



Board of Trustees

Title of Presentation or Item:	FY18 Operating Budget Approval
Topic:	Action Item No. 2
Date of Board Meeting:	11/16/2017
Lead Staff Contact Information:	Lara Moore lmoore@eou.edu 541-962-3773

SUMMARY

Approve the FY18 Operating Budget

CONTEXT

The Finance & Administration committee has recommended the FY18 operating budget for approval. The Committee has reviewed the proposed operating budget and recommends approval of the expense and revenue budgets as presented. The FY18 budget portrays a reasonable budget given the moderate tuition increases, enrollment realities and state allocations.

The proposed budget addresses needs associated with increased marketing efforts, emphasis on grassroots/organic opportunities for Regional Outreach and Innovation, employee development, safety and security features, and student support enhancements. The overall budget also provides some flexibility for new initiatives and investments.

DISCUSSION QUESTIONS

N/A

RECOMMENDED ACTION

Approve

FISCAL IMPACT

Yes (Included within budget materials)

NEXT STEP

None.

ATTACHMENT

FY18 Budget Overview for BoT

FY18 BUDGET OVERVIEW

FISCAL YEAR 2018 OPERATING BUDGET: EDUCATION & GENERAL, AUXILIARY ENTERPRISES, DESIGNATED OPERATIONS AND SERVICE CENTER FUNDS



Eastern Oregon University

Board of Trustees

November 16, 2017

BUDGET OVERVIEW

This report summarizes operating expense and revenue budgets for fiscal year 2018. Fund types include: Education and General (E&G), Auxiliary Enterprise Funds and Designated Operations and Service Funds, all of which are defined herein.

The Finance & Administration committee has recommended the FY18 operating budget for your approval. The Committee has reviewed this proposed operating budget and recommend approval of the expense and revenue budgets as presented. The 2017-18 EOU Operating Budget portrays a reasonable budget given the moderate tuition increases, enrollment realities and state allocations.

The proposed budget addresses needs associated with increased marketing efforts, emphasis on grassroots/organic opportunities for Regional Outreach and Innovation, employee development, safety and security features and student support enhancements. The overall budget also provides some flexibility for new initiatives and investments.

The Budget Process

March	<ul style="list-style-type: none">Meetings with Department Unit leaders regarding FY17 year-end projections and budget requests for FY18Draft budget prepared by President, VPFA, and Budget Director
April	<ul style="list-style-type: none">Draft operating budget presented to Finance & Administration Committee, Budget & Planning Committee, and Executive Cabinet
July	<ul style="list-style-type: none">State allocation level determinedPreliminary budget entered into the Banner Finance System for reporting purposes.
August	<ul style="list-style-type: none">Enter budget adjustments, if needed
October	<ul style="list-style-type: none">Present proposed FY18 E&G Operating Budget to Finance & Administration Committee, Budget & Planning Committee, and Executive Cabinet
November	<ul style="list-style-type: none">Present final FY18 E&G Operating Budget to Finance & Administration Committee, Budget & Planning Committee, and Executive CabinetFinal adoption by EOU Board of Trustees for approvalEnter budget adjustments into the Banner Finance SystemNotify campus of final 2017-18 budget

FY18 OPERATING BUDGET: EDUCATION AND GENERAL (E&G)

The E&G revenue budget, \$40.2M, includes state allocations from Student Success and Completion Model and Energy Loan Payments. In addition to the revenue received as part of the state allocation, EOU retains any tuition and fees generated by students, as well as receives revenue through indirect cost recoveries from grants and contracts, interest and other revenue (primarily fee based). The revenue budget also includes fee remission allocations of \$2.18M. Fee remissions are applied as a reduction of revenue.

The E&G expense budget \$40.6M is comprised of salaries and other payroll expenses (ope), services and supplies and net transfers. EOU's largest category of expense is personnel, consisting of approximately 79.8% of the overall E&G budget. Direct expenses, or service and supplies, include utility and physical plant costs, general office supplies, professional services contracts, information technology services, as well as services payments for support provided by University Shared Services Enterprise (USSE).

The expense budget includes increases in labor for contractual salary increases for classified and faculty as well as an increase for administrative faculty and retirement and health care increases.

Based on the proposed budget, EOU will use approximately \$483K in fund balance by year end. The decrease will result in an ending fund balance of \$6,508,000 (16.2%).

The FY18 operating budget also reflects investments that directly support the goals put forth in EOU's Strategic Framework:

Investments and the Ascent 2029

- Marketing: Goals 3, 5, and 6
- Regional Outreach and Innovation: Goals 3 and 6
- Student Services: Goals 1, 3, 4, and 6
- Employee Professional Development: Goal 4
- Contractual Increases for Faculty Development: Goals 1, 2, 3, and 4
- Additional Safety & Security Position & Cyber Insurance: Goals 4 and 6
- IT Contract Escalation: Goals 2 and 4
- Campus wide computer replacement program: Goals 2 and 4
- EOU Annual Report: Goals 5 and 6

E&G OPERATING BUDGET REALITIES AND ASSUMPTIONS

- Tuition increased by an average of 6%
- Revenue budget based on projected 7.3% annual decline in enrollment
- Revenue budget reflects increase in the matriculation fee and the addition of the orientation fee
- Invest a minimum of 11.25% - \$2,188,000 of tuition in fee remissions (negative impact on revenue)
- Classified staff received a 1%.COLA, plus step (average 4.75%), effective October 1, 2017
- Faculty salary increase \$1,600 + 1% step effective 9/16/17
- Administrative Professionals received a 3% increase effective July 1, 2017
- State allocation for FY18 \$20,752 (includes ETIC and SELP)
- Retirement and Health care contribution increases

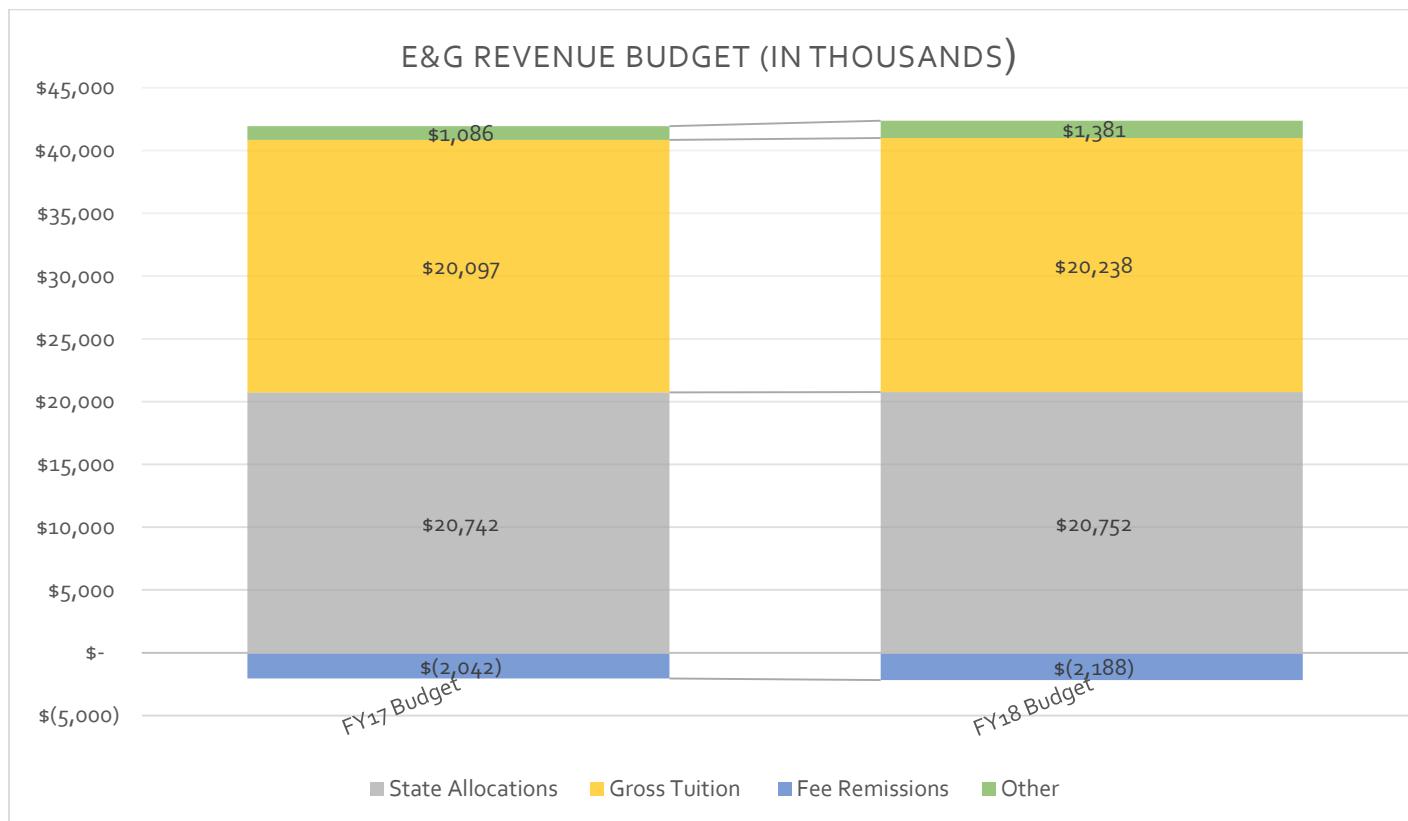
FY18 E&G Revenue Variance over FY17

FY16 \$39,883,000

FY17 \$40,183,000

Increase of \$300k, includes:

- State Allocation \$10K
- Gross tuition revenue \$141K
- Fee Revenue (matriculation and orientation) \$295
- Additional Fee Remissions (\$146K)



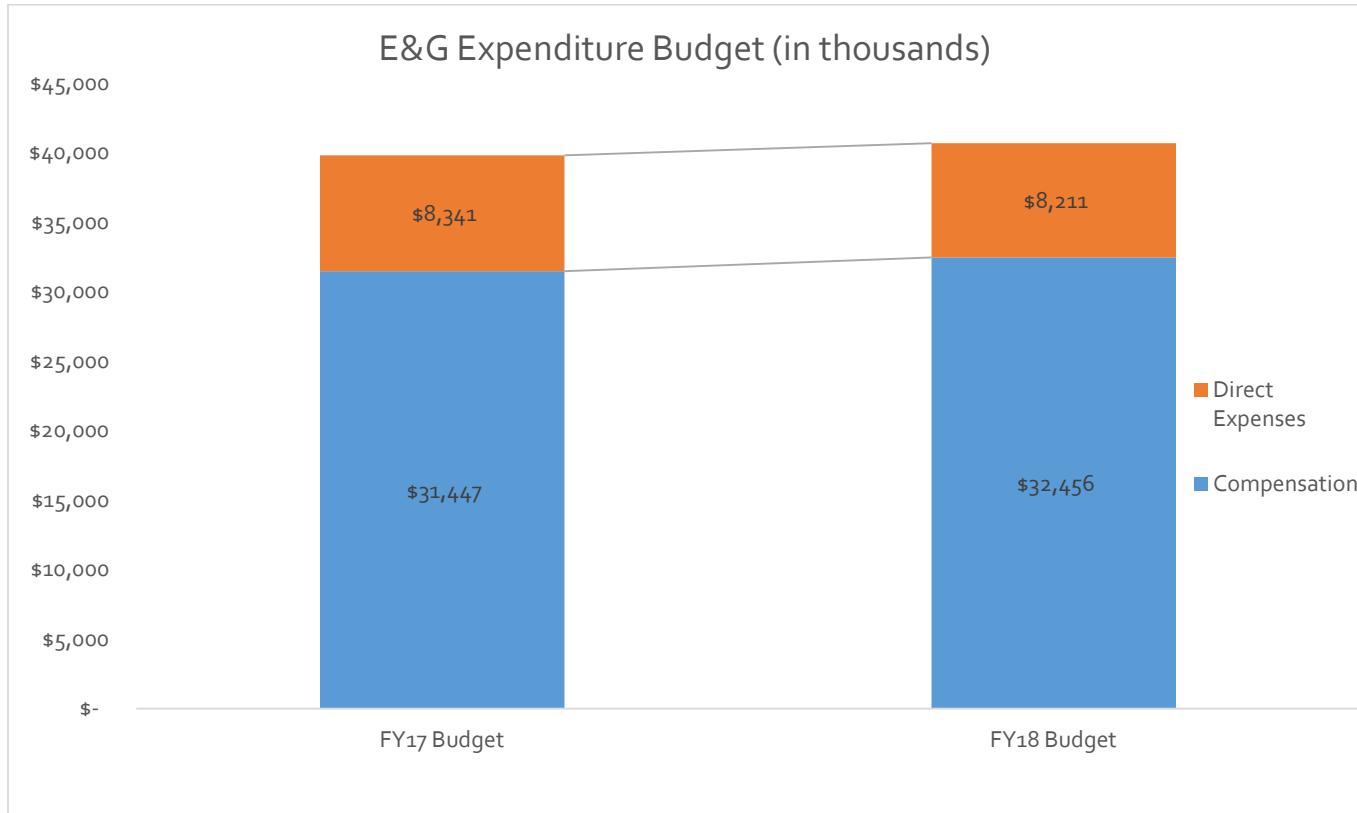
FY18 E&G Expense Variance over FY17

FY17 \$39,789,000

FY18 \$40,667,803

Increase of \$879k, or 2.21%, include:

- Compensation increases – wages and ope \$1M
- Direct Expenditure savings over prior year budget \$130K



Classified

The SEIU CBA 2015-19 agreement included a reopener, which was ratified in September. The reopener included:

- 1% cost of living adjustment (COLA) effective October 1, 2017 and July 1, 2018
- All eligible employees will also receive a step increase on their eligibility date. The cost of step increases averages 4.75%. The step system has ten steps for most classifications. Employees already at step ten will not receive the additional 4.75%. Currently EOU has 28 employees at step ten.
- The contract also included the provision for health care subsidies for employees with a .75FTE or greater. For plan years 2017, 2018 and 2019, EOU will contribute ninety-five percent (95%) of the premium costs of the coverage, and the employee will contribute five percent (5%). If an employee selects the least expensive PEBB health plan available EOU contributes ninety-seven percent (97%) of the premium costs of the coverage and the employee will contribute three percent (3%) Employees with salaries under \$3,016/month (\$36,192 annually) also receive an additional \$40 per month subsidy.

Faculty

The current CBA included an annual increase on September 16, 2017 of \$1,600, plus a 1% step for those that were not at the top of the step matrix for their rank. On September 16, 2018, faculty will receive an annual increase of \$1,000, plus a 1% step.

Administrative Professionals

These employees received a 3% increase on July 1, 2017. Future increases have not been determined.

Student Employees

All student employees received a .50 increase. The increase was driven by the increase in Oregon's minimum wage, which is not \$10/hour in LaGrande.

Health Care

Health care costs increased by 4%, and the impact to EOU is \$16,500 annually for each benefit eligible employee. This includes faculty and administrative professionals with an FTE of .5 and above, classified employees with an FTE of .75 and above and those employees that may qualify under the Affordable Care Act (ACA).

Retirement Costs

On July 1, 2017, retirement costs increased for all plans. The current retirement rates for EOU's contribution based on the employee's salary are: PERS Tier 1/2 - 29.84%, Tier 3 – 22.78%, ORP, Tier ½ - 29.68%. ORP-OPSRP 15.29%, and ORP Tier 4 – 8-12%. These rates will remain unchanged until July 2019; however, at that time, the rates are projected to increase once again at similar levels.

2017-18 Proposed Operating Budget

	FY18 Budget
Revenue	\$40,183
Expenditures	\$40,667
Change in Fund Balance	(\$484)
YE 2017 Ending Fund Balance	\$6,990
YE 2018 Projected Ending Fund Balance	\$6,508
% of Revenues	16.2 %

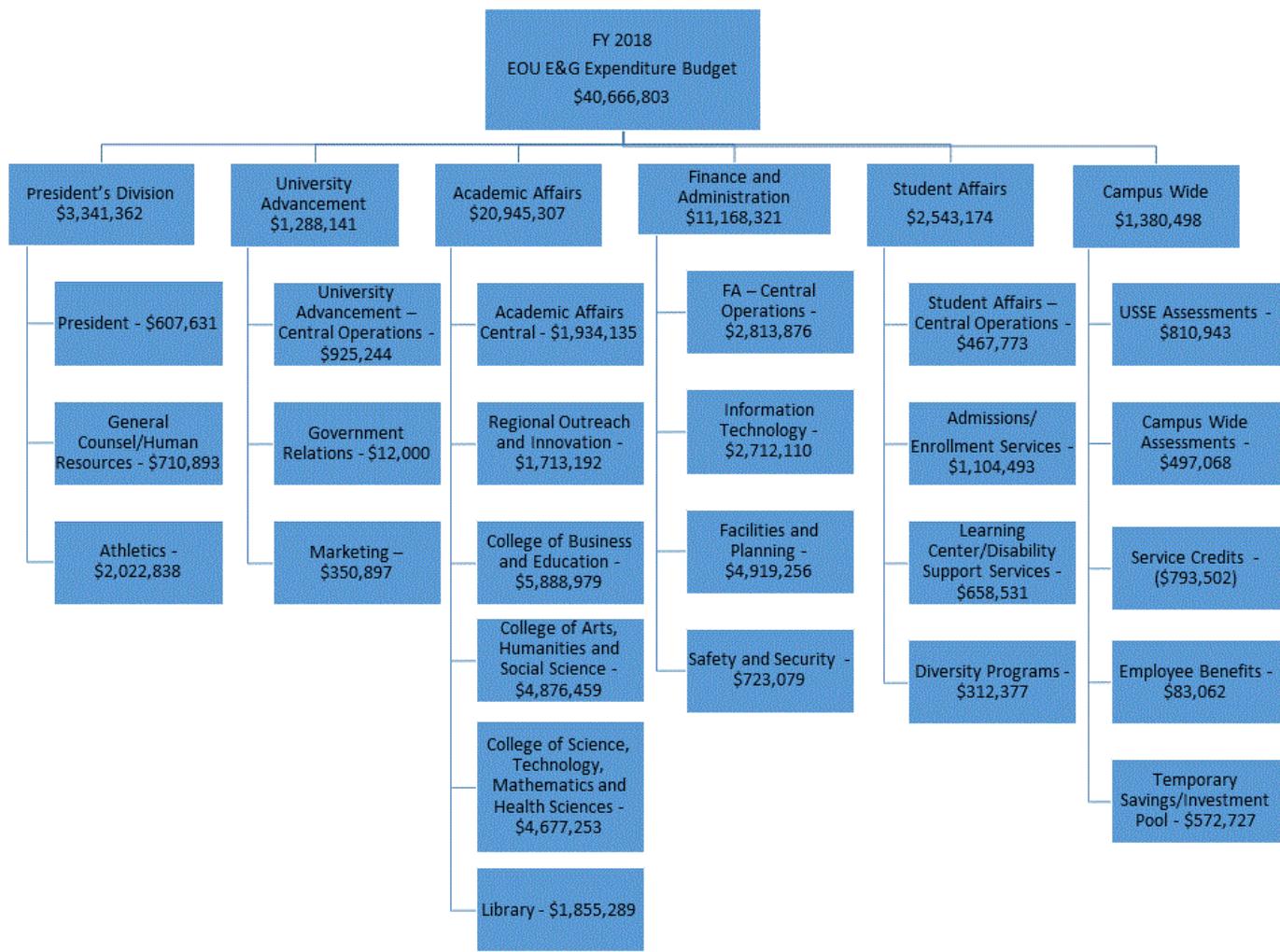
2017-18 E&G Revenue Budget

Revenue Category	FY18 Budget
State Allocation	\$20,752
Gross Tuition Revenue	\$20,238
Less: Tuition Remissions	(\$2,188)
Fee Revenue	\$ 780
Other Revenue	\$ 601
Net Operating Revenue	\$40,183

2017-18 E&G Expenditure Budget

Expenditure Category	FY18 Budget
Total Compensation	\$32,456
Direct Expenditures/Transfers	\$ 8,211
TOTAL	\$40,667

FY18 EXPENDITURE BUDGET DISTRIBUTION BY UNIT

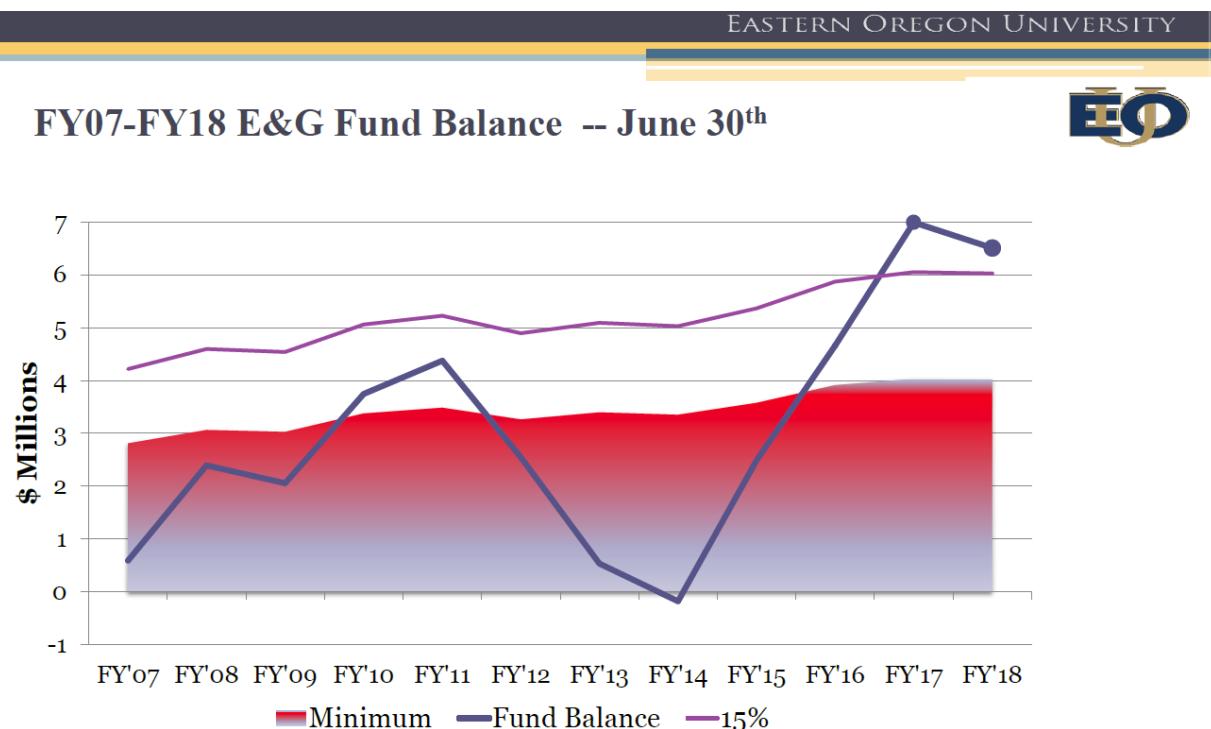


FUND BALANCE HISTORY

Responsible fiscal management requires adequate reserves, or fund balances, to mitigate current and future risks. Adequate fund balances are essential to offsetting cyclical variations in revenues and expenditures and to protect against:

- 1) Catastrophic events,
 - 2) unforeseen revenue declines and expenditure gaps,
 - 3) unexpected legal obligations, and
 - 4) failures of, and regulatory compliance issues in infrastructure or major business systems.

Adequate fund balances are also essential for prudent consideration of strategic investments that advance the mission of the university.



Fund Balance realities and sensitivities

Potential additional investment	Utilize excess to carry forward to FY19
Execution on Strategic Framework	Tuition mitigation
New academic leadership	New/additional strategic investment
Development as an organization on spending effectively	Offset for known increases in expenditures

AUXILIARY ENTERPRISES

Auxiliary Services include services that are essential to the support of the university's academic programs. Auxiliary units are designed and expected to generate sufficient revenue to cover all costs of operating and capital need, and are not supported by State allocation/funding. Departments such as Housing and Dining, Family Housing, Student Health Center, Parking Services, Athletics, General Rentals and the Incidental Student Services Fee are considered Auxiliaries at EOU.

	FY2018
Revenue	\$6,498,781
Expenditures	<u>\$6,076,156</u>
NET/Change in Fund Balance	\$422,625
YE 2017 Ending Fund Balance	\$8,367,303
YE 2018 Projected Ending Fund Balance	\$8,789.928
YE 2017 Ending Cash Balance (unaudited)	\$4,156,555
YE 2018 Projected Ending Cash Balance	\$4,259,623

DESIGNATED OPERATIONS

Designated Operations are university functions that provide self-support operations related to non-instructional activities such as field trips and community education. A Designated Operations fund will be established when approximately 80% or greater of a self-support activity is funded from external sources, including student fees for field trips.

EOU's Designated Operations Funds are academic department field trips, athletic and academic camps, workshops and the BASALT Magazine.

	FY2018
Revenue	\$503,813
Expenditures	\$411,537
NET/Change in Fund Balance	\$92,276
YE 2017 Ending Fund Balance	\$494,790
YE 2018 Projected Ending Fund Balance	\$587,066
YE 2017 Ending Cash Balance (unaudited)	\$497,628
YE 2018 Projected Ending Cash Balance	\$589,904

SERVICE DEPARTMENTS

A Service Department fund is established with the majority of the activity is internal to the university. Eastern's primary service department is the copy center. EOU's Serviced Departments include: Surplus property, Telecommunications and Audio Visual departments, Copy Services and Motor Pool.

	FY2018
Revenue	\$145,425
Expenditures	\$138,079
NET/Change in Fund Balance	\$ 7,346
YE 2017 Ending Fund Balance	\$ 72,232
YE 2018 Projected Ending Fund Balance	\$ 79,578
YE 2017 Ending Cash Balance (unaudited)	\$ 41,929
YE 2018 Projected Ending Cash Balance	\$ 49,275