



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

October 12, 2023

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 time set forth below.

Action items for the meeting include a consent agenda consisting of past meeting minutes and the committee's financial dashboard; an expenditure request for Phase 3 of the Central Hall capital project; and the committee's 2024-2025 meeting schedule. The committee also will act on the public university fund exit for SOU operating funds.

The vice president's report will provide updates on activities of the Higher Education Coordinating Commission; financial information for the board following its retreat; and continued efforts to strengthen emergency operations. Trustees will also review the Fiscal Year 2023 fourth quarter and year-end investment report.

Information and discussion items on the agenda include a Fiscal Year 2024 revenue forecast including a Fall 2023 enrollment update with revenue impact and an update on state funding. A budget update will include a discussion of the budget development process and accountability; a periodic management report; and a budget forecast including a review of the financial pro forma. The committee also will discuss updates on facilities and capital projects, and the Core Information System Replacement Project.

The meeting will occur as follows:

Thursday, October 19, 2023

5:00 p.m. to 7:00 p.m. (or until business is concludes)

Meese Room, 3rd Floor, Hannon Library, SOU Campus

Members of the public may view the proceedings at <https://sou.zoom.us/j/86487860317> at the time of the meeting.

Materials for the meeting are available at governance.sou.edu.

The Hannon Library is located at 1290 Ashland Street, on the Ashland campus of Southern Oregon University. **If special accommodations are required, please contact Christina Martin at (541) 552-8055 at least 72 hours in advance.**

Public Comment

Members of the public who wish to provide live public comments during the meeting are invited to sign up to speak or to submit their comments in writing at least 24 hours in advance of the meeting to the Board of Trustees email address: trustees@sou.edu. Written comments also may be emailed to trustees@sou.edu, or delivered by hand or mailed to SOU Board of Trustees, 1250 Siskiyou Boulevard, Churchill Hall, Room 107, Ashland, OR 97520.



Board of Trustees

Finance and Administration Committee Meeting

October 19, 2023

Call to Order / Roll / Declaration of a Quorum



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

**Thursday, October 19, 2023
5:00 p.m. – 7:00 p.m. (or until business concludes)
Meese Room, Hannon Library, SOU Campus
Zoom: <https://sou.zoom.us/j/86487860317>**

AGENDA

Persons wishing to provide public comments in the meeting or in writing should sign up in advance at trustees@sou.edu.
Please note: timings are approximate and agenda items may be taken out of order.

- | | | | |
|---------|----------|---|---|
| 5 min. | 1 | Call to Order/Roll/Declaration of a Quorum | Chair Shaun Franks |
| | 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 Franks |
| | 2 | Public Comment | |
| 5 min. | 3 | Consent Agenda | Chair Franks |
| | 3.1 | June 15, 2023, Minutes | |
| | 3.2 | Financial Dashboard | |
| 10 min. | 4 | Vice President's Report | |
| | 4.1 | Higher Education Coordinating Commission Update | Dr. Neil Woolf, SOU, Executive Vice President |
| | 4.2 | Updates on Financial Information for Board | |
| | 4.3 | Continuing to Strengthen Emergency Operations | |
| 15 min. | 5 | Action, Information and Discussion Items | |
| | 5.1 | Fiscal Year 2024 Revenue Forecast | Dr. Neil Woolf; Josh Lovern, SOU, Director of Budget and Planning |
| | 5.1.1 | Fall 2023 Enrollment Update and Revenue Impact | |
| | 5.1.2 | Update on State Funding | |

**Southern Oregon University
Board of Trustees
Finance and Administration Committee Meeting
Thursday, October 19, 2023**

AGENDA (Continued)

| | | |
|---------|--|--|
| 25 min. | 5.2 Budget Update | President Rick Bailey; Dr. Neil Woolf; Josh Lovern; Agnes Maina, SOU, Director of Business Services and Controller |
| | 5.2.1 Budget Development Process and Accountability | |
| | 5.2.2 Periodic Management Report | |
| | 5.3.3 Budget Forecast and Review of Pro Forma | |
| 15 min | 5.3 Facilities and Capital Projects | Dr. Neil Woolf; Leon Crouch, SOU, Director, Facilities Management and Planning |
| | 5.3.1 General Updates | |
| | 5.3.2 Expenditure Request for Central Hall, Phase 3 (Action) | |
| 10 min. | 5.4 Fiscal Year 2023 Fourth Quarter and Year-End Investment Report | Penny Burgess, USSE, Executive Director and Director of Treasury Management Services |
| 15 min. | 5.5 Public University Fund Exit for SOU Operating Funds (Action) | Dr. Neil Woolf; Agnes Maina |
| 10 min. | 5.6 Core Information System Replacement Project Update | Tom Battaglia, SOU, Chief Information Officer |
| 5 min. | 5.7 2024-2025 Committee Meeting Schedule (Action) | Chair Franks |
| 5 min. | 5.8 Future Meetings | Chair Franks |
| | 6 Adjournment | Chair Franks |

Public Comment

Consent Agenda (Action)

**Board of Trustees
Finance and Administration Committee Meeting
Thursday, June 15, 2023**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Chair Shaun Franks called the meeting to order at 5:03 p.m. He thanked Dr. Woolf and President Bailey for the invitation to the reception for American Samoan students and their families. He welcomed all attendees and expressed his excitement for the return of SOU Budget Director, Josh Lovern. He gave a special thanks to the VPs and staff who always show up to support the committee.

Board Secretary Sabrina Prud'homme called the roll and a quorum was verified.

Committee Members:

| | | | |
|---------------------|---------|------------------|---------|
| Sheila Clough | Present | Christina Medina | Absent |
| Shaun Franks, Chair | Present | Liz Shelby | Present |
| Andrew Gay | Present | Bill Thorndike | Present |

Other trustees in attendance: Daniel Santos and President Rick Bailey.

Public Comment

There were no public comments.

Consent Agenda (Action)

Trustee Thorndike moved to approve the consent agenda consisting of the minutes of the May 18, 2023 meeting and the financial dashboard. Trustee Shelby seconded the motion and it passed unanimously.

Vice President's Report

Higher Education Coordinating Commission (HECC)

Vice President Perkinson reported that legislative support is still unknown but more information is expected in by the end of the legislative session. He stated that although SOU is optimistic, budgeting is conservative. Mr. Perkinson highlighted key points on the initial higher education budget including Public University Support Fund (PUSF) at \$1.05B to achieve the current service level (CSL); \$25M for TRUs and Portland State University (PSU); \$6.8M for Strong Start in which SOU may receive \$1M; the Oregon Opportunity Grants (OOG) at \$308M; and sports lottery. He also reviewed an analysis of PUSF funding allocation to SOU in conservative, expected, and optimistic scenarios.

Capital Projects Funding Update

Mr. Perkinson informed the committee that SOU will probably not know the capital allocation funding until the last day of the session but that it wasn't looking promising. He said further planning will begin in July once the outcomes of the legislative session are known and funding is determined.

Core Information System Replacement (CISR) Project Update

Mr. Perkinson provided CISR highlights, achievements, and a look ahead at the next few months. SOU will continue to work hard to go live [with Phase 1 of Workday] in December 2023. In response to Vice Chair Clough, Mr. Perkinson stated that no delays are expected and reported good news from Chief Information Officer, Tom Battaglia, that a languishing data transfer from the Public Employees' Benefit Board (PEBB) is resolving. He also reviewed the CISR dashboard and tools.

Action, Information and Discussion Items

SOU Forward: Accountability Framework for Implementation

President Bailey indicated that SOU owes everyone a cultural shift, one that minimizes the risk of financial instability going forward. He noted the importance of accountability and assurance that budget issues would not continue year after year is essential for SOU. Bailey acknowledged that accountability is as or more important to employees than workload, which is weighing on people's minds.

President Bailey reviewed the five questions to create a culture of accountability from *SOU Forward*. These questions were: What resources will a new proposal require? What are the anticipated fiscal or performance benefits from an initiative? What is the time horizon for these expected benefits? What metrics and measurements will be used to monitor progress? And, what actions will be taken if the expected milestones are not achieved? He emphasized that the board should hold him accountable to answer these five questions and that the Vice Presidents and their teams are using the questions as well.

Mr. Perkinson reviewed the President's Dashboard depicting how to operationalize and track the *SOU Forward* initiatives going forward. Under each initiative, there is a "drill down" worksheet of each initiative offering additional detail. The worksheet answers each of the five questions referred to earlier and assesses risks, issues, and opportunities. President Bailey expressed his concern that this process not become a juggernaut and the intention is not to add more workload. He also shared his thoughts on how SOU can become more offensive than defensive and think more strategically and systemically.

Vice Chair Clough complimented the administration for doing what they said they were going to do and for being transparent. She commented on the due diligence being hardwired into these processes but pondered whether the board has to change its practices to ensure it is asking the questions and that it has enough eyes on the dashboard. In response, President Bailey talked about the time value of decisions and that the board will have the ability to see signs of trouble or challenges and compel the administration to act. Mr. Perkinson added that the Process Improvement Team has been reimplemented. These eight volunteers consider projects such as the remissions overrun "problem." This is a work in progress.

On other parts of *SOU Forward*, Mr. Perkinson gave an overview of solar energy

production, Cascade retirement living community project, the university business district, and the Pacific Northwest Workday training center. He elaborated on the solar project and displayed a press release announcing an additional \$1M grant. He reviewed the board summary and highlighted that SOU has accomplished phases 0 and 1. He explained that momentum is building for phase 2 with the \$4M in State and Federal funding. Chair Franks commented on others that have received funding and others are getting on board for the charge that SOU is leading. Discussion ensued regarding the SOU's role in partnering with the City of Ashland and others.

Budget Update and Pro Forma Review: Revenue and Expenses for Fiscal Year 2023

Mr. Perkinson invited the panel of experts, Josh Lovern, Steve Larvick, and Agnes Maina, to discuss the budget and pro forma. Mr. Perkinson focused on what has changed since the last meeting. He started with simplifying the way federal relief is presented in the pro forma and structural changes in the pro forma. He noted that analyses and corrective actions taken for remissions have been undertaken and that work is still needed to correct the \$300K deficit. President Bailey said SOU has to do a better job in planning for the cost of remissions. Mr. Perkinson reviewed the current year's execution to the plan with a softening of the Ending Fund Balance (EFB) but a projection to still close the year slightly better than planned.

Fiscal Year 2024 Budget (Action)

Greg Perkinson started with the revenue assumptions by stating SOU remains conservative with the Governor's Recommended Budget (GRB) for state funding and with enrollment down 1.6 percent. In response to Vice Chair Clough's question, Mr. Perkinson said there is not really a chance for the GRB to be any lower, as there have been no significant changes in miscellaneous revenues or federal support. He also stated that one-time monies are not considered and highlighted some of these additional revenue asks.

Mr. Perkinson stated that there were no significant changes on the cost side from last month's update. The model has been updated based on the *SOU Forward* plan.

Mr. Perkinson then reviewed the Conservative Pro Forma that was based on conservative assumptions. This model projects a key performance indicator (KPI) of 9 percent of operating revenue for an EFB of \$5.8M. He also mentioned that the savings from the CISR project will not be realized until the next biennium.

In response to Trustee Gay, there was discussion on how the negative fund balance in the out years was resolved. It was a combination of reductions in services and supplies (S&S) as outlined by *SOU Forward*, and the projected Workday savings.

The revenue modeled less than 3 percent for enrollment growth, as a downturn due to the demographic cliff was built into the enrollment assumption. A stabilizing of enrollment is expected, as SOU is doing more diversifying before the cliff occurs in 2025. Dr. Woolf then explained the difference between head count, full-time equivalency (FTE) and student credit hours (SCH) and how these affect the budget. In

response to Trustee Thorndike's question regarding SOU's rate of remissions versus tuition compared to that of other state universities, Mr. Perkinson recalled that several institutions were higher than SOU at eleven percent or more. Steve Larvick added that, 9 percent in remissions is budgeted but the actual is 12 percent. Vice Chair Clough commented that a couple of "rainy day slush things" SOU has used in the past to address revenue and cost disconnect are no longer going to be there after this budget cycle. She provided examples of the staff vacancy factor and federal funds. She emphasized the importance of due diligence and the need to hit specified targets.

Mr. Perkinson reviewed the summary of expenditures by fund. These included the budgeted operations; auxiliary operations; and designated operations and service centers. He showed the breakdown of the funds for FY 2022 actuals, the FY 2023 adopted budget plus adjustments; the FY 2023 year-end projection; and the FY 2024 draft budget for each fund. Starting with the Education and General Fund (E&G), or budgeted operations, Mr. Perkinson reviewed these items and also pointed out changes to the spreadsheet for clarity such as column titles and colors. Overall, the proposal is for \$67.4M and is favorable by about \$600K.

Mr. Perkinson identified the Designated and Service Center Operations as the non-credit earning programs such as Jefferson Public Radio (JPR) and Rogue Valley Television (RVTV). He stated that the purpose of this fund is not to make money but to be cost efficient. The fund has a negative \$140K balance and a strong EFB.

Auxiliary Operations was the next fund Mr. Perkinson addressed; he later shared that the auxiliary operations are housing, the health center, athletics, parking, recreation center, and other activities that should be self-supporting. The fund has a \$6M reserve. The fund was previously \$1.4M in the hole but revenue was fine-tuned as was labor, and SOU is reorganizing the Housing Department, which approximately amounts to a \$760K improvement in the deficit. Mr. Larvick added that Housing also gives remissions and that the department has only spent about half of what was budgeted. There was further discussion on the delta which was a result of high occupancy in housing and a lot of vacant positions. It was also attributable to the refinancing of the ground lease and the increase in conference revenue since COVID.

Responsive to Chair Franks' request last month, Mr. Perkinson reviewed the transfers between funds. This is tied to the plant transfers. Athletics spends more than they bring in and SOU has strategically chosen to do so. Athletes have strong retention, are great for the SOU brand, and this is standard. If the sports lottery gets full funding, it will be \$200K for the biennium, which might be able to be leveraged for coach salaries and other personnel expenses, so all other expenses come from ticket sales, tuition, student fees and E&G transfers back to athletics.

The FY 2023 year-end estimated projection for transfers has a positive balance of \$1,360. There is a \$125K disconnect in the combination of the three funds which is \$800K better than last month. Mr. Perkinson then presented the resolution to recommend adoption of the fiscal year 2023-2024 budget. Trustee Shelby asked that if

the trustees adopt the conservative budget, can one assume if the more optimistic one becomes a reality, SOU will see increases in income but expenses would remain unchanged. Mr. Perkinson said this was correct. President Bailey commented that costs need to remain the same as SOU gets used to its new normal and building the reserves. He acknowledged that SOU is the outlier, as every other institution in the state has a healthier reserve/fund balance than SOU.

For combined operations, the proposed Fiscal Year 2023-2024 expenditures budget was \$87,601,957 inclusive of Education and General [budgeted operations] in the sum of \$67,488,209; an Auxiliaries budget in the sum of \$14,256,140; and Designated Operations and Service Centers in the sum of \$5,857,608.

Trustee Thorndike moved to recommend the resolution to adopt the fiscal year 2023-2024 budget. Trustee Gay seconded the motion and it passed unanimously.

Future Meetings

Chair Franks announced that the next meeting of the committee is scheduled to take place on October 19, 2023 at 5:00 p.m. If any trustee has a specific item to suggest for a future meeting, please send them to the board secretary.

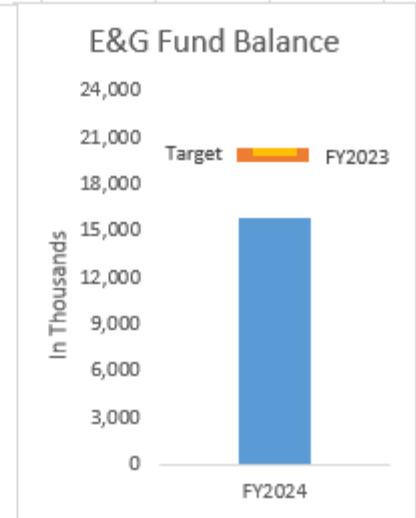
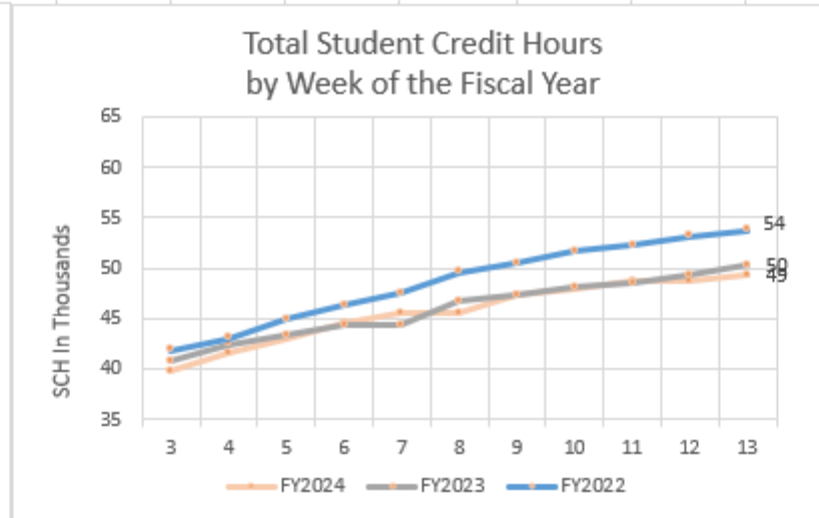
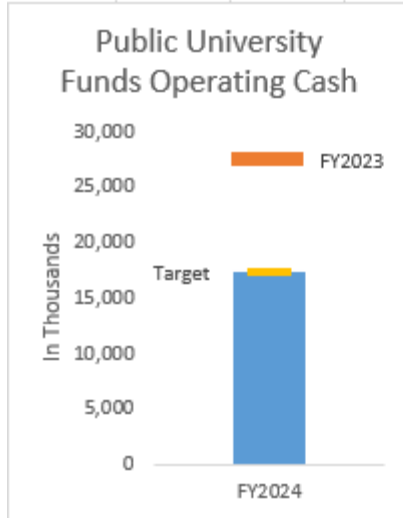
Adjournment

Chair Franks adjourned the meeting at 6:33 p.m.

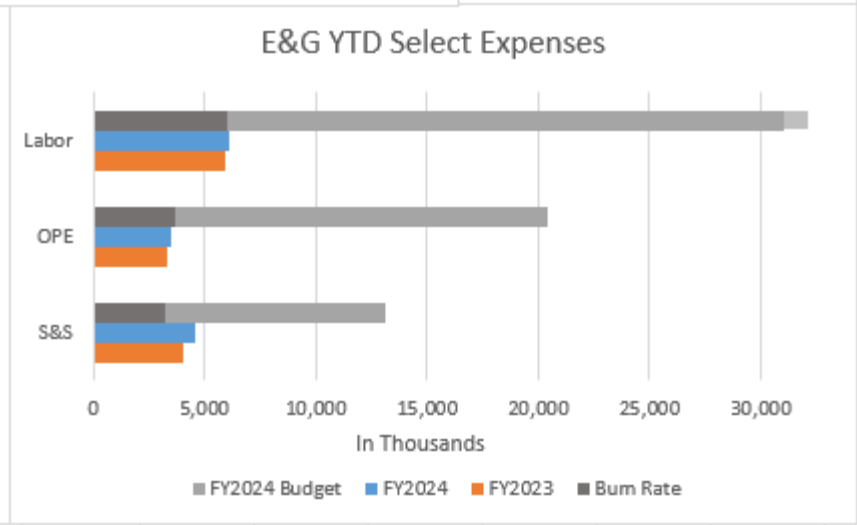
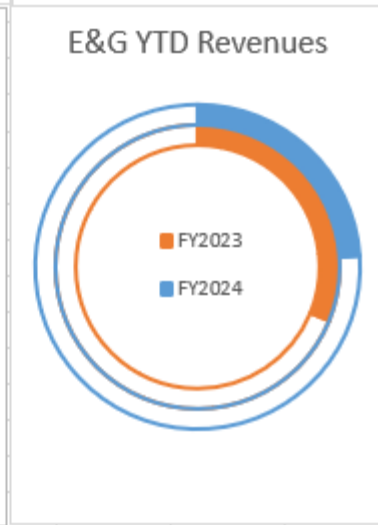
Financial Dashboard

For FY2024

As of September 30, 2023 close numbers



"Institution" portion of Federal Relief Funds in hand.
\$3.3m allocated to E&G during FY2023



| (in thousands except enrollment) | Year-to-Date | | | Budget |
|--|------------------|------------------|--------------------------------|-----------------------|
| | Prior YTD | Current YTD | % Change compared to last year | FY2024 Initial Budget |
| | Actual | Actual | | Budget |
| Education & General | | | | |
| State General Fund | \$ 9,683 | \$ 10,797 | 12% | \$ 29,157 |
| Tuition & Resource Fees, net of Remissions | 12,706 | 12,897 | 2% | 35,013 |
| Other | 705 | 706 | 0% | 3,675 |
| Total Revenues | \$ 23,093 | \$ 24,401 | | \$ 67,846 |
| Personnel Services | \$ 9,244 | \$ 9,638 | 4% | \$ 54,272 |
| Supplies & Services & Capital Outlay | 3,560 | 4,137 | 16% | 13,660 |
| Total Expenditures | \$ 12,804 | \$ 13,775 | 8% | \$ 67,933 |
| Net from Operations | \$ 10,289 | \$ 10,626 | 3% | \$ (87) |
| Net Transfers In (Out) | 2,727 | (746) | | 57 |
| Change in Fund Balance | \$ 13,016 | \$ 9,880 | -24% | \$ (30) |
| Beginning Fund Balance | 7,113 | 5,916 | -17% | 5,916 |
| Ending Fund Balance | \$ 20,129 | \$ 15,796 | -22% | \$ 5,886 |
| Ending FB as a % Operating Revenues | 87.2% | 64.7% | | 8.7% |

ANALYSIS

Attached are the financial statements showing preliminary 2023/24 results through September 2023. The following analysis provides information on the University E&G operations compared to the same period last year.

Revenues:

Compared to the same period last year, the University concluded September with the following changes in overall revenues.

- State Appropriations revenue increased by \$1.1 million due to one-time Sustainability appropriations received in Q1.
- Tuition and fees revenue increased by \$0.5 million compared to the same time period in fiscal year 2023 due to increases in enrollment and tuition. Specifically, increases in Residential undergraduate, WUE and residential graduate differential. This increase is offset by a small decrease in fee remissions which are at .031% lower than at the same time last year.
- Other student fees and revenue have decreased 370K or 24% compared to the same period last year. Primary due to Matriculation fees and online course delivery fee due to a timing difference and revenues that were not deferred to FY24.

Expenses:

Compared to the same time period in fiscal year 2023, Education and General expenditures have increased by 8% about \$0.9 million. Specifically:

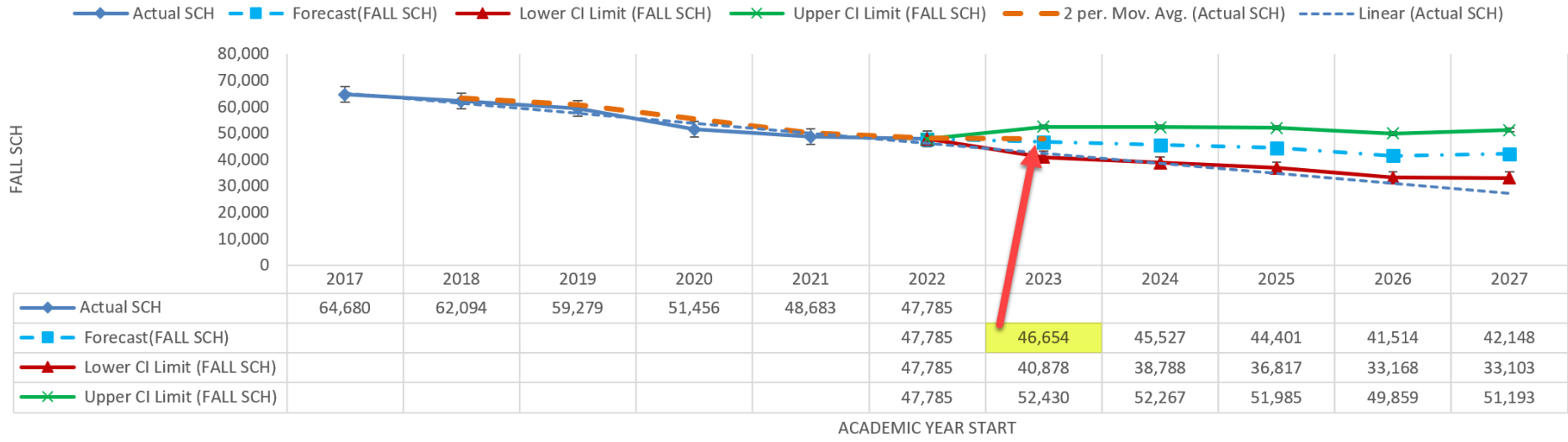
- Personal Services have increased by \$0.4 million. This increase is attributed to Summer faculty pay for instruction which has increased \$88K or 6% staff unclassified pay increased 111K or 4.55%, student pay increase 21k or 8%, classified pay had no significant change from prior fiscal year.
- OPE has increased 178K from prior year same period mainly due to increases in retirement contributions and medical benefit increases.
- Services and Supplies have increased by:
 - Communication expense 54K or 45% due to the timing difference for postage payments. Last year they were made in November.
 - Electricity 41K or 20%
 - Maintenance and repair 325K or 34% mainly due building repairs and software maintenance contract costs attributed to inflation and contract renewals.
 - Rental and leases 51K or 11% due to software lease costs increases for EAB contract
 - Other Professional services 456K or 1563% due to the Academic Partnership timing difference. In FY23 includes only fall, FY24 includes Fall and Summer 2023 classes.
 - Training expenses 31K or 353% for training fees for Workday
 - Insurance and Liability 41K or 14%

Vice President's Report

Fiscal Year 2024 Revenue Forecast

Revenue Forecast

FALL SCH PROJECTIONS AY17 - AY27



Student Credit Hours (SCH) PROJECTIONS

- Machine Learning Algorithm (Predictive Analytics) Modeling
 - Goal is to exceed the forecast line (blue line w/square)
- SCH on pro forma *currently* achieving higher than prediction at **47,499** SCH for Fall 2023!

Revenue Forecast

UPDATE ON STATE FUNDING

- HECC 'True-up' coming later in Fall term
 - Plan for worst (loose funding)
 - Hope for best (beat expectations)
 - Model dependent on SCH performance at other OPUs.
- \$1,000,000 TRU + PSU Special Allocation
 - HECC portion already received
 - PSU invoice sent; expecting check soon
 - Still waiting on final rules for 'allowable expenses'
 - Holding conservative on 2nd year biennium funding (\$0)
- OCOP Collaboration
- Revenues for Non-E&G Fund Types
 - Requires new reports to be developed
 - Will tie development time to Workday implementation
 - More to come once we are operational in Workday

E&G Revenues

| | 2021-23 Biennium | | 2023-25 Biennium | | |
|--|-----------------------------------|------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | 2022-23 FY23 Budget (000's) | 2022-23 Actual (000's) | 2023-24 FY24 Budget (000's) | 2023-24 Est FY24 (000's) | 2024-25 FORECAST (000's) |
| REVENUES | | | | | |
| Total State Funding (SSCM,ETSF,SELP,BenNav) | 26,860 | 27,001 | 28,157 | 28,157 | 29,286 |
| Tuition | 34,611 | 33,178 | 34,711 | 35,527 | 37,217 |
| Fees | 4,015 | 4,254 | 4,157 | 3,824 | 4,615 |
| Raider Aid (remissions) | (3,476) | (4,002) | (4,055) | (4,099) | (4,348) |
| <i>Oth tuition & fee adjustments</i> | | | 200 | (400) | |
| Tuition, net of Raider Aid | 35,149 | 33,430 | 35,013 | 34,852 | 37,484 |
| <i>Non-Recurring 1-Time Revenue</i> | | | 1,000 | 1,000 | 0 |
| Misc. Other Revenue | 2,964 | 3,933 | 3,675 | 3,571 | 3,850 |
| TOTAL REVENUES | 64,974 | 64,364 | 67,846 | 67,580 | 70,620 |

REVENUE PROJECTIONS & OBSERVATIONS

- Tuition showing slight growth from budget
 - Principally related to Undergraduate Non-Resident SCH & ASC estimates
 - “Cautiously Optimistic” – watching data as we cross the ‘drop/add’ threshold
- Fees slightly lower
 - Watching online delivery fee more closely as more students shift back to face-2-face with projections looking closer to pre-pandemic levels.
- Remissions largely on target
 - \$200k planned reduction to remissions via lotto later in the Academic Year
- Misc. Revenues to date and forecasting as planned
- Non-recurring 1-time Revenues have ‘hit the books’; awaiting instructions from HECC

Budget Update

Periodic Management Report



As of Sept 30, 2023
Fiscal Year Ending June 30, 2024

| (in thousands except enrollment) | Year-to-Date | | % Change compared to last year | Budget |
|---|------------------|-------------------|--------------------------------------|-----------------------------|
| | Prior YTD | Current YTD | | FY2024 Initial Budget |
| | Actual | Actual | | |
| Education & General | | | | |
| State General Fund | \$ 9,683 | \$ 10,797 | 12% | \$ 29,157 |
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| Net Transfers In (Out) | 2,727 | (746) | | 57 |
| Change in Fund Balance | \$ 13,016 | \$ 9,880 | -24% | \$ (30) |
| Beginning Fund Balance | 7,113 | 5,916 | -17% | 5,916 |
| Ending Fund Balance | \$ 20,129 | \$ 15,796 | -22% | \$ 5,886 |
| Ending FB as a % Operating Revenues | 87.2% | 64.7% | | 8.7% |
| | | | | |
| All Auxiliaries (Including North Campus Village) | | | | |
| Enrollment Fees | \$ 1,935 | \$ 2,051 | 6% | \$ 5,195 |
| Sales & Services | 3,499 | 3,903 | 12% | 11,502 |
| Other | 1,597 | 1,760 | 10% | 4,280 |
| Total Revenues | \$ 7,031 | \$ 7,714 | 10% | \$ 20,977 |
| Personnel Services | \$ 1,685 | \$ 1,592 | -5% | \$ 8,036 |
| Supplies & Services & Capital Outlay | 2,367 | (4,149) | -275% | 13,863 |
| Total Expenditures | \$ 4,052 | \$ (2,556) | | \$ 21,899 |
| Net from Operations | \$ 2,979 | \$ 10,271 | | \$ (922) |
| Net Transfers In (Out) | (2,844) | 533 | | (925) |
| Change in Unrestricted Net Assets | \$ (340) | \$ 9,821 | | \$ (1,847) |
| Beginning Fund Balance Available for Operations | 6,877 | 3,728 | | 3,728 |
| Ending Fund Balance Available for Operations | \$ 6,537 | \$ 13,550 | | \$ 1,882 |
| Ending FB as a % Operating Revenues | 93.0% | 175.6% | | 9.0% |

Periodic Management Report



| | Year-to-Date | | | Budget |
|--|-----------------|-----------------|--------------------------------------|-----------------------------|
| | Prior YTD | Current YTD | % Change compared to last year | FY2024 Initial Budget |
| | Actual | Actual | | |
| <i>(in thousands except enrollment)</i> | | | | |
| Designated Operations | | | | |
| Enrollment Fees | \$ 482 | \$ 439 | -9% | \$ 1,159 |
| Sales & Services | 1,241 | 843 | -32% | 2,787 |
| Other | 54 | 27 | -50% | 536 |
| Total Revenues | <u>\$ 1,777</u> | <u>\$ 1,310</u> | -26% | <u>\$ 4,482</u> |
| Personnel Services | \$ 552 | \$ 701 | 27% | \$ 2,986 |
| Supplies & Services & Capital Outlay | 707 | 557 | -21% | 1,977 |
| Total Expenditures | <u>\$ 1,259</u> | <u>\$ 1,259</u> | 0% | <u>\$ 4,963</u> |
| Net from Operations | <u>\$ 518</u> | <u>\$ 51</u> | | <u>\$ (481)</u> |
| Net Transfers In (Out) | 117 | 104 | | 435 |
| Change in Unrestricted Net Assets | \$ 584 | \$ 106 | | \$ (46) |
| Beginning Fund Balance Available for Operations | 367 | 1,021 | | 1,021 |
| Ending Fund Balance Available for Operations | <u>\$ 952</u> | <u>\$ 1,127</u> | | <u>\$ 975</u> |
| Ending FB as a % Operating Revenues | 53.6% | 86.0% | | 21.8% |
| | | | | |
| All Service Centers | | | | |
| Enrollment Fees | \$ - | \$ - | | \$ - |
| Sales & Services | 20 | 10 | -48% | 96 |
| Other | 241 | 211 | -12% | 1,269 |
| Total Revenues | <u>\$ 260</u> | <u>\$ 222</u> | | <u>\$ 1,365</u> |
| Personnel Services | \$ 183 | \$ 193 | 6% | \$ 816 |
| Supplies & Services & Capital Outlay | 71 | 80 | 13% | 445 |
| Total Expenditures | <u>\$ 254</u> | <u>\$ 274</u> | | <u>\$ 1,261</u> |
| Net from Operations | <u>\$ 7</u> | <u>\$ (52)</u> | | <u>\$ 104</u> |
| Net Transfers In (Out) | 0 | 0 | | 0 |
| Change in Unrestricted Net Assets | \$ 7 | \$ (52) | | \$ 104 |
| Beginning Fund Balance Available for Operations | 302 | 335 | | 335 |
| Ending Fund Balance Available for Operations | <u>\$ 309</u> | <u>\$ 282</u> | | <u>\$ 439</u> |
| Ending FB as a % Operating Revenues | 118.7% | 127.5% | | 32.2% |

E&G Labor

| | 2021-23 Biennium | | 2023-25 Biennium | | |
|-------------------------------|-----------------------------------|------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | 2022-23 FY23 Budget (000's) | 2022-23 Actual (000's) | 2023-24 FY24 Budget (000's) | 2023-24 Est FY24 (000's) | 2024-25 FORECAST (000's) |
| <u>Personnel Services</u> | | | | | |
| Faculty | (15,971) | (14,626) | (14,539) | (14,549) | (14,048) |
| Unclassified Staff | (10,532) | (10,229) | (10,174) | (9,958) | (9,895) |
| Classified Staff | (7,450) | (6,845) | (7,335) | (7,605) | (7,024) |
| Students, GA's, etc | (1,586) | (1,365) | (1,787) | (1,485) | (1,654) |
| Salaries Sub-total | (35,539) | (33,065) | (33,835) | (33,596) | (32,621) |
| PERS & ORP (Retirement Pgms) | (8,524) | (7,890) | (8,323) | (8,043) | (8,446) |
| PEBB (Healthcare) | (8,473) | (7,894) | (8,651) | (8,425) | (9,084) |
| Other (FICA, SAIF, OPL, etc.) | (3,500) | (2,683) | (3,423) | (3,012) | (3,300) |
| OPE Sub-total | (20,497) | (18,467) | (20,397) | (19,480) | (20,829) |
| <i>Vacancy Adj.</i> | | | 250 | | |
| <i>Other Adj. to Labor</i> | | | (260) | | |
| Net Personnel Services | (56,036) | (51,532) | (54,241) | (53,076) | (53,451) |

LABOR PROJECTIONS & OBSERVATIONS

- Faculty, Unclassified, Classified – all largely tracking
 - Some unanticipated savings still to be realized in Unclassified Staff
 - Classified projection incorporates potential CBA impacts
- Student projection showing labor savings if current hiring remains flat
 - With more students on campus, this may change later in the Academic Year
- OPE Estimates showing significant savings
 - Additional retirements, separations happening since July revision are having outsized impacts for full Fiscal Year; warrants careful monitoring

Supplies & Services

| | 2021-23 Biennium | | 2023-25 Biennium | | |
|--|-----------------------------------|------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | 2022-23 FY23 Budget (000's) | 2022-23 Actual (000's) | 2023-24 FY24 Budget (000's) | 2023-24 Est FY24 (000's) | 2024-25 FORECAST (000's) |
| <u>Supplies & Services (S&S)</u> | | | | | |
| S&S Expenses | (13,835) | (12,609) | (12,292) | (12,922) | (12,568) |
| AP Program Share (AP) | | (1,104) | (1,128) | (1,180) | (1,115) |
| Capital Expenses (CapEx) | (263) | (99) | (240) | (240) | (246) |
| Total S&S, CapEx, AP | (14,098) | (13,812) | (13,660) | (14,343) | (13,929) |

SUPPLIES & SERVICES (S&S) PROJECTIONS & OBSERVATIONS

- S&S Full fiscal year projections are currently *exceeding* budget
 - Careful monitoring of key expense areas for rest of the term
 - Some external forces will likely impact later projections
 - Inflationary pressures still high, but coming down in some areas
 - Service contracts continue to exceed expectations
 - Winter utility usage variability (El Niño year)
- **NEW for FY24:** S&S 'Trip-wires' to be enacted to halt spending if thresholds exceed targeted limits per expense categories
 - Developing in consultation with Controller, VPs, President
- AP Program SCH estimates showing growth; revenue share increases
- Capital Expenses may not be realized for FY24 at the level originally budgeted

Transfers

| | 2021-23 Biennium | | 2023-25 Biennium | | |
|--|-----------------------------------|------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | 2022-23 FY23 Budget (000's) | 2022-23 Actual (000's) | 2023-24 FY24 Budget (000's) | 2023-24 Est FY24 (000's) | 2024-25 FORECAST (000's) |
| Budgeted Transfers (In & Out) | (3,210) | (3,304) | (2,822) | (2,822) | (2,781) |
| Transfers Net (excluding relief funds) | (3,120) | (3,304) | (2,822) | (2,822) | |
| Federal Relief Funds Transferred to E&G | 3,312 | 3,312 | 2,879 | 2,879 | |
| Transfers Net (In & Out of E&G) | 192 | 8 | 57 | 57 | (2,781) |

TRANSFERS PROJECTIONS & OBSERVATIONS

- Final year of Federal HEERF support as offset of expenses
 - Extra monitoring of regular operations post-HEERF for all transfers out of E&G
 - Detailed examination of transfers to commence during Workday transition
 - Some updates expected later in the Fiscal Year, particularly in Auxiliaries

E&G Fund Balance

| | | 2021-23 Biennium | | 2023-25 Biennium | | |
|---------------------|-----------------------------|-----------------------------------|------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | | 2022-23 FY23 Budget (000's) | 2022-23 Actual (000's) | 2023-24 FY24 Budget (000's) | 2023-24 Est FY24 (000's) | 2024-25 FORECAST (000's) |
| FUND BALANCE | | | | | | |
| | Change in Fund Balance | (1,303) | (973) | 1 | 218 | 460 |
| | Beginning Fund Balance | 6,501 | 6,886 | 5,883 | 5,913 | 6,131 |
| | Ending Fund Balance | 5,198 | 5,913 | 5,884 | 6,131 | 6,591 |
| | % Operating Revenues | 8.00% | 9.19% | 8.67% | 9.07% | 9.33% |
| | Days of Operations | 29.63 | 31.44 | 30.37 | 31.86 | 34.29 |
| | Months of Operations | 0.99 | 1.05 | 1.01 | 1.06 | 1.14 |

FUND BALANCE PROJECTIONS & OBSERVATIONS

- Current projections show growth of fund balance
 - Largely driven by tuition revenue growth and TRU + PSU Special Allocation
 - If S&S expenses grow too fast, positive direction will reverse by late spring
- Fund Balance retained in FY23 would only meet One (1) month of expenses.
 - Projections for FY24 Ending Fund Balance show the same
 - Projections for future years show small gains

Growth and retention of the Fund Balance is critical to institutional sustainability.

E&G Pro Forma Projections to FY2027

Education and General

(in thousands of dollars)

| | 2021-23 Biennium | | 2023-25 Biennium | | 2025-27 Biennium | | |
|--|-----------------------------------|------------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2022-23 FY23 Budget (000's) | 2022-23 Actual (000's) | 2023-24 FY24 Budget (000's) | 2023-24 Est FY24 (000's) | 2024-25 FORECAST (000's) | 2025-26 FORECAST (000's) | 2026-27 FORECAST (000's) |
| REVENUES | | | | | | | |
| Total State Funding (SSCM,ETSF,SELP,BenNav) | 26,860 | 27,001 | 28,157 | 28,157 | 29,286 | 30,493 | 31,717 |
| Tuition | 34,611 | 33,178 | 34,711 | 35,527 | 37,217 | 38,523 | 39,943 |
| Fees | 4,015 | 4,254 | 4,157 | 3,824 | 4,615 | 4,695 | 4,911 |
| Raider Aid (remissions) | (3,476) | (4,002) | (4,055) | (4,099) | (4,348) | (4,500) | (4,666) |
| <i>Oth tuition & fee adjustments</i> | | | 200 | (400) | | | |
| Tuition, net of Raider Aid | 35,149 | 33,430 | 35,013 | 34,852 | 37,484 | 38,718 | 40,187 |
| <i>Non-Recurring 1-Time Revenue</i> | | | 1,000 | 1,000 | 0 | | |
| Misc. Other Revenue | 2,964 | 3,933 | 3,675 | 3,571 | 3,850 | 3,985 | 4,132 |
| OTAL REVENUES | 64,974 | 64,364 | 67,846 | 67,580 | 70,620 | 73,196 | 76,037 |
| NSES & TRANSFERS | | | | | | | |
| <i>Personnel Services</i> | | | | | | | |
| Faculty | (15,971) | (14,626) | (14,539) | (14,549) | (14,048) | (14,334) | (14,757) |
| Unclassified Staff | (10,532) | (10,229) | (10,174) | (9,958) | (9,895) | (9,861) | (10,084) |
| Classified Staff | (7,450) | (6,845) | (7,335) | (7,605) | (7,024) | (7,198) | (7,409) |
| Students, GA's, etc | (1,586) | (1,365) | (1,787) | (1,485) | (1,654) | (1,638) | (1,705) |
| Salaries Sub-total | (35,539) | (33,065) | (33,835) | (33,596) | (32,621) | (33,031) | (33,955) |
| PERS & ORP (Retirement Pgms) | (8,524) | (7,890) | (8,323) | (8,043) | (8,446) | (8,552) | (8,791) |
| PEBB (Healthcare) | (8,473) | (7,894) | (8,651) | (8,425) | (9,084) | (9,538) | (10,015) |
| Other (FICA, SAIF, OPL, etc.) | (3,500) | (2,683) | (3,423) | (3,012) | (3,300) | (3,341) | (3,435) |
| OPE Sub-total | (20,497) | (18,467) | (20,397) | (19,480) | (20,829) | (21,431) | (22,241) |
| <i>Vacancy Adj.</i> | | | 250 | | | | |
| <i>Other Adj. to Labor</i> | | | (260) | | | | |
| Net Personnel Services | (56,036) | (51,532) | (54,241) | (53,076) | (53,451) | (54,462) | (56,196) |
| <i>Supplies & Services (S&S)</i> | | | | | | | |
| S&S Expenses | (13,835) | (12,609) | (12,292) | (12,922) | (12,568) | (12,851) | (13,140) |
| AP Program Share (AP) | | (1,104) | (1,128) | (1,180) | (1,115) | (1,093) | (1,091) |
| Capital Expenses (CapEx) | (263) | (99) | (240) | (240) | (246) | (251) | (257) |
| Total S&S, CapEx, AP | (14,098) | (13,812) | (13,660) | (14,343) | (13,929) | (14,196) | (14,489) |
| 1x Cost Reductions, Savings, Outside Support | 3,664 | | | | As Modeled | As Modeled | As Modeled |
| <i>Personnel and S&S before Transfers</i> | (66,469) | (65,345) | (67,901) | (67,419) | (67,380) | (68,658) | (69,934) |
| Net from Operations Before Transfers | (1,496) | (981) | (56) | 161 | 3,241 | 4,538 | 6,102 |
| Budgeted Transfers (In & Out) | (3,210) | (3,304) | (2,822) | (2,822) | (2,781) | (2,816) | (2,906) |
| Transfers Net (excluding relief funds) | (3,120) | (3,304) | (2,822) | (2,822) | | | |
| Federal Relief Funds Transferred to E&G | 3,312 | 3,312 | 2,879 | 2,879 | | | |
| Transfers Net (In & Out of E&G) | 192 | 8 | 57 | 57 | (2,781) | (2,816) | (2,906) |
| TOTAL EXPENSES & TRANSFERS | (66,277) | (65,337) | (67,845) | (67,362) | (70,161) | (71,474) | (72,840) |
| TOTAL EXPENSES (excluding Federal Relief) | (69,487) | (68,641) | (70,667) | (70,184) | (70,161) | (71,474) | (72,840) |
| FUND BALANCE | | | | | | | |
| Change in Fund Balance | (1,303) | (973) | 1 | 218 | 460 | 1,722 | 3,197 |
| Beginning Fund Balance | 6,501 | 6,886 | 5,883 | 5,913 | 6,131 | 6,591 | 8,313 |
| Ending Fund Balance | 5,198 | 5,913 | 5,884 | 6,131 | 6,591 | 8,313 | 11,510 |
| % Operating Revenues | 8.00% | 9.19% | 8.67% | 9.07% | 9.33% | 11.36% | 15.14% |
| Days of Operations | 29.63 | 31.44 | 30.37 | 31.86 | 34.29 | 42.45 | 57.68 |
| Months of Operations | 0.99 | 1.05 | 1.01 | 1.06 | 1.14 | 1.42 | 1.92 |

Facilities and Capital Projects

Facilities Management and Planning/ Capital Construction Updates



Roadmap

- FMP Updates & Priorities
- Solar Project Updates
- Central Hall Construction Updates and Expenditure Request

FMP Operational Updates FY24



- Continued landscape upgrades
- Various roofs due for replacement (Ed/Psy, Library, Churchill, FMP)
- Ed/Psy Exterior “Facelift”
- Preparation for Cascade demolition

Solar Projects

- SOU has signed a \$1.56 million contract with True South Solar for the rooftops and battery storage. Construction complete by Spring 2024.
- This will increase SOU's solar capacity by 393kW (86 percent!)
- Parking Lot 1 solar canopies with EV charging will be the next project for competitive bid, with the intention to complete by the end of summer 2025.
- Further funding for solar projects is being explored by SOU's Grants and SOU's Sustainability Offices.

Expenditure Request for Central Hall, Phase 3 (Action)

Central Hall



Central Hall

- Site work delayed ~ 60 days due to old fuel oil tank removal over the summer
- All new roof drainage & curtain drain system, along with building waterproofing
- All new utilities entering building
- Interior finishes projected complete December 2023
- Still waiting for HVAC units & main electrical switch gear
- Projected reoccupation of main level June 2024

Central Hall Phase 3



- Currently designing space in lower level for (3) campus programs
- Funding source to be existing CIR dollars and Central Hall escalation funding from State

Recommendation: Board approve up to \$3.5M expenditure for Central Hall Phase 3

Central Hall Phase II

State Bonding Request: Finish the project for \$6,000,000



Located in the core of campus, **Central Hall** has provided classroom space for nearly every student during their time at the university. Currently the building is closed and cordoned off as SOU seeks funding to finish essential fire-life-safety renovations.

Central Hall is a primary SOU classroom building located in the center of campus. It was constructed in 1950 and the last significant renovations were done in 1967. The building does not currently have a fire suppression system or a code compliant fire alarm system.

SOU requested \$7 million in Q-bonds in 2016; two years later, \$6 million was allocated. Meanwhile, structural and hazardous materials studies showed additional work would be needed. Inflation and cost escalation in the construction industry further widened the funding shortfall. Request for additional funding in the 2023 legislative session was not successful; Central Hall ranked fifth on the HECC list and only the top three projects were funded.

Due to the critical nature of the building, SOU began work with the funds as allocated by the legislature. SOU has worked with the contractor and utilized Capital Improvement & Repair funding intended for other projects across campus to make progress on this work, shrinking the shortfall into the smallest possible footprint in hopes of obtaining state capital investment to finish the work.

With \$6M in funding, SOU will be able to re-open the building. Essential fire-life-safety issues will be remediated. Once Central is completed we will reduce our deferred backlog by \$14 million. No new space will be added to the building.

FOR MORE INFORMATION, CONTACT:

Jeanne Stallman, SOU Director of Government Relations • 541-499-8844 • stallman@sou.edu

Fiscal Year 2023 Fourth Quarter and Year-End Investment Reports

FY2023 Q4 Investment Reports

BACKGROUND

The Southern Oregon University (university) investment report for the fourth quarter (Q4) of FY2023 is presented in the following sections:

- **FY2023 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.
- **FY2023 Q4 Market Commentary** – This section provides a general discussion of the investment markets and related performance data for the fourth quarter of FY2023 (i.e., April 1 – June 30, 2023).

FY2023 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. As of June 30, 2023, SOU had \$15.5 million on deposit in the PUF. The PUF decreased 0.1% for the quarter and increased 1.3% for the fiscal year. The PUF’s three-year and five-year average returns were 0.1% and 1.9%, respectively.

The Oregon Short-Term Fund returned 1.0% for the quarter, underperforming its benchmark by 20 basis points. The Core Bond Fund decreased 0.8% for the quarter, matching its benchmark. The PUF investment yield was 1.0% for the quarter and 3.4% for the fiscal year.

Based upon internal projections for a recession in coming months, the Oregon State Treasury investment officers maintain a conservative positioning in the Core Bond Fund, favoring U.S. Treasuries over corporate bonds. The portfolio’s allocation to corporate credit remains underweight compared to its benchmark (25.5% versus 30.8%).

Southern Oregon University Endowment Fund

The SOU Endowment Fund (Fund) increased by 4.4% for the quarter and 12.1% for the fiscal year, outperforming its policy benchmark by 50 and 120 basis points, respectively. The three-year average return was 7.2% compared to 6.5% for the benchmark. The Fund ended the quarter with a balance of \$2.8 million.

The majority of the Fund’s assets (76.6%) are allocated to a global equity index strategy, while 23.4% of the portfolio is allocated to an “actively” managed fixed income fund. For the three months ended June 30, 2023, the Blackrock All-Country World Index increased 5.9%, equal to its benchmark. The Western Asset Core Plus Bond Fund returned -0.3%, outperforming the Bloomberg Barclays U.S. Aggregate Bond Index by 0.5%.

Southern Oregon University

Investment Summary as of June 30, 2023

(Net of Fees)

| | Quarter Ended 6/30/2023 | Current Fiscal YTD | Prior Fiscal YTD | 3 Yr Avg | 5 Yr Avg | 10 Yr Avg | Market Value | Actual Asset Allocation | Policy Allocation Target |
|---|----------------------------|-----------------------|---------------------|----------|----------|-----------|----------------------|-------------------------|--------------------------|
| SOU Operating Assets Invested in Public University Fund | | | | | | | | | |
| Oregon Short - Term Fund | 1.0% | 2.9% | 0.6% | 1.4% | 1.8% | 1.4% | \$ 4,892,790 | 31.6% | 1 |
| Benchmark - 91 day T-Bill | 1.2% | 3.6% | 0.2% | 1.3% | 1.6% | 1.0% | | | |
| PUF Core Bond Fund | -0.8% | 0.4% | -6.7% | -1.3% | 1.7% | N/A | 10,594,284 | 68.4% | 1 |
| Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index ² | -0.8% | -0.1% | -7.3% | -2.5% | 1.2% | 1.6% | | | |
| Public University Fund Total Return | -0.1% | 1.3% | -2.6% | 0.1% | 1.9% | N/A | <u>\$ 15,487,074</u> | <u>100.0%</u> | |
| Public University Fund Investment Yield ³ | 1.0% | 3.4% | 1.3% | 2.2% | 2.5% | N/A | | | |
| SOU Endowment Assets | | | | | | | | | |
| BlackRock ACWI IMI B | 5.9% | 16.4% | -16.3% | 11.2% | 7.9% | 8.9% | \$ 2,128,823 | 76.6% | 75.0% |
| Benchmark - MSCI ACWI IMI Net | 5.9% | 16.1% | -16.5% | 11.0% | 7.6% | 8.6% | | | |
| Western Asset Core Plus Bond Fund | -0.3% | -0.4% | -16.0% | -4.9% | 0.4% | 2.1% | 649,286 | 23.4% | 25.0% |
| Benchmark - Bloomberg Barclays Aggregate Index | -0.8% | -0.9% | -10.3% | -4.0% | 0.8% | 1.5% | | | |
| Cash | 1.0% | 2.9% | 0.6% | 1.4% | 1.8% | 1.4% | 257 | 0.0% | 0.0% |
| Benchmark - 91 day T-Bill | 1.2% | 3.6% | 0.2% | 1.3% | 1.6% | 1.0% | | | |
| Total Endowment Assets | 4.4% | 12.1% | -16.3% | 7.2% | 6.1% | 7.4% | <u>\$ 2,778,366</u> | <u>100.0%</u> | |
| Policy Benchmark ⁴ | 3.9% | 10.9% | -14.5% | 6.5% | 5.9% | 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.

² 100% Bloomberg Barclays Intermediate U.S. Gov't./Credit Index as of February 1, 2021. From April 1, 2017 to January 31, 2021, the benchmark was 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.

³ The reported investment yield for the quarter and fiscal year-to-date represent earned yields for the period and are not annualized rates.

⁴ 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, 2023

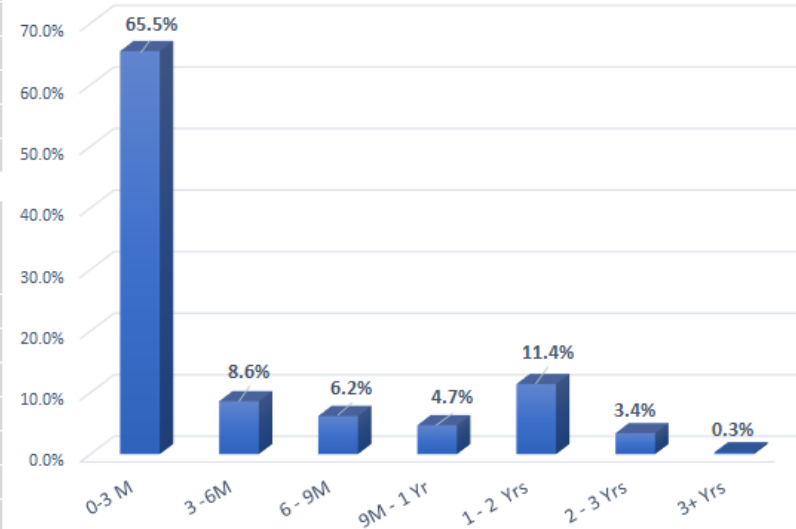
Portfolio Characteristics

| | |
|-----------------------------------|----------------|
| Market Value 06/30/2023 | \$ 175,739,973 |
| Weighted Average Credit Quality | AA |
| Book Yield (%) | 4.43% |
| Weighted Average Maturity (years) | 152 Days |
| Duration (years) | 0.42 |
| Spread Duration (rate) | 0.65 |

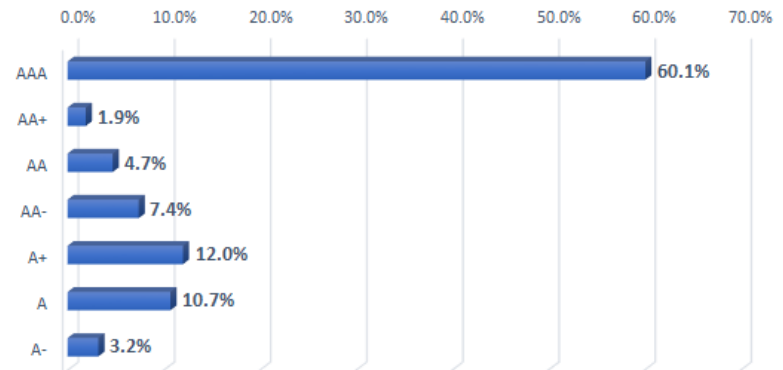
Top 10 Issuers

| | |
|---|--------------|
| United States Treasury | 31.7% |
| Federal Home Loan Banks | 2.8% |
| CPPIB Capital Incorporated | 2.7% |
| JPMorgan Chase & Company | 2.5% |
| Royal Bank of Canada | 2.3% |
| Bank of America Corporation | 1.9% |
| Toyota Motor Credit Corporation | 1.6% |
| Bank of Montreal | 1.4% |
| Federal Farm Credit Banks Funding Corporation | 1.4% |
| Morgan Stanley | 1.4% |
| Total | 49.6% |

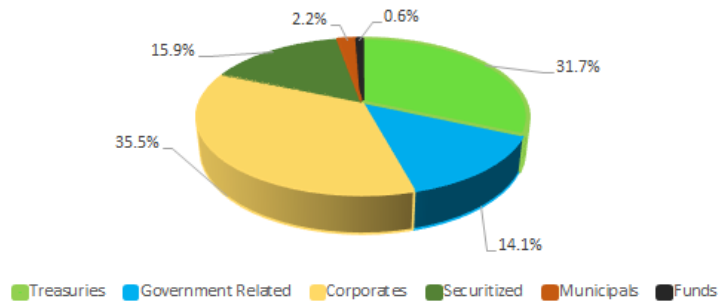
Maturity Breakdown



Credit Quality Distribution



Sector Allocations



Source: Oregon State Treasury

Core Bond Fund

June 30, 2023

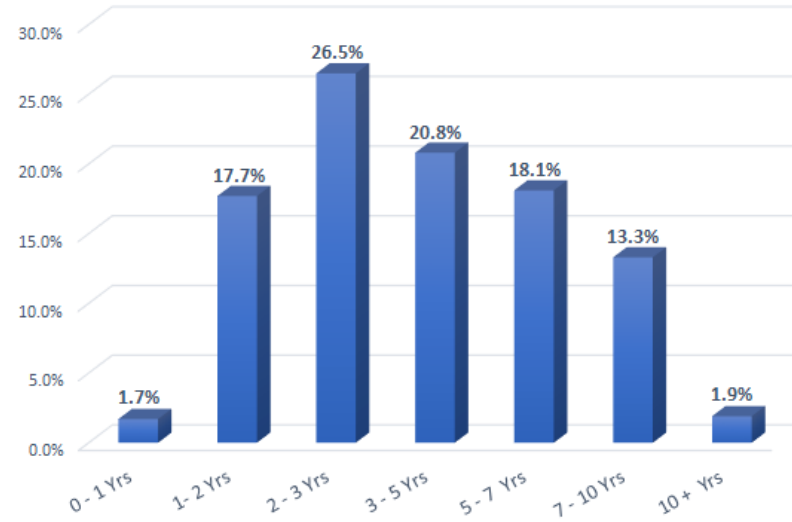
Portfolio Characteristics

| | |
|-----------------------------------|----------------|
| Market Value 06/30/2023 | \$ 380,527,141 |
| Weighted Average Credit Quality | AA |
| Book Yield (%) | 4.03% |
| Weighted Average Maturity (years) | 4.63 |
| Duration (years) | 3.97 |
| Spread Duration (rate) | 1.65 |

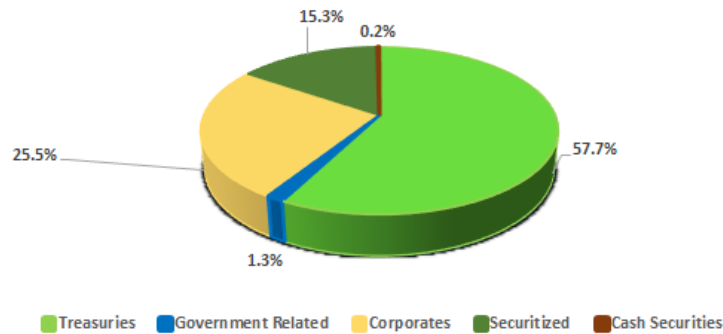
Top 10 Issuers

| | |
|--|--------------|
| United States Treasury | 58.3% |
| Charles Schwab Corporation (The) | 4.1% |
| Deutsche Telekom AG | 3.0% |
| Federal Home Loan Mortgage Corporation | 2.7% |
| F&G Global Funding | 2.7% |
| Agree Realty Corporation | 1.9% |
| Ford Credit Trust 22-C | 1.8% |
| Oscar US Funding Trust | 1.6% |
| Targa Resources Corporation | 1.4% |
| OCI N.V. | 1.3% |
| Total | 78.8% |

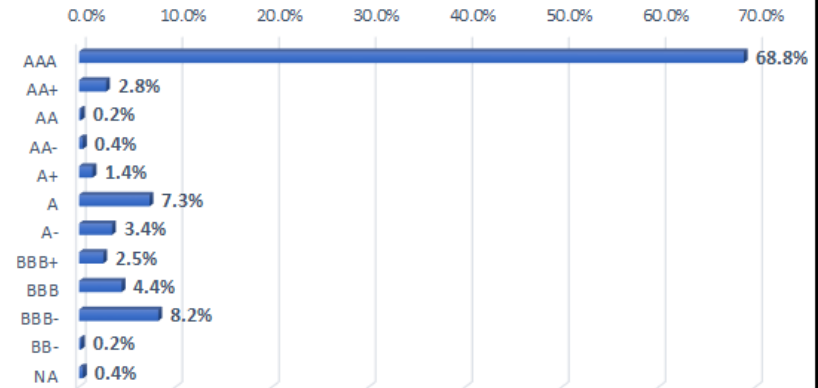
Maturity Breakdown



Sector Allocations



Credit Quality Distribution



Source: Oregon State Treasury

FY2023 Q4 MARKET COMMENTARY

(Prepared by Meketa Investment Group, consultants to the Oregon Investment Council)

Report on Investments – as of June 30, 2023

Economic and Market Update

Asset returns were positive for the quarter with U.S. and Non-U.S. equities posting gains, while most fixed income sectors declined on expectations of further interest rate hikes later this year. Except for commodities, most public market asset classes remain in positive territory for the calendar year.

- Although the Federal Reserve skipped a rate-hike in June, Fed comments signaled further rate hikes in the second half of calendar year 2023; the U.S. economy appears to be resilient with continuing domestic demand and low unemployment.
- U.S. equity markets (S&P 500) rose in the second calendar quarter (+8.7%) adding to calendar year-to-date gains (+16.9%). Some of the largest technology names drove positive results. Growth stocks continued to outpace value stocks, particularly in the large cap space.
- Non-U.S. developed equity markets rose in the second calendar quarter ((Morgan Stanley Capital International (MSCI) Europe, Australia, and Far East (EAFE) 3.0%) falling behind U.S. equities in 2023 (+16.2% versus +11.7%). A strengthening U.S. dollar weighed on returns.
- Emerging market equities rose in the second calendar quarter (+3.8%) supported by positive returns in China (+4.0%). Emerging markets trail developed market equities calendar year-to-date returning +4.9%, due partly to rising U.S.-China tensions.
- Interest rates generally rose during the period leading to bond markets declining, with the U.S. bond market (Bloomberg Aggregate) falling 0.8% for the quarter. The index remains positive (+2.1%) calendar year-to-date, though, on declining inflation and expectations for the Fed to end their rate hikes soon.

This year, the paths of inflation and monetary policy, slowing global growth and the war in Ukraine will all be key. After a particularly difficult 2022, most public market assets are up thus far in 2023, building on gains from the fourth calendar quarter of last year. Risk sentiment has been supported by expectations that policy tightening could be ending soon, as inflation continues to fall, and growth has slowed.

Market Returns¹ June 30, 2023

| | Month | Quarter | YTD | 1-Year | 3-Year | 5-Year | 7-Year | 10-Year |
|-------------------------------------|--------|---------|--------|---------|---------|--------|--------|---------|
| S&P 500 | 6.60% | 8.70% | 16.90% | 19.60% | 14.60% | 12.30% | 13.40% | 12.90% |
| MSCI EAFE-ND | 4.60% | 3.00% | 11.70% | 18.80% | 8.90% | 4.40% | 6.90% | 5.40% |
| MSCI EM-ND | 3.80% | 0.90% | 4.90% | 1.70% | 2.30% | 0.90% | 4.90% | 3.00% |
| MSCI China-ND | 4.00% | -9.70% | -5.50% | -16.80% | -10.30% | -5.30% | 2.90% | 3.00% |
| Bloomberg US Aggregate | -0.40% | -0.80% | 2.10% | -0.90% | -4.00% | 0.80% | 0.40% | 1.50% |
| Bloomberg US TIPS | -0.30% | -1.40% | 1.90% | -1.40% | -0.10% | 2.50% | 2.00% | 2.10% |
| Bloomberg US Corporate High Yield | 1.70% | 1.70% | 5.40% | 9.10% | 3.10% | 3.40% | 4.50% | 4.40% |
| ICE BofAML US 3-Month Treasury Bill | 0.50% | 1.20% | 2.30% | 3.60% | 1.30% | 1.60% | 1.40% | 1.00% |
| ICE BofAML 1-3 Year US Treasury | -0.50% | -0.60% | 1.00% | 0.10% | -1.00% | 0.90% | 0.70% | 0.80% |
| ICE BofAML 10+ Year US Treasury | -0.10% | -2.30% | 3.60% | -7.00% | -11.60% | -0.70% | -1.60% | 1.80% |

¹Source: Oregon State Treasury

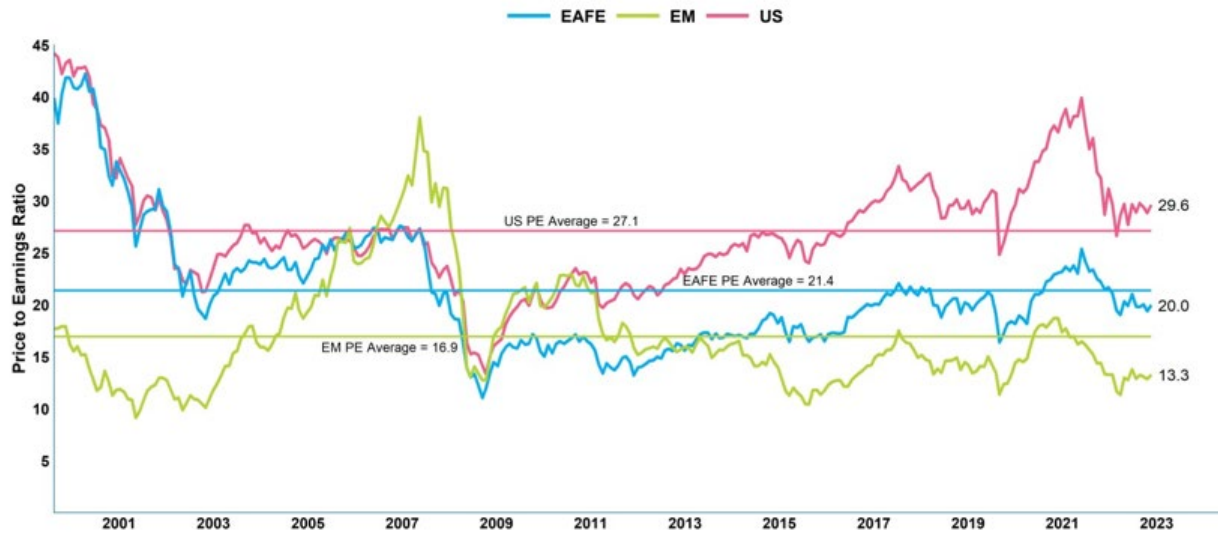
U.S. Equities: The S&P 500 Index rose 8.7% in the second calendar quarter and 16.9% year-to-date. U.S. stocks rose sharply in the second calendar quarter of 2023. Most of the gains came in the month of June when the Fed kept its target rate unchanged for the first time since early 2022. Investors are expressing optimism that the Fed can tame inflation without widespread disruptions to the equity markets. Except for energy and utilities, each sector of the S&P 500 index appreciated during the second calendar quarter. Technology led all sectors and was driven by enthusiasm for growth stocks, particularly those with exposure to artificial intelligence (e.g., NVIDIA). Large cap stocks continue to outperform small cap stocks, driven by technology and the underperformance of small cap biotechnology stocks. Growth stocks continue to broadly outperform value stocks.

International Equities: Developed international equities (MSCI EAFE) rose 3.0% in the second calendar quarter bringing the calendar year-to-date results to +11.7%. Emerging market equities (MSCI Emerging Markets (EM) rose 0.9% in the quarter, rising 4.9% calendar year-to-date. The European and Japanese equity markets continued their strength in June, wrapping up a strong second calendar quarter. In Europe, financials and information technology led returns whereas energy and communication services lagged. Headline inflation was down in June, although core inflation was up slightly month over month. Energy and materials were the main drivers for falling UK equities, along with Bank of England rate hikes. Optimism continues to build for Japanese investors, while the Yen remains weak, and Bank of Japan remains dovish. Emerging markets were laggards as China equities struggled from weak export demands and rising negative sentiments.

Fixed Income: The Bloomberg U.S. Aggregate Index declined 0.4% in the second calendar quarter as debt yields generally rose. Bonds retained a positive start to the calendar year (+2.1% calendar year-to-date) though inflation continues to decline. U.S. Treasury yields generally rose over the month, with the 1-year to 10-year maturity sector rising the most due to higher policy expectations. The Treasury Inflation-Protected Securities (TIPS) index and the short-term TIPS index posted negative returns for the month as inflation concerns continued to ease. Continued risk appetite drove high yield bond performance (1.7%) and outperformance versus the broad U.S. bond market (Bloomberg Aggregate). Emerging market bonds (3.3%) also performed well on investor risk sentiment.

After its dramatic decline last year, the U.S. equity price-to-earnings ratio remains above its long-run (21st century) average. International developed market valuations are below their own long-term average, with those for emerging markets the lowest and well under the long-term average.

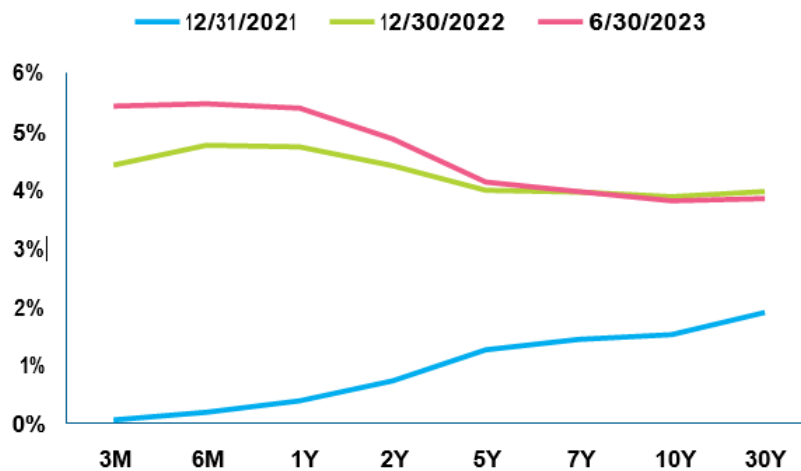
Equity Cyclically Adjusted P/E Ratios¹



¹ US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group. Developed and Emerging Market Equity (MSCI EAFE and EM Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly “as reported” earnings over the previous ten years. Data is as of June 2023. The average line is the long-term average of the US, EM, and EAFE PE values from December 1999 to the recent month-end respectively.

Interest rates have started rising again across the curve given policy maker guidance that policy rates are likely to rise further and potentially stay longer at the terminal rate than market participants expect. The yield curve remains inverted with the spread between two-year and ten-year Treasuries finishing the month at -1.06%.

US Yield Curve¹



¹Source: Bloomberg. Data is as of June 30, 2023

Headline inflation continued to decline in June, with the calendar year-over-year reading falling from 4.0% to 3.0% and coming in slightly below estimates. The month-over-month rate of price increases rose slightly (0.2% versus 0.1%), with food prices ticking up slightly (0.1%) and energy prices rose (0.6%). Core inflation – excluding food and energy - fell (5.3% to 4.9%), coming in slightly above forecasts. It remains stubbornly high driven by shelter costs. Inflation expectations (breakevens) remain well below current inflation as investors continue to expect inflation to track back toward the Fed’s 2% average target.

Global Economic Outlook

Global economies are expected to slow this year compared to 2022, with risks of recession as the impacts of policymakers’ aggressive tightening to fight inflation flow through economies. The delicate balancing act of central banks trying to reduce inflation without dramatically depressing growth will remain key.

In 2022, many central banks aggressively reduced pandemic-era policy support in the face of high inflation, with the U.S. taking the most aggressive approach. Slowing inflation and growth have led to expectations for reductions in policy tightening going forward. In May the Fed raised rates another 25 basis points to a range of 5.0% to 5.25%. After the month-end, the FOMC paused its tightening campaign but hinted that one or two additional rate hikes could come later this calendar year. In China, the central bank has continued to cut interest rates and inject liquidity into the banking system, as weaker than expected economic data appears to indicate a widespread slowdown. Looking ahead, risks remain for a policy error as central banks attempt to balance multiple goals, bringing down inflation, maintaining financial stability, and supporting growth.

Inflation (CPI Trailing Twelve Months)¹



¹ Source: Bloomberg. Data is as of June 30, 2023. The most recent data for Japan and China is as of May 2023.

Inflation pressures continued to decline globally due to the easing of supply chain issues from the pandemic, declining energy prices, and tighter monetary policy. In the U.S., inflation fell to 3.0% at month-end, while eurozone inflation also fell (6.1% from 7.0%) to a level well off its peak. Despite 2023’s significant declines in the U.S. and Europe, inflation levels remain elevated compared to central bank targets. Inflation remains lower in China and Japan. In

China, inflation levels were only slightly above 0% at month-end as the reopening of their economy has led to an uneven economic recovery.

Despite slowing growth and high inflation, the U.S. labor market still shows signs of resiliency. Unemployment in the U.S., which experienced the steepest rise, recently returned to pre-pandemic levels. Broader measures of unemployment (U-6) remain higher at 6.9% but also declined dramatically from their peak. The strong labor market and higher wages, although beneficial for workers, motivates the Fed's efforts to fight inflation, leading to higher unemployment. Unemployment in Europe has also declined but remains higher than the U.S., while levels in Japan have been flat through the pandemic given less layoffs.

The dollar finished 2022 much higher than it started, due to the increased pace of policy tightening, stronger relative growth, and safe-haven flows. Late last calendar year and into this year, the dollar declined, as weaker economic data and lower inflation led to investors anticipating the end of Fed tightening. In June, we did see a slight decline in the dollar though. This year, the track of inflation across economies and the corresponding monetary policies will be key drivers of currency moves.

Summary - Key Trends:

- The impacts of still relatively high inflation will remain key, with bond market volatility likely to stay high.
- Recent issues related to the banking sector seem to have subsided for now but are a reminder that there is a delicate balance for central banks to continue to fight inflation but also to try to maintain financial stability.
- Global monetary policies could diverge in 2023. The risk of policy errors remains elevated as central banks try to reduce persistent inflation while not tipping their economies into recession.
- Growth is expected to slow globally this calendar year, with many economies forecast to tip into recession. Inflation, monetary policy, and the war in Ukraine will all be key.
- In the U.S., consumers could feel pressure as certain components of inflation remain high (e.g., shelter), borrowing costs are elevated, and the job market may weaken.
- The key for U.S. equities going forward will be whether earnings can remain resilient if growth continues to slow.
- Equity valuations remain lower in both emerging and developed markets, but risks remain, including potential continued strength in the U.S. dollar, higher inflation weighing particularly on Europe, and China's sluggish economic reopening and on-going weakness in the real estate sector.

Investment Report – FY23

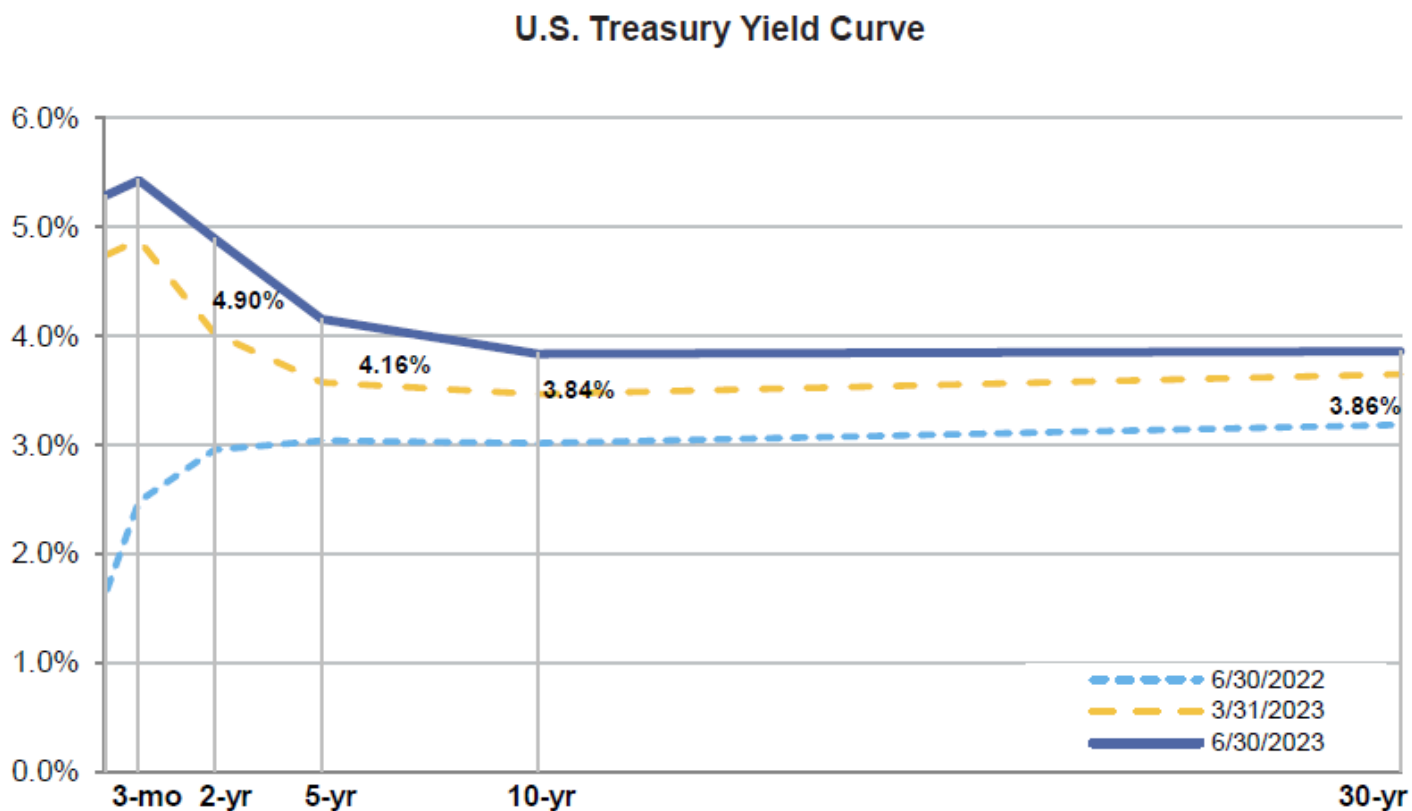


Operating Assets - Public University Fund

| Public University Fund | Portfolio Strategy | Investment Pool/Fund | Investment Objective | Investment Allocation Range | Weighted Average Credit Quality | Weighted Average Maturity | 1 Year Return |
|------------------------|--------------------|------------------------|--|-----------------------------|---------------------------------|---------------------------|---------------|
| Investment Strategy | Liquidity | Oregon Short-Term Fund | Daily liquidity; preservation of capital | 30-45% | AA | 0.42 years | 2.9% |
| | Core | Core Bond Fund | Monthly liquidity; assets in excess of liquidity needs invested into quality fixed income securities for intermediate time horizon | 55-75% | AA | 4.63 years | 0.4% |

Investment Report – FY23

U.S. Treasury Yield Curve



Source: Bloomberg.

Investment Report – FY23



Operating Assets - Public University Fund

| SOU Operating Assets Invested in the Public University Fund | FY2023 | FY2022 | Change |
|--|-------------------|-------------------|-------------------|
| Beginning Market Value July 1 | \$ 20,327,555 | \$ 27,831,312 | \$ (7,503,757) |
| Ending Market Value June 30 | \$ 15,487,074 | \$ 20,327,555 | \$ (4,840,481) |
| Net Investment Earnings | \$ 691,279 | \$ 327,779 | \$ 363,500 |
| Realized Gain/(Loss) | \$ (863,286) | \$ (323,437) | \$ (539,849) |
| Unrealized Gain/(Loss) | \$ (374,954) | \$ (790,851) | \$ 415,897 |
| Investment Yield | 3.4% | 1.3% | 2.1% |
| Total Return | 1.3% | -2.6% | - |

Investment Report – FY23

Endowment Assets



| SOU Endowment Assets | 1 Year | 3 Years | 5 Years | Asset Allocation | Target Asset Allocation |
|--------------------------------------|---------------|----------------|----------------|-------------------------|--------------------------------|
| BlackRock ACWI IMI B - Global Equity | 16.4% | 11.2% | 7.9% | 76.6% | 75.0% |
| Western Asset Core Plus Bond Fund | -0.4% | -4.9% | 0.4% | 23.4% | 25.0% |
| Cash | 2.9% | 1.4% | 1.8% | 0.0% | 0.0% |
| Total SOU Endowment | 12.1% | 7.2% | 6.1% | 100.0% | 100.0% |
| Policy Benchmark | 10.9% | 6.5% | 5.9% | - | - |
| Ending Market Value June 30 | \$ 2,778,366 | \$ 2,846,651 | \$ 2,716,346 | - | - |
| Annual Distribution - 4% Spend Rate | \$ 106,336 | \$ 103,798 | \$ 99,075 | - | - |

Public University Fund Exit for SOU Operating Funds (Action)

Cash and Investment Review

Operating Assets

| SOU Operating Assets - PUF | FY24 Estimate | FY2023 | FY2022 | FY2021 | FY2020 | FY2019 | 5 YR AVG |
|---------------------------------------|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| Average Cash and Investment Balance | \$23.6M | \$21.5M | \$27.3M | \$21.5M | \$23.7M | \$27.3M | \$24.2M |
| SOU Cash Flow Forecast | FY24 Estimate | | | | | | |
| Average 30-day Projected Expenditures | \$11.7M | | | | | | |
| Average 60-day Projected Expenditures | \$22.8M | | | | | | |

| SOU Operating Assets - PUF September 30, 2023 | Book Value | Asset Allocation | Investment Yield |
|--|----------------------|-----------------------------|-----------------------------|
| Oregon Short-Term Fund | \$ 7,186,823 | 29.6% | 4.8% |
| Core Bond Fund | 17,116,945 | 70.4% | 4.3% |
| Total Cash and Investments | \$ 24,303,768 | 100.0% | 4.4% |

Public University Fund - Agreement

- **60-day Cash Balance Requirement:** If the Participating University's cash and investment balances become less than its projected cash outflows for the immediately following 60-day period as shown in the current Cash Flow Forecast, it triggers a daily cash balance review and notice to Participating University.
- **30-day Cash Balance Requirement:** If the Participating University's cash and investment balances in the PUF become less than its projected cash outflows for the immediately following 30-day period as shown in the current Cash Flow Forecast, all automatic sweeps will cease, and the Designated University will commence to liquidate the Participating Universities cash and investment balances.

Operating Assets – Investment Options

Option #1 - Remain invested in the PUF and manage cash flows accordingly

| Pro's | Con's |
|---|---|
| LT benefit from commingling operating assets with OPU's | Misalignment between SOU liquidity needs and PUF asset allocation |
| Efficient administration of cash management program | Requires active monitoring of monthly cash flow due to 30-day cash rule |
| | 30-day liquidity in Core Bond Fund assets and mark to market volatility |

Operating Assets – Investment Options

Option #2 - Provide termination notice to PUF Administrator

- Term of Participation – 180 day written notice to Designated University
- Post PUF liquidation – Oregon Short-Term Fund (OSTF)
- Intermediate-Term Investments – Oregon Intermediate Term Pool

| Pro's | Con's |
|--|---|
| Aligns asset allocation with SOU liquidity needs | PUF Liquidation triggers realized loss ~ \$300K |
| Investment Earnings > PUF near term (1 year) | Investment Earnings < PUF long term earnings (2+ years) |
| Termination allows coordination versus an immediate liquidation from PUF | |
| Simplifies Workday accounting structure for cash management | |

Operating Assets – Financial Impact of Potential Cash Management Changes

| | FY24 Estimate | FY23 |
|---|------------------|-------------------|
| Gross Investment Earnings (PUF) * | \$1,097,400 | \$712,000 |
| Gross Investment Earnings (OSTF) * | \$1,172,920 | \$684,400 |
| OSTF less PUF | <u>\$75,520</u> | <u>(\$27,600)</u> |
| PUF Participation Fees ¹ | \$17,443 | \$20,732 |
| OSTF Fees | \$264 | \$264 |
| USSE Banking and Investment Support Fees ^{2,3} | \$9,655 | \$8,655 |
| Est. net income post cash management changes | \$79,881 | |
| less 180 days PUF fee due to termination | <u>(\$8,722)</u> | |
| Est. net income post cash management changes (Yr 1) | <u>\$71,159</u> | |
| * Based upon assumed average FY24 interest rates (OSTF 4.97%, PUF 4.65%) | | |
| ¹ Includes oversight of cash management, quarterly investment reporting, quarterly earnings distribution, and audit support. | | |
| ² Figure excludes fees for bank reconciliation services. | | |
| ³ Anticipate 20% increase for FY25 banking and investment support fees due to change in responsibilities. | | |

Core Information System Replacement Project Update



Introduction.

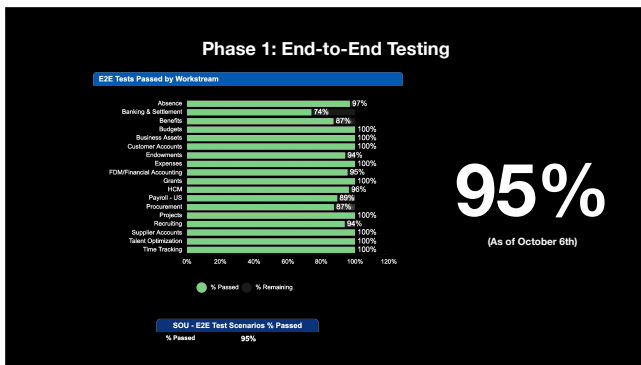
CISR update through October 6.

Information may change by the time of the board meetings.

Phase 1: HCM, Finance, Payroll, Project, Procurement

| | September | October | November | December | January 2024 |
|--------------------|-----------|--------------|---------------------|----------|--------------|
| E2E Testing | Complete | | | | |
| Parallel Payroll 1 | | Started 10/9 | | | |
| Parallel Payroll 2 | | | Starts 10/6 | | |
| Deploy | | | Soft launch Dec. 13 | | |

- The current status of the project is good. The team is keeping pace with the timeline.
- End-to-end testing just wrapped up.
- Parallel payroll testing kicked off on October 9th.
- Deployment activities have just begun.
- First launch using “Gold Tenant” will occur for time entry on December 13th.



- Since the last update, the team has almost fully completed end-to-end testing.
- They have completed the necessary tests to begin parallel payroll testing.
- Huge effort was given by all team members to meet this challenging goal.

Phase 1: Parallel Payroll Testing

2 Payroll Runs
97% Accuracy

- Parallel payroll testing begins on October 9th with Alchemy lead on site with payroll team.
- Two runs will be made— one per month (October and November).
- The goal is to be 97% accurate by the end of the second run.
- Intensity for this testing is extreme.

Phase 2: Student - Pre-Planning

6 Months
3/24 Kickoff

- Pre-planning for Student has begun.
- Project team membership assignments are being made.
- Critical path resources will be identified ahead of time.
- Backfill considerations will be made.
- Training will be made available early for all team members.

2024-2025 Committee Meeting Schedule (Action)

**SOU Board of Trustees
2024-2025 Board and Committee Meeting Schedule**

| MEETING | Academic and Student Affairs | Finance and Administration | Executive, Audit, and Governance | Board of Trustees |
|------------------|---|-----------------------------------|---|--|
| DAY | Third Thursdays | Third Thursdays | Third Fridays | Third Fridays |
| FREQUENCY | Four Times Per Year (and as needed for curriculum approvals) | Six Times Per Year | Four Times Per Year | Five Times Per Year |
| TIME | 12:00-3:30 p.m. | 5:00-7:00 p.m. | 9:30-11:30 a.m. | 12:00-5:00 p.m. |
| | January 18, 2024 | January 18, 2024 | January 19, 2024 | January 19, 2024 |
| | | March 21, 2024 (Budget Focus) | | |
| | April 18, 2024 | April 18, 2024 | April 19, 2024 | April 19, 2024 |
| | | May 16, 2024 (Budget Focus) | | |
| | June 20, 2024* | June 20, 2024* | June 21, 2024* | June 21, 2024* |
| | | | | Retreat September 19, 2024 September 20, 2024 All Day, Time TBD |
| | October 17, 2024 | October 17, 2024 | October 18, 2024 | October 18, 2024 |
| | January 16, 2025 | January 16, 2025 | January 17, 2025 | January 17, 2025 |
| | | March 20, 2025 (Budget Focus) | | |
| | April 17, 2025 | April 17, 2025 | April 18, 2025 | April 18, 2025 |
| | | May 22, 2025 (Budget Focus) | | |
| | June 19, 2025** | June 19, 2025** | June 20, 2025** | June 20, 2025** |
| | | | | Retreat September 18, 2025 September 19, 2025 All Day, Time TBD |
| | October 16, 2025 | October 16, 2025 | October 17, 2025 | October 17, 2025 |

* Meeting occurs the week following SOU Commencement

** 2025 SOU Commencement date to be announced

Future Meetings

Adjournment