OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

March 11, 2021

TO: Southern Oregon University Board of Trustees, Finance and Administration Committee

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting of the Finance and Administration Committee

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

Topics of the meeting will include a vice president's report with a review of emergency relief funding and legislative initiative impacts, updates on the HECC, and the sale of bonds for the North Campus Village. There will be discussion and action on the Endowment Investment Policy. There also will be updates on the budget, student fee process and revenue. There also will be reports on the Tuition Advisory Council, the Presidential Task Force on Financial Sustainability and information technology cost savings.

The meeting will occur as follows:

Thursday, March 18, 2021
4:00 p.m. to 6:00 p.m. (or until business concludes)
Visit governance.sou.edu for meeting materials.
To join or view the proceedings, visit https://sou.zoom.us/j/82227951733 at the time of the meeting.

If special accommodations are required or to provide written public comment, please contact Kathy Park at (541) 552-8055 at least 48 hours in advance.

Public Comment
Members of the public who wish to provide public comments for the meeting are invited to submit their comments or testimony in writing. Please send written comments or testimony to the Board of Trustees email address: trustees@sou.edu. Public comments also may be sent to the board via postal mail addressed to SOU Board of Trustees, 1250 Siskiyou Boulevard, Ashland, OR 97520.

Board of Trustees

Finance and Administration Committee Meeting

March 18, 2021

Call to Order / Roll / Declaration of a Quorum

Southern OREGON UNIVERSITY

Board of Trustees
Finance and Administration Committee Meeting

Thursday, March 18, 2021
4:00 p.m. – 6:00 p.m. (or until business concludes)
https://sou.zoom.us/j/82227951733

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**	Chair Clough
	3.1	Approval of January 21, 2021 Meeting Minutes	
	3.2	Financial Dashboard	
10 min.	**4**	**Vice President's Report**	Greg Perkinson, SOU, Vice President for Finance and Administration
	4.1	Higher Education Coordinating Commission Update	
	4.2	Overview of Emergency Relief Funding	
	4.3	Legislative Initiative Impacts	
	4.4	Update on North Campus Village Sale of Bonds	
	5	**Action, Information and Discussion Items**	
15 min.	5.1	Endowment Investment Policy (Action)	Penny Burgess, USSE, Director of Treasury Management Services

Board of Trustees
Finance and Administration Committee Meeting

Thursday, March 18, 2021
4:00 p.m. – 6:00 p.m. (or until business concludes)

AGENDA (Continued)

5 min.	5.2	Budget Update	Greg Perkinson; Josh Lovern, SOU, Director of Budget and Planning
10 min.	5.3	Student Fee Update	Andrew Zucker, ASSOU, President; Josh Lovern
10 min.	5.4	Tuition Advisory Council Report and Update	Dr. Susan Walsh, SOU, Provost and Vice President for Academic Affairs; Josh Lovern
20 min.	5.5	Report on Presidential Task Force on Financial Sustainability	Greg Perkinson
		5.5.1 Master Planning and University Properties Task Force Update	
		5.5.2 Maximizing Gains in the Funding Model	
		5.5.3 Budget Committee Update	
10 min.	5.6	Information Technology Cost Savings	Tom Battaglia, SOU, Chief Information Officer
20 min.	5.7	Revenue Update and Forecast	Greg Perkinson; Dr. Neil Woolf, SOU, Vice President for Enrollment Management and Student Affairs; Josh Lovern
10 min.	5.8	Budget Forecast	Greg Perkinson; Josh Lovern
	5.9	Future Meetings	Chair Clough
	6	**Adjournment**	Chair Clough

Public Comment

Consent Agenda

Board of Trustees
Finance and Administration Committee Meeting
Thursday, January 21, 2021
Videoconference

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Megan Davis Lightman	Absent
Les AuCoin	Absent	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Lyn Hennion	Present		

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

Other trustees in attendance: Paul Nicholson, Deborah Rosenberg, Daniel Santos, President Linda Schott and janelle wilson.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for University Advancement; Jeanne Stallman, Associate Vice President for Government and Corporate Relations; Sabrina Prud'homme, Board Secretary; Alana Lardizabal, Director of Human Resources; Nicole Blodgett, Human Resource Office; Josh Lovern, Budget Office; 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 Hennion seconded the motion and it passed unanimously.

Vice President's Report

Greg Perkinson described the content of SOU's financial webinar in December, including concerns of whether furloughs would continue. Based on various factors, the administration decided to continue furloughs into 2021.

<u>JPR Paycheck Protection Program Forgivable Loan</u>

This agenda item was covered in a later segment.

Action, Information and Discussion Items

<u>Year-to-Date Financial Update</u>

Greg Perkinson said the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) may provide SOU $6.2 million in federal relief. Of that amount, SOU is required to support students directly at the same level ($1.7 million) or

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greater as in the first round of CARES Act funding. Mr. Perkinson cautioned, however, that the Department of Education has begun to issue guidance on the use of these funds. He said a recommended allocation decision would be submitted to President Schott and stressed that the pro forma reflected a notional allocation scenario. He then reviewed some of the key data points in the pro forma.

Mr. Perkinson reviewed a notional strategy incorporated in the pro forma. Two years ago, $1 million was transferred from the plant fund into the Education & General (E&G) fund; this is an opportunity to repay that money. When SOU closed the Schneider Childcare Center, the total debt was about $900,000; this strategy would also repay that debt, which would moderately improve SOU's financial indices. This would result in an approximate $6 million fund balance, which would be a 9.5 percent fund balance. Mr. Perkinson emphasized that steps must be taken to weather the next couple of biennia, which are going to be very difficult.

Responding to Chair Clough's inquiry, Mr. Perkinson said the CRRSAA funds are guaranteed. The Act was signed in December and the appropriation has been made. Now the mechanics have to be worked through to spend the funds appropriately.

Responding to Board Chair Nicholson's inquiry, Mr. Perkinson said he thought the board should approve the transfer back into the plant fund because the board previously approved the transfer from the plant fund to the E&G fund. Jason Catz said he would need to research whether the board's approval was required but thought such approval would be appropriate in any event.

COVID Impacts - In looking at the federal strategy, Mr. Perkinson discussed funding going to states and for needed items such as testing, vaccinations and personal protective equipment. Additionally, the Incident Command is tracking actions regarding the health of students and staff.

Reviewing the financial impacts of COVID, Mr. Perkinson said SOU is trending about $4 million down. However, this does not reflect the new CRRSAA funding.

Turning to the Paycheck Protection Program (PPP), Mr. Perkinson said the Corporation for Public Broadcasting lobbied to get support through a provision which made Jefferson Public Radio (JPR) eligible for the PPP. SOU has applied for a $280,000 forgivable loan for JPR.

Discussing the impact of COVID on revenue, Mr. Perkinson said things are being done to soften the financial impact on students, such as continuing the 10 percent student fee reduction and not assessing late fees or interest.

Wildfire Impact - Josh Lovern modeled the potential financial impact of the Almeda and Obenchain fires. This has been shared with the HECC and has become part of SOU's broader strategy, telling its story, and getting support.

Mr. Lovern said he noticed a pattern in the data on when and how students apply, when they come to campus and what the FTE looks like. There was a dip around the time of the fires, from which he was able to model revenue losses and cost impacts

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across campus. His projection was extremely close to the one from the Dean of Students, which gave him confidence in the model. Responding to Trustee Franks' inquiry, Mr. Lovern said the $3.5 million projected revenue impact in years 2-6 was based on student credit hours through pipeline losses.

Mr. Perkinson said a path for federal and state funding was also pursued. The School Emergency Response to Violence grant and a specific FEMA grant both were not viable options. However, President Schott expressed her gratitude to Ben Cannon and the HECC for their support in these processes.

State Funding Update - Mr. Perkinson said the Student Success and Completion Model (SSCM) is working its way through rulemaking. An adjustment to dual credit could be favorable to SOU in the course of this refinement to the tune of about $1.4 million.

Discussing funding for the public university support fund (PUSF), Mr. Perkinson said initial indications through the governor's recommended budget are that it will be flat funded; there will be efforts to get more funding for the PUSF. SOU took a hit last year in the sports lottery; it was restored but it is unclear how it will go moving forward.

<u>University Properties Task Force</u>
President Linda Schott said SOU's financial challenges coupled with the region's housing shortage, which was worsened by the fires, made last fall the right time to look at all the properties SOU has and decide on their highest and best use. Additionally, the pandemic has shown that SOU might not need as much property as it currently has. A task force was formed with knowledgeable individuals, including trustees from SOU's governing and foundation boards. Cynthia Ferrendelli prepared an analysis of the property SOU owns. President Schott stressed that it will help meet community and regional needs as well as update SOU's holdings and how they are utilized.

Trustee Vincent thought this was remarkable timing to launch this task with the reality of COVID and changes in the delivery of education. Board Chair Nicholson added that those on the task force were surprised at how many seemingly-extraneous properties the university owns. The task force and the administration will identify which of the properties fit into the core function of the university and which are ancillary, the latter of which might be utilized in other ways or disposed of. Trustee Thorndike suggested negotiating with the city over what could be done to benefit the campus in exchange for selling property and putting it back on the city's tax rolls.

Responding to Trustee Hennion's inquiry, President Schott said the properties could be divided into three categories: core properties to keep; those close to something critical that might be used in another way but probably would not be sold; and those that could be sold. She said only the board has the authority to sell property and more information will be provided later. Mr. Perkinson said the task force would meet again, direction and timing would be refined, and the master plan would be updated.

<u>Early Retirement Analysis</u>
Greg Perkinson said the Human Resource Office evaluated the possibility of offering early retirement to employees as way to improve SOU's long term structure. Alana Lardizabal reviewed the seven tiers for the two primary retirement plans. Depending

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on when the tiers were implemented, different employer rates are paid based on the employee's earnings. Another complexity is there are different ages at which someone is eligible to retire, depending on the tier. The older tiers are costlier to SOU. Ms. Lardizabal said the data presented includes classified and unclassified staff; faculty members were excluded.

Nicole Blodgett said the analysis included employees who had at least ten years of service at SOU, were retirement eligible and were at least 63 years old. There were 19 employees who met these criteria, ten of whom were classified employees.

Combining the two sets of data, Ms. Lardizabal said the combined salary is realized at year five. As salaries stabilize, there would be an overall savings of approximately $100,000 each year to implement this incentive. She added that some expenses were not included in the analysis, such as COLAs and costs for hiring, recruiting and relocating new employees. In essence, the stabilized savings equated to one or possibly two positions.

Weighing the risks and the benefits, Mr. Perkinson concluded that offering early retirements is not a good option. President Schott said she was surprised at the conclusion but it shows SOU's due diligence in terms of trying to figure out every possibility that would benefit the institution.

<u>North Campus Village Refinancing (Action)</u>
Greg Perkinson mentioned the $4.7 million loss in revenue in housing and dining caused by COVID. Since then, the administration has been discussing ways to stabilize the North Campus Village project. The project has been very successful and, with the assistance of outside counsel, the focus was on understanding and modifying the current project to refinance it and create liquidity.

Jason Catz said this issue was challenging because SOU does not own the building but receives most of the revenue from it. SOU covered the cost of the refunds to students who were not returning to housing and determined that something must be done to prevent future occurrences.

SOU negotiated waivers to the existing agreements with the bond insurer and the borrower. Mr. Catz mentioned the various factors involved in the negotiations. He pointed out that, although there is now a lower interest rate, it will cost a bit more over 35-40 years. However, the debt service over the next three years is reduced from $2.8 million to roughly $1.7 to $2 million, depending on the sale of the bonds. If SOU has to provide refunds again for whatever reason, the lower debt service puts SOU in a better position to absorb such costs. On the other hand, if matters improve, SOU may have more savings to help rebuild the fund balance and repay funds to the auxiliaries.

Responding to Chair Clough's inquiry, Mr. Perkinson mentioned some of the risks involved in this course of action, including a resurgence in COVID that drives occupancy down again, lack of federal relief, and uncertainty in the bond market. Mr. Catz said the resurgence of the virus is the largest risk because SOU does not have adequate revenue coming in to even cover the new debt service, which is why $1.8 million was left in the project as a reserve fund.

Mr. Catz added that, since SOU is not the borrower on the bonds, there is no requirement for board approval. The ground lease and the management agreement are being amended. However, he stressed that the underwriter feels most comfortable with great paperwork.

Trustee Franks moved to approve the resolution to refinance the North Campus Village bonds. Trustee Hennion seconded the motion and it passed unanimously.

Budget Forecast
Greg Perkinson reviewed three scenarios for the budget forecast, as included in the meeting materials: a 0 percent resident tuition increase, a 3 percent increase and a 4.9 percent increase. Tuition revenue is two-thirds of SOU's total revenue.

Josh Lovern discussed the budgeting around enrollment for the fall based on solid mathematical modeling; that modeling is an assumption in the scenarios. Additional assumptions in the scenarios include: funding from the SSCM is modeled at the governor's recommended budget; a 5 percent increase in nonresident tuition; a 3 percent increase in labor costs; and PEBB and PERS were modeled based on known rates.

The scenario with a 0 percent increase in tuition ties to outcomes in the next biennium that have a $3 million disconnect. Without that $3 million cut, there would be a degradation in the ending fund balance to about $2.8 million in the first year of the biennium, which is about 4.3 percent.

In the scenario with a 3 percent increase in resident tuition, the disconnect decreased to about $2 million. At a 4.9 percent increase in resident tuition, the disconnect decreased to about $1 million. Responding to Board Chair Nicholson's later comment, Mr. Perkinson said, at a 4.9 percent tuition increase, $1.17 million would need to be cut to restore the ending fund balance to match that of the beginning fund balance.

Responding to Trustee Vincent's inquiry, Mr. Lovern said the increase in tuition revenue is based on the current low enrollment and a projected increase in returning students, at a rate lower than in 2019.

Dr. Neil Woolf added that enrollment for the fall is speculative. Resources and tools are being provided to help students return and there is some expectation that there will be a slight rebound. What Mr. Lovern modeled was based on a mathematical model; whether or not that holds true will be constantly monitored. President Schott added that changes in federal financial aid may also impact enrollment.

Dr. Woolf mentioned some of the recent programs implemented to expand enrollment, including Lead Generation, Kings Education, expanding adult leads population, community college transfer programs and initiatives from the Southern Oregon Education Leadership Council. Offering programs that students want or need is also involved with enrollment expansion and SOU's new and future academic programs help with that. Dr. Woolf reviewed the tool for analyzing market data on job opportunities and growth, as included in the meeting materials. Dr. Susan Walsh stressed the importance of sharing such data with the faculty so they are informed as well.

Future Meetings
The committee's next meeting will be on March 18, 2021.

Adjournment
Chair Clough adjourned the meeting at 5:59 p.m.

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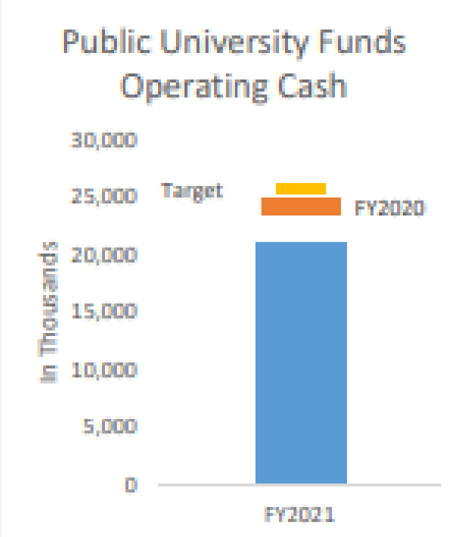
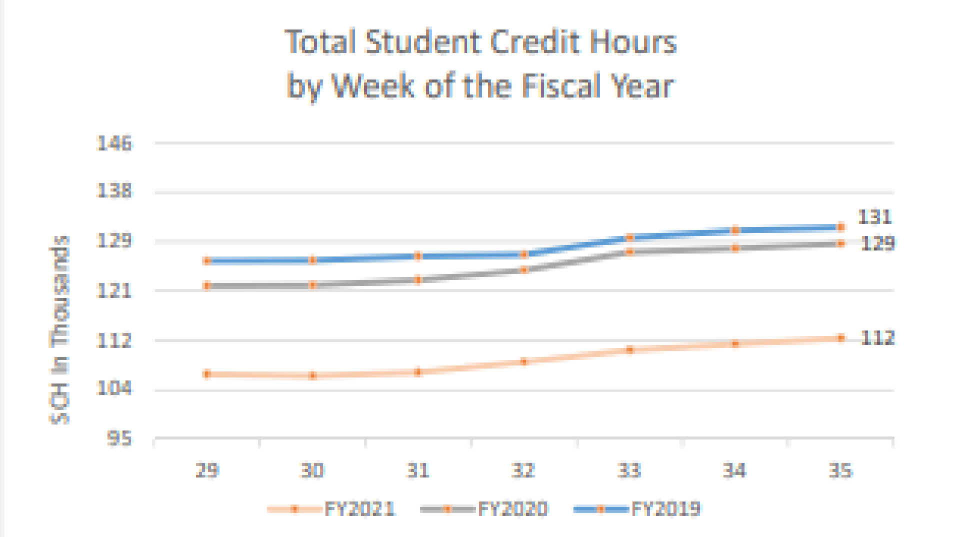
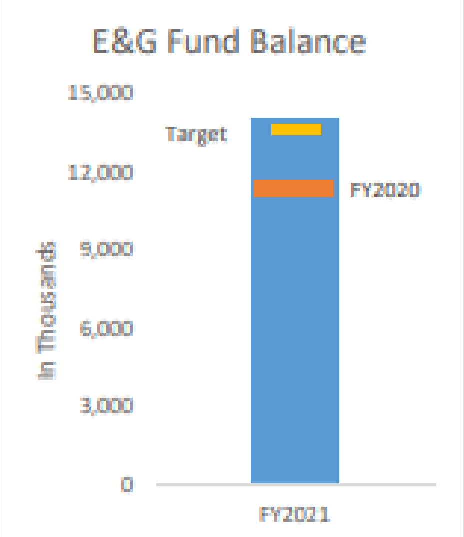
Financial Dashboard

For FY2021

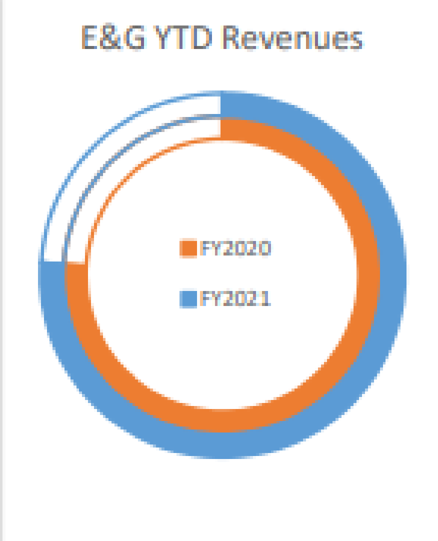
As of February 28, 2021 (prior to close)

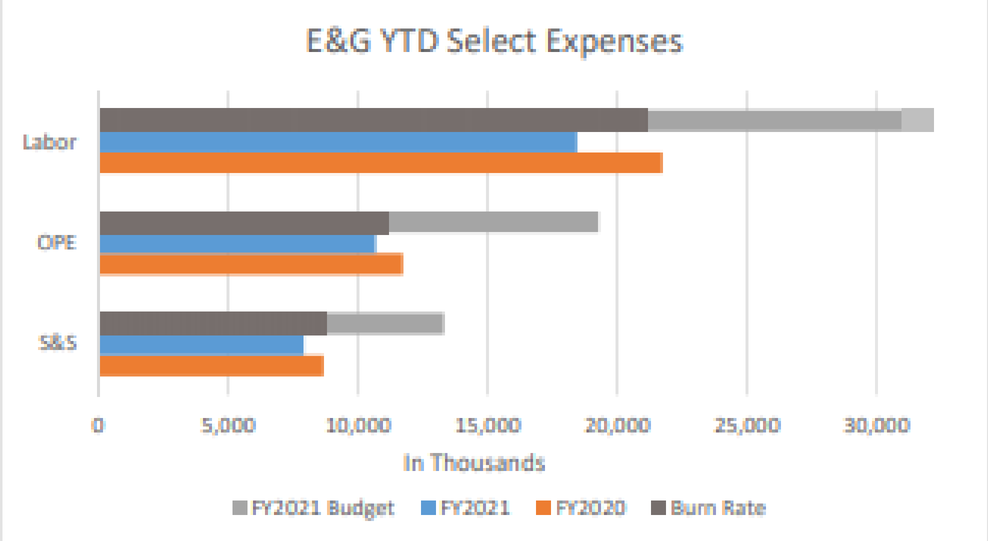






New Federal Funding Coming Through CRRSAA Program.





Vice President's Report

Vice President's Report

- HECC Update
- Overview of Emergency Relief Funding: Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), CARES Act Funding, Fire Relief
- Legislative Initiative Impacts
- Update on North Campus Village Sale of Bonds

HECC Update

- Capital Projects Update
- Capital Improvement and Renewal
- Student Success and Completion Model (SSCM)

https://www.oregon.gov/highered/about/Pages/current-materials.aspx

Federal Funding
CARES and CRRSAA

Federal Support	CARES	CRRSAA	Total	
CARES Act: Institutional Support Portion	$ 1,711,040	$ 4,491,416	$ 6,202,456	
CARES Act: Strengthening Institutional Programs	$ 168,797	$ -	$ 168,797	
	$ 1,879,837	$ 4,491,416	$ 6,371,253	
Additional CARES Act funding Through CPB, Supporting JPR	$ 224,272	$ -	$ 224,272	
Total Funds Supporting the University Directly	$ 2,104,109	$ 4,491,416	$ 6,595,525	
Portion Issued "Directly" to Students	$ 1,711,040	$ 1,711,040	$ 3,422,080	
Total Federal Support	$ 3,815,149	$ 6,202,456	$ 10,017,605	
Federal Funds Received to Date: Institution Support	$ 1,612,405	$ -	$ 1,612,405	(A)
Federal Funds Received to Date: Student "Direct" Support	$ 1,335,200	$ -	$ 1,335,200	
	$ 2,947,605	$ -	$ 2,947,605	
Remaining Federal Funds to be Received: Institution Support	$ 491,704	$ 4,491,416	$ 4,983,120	(C)
Remaining Federal Funds to be Received: Student "Direct" Support	$ 375,840	$ 1,711,040	$ 2,086,880	(B)
	$ 867,544	$ 6,202,456	$ 7,070,000	

(A) CARES - $1,388,133 of the institution support proceeds were used to issue additional aid to students.

(B) Cash proceeds will be offset by expenses as funds are delivered directly to students.

(C) Can be used to cover costs, or be used to recover lost revenues. Allocation to E&G vs Auxiliary operations is in the process of being finalized. .

Legislative Update

- Funding for Wildfires ($1M/ year for two years)
- American Rescue Plan Act (ARPA) update

Capital
Markets
P3 Higher Education Group

TRANSACTION SUMMARY

Transaction Highlights

Pricing Date:	February 3, 2021
Closing Date:	February 11, 2021
Project:	702 beds Related Community Center *(Opened Fall 2013)*
Manager:	Southern Oregon University
Security:	Project Financing
Credit Enhancer:	Assured Guaranty
University Support:	Strong 1st Fill Agreement Freshman Residency Requirement Operated as University Housing Limitation on Additional Housing
Moody's Ratings:	"A2" Insured "Baa3" Underlying
S&P Ratings:	"AA" Insured "BBB-" Underlying
Interest Mode:	Fixed Rate
Tax Status:	Taxable
Arbitrage Yield:	3.60%
All-In TIC:	3.78%
Average Life:	16.392 years

RBC Capital Markets
P3 Higher Education Group
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$44,065,000
Oregon Facilities Authority
Student Housing Refunding Revenue Bonds
(CHF-Ashland, L.L.C. - Southern Oregon University Project)
2021 Series A (Federally Taxable) (AGM Insured)

In February 2021, RBCCM sold approximately $44 million of taxable, fixed rate bonds issued by Oregon Facilities Authority on behalf of CHF – Ashland, L.L.C. ("CHF"), the proceeds of which, along with existing funds held pursuant to the Indenture, were issued to advance refund and defease the Oregon Facilities Authority Student Housing Revenue Bonds (CHF-Ashland, L.L.C. - Southern Oregon University Project) Series 2012 (the "Series 2012 Bonds"). The transaction was structured to reduce debt service obligations during fiscal years ending June 30, 2021, 2022 and 2023 and issued with an extension in the final maturity to July 1, 2047, which is three years past the current final maturity of the Series 2012 Bonds. The Series 2021A Bonds are insured by Assured Guaranty and earned "A2" and "AA" insured ratings by Moody's and S&P respectively. In addition, Moody's and S&P have assigned an underlying rating of "Baa3" and "BBB-," respectively, to the Series 2021A Bonds.

The Series 2012 Bonds originally financed the acquisition, construction, furnishing and equipping of a 702-bed LEED Gold student housing facility, consisting of two residential buildings and related facilities located on the campus of Southern Oregon University in Ashland, Oregon, on land leased by CHF through 2052. The ground lease contains certain covenants by the university in support of the operation of the project, including an agreement to maintain its freshmen "live on" requirement and a "first fill" to support occupancy at the Project. At the end of the term of the ground lease, ownership of the project will transfer to the university.

Since opening, the project has been successful, with annual occupancies exceeding 90% and debt service coverage ratios in excess of the required covenant level of 1.20x. With the onset of the COVID-19 pandemic, the project faced challenges associated with reduced occupancy, leading to SOU's desire to restructure the outstanding debt. Together with the restructuring, certain support provisions have been temporarily waived and SOU has agreed to allow a balance to accumulate in the surplus fund to provide additional liquidity to the project while occupancy rebounds.

<u>Marketing of the Bonds</u>

RBCCM engaged in a multi-faceted pre-marketing campaign for the bonds for several weeks prior to pricing, including a live investor presentation with a question and answer session. Additionally, RBCCM fielded many one-on-one calls and correspondences with investors in order to better educate the market regarding the credit and the basis for the financing structure. As a result of this effort, we realized strong demand from investors, resulting in a successful sale on February 3rd. Orders totaled approximately $381 million for the transaction from 21 different accounts, resulting in an oversubscription of approximately 8 times. Overall the refunding generated nearly 5% NPV savings, with approximately $4.1MM in gross debt service savings during the next three fiscal years.

Endowment Investment Policy (Action)

Southern Oregon University
Endowment Investment Policy Review
March 2021

USSE comments and suggestions regarding the SOU Endowment Investment Policy approved 3/22/19.

- **Section 4E** – Investment Advisor Responsibility

  Are the current investment reports and cadence of written and verbal reports meeting the Board's expectations?

  Currently, the investment report is prepared and distributed to SOU senior leadership and Board staff quarterly. A formal verbal review by USSE is provided semi-annually.

- **Section 6A** – Asset Allocation

  We recommend the Committee review and confirm the asset allocation defined in policy meets the university's objectives. The current 75% global equity and 25% fixed income allocation has performed well over the 3 and 5 year periods and is meeting the Investment Objectives defined in section 8 of the policy.

  Section 8 states "In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that, over a long-term planning horizon, will meet the spending rate established by the Board (under Exhibit A) and maintain the purchasing power of the principal."

  As of December 31, 2020

9.3%	**3-Year Performance**	**10.9%**	**5-Year Performance**
(4.0%)	Policy Spend Rate	(4.0%)	Policy Spend Rate
(1.9%)	3-Year Avg CPI	(2.0%)	5-Year Avg CPI
3.4%	**Excess Return**	**4.9%**	**Excess Return**

  The historical 3 and 5 year performance returns met and exceeded the annual policy spend rate of 4% plus 2% inflation.

  Future long-term equity and fixed income market returns may be more muted than past returns, as outlined in the following capital market assumptions from Callan Associates and Blackrock Global Advisors.

2021–2030 Callan Capital Markets Assumptions

		Projected Return			Projected Risk	
Asset Class	Index	1-Year Arithmetic	10-Year Geometric*	Real	Standard Deviation	Projected Yield
Equities						
Broad U.S. Equity	Russell 3000	8.00%	6.60%	4.60%	17.95%	1.95%
Large Cap U.S. Equity	S&P 500	7.85%	6.50%	4.50%	17.70%	2.00%
Smid Cap U.S. Equity	Russell 2500	8.75%	6.70%	4.70%	21.30%	1.75%
Global ex-U.S. Equity	MSCI ACWI ex USA	8.70%	6.80%	4.80%	20.70%	2.80%
Developed ex-U.S. Equity	MSCI World ex USA	8.25%	6.50%	4.50%	19.90%	3.00%
Emerging Market Equity	MSCI Emerging Markets	9.80%	6.90%	4.90%	25.15%	2.35%
Fixed Income						
Short Duration Gov't/Credit	Bloomberg Barclays 1-3 Yr Gov / Credit	1.50%	1.50%	-0.50%	2.00%	1.55%
Core U.S. Fixed	Bloomberg Barclays Aggregate	1.80%	1.75%	-0.25%	3.75%	2.50%
Long Government	Bloomberg Barclays Long Government	1.35%	0.60%	-1.40%	12.50%	3.00%
Long Credit	Bloomberg Barclays Long Credit	2.95%	2.45%	0.45%	10.50%	4.65%
Long Government/Credit	Bloomberg Barclays Long Gov / Credit	2.30%	1.80%	-0.20%	10.35%	4.00%
TIPS	Bloomberg Barclays TIPS	1.80%	1.70%	-0.30%	5.05%	2.35%
High Yield	Bloomberg Barclays High Yield	4.85%	4.35%	2.35%	10.75%	6.70%
Global ex-U.S. Fixed	Bloomberg Barclays Global Agg xUSD	1.15%	0.75%	-1.25%	9.20%	1.80%
Emerging Market Sovereign Debt	EMBI Global Diversified	3.90%	3.50%	1.50%	9.50%	5.95%

Blackrock Capital Markets Assumptions

Asset	Return expectations (geometric, gross of fees)				Long-term expected volatility	Long-term correlation	
	5-year	10-year	15-year	20-year		Global equities	Global government bonds
Local currency EM debt	2.9%	3.4%	3.7%	3.9%	8.4%	51%	13%
China government bonds	2.8%	3.1%	3.3%	3.3%	4.0%	-3%	29%
U.S. high yield	2.8%	3.5%	4.1%	4.4%	7.9%	62%	-1%
USD EM debt	2.0%	3.0%	3.9%	4.4%	10.7%	42%	36%
U.S. inflation-linked government bonds	1.7%	2.2%	2.5%	2.7%	5.8%	1%	51%
U.S. cash	0.4%	1.1%	1.6%	1.9%	0.0%	0%	0%
U.S. agency MBS	0.2%	0.9%	1.5%	1.8%	1.7%	-29%	47%
U.S. aggregate bonds	-0.0%	0.9%	1.6%	2.1%	4.4%	-12%	76%
U.S. government bonds (all maturities)	-0.1%	0.7%	1.3%	1.7%	5.5%	-38%	77%
U.S. credit (all maturities)	-0.4%	0.8%	1.9%	2.6%	6.9%	18%	63%
Global ex-U.S. government bonds	-0.4%	0.5%	1.2%	1.7%	3.5%	-18%	100%
U.S. credit (10+ years)	-1.7%	0.1%	1.8%	2.9%	13.0%	24%	58%
U.S. government (10+ years)	-2.0%	-0.9%	0.0%	0.7%	15.1%	-31%	77%

This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance.
Source: BlackRock Investment Institute, February 2021. Data as of 31 December 2020.

Asset	Return expectations (geometric, gross of fees)				Long-term expected volatility	Long-term correlation	
	5-year	10-year	15-year	20-year		Global equities	Global government bonds
Europe large cap equities	8.6%	8.6%	8.5%	8.4%	18.8%	89%	-12%
China A shares	7.8%	7.6%	7.2%	6.9%	31.0%	33%	-7%
Global ex-U.S. large cap equities	7.3%	7.5%	7.6%	7.6%	16.5%	91%	-12%
Emerging large cap equities	6.4%	7.2%	8.0%	8.4%	21.3%	74%	-10%
U.S. small cap equities	6.2%	6.7%	7.0%	7.2%	22.6%	87%	-18%
U.S. large cap equities	5.7%	6.3%	6.7%	7.0%	17.2%	87%	-14%
China-Broad market equities	4.9%	6.3%	7.5%	8.3%	28.1%	52%	-12%

This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance.
Source: BlackRock Investment Institute, February 2021. Data as of 31 December 2020.

4

While capital market assumptions are useful guides, rarely are they good predictors of market returns over long periods of time as there are too many variables that can detract from the accuracy of the model, especially a pandemic as we have experienced during the last year. That said, the assumptions can be useful as a general guide for analysis. The capital market assumptions above predict lower average long-term equity and fixed income market returns than the previous 10 years. Given the historically low level of interest rates and extended valuations for fixed income securities, the return assumptions outlined above of 0-2% for quality fixed income securities is conceivable. During longer periods of lower investment returns as modeled above, the SOU's current asset allocated endowment portfolio is unlikely to generate a return to cover the 4% average distribution rate plus 2% inflation or a 6% return.

	Portfolio Return Assumptions		
	Performance	% Allocation	Return
Global Equities	6.50%	75%	4.88%
Fixed Income	1.50%	25%	0.38%
Total Return Assumption			5.25%

The performance return sensitivity to a 5% increase or decrease in the asset allocation targets is 25 basis points. For example, if the portfolio asset allocation was modified to 80% global equities and 20% fixed income, the total return assumption using the performance return assumptions in the table above would increase 25 basis points to 5.5%. While equities have a higher assumed rate of return for the future than fixed income, equities also have inherently higher volatility risk that can result in wider dispersion of actual performance returns than assumed.

No proposed changes from USSE.

- **Section 6B** – Second paragraph …Investment Advisor will make <u>periodic</u> qualitative…

- **Exhibit A**

  - **Spending Policy**

We recommend the Committee review and confirm the "up to 4% distribution rate" calculated from a 5-year moving average market value. Peer university endowment's spend policies range from 3.5% to 5.5% as computed from 3 year or 5 year moving average market values. The 4% rate is one of the more common rates for endowment policies but can vary depending upon university needs and volatility of investment markets.

As discussed in the Asset Allocation section above, performance returns for the SOU endowment portfolio may be lower than experienced during the previous 10 years. USSE will closely monitor the investment returns against the spending rate and advise if a lower spending rate should be evaluated by the Committee.

No proposed changes from USSE.

Total SOU Endowment Spend Amount last 3 years

$92,973	August 2020
$91,005	August 2019
$88,556	August 2018

Board Statement on Investments for the SOU Endowment Fund
Board of Trustees of Southern Oregon University

1. Introduction

This statement governs the investment of the Southern Oregon University Endowment Fund (the "Fund").

This statement is set forth in order that the Board, the Investment Advisor, its investment managers and others entitled to such information may be made aware of the Policy of the Fund with regard to the investment of its assets.

This statement of investment policy sets forth the following:

A. There will be a clear understanding by the Board, the Investment Advisor and staff of the investment goals and objectives of the portfolio.

B. The Board and management have a basis for evaluation of the investment managers.

C. The investment managers be given guidance and limitation on investing the funds.

It is intended the objectives in this policy to be sufficiently specific to be meaningful, but flexible enough to be practical. It is expected that the policy and objectives will be amended as necessary to reflect the changing needs of the endowment; however, all modifications shall be made in writing and approved by the Board.

2. Southern Oregon University Endowment Fund

The Fund is permanent and expected to operate in perpetuity, so these funds will be invested long-term. It is important to follow coordinated policies regarding spending and investments to protect the principal of the Fund and produce a reasonable total return.

3. Responsibility of the Board

The role of the Board is to recommend broad investment goals to the Investment Advisor, including spending rate information and to provide input into the asset allocation process.

4. Investment Advisor Responsibility

The Investment Advisor, and/or a designee, serves as consultant to the Board and will have the responsibility and authority to establish the asset allocation for the Fund and approve the retention and termination of all investment managers. The Investment Advisor, and/or a designee, will recommend to the Board a specific asset mix reflecting judgments of the investment environment as well as the specific needs of the Fund. Other duties assigned to the Investment Advisor, and/or a designee, include:

A. Recommending professional investment managers;

B. Negotiating and/or monitoring Fund investment expenses;

C. Monitoring investment managers, on an ongoing basis;

D. Assuring proper custody of the investments; and

E. Reporting to the Board, on a quarterly basis, the Fund's investment results, its composition and any other information the Board may request.

5. Spending Policy

The amount of endowment return available for spending (distribution) is based on a percentage of the average unit market value of the 20 quarters preceding the current fiscal year. The distribution per unit (under Exhibit A) is determined by the Board. The distribution amount per unit is multiplied by the current number of units and any additional units added during the current year as new endowment money comes into the Fund. This shall be exclusive of investment management fees.

6. Investment Policy Guidelines

A. Asset Allocation

The most important component of an investment strategy is the allocation among the various classes of securities available to the Fund. The Investment Advisor, in consultation with the Board, will establish the target asset allocation for the investments that will most likely achieve the investment goals of the Fund, taking into consideration the appropriate level of portfolio risk.

The risk/return profile shall be maintained by establishing the following long-term "target" strategic asset allocations:

Asset Class	Policy	Target	Benchmark
Global Equities	70-80%	75%	MSCI ACWI IMI Net
Fixed Income	20-30%	25%	Barclays Aggregate
Cash	0-3%	0%	91 Day T-Bill

B. Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). An interim evaluation will be performed by the Investment Advisor, and/or a designee, if a significant change in fees, manager personnel, investment strategy or manager ownership occurs.

While the quantitative assessment of managerial competence will be measured over a complete market cycle, the Board anticipates that the Investment Advisor will make periodic qualitative assessments as well. Specific qualitative factors considered by the Investment Advisor may include, but are not limited to, fundamental changes in the manager's investment philosophy, changes in the manager's organizational structure, financial condition and personnel, and any changes, relative to peers, in a manager's fee structure.

7. Prudence and Ethical Standards

A. Prudence

All participants in the investment process shall act responsibly. The standard of prudence to be applied by the Board, the Investment Advisor, selected designees, SOU staff and external service providers shall be the "prudent investor" rule, which states: "Investments shall be invested and the investments managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund."

B. Ethics and Conflicts of Interest

Board members, Investment Advisory staff, selected designees, SOU staff and external service providers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

8. Investment Objectives

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time, since the Fund will operate in perpetuity. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that, over a long-term planning horizon, will meet the spending rate established by the Board (under Exhibit A) and maintain the purchasing power of the principal.

9. Manager(s) Responsibilities

A. Legal Compliance - The investment manager(s) is (are) responsible for strict compliance with the provisions of their investment management agreement.

B. Authority of Investment Manager(s) in the Managed Accounts - Subject to the terms and conditions of this Policy and the investment management agreement, manager(s) shall have full discretionary authority to direct investments of assets in the managed accounts. The Investment Advisor, and/or a designee, will recommend changes to this Policy when the advisor(s) views any part of this Policy to be inconsistent with overall market, economic conditions, or investment policies.

The Investment Advisor directs all managers to vote proxies and to vote them in the best economic interest of the Fund. When requested, managers will report to the Investment Advisor regarding how proxies were voted.

Meetings between Fund managers and the Investment Advisor will occur consistent with the policies established for the Investment Advisor's other managers, to discuss items including, but not limited to, the manager's performance, outlook, and investment decision process.

10. Reporting Requirements

Investment results will be regularly monitored by the Investment Advisor, selected designees and Board staff.

A representative of the Investment Advisor, and/or a designee, shall report investment results, or other information, to the Board no less frequently than annually. Any material non-compliance with the Investment Policy, Guidelines and Objectives of the Fund or with the investment management agreement will be reported to the Board immediately.

11. Investment Guidelines

A. Cash: The Fund shall maintain minimal cash, consistent with short-term requirements. Short term cash will be invested in a liquid cash equivalent investment.

B. Fixed Income: Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade domestic or global corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk, through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (i.e., securities should be readily marketable). This component of the Fund shall adhere to the following criteria:

1. Average portfolio credit quality shall be A or better;

2. With the exception of U.S. Government and Agency issues, no more than 10 percent of the bond portfolio, at market value, will be invested in the securities of a single issuer or 5 percent of the individual issue;

3. Below investment grade bonds shall not exceed 20 percent of the bond portfolio; and

4. Non-U.S. bonds shall not exceed 20 percent of the bond portfolio.

Fixed-income managers have full discretion over the allocation between long-term, intermediate, and cash equivalent investments.

C. Equities

1. Objective: The objective of the equity portfolio is to enhance total return by investing in a broadly diversified portfolio of domestic and international stocks.

2. Strategy: Hold a fully invested, diversified portfolio of global equity securities, including emerging markets.

3. Permitted Holdings: Publicly traded domestic and international common stock, and other financial instruments consistent with the guidelines of the investment management agreements.

4. Diversification: The Investment Advisor shall recognize the need for diversification to minimize the risk of significant losses to the Fund.

Diversification by capitalization, style, and sector distribution shall be obtained through the selection of complementary investment managers, or index strategies. Not more than 5 percent of the market value of any investment fund will be invested in any single issuer or security, unless part of an index fund.

5. Portfolio Restrictions: There will be no engagement in short sales, purchases on margin, or investments in options, futures, or private placements unless consistent with the underlying investment management agreements.

D. Performance

Performance expectations for each of the asset classes are described in Exhibit A.

12. Asset Custody and Securities Lending

Custodial responsibility for all securities is to be determined by the Board or its designee(s).

13. Conclusion

Implementation of this Policy, including investment manager selection, shall be the responsibility of the Investment Advisor, subject to the necessary approvals from the Board.

This Policy shall be reviewed by the Board at least every two years.

Approved on March 22, 2019

____
Board Chair

____
Board Secretary

Revision	Change	Date
	Initial Version	January 20, 2017
1	Investment Guidelines, Fixed Income components revised; basic edits and corrections.	March 22, 2019

EXHIBIT A

Spending Policy

The distribution rate for the Fund is up to 4 percent of the five-year moving average unit market value.

Performance Monitoring

Global equities are expected to match the performance of the passive benchmark assigned.

Fixed income accounts are expected to exceed the return of the Barclays Capital Aggregate Bond Index by 0.5 percent (after fees) over a market cycle for core bond investments.

Budget Update

FY 21 Budget Update*

- Year to date actuals; and
- Estimate to complete FY21
- Furlough savings YTD (including new savings thru end of FY)
- * - Includes projected CRRSSA federal relief (not ARPA)
- Outcome: one-time funding provides shock absorber for next biennium
- * - Projected $6.8M ending fund balance

Education and General (in thousands of dollars)	2019-20 ACTUAL (000's)	2019-21 Biennium 2020-21 BUDGET (000's)	2020-21 FY Forecast (000's)
Revenue			
State Appropriations: SSCM	22,696	23,357	23,559
One-time Funding Changes			4,491
Total State Funding (SSCM,ETSF,SELP)	23,074	23,716	28,617
Tuition	39,365	36,945	35,531
Fees	3,167	3,373	2,851
Raider Aid	(3,965)	(3,325)	(3,454)
Oth tuition & fee adjustments			
Tuition, net of Raider Aid	38,567	36,993	34,928
Misc. Other Revenue	2,453	2,145	1,741
TOTAL REVENUES	64,095	62,855	65,286
Personnel Services			
Faculty	(16,083)	(17,419)	(15,270)
Admin	(9,617)	(9,097)	(8,482)
Classified	(6,362)	(6,203)	(5,587)
Student (& Other)	(1,445)	(1,643)	(1,165)
Salaries Total	(33,508)	(34,363)	(30,504)
Retirement (PERS + ORP)	(7,881)	(8,233)	(6,686)
PEBB	(7,312)	(7,613)	(7,078)
Other	(3,275)	(3,432)	(2,624)
OPE	(18,469)	(19,278)	(16,388)
Vacancy Adj.			
Other Adj. to Labor			
Net Personnel	(51,977)	(53,641)	(46,892)
Supplies & Services	(10,477)	(11,683)	(10,690)
Program Investment			
S&S Adjustments			
Total Supplies & Services, Capital Expenses	(10,477)	(11,683)	(10,842)
Cost Reductions and Savings		4,108	
TOTAL EXPENDITURES	(62,454)	(61,216)	(57,734)
Net from Operations Before Transfers	1,641	1,638	7,552
Budgeted Transfers	(1,913)	(1,688)	(1,934)
Transfers Adjustments			(3,905)
NET TRANSFERS	(1,913)	(1,688)	(5,839)
Change in Fund Balance	(273)	(50)	**1,712**
Beginning Fund Balance	5,354	5,079	5,081
Ending Fund Balance	5,081	5,029	6,793
% Operating Revenues	**7.92%**	**8.00%**	**10.41%**

Student Fee Update

Tuition Advisory Council Report and Update

Report on Presidential Task Force on Financial Sustainability

Presidential Task Force

Three Working Groups Formed…

- Master Planning and University Properties Task Force Update
- SSCM: Maximizing Gains in the Funding Model
- Budget Committee Update

Information Technology Cost Savings

2021 I.T. Organization Restructure

I.T. has applied a creative approach for filling several critical positions of need, while also adhering to the hiring freeze. The restructuring directly supports both Strategic Direction V (Maintain Financial Sustainability) and Strategic Direction II (Employer of Choice). The changes to the structure outlined below will produce roughly $220,000 in annual salary savings in the initial year. In addition, the changes solidify SOU as an employer of choice by giving promotional opportunities to long-tenured staff who have proven that they are deserving of promotional opportunities.

Background

Since the beginning of calendar year 2020, Information Technology has been operating at a size of 25 FTE. In late Summer of 2020, two employees departed SOU: Bob Sexton and Jesse Martinich. Both of these positions are critical to the overall I.T. operation at SOU.

Thus, I.T. performed an “Internal Show of Interest” to fill the Network Analyst-2/Classroom & Lab Coordinator position vacated by Bob Sexton. This position was filled by Gordon Carrier, leaving an opening in his I.T. Consultant-3 position. This position was also filled via an “Internal Show of Interest,” and it was filled by Brady Hogan. This was an excellent outcome, as SOU was able to retain the high-performing Hogan after he had already resigned for an opportunity with the Jackson County Library.

Jesse Martinich had been serving SOU as the Infrastructure Services Manager and Information Security Officer (ISO). In addition to being the Infrastructure Services Manager, Mr. Martinich was also his team’s most technically skilled employee.

To assist with the technical weakness left by Martinch’s exit, I.T. moved one I.T. Consultant position from the Client Services team to the Infrastructure Services team. This move was performed using the “Internal Show of Interest” procedure recommended by H.R. The position was successfully filled by David Raco.

The resulting situation after these moves is two vacancies:

- Infrastructure Services Manager/ISO (ex Martinich)
- I.T. Consultant-2 (ex Hogan).

To address the remaining vacancies and needs, I.T. has moved Client Services Manager John Stevenson into the role of Infrastructure Services Manager without the ISO responsibilities. In addition, I.T. conducted another “Internal Show of Interest” to backfill Mr. Stevenson’s Client Services Manager position. This process was successfully completed, and Gordon Carrier has filled this role.

Impact

Savings

Because Mr. Martinich also served as SOU’s ISO, his salary including OPE was $142,125.90. Mr. Sexton’s annual salary including OPE was $126,007.80. Both employees are gone, and thus both of these annual salaries are off of the books. In addition, at least one I.T. Coordinator position will be going unfilled in the short term. This yields approximately $343,000. (Table 1)

Martinich	$ 142,125.90
Sexton	$ 126,007.80
Hogan ITC2	$ 74,667.00
Eliminated	**$ 342,800.70**

Table 1. ***These numbers are based on FY20 totals from year end. Thus due to the furloughs that impacted May and June, they are slightly lower than they would have been in a normal year. Extrapolated, the total should be 12($342,800.70/11.6) = $354,621.41.***

Expenses

The salary adjustments for: the new management or systems administration responsibilities (Carrier, Stevenson, Raco); for equity adjustments (Denney, Hill, Wagner); for back filling the vice-Sexton Classroom and Lab Coordinator position (assuming $50,000 base annual salary) cost ~$120,000.

Denney	$ 18,916.23
Hill	$ 12,159.01
Stevenson	$ 18,103.93
Raco	$ 15,383.21
Hogan	$ 15,098.72
Carrier	$ 20,143.05
vice-Sexton	$ 15,849.68
Wagner	$ 5,053.40
Additional Compensation	**$120,707.23**

Table 2. ***These numbers are the annual salary increase amounts granted to each employee inclusive of OPE.***

Conclusion

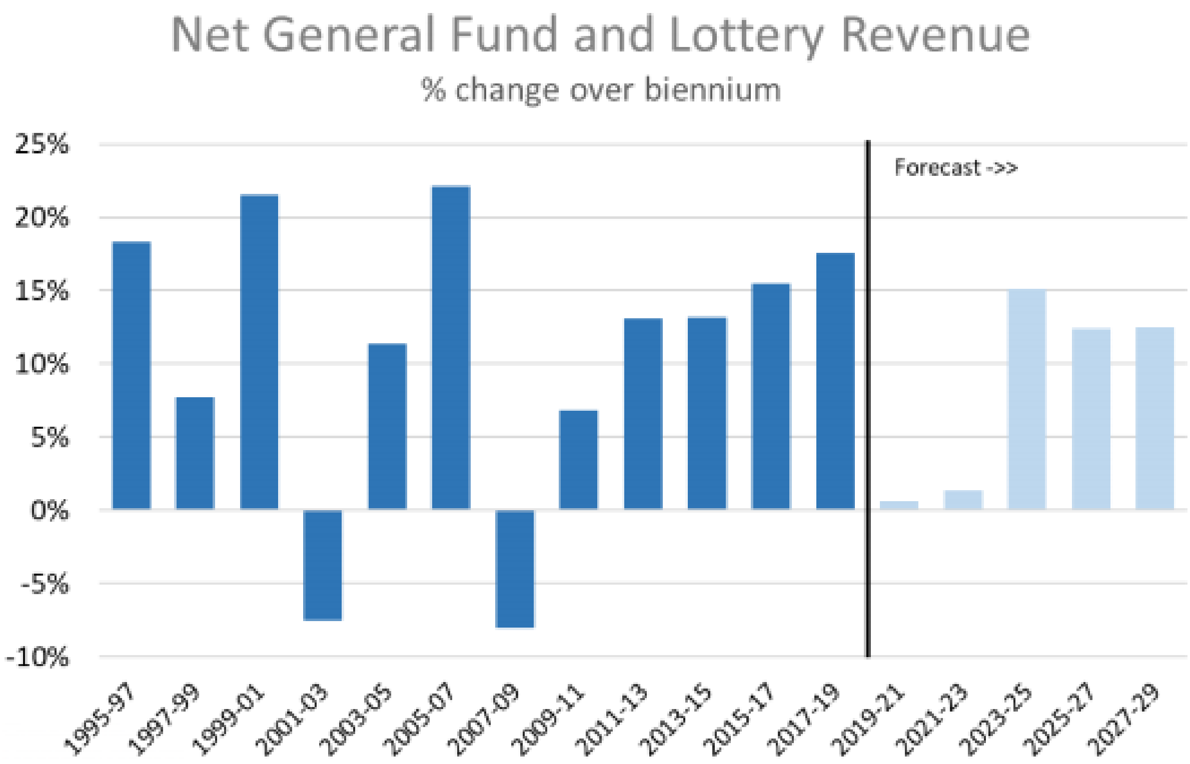
The resulting annual savings projects to be approximately $220,000, while also retaining and incentivizing seven key employees. As mentioned in the caption from Table 1, the actual savings could be roughly $30,000 more based on the differences in Martinich’s, Sexton’s and Hogan’s full annual salaries vs. the furloughed FY20 actuals that were used in these computations.

Revenue Update and Forecast

Revenue Forecast

https://www.oregon.gov/das/OEA/Documents/oeaforecast0321.pdf

Revenue bottom line

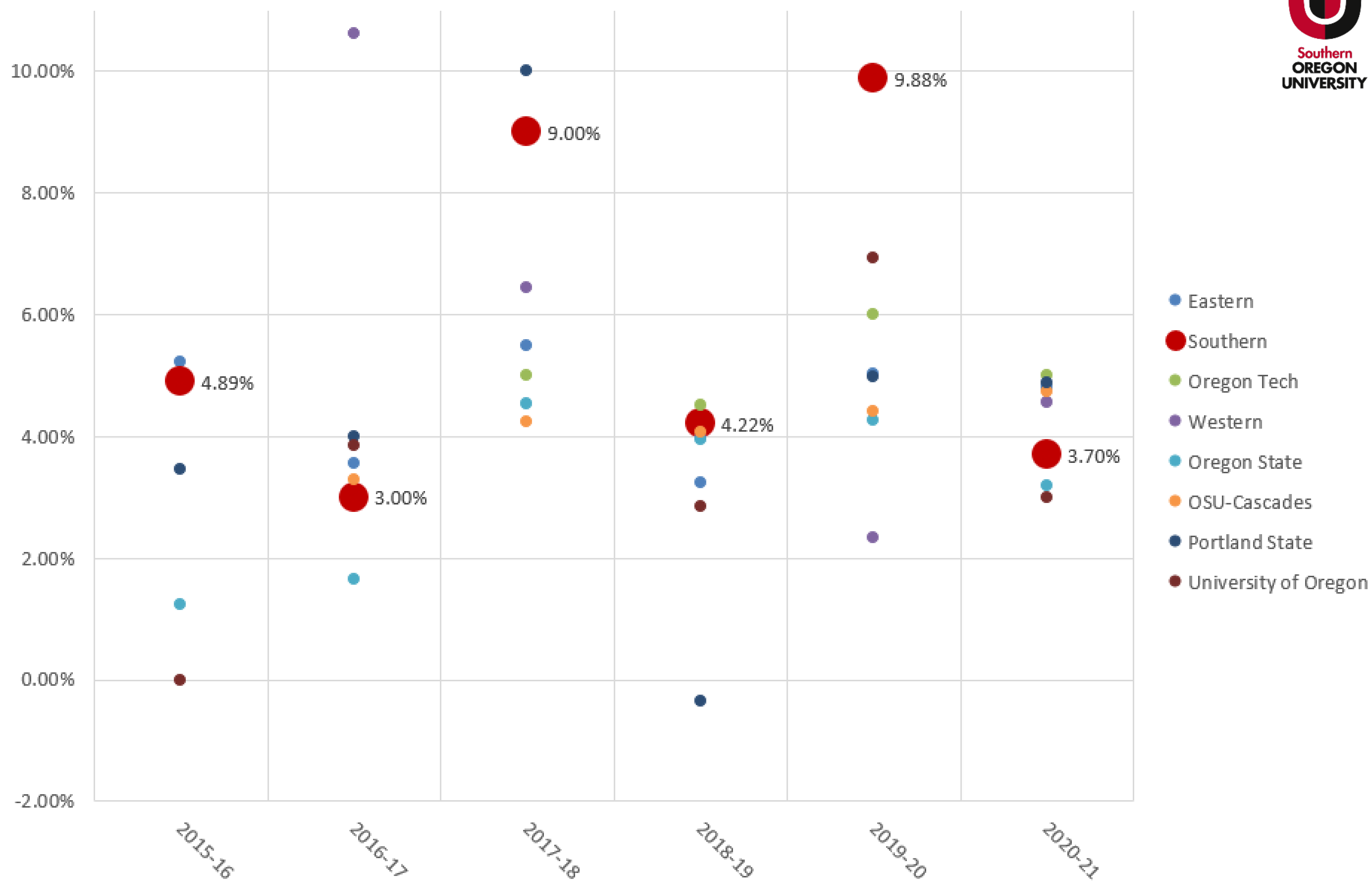


- Overall resources expected to be roughly flat over three budget cycles (excluding CAT)
- While much better than in most recessions, revenue gains are not fast enough to keep up with rising need and cost of public services
- Significant downside risks over the next two budget cycles

Revenue Input to Budget Forecast

- State Funding: GRB at $837M
- State revenue forecast better than expected
- Co-chairs waiting on Biden's plan (ARP)
- Sports lottery
- Enrollment
- Tuition

Relative % Change from Prior Academic Year



Budget Forecast

2021–23 Biennium -3% Enrollment

- GRB funding ($837M) using Dec 2020 SSCM
- 3% Resident increase
- 5% Non-resident increase
- 3% COLAs
- PEBB rates 'holding steady'
- PERS rates increased
- Furloughs thru 9/6/21
- Includes CRRSSA
  - Does not include ARPA federal relief

- Outcomes: if we hold tuition down and allow labor increases, creates a $5.2M disconnect in FY 22 to re-establish 8%

	2019-21 Biennium			2021-23 Biennium
Education and General (in thousands of dollars)	2019-20 ACTUAL (000's)	2020-21 BUDGET (000's)	2020-21 FY Forecast (000's)	2021-22 FORECAST (000's)
Revenue				
State Appropriations: SSCM	22,696	23,357	23,559	23,958
One-time Funding Changes			4,491	
Total State Funding (SSCM,ETSF,SELP)	23,074	23,716	28,617	24,336
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Raider Aid	(3,965)	(3,325)	(3,454)	(3,632)
Oth tuition & fee adjustments				
Tuition, net of Raider Aid	38,567	36,993	34,928	36,724
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TOTAL REVENUES	64,095	62,855	65,286	63,518
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Other	(3,275)	(3,432)	(2,624)	(3,134)
OPE	(18,469)	(19,278)	(16,388)	(19,995)
Vacancy Adj.				
Other Adj. to Labor				500
Net Personnel	(51,977)	(53,641)	(46,892)	(55,924)
Supplies & Services	(10,477)	(11,683)	(10,690)	(11,946)
Program Investment				
S&S Adjustments				
Total Supplies & Services, Capital Expenses	(10,477)	(11,683)	(10,842)	(11,946)
Cost Reductions and Savings		4,108		5,200
TOTAL EXPENDITURES	(62,454)	(61,216)	(57,734)	(62,670)
Net from Operations Before Transfers	1,641	1,638	7,552	848
Budgeted Transfers	(1,913)	(1,688)	(1,934)	(2,310)
Transfers Adjustments			(3,905)	(250)
NET TRANSFERS	(1,913)	(1,688)	(5,839)	(2,560)
Change in Fund Balance	(273)	(50)	1,712	(1,712)
Beginning Fund Balance	5,354	5,079	5,081	6,793
Ending Fund Balance	5,081	5,029	6,793	5,082
% Operating Revenues	7.92%	8.00%	10.41%	8.00%

Future Meetings

Adjournment