

February 15, 2008

Members of the Board Finance Committee

Keith Sanders, Chair
John Simmons
Roger Tedrick
Stephen Wigginton
Marquita Wiley

Dear Members of the Finance Committee:

There will be a meeting of the Finance Committee immediately following the Academic Matters Committee on Thursday, February 28, 2008, in Ballroom B of the Student Center, Southern Illinois University Carbondale, Carbondale, IL.

Tuition and fee proposals will be presented at this meeting. A summary of the proposed increases is enclosed.

The following items have been suggested for the agenda:

1. Approval of Minutes of the January 17, 2008, meeting (enclosure).
2. Progress Report on SIUC Capital Campaign.
3. SIUC Notice Items:

Notice of Proposed Course Specific Fee Increase for Forestry's Forest Recreation and Park Management Summer Camp, SIUC (Board Agenda Item H).

Notice of Proposed Course Specific Fee Increase for Forestry's Forest Resources Management Summer Camp, SIUC (Board Agenda Item I).

Notice of Proposed Course Specific Fee Increase for Geology 454 Field Geology, SIUC (Board Agenda Item J).

Notice of Proposed Increase: Campus Recreation Fee, SIUC [Amendment to 4 Policies of the Board Appendix A-6] (Board Agenda Item K).

Notice of Proposal to Increase the Facilities Maintenance Fee, Carbondale Campus, SIUC [Amendment to 4 Policies of the Board Appendix A-6] (Board Agenda Item L).

Notice of Proposed Increase: Flight Training Charges, SIUC [Amendment to 4 Policies of the Board Appendix A-4] (Board Agenda Item M).

Notice of Proposed Increase: Intercollegiate Athletic Fee, SIUC [Amendment to 4 Policies of the Board Appendix A-6] (Board Agenda Item N).

Notice of Proposed Increase: Mass Transit Fee, SIUC [Amendment to 4 Policies of the Board Appendix A-6] (Board Agenda Item O).

Notice of Proposed Increase: Residence Hall Rates and Apartment Rentals, SIUC [Amendment to 4 Policies of the Board Appendix A-18] (Board Agenda Item P).

Notice of Proposed Increase: Student Center Fee, SIUC [Amendment to 4 Policies of the Board Appendix A-6] (Board Agenda Item Q).

Notice of Proposed Increase: Student Medical Benefit (SMB): Primary Care Fee, SIUC [Amendment to 4 Policies of the Board Appendix A-6] (Board Agenda Item R).

Notice of Proposed Increase: Student Recreation Fee, SIUC [Amendment to 4 Policies of the Board Appendix A-6] (Board Agenda Item S).

Notice of Proposed Increase: Student Services Building Fee, SIUC [Amendment to 4 Policies of the Board Appendix A-6] (Board Agenda Item T).

Notice of Proposed 15% Differential Tuition Surcharge and Proposed Minor Program Fee for the College of Business and Administration, SIUC (Board Agenda Item U).

4. SIUE Notice Matters:

Notice of Proposal to Continue the Nursing Program Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item V).

Notice of Proposed Increase: Athletic Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item W).

Notice of Proposed Change: Campus Housing Activity Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item X).

Notice of Proposed Increase: Facilities Maintenance Fee, SIUE [Amendments to 4 Policies of the Board Appendix B-4 and B-17] (Board Agenda Item Y).

Notice of Proposed Increase: Information Technology Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item Z).

Notice of Proposed Increase: Student Success Center Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item AA).

Notice of Proposed Increase: Student Fitness Center Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item BB).

Notice of Proposed Increase: Student Welfare and Activity Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item CC).

Notice of Proposed Increase: Textbook Rental Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item DD).

Notice of Proposed Increase: University Center Fee, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item EE).

Notice of Proposed Increase: University Housing Rental Rates, SIUE [Amendment to 4 Policies of the Board Appendix B-11] (Board Agenda Item FF).

5. Notice of Proposed Tuition Rates for FY 2009 [Amendments to 4 Policies of the Board Appendices A and B] (Board Agenda Item GG).
6. Information Item: "Series 2008A Housing and Auxiliary Facilities System Revenue Bonds" Capital Improvement Projects (enclosure).
7. Other business.

Also enclosed is the Second Quarter Investments Report for FY 2008.

Yours truly,

Duane Stucky
Senior Vice President for Financial and Administrative Affairs
and Board Treasurer

DS/lap

Enclosures

cc: Samuel Goldman
Ed Hightower
Megan Pulliam

Christine Williams
Glenn Poshard
Fernando Treviño

Vaughn Vandegrift
Constituency Heads
Other Interested Parties

Southern Illinois University
Board of Trustees
February 28, 2008

INFORMATION ITEM: "SERIES 2008A HOUSING
AND AUXILIARY FACILITIES SYSTEM REVENUE BONDS" CAPITAL
IMPROVEMENT PROJECTS

This matter seeks to inform the Board of Trustees that authorization to sell bonds to fund new money projects will be requested at the April 10, 2008 Board meeting. It is anticipated that the Housing and Auxiliary Facilities System Revenue Bonds will be issued in a sum not to exceed \$36,000,000 (net of original issue discount, if any) and will be sold the week of April 14, 2008 or April 21, 2008. Funds to repay the Revenue Bonds will come from gross revenues of the Housing and Auxiliary Facilities System and the bonds will finance the following projects:

University Housing at Carbondale plans to install automatic sprinkler systems and associated upgrades in the facilities at Thompson Point and University Hall to comply with House Bill 4361 which mandates that sprinklers be installed in all dormitories (residence halls) by 2013. At its September 20, 2007, meeting, the Board approved this project for a total estimated cost of \$7,750,000.

University Housing at Carbondale plans to install security cameras and an electronic access control system at all exterior entries to the Thompson Point residential facilities to enhance security and reduce key replacement costs. This project will occur in three phases and will be designed in-house by Physical Plant's Engineering Services. At its September 20, 2007, meeting, the Board approved this project for a total estimated cost of \$750,000.

The Edwardsville campus plans to construct a Student Success Center which will be attached to the Morris University Center. The Student Success Center will consolidate academic support services now spread across campus. At its September 20, 2007, meeting, the Board approved this project for a total estimated cost of \$16,600,000.

The Edwardsville campus plans to construct an expansion to the Student Fitness Center that would include two multi-purpose rooms, an office addition and related renovation adjacent to the main office wing, a 30,500 sq. ft. gymnasium, and a food and juice bar. At its September 20, 2007, meeting, the Board approved this project for a total estimated cost of \$10,550,000.

All of these projects were approved by the Illinois Board of Higher Education on December 4, 2007. Of the total project cost, \$1,250,000 will be funded with existing repair, replacement and reserve funds and \$1,400,000 will be funded with available operating funds. It is anticipated that the bond sale will be structured as a negotiated sale and issued as fixed debt. Bond insurance will be acquired if financial savings warrant.

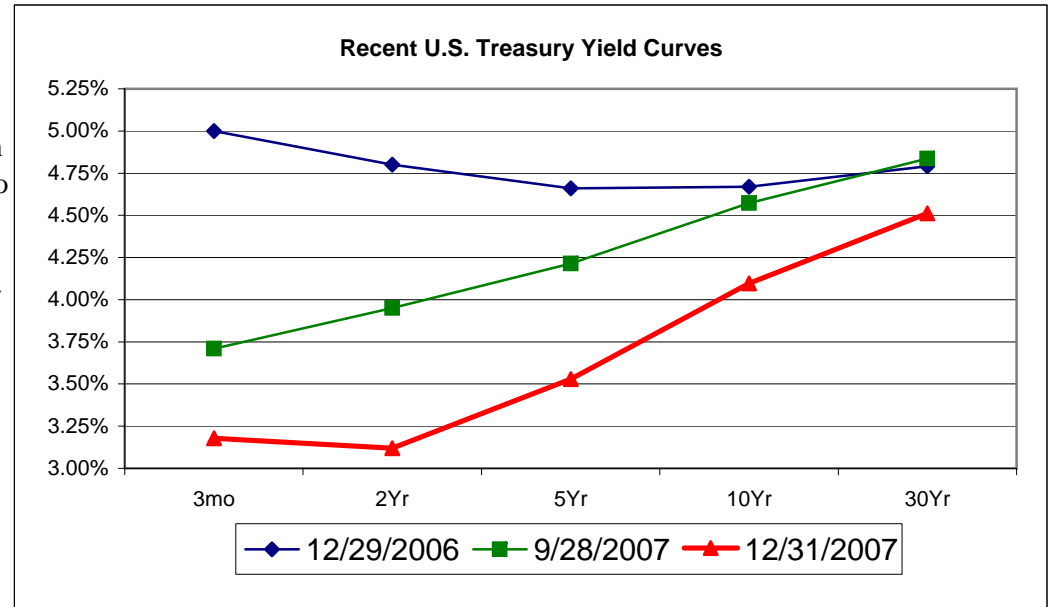


Southern Illinois University

Quarterly Investment Report
December 31, 2007

Performance Analysis

This quarter the Treasury yield curve retained its normal, upward-sloping shape, and even steepened somewhat, except for a flat section in the shorter maturities. While the 30-year maturity declined steadily over the period from 4.79% to 4.51%, short-term 3-month rates declined even more, coming down 53 basis points to end the quarter at 3.18%. The 2-year maturity ended near that same level (down to 3.12%), giving us a basically flat yield curve out to the 2-year mark. The market this quarter continued to show signs of an obsession with quality and liquidity as a consequence of the subprime lending crisis. This has kept Treasury bond rates very firm throughout the yield curve. The 30-year is now within 33 basis points of the low for the last 10 years, a 4.18% from the summer of 2003. With two more 25 basis point Fed Fund reductions occurring in October and December, the focus now seems to have shifted from inflation concerns to recession concerns.



Southern Illinois University achieved a quarterly return of 2.08% for the second quarter of the fiscal 2008 year, nearly identical to last quarter, and below the weighted benchmark return of 2.16%. A continued decline in interest rates produced unrealized capital gains which contributed to this return. The assets invested in the Illinois Funds, about 45% of the total SIU portfolio, returned a 1.14% quarterly return and nearly matched the Merrill Lynch Ready Assets benchmark of 1.15%. Normally the Illinois Funds return exceeds this benchmark; however this quarter the widening credit spreads have allowed the lower credit securities included in the benchmark to contribute meaningfully to the overall benchmark return. Monies allocated to the Illinois Prime Fund added an additional 18 basis points above the yield of the Illinois Money Market Fund.

The Short-Term and Intermediate accounts, managed by Western Asset Management, also saw unrealized capital gains. The Short-Term portfolio had a 2.12% quarterly return, below the Lehman Brothers 1-3 Yr Government benchmark return of 2.36%. The Intermediate portfolio produced a 3.17% quarterly return, below its Lehman Brothers Intermediate Government benchmark of 3.37%. Similar to last quarter, shorter average life in the WAMCO portfolios, along with some credit exposure, contributed to the underperformance.

John S. Vincent & Company LLC

Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	12/31/2006	3/31/2007	6/30/2007	9/30/2007	12/31/2007
State Treasury Fund- Money Market	\$ 52.2	\$ 50.1	\$ 40.6	\$ 51.2	\$ 66.5
State Treasury Fund- Prime	7.2	32.4	34.9	58.0	9.0
Western Asset - Short Portfolio	20.9	21.2	21.3	21.8	22.3
Western Asset - Intermediate Portfolio	64.4	65.4	65.4	67.4	69.6
Total Portfolio	\$ 144.7	\$ 169.1	\$ 162.2	\$ 198.4	\$ 167.4

Market Value Change (\$ in millions)

	12/31/2006	3/31/2007	6/30/2007	9/30/2007	12/31/2007
Beginning Market Value	\$ 171.9	\$ 144.7	\$ 169.1	\$ 162.2	\$ 198.4
Deposits (Withdrawals)	(28.9)	22.0	(8.2)	32.5	(34.5)
Interest Income, Net of Fees	1.8	2.1	2.1	2.2	1.9
Realized Gain (Loss)	0.0	(0.1)	(0.1)	0.0	0.0
Unrealized Gain (Loss)	(0.1)	0.4	(0.7)	1.5	1.6
Ending Market Value	\$ 144.7	\$ 169.1	\$ 162.2	\$ 198.4	\$ 167.4

Operating Performance

Quarterly Performance

	12/31/2006	3/31/2007	6/30/2007	9/30/2007	12/31/2007
State Treasury Fund Rate of Return					
State Treasury Portfolio	1.31%	1.29%	1.29%	1.25%	1.14%
Merrill Lynch Ready Assets	1.15%	1.15%	1.15%	1.17%	1.15%
Short Term Portfolio Rate of Return					
Western Asset Short Term Portfolio	0.99%	1.38%	0.60%	2.28%	2.12%
Lehman Bros 1-3 Year Govt Index	0.98%	1.40%	0.73%	2.50%	2.36%
Intermediate Portfolio Rate of Return					
Western Asset Intermediate Portfolio	1.02%	1.45%	-0.08%	3.19%	3.17%
Lehman Bros Intermediate Govt Index	0.89%	1.53%	0.00%	3.36%	3.37%
Total Fund Rate of Return					
Total Portfolio	1.15%	1.36%	0.69%	2.07%	2.08%
Benchmark	1.02%	1.33%	0.68%	2.17%	2.16%

Historical Performance

	FY 2004	FY 2005	FY 2006	FY 2007	Fiscal YTD ending 12/31/2007
Total Fund Rate of Return					
Total Portfolio	0.2%	3.5%	2.36%	5.29%	4.17%
Benchmark*	-0.1%	3.0%	2.08%	5.12%	4.38%

* Began using the Merrill Lynch Ready Assets benchmark, in place of the iMoney Net Money Fund, for the State Treasury fund performance in June 2006.

Asset Allocation

Asset Allocation As of December 31, 2007

	Market Value (in millions)	Actual Allocation	Policy Range	Target (in millions)	
State Treasury Fund	\$75.5	45%	20-35%	\$40.0	Minimum
Western Asset - Short Term Portfolio	22.3	13%	10-40%	\$10.0	Minimum
Western Asset - Intermediate Term Portfolio	69.6	42%	35-60%	\$65.0	Maximum
	<u>\$167.4</u>				

The portfolio was heavily weighted to the State Treasury Fund as of December 31, 2007. The decision to keep the investment portfolio short was driven by the need to maintain liquidity for cash flow requirements and the uncertain timing of the release of state appropriated operating funds.

Fees

Investment Manager Fees

	Basis Points					
	As of 9/30/07	12/31/2006	3/31/2007	6/30/2007	9/30/2007	Total
State Treasury Fund- Money Market	9.35	\$12,536.61	\$16,311.11	\$12,082.07	\$11,400.84	\$52,330.63
State Treasury Fund- Prime	9.35	\$3,478.15	\$5,386.91	\$8,727.70	\$10,788.91	\$28,381.67
Western Asset - Short Term Portfolio	25.0	13,044.89	13,174.34	13,294.40	13,517.20	53,030.83
Western Asset - Intermediate Term Portfolio	25.0	<u>40,267.63</u>	<u>40,642.61</u>	<u>40,909.81</u>	<u>41,708.20</u>	<u>163,528.25</u>
Total Investment Manager Fees		\$69,327.28	\$75,514.97	\$75,013.98	\$77,415.15	\$297,271.38

Custody Bank Fees

	12/31/2006	3/31/2007	6/30/2007	9/30/2007	Total
JP Morgan Chase	\$6,181.95	\$6,109.72	\$6,660.28	\$6,389.11	\$25,341.06

* Fees for the current quarter were not available at the time this report was prepared. All fees are reflected on an accrual basis

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	12/31/2006	3/31/2007	6/30/2007	9/30/2007	12/31/2007
Housing & Auxiliary Facilities System					
Construction Proceeds	40.6	29.7	18.5	10.1	7.6
Interest Sinking Fund	12.0	14.5	6.0	10.1	11.0
Debt Service Reserve	9.3	9.4	9.2	9.3	9.4
Total HAFS	<u>61.9</u>	<u>53.6</u>	<u>33.7</u>	<u>29.5</u>	<u>28.0</u>
Medical Facilities System					
Construction Proceeds	7.3	7.4	7.4	7.5	6.2
Interest Sinking Fund	0.7	1.1	0.4	0.5	0.7
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>8.0</u>	<u>8.5</u>	<u>7.8</u>	<u>8.0</u>	<u>6.9</u>
Certificates of Participation					
Construction Proceeds	12.9	12.0	10.8	10.3	8.0
Interest Sinking Fund	2.7	2.7	2.9	2.5	2.5
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total COPS	<u>15.6</u>	<u>14.7</u>	<u>13.7</u>	<u>12.8</u>	<u>10.5</u>
Total Capital Investment Portfolio	\$ 85.5	\$ 76.8	\$ 55.2	\$ 50.3	\$ 45.4

Capital Investments are managed internally and are invested in high quality, low risk government securities. The investment maturity, rate of return and type are limited by covenants in the debt financing documents.