda was the McNeal Pavilion project and escalating construction costs.

The following committee members were present and a quorum was established: Paul Nicholson, Les AuCoin, Lyn Hennion, Jeremy Nootenboom, Dennis Slattery, and Steve Vincent.

The following committee member was absent: April Sevcik.

The following trustee was also present: Roy Saigo (ex-officio).

Other meeting guests included: Jason Catz, General Counsel; Drew Gilliland, Director of Facilities Management and Planning; Craig Morris, Vice President for Finance and Administration; Kathy Park, Executive Assistant; Sabrina Prud'homme, University Board Secretary; Larry Shrewsbury, Senior Instructor; Treasa Sprague, Administrative Services Coordinator; Sue Walsh, Provost and Vice President for Academic and Student Affairs. Mira Theisen and Chris Kastelic from Sink Combs Architects attended the meeting by phone.

Public Comment
No public comment was made.

McNeal Pavilion Project – Budget Scope Increase (Action)
Craig Morris explained that since the last presentation to this group, the McNeal project has undergone additional cutbacks in scope. He noted the 1,000 sq. ft. decrease in overall net square footage, the re-addition of the fourth classroom, and the change in the competitive gym seating from a top-down design to one of floor seating. With these modifications and others, the cost estimates are still $2 million over budget. Also, adequate locker rooms are not in the design. The plan is to ask for a scope increase of $2 million; an expansion increase of up to $1 million to build locker rooms under the stadium; and get authorization to secure financing.

Mira Theisen reviewed the full design plan and presented changes to the plan from what the board previously saw in July. The architects were challenged by accommodating as much programming as possible within the original budget. Ms. Theisen first reviewed the Site Plan and said it already had been scaled back significantly in the July version so the focus was on addressing firetruck access around the site. One notable change was the inclusion of a green space and light-well in the hallway where the classrooms will be located.

The main-level floor plan was presented next. The biggest change was floor-loading the gym, versus top-loading it, which allowed the architects to move some services under the gymnasium on the lower level.

Regarding the Student Recreation Center (SRC), the gymnasium used to be accessed at the main level. With the consolidation of McNeal to the west side of the building, the recreational gym went to the lower level and the track is at the main level. The change and reduction in McNeal didn't impact the SRC greatly.

Throughout the presentation, the trustees discussed a variety of items with the architects including seating and capacity of the gym; floor access; rationale for an indoor track; locker rooms; sustainability initiatives and incremental cost toward LEED certification; cost savings, materials and aesthetics of the project; acoustics and sound barriers; structural integrity and anticipated life span of the building; budget; programmatic adjustments; and other important considerations to meet the necessary efficiencies and programmatic needs of the project.

Trustee Hennion raised general questions about the proposed locker rooms under the stadium for football and track programs, as no rendering of that portion of the project was presented. Mr. Morris noted that he did not have authorization to embark upon that work and accordingly, did not have renderings available at the time of the meeting. Chair Nicholson questioned if the $1 million for this portion of the project was a rough number, and Mr. Morris answered that, hopefully, the cost would be much lower but the request would be for the full $1 million so the board wouldn't need to reconvene if the full amount were necessary.

While marked as an action item, action was held until the financing issue was reviewed.

McNeal Pavilion Project – Financing (Action)
Mr. Morris noted that the full $3 million for both projects would be requested in financing but if it could be paid for in ways other than borrowing, those dollars would be used first. Perhaps state funding or donation moneys would be available to pay for or offset the financing. He didn't feel comfortable signing a construction contract without knowing where the money would come from, hence the need to secure financing, in case it is needed.

He introduced financing scenarios to give the committee an idea of what the annual payments could be. One of the goals would be to work with SOU's vice president of development and executive director of the SOU Foundation, Janet Fratella, to do limited fundraising around the locker room portion of the project, and separately, open up conversations with the legislature in hopes of getting some funding. Matt Sayre noted that he and Ms. Fratella were very early in discussions about fundraising and have composed a list of potential donors. It was noted that Ms. Fratella, who was not present in the meeting, had not had formal conversations with the foundation yet, so nothing could be taken for granted, but she advised that realistic fundraising goals within the capacity and interests of the community would be necessary.

Trustee AuCoin asked for clarification on the scenarios and intentions Mr. Morris outlined, ultimately asking if Mr. Morris would pursue all avenues, get a line of credit and draw down on it only if necessary. The answer was yes, and Mr. Morris added that there are a variety of things SOU could do. For example: SOU can go to the state on its energy loan program since SOU is building to LEED gold standards and has the ability to borrow as much as a couple of million dollars, with the energy savings going to pay debt service. SOU could go to the legislature to borrow 11-F bonds or go to local banks and borrow. Mr. Morris would seek the best options over the next few months and return to this committee to determine how best to put together the financing.

Trustee AuCoin asked what would happen if enrollment falls below expectations and if Mr. Morris had a reserve against that happening. He also asked if these plans burn through that cushion. Mr. Morris answered no, explaining that the SRC is funded by bonds the students are borrowing and the state gave SOU money to remodel McNeal. SOU found the building had to be completely rebuilt. So, $21.3 million might have been enough to remodel but not to completely rebuild. McNeal, which encompasses the athletic and academic spaces, is over budget and the SRC portion is on budget. The only way to cure that is elimination or substantial reduction of the competitive gym and elimination of the 4th classroom.

Chair Nicholson asked, if the committee and board approve the project, what would be the anticipated start and end dates? Drew Gilliland answered that a demolition contract is scheduled to begin on November 17, and construction could hopefully begin the end of March, possibly April with an 18 to 24-month project duration for a fall 2017 opening.

President Roy Saigo summed up the concerns of the discussion and thanked the board for asking important questions. Citing the need for progress, President Saigo recommended going ahead with the project noting that he and others were aware of the downside as well as consequences if a decision isn't made.

Chair Nicholson proposed that the finance committee recommend to the full board that SOU increase the scope of the McNeal Pavilion project by $3 million to be increased and allocated as follows: $2 million to increase the building budget from $21.3 to $23.3 million; and approval of the stadium improvement portion of the project with a budget up to $1 million for locker rooms under the stadium. With this increase in scope, the committee would increase contract authority for all contracts to implement the project in an amount not to exceed the additional $3 million, with that authority being delegated to the vice president of finance and administration.

The motion was moved by Trustee AuCoin, seconded by Trustee Hennion and passed unanimously.

Accordingly, with the passage of the first motion, Chair Nicholson also moved that the finance committee recommend to the full board, that the vice president of finance and administration, in consultation with the university president and the finance committee, be authorized to arrange and execute contracts for financing in the form of a pre-approved loan in the amount of $3 million to cover increased scope costs.

The motion was moved by Trustee Vincent and seconded by Trustee Slattery. Trustee Hennion abstained from the vote citing a potential conflict of interest. The motion passed.

Adjourn
Following the motions, Chair Nicholson adjourned the meeting at 11:35 am.

DRAFT

Board of Trustees
Finance Committee Meeting

Thursday, September 17, 2015
3:30 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library

MINUTES

Call to Order and Preliminary Business

Finance Committee Chair, Paul Nicholson, called the meeting to order at 3:31 p.m.

The following committee members were present and a quorum was established: Paul Nicholson, Lyn Hennion, Jeremy Nootenboom, April Sevcik, Dennis Slattery, and Steve Vincent.

The following committee member was absent: Les AuCoin.

The following trustees also were present: Roy Saigo (ex-officio), Board Chair Bill Thorndike, and Joanna Steinman.

Other meeting guests included: Steve Larvick, Director of Business Services; Craig Morris, Vice President for Finance and Administration; Matt Sayre, Director of Athletics; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Ryan Brown, Head of Community and Media Relations; Jason Catz, General Counsel; Liz Shelby, Chief of Staff and Director of Government Relations; Sabrina Prud'homme, University Board Secretary; Don Hill, Classroom and Media Services Manager; Janet Fratella, Vice President for Development; Mark Denney, Assistant Vice President for Budget and Planning; Karen Stone, Associate Vice President for Curricular Management; Jeff Gayton, Director of the Hannon Library; Devora Shapiro, APSOU; Lee Ayers, SOU-UGS; Sherry Ettlich, SOU; Kathy Park, Executive Assistant; Treasa Sprague, Administrative Services Coordinator; Shane Hunter, SOU; David Coburn, Oregon Student Association; Brian Sorenson, ASSOU; Megan Mercier, ASSOU; Sherritta Guzman, SOU; Scott Rex, SOU; and Olena Black, League of Women Voters.

Trustee Vincent moved to approve the July 16, 2015 meeting minutes. Trustee Slattery seconded the motion and the motion passed unanimously, without amendments.

Public Comment

Devora Shapiro, APSOU board member and member of the contract negotiating team, shared concerns regarding the university budget and its vulnerability, specifically with regard to the athletics funding discussion. She urged the board to look into the budget, as she believed that increased athletic funding and the accumulation of debt would be viewed unfavorably among accreditors.

FY 14-15 Review of Year-End Financials

Steve Larvick presented the highlights financial review noting that the results were still under auditor review at the time of the meeting. Starting with the periodic management report, Mr. Larvick highlighted Education and General; auxiliary enterprises; designated operations, service departments, and clearing funds; and all current unrestricted funds. In response to questions by Trustees Vincent and Slattery, Mr. Larvick confirmed that the 9.1 percent fund balance listed fits within retrenchment metrics and that the board approved a budget to get SOU to 11 percent. Board Chair Thorndike requested quarterly metrics to see in future dashboards.

Trustee Vincent asked about red flags board members should be concerned about and Mr. Larvick explained that a lot was occurring in the transfers due to one-time events happening in the year and that debt services will be higher. Trustee Sevcik asked if debt on the north campus will be higher and Mr. Larvick affirmed that it would go up because the first year wasn't a full year of debt service and subsequent years would be. Chair Nicholson added that a conversation about transfers is warranted for some future date.

Vice President's Report

Craig Morris, Vice President for Finance and Administration, offered an accreditation process update. He noted that the Northwest Commission review would be earlier than anticipated. SOU is preparing the self-study accreditation report and the evaluation is likely to take place next September/October when they send a team of people from other universities to SOU and they issue a report to the accrediting body. Dr. Susan Walsh noted that the full board could get a more robust presentation at a future meeting, with a timeline and details. It was noted that the board's involvement would be minimal.

Mr. Morris presented an enrollment update and noted that as of last Monday, the student headcount was basically flat and the full-time equivalency rate was up. Answering Trustee Hennion, he confirmed that this means SOU has fewer students carrying bigger loads. He highlighted that first-year students were up 14 percent, representing the biggest freshman class in SOU's history. Of those, Oregon students were up 22 percent over last year and minority student enrollment was up 9.1 percent. He pointed out that these numbers were not final and that SOU typically sees a lot of activity in the first few weeks of the term.

Mr. Morris offered HECC updates and a reporting review. He explained that this year, the three "bigs" would do their reporting and next year the remaining institutions would, including SOU. The next HECC report would be on the conditions in December 2015 and, at that time, Commissioners will provide feedback regarding the narrative report presented in June. SOU also will provide a report on mission refinement; program rationalization; contribution towards 40-40-20; and financial stability progress and trajectory. SOU's metrics are better than the goals that were set, so Mr. Morris expects a positive update to the HECC.

Regarding the institution's recent collective bargaining process, Mr. Morris announced that SOU had reached a tentative bargaining agreement. He explained that the agreement is expensive for SOU and, as such, is beyond SOU's retrenchment plan and budget. The $1.9 million set aside by the legislature was to help with reaching an agreement with the classified staff. The four TRUs will get money to cover the difference between impasse and final agreements, with anything leftover going to PSU.

Discussion ensued primarily among President Saigo, Chair Nicholson, and Mr. Morris regarding the settlement. Specifically, they highlighted that the set-aside monies will not be continuous and SOU will have to come up with funding in the future as it may not be included in the FY 2017-19 cycle. Mr. Morris concluded the discussion advising that it behooves SOU to continue to remain focused on revenue and expenses.

FY 16-17 Budget Process and Timeline
Chair Nicholson introduced the item and informed the committee that the objective is to identify how it may want to modify the process for next year, such as scheduling key events earlier, involving the committee earlier and ending the process earlier.

Mark Denney discussed key budgetary events, noting that guidance from the board will be instrumental in helping develop a plan that fits the strategic objectives. He first reviewed the timeline and responded to how the board could be involved in the process earlier. He noted that during March, April and May, updates could be provided to the board on how the process is going, how much progress is being made and any concerns as they arise. Regarding key events in the timeline, Board Chair Thorndike inquired if SOU inherited its tuition policy from OUS and Mr. Morris affirmed this, adding that the board has the ability to change the policy though the HECC has some requirements for approval to raise tuition greater than 5 percent. The Board Chair also asked if SOU could consider differentiated tuitions depending on degrees and programs. Mr. Morris noted SOU could be open to doing so.

Looking at preparation of the preliminary budget in the spring and as the board looks at costs of the institution, Committee Chair Nicholson asked about increasing faculty and additional programs and the board's involvement. Dr. Walsh answered that increasing faculty, courses, and if necessary, class size would have to be considered. Starting new majors is an ongoing conversation and, when the time is right, curriculum proposals would come forward. Mr. Morris cited that the board's directives to budget for flat or increased enrollment would set off a cascade of planning events between the budget office and the provost's office. Dr. Walsh informed the Committee Chair that she is in constant contact with division directors and the budget office regarding adjuncts and they remain nimble.

Responding to concerns Trustee Slattery raised about the timelines, Mr. Denney noted that the current process has an aggressive timeline but SOU's new budget software should offer significant ability to do this better in the future. Mr. Morris thought they may need to be even more flexible to involve the students in any discussions as necessary.

Athletics Funding Discussion
President Saigo introduced the athletics item while Matt Sayre presented and covered several areas including: background and recent history of the athletics program at SOU; operational revenue; SOU's athletics excellence; elevated profile; scholar-athletes and teams; demographics; student funding of athletes; and more. Mr. Denney presented the institutional funding comparison; funding resources and revenue; fundraising; expenses; and travel budget. Based on this information, Mr. Sayre identified numerous objectives of the athletics program, specifically related to funding. Two main issues identified were that the athletics program at SOU does not have an adequate funding model to sustain its operations fully. Additionally, due to teams' strong post-season performance, significant national travel has had an effect on the athletics deficit.

Trustees engaged the presenters in discussions regarding the considerations for benefits associated with NAIA or NCAA membership. Trustee Slattery noted that the post-season travel adds to SOU's national reputation and that the in-season travel costs associated with Division II (NCAA) membership would be more expensive.

Responding to trustees' questions regarding the new wrestling and soccer teams, Mr. Denney informed the group that by adding those two programs, SOU increased the general funding contribution to support the teams. Growing the number of new athletes rather than pulling from SOU's ranks improves SOU's statistics for new students. Trustee Slattery asked for clarification regarding revenue generated, if any, by these two teams. His concern centered on SOU's elimination of faculty and staff positions while simultaneously people hear of an investment in athletics that doesn't mention whether the institution is actually making money from the teams. Mr. Denney explained that soccer garnered additional tuition revenue from the student athletes who wouldn't otherwise have been at SOU. It was also beneficial for wrestling but slightly less due to the program's structure.

Trustee Vincent posited that a "Flutie factor" may be in effect: increasing enrollment due to strong athletic performance at the institution, which might be tied to SOU's national championship. An Oregon Institute of Technology study found that an athlete brings an additional 1.5 students with him/her. When discussing the intangible values that the raised profile of athletics brings, he and other trustees were interested in seeing the advertising value of their sports coverage, and if there is a net benefit from that for the school. Mr. Morris noted that it's difficult to quantify the intangibles and cautioned against drawing the conclusion that athletics is a money maker for the bottom line using intangibles as the calculation. Trustee Slattery believed that SOU made money from athletics, noting that the athletes would need to be replaced with other students, otherwise there are fewer students and fewer degrees.

Board Chair Thorndike found the discussion to be a valuable tutorial to help the committee understand better how athletics fits into the mix. He believed that other programs on campus have similar financial predicaments and taking the time to understand what the programs actually cost is a move towards transparency in understanding. Committee Chair Nicholson encouraged exploration of the disconnect between the presentation to the board and what the faculty understands, noting that clarifying the situation seems worthwhile. President Saigo informed the committee that a condensed version of the presentation would be given to the Faculty Senate, in the spirit of transparency that was mentioned.

Adjournment
The meeting was adjourned at 6:05 p.m.

Public Comment

Vice President's Report

Investment Report

Public University Fund

Strategy Type	Name	Allocation	Objective
Liquidity	Short-Term	The purpose of the short-term portfolio is to assure adequate cash for operations. Investment management efforts shall be conducted to maintain an allocation to the short-term portfolio equivalent to not less than approximately six (6) months of average monthly operating expenses. This short-term portfolio allocation may also be determined using the results of a cash flow analysis.	Principal Preservation
Core	Intermediate-Term	Investment management efforts shall be conducted to allocate to the intermediate- term portfolio any cash balances in excess of those necessary to meet the requirements for the short-term portfolio. Funds allocated to the intermediate-term portfolio should not exceed $300 million.	Higher total return versus short-term portfolio as measured by the OSTF yield over a 3-year trailing period.
Core	Long-Term	Investment management efforts shall be conducted to allocate to the long-term portfolio any cash balances in excess of those necessary to meet the requirements for the short-term portfolio. Funds allocated to the long-term portfolio should not exceed $120 million.	Higher total return versus the benchmark index over a 5- year trailing period.

SOU Public University Fund Investment

	Quarter Ended 6/30/2015	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
Oregon Short - Term Fund	0.1%	0.5%	0.5%	0.5%	0.5%	2.0%	$ 11,175,801	37.4%	[1]
Benchmark - 91 day T-Bill	*0.0%*	*0.1%*	*0.0%*	*0.1%*	*0.1%*	*1.4%*			
Oregon Intermediate - Term Pool	0.0%	2.7%	1.5%	*N/A*	*N/A*	*N/A*	$ 11,631,402	38.9%	[1]
Benchmark - Barclay's U.S. Aggregate 3-5 Yrs.	*-0.3%*	*2.2%*	*1.2%*	*1.3%*					
[2] *Combined Historical Returns*				*2.2%*					
P.U.F. Long - Term Pool	-0.4%	*N/A*	$\boxed{2.4\%}$	*N/A*	*N/A*	*N/A*	$ 7,060,239	23.7%	[1]
Benchmark - B.A.M.L. 5-7 Yrs. U.S. Corp. & Gov't. AA & Above	*-1.1%*	*2.6%*	*2.7%*	*1.2%*					
[2] *Combined Historical Returns*		*3.1%*		*2.2%*					
Public University Fund Investment	-0.1%	*N/A*	1.4%				$ 29,867,442	100.0%	

[1] The Public University Fund (P.U.F.) 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 Intermediate-Term Pool and the Long-Term Pool. Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

[2] The historical returns presented combine the investment returns from the predecessor fund with the investment returns of the P.U.F., for investments with an identical mandate. The predecessor fund commingled all public universities operating assets into a cash and investment pool.

Note: Outlined returns underperformed their benchmark.

SOU Endowment Assets

	Quarter Ended 6/30/2015	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation
BlackRock A.C.W.I. I.M.I. B	0.5%	23.8%	1.1%	13.7%	*N/A*	*N/A*	$ 1,348,301	60.9%
Benchmark - M.S.C.I. A.C.W.I. I.M.I Net	*0.5%*	*23.4%*	*0.8%*	*13.3%*				
Western Asset Core Plus Bond Fund	-1.8%	6.8%	2.2%	3.5%	5.1%	5.5%	$ 711,390	32.1%
Benchmark - Barclays Aggregate Index	*-1.7%*	*4.4%*	*1.9%*	*1.8%*	*3.4%*	*4.4%*		
Cash	0.1%	0.5%	0.5%	0.5%	0.5%	2.0%	$ 146,095	6.6%
Benchmark - 91 day T-Bill	*0.0%*	*0.1%*	*0.0%*	*0.1%*	*0.1%*	*1.4%*		
							$ 2,205,786	99.6%
Arrowstreet Tax Reclaim Receivable							$ 8,581	0.4%
Total SOU Endowment Assets	-1.3%	19.2%	2.6%	10.8%	11.2%	6.0%	$ 2,214,367	100.0%
Target Alloc. Policy Benchmark [1]	*0.2%*	*16.5%*	*3.4%*	*10.1%*	*10.6%*	*6.5%*		

[1]Notes on Policy Benchmark:
From November 2012 to current the policy benchmark is 25% Russell 3000, 25% MSCI ACWI Ex US, 25% BC AGG, 10% Russell 3000 +300bps, 7.5% BC Treasury Inflation Protection Index, and 7.5% NCREIF Index.

Note: Outlined returns underperformed their benchmark.

Report on Investments – as of June 30, 2015

Market Background

(Provided by Callan Associates, Oregon Investment Council consultant)

Macroeconomic Environment

Global financial markets endured a fitful quarter and finished with a paucity of meaningfully positive performances. Global equities posted fractional gains across most regions with international small capitalized stocks being the big winners with an advance of nearly 5 percent. Fixed income results were generally modestly negative with the exception of longer duration bonds dropping sharply. Commodities produced the strongest performance in the capital markets as both energy and agricultural contracts rose sharply and more than offset minor weakness in industrial and precious metals.

In the final weeks of the quarter, and into the first few days of July, investor focus was clearly directed away from domestic issues and settled firmly elsewhere; largely on China, Greece and Puerto Rico.

China's equity market had been soaring, up about 100 percent in twelve months through mid-June. Then the wheels came off and, despite a number of attempts by the Chinese government and central bank, equities dropped 30 percent by early July. On Monday July 6, a massive capital infusion from the government, central bank, sovereign wealth fund, and numerous brokerage houses managed to turn the tide of selling; however, volatility remained very high. Monday's trading range was nearly 9 percent trough to peak on the Shanghai Composite; fluctuations of that magnitude have not been experienced on U.S. exchanges since the depth of the Great Financial Crisis in the fall of 2008.

Greece further contributed to the global turbulence as the country missed its interest payment due to the International Monetary Fund (I.M.F.) on June 30th. Capital controls have been instituted and Greek banks have been shuttered with customers limited to 60€ per day in A.T.M. withdrawals. The decision to accept the austerity terms demanded by the "troika" in order to continue emergency lending was put to a national vote over the weekend. Results from the "Greferendum" (Greek referendum) came back strongly opposed to further austerity, and at the time of writing, Greece's future in the Euro remains very uncertain. While direct exposure to the Greek tragedy appears fairly well contained, there remains real risk of contagion or moral hazard related to, larger yet still heavily indebted, southern European countries.

Puerto Rico narrowly averted a default on its municipal debt on July 1st. The island's municipal bonds had been repeatedly downgraded in the first half of 2015 and a default was feared after the island's governor stated bluntly "the debt is not payable" in reference to Puerto Rico's $70 billion in outstanding municipal bonds. While the July 1st payment was made, the future is unknown as the U.S. territory cannot legally seek bankruptcy protection like some other high profile municipalities such as Detroit, Michigan (2013) or Stockton, California (2012). In recent years, the higher yields associated with Puerto Rico's municipal bonds have attracted some investors.

Not all was gloomy on the macroeconomic stage, however. In early June, Iceland announced plans to lift the capital controls imposed in response to the collapse of its banking system in 2008. Japan's situation also appears to be improving as calendar 1Q15 Gross Domestic Product (G.D.P) growth was revised higher to a 3.9 percent annualized rate, well ahead of the 2.7 percent forecast.

The U.S. economy continued to muddle along in the second quarter. Calendar 1Q15 G.D.P. was revised sharply lower (-0.7 percent) in late-May before being pushed closer to flat (-0.2 percent) in the June revision. With the weak start to the year, held back by harsh weather in much of the country and West Coast port delays, the Federal Reserve's estimate for 2015 GDP growth has been trimmed back to 1.8-2.0 percent from an estimate of 2.3-2.7 percent as of the March meeting and 2.5-3.0 percent as of last December. The Federal Reserve also remains focused on the labor market as a measure to judge the fitness of the economy to digest an increase to short-term interest rate policy. Unemployment fell from 5.5 percent to 5.3 percent by the end of June; however, much of the improvement was the result of discouraged workers exiting the labor force. The labor force participation rate, a key metric in Federal Reserve monitoring, fell to a 38-year low of 62.6 percent at the end of June. Wage growth, which had shown signs of positive momentum earlier in the year, was flat in June and rose just 2 percent year-over-year in nominal terms. With inflation running in the 1.7 percent range over the same time period, wages in real terms are essentially flat.

With U.S. economic growth still fairly modest, the timing and pace of the Federal Reserve's move away from the zero interest rate policy ("Z.I.R.P.") is the subject of much conjecture. As of the June Federal Reserve meeting, just 2 of 17 Federal Reserve policymakers expected rates to remain at the current range of 0-0.25 percent through the end of calendar 2015. In addition to continuing Z.I.R.P., the Federal Reserve also remains expansionary in other areas. Although Quantitative Easing ("Q.E.") officially ended in the fall of 2014, the Federal Reserve continues to maintain the size of its balance sheet, currently about $4.5 trillion or 25 percent of U.S. G.D.P., by reinvesting the $65 billion of principal and interest generated by its bond portfolio every month.

Inflation remains quite low, even when the deflationary impacts of the drop in energy prices are removed. The Core Consumer Price Index (C.P.I.) (excludes food and energy) for the 12 months ended May 2015 was +1.7 percent while Headline C.P.I. was flat due to the impact of sharply falling energy prices in the latter half of 2014. The dramatic deflation in Energy is masking notable inflation elsewhere, particularly in Health Care and Housing, where prices are rising at nearly twice the rate of inflation.

Although general economic growth and labor markets are somewhat weak, U.S. corporations are in very good shape and balance sheets continue to strengthen. Cash on balance sheets is at a 25-year high (12 percent of corporate assets) while debt-to-equity ratios sit at 25-year lows. Profit margins have slipped slightly from their highs late last year but remain elevated relative to long term averages. These strong balance sheets and profit margins, coupled with very low interest rates, appear to support equity valuations currently at a slight premium to long term averages.

Equity Results

Despite establishing all-time record highs in mid-June, U.S. equity indices produced very little in the way of actual gains in the second quarter. The Standard and Poor's (S&P) 500 rose just 30 basis points in the quarter. Both the S&P 500 and Russell 2000 set multiple closing records through the quarter before slipping back in the closing weeks; however, perhaps the most impressive hurdle was surpassed on April 23rd when the National Association of Securities Dealers Automated Quotations (N.A.S.D.A.Q.) finally eclipsed its all-time high from way back in March 2000. Foreign equities performed similar to domestic with both developed and emerging markets up less than 1 percent. Developed small capitalized stocks bucked the trend and were the only equity sub-group to provide a return near 5 percent.

In the U.S., the extremes of the capitalization spectrum performed best as mega caps and microcaps were the only broad areas to return more than 1 percent (Russell Top 50: +1.5 percent, Russell Microcap: +2.8 percent). Large and small capitalized stocks managed fractional gains (Russell 1000: +0.1 percent, Russell 2000: +0.4 percent) while mid capitalized stocks suffered declines for the quarter (Russell Midcap: -1.5 percent). The S&P Quality indices both fell during the quarter and served to highlight a somewhat confusing construction methodology. The S&P 500 High Quality (H.Q.) and Low Quality (L.Q.) indices are not capitalization weighted and exhibit a distinct mid capitalized stock bias when compared to the broad S&P 500. High quality slightly underperformed low quality; however, both widely underperformed the broad S&P as mid capitalized stocks were weak in the quarter (S&P H.Q.: -1.3 percent, L.Q.: -1.2 percent). Growth outperformed value in both mid and small capitalized stocks (Russell Mid Cap Growth: -1.1 percent, Russell Mid Cap Value: -2.0 percent, Russell 2000 Growth: +2.0 percent, Russell 2000 Value: -1.2 percent) due in part to a substantial drop in Real Estate Investment Trusts (R.E.I.T.s) which are more heavily represented in the value indices. Value just edged growth in large capitalized stocks (Russell Top 200 Growth: +0.7 percent, Value: +1.0 percent). The 10 economic sectors in the S&P 500 were evenly split between winners and losers; Health Care (+2.8 percent) and Consumer Discretionary (+1.9 percent) topped the positive list while Industrials (-2.2 percent) and Utilities (-5.8 percent) were down sharply.

Developed foreign equities performed generally in line with domestic indices in U.S. dollar terms; however, positive currency impacts from the strengthening euro and pound masked weakness in local currency equity returns (Morgan Stanley Capital Index – Europe, Australasia, Far East (M.S.C.I. E.A.F.E.) Local: -1.8 percent, E.A.F.E. U.S.$: +0.6 percent). Growth outperformed value overseas (E.A.F.E. Growth: +1.0%, Value: +0.2%) and foreign small capitalized stocks outperformed all other major equity groups (E.A.F.E. Small Cap: +4.3 percent). Emerging market equities also delivered fractionally positive results that just eclipsed developed market performance (M.S.C.I. Emerging Markets (E.M.) Local: +0.8 percent, E.M. U.S.$: +0.8 percent). On a country specific basis, Irish equities generated the strongest returns among developed nations, with a bit of help from a nearly 4 percent advance in the euro, (M.S.C.I. Ireland U.S.$: +8.5 percent) while New Zealand equities fell sharply due primarily to a 10 percent currency headwind (M.S.C.I. New Zealand U.S.$: -13.1 percent). Among emerging countries, Hungary performed best (M.S.C.I. Hungary: +11.0 percent) while Indonesia's market struggled (M.S.C.I. Indonesia -13.8 percent).

Fixed Income Results

Interest rates rose in the second calendar quarter and the yield curve steepened. Mixed economic data on the back of a weak first calendar quarter kept the Federal Reserve on hold; however, rising rates overseas put pressure on yields in the U.S. The yield on the 10-year German bund jumped from a record low of 0.05 percent in mid-April to 0.76 percent as of quarter-end as Europe's economic picture brightened and inflation returned to the euro zone, both indications that the E.C.B.'s quantitative easing programs were reaping rewards. In the U.S., the 30-year Treasury yield climbed roughly 60 basis points during the quarter, resulting in a 10.4 percent loss for the long bond. The yield on the 10-year Treasury rose 40 basis points, closing at 2.35 percent, and posted a negative 3.0 percent return. Two-year Treasury rates increased a modest 8 basis points and eked out a 0.1 percent quarterly advance.

The Barclays U.S. Aggregate Index fell 1.7 percent in the quarter, erasing all of its calendar first quarter gains. The benchmark is off 0.1 percent for the first half of the calendar year. Within the Aggregate

Index, corporate bonds underperformed like-duration U.S. Treasuries by 90 basis points as spreads widened. Issuance remained robust and rising rates, worries over Greece and poor liquidity also weighed on the sector. Mortgages performed in line with Treasuries for the quarter. Treasury Inflation Protected Securities (T.I.P.S.) outperformed nominal Treasuries as inflation expectations rose roughly 10 basis points over the quarter. The Barclays T.I.P.S. Index fell 1.1 percent for the quarter. High yield was a lonely "bright" spot in the fixed income markets with a flat return for the quarter as the sector's yield advantage offset the negative effects of spread widening and higher rates.

Interest rates in developed markets rose during the quarter from record low levels, in many cases. With the exception of the United Kingdom (+2.2 percent) and Sweden (+0.3 percent), unhedged returns in developed markets were negative in U.S. dollar terms. On a hedged basis, all developed markets delivered negative returns as the U.S. dollar lost ground versus most developed market currencies. Interest rate increases were spurred by brighter news in Europe as both hiring and private sector growth approached 4-year highs and, in May, a whiff of inflation (0.2 percent month-over-month in May) in Europe provided evidence that the European Central Bank's asset purchase program was working. Germany returned a minus 4.8 percent for the quarter in local terms and was down 1.0 percent in U.S. dollar terms. Italy and Spain were especially hard-hit on worries over contagion from a potential Greek exit. Both countries posted returns of roughly negative 6 percent for the quarter, in local currency terms. The U.S. dollar depreciated nearly 4 percent versus the euro but was modestly stronger versus the yen. For the quarter, the Barclays Global Aggregate ex-U.S. Index (unhedged) returned minus 0.8 percent with the hedged version down 2.7 percent. Emerging markets debt posted muted returns in the second quarter, though there was a wide range of results among constituents. The U.S. dollar-denominated J.P. Morgan – Emerging Market Bond Index (J.P.M. E.M.B.I.) Index fell negative 0.9 percent. Country returns were punctuated by a huge advance in the Ukraine (+36 percent) and a sharp decline in Greece, which missed its $1.7 billion payment to the I.M.F. on June 30 and saw trading on its bonds halted. In spite of the halt, indications from dealers estimated 2-year Greek debt yields at about 50 percent and 10-year debt at nearly 20 percent. As of quarter-end, the situation in Greece remained fluid with a high degree of uncertainty as to whether an agreement with creditors could be reached and, ultimately, whether Greece would remain a part of the European Monetary Union.

Municipal debt outperformed U.S. Treasuries in the second quarter (Barclays 1-10 Year Municipals: -0.5 percent), though the sector was not immune to rising Treasury yields. Tax-exempt mutual funds saw outflows of more than $3 billion during the quarter with over $1 billion occurring in the final week of the quarter on the back of unsettling remarks from the Governor of Puerto Rico. Also hitting headlines during the quarter was Moody’s surprise downgrade of Chicago to below-investment-grade status. S&P, however, has a different opinion and continues to rate the City A-.

Other Assets Results

Commodities produced the strongest performance in the capital markets as both energy (+11 percent) and agricultural (+8 percent) contracts rose sharply and offset minor weakness in industrial (-5 percent) and precious metals (-3 percent). Yield sensitive equities were hit hard with the rising interest rate environment and fears that the Federal Reserve will be pushing policy rates higher. R.E.I.T.s (National Association Real Estate Investment Trusts Index: -10.0 percent), Master Limited Partnerships (M.L.P.) (Alerian M.L.P.: -6.1 percent), and Utilities (S&P Utilities: -5.8 percent) all sold off sharply and suffered declines similar to longer duration bonds. Early indications of broad hedge fund performance show fractional declines in the second quarter; ahead of broad fixed income yet trailing broad equity performance.

Closing Thoughts

With significant uncertainty in a number of foreign countries and domestic growth expectations waning, risk and volatility appear to be on the upswing. Much anticipation rests on the timing and path of U.S. Federal Reserve interest rate policy and the subsequent impact on global financial markets.

With expectations of muted returns and higher volatility, prudent asset allocation and risk assessment based on future capital needs for both plan sponsors and individual investors remains Callan’s recommended course.

Public University Fund

(Prepared by the Public University Fund Administrator)

The Public University Fund (P.U.F.) posted a negative 0.1 percent return for the quarter and a positive 1.4 percent total return for the fiscal year ended June 30, 2015. During the quarter, the Oregon Short-Term Fund, Oregon Intermediate-Term Pool and Long Term Pool outperformed their benchmarks by 10, 30 and 70 basis points, respectively.

In early August, a fiscal fourth quarter P.U.F. investment performance review was conducted by Oregon State Treasury Fixed Income Portfolio Manager, Tom Lofton, with University staff and its investment advisor. While the fixed income markets experienced price volatility during the quarter, the conservative portfolio construction in the Intermediate-Term Pool and Long-Term Pool aided each investment's relative performance compared to its benchmark. Mr. Lofton intends to use future market volatility to reposition the Long-Term Pool portfolio into longer duration (average maturity) securities, during the coming months.

Southern Oregon University Endowment Fund

(Prepared by Oregon State Treasury)

The Southern Oregon University Endowment Fund declined 1.3 percent for the quarter, while posting a 2.6 percent increase for the fiscal year ended June 30, 2015. The SOU Endowment Fund ended the year with a market value of $2.2 million.

As of June 30, 2014, the total Higher Education Endowment Fund had a market value of $81 million. Given the liquidation and dispersal of over 97 percent of the fund's assets the past 12 months, the asset allocation and number of funds has been dramatically changed. The former roster of eight managers, plus an alternative asset class of three funds, has been pared down to just two: BlackRock Global All-Country World Index (global public equities index) and Western Asset Core Bond Plus Fund (core bond fund).

The investment plan is to maintain an asset allocation of approximately 70 percent to global equities and 30 percent to core fixed income. Going forward, the policy benchmark will consist of the Morgan Stanley Capital Index All-Country World Index (70 percent) and the Barclays Aggregate Bond Index (30 percent).

Staff Recommendation to the Committee

Staff proposes the Board of Trustees' Finance and Administration Committee accept the FY2015 Fourth Quarter (Q4) Southern Oregon University Investment Report.

Southern Oregon University

Investment Summary

as of June 30, 2015

(Net of Fees)

	Quarter Ended 6/30/2015	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	0.1%	0.5%	0.5%	0.5%	0.5%	2.0%	$ 11,175,801	37.4%	[1]
Benchmark - 91 day T-Bill	*0.0%*	*0.1%*	*0.0%*	*0.1%*	*0.1%*	*1.4%*			
Oregon Intermediate Term Pool	0.0%	2.7%	1.5%	*N/A*	*N/A*	*N/A*	11,631,402	38.9%	[1]
Benchmark - Barclay's U.S. Aggregate 3-5 Yrs.	*-0.3%*	*2.2%*	*1.2%*	*1.3%*					
[2] *Combined Historical Returns*				*2.2%*					
P.U.F. Long Term Pool	-0.4%	*N/A*	$\boxed{2.4\%}$	*N/A*	*N/A*	*N/A*	7,060,239	23.7%	[1]
Benchmark - B.A.M.L. 5-7 Yrs. U.S. Corp. & Gov't. AA & Above	*-1.1%*	*2.6%*	*2.7%*	*1.2%*					
[2] *Combined Historical Returns*		*3.1%*		*2.2%*					
Total Public University Fund Investment	-0.1%	*N/A*	1.4%				$ 29,867,442	100.0%	
SOU Endowment Assets									
BlackRock A.C.W.I. I.M.I. B	0.5%	23.8%	1.1%	13.7%	*N/A*	*N/A*	1,348,301	60.9%	
Benchmark - M.S.C.I. A.C.W.I. I.M.I Net	*0.5%*	*23.4%*	*0.8%*	*13.3%*					
Western Asset Core Plus Bond Fund	-1.8%	6.8%	2.2%	3.5%	5.1%	5.5%	711,390	32.1%	
Benchmark - Barclays Aggregate Index	*-1.7%*	*4.4%*	*1.9%*	*1.8%*	*3.4%*	*4.4%*			
Cash	0.1%	0.5%	0.5%	0.5%	0.5%	2.0%	146,095	6.6%	
Benchmark - 91 day T-Bill	*0.0%*	*0.1%*	*0.0%*	*0.1%*	*0.1%*	*1.4%*			
							2,205,786	99.6%	
Arrowstreet Tax Reclaim Receivable							8,581	0.4%	
Total SOU Endowment Assets	$\boxed{-1.3\%}$	19.2%	$\boxed{2.6\%}$	10.8%	11.2%	$\boxed{6.0\%}$	$ 2,214,367	100.0%	
Target Alloc. Policy Benchmark [3]	*0.2%*	*16.5%*	*3.4%*	*10.1%*	*10.6%*	*6.5%*			

[1] The Public University Fund (P.U.F.) 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 Intermediate-Term Pool and the Long-Term Pool.
Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

[2] The historical returns presented combine the investment returns from the predecessor fund with the investment returns of the P.U.F., for investments with an identical mandate. The predecessor fund commingled all public universities operating assets into a cash and investment pool.

[3] Notes on Policy Benchmark:
From November 2012 to current the policy benchmark is 25% Russell 3000, 25% MSCI ACWI Ex US, 25% BC AGG, 10% Russell 3000 +300bps, 7.5% BC Treasury Inflation Protection Index, and 7.5% NCREIF Index.

Note: Outlined returns underperfomed their benchmark.

Enrollment Update

Undergraduate Course SCH by Department
Fall 2014 Week Ending 10/12/14 vs. Fall 2015 Week Ending 10/11/15
2 Weeks After Start of Term

Department	Fall 2014	Fall 2015	Change	% Change
Art	2,538	1,333	-1,205	-47.5%
Creative Writing	448	524	76	17.0%
Emerging Media & Digital Art	1,064	1,404	340	32.0%
Music	1,566	1,600	34	2.2%
Theatre	2,517	2,626	109	4.3%
Subtotal - Oregon Center for the Arts	**8,133**	**7,487**	**-646**	**-7.9%**
Education	2,271	2,414	143	6.3%
Health and Physical Education	2,082	1,835	-247	-11.9%
Outdoor Adventure Leadership	745	698	-47	-6.3%
Military Science	175	151	-24	-13.7%
Subtotal - Education, Health and Leadership	**5,273**	**5,098**	**-175**	**-3.3%**
Criminology and Criminal Justice	2,440	2,696	256	10.5%
Economics	1,200	896	-304	-25.3%
Geography	552	364	-188	-34.1%
History	1,772	1,357	-415	-23.4%
Political Science	823	770	-53	-6.4%
Psychology	4,378	4,247	-131	-3.0%
Sociology/Anthropology	1,897	1,790	-107	-5.6%
Subtotal - Social Sciences	**13,062**	**12,120**	**-942**	**-7.2%**
Gen Ed and House Experience	776	750	-26	-3.4%
Honors College	182	373	191	104.9%
Learning Commons	24	-	-24	-100.0%
Success at Southern	14	16	2	14.3%
Undergraduate Studies	452	382	-70	-15.5%
University Seminar	2,903	3,434	531	18.3%
Subtotal - Undergraduate Studies	**4,351**	**4,955**	**604**	**13.9%**

Department	Fall 2014	Fall 2015	Change	% Change
Biology	3,609	3,471	-138	-3.8%
Chemistry	1,261	1,669	408	32.4%
Computer Science	1,016	1,332	316	31.1%
Mathematics	4,058	3,969	-89	-2.2%
Physics	1,182	1,209	27	2.3%
Subtotal - STEM Division	**11,126**	**11,650**	**524**	**4.7%**
Business	6,186	6,451	265	4.3%
Communication	2,207	2,798	591	26.8%
Environmental Studies	1,765	1,546	-219	-12.4%
Subtotal - Division of BCE	**10,158**	**10,795**	**637**	**6.3%**
English	1,789	1,587	-202	-11.3%
Gender, Sexuality, and Women's Studies	232	122	-110	-47.4%
International Studies	248	244	-4	-1.6%
Native American Studies	252	200	-52	-20.6%
Philosophy	926	1,014	88	9.5%
Foreign Languages & Literatures	2,226	2,192	-34	-1.5%
Subtotal - Humanities and Culture	**5,673**	**5,359**	**-314**	**-5.5%**
Library Science	**-**	**-**	**-**	
Physical Education Activities	**719**	**633**	**-86**	**-12.0%**
Total Undergraduate	**58,495**	**58,097**	**-398**	**-0.7%**
Total Undergraduate + Graduate	**62,398**	**61,497**	**-901**	**-1.4%**

Graduate Course SCH by Department
Fall 2014 Week Ending 10/12/14 vs. Fall 2015 Week Ending 10/11/15
2 Weeks After Start of Term

Department	Fall 2014	Fall 2015	Change	% Change
Art	8	9	1	12.5%
Creative Writing	-	-	-	
Emerging Media & Digital Art	-	-	-	
Music	91	102	11	12.1%
Theatre	-	-	-	
Subtotal - Oregon Center for the Arts	**99**	**111**	**12**	**12.1%**

Education	2,358	1,957	-401	-17.0%
Health and Physical Education	7	-	-7	-100.0%
Outdoor Adventure Leadership	-	5	5	
Military Science	-	-	-	
Subtotal - Education, Health and Leadership	**2,365**	**1,962**	**-403**	**-17.0%**

Criminology and Criminal Justice	-	-	-	
Economics	-	-	-	
Geography	-	-	-	
History	-	-	-	
Political Science	-	-	-	
Psychology	490	509	19	3.9%
Sociology/Anthropology	28	36	8	28.6%
Subtotal - Social Sciences	**518**	**545**	**27**	**5.2%**

Master in Interdisciplinary Studies	**36**	**15**	**-21**	**-58.3%**

Department	Fall 2014	Fall 2015	Change	% Change
Biology	162	139	-23	-14.2%
Chemistry	-	-	-	
Computer Science	16	-	-16	-100.0%
Mathematics	36	44	8	22.2%
Physics	-	-	-	
Subtotal - STEM Division	**214**	**183**	**-31**	**-14.5%**

Business	151	167	16	10.6%
Master in Business Administration	339	259	-80	-23.6%
Master in Management	135	138	3	2.2%
Communication	16	12	-4	-25.0%
Environmental Studies	13	-	-13	-100.0%
Subtotal - Division of BCE	**654**	**576**	**-78**	**-11.9%**

English	17	4	-13	-76.5%
Gender, Sexuality, and Women's Studies	-	-	-	
International Studies	-	-	-	
Native American Studies	-	4	4	
Philosophy	-	-	-	
Foreign Languages & Literatures	-	-	-	
Subtotal - Humanities and Culture	**17**	**8**	**-9**	**-52.9%**

Total Graduate	**3,903**	**3,400**	**-503**	**-12.9%**
Total Undergraduate + Graduate	**62,398**	**61,497**	**-901**	**-1.4%**

Enrolled Student Headcounts
Fall 2014 Week Ending 10/12/14 vs. Fall 2015 Week Ending 10/11/15
2 Weeks After Start of Term

	Fall 2014	Fall 2015	Change	% Change	Fall 2014 End of Term	Change	% Change
First Year Students	714	835	121	16.9%	713	122	17.1%
New Transfers	563	545	-18	-3.2%	567	-22	-3.9%
New PostBacs/Graduates	154	119	-35	-22.7%	156	-37	-23.7%
Subtotal - New Students	**1,431**	**1,499**	**68**	**4.8%**	**1,436**	**63**	**4.4%**
Continuing Students	3,295	3,167	-128	-3.9%	3,310	-143	-4.3%
Returning after Absense	115	158	43	37.4%	118	40	33.9%
Non-Admitted	971	553	-418	-43.0%	1,384	-831	-60.0%
Grand Total - Headcount	**5,812**	**5,377**	**-435**	**-7.5%**	**6,248**	**-871**	**-13.9%**
Grand Total - FTE	**4,252**	**4,165**	**-87**	**-2.0%**	**4,356**	**-191**	**-4.4%**
Resident	4,068	3,524	-544	-13.4%	4,460	-936	-21.0%
Non-Resident	1,744	1,853	109	6.3%	1,788	65	3.6%
International	150	158	8	5.3%	154	4	2.6%
American Indian/Alaskan Native	59	57	-2	-3.4%	61	-4	-6.6%
Asian	101	97	-4	-4.0%	104	-7	-6.7%
Black	114	124	10	8.8%	116	8	6.9%
Hispanic	487	516	29	6.0%	490	26	5.3%
Pacific Islander	23	27	4	17.4%	24	3	12.5%
Multiple Ethnicities	360	423	63	17.5%	366	57	15.6%
Subtotal - Diversity (ethnic & intl.)	**1,294**	**1,402**	**108**	**8.3%**	**1,315**	**87**	**6.6%**
White	3,275	3,035	-240	-7.3%	3,321	-286	-8.6%
Unknown/Other	1,243	940	-303	-24.4%	1,612	-672	-41.7%
Alaska	75	79	4	5.3%	76	3	3.9%
California	984	1,092	108	11.0%	1,020	72	7.1%
Hawaii	103	117	14	13.6%	104	13	12.5%
Idaho	27	31	4	14.8%	27	4	14.8%
Washington	161	152	-9	-5.6%	161	-9	-5.6%
All Other States	247	249	2	0.8%	258	-9	-3.5%

SCH by Student Level Within Tuition Category
Fall 2014 Week Ending 10/12/14 vs. Fall 2015 Week Ending 10/11/15
2 Weeks After Start of Term

Tuition Category	Fall 2014	Fall 2015	Change	% Change
UG WUE	14,485	16,177	1,692	11.7%
UG Resident	30,997	30,290	-707	-2.3%
UG Non-resident	1,525	1,712	187	12.3%
UG Online	6,466	6,617	151	2.3%
Subtotal - Undergraduates	**53,473**	**54,796**	**1,323**	**2.5%**
GR Resident	822	656	-166	-20.2%
GR Non-resident	579	455	-124	-21.4%
GR Online	264	252	-12	-4.5%
GR Education Differential	1,646	1,598	-48	-2.9%
Subtotal - Graduates	**3,311**	**2,961**	**-350**	**-10.6%**
Staff Rates	795	738	-57	-7.2%
Waived Tuition	785	818	33	4.2%
Course Based Tuition	509	785	276	54.2%
Advanced Southern Credit	3,503	1,345	-2,158	-61.6%
Early Entry HS	22	59	37	168.2%
Grand Total - SCH	**62,398**	**61,502**	**-896**	**-1.4%**

Funnel Report: New Headcounts by Student Type
Fall 2014 Week Ending 10/12/14 vs. Fall 2015 Week Ending 10/11/15
2 Weeks After Start of Term

Applications

Student Type	Fall 2014	Fall 2015	Change	% Change
First Year - Resident	1,106	1,276	170	15.4%
First Year - Nonresident	1,625	1,713	88	5.4%
Transfer - Resident	501	508	7	1.4%
Transfer - Nonresident	445	488	43	9.7%
Postbacs/Grads/Other	320	318	-2	-0.6%
Total	**3,997**	**4,303**	**306**	**7.7%**

Admits

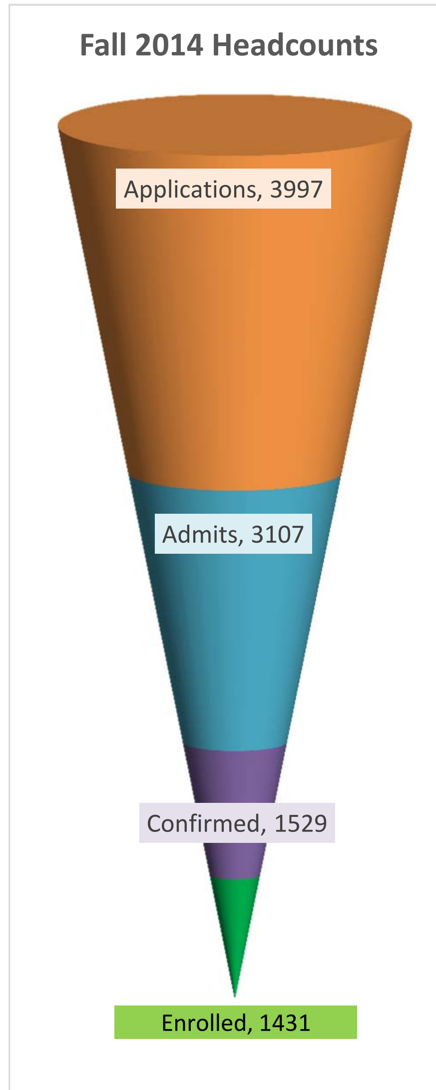
Student Type	Fall 2014	Fall 2015	Change	% Change
First Year - Resident	884	989	105	11.9%
First Year - Nonresident	1,229	1,350	121	9.8%
Transfer - Resident	443	435	-8	-1.8%
Transfer - Nonresident	350	419	69	19.7%
Postbacs/Grads/Other	201	170	-31	-15.4%
Total	**3,107**	**3,363**	**256**	**8.2%**

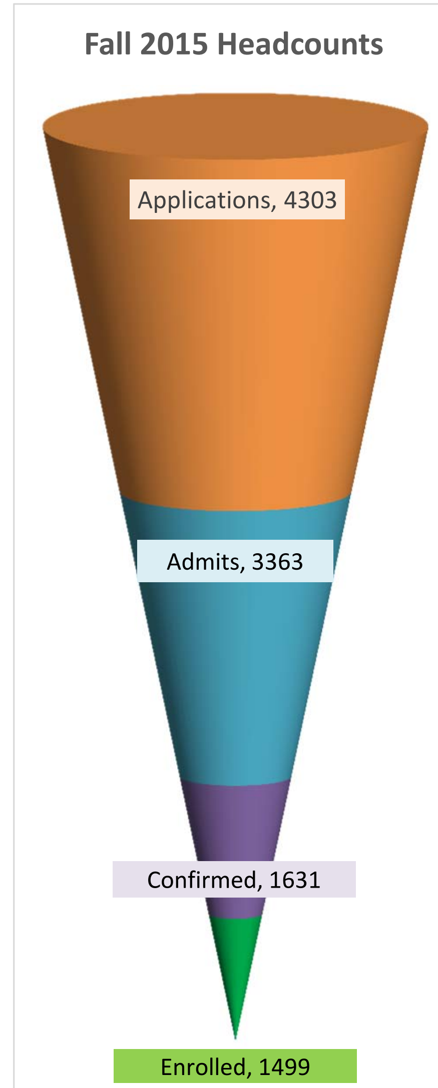
Confirmed (e.g. deposit paid)

Student Type	Fall 2014	Fall 2015	Change	% Change
First Year - Resident	372	465	93	25.0%
First Year - Nonresident	405	436	31	7.7%
Transfer - Resident	346	319	-27	-7.8%
Transfer - Nonresident	230	263	33	14.3%
Postbacs/Grads/Other	176	148	-28	-15.9%
Total	**1,529**	**1,631**	**102**	**6.7%**

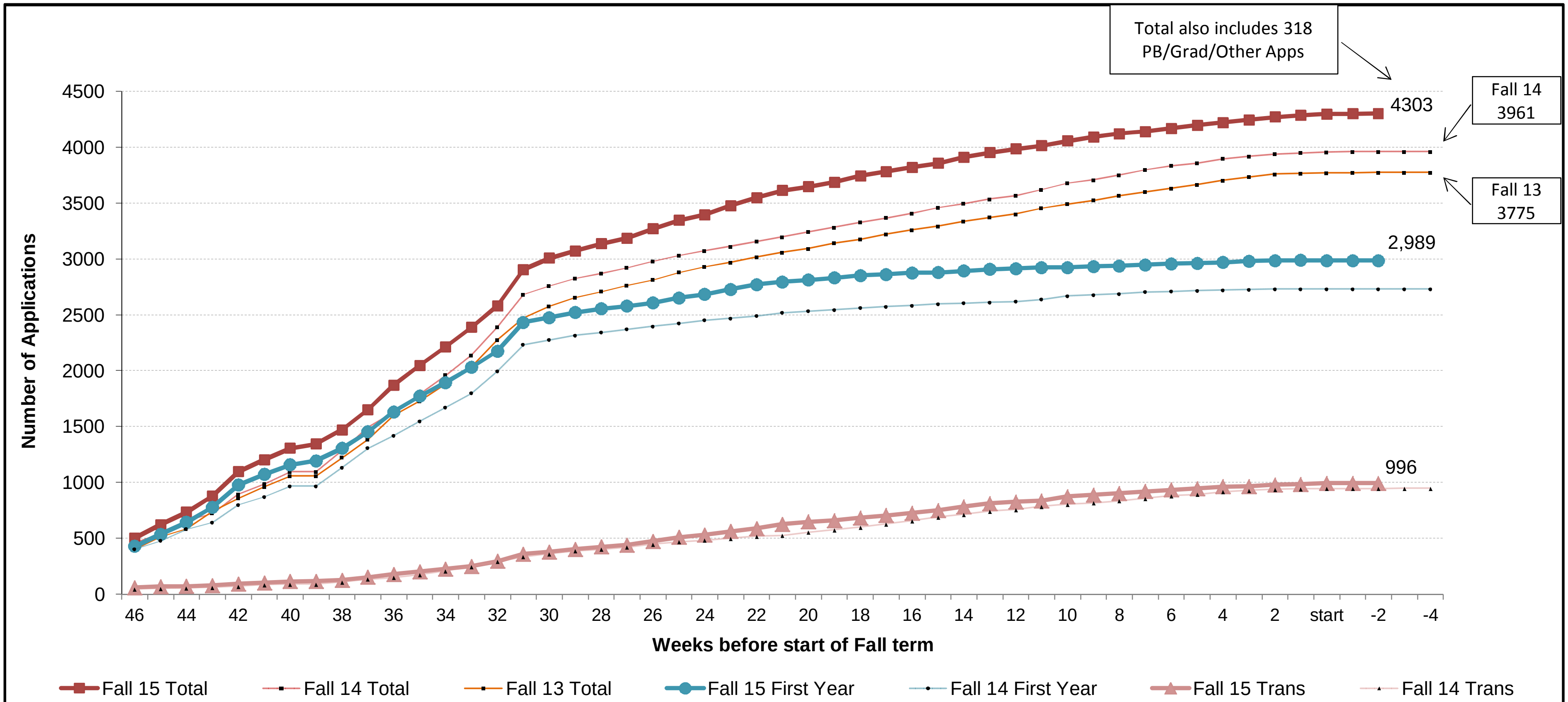
Enrolled

Student Type	Fall 2014	Fall 2015	Change	% Change
First Year - Resident	366	457	91	24.9%
First Year - Nonresident	348	378	30	8.6%
Transfer - Resident	342	311	-31	-9.1%
Transfer - Nonresident	221	234	13	5.9%
Postbacs/Grads/Other	154	119	-35	-22.7%
Total	**1,431**	**1,499**	**68**	**4.8%**





Funnel Report: Application Activity
Fall 2015 Week Ending 10/11/15
2 Weeks After Start of Term



Discussion of FY 15-16
Other Personnel Expenses (OPE)

OPE General Outline

- Three different categories of Other Personnel Expenses (OPE)
  - PEBB – Public Employees Benefits Board – Medical plan offered
    - University generally covers 95-97% of the monthly premium cost
      - General: 95/5 split
      - For some employees who choose the lowest cost plan: 97/3 split (negotiated)
      - Lowest paid Classified also get $40/month subsidy to help defray costs
    - Some employees get that pro-rated, but most either get it or do not (below 0.5 FTE do not)
      - Challenge to budgeting – employees who hold multiple jobs, each below 0.5 FTE, but collectively, exceed 0.5 FTE – individually – no PEBB would be budgeted, but in reality, will be charged, also seasonal employees, for short periods exceed 0.5FTE, but for the year do not. Budgeting looks at annualized FTE, AHA looks at 6 week periods.
    - Composite Rate: Currently, USSE calculates a single rate charged each fund in which an employee's salary is charged
      - This "Composite" rate is the projected total monthly cost, divided by the total number of employees receiving medical benefit.
      - It norms out, in regard to the cost to a program if an employee has a family or is only themselves.
      - Due to large employee movement to the lowest cost plans last Open Enrollment, SOU's composite rate is lower than many, and has gone down in the last year, not up.
      - It is unlikely that this phenomena can be repeated.
  - PERS – Public Employees Retirement System
    - University pays both "Employer" portion and "Employee" portion
      - In years past, in lieu of a salary raise, university picked up Employee portion = 6% of salary.
      - Employer rates are different for different employees, based on which retirement plan (Tier) they participate in
        - Earliest employees are Tier I or II, rates are higher – and going up
        - Newest employees are Tier III or IV, rates are lower – and going down
        - As longer employees retire, rates will go down
        - Currently:
          - Faculty: Predominantly Tier I and II
          - Classified and Administrators: Predominantly Tier III and IV
      - There is also a "PERS Debt" portion – after recession of 2008, PERS was underfunded. All public institutions had to contribute to "pick up" their share, and fix underfunded position – As no public institutions had the cash, there is a residual debt cost of the debt incurred to make that pick up.
  - Other – this includes other employer costs for various benefits employees receive, such as:
    - Worker's Comp
    - Unemployment Insurance
    - FICA, etc.

Public Employees Benefit Board Medical plan premiums

	2014-15				2015-16				Rate increase FY15 - FY16			
	Employee	Employee + Partner	Employee + Child	Family	Employee	Employee + Partner	Employee + Child	Family	Employee	Employee + Partner	Employee + Child	Family
PEBB Statewide	1,048.79	1,405.24	1,206.02	1,436.68	1,088.81	1,458.87	1,252.06	1,491.52	3.8%	3.8%	3.8%	3.8%
Providence Choice	913.67	1,224.29	1,050.73	1,251.70	943.34	1,264.05	1,084.84	1,292.34	3.2%	3.2%	3.2%	3.2%
Allcare PEBB	911.95	1,221.97	1,048.75	1,249.36	911.41	1,221.24	1,048.12	1,248.61	-0.1%	-0.1%	-0.1%	-0.1%
	Employer Share				Employer Share							
PEBB Statewide	996.35	1,334.98	1,145.72	1,364.85	1,034.37	1,385.93	1,189.46	1,416.94				
Providence Choice	867.99	1,163.08	998.19	1,189.12	896.17	1,200.85	1,030.60	1,227.72				
Allcare PEBB 95%	866.35	1,160.87	996.31	1,186.89	865.84	1,160.18	995.71	1,186.18				
Allcare PEBB 97%	884.59	1,185.31	1,017.29	1,211.88	884.07	1,184.60	1,016.68	1,211.15				
	Employee Share				Employee Share							
PEBB Statewide	52.44	70.26	60.30	71.83	54.44	72.94	62.60	74.58				
Providence Choice	45.68	61.21	52.54	62.59	47.17	63.20	54.24	64.62				
Allcare PEBB 5%	45.60	61.10	52.44	62.47	45.57	61.06	52.41	62.43				
Allcare PEBB 3%	27.36	36.66	31.46	37.48	27.34	36.64	31.44	37.46				
Allcare PEBB 95/97 Savings												
PEBB Statewide	111.76	149.67	128.43	152.97	150.30	201.32	172.78	205.79				
Providence Choice	(16.61)	(22.24)	(19.09)	(22.76)	12.11	16.24	13.92	16.57				

RERS Retirement Costs

RATES

PERS	Tier	2014-15 Employer	2014-15 Employee	2014-15 Bonded Debt	2014-15 Combined	2015-16 Employer	2015-16 Employee	2015-16 Bonded Debt	2015-16 Combined
	I & II	9.86	6.00	6.70	22.56	13.28	6.00	6.70	25.98
	III (OPSRP)	8.14	6.00	6.70	20.84	7.31	6.00	6.70	20.01

ORP	Tier	2014-15 Employer	2014-15 Employee	2014-15 Bonded Debt	2014-15 Combined	2015-16 Employer	2015-16 Employee	2015-16 Bonded Debt	2015-16 Combined
	I & II	16.50	6.00	-	22.50	20.45	6.00	-	26.45
	III	6.42	6.00	-	12.42	7.94	6.00	-	13.94
	IV	8.00	4.00		12.00	8.00	4.00	-	12.00

PERTICIPATION

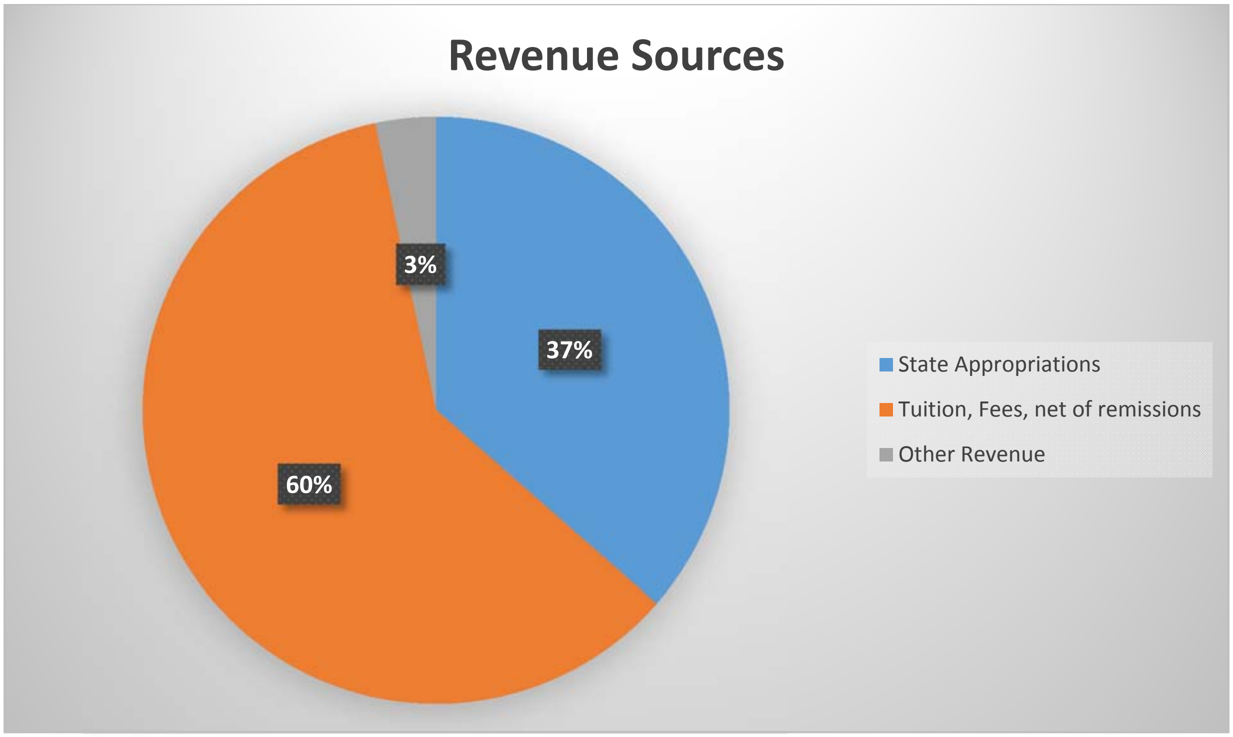
PERS	Tier	2014-15 Faculty	2014-15 Unclassified	2014-15 Classified	2015-16 Faculty	2015-16 Unclassified	2015-16 Classified
	I & II	106	67	75	89	50	63
	III (OPSRP)	70	86	108	71	87	102

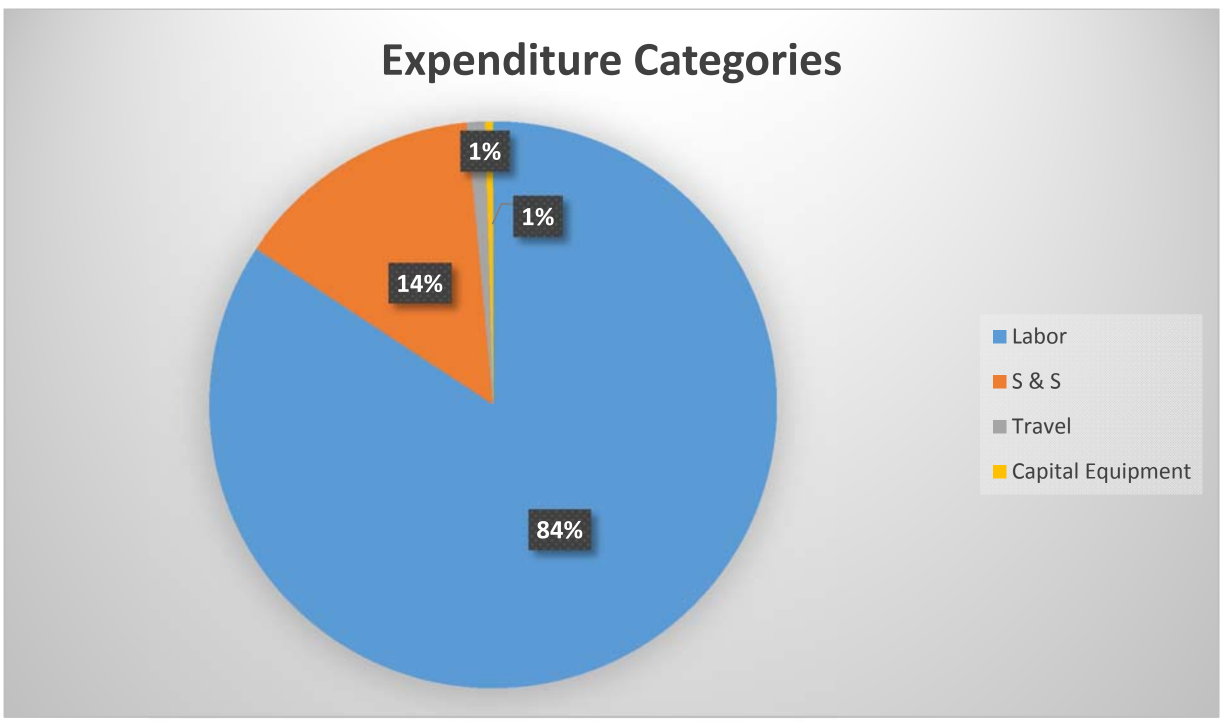
ORP	Tier	2014-15 Faculty	2014-15 Unclassified	2014-15 Classified	2015-16 Faculty	2015-16 Unclassified	2015-16 Classified
	I & II	35	11	1	35	11	1
	III	28	40	0	32	34	0
	IV	0	0	0	0	0	0

Discussion of FY 15-16 Budget Assumptions

Assumptions

- Ending Fund Balance
    - Net of Operations – (Revenue – Expenses)
        - Revenue
            - State Appropriations
                - State Allocation in future years
                - Base – normally considered to be fixed except annual inflation
                - SOU Numbers, relative to other Oregon Public Universities
                    - Activity
                    - Outcomes
                - Increases, decreases to the total funding level will get allocated based on:
                    - Activity
                    - Outcomes
            - Tuition Revenue
                - Enrollment
                    - New First Time freshmen
                    - New Transfers
                    - Retention of existing students
                    - Returning students
                    - Non-admitted
                    - Dual Enrollment
                - Mix
                    - Resident / Non-Resident / WUE
                    - Online
                    - Undergraduate / Graduate
                - Tuition Rates
                - Tuition Remission budget/targets
            - Course Fee/Tuition Differential
            - Other Revenue
                - Internal Reimbursement
                - Assessment of Auxiliaries
                - Miscellaneous sales/reimbursements
        - Expenses
            - Labor
                - FTE changes
                - COLA
                - OPE Rates
            - S&S
            - Travel
            - Capital Equipment
            - Tiered/"What If" budget options
    - Net Transfers
        - Transfers In / Transfers Out
            - One time vs. ongoing
            - Changes to practice vs. new costs/revenue


Revenue Sources
3%
37%
60%
State Appropriations
Tuition, Fees, net of remissions
Other Revenue


Expenditure Categories
1%
1%
14%
84%
Labor
S & S
Travel
Capital Equipment

Adjourn