



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

October 12, 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 financial dashboard and updates on a boiler replacement project, multi-year capital planning, and funding model recommendations. Information and discussion items will include an update on the Vice President for Finance and Administration search; year-end financials and the periodic management report; a review of the budget pro forma; the budget calendar and process; and the committee's meeting schedule.

The meeting will occur as follows:

Thursday, October 19, 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
October 19, 2017

Call to Order / Roll / Declaration of a Quorum



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

**Thursday, October 19, 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/Roll/Declaration of a Quorum | Dennis Slattery, Trustee |
| | 1.1 | Welcome and Opening Remarks | |
| | 1.2 | Roll and Declaration of a Quorum | Sabrina Prud'homme, SOU, Board Secretary |
| | 1.3 | Agenda Review | Trustee Slattery |
| 5 min. | 2 | Consent Agenda | |
| | 2.1 | Approval of June 15, 2017 and July 19, 2017 Meeting Minutes | Trustee Slattery |
| | 3 | Public Comment | |
| 20 min. | 4 | Vice President's Report | Craig Morris, SOU, Vice President for Finance and Administration |
| | 4.1 | Committee Dashboard Review | |
| | 4.2 | Emergency Project Information: Boiler Replacement | |
| | 4.3 | Multi-Year Capital Planning | |
| | 4.4 | Funding Model Recommendations | |
| | 5 | Information and Discussion Items | |
| 5 min. | 5.1 | Update on the Vice President for Finance and Administration Search | Dr. Susan Walsh, SOU, Provost and Vice President for Academic and Student Affairs |

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

**Thursday, October 19, 2017
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

AGENDA (Continued)

| | | | |
|---------|----------|--|--|
| 15 min. | 5.2 | Year-End Financials and Periodic Management Report | Steve Larvick, SOU, Director of Business Services |
| 15 min. | 5.3 | Review of Pro Forma | Mark Denney, SOU, Associate Vice President for Budget and Planning |
| 15 min. | 5.4 | Budget Calendar and Process | Mark Denney |
| 10 min. | 5.5 | Committee Meeting Schedule and Future Meetings | Trustee Slattery |
| | 6 | Adjournment | Trustee Slattery |

Consent Agenda



**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**

MINUTES

Call to Order and Preliminary Business

Chair Nicholson called the meeting to order at 4:04 p.m. He congratulated students, Trustee Nootenboom in particular, on the upcoming graduation. Craig Morris praised Trustee Nootenboom's leadership in establishing a solar panel project at SOU.

The following committee members were present: Paul Nicholson, Lyn Hennion, Jeremy Nootenboom and Dennis Slattery. Trustee April Sevcik participated via teleconference. Trustees Les AuCoin and Sheila Clough were absent. Trustees Bill Thorndike and President 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; Joe Lynch, Academic Partnerships Executive Vice President; Janet Fratella, Vice President for Development; Mark Denney, Associate Vice President for Budget and Planning; Greg Jones, Director of Business, Communication and the Environment; Treasa Sprague, Administrative Services Coordinator; Roxane Beigel-Coryell, Sustainability and Recycling Coordinator; Olena Black, League of Women Voters; Ryan Schnobrich, Internal Auditor; Shane Hunter, Senior Financial Management Analyst; Steve Larvick, Director of Business Services; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Reviewing the agenda, Chair Nicholson announced he would take items out of order to allow the president to be present for the action items and attend a campus graduation.

Trustee Slattery moved to approve the minutes from the May 18, 2017 meeting as presented. Trustee Nootenboom seconded the motion and it passed unanimously.

Public Comment

There was no public comment.

Recommendation for Approval of Contract with Academic Partnerships (Action)

Providing background information on this item, President Schott discussed the potential relationship with Academic Partnerships regarding online programs. At this

time, SOU is looking at pursuing one fully-online program with Academic Partnerships, the Masters of Business Administration, which would be marketed to a different group of students. Dr. Susan Walsh said faculty, the registrar, admissions and financial aid personnel have been involved in discussions with Academic Partnerships representatives. SOU personnel also have contacted partner references at other universities. Chair Nicholson said the matter is before the committee because the amount of the contract exceeds the \$500,000 threshold, requiring board approval.

Joe Lynch provided some information about the company, its services, business model and track record. The company is about 11 years old and is dedicated to helping provide the infrastructure at public universities for online programs. Regarding academic services, Academic Partnerships helps faculty convert courses to an online format. The persistence and graduation rates in the online program will meet or exceed the rates of those on campus. Regarding marketing, Academic Partnerships invests very heavily in ensuring that a student looking for SOU's program will find it because of the investment the company makes on behalf of the university. Everything that goes to market has the SOU brand and is blessed by SOU. After marketing, Academic Partnerships then provides enrollment, recruitment and retention services and partner support.

Turning to the financial aspects of the relationship, Mr. Lynch said the company enters into a 50-50 revenue share with all of its partners and SOU's investment is how it pays its faculty. After about two years, a majority of the universities have a couple of hundred students in each program. It takes about 6 months from the time a contract is executed until the day of the first enrollment. During that period, Academic Partnerships is marketing, helping convert courses and providing partner support.

Responding to Jason Catz's inquiry, Mr. Lynch explained why Academic Partnerships chose SOU and its MBA program. First, the market shift and growth in online MBA programs. Second, SOU already has four of the top five specialized MBA programs. Third is the lack of similar, competitive programs across the state and the unmet need for prospective students.

Responding to Trustee Slattery's inquiry, Mr. Lynch said Academic Partnerships does not provide exclusivity to any partners. However, it does not make a lot of sense to go after other programs in close proximity to SOU because the company would double its expenses but split the market. Mr. Lynch added that Academic Partnerships is not in discussion with any other Oregon universities.

Responding to Trustee Hennion's inquiry regarding the local market for an online program, Mr. Lynch said students look for programs in their home states. It also comes down to where Academic Partnerships will market SOU's programs, which will be heavily in the western part of the country. Trustee Slattery, speaking as a business professor, added that he loved the concept. Further responding to Trustee Hennion, Mr. Lynch said the program is not self-paced, and although it is asynchronous, there are modules with daily and weekly requirements.

Mr. Catz reviewed the material terms of the contract. This is an exempt procurement for educational services. The term of the contract is ten years for each program and, unless notice of termination is provided, there are automatic five-year renewals. If additional programs are added later, the terms for those programs are also ten years. The revenue split is 50-50.

Mark Denney added that about ten students per cohort are needed to meet the threshold to make this a financially positive program for SOU. There is a financial risk to SOU if the minimum threshold is not met but Academic Partnerships has a greater risk. SOU's up-front costs include the \$3,000 stipend paid to faculty who convert their courses. Chair Nicholson and Craig Morris clarified that SOU's up-front costs under the contract are about \$50,000 but the shared revenue paid to Academic Partnerships could exceed \$500,000 over the ten-year term of the contract.

Mr. Catz reviewed the remaining terms of the contract, including Academic Partnerships' right of first offer for new online programs and the prospect of executing a related agreement with Instructional Connections for academic coaches.

Trustee Hennion moved that the Finance and Administration Committee recommend that the Board of Trustees approve the president's request to enter into a contractual agreement with Academic Partnerships for online delivery of SOU programs, including the following material terms: 1) That the term of the contract be ten years from the date of the launch of any program implemented under the agreement; 2) That, following any program's initial ten-year term, the university may agree to renew the contract for an additional term of five years; 3) That any five-year term of renewal shall also be renewable for additional five-year terms until such time that either party elects not to renew the agreement; and 4) That SOU and Academic Partnerships shall each receive 50 percent of the revenue generated by any online programs subject to the agreement. With that recommendation in mind, the committee further recommends that the Board of Trustees approve the execution of any further agreements necessary to implement the online programs, subject to the board's authority requiring approval of agreements where the anticipated cost or value to the university exceeds \$500,000.

Trustee Nootenboom seconded the motion and it passed unanimously.

Fiscal Year 2017-18 Budget (Action)

Mark Denney said there were no significant changes from the draft budget previously presented to the committee. He reminded trustees that forming the budget was a nine-month process, during which the committee and the board provided guidance; there was significant engagement across campus (fourteen presentations plus videos); various decisions were made that built the assumptions which then built the budget; and the retrenchment requires a 10 percent ending fund balance.

Mr. Denney then addressed the budget assumptions. This year's ending fund balance is 11.8 percent, which becomes next year's beginning fund balance. Revenue is based on the tuition rate, enrollment projections and state funding at the level of the

governor's recommended budget (GRB). Labor includes approved positions to be funded for a full year, with a 2.7 percent vacancy factor included. Supplies and services were kept flat. Capital is limited to the library, which is consistent with the retrenchment plan. Transfers out are primarily from budgeted operations to designated operations or auxiliaries; transfers in to budgeted operations are from the administrative surcharge to auxiliary operations for centralized administrative services.

Regarding revenue assumptions, Mr. Morris commented that they are conservative and assuming an enrollment decline around 2.5 percent. Mr. Denney said the draft budget at the GRB funding level is what is before the committee for approval. The university still does not know how the legislators will fund the public university support fund, but the board committed to decreasing the tuition rate if the allocation increases. In the differing funding and tuition rate scenarios, the fund balance stays above 10 percent.

Mr. Denney said the budgets to be adopted are budgeted operations, designated operations, and auxiliary operations. He then reviewed each budget included in the meeting materials. The spending authority that adoption of the proposed budget would grant is \$82,229,067. Mr. Morris clarified that the spending authority on the budget is not what is being passed because SOU may spend more than that amount as long as it can match the budgeted bottom line.

Addressing budgeted operations, Mr. Denney pointed out the nearly \$13 million figure for Academic and Student Affairs, which represents the tuition revenue the academic divisions generate. Addressing designated operations, Mr. Denney said JPR has a projected deficit budget but it transfers in money as necessary to cover its costs and should not be operating at a deficit. RVTV is also at a deficit but it has a sufficient fund balance to cover some expenses. Addressing auxiliary operations, Mr. Denney said the Schneider Children's Center presents budget challenges. Mr. Morris clarified that the students' management of the student incidental fees is sound; the Schneider Children's Center is driving the deficit in the Student Life portion of the auxiliary operations budget. Mr. Denney said athletics continues to be a challenge but is improving. The health center is intentionally operating at a deficit because health center personnel wanted to limit the increase in the health center fee. Parking is running at a slight surplus to build a fund balance for parking lot repairs and other expenses. The big piece of the "Other" category is the student recreation center.

Trustee Nootenboom moved that the Finance and Administration Committee recommend to the SOU Board of Trustees adoption of the fiscal year 2017-18 budget, inclusive of budgeted operations, auxiliaries and designated operations, as presented. The proposed budget is in the sum of \$82,229,067, which includes budgeted operations in the sum of \$61,318,743, auxiliary operations in the sum of \$16,718,790 and designated operations in the sum of \$4,191,536.

Trustee Sevcik seconded the motion. Trustees Nicholson, Hennion and Nootenboom voted aye. Trustee Sevcik voted nay. Trustee Slattery was not present for the vote. The motion passed.

Chair Nicholson thanked all those across campus involved in the budget preparation.

Vice President's Report

Reviewing the financial dashboard, Mr. Morris said all the targets are pretty much in the same place as last month. They are still forecasting an 11.8 percent ending fund balance, possibly better. Approximately \$740,000 was added to the allowance for doubtful accounts, there was \$610,000 in net write offs and the allowance stands at \$3.8 million.

Mr. Morris said students have asked him to sign a five-year contract for exactly \$500,000. Although it does not require board approval since it is not over that amount, for transparency, he brought it to the committee. As part of the student incidental fee, students collect a green tag fee and invest the proceeds in sustainable projects. The contract to purchase water restoration certificates increased from \$350,000 to \$500,000, which completely offsets SOU's water usage. Roxane Beigel-Coryell added that the students switched to water restoration certificates five years ago, partly because they wanted to invest their money more regionally. SOU is the first university in the world to balance 100 percent of its water footprint through water offsets, for which it has received many accolades. The students chose this project over several other options. The contract includes an annual trip to the project for 20 students.

Future Meetings

Chair Nicholson said the next committee meeting will be in October but he will not be able to attend. The Schneider Children's Center was requested as a future agenda item. He encouraged committee members to let him or the board secretary know of any other topics they would like included.

Adjourn

Chair Nicholson adjourned the meeting at 5:46 p.m.



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

**Wednesday, July 19, 2017
4:00 – 4:30 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 4:03 p.m. and thanked the trustees for attending the special meeting.

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

Other meeting guests included: Jason Catz, General Counsel; Craig Morris, Vice President for Finance and Administration; Devon Backstrom, OSA/ASSOU; Leo McCaffrey, ASSOU; Staci Buchwald, Director of Housing; Allyson Beck, Housing; John Olson, SOU student; Ryan Schnobrich, Internal Auditor; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Public Comment

There was no public comment.

Request for Authorization to Conduct a Special Procurement (Action)

Jason Catz led the discussion on the special procurement for the contract relating to the ongoing strategic planning process and explained why the committee's approval was important for SOU to proceed. Jon Lange has been facilitating the strategic planning process. SOU engaged Mr. Lange as a consultant under SOU's standard professional services contract for an amount not to exceed \$25,000. The proposed amount of this extension is an amount not to exceed \$40,000. The administration is relying more on Mr. Lange's services and less on Ms. Ginny Lang's consultation so it does not increase the planned cost of strategic planning in any respect.

Mr. Catz said SOU adheres faithfully to procurement rules and the correct process in this situation is to seek a determination that this is appropriate for a special procurement exemption. SOU inherited its procurement rules from the OARs, which it adopted as its own policies. If SOU had anticipated that these services would have exceeded the \$25,000 competitive procurement threshold, it would have put the consultancy out for a competitive bid.

When faced with a contract that involves increasing the cost of an engagement, the right thing to do is to follow the process for approval of a special procurement. Under SOU's procurement policy, a special procurement is an exemption from competitive procedures that the Finance and Administration Committee determines is either (a) reasonably expected to result in substantial cost savings to the university or public or (b) otherwise substantially promotes the public interest in a manner that could not be practicably realized by complying with the other process described in the policy.

If SOU were to initiate a competitive bidding process for the consulting services, the administration thinks the public interest would be served poorly. SOU would lose the time Mr. Lange has invested in the strategic planning process and if someone else were hired now under a competitive process, they would have to start from scratch.

Responding to Trustee Sevcik's inquiry, Mr. Catz said the \$40,000 is in addition to the \$25,000 already expended under the existing contract, for a total of \$65,000.

Trustee Hennion moved that the Finance and Administration Committee of the board determines the special procurement is appropriate because it substantially promotes the public interest in a manner that could not be practicably realized by complying with other competitive bid processes for the university, for an amount up to \$40,000. Trustee Sevcik seconded the motion.

President Schott said Mr. Lange has done an exceptionally good job and the process is on schedule. Having him continue will keep this pace, balancing the iterative nature of the process with the transparent and collaborative part.

Responding to Trustee Hennion regarding circumventing a competitive bid, Mr. Catz said this is one of the reasons the special procurement procedure exists. Mr. Lange's services were needed more than Ms. Lang's, but there would be no additional cost since costs were shifted from her to him. Craig Morris added that if SOU does not move forward with this special procurement, it would mean stopping the strategic planning process until the competitive bid process could be completed, which could be 30-90 days.

Chair Nicholson said it was not expected that Mr. Lange would go over the amount of the contract. The expectation was that Ms. Lang would have the larger role and Mr. Lange would have a minor role but that changed. Having participated in the strategic planning work and having done it as a consultant, he was not surprised that the original contract was exceeded, given the need to keep so many people in the loop, and the extent of the process. For the record, Chair Nicholson stressed that this is not an issue of avoiding processes but is because of changes that have taken place in the process.

Chair Nicholson reiterated that the motion was to approve an extension of the contract up to a further \$40,000, a vote was taken, and the motion passed unanimously.

Adjourn

Chair Nicholson adjourned the meeting at 4:22 p.m.

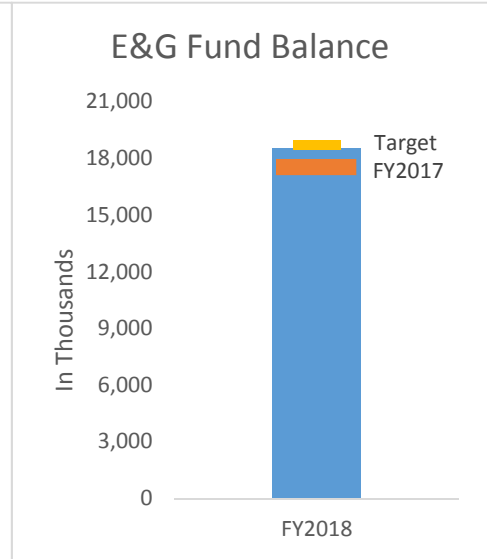
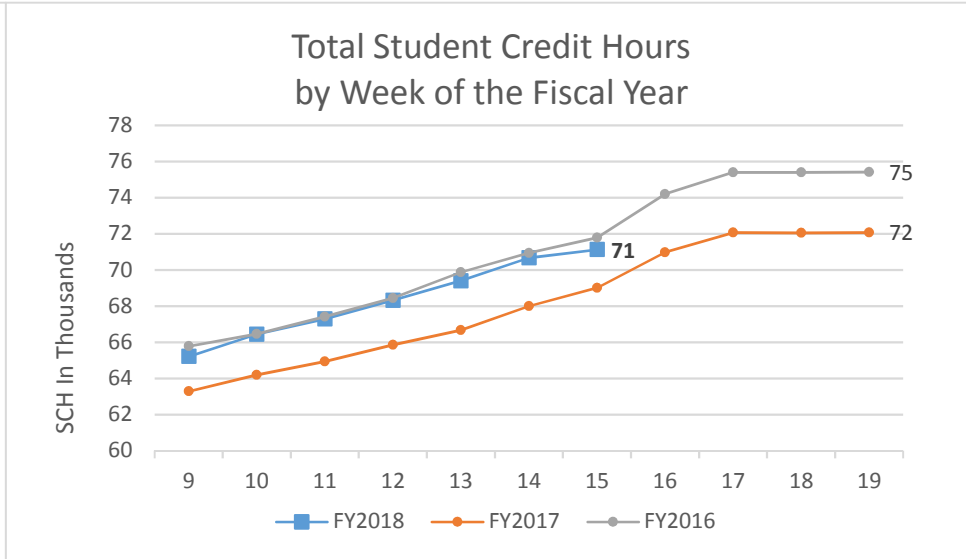
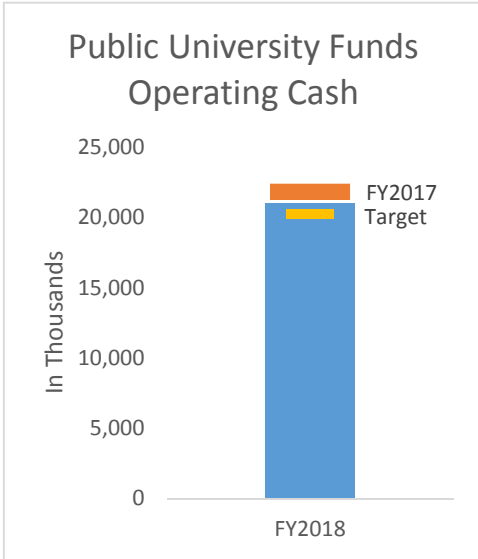
Public Comment

Vice President's Report

Financial Dashboard

For FY18

As of September 30, 2017

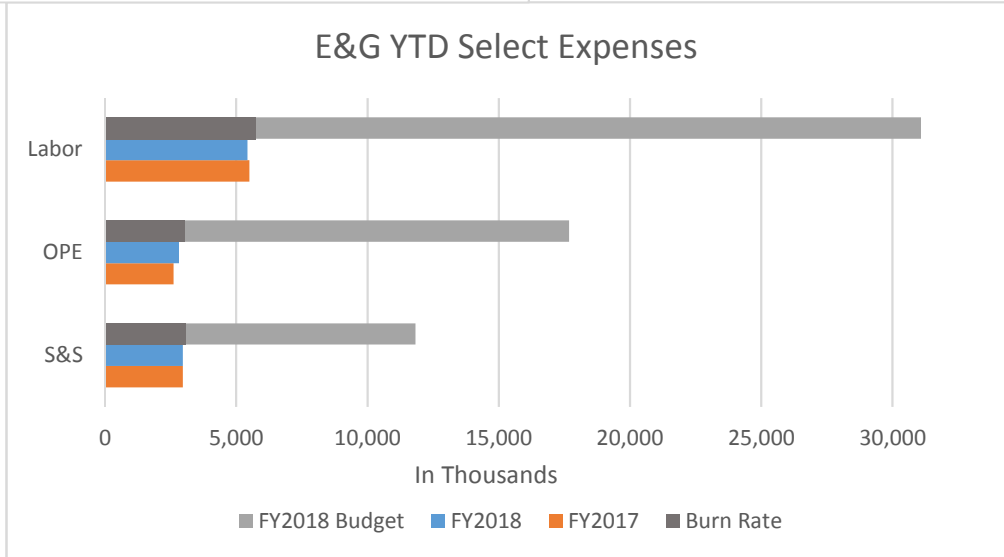
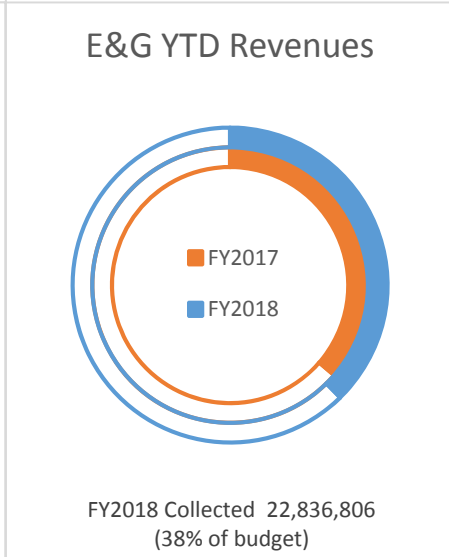


Preliminary Financial Ratios for FY17

Primary Reserve Ratio: 10.46% ❌

Current Ratio: 1.8:1 ✅

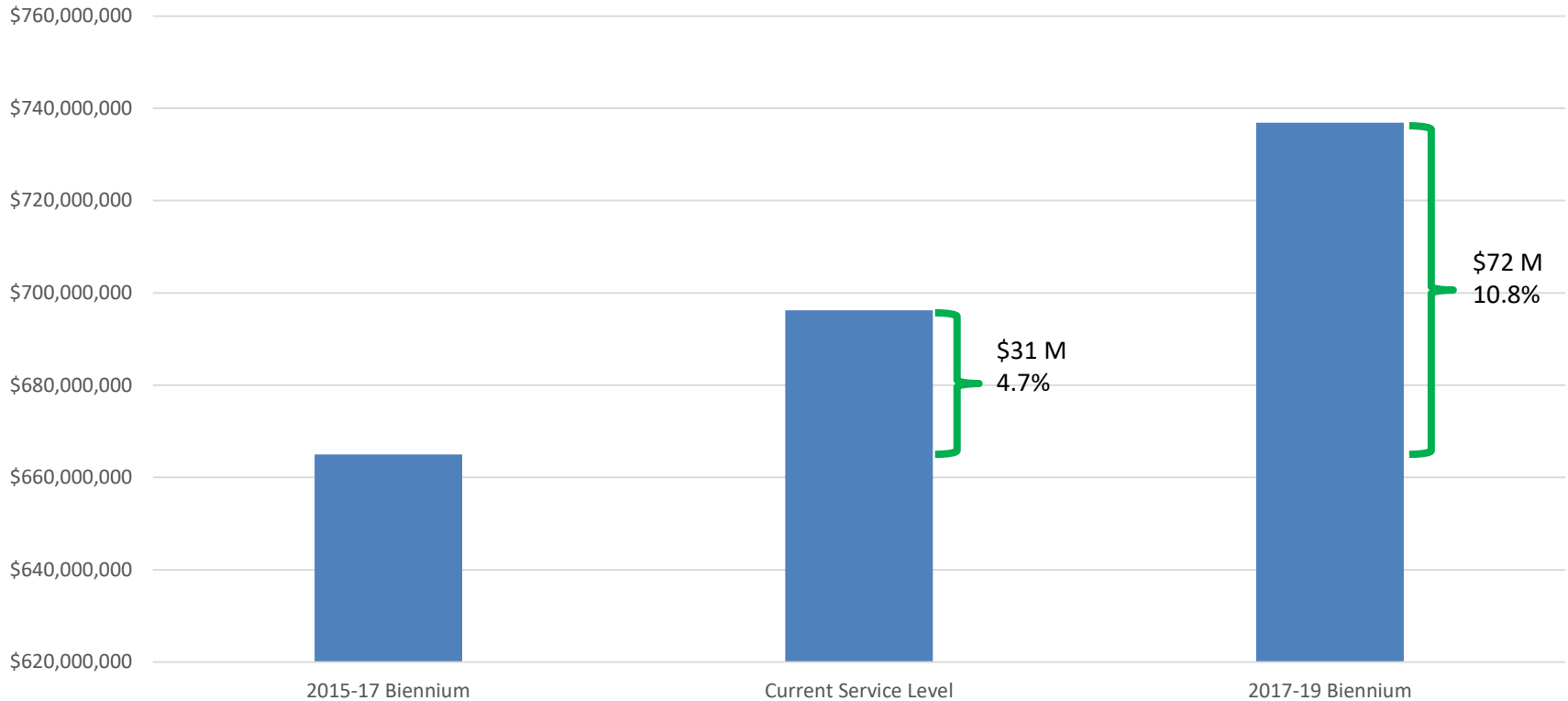
Debt Burden Ratio: 3.9% ✅



Generous Increase to the Public University Support Fund



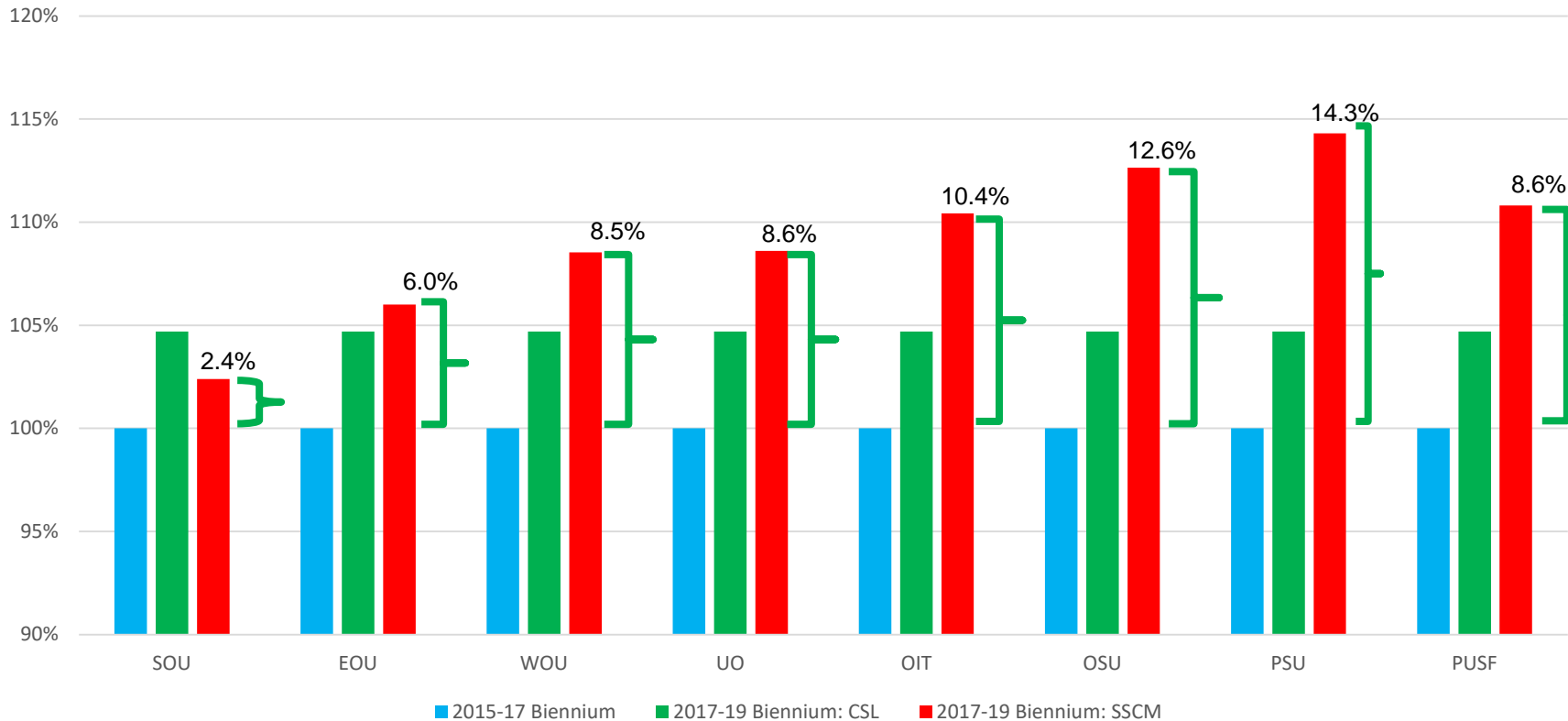
Comparison: PUSF Increase, CSL vs. Actual



Different Outcomes in how the PUSF is Allocated



CSL vs. SSCM allocation of \$70 Million additional funding to PUSF



Note: if all universities received CSL, then Performance Based Funding – there would have been over \$40 Million of PBF to allocate over the biennium

Update on the Vice President for Finance and Administration Search

Year-End Financials and Periodic Management Report

Periodic Management Report

Budget Forecast

| (in thousands except enrollment) | FY2016 Final Results | FY2017 Initial Budget | % Change | FY2017 Final Results | 100.0% | Variance from Initial Budget | % Variance from Initial Budget | Notes |
|---|-------------------------|-----------------------------|----------|----------------------------|--------|------------------------------------|-----------------------------------|-------|
| EDUCATION & GENERAL | | | | | | | | |
| State General Fund | \$ 20,697 | \$ 21,523 | 4% | \$ 21,540 | | \$ 17 | 0% | (1) |
| Tuition & Resource Fees, net of Remissions | 34,736 | 35,614 | 3% | 34,111 | | (1,503) | -4% | (2) |
| Other | 2,482 | 1,860 | -25% | 3,314 | | 1,453 | 78% | (3) |
| Total Revenues | <u>\$ 57,915</u> | <u>\$ 58,997</u> | 2% | <u>\$ 58,965</u> | 67.2% | <u>\$ (32)</u> | 0% | |
| Personnel Services | \$ 44,556 | \$ 46,838 | 5% | \$ 46,264 | | \$ (574) | -1% | (4) |
| Supplies & Services & Capital Outlay | 9,289 | 9,117 | -2% | 9,101 | | (15) | 0% | (5) |
| Total Expenditures | <u>\$ 53,846</u> | <u>\$ 55,955</u> | 4% | <u>\$ 55,366</u> | | <u>\$ (589)</u> | -1% | |
| Net from Operations | <u>\$ 4,070</u> | <u>\$ 3,043</u> | | <u>\$ 3,599</u> | | <u>\$ 557</u> | | |
| Net Subsidies (Transfers) In (Out) | (1,952) | (1,846) | -5% | (2,266) | | (420) | 23% | (6) |
| Fund Additions/(Deductions) | 0 | - | | (1,365) | | (1,365) | | (7) |
| Change in Fund Balance | \$ 2,118 | \$ 1,196 | | \$ (33) | | \$ (1,229) | | |
| Beginning Fund Balance | <u>4,758</u> | <u>6,876</u> | | <u>6,876</u> | | <u>0</u> | | |
| Ending Fund Balance | <u>\$ 6,876</u> | <u>\$ 8,073</u> | | <u>\$ 6,844</u> | | <u>\$ (1,229)</u> | | |
| Ending FB as a % Operating Revenues | 11.9% | 13.7% | | 11.6% | | | | (8) |
| Ending FB: Reflected as Months of Expenditures | 1.5 | 1.7 | | 1.5 | | | | |
| Student FTE Enrollment | 4,478 | 4,487 | 0.2% | 4,357 | | | -2.9% | |
| AUXILIARY ENTERPRISES (Including North Campus Village) | | | | | | | | |
| Enrollment Fees | \$ 5,745 | \$ 6,552 | 14% | 6,000 | | \$ (552) | -8% | (9) |
| Sales & Services | 12,797 | 13,301 | 4% | 12,079 | | (1,222) | -9% | (10) |
| Other | 2,731 | 2,845 | 4% | 2,591 | | (254) | -9% | (11) |
| Total Revenues | <u>\$ 21,274</u> | <u>\$ 22,699</u> | 7% | <u>\$ 20,670</u> | 23.5% | <u>\$ (2,028)</u> | -9% | |
| Personnel Services | \$ 7,035 | \$ 7,882 | 12% | \$ 7,356 | | \$ (527) | -7% | (12) |
| Supplies & Services & Capital Outlay | 14,772 | 15,131 | 2% | 13,533 | | (1,598) | -11% | (13) |
| Total Expenditures | <u>\$ 21,807</u> | <u>\$ 23,014</u> | 6% | <u>\$ 20,889</u> | | <u>\$ (2,125)</u> | -9% | |
| Net from Operations | <u>\$ (534)</u> | <u>\$ (315)</u> | | <u>\$ (219)</u> | | <u>\$ 97</u> | | |
| Net Subsidies (Transfers) In (Out) | 1,517 | 1,502 | | 1,450 | | \$ (53) | -3% | (14) |
| Additions/(Deductions) to Unrestricted Net Assets | (6,172) | 5 | | (992) | | (997) | | (15) |
| Change in Unrestricted Net Assets | \$ (5,189) | \$ 1,192 | | \$ 239 | | \$ (953) | | |
| Beginning Fund Balance Available for Operations | <u>(744)</u> | <u>(601)</u> | | <u>(601)</u> | | <u>0</u> | | |
| Ending Fund Balance Available for Operations | <u>\$ (601)</u> | <u>\$ 586</u> | | <u>\$ (774)</u> | | <u>\$ (1,360)</u> | | (16) |
| Ending FB as a % Operating Revenues | -2.8% | 2.6% | | -3.7% | | | | |
| Ending FB: Reflected as Months of Expenditures | (0.3) | 0.3 | | (0.4) | | | | |

Periodic Management Report

Budget Forecast

| (in thousands except enrollment) | FY2016 Final Results | FY2017 Initial Budget | % Change | FY2017 Final Results | 100.0% | Variance from Initial Budget | % Variance from Initial Budget | Notes |
|---|-------------------------|-----------------------------|----------|----------------------------|--------|------------------------------------|-----------------------------------|-------|
| DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS | | | | | | | | |
| Enrollment Fees | \$ 893 | \$ 911 | 2% | \$ 1,094 | | \$ 183 | 20% | (17) |
| Sales & Services | 2,285 | 2,270 | -1% | 3,217 | | 946 | 42% | (18) |
| Other | 1,672 | 1,614 | -3% | 3,861 | | 2,248 | 139% | (19) |
| Total Revenues | <u>\$ 4,849</u> | <u>\$ 4,795</u> | -1% | <u>\$ 8,172</u> | 9.3% | <u>\$ 3,377</u> | 70% | |
| Personnel Services | \$ 2,667 | \$ 3,272 | 23% | \$ 2,792 | | \$ (480) | -15% | (20) |
| Supplies & Services & Capital Outlay | 2,071 | 1,947 | -6% | 2,615 | | 668 | 34% | (21) |
| Total Expenditures | <u>\$ 4,738</u> | <u>\$ 5,219</u> | 10% | <u>\$ 5,407</u> | | <u>\$ 188</u> | 4% | |
| Net from Operations | <u>\$ 111</u> | <u>\$ (424)</u> | | <u>\$ 2,764</u> | | <u>\$ 3,189</u> | | |
| Net Subsidies (Transfers) In (Out) | 294 | 343 | 17% | (717) | | (1,060) | -309% | (18) |
| Additions/(Deductions) to Unrestricted Net Assets | 88 | - | | (1,422) | | (1,422) | | (22) |
| Change in Unrestricted Net Assets | \$ 493 | \$ (82) | | \$ 625 | | \$ 707 | | |
| Beginning Fund Balance Available for Operations | 898 | 1,300 | | 1,300 | | 0 | | |
| Beginning Fund Balance Associated with Fixed Assets | 372 | 463 | | 463 | | 0 | | |
| Ending Fund Balance | 1,767 | 1,681 | | 2,388 | | 707 | | |
| Ending Fund Balance Associated with Fixed Assets | 463 | 463 | | 898 | | 435 | | |
| Ending Fund Balance Available for Operations | <u>\$ 1,305</u> | <u>\$ 1,218</u> | | <u>\$ 1,490</u> | | <u>\$ 272</u> | | (23) |
| Ending FB as a % Operating Revenues | 26.9% | 25.4% | | 18.2% | | | | |
| Ending FB as Months of Expenditures | 3.3 | 2.8 | | 3.3 | | | | |
| ALL CURRENT UNRESTRICTED FUNDS: | | | | | | | | |
| Beginning Fund Balance Available for Daily Operations | \$ 4,913 | \$ 7,575 | | \$ 7,575 | | \$ - | | |
| Revenues | 84,038 | 86,491 | 3% | 87,807 | | 1,316 | 2% | |
| Expenditures | 80,391 | 84,188 | 5% | 81,662 | | (2,526) | -3% | |
| Transfers | (141) | (1) | | (1,533) | | (1,533) | | |
| GL Additions & Deductions | (6,085) | 5 | | (3,780) | | (3,785) | | |
| Ending Fund Balance Available for Daily Operations | <u>\$ 7,580</u> | <u>\$ 9,877</u> | | <u>\$ 7,560</u> | | <u>\$ (2,317)</u> | | |
| Ending FB as a % Operating Revenues | 9.0% | 11.4% | | 8.6% | | | | |
| Ending FB as Months of Expenditures | 1.1 | 1.4 | | 1.1 | | | | |

Notes

- (1) Increases in the funding base plus changes in the funding model. All institutions received increases.
- (2) Budgeted for an even enrollment, along with an 3% average price increase. For the year, enrollment was down 2.9%. Changes to the enrollment mix late in the year resulted in some improvements to the revenues projections by approximately another \$200k. Graduate was trending down 2.2% at the end of March, but finished the year down only .47%. WUE was trending up 1.5% at the end of March, but finished up by 2.9%.

Periodic Management Report

Budget Forecast

| (in thousands except enrollment) | FY2016 Final Results | FY2017 Initial Budget | % Change | FY2017 Final Results | 100.0% | Variance from Initial Budget | % Variance from Initial Budget | Notes |
|----------------------------------|---|-----------------------------|----------|----------------------------|--------|------------------------------------|-----------------------------------|-------|
| (3) | Higher land lease revenues from the Raider Village were recorded to the General Fund, including \$700k that was redirected from Housing. Some additional one-time funds came in from a legal settlement (4250k), as well as \$300k associated with the recognition of a Gain on Sale of Investments. | | | | | | | |
| (4) | COLA and classified employees step increases budgeted for FY2017. Reductions in faculty, student, and graduate assistants, along with some savings coming from lower OPE costs. | | | | | | | |
| (5) | Increase in Early Retirement Healthcare expenses, offset by some savings coming out of lower utility and legal costs, as well with other lower spending tied to lower enrollments. | | | | | | | |
| (6) | \$1.6m associated with Athletics. See "Subsidies" report for further summary. \$180k of the increase is tied to an accounting change which moved a Housing Transfer-in to be reflected as an Internal Sales Reimbursement, in relation to the reimbursement for the services provided by the Service Center. | | | | | | | |
| (7) | The outstanding balance associated with the fraud instance, was moved from an outstanding receivable, and recorded as a non-operating expense, which reflects it as a reduction to the Fund Balance. Initially, this was recorded as a pending insurance receivable, but since this is still under review by the insurance providers, SOU could not received definitive confirmation prior to the point of having to publish the financial statements. As such, it's being reflected as a non-operating expense at the present time. If clarification from the insurance providers is received reflecting the amount of the coverage, SOU can remove it as a non-operating expense, and reflect it back as a receivable that will be cleared upon the receipt of the funds. | | | | | | | |
| (8) | As a result of having to recognize the fraud instance as a non-operating loss at this time, the Fund Balance fell to 11.6%. Roughly in line with where SOU resided coming into the year. | | | | | | | |
| (9) | An increase in the Student Recreation Center fee from \$35/credit hour to \$75/credit hour will raise the Rec Center revenues by about \$450k. However, this will be offset by reduced Student Incidental fee income as a result of lower enrollments. | | | | | | | |
| (10) | Slight improvement from prior quarter projections. Overall Housing occupancy was lower by approximately 3.9%, but this was an improvement from being down by 5% at the end of March. Additional growth seen in both activity, and pricing, for conference activities. | | | | | | | |
| (11) | Improvement in conference activity added increased activity in the Food Service activities. Additional funds received form DHHS and the Oregon Childhood Development Coalition, for payments to the campus Childcare activities (\$100k). This was then offset by \$700k in land lease revenue that was shifted from Housing to the General Fund. | | | | | | | |
| (12) | Projection reduced as a result of growing savings in OPE. COLA and classified step increases, offset by reduced labor tied to lower housing occupancy and lower institutional enrollment. | | | | | | | |
| (13) | Savings due to refinancing of bond debt, primarily in Housing (\$440k recorded gain on bond refunding, along with \$150k in lower interest payments). Lower final Land Lease expense tied to the North Campus housing project (\$250k). \$180k tied to an accounting change shifting a Housing Transfer-out (offset to "Subsidies") to be reflected in the S&S Expense line. Lower overall spending tied to lower housing occupancy and institution enrollment. Additionally, lower travel expenses associated with post-season athletic travel. | | | | | | | |
| (14) | Largely subsidies to Athletics, offset by some transfers to reserves. | | | | | | | |
| (15) | Payments of Bond principal. | | | | | | | |
| (16) | Contributing factors to the auxiliary deficit operating Fund Balance position include: <ul style="list-style-type: none"> - Athletic program ongoing projected deficit of \$1.8(m). - Remaining Internal Loan from the General Fund to cover the costs of the BOLI Settlement (\$2m), to be paid back to the GF over the next 10 years | | | | | | | |
| (17) | Non-credit program activity up form the prior year. | | | | | | | |
| (18) | \$1m increase tied to funds delivered from JPR Foundation in connection with the construction of the new facilities. Offset is reflected on the "Subsidies" line as the funds are transferred to the construction project. | | | | | | | |
| (19) | Increase tied to the extra funds received to sell the JPR Cascade building (\$570k). Plus, one-time recognition of \$1.6m in discounted receivable due to contractual commitment from the SOU Foundation to pay for the debt obligations related to the JPR site within the new Theatre building. | | | | | | | |
| (20) | Remained inline with prior projections. The JPR labor budget had a substantial growth projected, but actual growth was in at a little under 10%. | | | | | | | |
| (21) | Increase is tied to the defeasance of the JPR Cascade building bond costs (\$570k). | | | | | | | |
| (22) | Largely associated with the net discounted debt service obligation for the JPR/Theatre building, tied to the JPR portion of the debt obligation. This is essentially offset by the recognition of the receivable from the JPR Foundation, referenced in note 18. | | | | | | | |
| (23) | Even with the large dollar amounts associate with the two JPR transactions, the funds balance holds inline with prior projections at approximately \$1.5m. | | | | | | | |

Review of Pro Forma

FY18 Budget vs. Current Projection



Southern Oregon University Budgeted Operations Pro Forma

| | 2015-17 Biennium | | 2017-19 Biennium | | | 2019-21 Biennium | |
|---|------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2015-16 ACTUAL (000's) | 2016-17 Actual (000's) | 2017-18 BUDGET (000's) | 2017-18 FORECAST (000's) | 2018-19 FORECAST (000's) | 2019-20 FORECAST (000's) | 2020-21 FORECAST (000's) |
| <i>(in thousands of dollars)</i> | | | | | | | |
| Budgeted Operations | | | | | | | |
| State Appropriations | 20,263 | 21,540 | 20,304 | 21,260 | 21,492 | 22,764 | 23,588 |
| Tuition, net of Remissions | 34,736 | 34,111 | 38,374 | 38,068 | 38,836 | 41,141 | 43,767 |
| Other | 2,632 | 3,314 | 1,937 | 2,028 | 2,029 | 2,149 | 2,286 |
| Other Adjustments to Revenue | | | | | | | |
| Total Revenues & Transfers In | 58,065 | 58,965 | 60,616 | 61,356 | 62,357 | 66,054 | 69,641 |
| Personnel Services | (44,562) | (46,264) | (49,966) | (49,414) | (52,379) | (55,522) | (58,853) |
| Other Adj. to Labor | | | | | | | |
| Net Personnel | (44,562) | (46,264) | (49,966) | (49,414) | (52,379) | (55,522) | (58,853) |
| Supplies & Services | (9,271) | (9,101) | (9,150) | (9,240) | (9,424) | (9,613) | (9,805) |
| Program Investment | | | | | (250) | (250) | (250) |
| Other adjustments to S&S | | | | | | | |
| Total Expenditures & Transfers Out | (53,833) | (55,366) | (59,115) | (58,654) | (62,054) | (65,385) | (68,909) |
| Net from Operations and Transfers | 4,232 | 3,599 | 1,500 | 2,702 | 303 | 669 | 733 |
| Net Transfers | (2,103) | (2,266) | (2,203) | (2,264) | (1,951) | (2,067) | (2,179) |
| Change in Fund Balance | 2,129 | 1,333 | (703) | 438 | (1,648) | (1,398) | (1,446) |
| Fund Additions (Deductions) | | (1,365) | | | | | |
| Beginning Fund Balance | 4,759 | 6,876 | 6,844 | 6,844 | 7,282 | 5,634 | 4,237 |
| Ending Fund Balance | 6,876 | 6,844 | 6,141 | 7,282 | 5,634 | 4,237 | 2,790 |
| % Operating Revenues | 11.8% | 11.6% | 10.1% | 11.9% | 9.0% | 6.4% | 4.0% |
| Retrenchment Plan | 7.8% | 10.2% | 11.0% | 11.0% | | | |

With Academic Partnerships



Southern Oregon University Budgeted Operations Pro Forma

| | 2015-17 Biennium | | 2017-19 Biennium | | | 2019-21 Biennium | |
|---|------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2015-16 ACTUAL (000's) | 2016-17 Actual (000's) | 2017-18 BUDGET (000's) | 2017-18 FORECAST (000's) | 2018-19 FORECAST (000's) | 2019-20 FORECAST (000's) | 2020-21 FORECAST (000's) |
| <i>(in thousands of dollars)</i> | | | | | | | |
| Budgeted Operations | | | | | | | |
| State Appropriations | 20,263 | 21,540 | 20,304 | 21,260 | 21,492 | 22,764 | 23,588 |
| Tuition, net of Remissions | 34,736 | 34,111 | 38,374 | 38,068 | 38,836 | 41,141 | 43,767 |
| Other | 2,632 | 3,314 | 1,937 | 2,028 | 2,029 | 2,149 | 2,286 |
| Other Adjustments to Revenue | | | | 46 | 638 | 1,190 | 1,276 |
| Total Revenues & Transfers In | 58,065 | 58,965 | 60,616 | 61,402 | 62,995 | 67,244 | 70,917 |
| Personnel Services | (44,562) | (46,264) | (49,966) | (49,414) | (52,379) | (55,522) | (58,853) |
| Other Adj. to Labor | | | | | | | |
| Net Personnel | (44,562) | (46,264) | (49,966) | (49,414) | (52,379) | (55,522) | (58,853) |
| Supplies & Services | (9,271) | (9,101) | (9,150) | (9,240) | (9,424) | (9,613) | (9,805) |
| Program Investment | | | | | (250) | (250) | (250) |
| Other adjustments to S&S | | | | (65) | (278) | (260) | (294) |
| Total Expenditures & Transfers Out | (53,833) | (55,366) | (59,115) | (58,654) | (62,054) | (65,385) | (68,909) |
| Net from Operations and Transfers | 4,232 | 3,599 | 1,500 | 2,748 | 941 | 1,859 | 2,009 |
| Net Transfers | (2,103) | (2,266) | (2,203) | (2,264) | (1,971) | (2,104) | (2,219) |
| Change in Fund Balance | 2,129 | 1,333 | (703) | 484 | (1,030) | (245) | (210) |
| Fund Additions (Deductions) | | (1,365) | | | | | |
| Beginning Fund Balance | 4,759 | 6,876 | 6,844 | 6,844 | 7,328 | 6,298 | 6,053 |
| Ending Fund Balance | 6,876 | 6,844 | 6,141 | 7,328 | 6,298 | 6,053 | 5,843 |
| % Operating Revenues | 11.8% | 11.6% | 10.1% | 11.9% | 10.0% | 9.0% | 8.2% |
| Retrenchment Plan | 7.8% | 10.2% | 11.0% | 11.0% | | | |

With Academic Partnerships



Southern Oregon University Budgeted Operations Pro Forma

| | 2015-17 Biennium | | 2017-19 Biennium | | | 2019-21 Biennium | |
|---|------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2015-16 ACTUAL (000's) | 2016-17 Actual (000's) | 2017-18 BUDGET (000's) | 2017-18 FORECAST (000's) | 2018-19 FORECAST (000's) | 2019-20 FORECAST (000's) | 2020-21 FORECAST (000's) |
| <i>(in thousands of dollars)</i> | | | | | | | |
| Budgeted Operations | | | | | | | |
| State Appropriations | 20,263 | 21,540 | 20,304 | 21,260 | 21,492 | 22,764 | 23,588 |
| Tuition, net of Remissions | 34,736 | 34,111 | 38,374 | 38,068 | 38,836 | 41,141 | 43,767 |
| Other | 2,632 | 3,314 | 1,937 | 2,028 | 2,029 | 2,149 | 2,286 |
| Other Adjustments to Revenue | | | | 46 | 638 | 1,190 | 1,276 |
| Total Revenues & Transfers In | 58,065 | 58,965 | 60,616 | 61,402 | 62,995 | 67,244 | 70,917 |
| Personnel Services | (44,562) | (46,264) | (49,966) | (49,414) | (52,379) | (55,522) | (58,853) |
| Other Adj. to Labor | | | | | | | |
| Net Personnel | (44,562) | (46,264) | (49,966) | (49,414) | (52,379) | (55,522) | (58,853) |
| Supplies & Services | (9,271) | (9,101) | (9,150) | (9,240) | (9,424) | (9,613) | (9,805) |
| Program Investment | | | | | (250) | (250) | (250) |
| Other adjustments to S&S | | | | (65) | (278) | (260) | (294) |
| Total Expenditures & Transfers Out | (53,833) | (55,366) | (59,115) | (58,654) | (62,054) | (65,385) | (68,909) |
| Net from Operations and Transfers | 4,232 | 3,599 | 1,500 | 2,748 | 941 | 1,859 | 2,009 |
| Net Transfers | (2,103) | (2,266) | (2,203) | (2,264) | (1,971) | (2,104) | (2,219) |
| Change in Fund Balance | 2,129 | 1,333 | (703) | 484 | (1,030) | (245) | (210) |
| Fund Additions (Deductions) | | (1,365) | | | | | |
| Beginning Fund Balance | 4,759 | 6,876 | 6,844 | 6,844 | 7,328 | 6,298 | 6,053 |
| Ending Fund Balance | 6,876 | 6,844 | 6,141 | 7,328 | 6,298 | 6,053 | 5,843 |
| % Operating Revenues | 11.8% | 11.6% | 10.1% | 11.9% | 10.0% | 9.0% | 8.2% |
| Retrenchment Plan | 7.8% | 10.2% | 11.0% | 11.0% | | | |

With Academic Partnerships



Southern Oregon University Budgeted Operations Pro Forma

| | 2015-17 Biennium | | 2017-19 Biennium | | | 2019-21 Biennium | |
|---|------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2015-16 ACTUAL (000's) | 2016-17 Actual (000's) | 2017-18 BUDGET (000's) | 2017-18 FORECAST (000's) | 2018-19 FORECAST (000's) | 2019-20 FORECAST (000's) | 2020-21 FORECAST (000's) |
| <i>(in thousands of dollars)</i> | | | | | | | |
| Budgeted Operations | | | | | | | |
| State Appropriations | 20,263 | 21,540 | 20,304 | 21,260 | 21,492 | 22,764 | 23,588 |
| Tuition, net of Remissions | 34,736 | 34,111 | 38,374 | 38,068 | 38,836 | 41,141 | 43,767 |
| Other | 2,632 | 3,314 | 1,937 | 2,028 | 2,029 | 2,149 | 2,286 |
| Other Adjustments to Revenue | | | | 46 | 638 | 1,190 | 1,276 |
| Total Revenues & Transfers In | 58,065 | 58,965 | 60,616 | 61,402 | 62,995 | 67,244 | 70,917 |
| Personnel Services | (44,562) | (46,264) | (49,966) | (49,414) | (52,379) | (55,522) | (58,853) |
| Other Adj. to Labor | | | | | | | |
| Net Personnel | (44,562) | (46,264) | (49,966) | (49,414) | (52,379) | (55,522) | (58,853) |
| Supplies & Services | (9,271) | (9,101) | (9,150) | (9,240) | (9,424) | (9,613) | (9,805) |
| Program Investment | | | | | (250) | (250) | (250) |
| Other adjustments to S&S | | | | (65) | (278) | (260) | (294) |
| Total Expenditures & Transfers Out | (53,833) | (55,366) | (59,115) | (58,654) | (62,054) | (65,385) | (68,909) |
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| Net Transfers | (2,103) | (2,266) | (2,203) | (2,264) | (1,971) | (2,104) | (2,219) |
| Change in Fund Balance | 2,129 | 1,333 | (703) | 484 | (1,030) | (245) | (210) |
| Fund Additions (Deductions) | | (1,365) | | | | | |
| Beginning Fund Balance | 4,759 | 6,876 | 6,844 | 6,844 | 7,328 | 6,298 | 6,053 |
| Ending Fund Balance | 6,876 | 6,844 | 6,141 | 7,328 | 6,298 | 6,053 | 5,843 |
| % Operating Revenues | 11.8% | 11.6% | 10.1% | 11.9% | 10.0% | 9.0% | 8.2% |
| Retrenchment Plan | 7.8% | 10.2% | 11.0% | 11.0% | | | |

Budget Calendar and Process

Budget Development Calendar and Process

- Complete view
 - With each element of the Budget, the Proforma will be updated to reflect current projections giving the FC situational awareness at time of each review/approval
- Multiple Looks
 - Each element of the Budget will have at least one review from the Finance Committee before approval is requested.
 - Where possible, University Budget Committee, UPB, Faculty and Student Senate's will have reviewed and their feedback will be provided.

Budget Development Calendar and Process (Cont'd)

Fiscal Year 2018-19 Budget Development

| | Proposed timeline | Audience | Action |
|-----------|--|---|--|
| July | Review Prior Year results | | |
| August | | | |
| September | | | |
| October | Present forecast (Proforma) | Finance Committee | Provide feedback on priorities for development |
| | Budget Development timeline | Finance Committee | Provide feedback, discuss timing for review |
| November | | | |
| December | Budget Assumptions Baseline budget roll out – Student Life | | |
| January | Baseline budget roll out - Auxiliaries | | |
| | Initial Enrollment Projection | Finance Committee | Review, provide feedback |
| February | Preliminary Tuition and Fee preview Baseline budget roll out - Ed & Gen | Finance Committee | Review, provide feedback |
| March | Student Fee Proposal | Finance Committee | Review, approve for forwarding to full board |
| | Tuition and Mandatory Fees | Board | Approve Tuition and Fees |
| April | Baseline budget completion Draft Auxiliary Budget presentation Draft Transfers (subsidy) Discussion Tuition and Mandatory Fee rates * | Finance Committee Finance Committee Board | Review, provide feedback Review, provide feedback Approve Tuition and Fees |
| May | Draft Budget Presentation: All Funds | Finance Committee | Review, approve for forwarding to full board |
| June | Adopt Approved Budget | Board | Adopted Budget |

Note: With each month, the Proforma will be presented, fully updated, providing a holistic view of the budget as it develops.

** Tuition and Mandatory fees are set for March, but if necessary, a special board meeting may be required for April action.*

Committee Meeting Schedule and Future Meetings

**SOU Board of Trustees
Board and Committee Proposed Meeting Schedule**

| MEETING | Academic and Student Affairs | Finance and Administration | Executive and Audit | Board of Trustees |
|------------------|---|--|----------------------------|---|
| DAY | Third Thursdays | Third Thursdays | Third Fridays | Third Fridays |
| FREQUENCY | Four Times Per Year (As needed for curriculum approvals) | Seven Times Per Year | Four Times Per Year | Four Times Per Year (Plus a Fall Retreat) |
| TIME | 12:00-3:30 p.m. | 4:00-6:00 p.m. 4:00-5:30 p.m. Budget Mtgs | 9:30-11:30 a.m. | 12:00-5:00 p.m. |
| | October 19, 2017 | October 19, 2017 | October 20, 2017 | October 20, 2017 |
| | | | | Special Meeting November 16, 2017 3:00 – 4 :00 p.m. |
| | January 18, 2018 | January 18, 2018 | January 19, 2018 | January 19, 2018 |
| | | February 15, 2018 (Budget focus only) | | |
| | March 15, 2018 | March 15, 2018 | March 16, 2018 | March 16, 2018 |
| | | April 19, 2018 (Budget focus only) | | April 20, 2018 (Hold for possible meeting) |
| | | May 17, 2018 (Budget focus only) | | |
| | June 21, 2018 | June 21, 2018 | June 22, 2018 | June 22, 2018 |
| | | | | Retreat September 27-28, 2018 |
| | October 18, 2018 | October 18, 2018 | October 19, 2018 | October 19, 2018 |
| | January 17, 2019 | January 17, 2019 | January 18, 2019 | January 18, 2019 |
| | | February 21, 2019 (Budget focus only) | | |
| | March 21, 2019 | March 21, 2019 | March 22, 2019 | March 22, 2019 |
| | | April 18, 2019 (Budget focus only) | | |
| | | May 16, 2019 (Budget focus only) | | |
| | June 20, 2019 | June 20, 2019 | June 21, 2019 | June 21, 2019 |

Adjournment