



Board of Trustees
Finance and Administration Committee Meeting
October 17, 2019



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

October 10, 2019

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.

The consent agenda contains minutes of the June 2019 meeting and investment reports from the fourth quarter in fiscal year 2019. Topics of the meeting will include a vice president's report with a review of the financial dashboard, and updates on state funding as well as the HECC's strategic 10-year capital plan and SOU capital projects. There will be discussion and action on the Fiscal Year 2019-20 university budget and a review of the committee's proposed meeting schedule for 2020 and 2021.

The meeting will occur as follows:

Thursday, October 17, 2019

4:00 p.m. to 6:00 p.m. (or until business concludes)

Hannon Library, DeBoer Room, 3rd Floor, Room #303

Visit governance.sou.edu for meeting materials.

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.**

Call to Order / Roll / Declaration of a Quorum



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

**Thursday, October 17, 2019
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

AGENDA

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

- | | | | |
|---------|----------|--|--|
| | 1 | Call to Order/Roll/Declaration of a Quorum | Chair Sheila Clough |
| | 1.1 | Welcome and Opening Remarks | |
| | 1.2 | Roll and Declaration of a Quorum | Sabrina Prud'homme,
SOU, Board Secretary |
| | 1.3 | Agenda Review | Chair Clough |
| | 2 | Public Comment | |
| 5 min. | 3 | Consent Agenda (Action) | |
| | 3.1 | June 20, 2019 Meeting Minutes | Chair Clough |
| | 3.2 | FY19 Fourth Quarter Investment Reports | |
| 30 min. | 4 | Vice President's Report | Greg Perkinson, SOU, Vice
President for Finance and
Administration |
| | 4.1 | Committee Dashboard | |
| | 4.2 | State Funding Update | |
| | 4.3 | HECC 10-year Strategic Capital Plan and SOU
Capital Projects Update | |
| 50 min. | 5 | Action, Information and Discussion Items | |
| | 5.1 | Fiscal Year 2019-20 University Budget (Action) | Trustee Clough; President
Schott; Greg Perkinson |
| 5 min. | 5.2 | Proposed 2020-2021 Committee Meeting Schedule | Chair Clough |
| 5 min. | 5.3 | Future Meetings | Chair Clough |

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

**Thursday, October 17, 2019
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

AGENDA (Continued)

6 Adjournment

Chair Clough

Public Comment

Consent Agenda

Board of Trustees
Finance and Administration Committee Meeting
Thursday, June 20, 2019

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Shanztyn Nihipali	Present
Les AuCoin	Absent	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Megan Davis Lightman	Present		

Chair Sheila Clough called the meeting to order at 4:00 p.m. in the DeBoer Room of the Hannon Library. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Lyn Hennion, Deborah Rosenberg and Dr. Linda Schott.

Other attendees included: Penny Burgess, USSE; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Sabrina Prud'homme, Board Secretary; Josh Lovern, Budget Office; Susan Dyssegard, Office of Finance and Administration; Dr. Lee Ayers, Undergraduate Studies and HECC; Deborah Lovern, Provost's Office; Steve Larvick, Business Services; Max Jensen, OSA; Ryan Schnobrich, Internal Auditor; John Stevenson, Information Technology; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Consent Agenda

Trustee Thorndike moved to approve the consent agenda, as presented. Trustee Lightman seconded the motion and it passed unanimously.

Vice President's Report

Committee Dashboard

Greg Perkinson reviewed the dashboard, as presented in the materials. Operating cash is as expected and there are no negative indicators in the revenues. The Supplies & Services burn rate continues to increase. There are no negative indicators for Other Personnel Expenses or Labor and the gap in those is expected to hold. Another deep-dive on athletics recently was completed with good engagement of key stakeholders.

HECC Update

Mr. Perkinson provided highlights regarding HECC's strategic capital plan. He said the HECC has a contractor developing the 10-year strategic capital plan. The contractor is learning the requirements universities have from a physical perspective, along with academic program evolution and regional economic workforce needs. The common dialogue is the importance of creativity and innovation and continuing the momentum to create of a center of excellence. President Schott summarized the change in the submission and approval process for capital improvement projects.

Mr. Perkinson said the Funding and Achievement Subcommittee met and discussed its plan to establish a working group to reevaluate components of the Student Success and Completion Model.

The HECC approved the tuition rates requested by three of the public universities. Mr. Perkinson and, later, President Schott praised Board Chair Hennion, Vice Chair Nicholson, Trustees Nihipali and Thorndike, Alexis Phillips and Jonathan Chavez-Baez, among others, on their participation at the HECC meeting.

Other General Updates

There were no updates to report for this agenda item.

Action, Information and Discussion Items

State Funding Update

Greg Perkinson said the budget has not been signed because the republicans walked out on the vote. The good news is the universities believe there may be \$100 million in funding in addition to the public university support fund (PUSF).

Fiscal Year 2019-20 Budget (Action)

Chair Clough introduced the agenda item, saying that, every meeting since January, the committee has examined issues ranging from enrollment to state funding perspectives and has discussed the difficulties of creating the budget, as some revenue levers remain unknown. The budget proposal is unique for SOU but not uncommon for other universities in the state and for some federal government agencies. Chair Clough reiterated her discomfort with this process. She said this was the time to discuss any concerns so the committee can feel solid about its recommendation to the board.

Greg Perkinson explained that the proposal continues the expenditure side of the budget, understanding that the revenue side is not fully understood and will not be until August or September. He reviewed the sources of SOU's revenue, saying Education & General, Designated Operations and Auxiliary Enterprises are the categories of the budget submitted to the board for approval. The restricted operating funds (gifts and grants) and non-operating funds are an important part of resources received but are not presented for approval.

Mr. Perkinson explained in detail the pro forma included in the meeting materials. Of the additional \$100 million in the PUSF, SOU would get \$1.7 million. The enrollment assumption the Tuition Advisory Council used was -0.5 percent; that, coupled with the 10 percent increase in tuition, is what drives the tuition revenue line. In October, SOU will better understand enrollment and will have a good sense of the revenue picture. Rolling forward only the expenditures is about the uncertainty on the revenue side.

Mr. Perkinson said the adjusted baseline for Raider Aid was \$3.6 million and the budget modeled \$2 million in cuts. SOU presented to HECC that it would increase Raider Aid by \$500,000; it is not modeled that way in the pro forma but will be adjusted.

Turning to projected personnel costs based on collective bargaining agreements, COLA

increases, etc., there is about a \$4 million increase. Personnel costs are 83 percent of the expenses and SOU's discretionary spend of one dollar is seven cents. Most of the increase comes from PERS. SOU has been mindful of keeping open positions open, so labor itself is not increasing tremendously. President Schott reminded the trustees that, in terms of salaries, SOU pays 87 percent of College and University Professional Association's average for similar types of institutions; SOU does not pay even 100 percent of what other institutions may pay but the pay is equitable within that band.

With all the assumptions and projections used in the pro forma, the forecast for the ending fund balance for 2019-2020 is 8.2 percent. Responding to Board Chair Hennion's inquiry, Mr. Perkinson said the pro forma assumes an increase in tuition of just under 5 percent in future years. President Schott added that any tuition increase would depend on enrollment. Josh Lovern added that adjustments to Supplies & Services and Labor are modeled as permanent cuts.

Mr. Perkinson then reviewed the figures in budgeted operations, as presented in the materials. The fiscal year 2019 working budget is the one the committee will be asked to review and recommend for approval. After the year-end actual figures and lessons-learned are analyzed, budget personnel may revise the temporary budget to develop the final budget for the board's approval in October.

Much discussion ensued on the new approach, the factors necessitating it and the reasoning behind it. Mr. Perkinson said the committee would be asked to approve only the expenditure portion of the budget at this point in time but the revenue portion could also be rolled forward if desired. Committee members expressed their concerns but also stated they were comfortable with and would not oppose the new roll-forward approach. Jason Catz added that the applicable statute authorizes the board to take actions necessary to carry out its responsibilities and there is nothing in the legislation that prevented the board from taking this approach.

President Schott said the benefit to adopting a budget is that it provides discipline and limitation, especially on the expense side, which is supported by management's accountability-centered approach to spending. She said she thought this was a more honest way to proceed; there are too many variables at this point and the commitment is to come back and adjust accordingly. This gives more time to ask that the plan SOU is going to live by is more accurate.

In summarizing transfers, Mr. Perkinson said the new athletic course revenue is below normal and general fund support to athletics is higher than normal.

Trustee Franks moved approval of the Proposed Resolution, Temporary FY2020 Budget and Expenditure Authorization, as included in the meeting materials. Trustee Vincent seconded the motion and it passed unanimously.

Investment Update

Penny Burgess provided the investment update for the third quarter. There was very strong performance from equities and fixed income during the quarter, with the S&P 500 up 13.6 percent, fixed income up 2.9 percent and international equities posting a 10.3 percent increase.

Turning to the university's investment returns for the operating account invested in the Public University Fund (PUF), Ms. Burgess said the PUF gained 1.7 percent for the quarter, up 3.4 percent year-to-date. SOU had \$28.7 million invested in the PUF on March 31 and earned just over \$177,000 in earnings during the quarter.

Moving to the endowment assets, Ms. Burgess reminded the committee that the endowment assets are invested in a separately managed account with the Oregon State Treasury, independent of the endowment managed by the SOU Foundation. The total return for the quarter was 10.1 percent, outperforming the policy benchmark by 60 basis points. The SOU endowment on March 31 was valued at \$2.44 million.

Future Meetings

The next regularly scheduled committee meeting will be on October 17.

Adjournment

Chair Clough adjourned the meeting at 5:37 p.m.

FY2019 Q4 Investment Reports

BACKGROUND

The Southern Oregon University (university) investment reports for the fourth quarter (Q4) of FY2019 are presented in the following sections:

- **FY2019 Q4 Southern Oregon University Investment Report** – This section includes a report on the investments of the operating and endowment assets of the university. This report reflects the university’s operating assets that are invested in the Public University Fund and the university’s endowment investments managed by the Oregon State Treasury.
- **FY2019 Q4 Market Commentary** – This section provides a general discussion of the investment markets and related performance data for the fourth quarter of FY2019 (i.e., April 1 – June 30, 2019).

FY2019 Q4 SOUTHERN OREGON UNIVERSITY INVESTMENT REPORT

The schedule of Southern Oregon University’s investments is shown in the investment summary below.

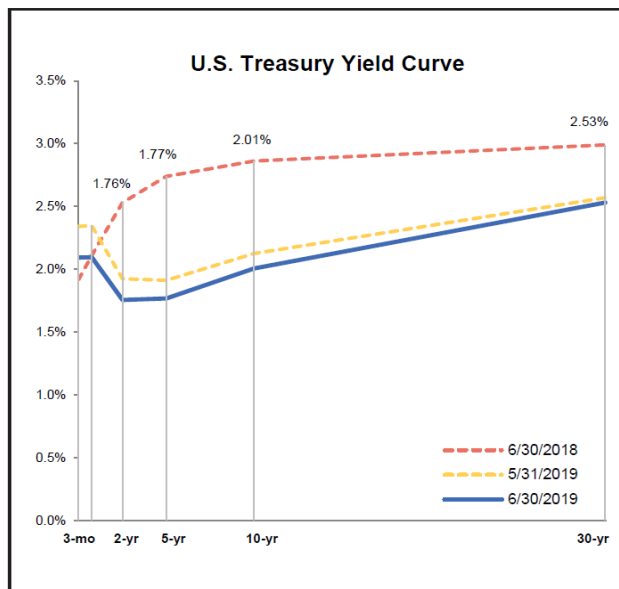
Public University Fund

Southern Oregon University’s operating assets are invested in the Public University Fund (PUF). The PUF gained 1.6% for the quarter and 5.0% for fiscal year 2019. The PUF’s three-year average return was 2.2%.

The Oregon Short-Term Fund (OSTF) returned 0.7% for the quarter, outperforming its benchmark by 10 basis points. The Core Bond Fund returned 2.2% for the quarter, underperforming its benchmark by 10 basis points. The investment yield on the PUF portfolio was 0.7% for the quarter and 2.7% for fiscal year 2019.

In July, Oregon State Treasury fixed income portfolio manager, Tom Lofton, conducted a quarterly performance review with university staff. The fixed income markets posted strong returns during the quarter as short to intermediate-term interest rates declined as slowing global manufacturing data and hints of a possible Federal Funds rate cut in July fueled a market rally. To mitigate risk in the portfolio, Mr. Lofton continues to diversify the number of issuers held in the portfolio and maintain an average portfolio duration in-line with the stated benchmark.

Segments of the yield curve remain inverted for a third consecutive quarter, particularly the 6-month to 5-year maturities. As depicted by the blue line in the graph (above), the yield on the 3-



month Treasury bill (2.09%) was higher than the 5-year Treasury note (1.77%), as of June 30, 2019.

During the quarter, the PUF Administrator sold \$52 million from the Core Bond Fund to meet anticipated liquidity requirements during fiscal year 2020.

A factsheet detailing each investment pool's portfolio characteristics and market exposures is included with this report.

Southern Oregon University Endowment Fund

The SOU Endowment Fund gained 3.6% for the quarter and 6.1% for fiscal year 2019, outperforming its policy benchmark by 20 basis points for both the quarter and fiscal year. The three-year average return was 9.6% compared to 8.8% for the benchmark. The Fund ended the quarter with a balance of \$2.5 million.

The majority of the Fund's assets (74%) are allocated to a global equity index strategy while 26% of the portfolio is allocated to an "actively" managed fixed income fund. For the three months ended June 30, 2019, the Western Asset Core Plus Bond Fund returned 3.9%, outperforming the Bloomberg Barclays U.S. Aggregate Bond Index by 80 basis points. The Blackrock All-Country World Index outperformed its benchmark by 10 basis points for the quarter, gaining 3.5%.

Southern Oregon University

Investment Summary

as of June 30, 2019

(Net of Fees)

	Quarter Ended 6/30/2019	Current Fiscal YTD	Prior 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	0.7%	2.6%	1.7%	1.8%	1.3%	0.9%	\$ 11,233,989	46.4%	1
Benchmark - 91 day T-Bill	0.6%	2.3%	1.4%	1.4%	0.9%	0.5%			
PUF Core Bond Fund	2.2%	6.3%	-0.3%	N/A	N/A	N/A	12,975,441	53.6%	1
Blended Benchmark ²	2.3%	6.7%	-0.6%	1.8%	2.8%	N/A			
Public University Fund Total Return	1.6%	5.0%	0.9%	2.2%			<u>\$ 24,209,430</u>	<u>100.0%</u>	
Public University Fund Investment Yield	0.7%	2.7%	2.1%	2.2%					
SOU Endowment Assets									
BlackRock ACWI IMI B	3.5%	4.8%	11.4%	11.7%	6.3%	N/A	\$ 1,865,372	73.7%	75.0%
Benchmark - MSCI ACWI IMI Net	3.4%	4.6%	11.1%	11.4%	6.0%	10.3%			
Western Asset Core Plus Bond Fund	3.9%	9.4%	-0.4%	4.2%	4.3%	6.7%	661,869	26.2%	25.0%
Benchmark - Bloomberg Barclays Aggregate Index	3.1%	7.9%	-0.4%	2.3%	2.9%	3.9%			
Cash	0.7%	2.6%	1.7%	1.8%	1.3%	0.9%	774	0.1%	0.0%
Benchmark - 91 day T-Bill	0.6%	2.3%	1.4%	1.4%	0.9%	0.5%			
							<u>2,528,015</u>	<u>100.0%</u>	
Arrowstreet Tax Reclaim Receivable							277	0.0%	
Total Endowment Assets	3.6%	6.1%	8.4%	9.6%	6.2%	10.1%	<u>\$ 2,528,292</u>	<u>100.0%</u>	
Policy Benchmark ³	3.4%	5.9%	7.6%	8.8%	N/A	N/A			

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

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

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

Note: Outlined returns underperformed their benchmark.

Oregon Short Term Fund

June 30, 2019

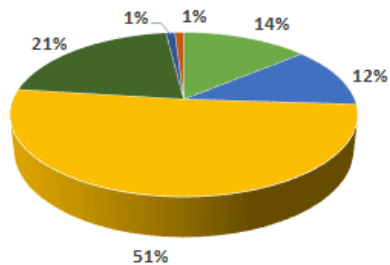
Portfolio Characteristics

Market Value 6/30/2019	\$ 292,937,813
Weighted Average Credit Quality	AA
Book Yield (%)	2.76
Weighted Average Maturity (years)	1.23
Duration (years)	0.57
Spread Duration (rate)	0.97

Top 10 Issuers

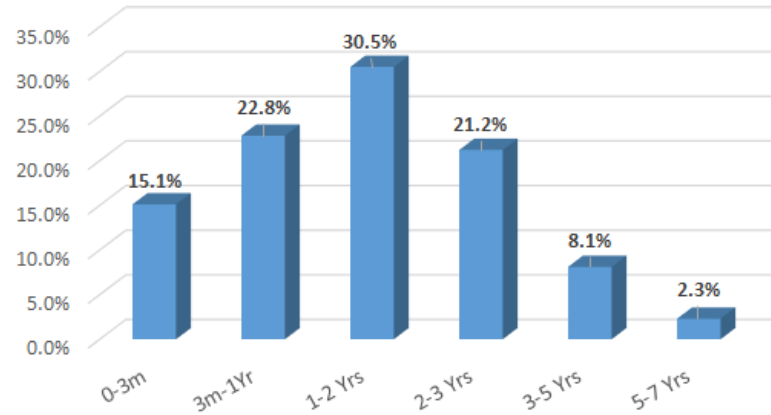
United States Treasury	14.4%
Citigroup Incorporated	3.3%
Wells Fargo & Company	2.9%
JP Morgan Chase & Co	2.9%
Barclays Plc	2.2%
Caterpillar Incorporated	2.2%
Goldman Sachs Group Incorporated (The)	2.1%
Toyota Motor Corporation	2.1%
Federal Farm Credit Banks Funding Corporation	1.9%
Morgan Stanley	1.8%
Total	35.8%

Sector Allocations

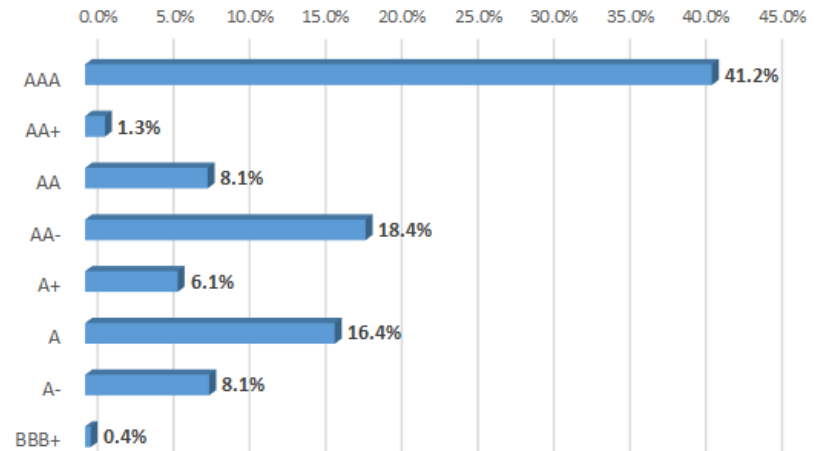


- Treasuries
- Government Related
- Corporates
- Securitized
- Funds
- Cash Securities

Maturity Breakdown



Credit Quality Distribution



Source: Oregon State Treasury

Core Bond Fund

June 30, 2019

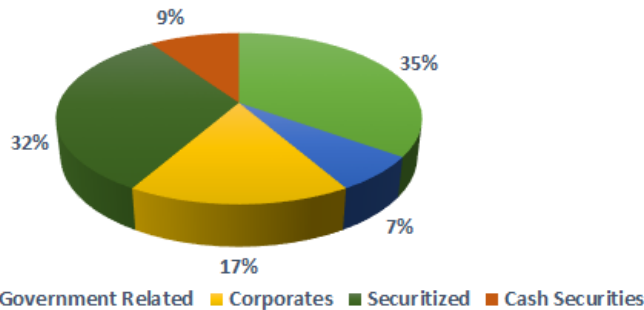
Portfolio Characteristics

Market Value 6/30/19	\$ 338,347,950
Weighted Average Credit Quality	AA+
Book Yield (%)	2.64
Weighted Average Maturity (years)	4.15
Duration (years)	3.15
Spread Duration (rate)	2.28

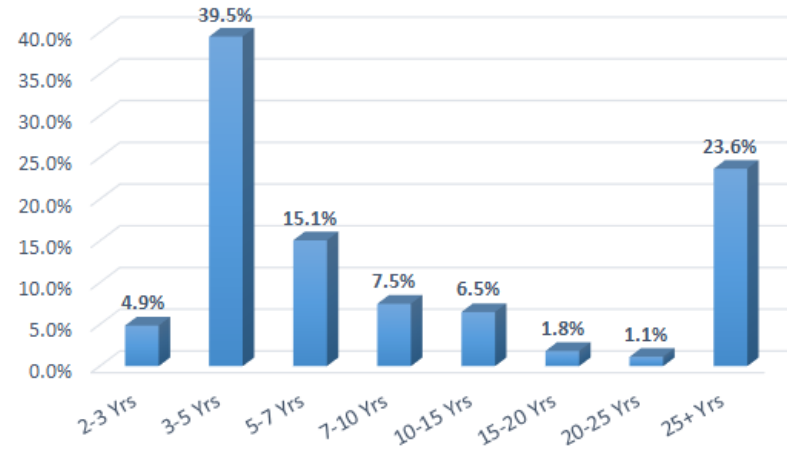
Top 10 Issuers

United States Treasury	48.1%
Oregon State Treasury (Oregon Short-Term Fund)	9.9%
Federal National Mortgage Association	8.6%
Federal Home Loan Mortgage Corporation	6.5%
European Investment Bank	1.7%
Capital One Multi-Asset Execution Trust	1.4%
Goldman Sachs Group Incorporated (The)	0.9%
Celgene Corporation	0.8%
JP Morgan Chase & Company	0.8%
Freddie Mac FHLMC Trust 4664	0.7%
Total	79.4%

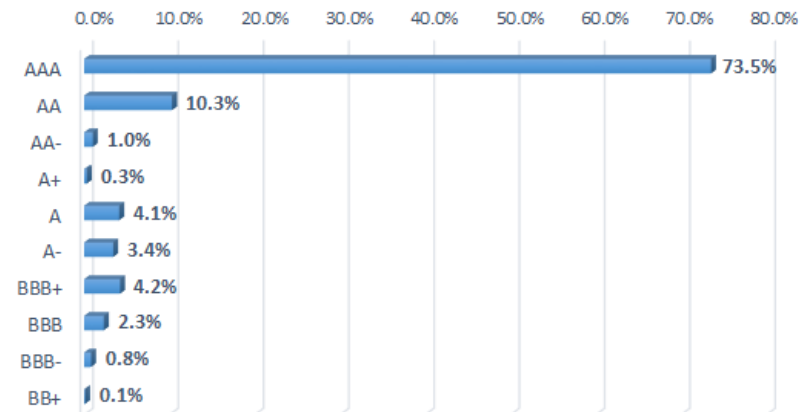
Sector Allocations



Maturity Breakdown



Credit Quality Distribution



Source: Oregon State Treasury

FY2019 Q4 MARKET COMMENTARY

(Prepared by Callan Associates, consultants to the Oregon Investment Council)

Macroeconomic Environment

Economists are fond of saying that expansions do not die of old age; they must be killed. As the U.S. enters its 121st month of expansion, the longest on record, and valuations are lofty across most markets, the eventuality and timing of a U.S. recession remains forefront on investors' minds. In its most recent meeting, the Federal Reserve (Fed) announced a relatively new policy objective – to “sustain the expansion” – and U.S. Treasury and stock markets rejoiced in tandem. Stock markets approached record highs, and the 10-year U.S. Treasury yield hit a multi-year low.

Outside of the U.S., global growth continued to decelerate but remained positive, though central banks generally expressed a willingness to engage in further stimulus measures as needed. A persistent lack of inflation, at least according to traditional measures, remains a conundrum and a key challenge for banks around the world. Away from data, trade talks with several countries are fluid; a no-deal British Exit this October is no longer a remote possibility; and tensions with Iran are mounting. All of these issues, added to the distractions associated with the 2020 election in the U.S., pose additional variables for investors to untangle.

The U.S. economic picture continues to be mixed. A strong labor market and rising personal income have supported consumer spending, which accounts for roughly 70% of gross domestic product (GDP). First calendar quarter 2019 real GDP was +3.1% (year-over-year(y-o-y)), though this figure is expected to slow. Additionally, unemployment hovers at a five-year low at 3.6%, although wage growth, as measured by private sector average hourly earnings, remains sluggish (+3.1% y-o-y in May). Meanwhile, manufacturing continues to be a point of weakness; the most recent (June) Purchasing Managers' Index continued to signal expansion (above 50), but only barely so with a reading of 51.7, which is sharply off its August 2018 peak of 60.8. As noted above, inflation remains elusive with the headline Consumer Price Index (CPI) up 1.8% in May (y-o-y) and core inflation (excluding food and energy) up 2.0%. The Fed's preferred inflation gauge, the Core PCE Deflator, is still falling short of its 2% target and rose only 1.6% over the trailing year.

The Fed left rates on hold at its June meeting, but comments from Chairman Powell were interpreted to be dovish and that cuts would be imminent. As of quarter-end, markets had priced in a 100% probability of a rate cut in July, and the probability of three additional 25 basis point (bps) cuts in calendar year 2019 was greater than 50%. But, there appears to be room for disappointment if economic data releases do not justify these moves.

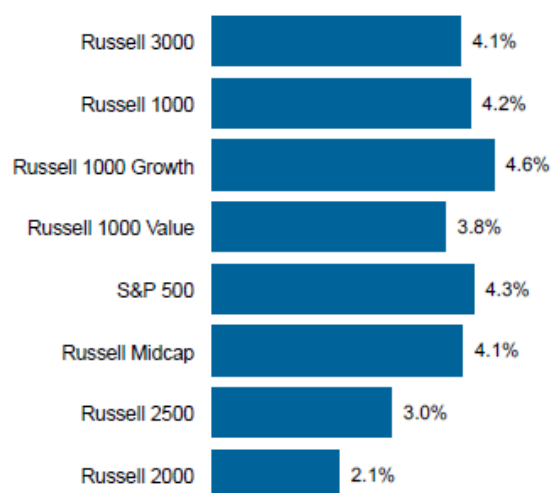
Overseas, European Central Bank (ECB) President Mario Draghi also emboldened investors with his comments that rates could be cut and/or asset purchase programs restarted if inflation does not reach the bank's target. Following those remarks, the German 10-year government bond yield hit a new record low and continued to trend lower into quarter-end, closing the quarter at negative 0.33%. (The policy rate remained unchanged at -0.40%) Inflation in the euro area was +1.2% (y-o-y) in May and the lowest monthly rate since April 2018. GDP was barely positive in the euro area (+1.2% y-o-y) and, while calendar Q1 GDP for Japan (+2.2% annualized) beat expectations, growth is expected to slow for the export-driven country. Inflation continues to be almost non-existent in Japan; +0.8% y-o-y in May. As in the U.S., manufacturing

remained a key source of weakness in Europe and Asia with trade tariffs and tepid global demand being key drivers.

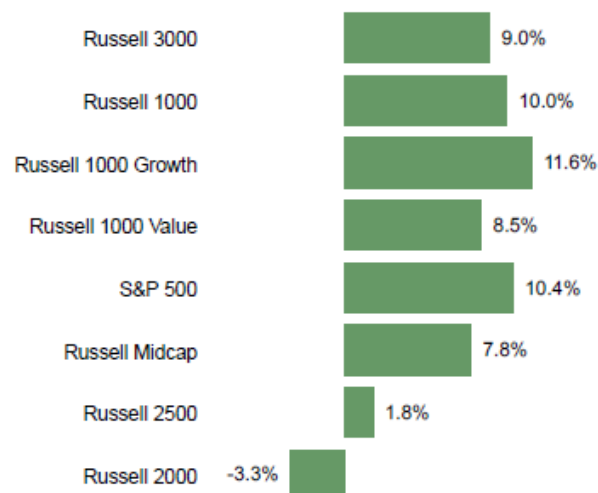
Equity Markets Results

U.S. equity markets approached record levels as investors were heartened by the potential for imminent Fed rate cuts. The S&P 500 Index rose 4.3%, bringing its calendar year-to-date return to 18.5%. Financials (+8.0%) were the best performers while Energy (-2.8%) was the only sector with a negative return. Small cap stocks (Russell 2000: 2.1%) underperformed large cap (Russell 1000: 4.2%) and growth continued its trend of outperformance across the capitalization spectrum, albeit only modestly in calendar Q2. In a reversal from calendar Q1, quality factors such as operating margin and return on equity contributed to performance. Value factors (Price/Book, Price/Equity trailing, and yield) were mixed while growth factors (Earnings Per Share growth, sales growth) were positive.

U.S. Equity: Quarterly Returns

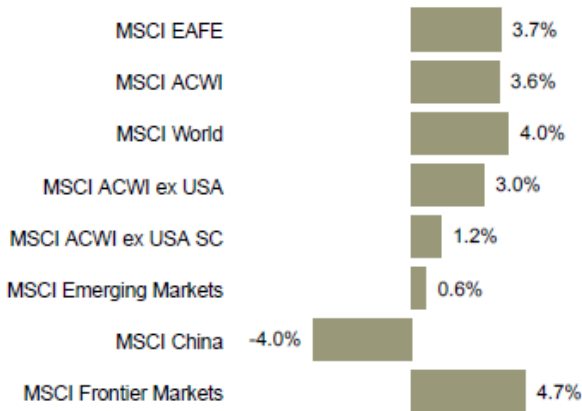


U.S. Equity: One-Year Returns

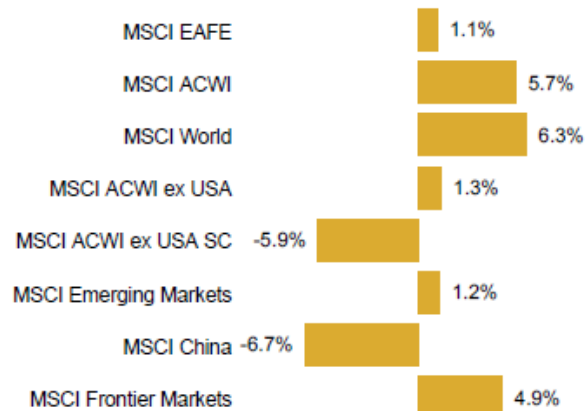


Developed markets were also buoyed by optimism for rate cuts. The Morgan Stanley Capital Indices (MSCI) All Countries World Index ex-USA rose 3.0%, with Canada (+4.9%), Pacific ex-Japan (+5.2%) and Europe ex-UK (+5.8%) leading the way. Japan (+1.0%) and the UK (+0.9%), at the lower end of the group, were able to eke out small positive returns. The Canadian dollar, yen and euro appreciated versus the U.S. dollar while the British pound and Australian dollar lost ground. Emerging markets (MSCI Emerging Markets: +0.6%) underperformed developed but returns across countries varied. Russia (+16.9%) was at the top while China (-4.0%) was among the few countries with negative returns for the quarter. Also worth mentioning are BRIC countries Brazil (+7.2%) and India (+0.5%). The U.S. dollar weakened versus most emerging market currencies as the prospect for rate cuts in the U.S. loomed large.

Global Equity: Quarterly Returns



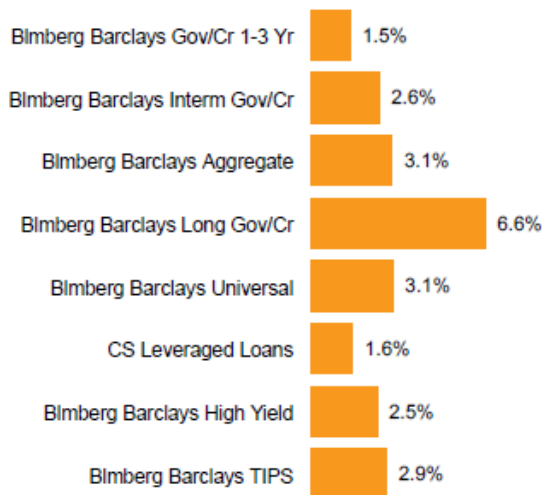
Global Equity: One-Year Returns



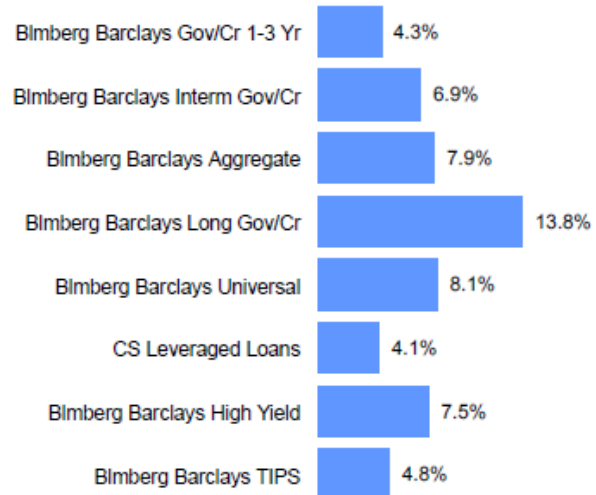
Fixed Income Markets Results

In the U.S., the Bloomberg Barclays U.S. Aggregate Bond Index rose 3.1% for the quarter, nearly mirroring its calendar Q1 result (+2.9%). U.S. Treasury yields hit multi-year lows in June, and the 10-year closed the quarter at 2.0% (lowest since November 2016). The curve remained inverted between the 90-day T-bill and the 10-year U.S. Treasury, but the more widely watched spread between the 2- and 10-year widened during the quarter to 25 bps. Investment grade corporate bonds performed best (+4.5%). Agency mortgages underperformed (+2.0%) as lower rates raised concerns around prepayment risk. Treasury Inflation-Protected Securities (Bloomberg Barclays TIPS: +2.9%) underperformed as inflation expectations fell; the 10-year breakeven spread was only 1.69% as of quarter-end versus 1.88% as of 3/31/2019. The high yield corporate bond market (Bloomberg Barclays High Yield: +2.5%) underperformed investment grade but is up nearly 10% calendar year-to-date. Leveraged loans (S&P Loan Syndications & Trading Association: +1.6%) held their own in spite of negative press and falling rates. Municipal bonds (Bloomberg Barclays Municipal Bond: +2.1%) underperformed U.S. Treasuries in calendar Q2.

U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: One-Year Returns



Overseas, yields across developed markets generally fell. The Bloomberg Barclays Global Aggregate Index rose 3.3% for the quarter on an unhedged basis. Hedged into dollars, the Index gained 2.9%. In a reversal from calendar Q1, the dollar lost ground vs. most currencies, with the pound being a notable exception. In Germany, the yield on the 10-year government bond hit an all-time low and closed the quarter at -0.33%. Negative yielding debt globally hit a new high of nearly \$13 trillion and is now roughly 25% of the Global Aggregate Index. Emerging market debt performed well; the U.S. dollar-denominated JP Morgan Emerging Market Bond Global Diversified Index gained 4.1%. Local currency emerging market debt, as measured by the JP Morgan Global Bond Emerging Markets Diversified Index, rose 5.6%.

Other Assets Results

The Bloomberg Commodity Index fell 1.2% in calendar Q2. Both the Precious Metals (+7.2%) and Agriculture (+4.5%) commodity sectors were positive performers, driven by strong individual returns for Gold (+9%) as well as Corn, Wheat, and Coffee, respectively. Meanwhile, Livestock, Energy and Industrial Metals commodity sectors all posted negative quarterly results. Oil pulled back but was roughly flat for the quarter, ending at \$58/barrel (WTI), while Natural Gas within the Bloomberg Energy Sub-index declined a precipitous -16.2%. Elsewhere, Master Limited Partnerships (Alerian MLP Index: +0.1%) were flat and Real Estate Investment Trusts saw modest gains (FTSE NAREIT Equity: +1.2%) but lagged listed infrastructure assets (Dow Jones Brookfield Global Infrastructure: +4.3%).

Closing Thoughts

With such a torrid start to the year for broad asset classes following an almost equally disappointing end to 2018, more periodic bouts of volatility seem inevitable. Central bank policies that portend lower rates have fueled gains in bonds and stocks globally, but much optimism in the way of stimulus has been priced into asset prices. Valuations are lofty, the certainty and timing of a U.S. recession are unknown, and numerous geopolitical events continue to loom. Thus, just as we have stated in the past, adherence to an appropriate and well-defined long-term asset allocation policy remains the best course of action to manage the path to successful attainment of long-term investment goals.

Vice President's Report

Road Map

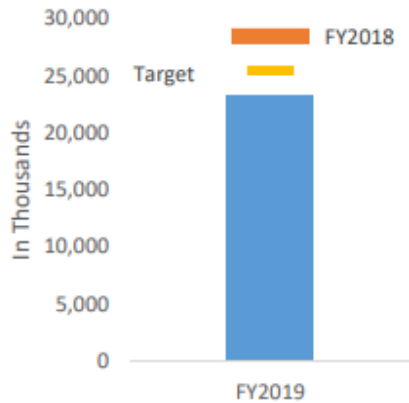
- Dashboard
- Legislative and HECC Updates

Financial Dashboard

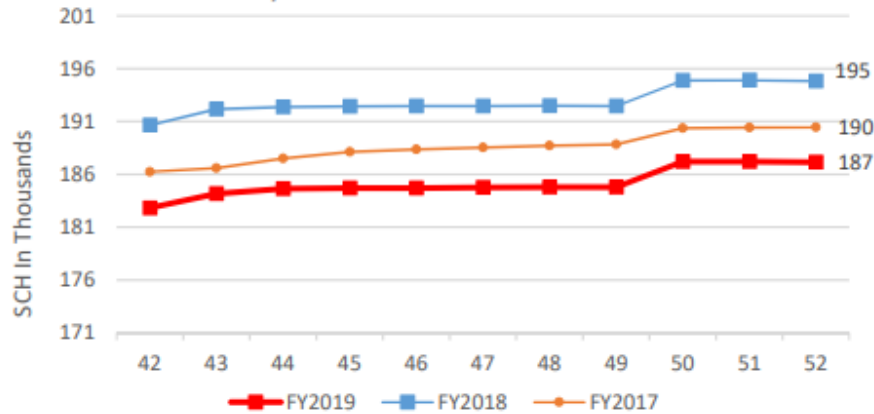
For FY19

As of June 30, 2019

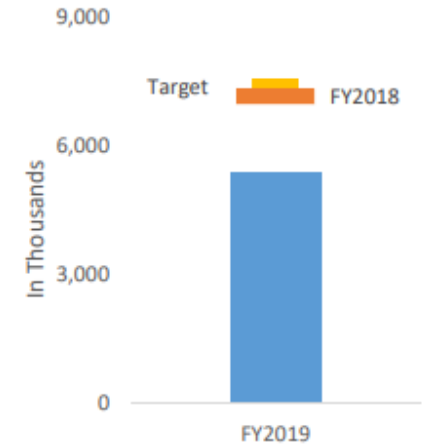
Public University Funds Operating Cash



Total Student Credit Hours by Week of the Fiscal Year



E&G Fund Balance

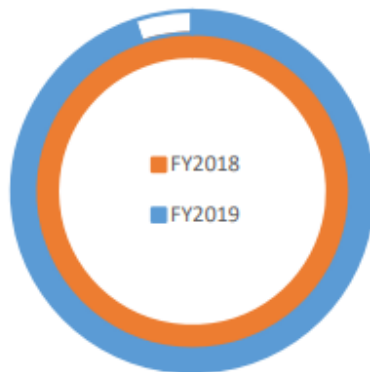


Enrollment downturn resulted in \$3.4m less revenue than forecasted.

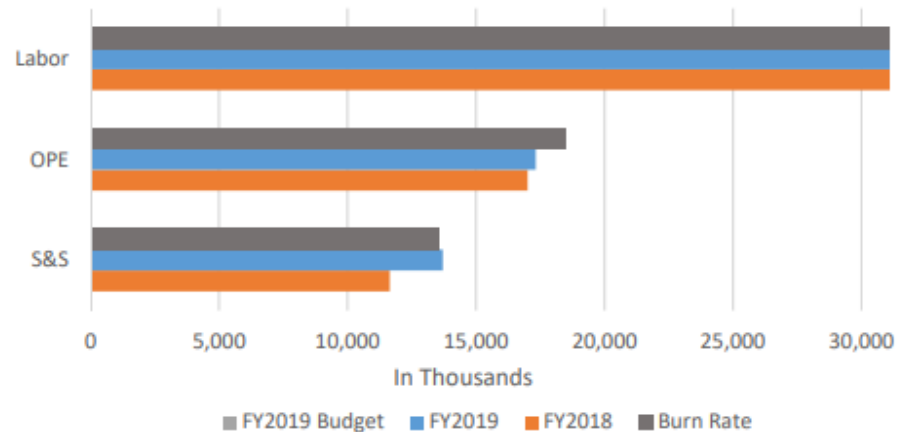
\$1m transfer from Plant fund softened impact to ending fund balance.

Cost savings throughout fiscal year helped close year at 8.6% (Ending Fund Balance as a percent of total revenue)

E&G YTD Revenues



E&G YTD Select Expenses



Higher Education Coordinating Commission Status Updates

- HECC approved Tuition rate increase on June 13th
- HECC Funding and Achievement Subcommittee
 - 10-year Strategic Capital Plan submitted
 - Capital Project rubric presented
 - Capital projects due to HECC on 10/21/19
- HECC meetings on October 9-10

Fiscal Year 2019-20 University Budget (Action)

Road Map

- Roll-forward Budget Approved in June 2019
- Year-end Results (Periodic Management Report)
- Executive Summary of Proposed Budget
- Assumptions and Cost Reductions
- Pro Forma (as of 10/8/19)
- Proposed Fiscal Year (FY) 20 Budget

Pro Forma as of June 2019

- +\$100M PUSF
- - .5 Enrollment

Education and General (in thousands of dollars)	2017-19 Biennium			2019-21 Biennium	
	2017-18 Actual (000's)	2018-19 Adopted Budget (000's)	2018-19 FORECAST (000's)	2019-20 FORECAST (000's)	2020-21 FORECAST (000's)
Revenue					
State Appropriations: SSCM	20,840	21,150	21,270	22,944	23,880
State Appropriations: ETIC/SELP	433	428	381	381	381
One-time Funding			0		
Total State Funding	21,273	21,578	21,651	23,325	24,261
Tuition	37,759	42,701	37,265	41,573	43,478
Fees	3,244	3,256	3,667	3,954	4,268
Raider Aid	(4,243)	(4,142)	(3,638)	(3,966)	(4,348)
Oth tuition adjustments					
Tuition, net of Raider Aid	36,760	41,814	37,294	41,561	43,398
Misc. Other Revenue	2,811	2,100	2,633	2,243	2,247
Total Revenues	60,844	65,491	61,579	67,129	69,907
Personnel Services					
Faculty	(15,044)	(15,660)	(15,791)	(15,919)	(16,479)
Admin	(8,854)	(9,364)	(9,210)	(9,768)	(9,917)
Classified	(6,436)	(6,665)	(6,508)	(6,624)	(6,725)
Student (& Other)	(1,430)	(1,576)	(1,506)	(1,650)	(1,760)
Labor	(31,763)	(33,265)	(33,016)	(33,961)	(34,881)
Retirement (PERS + ORP)	(6,841)	(7,611)	(7,010)	(8,874)	(9,115)
PEBB	(7,332)	(7,454)	(7,310)	(7,827)	(8,218)
Other	(2,839)	(3,397)	(2,983)	(3,468)	(3,562)
OPE	(17,012)	(18,463)	(17,303)	(20,169)	(20,895)
Net Personnel	(48,775)	(51,728)	(50,319)	(54,130)	(55,777)
Supplies & Services	(9,287)	(10,892)	(11,769)	(11,137)	(9,854)
Adjustments to S&S and/or Labor		0		1,500	
Total Supplies and Services	(9,287)	(10,892)	(11,769)	(9,637)	(9,854)
Total Expenditures	(58,062)	(62,620)	(62,088)	(63,767)	(65,631)
Net from Operations Before Transf	2,782	2,872	(509)	3,362	4,276
Net Transfers	(2,481)	(2,591)	(1,877)	(2,645)	(2,725)
Change in Fund Balance	301	281	(2,386)	717	1,551
Beginning Fund Balance	6,844	7,138	7,145	4,759	5,475
Ending Fund Balance	7,145	7,419	4,759	5,475	7,026
% Operating Revenues	11.7%	11.3%	7.7%	8.2%	10.1%

(in thousands except enrollment)	FY2018 Final Results	FY2019 Approved Budget	% Change	FY2019 Final	Variance from Approved Budget	% Variance from Approved Budget	Notes
EDUCATION & GENERAL							
State General Fund	\$ 21,273	\$ 21,578	1%	\$ 21,651	\$ 73	0%	
Tuition & Resource Fees, net of Remissions	36,760	41,814	14%	37,365	(4,449)	-11%	(1)
Other	2,804	2,100	-25%	3,013	914	44%	(2)
Total Revenues	<u>\$ 60,837</u>	<u>\$ 65,491</u>	8%	<u>\$ 62,030</u>	<u>\$ (3,462)</u>	-5%	
Personnel Services	\$ 48,775	\$ 51,725	6%	\$ 50,345	\$ (1,380)	-3%	
Supplies & Services & Capital Outlay	9,287	10,892	17%	11,732	840	8%	
Total Expenditures	<u>\$ 58,062</u>	<u>\$ 62,617</u>	8%	<u>\$ 62,077</u>	<u>\$ (540)</u>	-1%	
Net from Operations	<u>\$ 2,776</u>	<u>\$ 2,874</u>		<u>\$ (47)</u>	<u>\$ (2,922)</u>		
Net Subsidies (Transfers) In (Out)	(2,481)	(2,591)	4%	(1,739)	852	-33%	(3)
Fund Additions/(Deductions)	-	-		-	0		
Change in Fund Balance	\$ 294	\$ 283		\$ (1,786)	\$ (2,070)		
Beginning Fund Balance	<u>6,844</u>	<u>7,138</u>		<u>7,138</u>	<u>0</u>		
Ending Fund Balance	<u>\$ 7,138</u>	<u>\$ 7,421</u>		<u>\$ 5,352</u>	<u>\$ (2,070)</u>		
Ending FB as a % Operating Revenues	11.7%	11.3%		8.6%			
Ending FB: Reflected as Months of Expenditures	1.5	1.4		1.0			
Student FTE Enrollment	4,441	4,552	2.5%	4,270		-6.2%	

Notes

- (1) Projected enrollment uptick of 2.5% in connection with actual reductions is the result of the variance (4% down Fall Term; 5% down Winter Term, and Spring term down 6.2%, partially offset by Summer 2018 being up 5.1% and Summer 2019 up 1.6%).
Some examples of enrollment mix: Resident UnderGrad student revenue was fairly flat (down only .25%), but Nonresident UnderGrad student revenue down 14.2%, and WUE revenue down 9.7%.
- (2) Insurance reimbursements, and increased investment income.
- (3) One-time transfer back to E&G from building reserves (\$1m).

(in thousands except enrollment)	FY2018 Final Results	FY2019 Approved Budget	% Change	FY2019 Final	Variance from Approved Budget	% Variance from Approved Budget	Notes
AUXILIARY ENTERPRISES (Including North Campus Village)							
Enrollment Fees	\$ 6,664	\$ 6,955	4%	6,310	\$ (644)	-9%	
Sales & Services	14,084	13,462	-4%	12,646	(817)	-6%	
Other	3,500	3,456	-1%	2,525	(930)	-27%	(4)
Total Revenues	\$ 24,248	\$ 23,873	-2%	\$ 21,482	\$ (2,391)	-10%	
Personnel Services	\$ 8,073	\$ 9,007	12%	\$ 7,598	\$ (1,410)	-16%	(5)
Supplies & Services & Capital Outlay	15,417	15,786	2%	14,647	(1,139)	-7%	
Total Expenditures	\$ 23,490	\$ 24,793	6%	\$ 22,244	\$ (2,549)	-10%	
Net from Operations	\$ 758	\$ (920)		\$ (763)	\$ 157		
Net Subsidies (Transfers) In (Out)	1,973	2,197		2,155	\$ (43)	-2%	
Additions/(Deductions) to Unrestricted Net Assets	(787)	-		(1,287)	(1,287)		
Change in Unrestricted Net Assets	\$ 1,944	\$ 1,277		\$ 105	\$ (1,172)		
Beginning Fund Balance Available for Operations	(774)	1,170		1,170	0		
Ending Fund Balance Available for Operations	\$ 1,170	\$ 2,448		\$ 1,275	\$ (1,172)		
Ending FB as a % Operating Revenues	4.8%	10.3%		5.9%			
Ending FB: Reflected as Months of Expenditures	0.6	1.2		0.7			

Notes

(4) Enrollment rates are down by 4% to 6% (Fall through Spring), but the enrollment for WUE and Non-resident student populations are down to a much greater extent. WUE is down 14%, and the Non-Resident Undergrad population is down 20%. These populations are the primary drivers for housing occupancy and dining.

(5) Lower labor costs, partially associated with open positions as well as reduced staffing as a result of lower occupancy.



Periodic Management Report

Final Results

Fiscal Year Ending June 30, 2019

Budget Forecast

	FY2018 Final Results	FY2019 Approved Budget	% Change	FY2019 Final	Variance from Approved Budget	% Variance from Approved Budget	Notes
(in thousands except enrollment)							
DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS							
Enrollment Fees	\$ 886	\$ 1,170	32%	\$ 1,239	\$ 69	6%	
Sales & Services	2,659	2,727	3%	2,531	(196)	-7%	
Other	1,693	1,685	0%	1,603	(82)	-5%	
Total Revenues	<u>\$ 5,239</u>	<u>\$ 5,582</u>	7%	<u>\$ 5,373</u>	<u>\$ (209)</u>	-4%	
Personnel Services	\$ 3,155	\$ 3,487	11%	\$ 3,343	\$ (144)	-4%	
Supplies & Services & Capital Outlay	2,487	2,475	0%	2,441	(34)	-1%	
Total Expenditures	<u>\$ 5,642</u>	<u>\$ 5,961</u>	6%	<u>\$ 5,784</u>	<u>\$ (178)</u>	-3%	
Net from Operations	<u>\$ (403)</u>	<u>\$ (380)</u>		<u>\$ (411)</u>	<u>\$ (31)</u>		
Net Subsidies (Transfers) In (Out)	524	394	-25%	474	81	e	(6)
Additions/(Deductions) to Unrestricted Net Assets	(73)	-		(72)	(72)		
Change in Unrestricted Net Assets	\$ 47	\$ 14		\$ (9)	\$ (23)		
Beginning Fund Balance Available for Operations	<u>1,490</u>	<u>1,537</u>		<u>1,537</u>	<u>0</u>		
Ending Fund Balance Available for Operations	<u>\$ 1,537</u>	<u>\$ 1,551</u>		<u>\$ 1,528</u>	<u>\$ (23)</u>		
Ending FB as a % Operating Revenues	29.3%	27.8%		28.4%			
Ending FB as Months of Expenditures	3.3	3.1		3.2			

Notes

- (6) Increase in subsidies to RVTV, Education Early Childcare Program, International Programs, in addition to additional activity coming from the General Fund to support approved PEAK jobs in this fund group.



Periodic Management Report

Final Results

Fiscal Year Ending June 30, 2019

Budget Forecast

	FY2018 Final Results	FY2019 Approved Budget	% Change	FY2019 Final	Variance from Approved Budget	% Variance from Approved Budget	Notes
(in thousands except enrollment)							
ALL CURRENT UNRESTRICTED FUNDS:							
Beginning Fund Balance Available for Daily Operations	\$ 7,560	\$ 9,845		\$ 9,845	\$ -		
Revenues	90,324	94,946	5%	88,884	(6,062)	-6%	
Expenditures	87,194	93,371	7%	90,105	(3,266)	-3%	
Transfers	16	-		890	890		
GL Additions & Deductions	(860)	-		(1,359)	(1,359)		
Ending Fund Balance Available for Daily Operations	<u>\$ 9,845</u>	<u>\$ 11,420</u>		<u>\$ 8,155</u>	<u>\$ (3,264)</u>		
Ending FB as a % Operating Revenues	10.9%	12.0%		9.2%			
Ending FB as Months of Expenditures	1.4	1.5		1.1			

Summary of Subsidies (Transfers) Between Fund Types

Projections For Fiscal Year 2019

Transaction Description	Education & General	Designated Operations & Service Dpts	Auxiliaries (including N. Campus Village)	Plant, and Other Funds
	Final	Final	Final	Final
	\$ (1,738,814)	\$ 474,453	\$ 2,154,646	\$ (890,285)
Between Fund Types				
Base General Fund Support to Athletics	\$ (1,764,485)	\$ -	\$ 1,764,485	\$ -
Net Athletics Course Revenue after Expenses	\$ (282,463)	\$ -	\$ 282,463	\$ -
Sports Camps Support to Athletics	\$ -	\$ (20,137)	\$ 20,137	\$ -
Support to Athletics Sports Band	\$ (45,459)	\$ -	\$ 45,459	\$ -
General Fund Support to JPR	\$ (292,390)	\$ 292,390	\$ -	\$ -
General Fund Support to RVTV	\$ (136,656)	\$ 136,656	\$ -	\$ -
General Fund PEAK Support to Various	\$ (45,516)	\$ 23,699	\$ 21,817	\$ -
General Fund Support Student Rec Center	\$ (130,000)	\$ -	\$ 130,000	\$ -
Student Fees - Investment in Solar Project	\$ -	\$ -	\$ (104,519)	\$ 104,519
Building Reserves Transfer to General Fund	\$ 1,000,000	\$ -	\$ -	\$ (1,000,000)
Education Department Support for Early Childcare Program	\$ (13,352)	\$ 13,352	\$ -	\$ -
International Programs Endowment Match Transferred to Support Operations	\$ (30,500)	\$ 30,500	\$ -	\$ -
Health Center Building Project (Initial Plans)	\$ -	\$ -	\$ (5,197)	\$ 5,197
Closing Funds to the General Fund	\$ 2,007	\$ (2,007)	\$ -	\$ -

Overview

The Fiscal Year (FY) 20 Proposed Budget is a further development of the “Roll Forward Budget” that was approved in June 2019. State Funding was initially modeled based on the additional \$100M allocated to the public university support fund (PUSF) and was then reduced in a “True-up” exercise conducted by the Higher Education Coordinating Commission (HECC) staff. The current state allocation is \$22.696M.

As a reminder, FY 18 was very healthy (with key indicators above the Board’s goals), which enabled investment. Unfortunately, FY 19 saw declines in revenue based on a nearly 4% decrease in enrollment. The roll-forward budget enabled SOU to execute programs during the summer term and solidify the revenue forecast (as enrollment has firmed up).

Fall enrollment is “mixed” so overall revenue projections are modest and cost reduction measures are being implemented. A 4% cost reduction is planned, and targets have been established for each Vice President. In addition, a process improvement cadre was created and the framework for a Presidential Task Force on Financial Stability.

For situational awareness, here is the updated Pro Forma as of 10/8/19 (**Figure 1**):

	2017-19 Biennium		2019-21 Biennium		2021-23 Biennium	
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Education and General	Actual	Actual	BUDGET	FORECAST	FORECAST	FORECAST
(in thousands of dollars)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Revenue						
State Appropriations: SSCM	20,840	21,270	22,696	23,880	25,509	26,550
State Appropriations: ETIC/SELP	433	381	376	377	376	376
Total State Funding	21,273	21,651	23,072	24,257	25,885	26,926
Tuition	37,759	37,709	40,047	40,128	40,366	40,835
Fees	3,244	3,294	3,547	3,828	4,163	4,552
Raider Aid	(4,243)	(3,638)	(3,600)	(3,612)	(3,633)	(3,675)
Tuition, net of Raider Aid	36,760	37,365	39,994	40,345	40,896	41,711
Misc. Other Revenue	2,804	3,013	2,950	3,016	3,084	3,154
TOTAL REVENUES	60,837	62,030	66,016	67,618	69,866	71,791
Personnel Services						
Faculty	(15,044)	(15,801)	(16,560)	(17,071)	(17,415)	(18,025)
Admin	(8,854)	(9,230)	(10,051)	(10,310)	(10,590)	(10,762)
Classified	(6,436)	(6,484)	(6,824)	(6,884)	(6,965)	(7,033)
Student (& Other)	(1,430)	(1,500)	(1,615)	(1,723)	(1,832)	(1,940)
Salaries Total	(31,763)	(33,014)	(35,050)	(35,988)	(36,802)	(37,759)
Retirement (PERS + ORP)	(6,841)	(7,007)	(9,142)	(9,387)	(9,603)	(9,852)
PEBB	(7,332)	(7,306)	(7,687)	(8,071)	(8,475)	(8,899)
Other	(2,839)	(3,018)	(3,502)	(3,596)	(3,677)	(3,773)
OPE	(17,012)	(17,331)	(20,331)	(21,054)	(21,755)	(22,524)
Net Personnel	(48,775)	(50,345)	(55,381)	(57,041)	(58,557)	(60,283)
Total Supplies and Services	(9,287)	(11,732)	(11,116)	(11,366)	(11,622)	(11,883)
Cost Reductions and Savings			2,380	3,150	3,475	3,750
TOTAL EXPENDITURES	(58,062)	(62,077)	(64,117)	(65,257)	(66,704)	(68,416)
Net from Operations Before Transfers	2,775	(47)	1,899	2,360	3,162	3,375
NET TRANSFERS			(1,971)	(2,050)	(2,784)	(2,866)
Change in Fund Balance	294	(1,786)	(71)	310	378	509
Beginning Fund Balance	6,844	7,138	5,352	5,280	5,590	5,969
Ending Fund Balance	7,138	5,352	5,280	5,590	5,969	6,478
% Operating Revenues	11.7%	8.63%	8.00%	8.27%	8.5%	9.0%

Proposed Budget for Fiscal Year 2020 (FY20)

The three unrestricted operational accounts—Budget Operations, Designated Operations and Auxiliaries Budgets—are presented in **Figures 2 – 4**. Following these three figures, a summary chart is also included (**Figure 5**). In the figures that follow, column one presents the FY 18 actual revenue and expense (as a reference frame). Column two presents the actual revenue and expenses Year-to-Date (YTD). Column three (shaded in gray) presents the revenue picture from the adopted budget and the expenses as adjusted in the year of execution. This is the revenue and expenditure-data the Board will be asked to approve for FY 20. Column four (green) shows our forecast. The funds not discussed are restricted operations (gifts and grants) and non-operating funds.

Look-Ahead to Presenting the Budget for Formal Adoption

The Proposed Budget contains the following key elements of Operations: Revenue, Expenditures, Transfers between operations and Ending Fund Balance. They are briefly detailed here:

Revenues

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

Tuition. Tuition rates increased 10% for undergraduate students and 5% for graduate students. Enrollment is mixed and, overall, down 3%. When calculating tuition revenue, it is the mix of enrollment plus the rate increases that drives tuition revenue.

State Support. The bulk of the State funding SOU receives is allocated from the Public University Support Fund (PUSF) through the Student Success and Completion Model (SSCM). State funding provided by the legislature to the PUSF is based on mission, attendance and graduation of Oregon residents.

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

Direct expenditures

SOU's primary direct expenditures are labor and supplies and services, including travel and capital equipment expenditures.

Labor. In E&G Operations, labor makes up just over 80% of total expenditures. It is lower in the other operations categories but still over 50% in each. The primary driver of labor is the cost of benefits that SOU is mandated to provide (e.g., PERS or the Oregon Public Employees Retirement System, increased at close to 25% in FY19 and anticipated to continue at that rate of increase for the next several biennia). The primary cost management tool for labor is managing the efficient utilization of labor resources in the delivery of academic programming as well as required support programs.

Supplies and Services. SOU has been successful in initially reducing and most recently holding ground on rising costs for S&S expenditures, but market-driven increases in utilities and other must-pay bills created rising costs in FY 19. Included in the S&S expenditures is the contract cost of supporting the online MBA (paid to our partner, AP).

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

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

- Jefferson Public Radio, in recognition of the community service mission of the university;

- Rogue Valley TV and the Student Recreation Center, in recognition of the use of Academic programs in those non-academic spaces that would otherwise require the construction of alternate facilities;
- Athletics, in recognition of the primary recruitment and retention role played by Athletics that directly benefits the Education and General Operations.

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

Ending Fund Balance

The industry “Best Practice” for ending fund balance is 40% of all funds combined. This enables institutions to weather fluctuations in enrollment, reductions in state funding and other unforeseen events. It also enables institutions to have the capacity to invest and keep their operations relevant and serve the changing needs of their learners and the communities in which they exist.

The SOU Board of Trustees set an FY19 goal for ending fund balance at 8% of operating revenue in E&G. This goal was achieved. The current forecast for the Education and General ending fund balance for FY 20 is 8% (see [Figure 1](#)).

Definitions and Figures

Definitions: Key elements of this budget

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

- Education and General Operations (aka Budgeted Operations – see [Figure 2](#))
 - Those operations designed to achieve the primary goals of the university: delivery of academic programs, student support programs and institutional support programs.
 - Primarily supported through Tuition and Fees and State Support.
- Designated Operations (see [Figure 3](#))
 - Those operations that have been designated as a vital service the university provides, but are outside of our primary academic and academic support programs.
 - Ex: Continuing education programs that do not generate academic credits.
 - Must be self-supporting – Education and General Operations ordinarily does not support; i.e., Motor Pool, Print & Copy, etc.
- Auxiliary Operations (see [Figure 4](#))
 - Those operations that support the vitality and experience of our students and are critical to their success at SOU but are outside the primary academic and academic support mission.
 - Primarily supported through Mandatory or Special Fees and Sales.
 - Must be self-supporting – Education and General Operations ordinarily does not support (with the exception of E&G support to Athletics).

Figure 2: Education and General (Budgeted Operations) proposed FY20 Budget

Southern Oregon University				
Budgeted Operations				
	2018 Actuals	FY19 Adopted Budget	2019 Actuals	FY20 Proposed Budget
REVENUES				
Enrollment Fees	36,760,407	41,813,908	37,365,398	39,993,986
Gov't Resources and Allocations	21,330,826	21,530,937	21,650,927	23,072,257
Misc. Other Revenues	2,362,825	2,099,598	3,013,282	2,950,000
REVENUES Total	60,454,058	65,491,310	62,029,607	66,016,243
LABOR				
Unclassified	(23,897,446)	(25,029,203)	(25,030,691)	(26,610,896)
Classified	(6,435,885)	(6,668,760)	(6,483,643)	(6,823,555)
Grad Assist	(130,061)	(174,457)	(174,970)	(194,220)
Student Labor	(1,209,454)	(1,384,474)	(1,265,599)	(1,421,054)
Benefits & OPE	(17,101,915)	(18,509,189)	(17,389,876)	(20,330,889)
LABOR Total	(48,774,761)	(51,766,083)	(50,344,779)	(55,380,614)
SUPPLIES AND SERVICES	(9,295,512)	(10,970,724)	(11,732,089)	(11,115,582)
TRANSFERS				
Transfers In	136,406	130,142	1,180,948	130,142
Transfers Out	(2,598,774)	(2,726,032)	(2,919,762)	(2,101,358)
TRANSFERS Total	(2,462,368)	(2,595,890)	(1,738,814)	(1,971,216)
Total Expenditures	(60,532,641)	(65,332,697)	(63,815,682)	(68,467,412)
Total Revenue - Expenses	(78,583)	158,613	(1,786,075)	(2,451,169)

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

Figure 3: Designated Operations and Service Centers proposed FY20 Budget

Southern Oregon University				
Designated Operations & Service Centers				
	2018 Actuals	FY19 Adopted Budget	2019 Actuals	FY20 Proposed Budget
REVENUES				
Enrollment Fees	886,427	1,169,892	1,239,187	1,240,343
Misc. Other Revenues	4,364,337	4,416,405	4,129,400	4,453,190
REVENUES Total	5,250,764	5,586,297	5,368,587	5,693,533
LABOR				
Unclassified	(1,412,889)	(1,657,922)	(1,579,553)	(1,663,554)
Classified	(432,721)	(452,120)	(428,186)	(432,994)
Student Labor	(166,511)	(169,984)	(194,700)	(183,969)
Benefits & OPE	(1,142,593)	(1,248,398)	(1,140,383)	(1,291,365)
LABOR Total	(3,154,714)	(3,528,424)	(3,342,822)	(3,571,882)
SUPPLIES AND SERVICES	(2,568,329)	(2,505,552)	(2,549,917)	(2,356,345)
TRANSFERS				
Transfers In	707,513	639,287	859,900	640,801
Transfers Out	(263,342)	(220,241)	(353,828)	(226,755)
TRANSFERS Total	444,171	419,046	506,072	414,046
Total Expenditures	(5,278,872)	(5,614,930)	(5,386,667)	(5,514,181)
Total Revenue - Expenses	(28,108)	(28,633)	(18,080)	179,352

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

Figure 4: Auxiliary Operations proposed FY20 Budget

Southern Oregon University				
Auxiliary Operations				
	2018 Actuals	FY19 Adopted Budget	2019 Actuals	FY20 Proposed Budget
REVENUES				
Enrollment Fees	6,664,096	6,954,826	6,310,428	6,791,543
Gov't Resources and Allocations	401,825	401,824	401,826	1,073,846
Misc. Other Revenues	10,083,746	9,395,400	8,481,070	8,803,301
REVENUES Total	17,149,667	16,752,050	15,193,324	16,668,690
LABOR				
Unclassified	(2,663,886)	(3,042,305)	(2,813,608)	(3,152,949)
Classified	(1,471,112)	(1,631,243)	(1,232,595)	(1,245,766)
Grad Assist	(15,991)	(8,379)	(8,385)	0
Student Labor	(1,060,064)	(1,321,264)	(1,069,052)	(1,178,557)
Benefits & OPE	(2,862,243)	(3,056,619)	(2,474,024)	(2,880,527)
LABOR Total	(8,073,296)	(9,059,810)	(7,597,664)	(8,457,799)
SUPPLIES AND SERVICES	(10,018,086)	(9,655,565)	(9,382,590)	(9,422,915)
TRANSFERS				
Transfers In	2,532,503	3,307,561	3,515,254	2,667,331
Transfers Out	(594,248)	(1,110,217)	(1,360,608)	(1,089,661)
TRANSFERS Total	1,938,255	2,197,344	2,154,646	1,577,670
Total Expenditures	(16,153,127)	(16,518,031)	(14,825,608)	(16,303,044)
Total Revenue - Expenses	996,540	234,019	367,716	365,646

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

Figure 5: Summary of Southern Oregon University Operational Budgets

Southern Oregon University Combined Operations				
	2018 Actuals	FY19 Adopted Budget	2019 Actuals	FY20 Proposed Budget
REVENUES				
Enrollment Fees	44,310,930	49,938,626	44,915,013	48,025,872
Gov't Resources and Allocations	21,732,651	21,932,761	22,052,753	24,146,103
Misc. Other Revenues	16,810,908	15,911,403	15,623,752	16,206,491
REVENUES Total	82,854,489	87,782,790	82,591,518	88,378,466
LABOR				
Unclassified	(27,974,221)	(29,729,430)	(29,423,852)	(31,427,399)
Classified	(8,339,718)	(8,752,123)	(8,144,424)	(8,502,315)
Grad Assist	(146,052)	(182,836)	(183,355)	(194,220)
Student Labor	(2,436,029)	(2,875,722)	(2,529,351)	(2,783,580)
Benefits & OPE	(21,106,751)	(22,814,206)	(21,004,283)	(24,502,781)
LABOR Total	(60,002,771)	(64,354,317)	(61,285,265)	(67,410,295)
SUPPLIES AND SERVICES	(21,881,927)	(23,131,841)	(23,664,596)	(22,894,842)
TRANSFERS				
Transfers In	3,376,422	4,076,990	5,556,102	3,438,274
Transfers Out	(3,456,364)	(4,056,490)	(4,634,198)	(3,417,774)
TRANSFERS Total	(79,942)	20,500	921,904	20,500
Total Expenditures	(81,964,640)	(87,465,658)	(84,027,957)	(90,284,637)
Total Revenue - Expenses	889,849	317,132	(1,436,439)	(1,906,171)

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

FY 20 Budget Forecast Variables

<u>Variable</u>	<u>Current Year</u>	<u>Future Years</u>
State Funding	Post True-up (lost \$253K)	
Tuition	+ 10% over last year (resident undergrad)	
Remissions	Per Financial Aid Office estimate of need	
Labor (salary)	Includes negotiated rates in Faculty and Classified labor contracts	
Other Personnel Expenses (benefits)	PERS rate adjusted Sum of all categories up 11%	
Enrollment	Down 3.3%	
Supplies and Services	Reduced from FY19 actuals based on boiler efficiency and natural gas rate locks	

FY 20 Budget Forecast Variables

<u>Variable</u>	<u>Current Year</u>	<u>Future Years</u>
State Funding	Post True-up (lost \$253K)	Based on average biennial increases
Tuition	+ 10% over last year (resident undergrad)	+5%
Remissions	Per Financial Aid Office estimate of need	Based on 9% of tuition
Labor (salary)	Includes negotiated rates in Faculty and Classified labor contracts	Baseline assumption utilizes 2-3% COLA increase
Other Personnel Expenses (benefits)	PERS rate adjusted Sum of all categories up 11%	Future rate increases unknown; conservatively modelled based on history
Enrollment	Down 3.3%	Five-year weighted moving average
Supplies and Services	Reduced from FY19 actuals based on boiler efficiency and natural gas rate locks	Increased based on Consumer Price Index (2.25%)

Cost Reduction Strategy

- Keep vacant positions vacant – initial target = \$883K
- Assign cost reduction target to each Vice President = \$2.4M
- Establish framework for Presidential Task Force on Financial Sustainability
- Form process improvement cadre; will leverage team to identify cost savings
- Study innovative labor cost reductions

Pro Forma
as of
10/8/19

Education and General
(in thousands of dollars)

	2017-19 Biennium		2019-21 Biennium		2021-23 Biennium	
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	Actual	Actual	BUDGET	FORECAST	FORECAST	FORECAST
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Revenue						
State Appropriations: SSCM	20,840	21,270	22,696	23,880	25,509	26,550
State Appropriations: ETIC/SELP	433	381	376	377	376	376
Total State Funding	21,273	21,651	23,072	24,257	25,885	26,926
Tuition	37,759	37,709	40,047	40,128	40,366	40,835
Fees	3,244	3,294	3,547	3,828	4,163	4,552
Raider Aid	(4,243)	(3,638)	(3,600)	(3,612)	(3,633)	(3,675)
Tuition, net of Raider Aid	36,760	37,365	39,994	40,345	40,896	41,711
Misc. Other Revenue	2,804	3,013	2,950	3,016	3,084	3,154
TOTAL REVENUES	60,837	62,030	66,016	67,618	69,866	71,791
<u>Personnel Services</u>						
Faculty	(15,044)	(15,801)	(16,560)	(17,071)	(17,415)	(18,025)
Admin	(8,854)	(9,230)	(10,051)	(10,310)	(10,590)	(10,762)
Classified	(6,436)	(6,484)	(6,824)	(6,884)	(6,965)	(7,033)
Student (& Other)	(1,430)	(1,500)	(1,615)	(1,723)	(1,832)	(1,940)
Salaries Total	(31,763)	(33,014)	(35,050)	(35,988)	(36,802)	(37,759)
Retirement (PERS + ORP)	(6,841)	(7,007)	(9,142)	(9,387)	(9,603)	(9,852)
PEBB	(7,332)	(7,306)	(7,687)	(8,071)	(8,475)	(8,899)
Other	(2,839)	(3,018)	(3,502)	(3,596)	(3,677)	(3,773)
OPE	(17,012)	(17,331)	(20,331)	(21,054)	(21,755)	(22,524)
Net Personnel	(48,775)	(50,345)	(55,381)	(57,041)	(58,557)	(60,283)
Total Supplies and Services	(9,287)	(11,732)	(11,116)	(11,366)	(11,622)	(11,883)
Cost Reductions and Savings			2,380	3,150	3,475	3,750
TOTAL EXPENDITURES	(58,062)	(62,077)	(64,117)	(65,257)	(66,704)	(68,416)
Net from Operations Before Transfers	2,775	(47)	1,899	2,360	3,162	3,375
NET TRANSFERS			(1,971)	(2,050)	(2,784)	(2,866)
Change in Fund Balance	294	(1,786)	(71)	310	378	509
Beginning Fund Balance	6,844	7,138	5,352	5,280	5,590	5,969
Ending Fund Balance	7,138	5,352	5,280	5,590	5,969	6,478
% Operating Revenues	11.7%	8.63%	8.00%	8.27%	8.5%	9.0%



Southern Oregon University

Combined Operations



	2018 Actuals	FY19 Adopted Budget	2019 Actuals	FY20 Proposed Budget
REVENUES				
Enrollment Fees	44,310,930	49,938,626	44,915,013	48,025,872
Gov't Resources and Allocations	21,732,651	21,932,761	22,052,753	24,146,103
Misc. Other Revenues	16,810,908	15,911,403	15,623,752	16,206,491
REVENUES Total	82,854,489	87,782,790	82,591,518	88,378,466
LABOR				
Unclassified	(27,974,221)	(29,729,430)	(29,423,852)	(31,427,399)
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LABOR Total	(60,002,771)	(64,354,317)	(61,285,265)	(67,410,295)
SUPPLIES AND SERVICES	(21,881,927)	(23,131,841)	(23,664,596)	(22,894,842)
TRANSFERS				
Transfers In	3,376,422	4,076,990	5,556,102	3,438,274
Transfers Out	(3,456,364)	(4,056,490)	(4,634,198)	(3,417,774)
TRANSFERS Total	(79,942)	20,500	921,904	20,500
Total Expenditures	(81,964,640)	(87,465,658)	(84,027,957)	(90,284,637)
Total Revenue - Expenses	889,849	317,132	(1,436,439)	(1,906,171)

Southern Oregon University

Budgeted Operations



	2018 Actuals	FY19 Adopted Budget	2019 Actuals	FY20 Proposed Budget
REVENUES				
Enrollment Fees	36,760,407	41,813,908	37,365,398	39,993,986
Gov't Resources and Allocations	21,330,826	21,530,937	21,650,927	23,072,257
Misc. Other Revenues	2,362,825	2,099,598	3,013,282	2,950,000
REVENUES Total	60,454,058	65,491,310	62,029,607	66,016,243
LABOR				
Unclassified	(23,897,446)	(25,029,203)	(25,030,691)	(26,610,896)
Classified	(6,435,885)	(6,668,760)	(6,483,643)	(6,823,555)
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Benefits & OPE	(17,101,915)	(18,509,189)	(17,389,876)	(20,330,889)
LABOR Total	(48,774,761)	(51,766,083)	(50,344,779)	(55,380,614)
SUPPLIES AND SERVICES	(9,295,512)	(10,970,724)	(11,732,089)	(11,115,582)
TRANSFERS				
Transfers In	136,406	130,142	1,180,948	130,142
Transfers Out	(2,598,774)	(2,726,032)	(2,919,762)	(2,101,358)
TRANSFERS Total	(2,462,368)	(2,595,890)	(1,738,814)	(1,971,216)
Total Expenditures	(60,532,641)	(65,332,697)	(63,815,682)	(68,467,412)
Total Revenue - Expenses	(78,583)	158,613	(1,786,075)	(2,451,169)

Southern Oregon University

Auxiliary Operations



	2018 Actuals	FY19 Adopted Budget	2019 Actuals	FY20 Proposed Budget
REVENUES				
Enrollment Fees	6,664,096	6,954,826	6,310,428	6,791,543
Gov't Resources and Allocations	401,825	401,824	401,826	1,073,846
Misc. Other Revenues	10,083,746	9,395,400	8,481,070	8,803,301
REVENUES Total	17,149,667	16,752,050	15,193,324	16,668,690
LABOR				
Unclassified	(2,663,886)	(3,042,305)	(2,813,608)	(3,152,949)
Classified	(1,471,112)	(1,631,243)	(1,232,595)	(1,245,766)
Grad Assist	(15,991)	(8,379)	(8,385)	0
Student Labor	(1,060,064)	(1,321,264)	(1,069,052)	(1,178,557)
Benefits & OPE	(2,862,243)	(3,056,619)	(2,474,024)	(2,880,527)
LABOR Total	(8,073,296)	(9,059,810)	(7,597,664)	(8,457,799)
SUPPLIES AND SERVICES	(10,018,086)	(9,655,565)	(9,382,590)	(9,422,915)
TRANSFERS				
Transfers In	2,532,503	3,307,561	3,515,254	2,667,331
Transfers Out	(594,248)	(1,110,217)	(1,360,608)	(1,089,661)
TRANSFERS Total	1,938,255	2,197,344	2,154,646	1,577,670
Total Expenditures	(16,153,127)	(16,518,031)	(14,825,608)	(16,303,044)
Total Revenue - Expenses	996,540	234,019	367,716	365,646

Southern Oregon University

Designated Operations & Service Centers



	2018 Actuals	FY19 Adopted Budget	2019 Actuals	FY20 Proposed Budget
REVENUES				
Enrollment Fees	886,427	1,169,892	1,239,187	1,240,343
Misc. Other Revenues	4,364,337	4,416,405	4,129,400	4,453,190
REVENUES Total	5,250,764	5,586,297	5,368,587	5,693,533
LABOR				
Unclassified	(1,412,889)	(1,657,922)	(1,579,553)	(1,663,554)
Classified	(432,721)	(452,120)	(428,186)	(432,994)
Student Labor	(166,511)	(169,984)	(194,700)	(183,969)
Benefits & OPE	(1,142,593)	(1,248,398)	(1,140,383)	(1,291,365)
LABOR Total	(3,154,714)	(3,528,424)	(3,342,822)	(3,571,882)
SUPPLIES AND SERVICES	(2,568,329)	(2,505,552)	(2,549,917)	(2,356,345)
TRANSFERS				
Transfers In	707,513	639,287	859,900	640,801
Transfers Out	(263,342)	(220,241)	(353,828)	(226,755)
TRANSFERS Total	444,171	419,046	506,072	414,046
Total Expenditures	(5,278,872)	(5,614,930)	(5,386,667)	(5,514,181)
Total Revenue - Expenses	(28,108)	(28,633)	(18,080)	179,352

Summary of Transfers in / out of General Fund



Periodic Management Report

Appendix A

Summary of Subsidies (Transfers) Between Fund Types

Projections For Fiscal Year 2020

Transaction Description	Education & General	Designated Operations & Service Dpts	Auxiliaries (including N. Campus Village)	Plant, and Other Funds
	Final	Final	Final	Final
Between Fund Types	\$ (2,016,732)	\$ 437,745	\$ 1,578,987	\$ -
Base General Fund Support to Athletics	\$ (1,717,839)	\$ -	\$ 1,717,839	\$ -
Adjustment to GF Athletic Base Support Due to Added Lottery Funds Received in Athletics	\$ 672,022	\$ -	\$ (672,022)	\$ -
Net Athletics Course Revenue after Expenses	\$ (325,894)	\$ -	\$ 325,894	\$ -
Sports Camps Support to Athletics	\$ -	\$ -	\$ -	\$ -
Support to Athletics Sports Band	\$ (45,459)	\$ -	\$ 45,459	\$ -
General Fund Support to JPR	\$ (292,390)	\$ 292,390	\$ -	\$ -
General Fund Support to RVTV	\$ (121,656)	\$ 121,656	\$ -	\$ -
General Fund PEAK Support to Various	\$ (45,516)	\$ 23,699	\$ 21,817	\$ -
General Fund Support Student Rec Center	\$ (140,000)	\$ -	\$ 140,000	\$ -

Proposed 2020-2021 Committee Meeting Schedule

**SOU Board of Trustees
Board and Committee Meeting Schedule
Academic Years 2019-20 and 2020-21**

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	Five Times Per Year
TIME	12:00-3:30 p.m.	4:00-6:00 p.m.	9:30-11:30 a.m.	12:00-5:00 p.m.
	January 16, 2020	January 16, 2020	January 17, 2020	January 17, 2020
		February 20, 2020 (Budget focus)		
		March 19, 2020 (Budget focus)		
	April 16, 2020	April 16, 2020	April 17, 2020	April 17, 2020
		May 21, 2020 (Budget focus)		
	June 18, 2020	June 18, 2020	June 19, 2020	June 19, 2020
	October 15, 2020	October 15, 2020	October 16, 2020	October 16, 2020
	January 21, 2021	January 21, 2021	January 22, 2021	January 22, 2021
		February 18, 2021 (Budget focus)		
		March 18, 2021 (Budget focus)		
	April 15, 2021	April 15, 2021	April 16, 2021	April 16, 2021
		May 20, 2021 2:30-4:00 p.m. (Budget focus)		Special Meeting May 20, 2021 4:30 – 6:00 p.m.
	June 17, 2021	June 17, 2021	June 18, 2021	June 18, 2021
	October 21, 2021	October 21, 2021	October 22, 2021	October 22, 2021

Future Meetings

Adjournment